CITY OF HOUSTON
HCD Purchasing Unit 3200

SRO NUMBER MUST APPEAR ON ALL PAYMENT AND DELIVERY CORRESPONDENCE

SERVICE RELEASE ORDER

Vendor Address

Vendor Address Number 162327
TEXAS INTER-FAITH HOUSING CORPORATION
3701 KIRBY DRIVE, SUITE 860
HOUSTON TX 77098
USA

Mail Invoice to

COH HOUSING & COMMUNITY DEV
FINANCIAL SERVICES SEC, ACCT PAY
PO Box 1562
HOUSTON TX 77251-1562

Information

SRO Number/Date	**4500342918-0 / 03/04/2021**
CoH Vendor Number	**162327**
Page	**1 of 2**
Buyer's Name	**Teresa Moore 461**
Buyer's Telephone Number	**832.394.6272**
Buyer's Fax Number	
Buyer's E-mail Address	**Teresa.moore@houstontx.gov**

CONFIRM RECEIPT AND ACCEPTANCE OF PURCHASE ORDER TO BUYER'S E-MAIL ADDRESS

Shipping Address HOUSING & COMMUNITY DEVELOPMENT
PROCUREMENT SERVICES
2100 TRAVIS, 9TH FLOOR
HOUSTON TX 77002
USA

Terms of payment : Pay net 30 w/o deduction Currency USD

Shipping Terms FOB(Free on board) /DESTINATION

Our reference: 2021-0208

Your person responsible: JERVON HARRIS

Your reference: 2021-0208

Contract between COH and Texas Inter-Faith Housing Corp.
Funds will be used towards the land acquisition and new development of Dian St. Villas. This project will be a 108-unit podium style affordable rental development serving working families.
Authorized Loan Amount $11,000,000.00 (CDBG-DR17) funds.
Term: Loan Affordability Period 40 yrs.
District C
Effective CS Date
CS Date 04/16/21

Item	Quantity	UM	Material # / Description	Unit Cost	Extended Cost
10	1.00	AU		11,000,000.00 / AU	11,000,000.00
			99884 REAL ESTATE (INCL. B		
			Dian Street Villas		
			Release Order against contract 4600016550 Item 00010		
			03/04/2021 TAM		
			Dian Street Villas		
			Amount: $11,000,000.00		
	Gross Price		USD 1 AU	1.000	11,000,000.00

CITY OF HOUSTON
HCD Purchasing Unit 3200

SRO NUMBER MUST APPEAR ON ALL PAYMENT AND DELIVERY CORRESPONDENCE

SERVICE RELEASE ORDER

PO number/date 4500342918 -0 / 03/04/2021 **Page** 2 of 2

Item	Quantity	UM	Material # / Description	Unit Cost	Extended Cost
			11,000,000.00		
			*** Item partially delivered ***		
			Expected value of unplanned services: 11,000,000.00		
			Delivery Date: 09/30/2021		
Total ****				**USD**	**11,000,000.00**

2021-0208 ORD PASSED 03/24/2021; EXECUTED BY MAYOR 04/16/21
CS DATE 04/16/21

NOTICE -- This is a contract release order against the contract referenced herein. The terms and conditions in the referenced contract are hereby incorporated into this contract release order as if set forth in full text. All work performed pursuant to this contract release order shall be performed in strict accordance with the referenced contract's statement of work/scope of services.

I hereby certify a certificate of the necessity of this expenditure is on file in this department.

I hereby certify that the expenditure for the above goods has been duly authorized and appropriated and that sufficient funds are available to liquidate same.

Mayor **Chief Procurement Officer** **Controller**

RP-2021-222551
04/26/2021 ER $26.00

Prepared by, and after recording return to:

Cassin & Cassin LLP
711 Third Avenue, 20th Floor
New York, New York 10017
Attention: Recording Department

Freddie Mac Loan Number: 506971082
Property Name: Dian Street Villas

County: Harris

ASSIGNMENT OF SECURITY INSTRUMENT

(Revised 4-10-2019)

FOR VALUABLE CONSIDERATION, **CAPITAL ONE, NATIONAL ASSOCIATION**, a national banking association organized and existing under the laws of the United States (**"Assignor"**), having its principal place of business at 2 Bethesda Metro Center, 10th Floor, Bethesda, Maryland 20814, hereby assigns, grants, sells and transfers to the **FEDERAL HOME LOAN MORTGAGE CORPORATION**, a corporation organized and existing under the laws of the United States (**"Assignee"**), having its principal place of business at 8200 Jones Branch Drive, McLean, Virginia 22102, and Assignee's successors, transferees and assigns forever, all of the right, title and interest of Assignor in and to the Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated as of April 21, 2021, entered into by **CSH DIAN STREET VILLAS, LTD.**, a Texas limited partnership (**"Borrower"**) to **JOHN D. HAMMOND**, as Trustee, for the benefit of Assignor, securing an indebtedness of Borrower to Assignor in the principal amount of **$257,000.00** previously recorded in the Office of the County Clerk, Harris County, State of Texas (**"Security Instrument"**), which indebtedness is secured by the property described in Exhibit A attached to this Assignment and incorporated into it by this reference.

Together with the Note or other obligation described in the Security Instrument and all obligations secured by the Security Instrument now or in the future.

RP-2021-222551

IN WITNESS WHEREOF, Assignor has executed this Assignment on April 6, 2021, to be effective as of the effective date of the Security Instrument.

ASSIGNOR:

CAPITAL ONE, NATIONAL ASSOCIATION, a national banking association

By: _____
Name: Randal S. Hering
Title: Vice President

STATE OF TEXAS)
): ss.:
COUNTY OF DALLAS)

BEFORE ME, the undersigned, a Notary Public in and for said County and State, on this day of personally appeared **RANDAL S. HERING,** the **VICE PRESIDENT** of **CAPITAL ONE, NATIONAL ASSOCIATION,** a national banking association, the national banking association that executed the foregoing instrument, known to me to be the person and officer whose name is subscribed to the foregoing instrument, and acknowledged to me that the same was the act of the said national banking association, and that he/she executed the same as the act of such **VICE PRESIDENT** for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 6th day of April, 2021.

Charles Edward Mullins
Notary Public in and for Texas
County of Dallas,
My Commission Expires: 4/29/2023

CHARLES EDWARD MULLINS JR
Notary ID #131993841
My Commission Expires
April 29, 2023

RP-2021-222551

EXHIBIT A

DESCRIPTION OF THE PROPERTY

Unrestricted Reserve "A", Block 1, of DIAN STREET VILLAS, a subdivision in Harris County, Texas, according to the map or plat thereof recorded under Film Code No. 694603, of the Map Records of Harris County, Texas.

RP-2021-222551

RP-2021-222551

Pages 4

04/26/2021 08:12 AM

e-Filed & e-Recorded in the

Official Public Records of

HARRIS COUNTY

TENESHIA HUDSPETH

COUNTY CLERK

Fees $26.00

RP-2021-222551

RECORDERS MEMORANDUM
This instrument was received and recorded electronically and any blackouts, additions or changes were present at the time the instrument was filed and recorded.

Any provision herein which restricts the sale, rental, or use of the described real property because of color or race is invalid and unenforceable under federal law.
THE STATE OF TEXAS
COUNTY OF HARRIS
I hereby certify that this instrument was FILED in File Number Sequence on the date and at the time stamped hereon by me; and was duly RECORDED in the Official Public Records of Real Property of Harris County, Texas.

COUNTY CLERK
HARRIS COUNTY, TEXAS

CONSTRUCTION LOAN AGREEMENT

Dated as of April 21, 2021

BY AND BETWEEN

CAPITAL ONE, NATIONAL ASSOCIATION

("***Lender***")

having an address at
299 Park Avenue, 14th Floor
New York, New York 10171

and

CSH DIAN STREET VILLAS, LTD.

("***Borrower***")

having an address at:

3701 Kirby Drive #860
Houston, Texas 77098

"***Lender's Counsel***":	Greenberg Traurig LLP 1000 Louisiana St, Suite 1700 Houston, Texas 77002, Attn: Wayne A. Yaffee, Esq.

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ARTICLE I

PARTICULAR TERMS AND DEFINITIONS

1.1 As used in this Construction Loan Agreement (this "***Agreement***"), the following terms shall have the respective meanings indicated opposite each of them; where the meaning of any term is stated to be "None", provisions involving the application of that term shall be disregarded as they relate to said term.

"Additional Contributions"	--	$11,152,674.00, which will be wire transferred to Lender from the second and third installments of the equity contributions when due pursuant to the Amended and Restated Agreement of Limited Partnership, and upon satisfaction of the conditions set forth in the Amended and Restated Agreement of Limited Partnership, in connection with payment for costs set forth in the Budget and to repay the Loan.
"Affiliate"	--	With respect to any specified Person, any other Person "Controlling," "Controlled by" or "under common Control with" such specified Person or is a director or officer of such Person or of an Affiliate of such Person.
"Aggregate Change Order Amount"	--	$200,000.00.
"Amended and Restated Agreement of Limited Partnership"	--	The Amended and Restated Agreement of Limited Partnership of Borrower among General Partner, Investor, and Red Stone Equity Manager, LLC, as special limited partner, and any and all amendments thereto dated as of the date hereof, which provides, *inter alia*, for the payment of the Initial Contribution and the Additional Contributions.

"Anti-Corruption Laws" -- All applicable anti-bribery and anti-corruption laws, including the U.S. Foreign Corrupt Practices Act of 1977.

"Anti-Terrorism Laws" -- All laws related to terrorism or money laundering including, without limitation, (a) all applicable requirements of the Currency and Foreign Transactions Reporting Act of 1970 (31 U.S.C. 5311 et. seq., (the Bank Secrecy Act), as amended by Title III of the Patriot Act, (b) the Trading with the Enemy Act, (c) Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 (66 Fed. Reg. 49079), any other enabling legislation, executive order or regulations issued pursuant or relating thereto and (d) other applicable federal or state laws relating to "know your customer" or anti-money laundering rules and regulations.

"Appraised Value" -- The fair market value of the Premises and the Improvements (after adjustment for: rent restrictions (including current HUD utility allowances); the value of the Tax Credits, as determined by Lender, and special tax assessments, if any, as determined by Lender based on its review of the most current appraisal.

"Assignment of Contracts" -- An assignment of all agreements of Borrower including, but not limited to (a) to the extent permitted by law, all agreements between Borrower and Investor pertaining to the purchase and sale of the Tax Credits; (b) the General Contract; (c) the agreement between the Borrower and the Borrower's Architect; (d) the Management Agreement; and (e) the Development Agreement.

"Beneficial Ownership -- A certification regarding beneficial ownership as required by 31 C.F.R.

Regulation"		§1010.230.
"Borrower's Architect"	--	Cross Architects, PLLC or such other person or firm as may be approved by Lender.
"Borrower's Interest in the Premises"	--	Fee simple interest in the Premises.
"Budget"	--	The budget attached hereto as Exhibit A, (and any and all amendments, additions, deletions, supplements and restatements thereof which are specifically approved in writing by Lender) setting forth all of the costs for construction, furnishing and equipping of the Improvements and all related soft costs, as approved by Lender. The Budget shall contain a hard cost contingency of 5% of the total general Construction Contract and a soft cost contingency of all soft costs (less origination fees, interest reserve, developer fee, and capitalized reserve).
"Business Day"	--	Any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the laws of, or are in fact closed, in the State of New York.
"CDBG"	--	Community Development Block Program under the Housing and Community Development Act of 1974, as amended.
"Change Order"	--	Any modification or amendment to the Plans, the General Contract or any subcontract.
"Change Order Amount"	--	$50,000.00.

"City"	--	City of Houston, Texas, a home rule city organized under the laws of the State of Texas.
"City Funded Loan"	--	A loan from the Texas Inter-Faith Housing Corporation, a 501(c)3 non-profit corporation, to the Borrower in the amount of $11,000,000.00 to pay a portion of the costs of acquisition of the Land and construction of the Improvements, and which will accrue interest during the permanent period at 1.0% per annum (no interest will accrue prior to the permanent term) and have a 2-year construction period and a 40-year permanent term (the foregoing loan will be made with the proceeds provided by the Texas General Land Office ("GLO") under the HUD Authority to Use Grant Funds and such loan will be funded from the proceeds of a forgivable loan made by the City to the Texas Inter-Faith Housing Corporation with CDBG disaster relief funds).
"City Funded Loan Documents"	--	All loan agreements, notes, mortgages, and any other agreements, instruments and documents governing, evidencing, or security the City Funded Loan
"City Restrictions"	--	Restrictive Covenants executed by Borrower for the benefit of the City, as amended from time to time
"Code"	--	The Internal Revenue Code of 1986 and regulatory provisions related thereto and any amendment, replacement, supplement or interpretation thereof.

"Collateral"	--	The Mortgage Property, the Contracts under and as defined in the Assignment of Contracts, the collateral under and as defined in (i) the Investor Equity Assignment and Security Agreement and (ii) the Collateral Assignment and all property and interest in property and proceeds thereof now owned or hereafter acquired by the Borrower, and any other Person who has granted a lien or security interest to Lender, in or upon which a lien or security interest is granted, purported to be granted, or now or hereafter exists in favor of the Lender, under any Loan Document.
" Collateral Assignment"	--	The written collateral assignment by the General Partner to Lender of its interests in Borrower.
" Commitment Fee"	--	$151,495.00, payable on the date hereof, and deemed earned in full upon payment of same by Borrower to Lender.
" Completion Date"	--	Twenty (20) calendar months from the date hereof, subject to Unavoidable Delay not to exceed sixty (60) days; provided, however, such date shall never exceed the "placed in service" date as required pursuant to Section 42 of the Code or the date required for completion in the City Funded Loan Documents.
" Construction Collateral"	--	100% payment and performance bonds from a surety with an A.M. Best rating of "A" or higher, naming the Lender as a dual obligee, in form, substance and from an issuer acceptable to Lender.
" Construction Consultant"	--	Hillman Consulting, LLC, or other person or firm designated by Lender.

"Control" -- With respect to any Person, either (a) ownership, directly or indirectly, of more than 50% of all equity interests in such Person or (b) the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies or such Person, through the ownership of voting securities, by contract or otherwise. For purposes of this Agreement, "***Controlled***" and "***Controlling***" shall have meaning correlative hereto.

"Covered Entity" -- As defined in Section 5.1(hh) hereof.

"Critical Path Subcontractors" -- Each of the subcontractors providing services and goods to construct the Improvements for superstructure, including for site utilities, demolition, abatement, excavation, concrete (footing/foundation), footings/foundations, superstructure (steel/concrete, wood framing), plumbing, electrical, and other trades designated by Lender as a Critical Path Subcontractor from time to time in writing. One of the identified subcontractors will also have as a scope of work to bring the conduits/piping to within the building footprint.

"Debt Service Coverage Ratio" -- As defined in the Amended and Restated Agreement of Limited Partnership.

"***Developer***" -- Collectively, Texas Inter-Faith Development, LLC, a Texas limited liability company, and SuperUrban

Realty Ventures, LLC, a limited liability company.

"Development Agreement" -- That certain development agreement between the Borrower and the Developer pertaining to the development of the Premises.

"Direct Costs" -- The aggregate costs of all labor, materials, equipment and fixtures necessary for completion of construction of the Improvements.

"Direct Cost Statement" -- A statement in form approved by Lender of Direct Costs incurred and to be incurred, trade by trade, to be prepared by the General Contractor or Borrower's supervisor of construction if there is no General Contractor.

"Disbursement Agreement" -- An agreement by and among Lender, the Investor and Borrower, which shall be in form and substance acceptable to Lender and Lender's counsel and provide, *inter alia*, that the Investor shall deposit the Additional Contributions with Lender as and when said contributions are due under the Amended and Restated Agreement of Limited Partnership, which are to be disbursed by Lender for the construction of the Improvements and repayment of a portion of the Loan.

"Environmental Report" -- That certain Phase I Environmental Site Assessment, dated January 29, 2021, and prepared by Targus Associates, LLC.

"ERISA" -- The Employment Retirement Income Security Act of 1974, as amended form time to time, and all rules and regulations promulgated thereunder.

"ERISA Affiliate" -- The Borrower and any Person under

common control or treated as a single employer with the Borrower within the meaning of Section 414(b) or (c) of the Code, and solely with respect to Section 412 of the Code (and other provisions of the Code significantly related thereto (e.g., Section 430 through 436 of the Code)), under Section 414(m) or (o) of the Code.

"ERISA Event" -- Any of the following: (a) a reportable event described in Section 4043(b) or (c) of ERISA with respect to an ERISA Plan; (b) the withdrawal of any ERISA Affiliate from an ERISA Plan which could have a material adverse effect on such ERISA Plan; (c) the filing of a notice of reorganization, insolvency or termination under Section 4041 or 4041A of ERISA; (d) the institution of proceedings to terminate an ERISA Plan by the Pension Benefit Guaranty Corporation; (e) the failure to make any required contribution to any ERISA Plan when due; (f) the imposition of a lien under Section 412 or 430(k) of the Code or Section 303 or 4068 of ERISA on any property (or rights to property) whether real or personal of any ERISA Affiliate; (g) the failure of an ERISA Plan or any trust thereunder intended to qualify for tax exempt status; (h) an ERISA Plan is in "at risk status," "endangered status," or "critical status" within the meanings set forth in ERISA; and (i) any other event or condition that constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any ERISA Plan or for the imposition of any liability upon any ERISA Affiliate under Title IV of ERISA other than for contributions to ERISA Plans in the

ordinary course and premiums due but not delinquent.

"ERISA Plan" -- Any plan subject to Title IV of ERISA to which the Borrower or any ERISA Affiliate incurs, or otherwise has, any liabilities.

"Event of Default" -- As defined in Section 6.1 hereof.

"Extension" -- As defined in Section 8.4 hereof.

"Financial Statements" -- Statements of the assets, liabilities (direct or contingent), income, expenses and cash flow of Borrower and the Guarantors, prepared in accordance with the usual practices of Borrower and the Guarantors and consistent with those provided to Lender prior to the date hereof.

"Forward Commitment" -- Freddie Mac's commitment to Lender with respect to the purchase by Freddie Mac from the Lender of the Permanent Mortgage Loan pursuant to Freddie Mac's Multifamily Affordable Housing Forward Commitment.

"General Contract" -- The stipulated sum contract (together with all riders, addenda and other instruments referred to therein as "contract documents") between Borrower and the General Contractor in an amount not to exceed $16,368,931.95 (exclusive of contingency) to provide substantially all labor and materials needed for completion of the Improvements.

"General Contractor" -- Texas Inter-Faith Housing Corporation, a Texas 501(c)3 non-profit corporation, and each other general contractor, whether one or more, engaged by Borrower, and approved in writing by

Lender, to construct the Improvements (it being agreed that Brownstone Construction, Ltd. will be the primary subcontractor for the construction of the Improvements and in such role, will be treated as Contractor for purposes of this Agreement). If Brownstone Construction, Ltd. is not the primary subcontractor, the Lender must approve any other primary subcontractor.

"General Partner" -- CSH Dian Street Villas GP, LLC, a Texas limited liability company.

" Governmental Authorities" -- The United States, the State of Texas, the City of Houston and the County of Harris and any political subdivision, agency, department, commission, board, bureau or instrumentality of any of them, including any local authorities, which exercises jurisdiction over the Premises or the Improvements.

" Governmental Requirements" -- Any present or future (i) federal, state or local laws, rules or regulations and (ii) judicial or administrative interpretation thereof, including any judicial or administrative orders or judgments.

" Guarantors" -- Texas Inter-Faith Housing Corporation, Texas Inter-Faith Development, LLC, SuperUrban Realty Ventures, LLC, General Partner, and Jervon Harris, jointly and severally.

" Guarantys" -- Collectively, the joint and several completion guaranty and the payment guaranty, each executed by the Guarantors, each dated as of the date hereof.

"Guide" -- The Freddie Mac Multifamily

Seller/Servicer Guide in its present form and as amended, modified, supplemented, or reissued from time to time

"Hazardous Materials" -- Asbestos, polychlorinated biphenyls and petroleum products, and any other hazardous or toxic materials, wastes and substances (including, but not limited to, toxic mold) which are defined, determined or identified as such in, or subject to, any present and future federal, state or local laws, rules or regulations and judicial or administrative interpretation thereof, including any judicial or administrative orders or judgments.

"HUD" -- The United States Department of Housing and Urban Development.

"Improvements" -- The 108-unit mixed-income residential rental project, consisting of one mid-rise residential building, to be known as Dian Street Villas, to be constructed on the Land with the proceeds of the Note, the City Funded Loan, and the Additional Contributions, and substantially in accordance with the Plans. Ten (10) units will be set aside for households with incomes of 30% or less of area median income, thirty-nine (39) units will be set aside for households with incomes of 50% or less of area median income, and forty-seven (47) units will be set aside for households with incomes of 60% or less of area median income. Twelve (12) of the units will be market rate units and not subject to any income or rent restrictions.

"Indemnitors" -- Collectively, jointly and severally, Borrower and Guarantors.

"Indemnity"	--	An agreement from the Indemnitors, whereby, among other things, Lender is indemnified against damage, loss, cost, liability or expense suffered by Lender as a result of any Hazardous Materials at the Premises.
"Indirect Costs"	--	Certain costs (other than Direct Costs) of construction of the Improvements, including but not limited to, architects', engineers' and Lender's attorneys' fees, ground rents, interest on the Note and recording taxes and title charges in respect of building loan mortgages, real estate taxes during construction, water and sewer rents during construction, survey costs, loan commitment fees, insurance and bond premiums and other non-construction costs.
"Indirect Cost Statement"	--	A statement in form approved by Lender of Indirect Costs incurred and to be incurred, to be prepared by Borrower.
"Initial Advance"	--	The first advance of proceeds of the Loan to be made hereunder.
"Initial Contribution"	--	A first equity contribution from Investor in the amount of $2,027,759.00.
"Intercreditor Agreement"	--	Intercreditor Agreement among the City, Borrower, and Lender, and relating to the relative priorities of the Loan and the City Funded Loan
"Investor"	--	Red Stone Equity-Fund 73 Limited Partnership.
"Investor Equity Assignment and Security Agreement"	--	The written agreement between Borrower and Lender, dated the date hereof, whereby Borrower, among other things, assigns its rights to the capital contributions made by Investor to Lender.

"L/C"	--	Defined in Section 7.1(m) hereof.
"L/C Documents"	--	Defined in Section 7.1(m) hereof.
"Lender's Counsel"	--	Greenberg Traurig LLP, or any other counsel designed by Lender from time to time.
"Lender's Financial Reporting Requirements"	--	Defined in Section 5.2(rr) hereof.
"Loan"	--	The loan from Lender to Borrower pursuant to the terms of this Agreement in an aggregate amount not to exceed $15,149,457.00.
"Loan Budget Amounts"	--	The Loan as set forth on the Project Cost Statement, to be advanced for each category of costs associated with the construction of the Improvements.
"Loan Documents"	--	Collectively, the Note, this Agreement, the Mortgage, the Guaranty, the Indemnity, the Disbursement Agreement, Collateral Assignment, the Investor Equity Assignment and Security Agreement, the Intercreditor Agreement, and any other document evidencing, securing, guaranteeing payment of or otherwise relating to the Loan.
"Loan To Value Ratio"	--	The ratio calculated by dividing (i) the outstanding principal balance and accrued but unpaid interest on the Note by (ii) the Appraised Value
"LURA"	--	The Land Use Restriction Agreement to be executed with the Credit Agency with respect to the Tax Credit
"Major Subcontractor"	--	Any single subcontractor or materialman who enters into a contract or contracts with the General Contractor or the Borrower in connection with construction of the Improvements, for (i)

the following trades: earthwork/underpinning, pilings, cast in place concrete, foundations, drainage, paving, utilities, drywall, wood/wall/floor/roof framing and sheathing, elevators and hoist, plumbing, HVAC, roofing and electrical, or (ii) any other subcontractor or materialman whose contract is in an amount equal to or greater than $100,000.

"Manager" -- Texas Inter-Faith Management Corporation.

"Management Agreement" -- That certain agreement between Borrower and Manager pertaining to the management of the Premises.

"Marketing Plan" -- The written plan from the Manager, dated the date hereof, whereby the Manager agrees, *inter alia*, to assume or perform certain specified responsibilities and activities consistent with the Marketing Plan with respect to leasing of the units to tenants who qualify pursuant to the terms of the Amended and Restated Agreement of Limited Partnership.

"Maturity Date" -- The date of the maturity of the obligations set forth under the terms and provisions of the Note, as such maturity date may be extended pursuant to the terms of this Agreement or as otherwise agreed by the Lender in its sole and absolute discretion.

"Mortgage" -- The Multifamily Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing made by Borrower to Lender in the

aggregate maximum principal amount of the Loan, securing the Note.

"Mortgaged Property" -- The Premises and other property constituting the "Mortgaged Property," as said quoted term is defined in the Mortgage.

"Note" -- The Construction Loan Note made by Borrower to Lender in the aggregate amount of the Loan and secured by the Mortgage.

"Patriot Act" -- USA Patriot Act of 2001, 31 U.S.C. Section 5318

"Permanent Mortgage Loan Commitment" -- The Lender's (on its own behalf or through its affiliate, as the Seller/Servicer) commitment to Borrower, with respect to the Permanent Mortgage Loan, to provide for, among other things, (i) a permanent mortgage loan to be made on behalf of Freddie Mac of at least $5,140,000.00 (assuming a 35-year amortization, a Loan to Value of 85%, a 90% occupancy, and an assumed debt service coverage ratio of 1.15 to 1.0), or such lesser amount as Borrower may elect and Lender may consent to (referred to herein as the "Permanent Mortgage Loan"), and (ii) the Permanent Mortgage Loan being funded upon the satisfaction of other certain terms and conditions provided for in the Permanent Mortgage Loan Commitment.

"Permitted Contest" -- A contest by Borrower by appropriate legal proceedings, promptly initiated and conducted in good faith and with due diligence, as to the amount or validity or application in whole or in part of liens of any mechanics, materialmen and similar liens provided that (i) no

Event of Default has occurred and remains uncured; (ii) such proceeding shall be permitted under and be conducted in accordance with the provisions of any other instrument to which Borrower is subject and shall not constitute a default thereunder and such proceeding shall be conducted in accordance with all applicable statutes, laws and ordinances; (iii) the Borrower's Interest in the Premises nor any part thereof or interest therein will be in imminent danger of being sold, forfeited, terminated, cancelled or lost; (iv) Borrower shall promptly upon final determination thereof pay or cause the payment of the amount of any such mechanics, materialmen or similar liens, together with all costs, interest and penalties which may be payable in connection therewith; (v) such proceeding shall suspend the collection of such contested any mechanics, materialmen or similar liens from the Borrower's Interest in the Premises; and (vi) Borrower shall furnish or cause to be furnished such security as may be required in the proceeding, or as may be required by Lender (which may be in the form of cash), to insure the payment of any such mechanics, materialmen and similar liens, together with all interest and penalties thereon.

"Person" -- Any individual, sole proprietorship, corporation, general partnership, limited partnership, limited liability company or partnership, joint venture, association, joint stock company, bank, trust, estate, unincorporated organization, any federal, state, county or municipal government (or agency or political subdivision thereof), endowment fund

or any other form of entity.

"Plans" -- All final drawings, plans and specifications prepared by Borrower, Borrower's Architect or the General Contractor or Major Subcontractors, and approved by Lender and the Construction Consultant, which describe and show the labor, materials, equipment, fixtures and furnishings necessary for the construction of the Improvements, including all amendments and modifications thereof made by approved Change Orders or required by applicable Governmental Authorities (and also showing minimum grade of finishes).

"Premises" -- The fee simple estate in real property located at 1433 Dian Street, Houston, TX 77008 as described on Schedule A hereto, upon all or part of which the Improvements are to be constructed.

"Project Cost Statement" -- A statement in form approved by Lender setting forth, by category, the hard costs and soft costs of completion of the Improvements, which constitutes the Budget.

"Related Person" -- With respect to any Person, each Affiliate of such Person and each director, officer, employee, agent, trustee, representative, attorney, accountant and each insurance, environmental, legal, financial and other advisor (including those retained in connection with the satisfaction or attempted satisfaction of any condition set forth in Article II) and other consultants and agents of, or to such Person or any of its Affiliates.

"Requisition" -- A statement by Borrower in form of Exhibit E hereto setting forth the amount of the advance of proceeds of the Loan requested in each instance and including:

(i) the Direct Cost Statement and Indirect Cost Statement;

(ii) AIA Form G702 Application and Certificate for Payment- (notarized and certified by the Architect);

(iii) AIA Form G703, supporting the G702 Values;

(iv) (1) a conditional lien waiver from the General Contractor (and the primary subcontractor) with repect to the current pending Requistion, (2) a conditional lien waiver from all Major Subcontractors to be paid with the proceeds of the Requisiton (in an amount which in an amount that ties to the current billings from Major Subcontractors), (3) an unconditional lien waiver from the General Contractor (and the primary subcontractor) with respect to the immediately preceding Requisition, and (4) an unconditional lien waiver for each Major Subcontractor paid from the the proceeds of the immediately preceding Requisition with respect to that Requisition (all lien waivers derscribed in (1)-(4) shall be on the applicable Texas statutory form);

(v) proof of payment of all Indirect Costs covered by a previous Requisition; and

(vi) The supporting documentation listed in Exhibit "G" attached hereto.

"Requisition Authorization Statement"	--	A statement by Borrower in Lender's standard form setting forth the name and containing the signature of each person authorized to execute Requisitions under this Agreement on Borrower's behalf.
"Retainage"	--	A sum equal to the greater of (i) 10% of any advance of the Direct Costs as part of the construction of the first 50% of the Improvements, as verified from time to time by the Bank's Construction Consultant pursuant to the provisions of this Agreement (no Retainage shall be required for any advance of the Direct Costs as part of the construction of the last 50% of the Improvements) or (ii) the amount that is actually retained by Borrower from any advance of the Direct Costs. Notwithstanding the foregoing or anything herein to the contrary, no Retainage shall be relased at 50% completion.
"Sanctioned Country"	--	At any time, a country or territory that is subject to, or target of, Sanctions.
"Sanctioned Person"	--	At any time, any Person listed in any list of designated Persons or otherwise subject to any limitations or prohibitions (including, but not limited to, the blocking of property or rejection of transactions), under any Sanctions program.
"Sanctions"	--	Economic or financial sanctions or trade embargos or controls imposed, administered or enforced from time to time by the U.S. government, including the Office of Foreign Assets Control, the U.S. Department of State, U.S. Department of Commerce, or U.S.

Department of Justice, or the United Nations Security Council, the European Union, Her Majesty's Treasury or any other relevant sanctions authority.

"Shortfall Amount" -- Defined in Section 7.1(c)(ii)(w) hereof.

"Shortfall Letter of Credit" -- Defined in Section 7.1(c)(ii)(y) hereof.

"Shortfall Payment" -- Defined in Section 7.1(c)(ii)(w) hereof.

"Single Purpose Entity" -- With respect to the Borrower, the designation given to such term in the Mortgage resulting from compliance with the requirements set forth therein, and with respect to the general partner or managing member of the Borrower, the designation resulting from compliance with such requirements, mutatis mutandis, in respect of the general partner or managing member's role acting exclusively with respect to the affairs of the Borrower.

"Stored Materials" -- Defined in Section 2.5 hereof.

"Stored Material Amount" -- $275,000.00

"Stored Materials Statement" -- A statement attached to the Requisition which, if advances are to be made for stored materials pursuant to Section 2.5 hereof, shall be prepared by the Borrower or General Contractor as part of the Requisition associated with such advances.

"Tax Credits" -- A reservation of low income housing credits of not less than $1,461,594.00 per annum for a period of not less than ten (10) years in connection with which the Premises must be "placed in service" pursuant to Section 42 of the Code no later than December 31, 2022.

" Title Insurer"	--	First American Title Insurance Company or any other issuer(s) approved by Lender which is issuing the title insurance policy or policies insuring the lien of the Mortgage.
" Total Tax Credit Equity Commitment"	--	The commitment by Investor to provide an equity contribution to Borrower in an aggregate amount of not less than $13,518,393.00, subject to the terms of the Amended and Restated Agreement of Limited Partnership.
" Unavoidable Delay"	--	Any delays due to strikes or similar labor disputes, acts of God, governmental restrictions or unanticipated material changes of laws or regulations, unavailability of labor and/or materials, enemy action, civil commotion, acts of terrorism, fire, unavoidable casualty, unusually adverse weather conditions, or other causes beyond the reasonable control of Borrower; provided, however, that neither the failure of Borrower to fulfill the requirements to receive an advance hereunder nor the lack of Borrower's funds shall be deemed a cause beyond the reasonable control of Borrower.

(End of Article I)

ARTICLE II

LOAN ADVANCES

2.1 Subject to the provisions of this Agreement, Lender will advance and Borrower will accept installments of the Loan as follows:

The Initial Advance will be made upon the satisfaction of the applicable conditions set forth in Article III hereof, and all subsequent advances shall be made no more frequently than monthly thereafter within not less than ten (10) Business Days of receipt of such Requisition, and upon the satisfaction of the applicable conditions set forth in Article IV and Article VIII hereof and otherwise set forth in this Agreement, in amounts which shall be equal to the aggregate of the Direct Costs and Indirect Costs incurred by Borrower through the end of the period covered by the Requisition, less:

(a) the Retainage; and

(b) the total of the Loan advances theretofore made;

and, at the election of Lender, less any costs covered by the Requisition not approved, certified or verified as provided in Section 2.2 hereof, any Indirect Costs covered by a previous or the current Requisition for which any requested proof of payment has not been received by Lender, and/or any Direct Costs covered by a previous or the current Requisition for which any requested payment receipts, in form and substance satisfactory to Lender, have not been received by Lender and the Construction Consultant; and

(c) an amount equal to the applicable portion of the Initial Contribution or the Additional Contributions to be disbursed contemporaneously with the applicable advance of the Loan.

2.2 Direct Costs are to be certified by the General Contractor and the Borrower's Architect and must be in accordance with the Direct Cost Statement. Verification of the monthly progress and Direct Costs which have been incurred by Borrower from time to time, and the estimated total Direct Costs, shall be reasonably determined by the Construction Consultant, except that both Direct Costs and Indirect Costs are also subject to reasonable approval and verification by Lender from time to time. Other than strictly as described in Section 2.5 hereof, advances for Direct Costs shall be made only to the extent that the work is actually completed in accordance with the Plans and is in place and approved by the Construction Consultant and Lender.

2.3 All advances to Borrower are to be made at Lender's office stated on the cover page hereof or at such other place as Lender may designate and shall be deposited via wire transfer or other transfer of same day funds into the Borrower's construction account with the Lender. Requisitions shall be received by Lender at least ten (10) Business Days prior to the date of the requested advance of any proceeds of the Loan. Lender shall have no obligation to authorize advances of the proceeds of the Loan more frequently than once per calendar month.

2.4 Amounts, including Retainage, not advanced pursuant to Section 2.1(a) hereof during the course of construction of the Improvements shall be advanced upon the satisfaction of all of the conditions set forth in Section 4.2 hereof. Loan Budget Amounts for Indirect Costs not advanced prior to completion of construction of the Improvements shall be advanced until exhausted, not more frequently than once a month, for Indirect Costs as incurred after such completion.

2.5 Lender shall make, at its option, advances, in such amounts as Lender shall approve, for building materials (the "***Stored Materials***"), approved by Lender, which have been purchased by Borrower and stored on site prior to incorporation in the Improvements, or stored off site in a bonded public warehouse or in such other storage facility as is satisfactory to Lender. Funding for Stored Materials on site is subject to confirmation by the Lender's Construction Consultant that the materials are suitably stored, and are of a quantity and value that substantiate the amount requested for them. Funding for Stored Materials off site is subject to the following provisions:

(i) said Stored Materials are fully insured to Lender's satisfaction (in transit and while in storage) and will be incorporated into the Improvements within sixty (60) days of the purchase of the same,

(ii) Lender shall have received evidence, satisfactory to Lender, that the Stored Materials are stored in a facility that is insured (and if applicable, bonded),

(iii) the Stored Materials are marked and segregated from all other items stored in such bonded public warehouse or storage facility,

(iv) Lender and the Borrower shall have entered into a security agreement, in form and substance satisfactory to Lender, covering the Stored Materials and Lender shall have been provided with a satisfactory first chattel lien with respect thereto,

(v) the Borrower shall provide to Lender the name, address and location in which any Stored Materials will be stored,

(vi) Lender shall have received a copy of the applicable General Contractor's Requisition invoicing for the Stored Materials with their assigned value detailed on the AIA form G702; Lender and Construction Consultant shall have received copies of invoices or purchase orders for the Stored Materials that include date of order/purchase, name of supplier, name of purchaser, project for which materials/equipment have been purchased, detailed list of materials/equipment purchased that includes quantity, unit cost, total cost including, but not limited to, taxes, shipping, amount paid and/or payment terms, and if applicable, the shipping date and shipping address,

(vii) Lender shall have received evidence, satisfactory to Lender, that the Borrower holds title (including, but not limited to, a bill of sale) to the Stored Materials free and clear of all liens and encumbrances, and any warehouseman's receipt or similar document, for the Stored Materials,

(viii) Lender shall have received a copy of the General Contractor's Requisition invoicing for the Stored Materials evidencing that they are for the Improvements,

(ix) Lender shall have received photographs of the Stored Materials in the storage location, showing (a) that the storage facility is the one identified in the documents provided, (b) what the Stored Materials are, (c) that the Stored Materials segregated from other items stored in the facility and/or from other inventory, (d) that the Stored Materials are identified as being for the Improvements; and (e) that the quantities stored are consistent with what is shown on the General Contractor's Requisition invoicing for the Stored Materials,

(x) Lender shall have received a written explanation of why the materials need to be paid for in advance and stored off site, which explanation shall demonstrate that there is a sound construction and/or business rationale for doing so,

(xi) if the Stored Materials are stored in a facility other than a bonded public warehouse, then the Stored Materials must be protected against theft and vandalism to Lender's satisfaction,

(xii) the Stored Materials shall be made available to be inspected by the Construction Consultant and Lender,

(xiii) the Construction Consultant and Lender shall have the right to visit any and all facilities in which any Stored Materials are held to verify the presence and status of the Stored Materials and document them with photographs. The Borrower will provide advanced notice of the storage locations applicable to what is requested on the General Contractor's Requisition so the inspections can be scheduled during reasonable business hours and completed in a timely manner. The Borrower will make arrangements for full access to the Stored Materials once the Construction Consultant and/or Lender have provided reasonable notice to Borrower and/or General Contractor of when the inspections will occur, and

(xiv) the aggregate amount of the Loan which shall be outstanding for all the Stored Materials shall not at any time exceed the Stored Material Amount.

Lender reserves the right to engage a third party consultant at the Borrower's expense to (i) visit the storage location and confirm the Stored Materials are in place as represented, (ii) review the documentation, (iii) take the required photographs, and (iv) provide the Lender their opinion on whether the amount requested for the Stored Materials is appropriate.

Notwithstanding anything to the contrary contained herein, all of the materials and information to be delivered to Lender and the Construction Consultant pursuant to this Section 2.5, shall accompany the applicable Requisition requesting the disbursement of funds for the acquisition of Stored Materials.

2.6 After the occurrence and during the continuation of an Event of Default hereunder (provided that in no event shall Lender have any obligation to accept a cure of an Event of Default), Lender may, in its absolute discretion, accelerate all or any portion of the amounts to be advanced hereunder or cease to fund any amounts hereunder, all without regard to Borrower's satisfaction of the conditions to its entitlement to Loan proceeds and no Person dealing with Borrower or the General Contractor or any other Person shall have standing to demand any different performance from Lender. Furthermore, after the occurrence and during the continuation of an Event of Default hereunder (provided that in no event shall Lender have any obligation to accept a cure of an Event of Default), Lender may elect to make any and all advances for payments due to the General Contractor (or any subcontractors and suppliers) direct to the General Contractor (and/or any such subcontractors and/or suppliers). For these

purposes, Borrower does hereby irrevocably make, nominate, constitute and appoint Lender, in its place and stead acting through any of its directors or officers, as Borrower's true and lawful agent and attorney-in-fact with full power of substitution, to make sure advances directly to the General Contractor, any subcontractor or supplier, which power of attorney shall be an irrevocable power of attorney coupled with an interest which cannot be revoked. No further direction or authorization from Borrower shall be necessary to warrant such direct construction advances, and all such advances shall satisfy pro tanto the obligations of Lender and shall be secured by the Mortgage as fully as if made by Borrower, regardless of disposition thereof by the General Contractor, subcontractors or suppliers. In addition, Lender shall have the right to make said advances through the Title Insurer.

2.7 If, at any time, the Borrower shall request that the undisbursed balance of the Loan Budget Amounts for any category of cost shown on the Project Cost Statement be reallocated to another category of cost, Lender shall consent to such reallocation (i) if, in Lender's sole discretion, the undisbursed balance of the Loan Budget Amounts for such category of cost is excessive, and the undisbursed balance of the category of cost to which the funds shall be reallocated is insufficient and (ii) provided that any reallocation of Loan Budget Amounts pursuant to this Section 2.7 will not have the effect of reducing the net sum which the Borrower estimates will be available to it from the Loan to pay contractors, subcontractors, laborers, materialmen and suppliers for the Improvements or have any other adverse effect upon the Loan.

2.8 Borrower hereby irrevocably authorizes Lender to disburse proceeds of the Loan to pay interest accrued on the Note as it comes due, or to satisfy any of the conditions of this Agreement, including, without limitation, the payment of the reasonable fees and expenses of the Construction Consultant actually incurred, notwithstanding that the Borrower may not have requested authorization of the release of such amounts and whether or not an Event of Default is continuing under this Agreement (it being acknowledged that in no event shall Lender have any obligation to accept a cure of an Event of Default). The authorization granted hereby shall not prevent the Borrower from paying interest, or satisfying said conditions, from its own funds and shall in no event be construed so as to relieve the Borrower from its obligation to pay interest as and when due under the Note, or to satisfy said conditions, or to obligate the Lender to advance proceeds of the Loan for the payment of interest or the satisfaction of said conditions. Notwithstanding anything to the contrary contained herein, at such time as the Borrower commences leasing of the Improvements, interest on the Loan and operating expense of the Mortgaged Property shall be paid from cash flow from the Improvements to the extent there is sufficient cash flow to do so and the remainder of the interest payments shall be made from the proceeds of

the Loan (to the extent of any remaining interest reserve in the Project Cost Statement) to the extent available for payment of interest on the Loan; provided, however, that Borrower, at its option, may escrow the cash flow in an account maintained at and pledged to Lender, and the interest reserve made of the proceeds of the Loan shall pay interest and at such time as such reserve is no longer available, the cash flow deposited in said account shall be used to pay interest on the Loan. Furthermore, the parties acknowledge and agree that until such time as the Loan is repaid.

2.9 Lender shall have no obligation to fund any portion of the Loan unless and until it has received the portions of the Additional Contributions when due pursuant to the Amended and Restated Agreement of Limited Partnership and Borrower has received the funds from the City Funded Loan (net of required retainage), all of which shall be disbursed during construction for those line items set forth in the Budget and in accordance with the funding schedule agreed upon by Lender (which shall, in any event, reflect the City Funded Loan (net of required retainage) being advanced prior to the Loan).

2.10 In the event that any other sources of financing are not available for disbursement when required pursuant to the Budget and proceeds of the Loan are advanced to fund items that would otherwise have been funded with the other sources of financing, at the sole discretion of Lender, the proceeds of such other sources of financing, once received, will be deposited with Lender and disbursed as part of the next requested draw before any other source, including the Loan; provided, however, that in no event shall Lender have any obligation to so advance the Loan to the extent that such items are not permitted to be funded from such other financing sources

2.11 Lender shall have no obligation to fund any portion of the Loan until such time as the Requisition is fully approved by Lender and Construction Consultant.

(End of Article II)

ARTICLE III

CONDITIONS PRECEDENT TO LENDER'S OBLIGATION TO MAKE THE INITIAL ADVANCE

3.1 Lender shall not be obligated to make the Initial Advance until the following conditions shall have been satisfied by Borrower:

(a) Lender shall have received and approved the items specified in Section 3.2 below;

(b) The Construction Consultant shall have received and approved the items specified in Section 3.3 below;

(c) Lender's Counsel shall have received and approved the items specified in Section 3.4 below;

(d) Lender and the Investor and the City, shall each have approved the Plans, the Environmental Report, the state of title to the Premises reflected in the title policy insuring the Mortgage, the survey and such other documents required by Lender and the Investor;

(e) The representations and warranties made in Article V hereof shall be true and correct on and as of the date of the Initial Advance with the same effect as if made on such date;

(f) The Improvements, if any, shall not have been injured or damaged by fire or other casualty unless Lender shall have received insurance proceeds sufficient in the judgment of the Construction Consultant to effect the satisfactory restoration of the Improvements and to permit completion of the Improvements prior to the Completion Date;

(g) There shall exist no default beyond any applicable periods of notice and grace under the Mortgage or any other document entered into in connection with the Loan, irrespective of whether or not the same shall constitute an Event of Default thereunder;

(h) Lender shall have received and approved the Permanent Mortgage Loan Commitment and the Forward Commitment;

(i) Lender shall have received and approved copies of the City Funded Loan Documents and an original fully executed Intercreditor Agreement;

(j) Lender shall have received evidence satisfactory to Lender that the Initial Contribution, a portion of the Additional Contributions, and the

proceeds of the City Funded Loan (net of required retainages) will be available for funding the construction of the Improvements and related costs.

3.2 The items to be received and approved by Lender prior to the Initial Advance shall be:

(a) The Commitment Fee, to be retained by Lender whether or not any advances are made under this Agreement;

(b) An appraisal, in form, substance and amount, and from an appraiser, satisfactory to Lender showing a Loan To Value Ratio to be no more than eighty percent (80%);

(c) Current Financial Statements and such other financial data as Lender shall reasonably require including, but not limited to, financial statements of Borrower and the Guarantors, and audited financial statements of the General Contractor, together with evidence that there has occurred no material adverse change in the financial condition reflected therein between the respective dates thereof and the date hereof. In lieu thereof, Lender may accept the delivery of draft financial statements of the same, which said draft financial statements shall be subject to the satisfactory review and approval of Lender in Lender's sole discretion. Financial Statements of the Borrower shall be prepared on a consolidated basis, with a statement of consolidation starting in 2020 (beginning in 2021, such statements shall be unqualified). With respect to any Financial Statements of the General Contractor or any Guarantor that had been certified by an independent certified public accountant when initially provided to Lender, such Financial Statements shall be accompanied by a certificate of the General Contractor's or such Guarantor's, as may be applicable, independent certified public accountant acceptable to Lender stating that there has occurred no material adverse change in the financial condition reflected therein of the General Contractor or the Guarantor, as may be applicable, between the date of the Financial Statements and the date hereof;

(d) Advice from the Construction Consultant to the effect that (i) the Plans have been approved by said Construction Consultant and by Governmental Authorities, (ii) the Improvements as shown by the Plans will comply with applicable zoning ordinances and regulations, (iii) a General Contract is in effect which satisfactorily provides for the construction of the Improvements, (iv) all roads and utilities necessary for the full utilization of the Improvements for their intended purposes have been completed or the presently installed and proposed roads and utilities will be sufficient for the full utilization of the Improvements for their intended purpose, (v) the construction of the Improvements theretofore performed, if any, was performed in accordance with the Plans and will be finished along with all necessary roads and utilities on or

before the Completion Date, and (vi) the cost of constructing the Improvements shall not exceed the total development costs;

(e) A zoning opinion or other evidence satisfactory to Lender, the Construction Consultant and Lender's Counsel as to the zoning for the Improvements, including evidence that the Improvements will include adequate parking as required by the applicable zoning ordinances;

(f) A copy of the General Contract (or related primary subcontract) and a copy of Borrower's agreement with Borrower's Architect, together with agreements from the General Contractor (and the primary subcontractor) and the Borrower's Architect consenting to the assignment of the General Contract and plans and specifications prepared by the General Contractor (or the primary subcontractor, as the case may be) and Borrower's Architect, as applicable, to Lender;

(g) The policies of fire, hazard, builder's risk, workman's compensation and liability insurance required by the Mortgage, including flood insurance, if applicable (together with evidence of the payment of the premiums therefor for at least one full year from the date hereof) which policies will name "Capital One, National Association" as additional insured/loss payee and will contain an endorsement specifically providing that, in the case of any damage, all insurance proceeds will be paid to Lender so long as it certifies to the insurer that the unpaid principal amount of the Mortgage exceeds the proceeds of insurance and if no flood insurance is applicable, evidence that the Premises are not located in an area that has been identified by the Secretary of Housing and Urban Development as an area requiring special flood insurance;

(h) The building permits required for the construction of the Improvements;

(i) A progress schedule or chart showing the interval of time over which each item of Direct Cost is projected to be incurred or paid;

(j) The Project Cost Statement;

(k) A Requisition for the Initial Advance, together with, if requested by Lender, proof of payment of any Indirect Costs included therein;

(l) The Environmental Report, which much be dated within six (6) months of the date hereof;

(m) Evidence that, except as set forth on the Environmental Report, the Premises and the Improvements thereon are not currently and have not been subject to Hazardous Materials, which evidence shall include, without limitation,

at the Borrower's or Guarantors' expense, a detailed report and certification by a properly qualified engineer, which shall include, inter alia, a certification that such engineer has obtained and examined the list of prior owners, tenants and other users, and has made an on-site physical examination of the Premises, and a visual observation of the surrounding area, and has found no evidence of past or present Hazardous Materials activities or the presence of Hazardous Materials. Lender agrees that the Environmental Report satisfies each of the requirements set forth herein;

(n) The Indemnity;

(o) Each Guaranty;

(p) Evidence that the Initial Contribution has been expended for costs approved by Lender or has been made and deposited with Lender;

(q) A projection of when the Additional Contributions are to be made and deposited with Lender;

(r) The Investor Equity Assignment and Security Agreement;

(s) Amended and Restated Agreement of Limited Partnership, and all amendments and modifications thereto, and copies of any notes, guaranties and other instruments and agreements issued or executed pursuant thereto, all in form and substance satisfactory to Lender;

(t) The Collateral Assignment;

(u) The Total Tax Credit Equity Commitment;

(v) The Budget, together with a third party plan and cost review performed by a third party acceptable to Lender which shall, among other things, verify the adequacy of the Budget;

(w) The management plan, the Management Agreement and an assignment and subordination agreement thereof;

(x) The Marketing Plan;

(y) The Development Agreement and an assignment and subordination agreement thereof;

(z) Evidence that City Funded Loan has closed on terms satisfactory to Lender and fully funded (net of required retainages) prior to the Loan and Lender shall have received copies of the City Funded Loan Documents

in form and substance satisfactory to Lender and the original Intercreditor Agreement;

(aa) The Permanent Mortgage Loan Commitment and the Forward Commitment;

(bb) The Construction Collateral;

(cc) A market and feasibility study;

(dd) A pro-forma operating statement for the Premises and Improvements;

(ee) Lender must be satisfied that the Mortgage will be duly recorded as a first priority lien against the Mortgaged Property. Lender's security interest in all fixtures and personal property covered by the Mortgage, and in all collateral covered by the Collateral Assignment, must be a duly perfected first priority lien;

(ff) The deed evidencing Borrower's Interest in the Premises;

(gg) The Borrower shall deliver a Beneficial Ownership Certification;

(hh) A construction schedule showing the projected timeline of construction and a draw schedule showing the projected timeline of the Loan advances to fund construction of the Improvements; and

(ii) If and to the extent applicable, evidence satisfactory to Lender that a real estate tax abatement acceptable to the Lender will be available for the Premises and the Improvements.

3.3 The items to be received and approved by the Construction Consultant prior to the Initial Advance shall be:

(a) The Plans;

(b) The Environmental Report;

(c) Either a "no jurisdiction" letter from the appropriate Governmental Authorities stating that the Premises are not located in either a "Fresh Water Wetlands Area" or a "Tidal Wetlands Area", or a certification, satisfactory to Lender in Lender's sole discretion from the Borrower's surveyor, certifying that the Premises are not within one hundred feet (100 ft.) of either a "Fresh Water Wetlands Area" or a "Tidal Wetlands Area";

(d) Copies of the items required by Section 3.2 hereof and Section 3.4 hereof;

(e) Copies of all inspection and test records and reports made by or for Borrower's Architect;

(f) Copies of all documents listed as exceptions to title in the title policy required by paragraph (b) of Section 3.4 hereof;

(g) Evidence that the Plans have undergone a full review and approval process by the appropriate Governmental Authorities;

(h) If the Initial Advance consists in whole or in part of advances for Direct Costs, a copy of the Requisition therefor; and

(i) Evidence that the Premises are not located in an area designated by the Secretary of Housing and Urban Development as having special flood hazards, or the flood-hazard insurance required by the NFIA of 1968, as amended (42 U.S. 4013, et seq.).

3.4 The items to be received and approved, on Lender's behalf, by Lender's Counsel prior to the Initial Advance shall be:

(a) The executed Note, Mortgage, Indemnity, Guaranty, Requisition Authorization Statement and UCC-1 Financing Statements relating to the Mortgaged Property and any other property given as security for the Loan;

(b) A paid title insurance policy, in the amount of the Note, in form and substance approved by Lender, issued by the Title Insurer, which shall insure the Mortgage to be a valid lien on the Premises free and clear of all defects and encumbrances except those previously received and approved by Lender's Counsel, and shall contain:

(i) full coverage against mechanics' liens (filed and inchoate), and

(ii) a reference to the survey but no survey exceptions except those theretofore approved by Lender's Counsel;

(c) Copies of any and all authorizations including plot plan and subdivision approvals, zoning variances, sewer, building and other permits required by Governmental Authorities for the commencement of construction of the Premises and/or Improvements for the purposes contemplated by the Plans in accordance with all applicable building, environmental, ecological, landmark, subdivision and zoning codes, laws and regulations;

(d) Letters from Borrower's Architect and the General Contractor (and its primary subcontractor), in forms attached hereto as Exhibits B and C, respectively, containing, among other things, their agreement to continue performance on Lender's behalf following Borrower's default;

(e) UCC, judgment, litigation, lien and bankruptcy searches (current to within (30) days of the Initial Advance) conducted against Borrower, the Guarantors and the General Contractor disclosing no leases of personalty or financing statements filed or recorded against the Premises, Borrower, the General Contractor or the Guarantors, except as may be approved by Lender in writing;

(f) A survey (current to within thirty (30) days of the Initial Advance) of the Premises certified to Lender and the Title Insurer showing:

(i) the location of the perimeter of the Premises by courses and distances,

(ii) all easements, rights-of-way, and utility lines referred to in the title policy required by this Agreement or which actually service or cross the Premises,

(iii) the lines of the streets abutting the Premises and width thereof, and any established building lines,

(iv) encroachments and the extent thereof upon the Premises,

(v) the Improvements to the extent constructed, and the relationship of the Improvements by distances to the perimeter of the Premises, established building lines and street lines, and

(vi) if the Premises are described as being on a filed map, a legend relating the survey to said map;

(g) Evidence that gas, electric power, sanitary and storm sewer and water facilities, telephone, cable and other utilities will be available to the Premises upon completion of construction of the Improvements;

(h) Evidence that the Premises complies with all applicable zoning regulations, including adequate parking;

(i) Evidence of Borrower's Architect's errors and omissions insurance;

(j) Any consents required by the General Contractor (and the primary subcontractor) for the execution of the General Contract;

(k) The Construction Collateral;

(l) The Amended and Restated Agreement of Limited Partnership, and all amendments and modifications thereto, and copies of any notes, guaranties, and other instruments and agreements issued or executed pursuant thereto, all in form and substance satisfactory to Lender;

(m) Copies of the following documents with respect to Borrower and the Guarantors, as may be applicable:

(i) a certified certificate of incorporation, articles of organization or certificate of limited partnership, as the case may be,

(ii) bylaws, operating agreement or limited partnership agreement, as the case may be,

(iii) a good standing certificate or certificate of status from the state of its formation,

(iv) resolutions or unanimous written consents, certified by the secretary, or the shareholders or directors of the corporation, or manager or managing member of the limited liability company, or general partner of the limited partnership authorizing the consummation of the transactions contemplated hereby and the execution, delivery and performance of the Loan Documents to be executed, delivered or performed by said corporation, partnership or limited liability company and

(v) a certificate of the secretary as to the incumbency of the parties executing this Agreement, or any of the other documents required hereby;

(n) Copies of the items required by Section 3.2 hereof;

(o) A written legal opinion of the Borrower's and Guarantors' counsel satisfactory to Lender in all respects, regarding among other things, the enforceability of the documents executed in connection with the Loan and the authorization of the Borrower and the Guarantors to enter into the documents executed in connection with the Loan, in form and substance reasonably satisfactory to Lender and Lender's Counsel;

(p) The Assignment of Contracts;

(q) The Disbursement Agreement;

(r) The City Funded Loan Documents and any agreements subordinating same to the Loan; and

(s) Evidence satisfactory to Lender in all respects that Borrower and the Premises have received a reservation of Tax Credits.

(End of Article III)

ARTICLE IV

CONDITIONS PRECEDENT TO LENDER'S OBLIGATIONS TO MAKE ADVANCES AFTER THE INITIAL ADVANCE

4.1 Lender's obligation to make advances of the Loan after the Initial Advance shall be subject to the satisfaction of the following conditions:

(a) All conditions of Article III shall have been and remain satisfied in the same manner as satisfied prior to the Initial Advance as of the date of such advance;

(b) Lender and the Construction Consultant shall have received a Requisition for the advance, together with such other documentation and information as either of them may reasonably require;

(c) Lender shall have received from the Title Insurer a continuation report of, or endorsement, to the title policy insuring the Mortgage to the date of such advance, in the form approved by Lender's Counsel, setting forth no additional exceptions (including survey exceptions) except those approved by Lender's Counsel or the liens of mechanics, materialmen or similar liens which are being contested pursuant to a Permitted Contest;

(d) The representations and warranties made in Article V hereof shall be true and correct on and as of the date of the advance with the same effect as if made on such date;

(e) There shall exist no default hereunder or under the Mortgage or any of the other Loan Documents, irrespective of whether or not the same shall constitute an Event of Default thereunder;

(f) Evidence satisfactory to Lender that the funds of the Additional Contributions have been deposited with Lender pursuant to the Disbursement Agreement and the Amended and Restated Agreement of Limited Partnership, if and to the extent such deposits are then required;

(g) There have been no material adverse changes, either individually or in the aggregate, in the assets, liabilities, financial conditions, business operations, affairs or circumstances of the Improvements, Borrower or Guarantors from those reflected in the most recent financial statements furnished to the Lender prior to the date thereof; provided, that any such change or changes shall be deemed a material adverse change only if it or they would have a material and adverse effect on the Improvements or Premises and/or the ability of the Borrower or Guarantors, as applicable, to perform its obligations under the documents executed in connection with the Loan, as applicable; and

(h) If and to the extent applicable, evidence satisfactory to Lender that an application to qualify the Premises and the Improvements for a real estate tax abatement has been filed;

(i) Lender and Construction Consultant shall have received an updated construction schedule showing the actual start date of construction.

4.2 In the case of the last Direct Costs advance as provided in Section 2.4 hereof, Lender shall also have received:

(a) Advice from the Construction Consultant to the effect that construction of the Improvements has been completed (subject to uncompleted punchlist items that are approved by Construction Consultant and funded by the Borrower in a manner reasonably satisfactory to Lender), and any necessary utilities and roads have been finished and made available for use, substantially in accordance with the Plans and that it has received satisfactory evidence of the approval by all Governmental Authorities of the Improvements in their entirety for residential occupancy, and of the contemplated uses thereof, to the extent any such approval is a condition of the lawful use and occupancy thereof; and

(b) A temporary certificate of occupancy for the Improvements; and

(c) Evidence that all utilities are connected, owned, operated and accepted for service and maintained by the applicable utility operators; and

(d) "As-built" Plans; and

(e) An AIA G704 Certificate of Substantial Completion;

(f) Final lien waivers (on the Texas statutory form) by the General Contractor (and primary subcontractor) and each Major Subcontractor being paid with the proceeds of such last advance for Direct Costs, each with respect to the release of any mechanics and/or materialman's liens, subject to payment of any required Retainage to be paid from the requested last advance for Direct Costs; and

(g) Expiration of any statutory period for the filing of any mechanics liens.

(End of Article IV)

ARTICLE V

BORROWER'S REPRESENTATIONS, WARRANTIES AND COVENANTS

5.1 Borrower represents, warrants and covenants that:

(a) It is duly organized, validly existing and in good standing under the laws of the state of its formation, is qualified to do business and is in good standing in the State of Texas with full power and authority to consummate the transactions contemplated hereby. Borrower has taken all necessary action to authorize the execution, delivery and performance of the Loan Documents. The Loan Documents have been duly executed and delivered by Borrower and constitute legal, valid and binding obligations of Borrower enforceable against Borrower in accordance with their respective terms, subject to applicable bankruptcy, insolvency and similar laws affecting rights of creditors generally, and general principles of equity;

(b) The execution, delivery and performance of the Loan Documents by Borrower and the transactions contemplated hereby will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, or result in the creation or imposition of any lien (other than pursuant to the Loan Documents) upon any of the property of Borrower pursuant to the terms of, any agreement or instrument to which Borrower is a party or by which its property is subject, nor will such action result in a violation of the provisions of any statute or any order, rule or regulation of the City, CDBG, GLO, Freddie Mac, HUD, or any other Governmental Authorities having jurisdiction over Borrower or any of its properties. Any consent, approval, authorization, order, registration or qualification of or with the City, CDBG, GLO, Freddie Mac, HUD, or any other Governmental Authorities required for the execution, delivery and performance by Borrower of the Loan Documents has been obtained and is in full force and effect;

(c) There are no actions, suits or other proceedings at law or in equity by or before any Governmental Authorities now pending or threatened against or affecting Borrower, the Manager or the Premises, which, if adversely determined, might materially adversely affect the condition (financial or otherwise) or business of Borrower (including the ability of Borrower to carry out its obligations under the Loan Documents), Manager or the use, condition, development or ownership of the Premises;

(d) Borrower is not a party to any agreement or instrument or subject to any restriction which might adversely affect Borrower or the Premises, or Borrower's business, properties, operations or condition, financial or otherwise. Borrower is not in default in any material respect in the performance,

observance or fulfillment or an of the obligations, covenants or conditions contained in any encumbrance or any other agreement or instrument to which it is a party or by which it or the Premises is bound;

(e) The Plans are satisfactory to it, have been reviewed and approved by the General Contractor (or its primary subcontractor, as the case may be), Borrower's Architect and, to the extent required by applicable law or any effective restrictive covenant, by all Governmental Authorities and the beneficiary of any such covenant; all construction, if any, already performed on the Improvements has been performed on the Premises substantially in accordance with the Plans approved by the persons named above and with any restrictive covenants applicable thereto and to Borrower's knowledge there are no structural defects in such existing portions of the Improvements; the planned use of the Improvements complies with applicable zoning ordinances, regulations and restrictive covenants affecting the Premises as well as all environmental, ecological, landmark, and other applicable laws and regulations; and all requirements for such use have been satisfied and no easement or license agreement is necessary in order to develop the Premises or construct any of the Improvements;

(f) Financial Statements have been heretofore delivered to Lender, which are true, correct and current in all material respects and which fairly present the respective financial conditions of the subjects thereof as of the respective dates thereof; no material adverse change has occurred in the respective financial conditions of the subjects thereof reflected therein since the respective dates thereof; and, no borrowings (other than the Loan, the City Funded Loan) which might give rise to a lien or claim against the Mortgaged Property or the Loan proceeds have been made by Borrower or others since the date thereof;

(g) There are no actions, suits or proceedings pending or to the knowledge of Borrower threatened against or affecting it, the Premises, the validity or enforceability of the Mortgage or the priority of the lien thereof at law, in equity or before or by any Governmental Authorities; to Borrower's knowledge, it is not in default with respect to any order, writ, injunction, decree or demand of any court or Governmental Authorities;

(h) The consummation of the transactions contemplated hereby and performance of this Agreement, the Note, Mortgage and all of the other Loan Documents have not resulted in and will not result in any breach of, or constitute a default under, any mortgage, deed of trust, lease, bank loan or credit agreement, corporate charter, bylaws, operating agreement, partnership agreement or other instrument to which Borrower or any constituent partner or manager of the

Borrower is a party or by which the Borrower, any such constituent partner or manager of the Borrower may be bound or affected;

(i) All utility services necessary for the construction of the Improvements and the operation thereof for their intended purposes are available at the boundaries of the Premises, including water supply, storm and sanitary sewer, gas, electric power and telephone facilities;

(j) Each Requisition presented to Lender, and the receipt of the funds requested thereby, shall constitute an affirmation that the representations and warranties of Borrower contained in this Section 5.1 remain true and correct in all material respects as of the respective dates thereof;

(k) It has entered into no contract or arrangement of any kind the performance of which by the other party thereto would give rise to a lien on the Mortgaged Property prior to the Mortgage except for its arrangements with Borrower's Architect, the General Contractor (and the primary subcontractor), Major Subcontractors and other contractors and subcontractors who have filed lien waivers (to the extent required under the other terms and provisions of this Agreement) or signed payment receipts in form approved by Lender for all payments due under said arrangements as of the end of the period covered by the last Requisition;

(l) All roads necessary for the full utilization of the Improvements for their intended purposes have either been completed or the necessary rights of way therefor have been acquired by appropriate Governmental Authorities or dedicated to public use and accepted by said Governmental Authorities, and all necessary steps have been taken by Borrower and said Governmental Authorities to assure the complete construction and installation thereof no later than the Completion Date or any earlier date required by any law, order or regulation;

(m) Borrower has delivered to Lender all formation and organizational documents of Borrower, of the General Partner of Borrower, if any, and of all Guarantors, and all such formation and organizational documents remain in full force and effect and have not been amended or modified since they were delivered to Lender;

(n) The City Funded Loan Documents are unmodified and in full force and effect, there are no events of defaults thereunder and all conditions to the effectiveness and continuing effectiveness thereunder required to be satisfied as of the date hereof have been satisfied;

(o) The Permanent Mortgage Loan Commitment and the Forward Commitment are unmodified and in full force and effect, there are no events of

defaults thereunder and all conditions to the effectiveness and continuing effectiveness thereunder required to be satisfied as of the date hereof have been satisfied;

(p) The Total Tax Credit Equity Commitment of the Investor to provide tax credit equity as set forth in the Amended and Restated Agreement of Limited Partnership is unmodified except as approved by Lender and as set forth in the Amended and Restated Agreement of Limited Partnership] and is in full force and effect, there are no defaults thereunder, and all conditions to the effectiveness and continuing effectiveness thereof, required to be satisfied as of the date hereof, have been satisfied;

(q) There exists no Event of Default under the Mortgage or any other Loan Documents and no event has occurred and is continuing which after notice or the passage of time, or both, would give rise to an Event of Default thereunder;

(r) The approved Plans referred to in paragraph (e) above are scheduled by sheet number, title, date and revised date in the letter from Borrower's Architect required by paragraph (e) of Section 3.4 hereof, which schedule is hereby certified by Borrower to be true and correct, and are the same as the filed plans referred to in the building permits for the Improvements;

(s) It has advised the Title Insurer in writing prior to the issuance of the title policy insuring the Mortgage whether any site-development, excavation or other work related to construction of the Improvements was begun or done prior to the date hereof;

(t) All easements, cross easements, licenses, air rights and rights-of-way or other similar property interests, if any, necessary for the full utilization of the Improvements for their intended purposes have been obtained, are described in the title policy insuring the Mortgage and are in full force and effect without default thereunder;

(u) The Premises are not located in an area designated by the Secretary of Housing and Urban Development as having special flood hazards, or, if it is, Borrower has obtained the flood-hazard insurance required by the NFIA of 1968, as amended (42 U.S. 4013, et seq.);

(v) Borrower (i) has obtained the resolutions, authorizations and exemptions necessary (or will obtain prior to the need therefor) to develop, occupy, operate and market the Mortgaged Property (including the building permits therefor); provided that if Lender agrees to close prior to the issuance of all requisite building permits, Lender shall not make advances for fees and

reimbursables and (ii) shall maintain compliance with all governmental requirements applicable to the Mortgaged Property and all other applicable statutes, laws, regulations and ordinances necessary for the transaction of its business;

(w) Based solely on the Environmental Report, and except as otherwise described therein and herein, the Premises and the Improvements thereon are not currently subject to Hazardous Materials or their effects;

(x) There are no claims, litigation, administrative or other proceedings, whether actual or, to the best knowledge of Borrower, threatened, or judgments or orders, relating to any hazardous or toxic substances or wastes, discharges, emissions or other forms of pollution relating in any way to the Premises or the Improvements thereon;

(y) The General Partner is the sole general partner of Borrower and is a Single Purpose Entity;

(z) Borrower is a Single Purpose Entity;

(aa) Neither the Premises nor any portion thereof is subject to any purchase options or other similar rights in favor of third parties;

(bb) The Borrower has filed all tax returns and reports required to be filed and has paid all taxes, assessments, fees and other governmental charges levied upon it or upon its property or income which are due and payable, including interest and penalties, or has provided adequate reserves for the payment thereof;

(cc) The Borrower and each ERISA Affiliate is in compliance in all material respects with the applicable provisions of ERISA and other applicable law, there are no existing or pending (or to the knowledge of the Borrower, threatened) claims (other than routine claims for benefits in the normal course) sanctions, actions, lawsuits or other proceedings or investigations involving any ERISA Plan, and no ERISA Event has occurred or is reasonably expected to occur with respect to any ERISA Plan;

(dd) Neither Borrower nor any Guarantor is contemplating the filing of a petition by it under any state or federal bankruptcy or insolvency law or the liquidation of all or a major portion of its property, and neither Borrower nor any Guarantor has any knowledge of any Person contemplating the filing of any such petition against Borrower or any Guarantor. In addition, neither Borrower nor any principal nor Affiliate of Borrower has been a party to, or the subject of any proceeding described herein for the past ten (10) years;

(ee) No statement of fact made by Borrower or any Guarantor in any Loan Documents contains any untrue statement of a material fact or omits to state any material fact presently known to Borrower that has not been disclosed to Lender which may adversely affect the Premises or the business, operations or condition (financial or otherwise) of Borrower;

(ff) No part of the proceeds of the Loan will be used for the purpose of purchasing or acquiring any "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System or for any other purpose that would be inconsistent with Regulation U or any other regulation of such Board of Governors, or for any purposes prohibited by any legal requirements or any Loan Document. Borrower is not (i) an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended; (ii) "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of either a "holding company" or a "subsidiary company" within the meaning of the Public Utility Holding Company Act of 1955, as amended; or (iii) subject to any other federal or state law or regulation which purports to restrict or regulate its ability to borrow money;

(gg) As of the date hereof, the information included in the Beneficial Ownership Certification is true and correct in all respects;

(hh) The Borrower is in compliance in all material respects with Anti-Corruption Laws. The Borrower, nor to the knowledge of the Borrower, any director, officer, agent, employee or other person acting on behalf of the Borrower, has taken any action, directly or indirectly, that would result in a violation of applicable Anti-Corruption Laws;

(ii) The Borrower, each Guarantor or pledger of collateral, and each subsidiary of the foregoing (each, a "***Covered Entity***") and, to the knowledge of the Borrower, their respective officers, employees, directors and agents acting in any capacity in connection with the Loan, are in compliance with, and have not engaged, and do not engage, in any dealings or transactions prohibited by, all applicable Anti-Corruption Laws, Anti-Terrorism Laws and Sanctions. No Covered Entity (a) is a Sanctioned Person, (b) is a Person organized or resident in a Sanctioned Country, (c) is owned, directly or indirectly, or Controlled by (including by virtue of such Person being a director or owning voting shares or interests), or acts, directly or indirectly, for or on behalf of, any Sanctioned Person or government of a Sanctioned Country such that the entry into, or performance under, this Agreement or any other Loan Document would be prohibited by U.S. law;

(jj) The proceeds of the Loan will not be used to fund any operations in, finance any investments or activities in, or, make any payments to, a Sanctioned Country or Sanctioned Person, or in violation of any Sanctions, and the funds used to repay the Loan shall not be derived from any unlawful activity;

(kk) Each Covered Entity has instituted and will continue to maintain policies and procedures designed to ensure compliance by the Covered Entities and their respective directors, officers, employees and agents with applicable Sanctions, Anti-Terrorism Laws and Anti-Corruption Laws;

(ll) Borrower shall, concurrently with providing same to the Investor, provide a copy of any requisitions provided to the Investor; and

(mm) Borrower shall, within 30 days from the date hereof, provide to Lender the following, each in form and substance satisfactory to Lender in its sole discretion:

(i) Updated construction schedule showing the actual start date of construction and a construction schedule evidencing progress and completion of construction by the Completion Date;

(ii) Sealed construction-issue drawings and specifications; and

(iii) Updated list of all of the subcontractors.

5.2 Borrower covenants and agrees with Lender that it will:

(a) Borrower shall do or cause to be done all things necessary to preserve, renew and keep in full force and effect its existence, rights and franchises, qualify to do business and remain in good standing under the laws of each jurisdiction required for the development, ownership, maintenance, management and operation of the Premises;

(b) Promptly comply with all laws, ordinances, orders, rules, statutes and regulations of Governmental Authorities (including the Guide and the Freddie Mac Multifamily Seller/Servicer Forward Commitment Guidelines (as incorporated into the Forward Commitment) as amended, modified, supplemented, or reissued from time to time and other requirements of Freddie Mac, GLO, CDBG, the Guide, and HUD) and promptly upon its receipt furnish Lender with reports of any official searches made by Governmental Authorities and any claims of violations thereof;

(c) Permit Lender, its representatives and the Construction Consultant to enter upon the Premises at reasonable times upon reasonable

notice and during business hours, inspect the Improvements and all materials to be used in the construction thereof and examine all detailed plans and shop drawings which are or may be kept at the construction site; it will cooperate and cause the General Contractor and shall cause the General Contractor to cause the Major Subcontractors to cooperate with the Construction Consultant to enable it to perform its functions hereunder; at the time of each inspection by the Construction Consultant, Borrower will use its best efforts to cause the General Contractor and shall cause the General Contractor to cause the Major Subcontractors to make available to said Construction Consultant, on demand, daily log sheets covering the period since the immediately preceding inspection showing the date, weather, subcontractors on the job, number of workers and status of construction;

(d) Pay all costs and expenses required for completion of the Improvements and the satisfaction of the conditions of this Agreement, including, without limitation:

(i) all document and stamp taxes, recording and filing expenses and fees and commissions lawfully due to brokers, if any, retained by the Borrower, by any partner of the Borrower, and/or by any Guarantor in connection with the transactions contemplated hereby,

(ii) the fees and expenses of the Construction Consultant and Lender's Counsel in connection with the preparation for the consummation of the transactions contemplated hereby, and for any services of such parties which may be required (as reasonably determined by Lender) in addition to those normally and reasonably contemplated hereby,

(iii) any taxes, insurance premiums, liens, security interests or other claims or charges against the Premises or Improvements, and

(iv) all costs of completion of the work to be performed by Borrower in space to be occupied in the Improvements (including public space) to permit the lawful occupancy thereof contemplated by the City Funded Loan Documents, or other agreements or letters of intent with respect thereto and the Loan Documents;

(e) Commence construction of the Improvements no later than thirty (30) days from the date hereof; submit a Requisition for the advance with respect to the commencement of construction of the Improvements within thirty (30) days after such commencement and subsequent advances not more frequently than on a monthly basis thereafter; cause the construction thus begun to be prosecuted with diligence and continuity in a good and workmanlike manner substantially in accordance with the Plans except during the existence of delays

(for not more than sixty (60) days) caused by events which constitute Unavoidable Delay use only materials, fixtures, furnishings and equipment in connection with construction of the Improvements that are not used or obsolete; and complete construction of the Improvements, and the installation of all necessary roads and utilities, substantially in accordance with the Plans, on or before the Completion Date subject to Unavoidable Delays, free and clear of defects and liens or claims for liens for material supplied or labor or services performed in connection with the construction of the Improvements; time being of the essence of this paragraph (e);

(f) Keep the Initial Contribution and the Additional Contributions invested in the Premises for costs allocated in the Budget;

(g) Deposit into an account with the Lender all advances made hereunder until same are disbursed and maintain all development and operating accounts (including the tax and insurance escrow) which pertain to the Borrower or the Premises with the Lender;

(h) Upon request, with reasonable promptness deliver to Lender and/or the Construction Consultant copies of all contracts, bills of sale, statements, receipted vouchers or agreements under which Borrower claims title to any materials, fixtures or articles incorporated in the Improvements or subject to the lien of the Mortgage, or under which it has incurred costs for which it is entitled to a Loan advance, and deliver to Lender such other data or documents in connection with the Improvements as Lender may from time to time reasonably request;

(i) Allow Lender, during hours and following reasonable prior notice (of at least 24 hours) to the Borrower (no such notice shall be required during a continuance of an Event of Default), access to the books, records and such other documents of the Borrower as Lender shall reasonably require and allow Lender, to the extent undertaken after the occurrence of an Event of Default at Borrower's expense, to inspect, audit and examine same;

(j) Upon demand of Lender, correct any defects (including structural) in the Improvements which Construction Consultant reasonably determines to be material or any material departures from the Plans not approved by Lender;

(k) Not permit the performance of any work pursuant to any General Contract (or the primary subcontract, as applicable), Change Order or Plans until (i) Lender and the Construction Consultant shall have received copies thereof, and (ii) in the case of Plans or Change Orders which will result in (A) a change in the aggregate of the contract prices for the construction of the

Improvements in excess of the Change Order Amount or which, together with the aggregate of Change Orders theretofore executed by Borrower (excluding those approved by Lender pursuant to this paragraph) will result in a change in such prices in excess of the Aggregate Change Order Amount; or (B) a change in the number of units or the residential nature of the Improvements, unless same shall have been approved in writing, by Lender and Construction Consultant. Notwithstanding anything to the contrary contained herein, it is understood that approval of any Plans or Change Order will not obligate Lender to increase or advance any Loan Budget Amount on account of any such Plans or Change Orders;

(l) Require covenants from the General Contractor who has contracts directly with Borrower to the same effect as the covenant made by Borrower in the immediately preceding paragraph;

(m) Borrower shall cooperate fully with Lender with respect to, and permit Lender, at its option, to participate in, any proceedings before any Governmental Authorities which may in any way affect the rights of Lender under any Loan Documents;

(n) Employ suitable means to protect from theft or vandalism all portions of the Improvements and all tools and building materials stored on the Premises;

(o) Comply with the City Restrictions, the LURA, and all other restrictions, covenants and easements affecting the Premises or the Improvements and cause the satisfaction of all conditions of this Agreement;

(p) Borrower will warrant and defend title to the Premises, and the validity and priority of all liens granted or otherwise given to Lender under the Loan Documents, subject only to the City restrictions, the LURA, and the encumbrances set forth in the title policy insuring the Mortgage, against claims of all other Persons;

(q) Perform under and in a manner which ensure the funding of the Permanent Mortgage Loan under and as required by the Permanent Mortgage Loan Commitment;

(r) Comply with all conditions of the City Funded Loan Documents;

(s) Contribute the Shortfall Payment (as defined below) or any other payments to be made pursuant to Section 7.1(c) hereof, separate and apart from the Loan, or the Additional Contributions at such time and times as Lender shall determine in its sole yet reasonable discretion;

(t) Not enter into any agreement for the sale of the Premises including, without limitation, the transfer of all or any part of the Premises to a partnership, limited liability company or other entity in connection with the syndication of low income housing tax credits, without the prior written consent of Lender, except for the following transaction which is hereby deemed to be expressly permitted hereunder: the transfer by the Investor of all or a portion of its partnership interests in Borrower either directly or indirectly to another limited partnership or limited liability company which has, as its general partner or managing member, the Investor or an Affiliate of either such entity;

(u) Other than encumbrances set forth in the title insurance policy issued by the Title Insurer on the date hereof and/or residential leases entered into in the normal course of the Borrower's business and in accordance with the Loan Documents, not, directly or indirectly, transfer, mortgage, convey, sell, assign, lease, sublease, pledge or encumber the Mortgaged Property, or any part thereof or any direct or indirect interest therein, without the express prior written consent of the Lender;

(v) Not modify the organizational structure of the Borrower nor the direct or indirect ownership of the Borrower from that existing on the date hereof without the prior consent of the Lender;

(w) Subordinate to the lien of the Mortgage any loans made (a) by Borrower to any other entity owned or controlled by the principals of Borrower or (b) by any entity owned or controlled by the principals of Borrower to Borrower and to deliver to Lender any and all agreements and or other documents requested by Lender and Lender's Counsel in connection with such subordination which documents and agreements shall be satisfactory in all respects to Lender and Lender's Counsel;

(x) All reports, documents, instruments, information and forms of evidence delivered to Lender concerning the Loan or required by the Loan Documents are accurate, correct and sufficiently complete to give Lender true and accurate knowledge of their subject matter, and do not contain any misrepresentation or omission;

(y) Simultaneously send to Lender a copy of any notice of default under the General Contract it sends to the General Contractor;

(z) Not modify, amend, terminate or cancel the Management Agreement, any management plan and/or the Marketing Plan without the prior written consent of Lender;

(aa) Simultaneously with its receipt thereof send to Lender a copy of any notice of default received by the Borrower under any of the documents evidencing and securing the City Funded Loan or under any other documents relating thereto;

(bb) Not modify, amend, terminate, cancel, or allow to expire the Permanent Mortgage Loan Commitment, and simultaneously with its receipt of any notice of default or termination under or with respect to the Permanent Mortgage Loan Commitment or the Forward Commitment;

(cc) Comply with all of the provisions of the Amended and Restated Agreement of Limited Partnership, not modify, amend, terminate or cancel the Amended and Restated Agreement of Limited Partnership without the prior written consent of Lender (except for amendments or modifications to effectuate transfers of the limited partner interest of the Investor in the Borrower if and to the extent expressly permitted under this Agreement) and immediately provide Lender with copies of any amendments or modifications of any formation or organizational documents of Borrower;

(dd) Comply with any and all applicable laws pertaining to Hazardous Materials;

(ee) Maintain its status as a Single Purpose Entity and comply with the covenants in Section 3.3 of the Mortgage;

(ff) Not enter into any leases with tenants for any income restricted unit in the Premises if such tenant is not an eligible tenant under Section 42 of the Code;

(gg) At Lender's request, affix a sign (provided by Lender) at a location on the Premises which shall be satisfactory to Lender, at Borrower's sole expense during construction of the Improvements. Such sign shall state, among other things, that Lender is financing a portion of the construction of the Improvements;

(hh) Promptly deliver to Lender copies of any and all environmental reports prepared during the term of this Agreement other than the Environmental Reports previously delivered to Lender, which may, to the extent applicable, include, but not be limited to, asbestos close out reports, remedial action plans, health and safety plans, remedial action completion reports, approvals for remedial action plans, approvals for health and safety plans, approvals for remedial action completion reports, lead based paint sampling reports, and lead based paint abatement close out reports, and draw request approvals associated with activities documented in the reports will require further review and

acceptance by Lender to the extent such activities will occur subsequent to the submission of any such report to Lender;

(ii) Deliver to the Lender, within five (5) Business Days after request therefor, a written statement duly acknowledged by the Borrower of the amount outstanding under the Loan and whether offsets or defenses exists against same;

(jj) Pay and discharge when due, and before being subject to any penalty or further charge, and otherwise satisfy before maturity or delinquency, all obligations, debts, taxes and liabilities of whatever nature or amount; provided, that Borrower shall have the right to contest any taxes, liens or claims so long as such contests are pursued in good faith by appropriate action promptly initiated and diligently conducted by Borrower, provided the Borrower puts into escrow with Lender an amount equal to such contested amount and so long as (i) Borrower is diligently pursuing such contest, (ii) Borrower has reserved sufficient funds to pay any contested amounts and any penalties or interest that may be applicable thereto, and (iii) the failure to pay such taxes does not result in any foreclosable lien on the Mortgaged Property or any other matter that might have a material adverse effect on the Mortgaged Property;

(kk) Cause the Improvements to be constructed in accordance with all applicable laws, including, but not limited to, Section 504 of the Rehabilitation Act of 1973, the Architectural Barriers Act, Title II of the Americans with Disabilities Act and the Fair Housing Act;

(ll) Comply with any and all applicable provisions of the City Funded Loan Documents;

(mm) Simultaneously deliver to Lender copies of the requisitions or other requests for loan advances that are delivered in connection with the City Funded Loan;

(nn) Comply with the laws, regulations and executive orders referred to in Section 5.1(b) hereof or (ii) not directly or indirectly use the proceeds of the transaction or lend, contribute or otherwise make available such proceeds to any Affiliate, joint venture partner or other Person, to fund any activities of or business with any Person or in any country or territory that, at the time of such funding, is the subject of Sanctions, or in any other manner that will result in a violation by any Person participating in the transaction of any Sanctions;

(oo) Not use the proceeds of the Loan, directly or indirectly, for any payments to any Person, including any government official or employee, political party, official of a political party, candidate for political office or anyone else

acting in an official capacity, in order to obtain, retain or direct business or obtain an improper advantage or otherwise take any action, directly or indirectly, that would result in violation of any Anti-Corruption Laws;

(pp) Lender shall have the right to order new appraisals of the Premises from time to time from a qualified appraiser. Each appraisal is subject to review and approval by Lender. The Borrower agrees upon demand to pay to Lender the cost and expense for such appraisals;

(qq) Not take any action which would result in the termination or discontinuance of the qualification of the Premises for any applicable tax exemption or tax abatement;

(rr) Comply with the Lender's financial reporting requirements as specified in Exhibit F to this Agreement (the "***Lender's Financial Reporting Requirements***") applicable to Borrower, (ii) cause the Guarantors to comply with the Lender's Financial Reporting Requirements applicable to each of them respectively as described in Exhibit F to this Agreement, and (iii) deliver to Lender such information with respect to the Borrower, the Project, and the Loan, as the Lender may reasonably request;

(ss) Promptly provide the Lender with copies of any amendments or modifications of the formation or organizational documents Guarantors;

(tt) Comply with the City Restrictions, the LURA, and any and all other regulatory agreements and any covenants, conditions and restrictions that have been recorded against or otherwise encumber the Premises;

(uu) Comply with all of the applicable funding and other requirements of ERISA as such requirements relate to the ERISA Plan. Borrower will not at any time permit any ERISA Plan maintained by it to engage in any "prohibited transaction" as such term is defined in Section 4975 of the Code; incur any "accumulated funding deficiency" as such term is defined in Section 302 of ERISA; or suffer to exist any (i) event which could result in the imposition of a lien or charge upon or encumbrance of the property of Borrower pursuant to ERISA or (ii) any other ERISA Event that would, in the aggregate, reasonably be expected to adversely affect the business, operations, or condition (financial or otherwise) of the Borrower;

(vv) Promptly deliver to Lender upon (i) the filing by Borrower or any ERISA Affiliate, of any notice of any reportable event under 4043 of ERISA or intent to terminate any ERISA Plan, a copy of such notice, (ii) any officer of the Borrower having knowledge or has reason to know that a request for a minimum funding waiver under Section 412 of the Code has been filed with respect to any

ERISA Plan, a notice describing such waiver request and any action that any ERISA Affiliate proposes to take with respect thereto, together with a copy of any notice pertaining thereto, and (iii) any officer of the Borrower having knowledge or has reason to know that an ERISA Event will or has occurred that would reasonably be expected to result in material liability to the Borrower, a notice describing such ERISA Event and any action that any ERISA Affiliate proposes to take with respect thereto, together with a copy of any notices pertaining thereto;

(ww) Promptly notify the Lender immediately in writing following Borrower's receipt of any written notification of any proposed condemnation or expropriation of any portion of the Improvements or Premises;

(xx) Not incur, create, assume or in any manner become or be liable in respect of any debt direct or contingent, except for: (i) the indebtedness to the Lender under this Agreement; (ii) the City Funded Loan; (iii) trade payables or operating leases from time to time incurred in the ordinary course of business; and (iv) operating deficit loans associated with the Improvements so long as same are unsecured and subordinate to the Loan;

(yy) Provide Lender with monthly logs of all change orders and/or potential change orders for the Improvements, whether or not such amounts reach or exceed the Change Order threshold amounts set forth in this Agreement;

(zz) Notify Lender of any change in the information provided in the Beneficial Ownership Certification that would result in a change to the list of beneficial owners identified in parts (d) or (d) of such certification;

(aaa) Not change its fiscal year without the prior written consent of Lender;

(bbb) Not sell, exchange or otherwise dispose of any portion of the Premises or the Improvements other than equipment, furnishings and the like that are disposed of and replaced with items of equal or greater value in the ordinary course of business; and

(ccc) Notwithstanding anything herein to the contrary, (1) on the date of this Agreement, as a condition to Lender's obligations hereunder, Lender shall have received (i) copies of fully executed subcontracts for all Critical Path Subcontractors and if the those subcontracts are not subcontracts for at least thirty-nine percent (39%) of the total budgeted trade costs, then in addition to such subcontracts for the Critical Path Subcontractors, Lender shall have received in addition to the subcontracts from the Critical Path Subcontractors, additional subcontracts so that Lender has received on the date of this Agreement total

subcontracts for at least thirty-nine percent (39%) of the total budgeted trade costs, and (ii) copies of fully executed letters of intent for additional subcontracts for at least thirty-one percent (31%) of the total budgeted trade costs; (2) within sixty (60) days after the date of this Agreement, Lender shall have received copies of fully executed subcontracts for at least fifty percent (50%) of the total budgeted trade costs (which shall then be in effect and in place); (3) within one hundred (100) days after the date of this Agreement, Lender shall have received copies of fully executed subcontracts for at least seventy-five percent (75%) of the total budgeted trade costs (which shall then be in effect and in place); and (4) within one hundred eighty (180) days after the date of this Agreement, Lender shall have received copies of fully executed subcontracts for at least ninety percent (90%) of the total budgeted trade costs (which shall then be in effect and in place). The failure to timely comply with the terms of this Section (ccc) shall not in and of itself constitute an Event of Default but that so long as Borrower is not in compliance with the terms of this Section (ccc), Lender shall not be obligated to make an advance of the Loan under this Agreement other than to pay budgeted interest as it becomes due from the budgeted interest reserve or from the additional interest reserve.

(End of Article V)

ARTICLE VI

EVENTS OF DEFAULT AND REMEDIES

6.1 The following shall constitute Events of Default (each an "**Event of Default**") hereunder:

(a) if Borrower fails to pay or expend promptly when due or required any sum of money due or required to be paid or expended under this Agreement, the Note, the Mortgage, or the City Funded Loan Documents, which failure shall continue beyond ten (10) days after written notice of any such event; provided, however, that if Borrower, within any twelve (12) month period, shall fail to make more than two (2) such payments by their due dates, said ten (10) day cure period shall become null and void and of no further force or effect and the failure to make payment shall become an immediate Event of Default.

(b) if Borrower fails for thirty (30) days after the giving to it by Lender of written notice to comply with any covenants or agreements made by it in this Agreement other than a covenant to pay or expend any sum of money or if Borrower otherwise fails to comply with any terms or conditions of this Agreement; provided, however, that if, in Lender's reasonable judgment said failure to comply is not capable of being cured within said thirty (30) day period and is not curable by the payment of money, then Borrower shall have such additional time as Lender deems reasonably necessary (but in no event will such additional time exceed sixty (60) days after the initial notice of such default) to cure such failure provided that (i) Borrower promptly proceeds to commence curing said failure to comply upon receipt of notice of said failure from Lender, (ii) in the reasonable judgment of Lender, Borrower thereafter diligently and continuously proceeds to cure said failure so as to cure said failure in the shortest time possible, (iii) such additional time to cure does not impair any rights and/or remedies of Lender and will not adversely affect the completion of the Improvements by the Completion Date, (iv) Borrower furnishes to Lender, upon demand of Lender, such documents and information with respect to Borrower's curing of said failure to comply, as Lender may reasonably request and (v) such additional time shall not exceed sixty (60) days;

(c) if a default which remains uncured after applicable periods of notice and grace shall occur under the Note, the Mortgage, and/or the Guaranty or any other Loan Documents, as applicable;

(d) if the construction of the Improvements is not carried on with reasonable dispatch or at any time be discontinued for a period of twenty (20) consecutive days for reasons within the control of Borrower, or for up to sixty (60) calendar days when occasioned by Unavoidable Delay;

(e) if Lender or its representatives or the Construction Consultant or its representatives be not permitted at all reasonable times, to enter upon the Premises, inspect the Improvements and the construction thereof and all materials, fixtures and articles used or to be used in the construction and to examine all the Plans, or if Borrower shall fail within ten (10) days to furnish to Lender or its authorized representative, or the Construction Consultant or its representatives, when requested, copies of the Plans;

(f) if any of the materials, fixtures or articles of personal property used in the construction of the Improvements or the appurtenances thereto, or to be used in the operation thereof, be not in substantial accordance with the Plans as approved by Lender, and such failure to be in substantial accordance is not remedied within thirty (30) days after written notice from Lender which specifies the items it believes are not in accordance with the Plans; provided, however, that if, in Lender's reasonable judgment said failure to comply is not capable of being cured within said thirty (30) day period and is not curable by the payment of money, then the Borrower shall have such additional time as Lender deems reasonably necessary to cure such failure provided that (i) the Borrower promptly proceeds to commence curing said failure to comply upon receipt of notice of said failure from Lender, (ii) in the reasonable judgment of Lender, the Borrower thereafter diligently and continuously proceeds to cure said failure so as to cure said failure in the shortest time possible, (iii) such additional time to cure does not impair any rights and/or remedies of Lender and will not adversely affect the completion of the Improvements by the Completion Date, (iv) the Borrower furnishes to Lender, upon demand of Lender, such documents and information with respect to the Borrower's curing of said failure to comply, as Lender may reasonably require and (v) such additional time shall not exceed sixty (60) days;

(g) if Borrower executes any conditional bill of sale, chattel mortgage or other security instrument covering any furniture, furnishings, fixtures and equipment intended to be incorporated in the Improvements or the appurtenances thereto, or covering articles of personal property placed in or on the Improvements, or files a financing statement publishing notice of such security instrument, or purchases any of such furniture, furnishings, fixtures and equipment so that ownership of the same will not vest unconditionally in Borrower, free from encumbrances, on delivery to the Premises; or if Borrower, within ten (10) days of a request by Lender, does not produce to Lender, upon demand, the contracts, bills of sale, statements, receipted vouchers or agreements, or any of them, under which Borrower claims title to such materials, fixtures and articles;

(h) if Borrower does not disclose to Lender and the Construction Consultant, within ten (10) Business Days of a request by Lender, the names of all

Persons with whom Borrower contracted for the construction of the Improvements or for the furnishing of labor or materials thereof;

(i) if Borrower fails or is unable, in the sole judgment of Lender, to complete the Improvements (as evidenced by, inter alia, receipt of a temporary certificate of occupancy) on or before the Completion Date, as such date may be extended as a consequence of Unavoidable Delays for a period of up to sixty (60) days in the aggregate or otherwise with the consent of Lender pursuant to the terms of this Agreement;

(j) if Borrower is unable to satisfy any condition of its right to the receipt of an advance hereunder for a period in excess of sixty (60) days, unless otherwise agreed to by Lender;

(k) if a lien for the performance of work or supply of materials is filed against the Premises or any part thereof and remains unsatisfied or unbonded for a period of thirty (30) days after the date of filing thereof;

(l) if Borrower shall default beyond applicable periods of notice and grace in any respect under any other agreement with or obligation to Lender in its capacity as a Lender;

(m) if any of the following events occur: (i) if by order of a court of competent jurisdiction, a receiver, liquidator or trustee of Borrower or of any of its or their properties, shall be appointed and shall not have been discharged or dismissed within sixty (60) days, or (ii) if any of the creditors of Borrower shall commence against Borrower an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect and if such case shall not be discharged or dismissed within sixty (60) days after the date on which such case was commenced, or (iii) if Borrower is adjudicated bankrupt or insolvent or a petition for reorganization is granted (without regard for any grace period provided for herein), or (iv) if there is an attachment or sequestration of any of the property of Borrower and same is not discharged or bonded within sixty (60) days, or (v) if Borrower shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case under any such law, now or hereafter in effect, relating to the reorganization of Borrower or the arrangement or readjustment of the debts of Borrower or (vi) if Borrower shall make any assignment for the benefit of its creditors or shall admit in writing its inability to pay its debts generally as they become due or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of Borrower or of any part of its property, or if Borrower shall fail generally to pay its debts as such debts become

due, subject to applicable grace and cure periods with respect to such debts, or if Borrower shall take any action in furtherance of any of the foregoing;

(n) if the Permanent Mortgage Loan Commitment shall terminate, be cancelled, or expire;

(o) if any of the following events occur: (i) if by order of a court of competent jurisdiction, a receiver, liquidator or trustee of any Guarantor or of any of its or their properties, shall be appointed and shall not have been discharged or dismissed within sixty (60) days, or (ii) if any of the creditors of any Guarantor shall commence against any Guarantor an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect and if such case shall not be discharged or dismissed within sixty (60) days after the date on which such case was commenced, or (iii) if any Guarantor is adjudicated bankrupt or insolvent or a petition for reorganization is granted (without regard for any grace period provided for herein), or (iv) if there is an attachment or sequestration of any of the property of any Guarantor and same is not discharged or bonded within sixty (60) days, or (v) if any Guarantor shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case under any such law, now or hereafter in effect, relating to the reorganization of any Guarantor or the arrangement or readjustment of the debts of any Guarantor or (vi) if any Guarantor shall make any assignment for the benefit of its creditors or shall admit in writing its inability to pay its debts generally as they become due or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) of any Guarantor or of any part of its property, or if any Guarantor shall fail generally to pay its debts as such debts become due, subject to applicable grace and cure periods with respect to such debts, or if any Guarantor shall take any action in furtherance of any of the foregoing;

(p) if a default (after the expiration of any applicable notice or cure periods) occurs under the City Funded Loan Documents or the Total Tax Credit Equity Commitment or if the City Funded Loan or the Total Tax Credit Equity Commitment is canceled, terminated, amended or otherwise modified without the prior written consent of Lender and same is not cured within any applicable notice and cure period;

(q) if there is an ERISA Event with respect to an ERISA Plan which would, in the aggregate, reasonably be expected to materially adversely affect the condition (financial or otherwise) or business of the Borrower (including the ability of Borrower to carry out its obligations under the Loan Documents, or the use, condition development or ownership of the Premises;

(r) if at any time any representation or warranty made by the Borrower in this Agreement shall be materially incorrect;

(s) if a default occurs beyond the expiration of any applicable notice and cure period by the General Partner or the Investor under the Amended and Restated Agreement of Limited Partnership that will result in the Additional Contribution being materially affected such that there are insufficient funds available for the costs on the Project Cost Statement;

(t) if a default occurs beyond the expiration of any applicable notice and cure period under the Investor Equity Assignment and Security Agreement;

(u) except as permitted by the Mortgage, if the Premises, the Improvements, or any part thereof or any interest therein is sold, conveyed, assigned or transferred without the prior written consent of Lender;

(v) if there is a material adverse change in the identity, control or financial condition of Borrower, the Guarantors or the Premises;

(w) if Borrower fails to pay or cause to be paid within ten (10) Business Days, unless such amounts are in good faith and pursuant to applicable laws and procedures being diligently disputed by the Borrower in an manner acceptable to Lender and escrows or reserves reasonably satisfactory to Lender have been established, after written notice from Lender, before the same shall become delinquent any fine, penalty, interest or cost that may be added thereto all franchise taxes of Borrower, or real estate taxes, assessments, water rates and charges, and other governmental charges, general and special, ordinary and extraordinary, foreseen as well as unforeseen, of any kind and nature whatsoever, including, but not limited to, assessments for public improvements or benefits which are assessed, levied, confirmed, imposed or become a lien upon the Premises or become payable while any portion of the Loan remains outstanding or Borrower enters into any agreement, whether written or oral, which has the effect of deferring the payment of any tax or other charges which are or can be assessed, levied, confirmed, imposed or become a lien on the Premises or become payable;

(x) if Borrower or any Guarantor ceases to do business or terminates its business for any reason whatsoever or shall cause or institute any proceeding for the dissolution or termination of Borrower or any Guarantor;

(y) if Borrower fails for a period of five (5) Business Days after notice from Lender to maintain in full force and effect any of the policies of insurance required by this Agreement and/or the Mortgage;

(z) if, after the date hereof, (i) Borrower encumbers, alienates, hypothecates, grants a security interest in or grants any other interest whatsoever in the Premises, the Improvements, or the "Property," as that term is defined in the Mortgage, other than as otherwise provided herein or in the Mortgage, or any part thereof or any right, title or interest in this Agreement or any proceeds of the Loan without the prior written consent of Lender or (ii) any Loan Document purporting to create a security interest in favor of Lender shall for any reason (other than pursuant to the terms hereof) cease to create a valid security and perfected interest in the Collateral (to the extent that perfection is required hereby) purported to be covered thereby or such security interest shall be for any reason invalid;

(aa) if Borrower fails to timely perform any of the terms, conditions, covenants and/or agreements contained in Section 7.1(c) of this Agreement beyond applicable notice and cure periods;

(bb) if Borrower fails to maintain its status as a Single Purpose Entity and comply with the covenants in Section 3.3 of the Mortgage;

(cc) if Borrower shall fail to complete the construction of the Improvements (i) in compliance with applicable laws and regulations and (ii) substantially in compliance with the Plans; or

(dd) if any Guarantor defaults under the terms of the Guaranty and does not cure such default in the time periods, if any, set forth in the Guaranty for the curing of such default.

6.2 Lender shall have the right upon the happening of any such Event of Default under this Agreement (or as such term is described in the Mortgage), to declare the indebtedness evidenced by the Note, together with all sums required to be paid under the terms hereof and/or of the Mortgage and/or any other Loan Documents, immediately due and payable and in any event, if any Event of Default as described in Section 6.1 above occurs, the obligations to make further advances of the Loan shall automatically terminate and all unpaid indebtedness and sums shall automatically be due and payable, without any further notice, demand or other action by Lender.

6.3 Upon the happening and during the continuance of an Event of Default the rights and/or remedies available to Lender under the Mortgage and this Agreement are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law or in equity and Lender also shall have the right and is hereby given an irrevocable license to enter, or to cause the Construction Consultant or another independent contractor of Lender's selection to enter, the Premises, the Improvements or any part thereof and perform any and

all work and labor necessary to complete the Improvements substantially in accordance with the Plans and employ watchmen to protect the Premises and the Improvements; all sums expended by Lender for such purposes shall be deemed to have been paid to Borrower, evidenced by the Note and secured by the Mortgage.

6.4 For the purposes set forth in Section 6.3 above, Borrower hereby constitutes and appoints Lender its true and lawful attorney-in-fact with full power of substitution, effective upon the occurrence and during the continuance of an Event of Default, to complete the Improvements in the name of Borrower, and hereby empowers said attorney or attorneys as follows: to make such additions and changes and corrections in the Plans which shall be necessary to complete the Improvements in substantially the manner contemplated by the Plans; to use any funds of Borrower including any balance which may be held in escrow and any funds which may remain unadvanced under this Agreement for the purpose of completing the Improvements in the manner called for by the Plans as may be modified hereby; to employ such contractors, subcontractors, agents, architects and inspectors as shall be required for said purposes; to pay, settle or compromise all existing bills and claims which are or may be liens against the Premises or any part thereof, or may be necessary for the completion of the Improvements or the clearance of title; to execute all applications and certificates in the name of Borrower which may be required by any construction contract; and to do any and every act with respect to the construction of the Improvements which Borrower may do in its own behalf. It is understood and agreed that this power of attorney shall be deemed to be a power coupled with an interest which cannot be revoked. Said attorney-in-fact shall also have power to prosecute and defend all actions or proceedings in connection with the construction of the Improvements on the Premises and to take such action and require such performance as is deemed necessary. Borrower hereby assigns and quitclaims to Lender all sums advanced pursuant to either this Section and/or Section 6.3 above and all sums in escrow subject to the condition that said sums, if any, be used for the completion of the Improvements. Entering the Premises in order to complete the Improvements and/or exercise of the aforesaid license and/or power-of-attorney will not exclude Borrower from possession, custody, ownership or control of the Premises or Improvements or of any rents, issues or profit therefrom.

6.5 If Borrower shall fail to timely perform any of the covenants contained in Section 7.1(c) of this Agreement, Lender may, after the applicable cure period, make advances to perform the same in its behalf, and all sums so advanced shall be deemed to have been paid to Borrower, evidenced by the Note and secured by the Mortgage. Borrower will repay on demand of Lender all sums so advanced pursuant to this Section 6.5 with interest at the "Default Rate," as

such term is defined in the Note. The provisions of this Section 6.5 shall not prevent any default in the observance of any covenant contained in said Section 7.1(c) of this Agreement from constituting an Event of Default.

6.6 The Investor shall have the right but not the obligation to cure any Event of Default of Borrower hereunder provided that such cure is effectuated within the same time period as is provided to Borrower hereunder.

6.7 In no event shall Lender have any obligation to accept a cure of an Event of Default and any Event of Default which occurs shall be deemed to be continuing unless and until such cure is accepted by Lender.

6.8 In addition to, but subject to, any rights of the Lender under applicable law, if an Event of Default occurs, any and all deposits of the Borrower (including all account balances, whether provisions or final and whether or not collected or available) and any other funds of Borrower at any time held by the Lender or any Affiliate of the Lender to or for the credit or account of the Borrower may be offset and applied toward the payment of the debt, whether or not the debt, or any part thereof, shall then be due.

(End of Article VI)

ARTICLE VII

GENERAL CONDITIONS

7.1 The following conditions shall be applicable at all times:

(a) **BORROWER SHALL DEFEND, INDEMNIFY AND HOLD HARMLESS LENDER AND EACH OF ITS AFFILIATES AND THEIR RESPECTIVE SUCCESSORS AND/OR ASSIGNS, INCLUDING THE DIRECTORS, OFFICERS, PARTNERS, MEMBERS, SHAREHOLDERS, PARTICIPANTS, EMPLOYEES, PROFESSIONALS AND AGENTS OF ANY OF THE FOREGOING (EACH AN "*INDEMNIFIED PARTY*"), FROM AND AGAINST ANY AND ALL LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, ACTIONS, JUDGMENTS, SUITS, CLAIMS, COSTS, EXPENSES AND DISBURSEMENTS OF ANY KIND OR NATURE WHATSOEVER (INCLUDING THE FEES AND DISBURSEMENTS OF COUNSEL FOR AN INDEMNIFIED PARTY IN CONNECTION WITH THE ASSERTION OF ANY CLAIM, LOSS, DEMAND, DAMAGES, PENALTIES, LIABILITIES, OR ANY INVESTIGATIVE, ADMINISTRATIVE, OR JUDICIAL PROCEEDING COMMENCED OR THREATENED, WHETHER OR NOT LENDER SHALL BE DESIGNATED A PARTY THERETO, COURT COSTS, AND COSTS OF APPEAL AT ALL APPELLATE LEVELS, INVESTIGATION AND LABORATORY FEES, CONSULTANT FEES AND LITIGATION EXPENSES), THAT MAY BE IMPOSED ON, INCURRED BY, OR ASSERTED AGAINST ANY INDEMNIFIED PARTY (COLLECTIVELY, THE "*INDEMNIFIED LIABILITIES*") IN ANY MANNER, RELATING TO OR ARISING OUT OF OR BY REASON OF THE LOAN, INCLUDING (I) ANY BREACH BY BORROWER OF ITS OBLIGATIONS UNDER, OR ANY MISREPRESENTATION BY BORROWER CONTAINED IN, ANY LOAN DOCUMENT; (II) THE USE OR INTENDED USE OF THE PROCEEDS OF THE LOAN; (III) ANY INFORMATION PROVIDED BY OR ON BEHALF OF BORROWER, OR CONTAINED IN ANY DOCUMENTATION APPROVED BY BORROWER; (IV) OWNERSHIP, DEVELOPMENT, CONSTRUCTION, OCCUPANCY OR USE OF THE MORTGAGE, THE PREMISES, THE COLLATERAL OR ANY INTEREST THEREIN, OR THE RECEIPT OF ANY RENTS; (V) ANY ACCIDENT, INJURY TO OR DEATH OF PERSONS OR LOSS OF OR DAMAGE TO PROPERTY OCCURRING IN, ON OR ABOUT THE PREMISES OR ON THE ADJOINING SIDEWALKS, CURBS, ADJACENT PROPERTY OR ADJACENT PARKING AREAS, STREETS OR WAYS; (VI) ANY USE, NONUSE, OR CONDITION IN, ON OR ABOUT THE PREMISES; (VII) PERFORMANCE OF ANY LABOR OR SERVICES OR THE FURNISHING OF ANY MATERIALS OR OTHER PROPERTY IN RESPECT OF THE PREMISES; (VIII) ANY FAILURE OF THE PREMISES TO COMPLY WITH ANY AND ALL APPLICABLE LEGAL REQUIREMENTS OR ANY DEFECT IN THE IMPROVEMENTS AND PARTICULARLY, ANY FAILURE OF THE LENDER OR ANY AGENT, OFFICER, EMPLOYEE OR REPRESENTATIVE OF THE LENDER, TO NOTE**

ANY DEFECT IN MATERIALS OR WORKMANSHIP OR OF PHYSICAL CONDITIONS OR FAILURE TO COMPLY WITH THE PLANS OR ANY ORDINANCES, STATUTES OR OTHER GOVERNMENTAL REQUIREMENTS, OR TO CALL TO THE ATTENTION OF ANY PERSON WHATSOEVER, OR TAKE ANY ACTION, OR TO DEMAND THAT ANY ACTION BE TAKEN, WITH REGARD TO ANY SUCH DEFECT OR FAILURE OR LACK OF COMPLIANCE; (IX) ANY CLAIM BY BROKERS, FINDERS, OR SIMILAR PERSONS CLAIMING TO BE ENTITLED TO A COMMISSION IN CONNECTION WITH THE LOAN, ANY LEASE OR ANY OTHER TRANSACTION INVOLVING THE PREMISES OR ANY PART THEREOF, OR ANY LIABILITY ASSERTED AGAINST LENDER WITH RESPECT THERETO; AND (X) THE CLAIMS OF ANY LESSEE OF ANY PORTION OF THE PREMISES OR ANY PERSON ACTING THROUGH OR UNDER ANY LESSEE OR OTHERWISE ARISING UNDER OR AS A CONSEQUENCE OF ANY LEASE OF THE PREMISES; PROVIDED, HOWEVER, THAT BORROWER SHALL NOT HAVE ANY OBLIGATION TO AN INDEMNIFIED PARTY HEREUNDER TO THE EXTENT THAT IT IS FINALLY JUDICIALLY DETERMINED THAT SUCH INDEMNIFIED LIABILITIES ARISE FROM THE GROSS NEGLIGENCE, FRAUD OR WILLFUL MISCONDUCT OF SUCH INDEMNIFIED PARTY. ANY AMOUNTS PAYABLE PURSUANT THIS SECTION 7.1(A) SHALL BE PAYABLE UPON DEMAND AND SHALL BEAR INTEREST AT THE DEFAULT RATE (AS SUCH TERM IS DEFINED IN THE NOTE) FROM THE DATE THE LOSS OR DAMAGE IS SUSTAINED BY THE INDEMNIFIED PARTY UNTIL PAID. THE OBLIGATIONS UNDER THIS SECTION 7.1(A) SHALL SURVIVE THE TERM OF THE LOAN AND THE EXERCISE BY LENDER OF ANY OF ITS RIGHTS OR REMEDIES UNDER THE LOAN DOCUMENTS, INCLUDING THE ACQUISITION OF THE PREMISES BY FORECLOSURE OR A CONVEYANCE IN LIEU OF FORECLOSURE.

(b) Any advance by Lender of proceeds of the Loan hereunder made prior to or without the fulfillment by Borrower of all of the conditions precedent thereto, whether or not known to Lender, shall not constitute a waiver by Lender of the requirement that all conditions, including the non-performed conditions, shall be required with respect to all future advances.

(c) (i) Lender shall have the right at any time to notify Borrower that, in Lender's reasonable judgment, the undisbursed balance of the Loan, the City and available Additional Contributions (including the line item for contingency costs and all retained amounts) after reallocation of the Loan Budget Amount in accordance with Section 2.7 hereof, plus the undisbursed balance of any capital contribution to be made by the Investor to Borrower, is insufficient to pay the remaining Direct Costs and Indirect Costs payable out of the Loan necessary to complete the Improvements in accordance with the terms hereof. In connection with making the foregoing determination with respect to Direct Costs, Lender shall consult with its Construction Consultant and the Borrower and shall

take into account the General Contract, its terms and the likelihood of fulfillment by the General Contractor of the terms.

(ii) If Lender informs Borrower of such deficiency, Borrower shall, at Borrower's sole discretion, within ten (10) Business Days after the date of such notification, (which notification shall include either (1) a copy of those portions of the Construction Consultant's analysis applicable to the determination of such deficiency or (2) other reasonably sufficient evidence and analysis pertaining to the determination of such deficiency):

(w) deposit with Lender an amount (the "***Shortfall Payment***") from its own funds equal to such deficiency (the "***Shortfall Amount***") which Lender may from time to time apply at its own direction or at Borrower's direction, to pay Direct and Indirect Costs or cause Borrower to complete the construction of the Improvements which is the cause of the Shortfall Amount at no cost to Lender; or

(x) instead of requisitioning funds under this Agreement, pay for costs of completing the Improvements in accordance with the terms hereof from its own funds, up to and including the Shortfall Amount, so that the amount of the Loan, plus the undisbursed balance of the City and/or the Additional Contributions, which remain to be disbursed after payment of the Direct Costs and Indirect Costs by Borrower shall be sufficient to complete the Improvements substantially in accordance with the terms hereof, and Borrower shall furnish to Lender evidence of such payment as Lender shall reasonably require; or

(y) upon the approval of Lender, which approval shall be at Lender's sole discretion, deliver to Lender an irrevocable and unconditional letter of credit (the "***Shortfall Letter of Credit***") in form and substance satisfactory to Lender issued in favor of Lender by a financial institution satisfactory to Lender, in the amount of the Shortfall Amount.

(iii) The Shortfall Letter of Credit shall expire no earlier than sixty (60) days after the later of (a) the date, estimated by the Construction Consultant, by which the Improvements can be completed, or (b) the Completion Date. The estimate of time of completion shall be made by the Construction Consultant at the time that the Shortfall Amount is determined. The Shortfall Letter of Credit may be drawn upon at any time to fund any Shortfall Amount. Lender shall agree to reductions in the amount of any Shortfall Letter of Credit when and to the extent that Lender determines that the Shortfall Amount has been reduced or no longer exists.

(iv) Borrower hereby agrees that Lender shall have a lien on, and a security interest in, any sums deposited by Borrower pursuant to clause (x) above. In addition, Borrower shall have no right to withdraw any sums deposited on account of the Shortfall Amount except for the payment of Direct Costs and Indirect Costs as approved by Lender or upon completion of construction of the Improvements. Any sums not used pursuant to clause (x) hereof shall be released to Borrower when and to the extent that Lender determines that the amount thereof is in excess of the total remaining costs of completing the Improvements in accordance with the terms hereof over the undisbursed balance of the Loan (including line item for contingency) plus the undrawn portion of the Shortfall Letter of Credit.

(d) After the occurrence and during the continuance of any Event of Default hereunder or under the Mortgage, Borrower hereby irrevocably authorizes Lender to advance any undisbursed Loan proceeds for work performed or materials supplied directly to the General Contractor and other persons to pay for completion of the Improvements, but Lender is under no obligation to do so. No further direction or authorization from Borrower shall be necessary to warrant such direct advances and all such advances shall satisfy *pro tanto* the obligations of Lender hereunder and shall be secured by the Mortgage as fully as if made to Borrower regardless of the disposition thereof by the General Contractor, any Major Subcontractors or other Person.

(e) This Agreement is solely for the benefit of Lender and Borrower. All conditions of the obligations of Lender to make advances hereunder are imposed solely and exclusively for the benefit of Lender and may be freely waived or modified in whole or in part, by Lender at any time if in its sole reasonable discretion it deems it advisable to do so, and no Person other than Borrower (provided, however, that all conditions have been satisfied) shall have standing to require Lender to make any Loan advances or to be a beneficiary of this Agreement or any advances to be made hereunder. Any waiver or modification asserted by Borrower to have been agreed to by Lender must be in writing and comply with the provisions of paragraph (h) of this Section 7.1.

(f) Borrower hereby irrevocably authorizes Lender to automatically disburse proceeds of the Loan to pay interest accrued on the Note as it comes due, notwithstanding that Borrower may not have requested disbursement of such amounts and whether or not Borrower may be in default under the Mortgage. Any such disbursements shall be added to the outstanding principal balance of the Note and shall be secured by the Mortgage. The authorization granted hereby shall not prevent Borrower from paying interest, or satisfying said conditions, from its own funds and shall in no event be construed so as to relieve Borrower from its obligation to pay interest as and when due

under the Note, or to satisfy said conditions, or to obligate Lender to disburse Loan proceeds for the payment of interest or the satisfaction of said conditions.

(g) All notices and/or consents, hereunder shall be in writing and shall be deemed to have been sufficiently given or served for all purposes when delivered in person or one (1) Business Day after being sent by a nationally recognized overnight delivery service (e.g. FedEx), if to Borrower at its addresses stated on the cover page hereof, to the attention of Russ Michael Schmidtberger, with a copy to Shackelford, Bowen, McKinley & Norton, LLP, 9201 N. Central Expressway, Fourth Floor, Dallas, Texas 75231, Attention: John Shackelford, with a copy to Investor, c/o Red Stone Equity Partners, LLC 1100 Superior Avenue, Suite 1640, Cleveland, OH 44114, Attention: General Counsel, with a copy to Nixon Peabody LLP, Exchange Place, 53 State Street, Boston, MA 02109, Attention: Roger W. Holmes, and if to Lender, to the attention of Community Finance at the address stated on the cover page hereof, with a copy to Lender's Counsel at Greenberg Traurig LLP, 1000 Louisiana St., Suite 1700, Houston, Texas 77002, Attention: Wayne A. Yaffee, or at such other address of which a party shall have notified the party giving such notice in writing in accordance with the foregoing requirements. Notwithstanding the foregoing, failure to deliver a notice to Investor shall have no consequence whatsoever to the effectiveness of any notice made to any of the undersigned and shall not constitute a default hereunder.

(h) No provision of the Note, Mortgage or this Agreement or any other document executed pursuant hereto may be changed, waived, discharged or terminated orally, by telephone or by any other means except an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought.

(i) Except as herein provided, this Agreement shall be binding upon and inure to the benefit of Borrower and Lender and their respective heirs, personal representatives, successors and assigns. Notwithstanding the foregoing, Borrower, without the prior written consent of Lender in each instance, may not assign, transfer or set over to another, in whole or in part, all or any part of its benefits, rights, duties and obligations hereunder, including, but not limited to, performance of and compliance with conditions hereof and the right to receive the proceeds of current or future advances.

(j) The Lender agrees to use commercially reasonable efforts to maintain, in accordance with its customary practices, the confidentiality of information obtained by it pursuant to any Loan Document, except that such information may be disclosed (i) with the Borrower's consent, (ii) to Related Persons of the Lender, (iii) to the extent such information presently is or hereafter becomes (A) publicly available other than as a result of a breach of this Section or

(B) available to or in the possession of the Lender or any of their Related Persons from a source (other than the Borrower not known by them to be subject to disclosure restrictions, (iv) to the extent disclosure is required by applicable law, rules or regulations or other legal process or requested or demanded by any governmental authority or any other regulatory or self-regulatory authority having jurisdiction over such Person or its Affiliates, (v) (A) to the National Association of Insurance Commissioners or any similar organization, any examiner or any nationally recognized rating agency or (B) otherwise to the extent consisting of general portfolio information that does not identify the Borrower, (vi) to current or prospective assignees, or participants financing sources, direct or contractual counterparties to any hedging providers and to their respective Related Persons, in each case to the extent such Persons agree to be bound by provisions substantially similar to the provisions of this Section (and such Person may disclose information to their respective Related Persons in accordance with clause (ii) above), (vii) in connection with the exercise or enforcement of any right or remedy under any Loan Documents in connection with any litigation or other proceeding to which the Lender, any of their Related Persons is a party or bound, or to the extent necessary to respond to public statements or disclosures by Borrower or their Related Persons referring to Lender or any of their Related Persons. This Section shall supersede all prior agreements or understandings relating to confidentiality in respect of the Loan or the Premises.

(k) Borrower hereby agrees that Lender may at any time sell, assign or transfer one or more interest or participations in all or any part of its rights and obligations in the Loan to one or more participants whether or not related to Lender, but Lender shall remain committed for the full amount of the Loan.

(l) Borrower agrees that, by its acceptance of and failure upon request to return any advance of Loan proceeds under this Agreement, it shall be bound in all respects by the Requisition submitted on its behalf in connection therewith with the same force and effect as if Borrower had itself executed and submitted the Requisition and whether or not the Requisition is executed and/or submitted by an authorized person.

(m) Any letter of credit (hereinafter, an "***L/C***"), irrespective of the applicant or account party thereunder, now or hereafter issued by Lender at Borrower's, Guarantors' or either of their affiliate's request, and relating in any way to the Premises or Improvements, shall, at Lender's option, effect a reduction of Loan proceeds available to Borrower hereunder. Such reduction shall be up to the amount of the L/C (together with the fees and costs payable thereunder), shall be in effect for the entire term of the L/C and shall be allocated, if necessary, by Lender to the Loan Budget Amounts which it deems most appropriate in its sole discretion. The Mortgage shall secure the applicant's and account party's

obligations under any application, reimbursement agreement or other document (the "***L/C Documents***") executed in connection with any L/C. In the event of a drawing under any L/C or otherwise, Borrower hereby irrevocably authorizes Lender to advance Loan proceeds hereunder to satisfy, in whole or in part, the obligations of Lender under the L/C Documents.

(n) Any and all advances made at any time by Lender pursuant to the irrevocable authorizations granted in this Section 7.1 shall require no further direction, authorization or request for disbursement from Borrower. Borrower agrees that advances made pursuant to this Section 7.1, may be made without any further direction, authorization or request for disbursement from Borrower. Any and all such disbursements made pursuant to this Section 7.1 shall be added to the outstanding principal balance evidenced by the Note and shall be secured by the Mortgage. The aforesaid authorizations shall (1) not prevent Borrower from paying the contractors and other Persons, from paying the interest, or from satisfying the conditions and obligations referred to in said paragraphs, out of its own funds, (2) in no event be construed so as to relieve Borrower or others from their obligations to pay such contractors or other Persons, to pay interest as and when due under the Note, or to satisfy such conditions and obligations and (3) in no event obligate Lender to disburse Loan proceeds for any such purposes.

7.2 The cover page and the Exhibits annexed hereto are incorporated as a part of this Agreement with the same effect as if set forth in the body hereof.

7.3 This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all of which counterparts together shall constitute but one and the same instrument.

7.4 This Agreement constitutes the entire agreement and understanding of the parties hereto in respect of the subject matter contained herein, supersedes all prior agreements and understandings, both written and oral, between the parties in respect of the subject matter hereof and no changes, amendments, or alterations hereto shall be effective unless pursuant to written instrument executed by the parties hereto.

7.5 The illegality or unenforceability of any provisions of this Agreement or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Agreement or any instrument or agreement required hereunder.

7.6 The Borrower agrees to pay (a) all reasonable out-of-pocket costs and expenses of the Lender in connection with the preparation, execution and delivery of this Agreement, the Loan Documents and any other documentation

contemplated or required hereby, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel to Lender with respect thereto, (b) within ten (10) days of Lender's written demand, all reasonable documented out-of-pocket costs and expenses (including actual counsel's fees and expenses), if any, Lender may incur in connection with (i) this transaction resulting from the adoption of or changes, after the date hereof, in applicable laws, regulations, rules or interpretative letters issued in connection therewith, (ii) the interpretation, enforcement of, or the collection of any amounts owed to Lender under, this Agreement or the Loan Documents which may be delivered in connection with this Agreement, unless Borrower shall prevail in such matters after the exhaustion of any appeals, (iii) the enforcement or preservation of any right or remedy under any Loan Document with respect to the Collateral or any other related right or remedy or any attempt to inspect, verify, protect, insure, collect, sell, liquidate or otherwise dispose of any Collateral, (iv) any refinancing or restructuring of the credit arrangement provided hereunder in the nature of a "work-out" in any insolvency or bankruptcy proceeding or otherwise and whether or not consummated, and (v) the commencement, defense, conduct of intervention in, or the taking of any other action (including preparation for and/or response to any subpoena or request for document production relating thereto) with respect to, any proceeding (including any bankruptcy or insolvency proceeding relate to the Borrower, any Loan Document, the Loan or any related transaction. Borrower covenants and agrees to pay within ten (10) days of demand therefor Lender's expenses and any and all administrative and/or servicing fees charged and/or incurred by Lender in connection with the administration of the Loan and/or this Agreement. Any obligations of the Borrower to defend or indemnify shall not extend to any grossly negligent or intentional misconduct of the Lender.

(End of Article VII)

ARTICLE VIII

PARTICULAR PROVISIONS

8.1 Lender hereby acknowledges and agrees that the benefits of the Tax Credits are inseparable from ownership of the Premises and are therefore transferable only in connection with a transfer of the ownership of the Premises. Further, Lender hereby acknowledges that in order to obtain the benefit of any assignment of Borrower's interest in the Tax Credits, it would be necessary for Lender to obtain title to, and ownership of the Premises through foreclosure or other lawful proceedings.

8.2 Lender shall not be obligated to fund any proceeds of the Loan unless and until (i) the Initial Contribution has been expended or deposited in accordance with the terms of this Agreement, the Disbursement Agreement and the Amended and Restated Agreement of Limited Partnership, (ii) Lender has approved the final Plans, (iii) the building permits for the construction of the Improvements have been received by Borrower (specifically, no fees and reimbursables shall be advanced but Lender may allow other budgeted items be funded in connection with the closing of the Loan), and (iv) Lender receives evidence satisfactory to Lender and the Construction Consultant that the Improvements can be completed with (A) the remaining undisbursed proceeds of the Loan, (B) the remaining undisbursed proceeds of the City Funded Loan, and (C) the remaining net proceeds of the Total Tax Credit Equity Commitment.

8.3 The terms and conditions of the City Funded Loan Documents remain in full force and effect.

8.4 Provided no default exists under the Loan Documents, this Agreement, the Amended and Restated Agreement of Limited Partnership, the City Funded Loan Documents, or the Permanent Loan Commitment, Borrower shall upon not less than sixty (60) days and not more than ninety (90) days prior written notice to Lender prior to the Maturity Date, have the option to extend the Maturity Date by four (4) months (the "***Extension***"), provided that (i) Lender determines, in its sole, but reasonable, discretion, that Borrower has sufficient interest reserves and working capital for the Improvements or Borrower funds such reserves and working capital, (ii) Borrower pays to Lender an extension fee equal to .50% of the sum of the outstanding balance of the Loan and any remaining unfunded amount of the Loan available for disbursement hereunder and continues paying all amounts due under the Note, (iii) construction is completed lien-free as evidenced by the receipt of a temporary or permanent certificate of occupancy, (iv) at least ninety-three percent (93%) of the units at the Improvements have been are physically occupied by bonafied tenants who are paying rent with no offset at the underwritten rents set forth in the appraisal

referenced in Section 3.2(b) hereof for the immediately preceding month; (v) no tax credit adjustment is anticipated from the Investor which would reduce the Investor's Additional Contribution; (vi) the Debt Service Cover Ratio for the most recently completed calendar month preceding the Maturity Date shall be at least 1.15 to 1.0, (vii) the expiration date of the Permanent Mortgage Loan Commitment and the Forward Commitment shall each have been extended to at least the end of the Extension, (viii) Borrower is in compliance with the placed in service requirements for the Tax Credits, (vii) all installments of the Additional Contributions then due under the Amended and Restated Agreement of Limited Partnership shall have been paid in full, (ix) there has been no material adverse change to Borrower, (x) all other sources of funding (including but not limited to the City Funded Loan) have been funded, (xi) Borrower has executed and delivered to Lender all extension and other agreements required by Lender, and (xii) Borrower shall have paid or reimbursed Lender for all costs incurred by Lender in connection with the satisfaction of the foregoing conditions, including without limitation attorney's fees and appraisal expenses and costs of recording costs and title endorsements required by Lender.

8.5 During the term of the Loan, no "developer fee" shall be paid without the prior written consent of Lender except for (a) $631,680.00 to be paid on the date hereof, and (b) $421,120.00 to be paid upon substantial completion of the Improvements from the associated capital Contribution made under the Amended and restated Agreement of Limited Partnership. Provided construction is progressing on schedule and within budget and there is no Shortfall Amount, as determined by Lender and Construction Consultant, additional payments of the Cash Development Fee shall be paid in accordance with the Development Agreement.

8.6 Each Covered Person shall comply with all applicable Anti-Corruption Laws, Anti-Terrorism Laws and Sanctions. Neither the Borrower, nor to the knowledge of the Borrower, any director, officer, agent, employee, or other person acting on behalf of the Borrower, will use the proceeds of any Loan, directly or indirectly, (i) for any payments to any Person, including any government official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, or otherwise take any action, directly or indirectly, that would result in a violation of any Anti-Corruption Laws, (ii) for the purpose of funding, financing or facilitating an activities, business or transaction of or with any Sanctioned Person or a government of a Sanctioned Country, or (iii) in any manner that would result in the violation of any Sanctions applicable to any party hereto.

8.7 Lender hereby notifies Borrower that pursuant to the requirements of the Patriot Act, Lender is required to obtain, verify and record information that

identifies Borrower, which information includes the name and address of Borrower and other information that will allow Lender to identify Borrower in accordance with the Patriot Act and the Borrower shall promptly provide documentary and other evidence as may be requested by Lender at any time to comply with applicable Anti-Terrorism Laws, including the Patriot Act.

8.8 To the extent permitted by applicable law, Borrower shall not assert, and hereby waives, any claims against Lender, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the transactions or the use of the proceeds thereof.

8.9 It is the intent that the Loan will be repaid in full with a portion of the Additional Contribution; provided, however, that if, for whatever reason, the conditions to the funding of such Additional Contribution have not been satisfied on or before the Maturity Date of the Loan, the failure to receive such Additional Contribution shall not relieve the Borrower of its obligation to repay the Loan.

(End of Article VIII)

ARTICLE IX

GENERAL PROVISIONS

9.1 Amendments.

(a) Any term, covenant, agreement or condition of this Agreement or any of the Loan Documents may be amended or waived, and any departure therefrom may be consented to by Lender, if, but only if, such amendment, waiver or consent is in writing signed by Lender and, in the case of an amendment, by the Borrower. Notwithstanding the foregoing, amendments following an Alternative Interest Rate Election Event (as such term is defined in the Note) shall be permitted pursuant to Section 2.6 of the Note. Unless otherwise specified in such waiver or consent, a waiver or consent given hereunder shall be effective only in the specific instance and for the specific purpose for which given. In the event that any such waiver or amendment is requested by the Borrower, Lender may require and charge a fee in connection therewith and consideration thereof in such amount as shall be determined by Lender in its reasonable discretion.

(b) The making of advances hereunder by Lender during the existence of an Event of Default shall not be deemed to constitute a waiver of such Event of Default.

9.2 TO THE EXTENT PERMITTED BY LAW, BORROWER AND LENDER HEREBY KNOWINGLY, INTENTIONALLY AND VOLUNTARILY WAIVE TRIAL BY JURY IN ANY ACTION OR PROCEEDING OF ANY KIND OR NATURE IN ANY COURT IN WHICH AN ACTION MAY BE COMMENCED BY OR AGAINST BORROWER AND LENDER ARISING OUT OF THIS AGREEMENT, THE COLLATERAL OR ANY ASSIGNMENT THEREOF OR BY REASON OF ANY OTHER CAUSE OR DISPUTE WHATSOEVER BETWEEN BORROWER AND LENDER OF ANY KIND OR NATURE.

9.3 Borrower and Lender herby agree that any Texas state court or any federal court, in either case, located in or having jurisdiction over Harris County or, at the option of Lender, any court in which Lender shall initiate legal or equitable proceedings and which has subject matter jurisdiction over the matter in controversy shall have non-exclusive jurisdiction to hear and determine any claims or disputes between Borrower and lender, pertaining directly or indirectly to this Agreement or the other Loan Documents or to any matter arising therefrom. Borrower and Lender each expressly submit and consent in advance to such jurisdiction in any action or proceeding commenced in such courts, hereby waiving any object, including any objection to the laying of venue or

based on the grounds of forum *non conveniens,* and personal service of the summons and complaint or other process or papers issued therein and agreeing that service of such summons and complain or other process or papers may be made by registered or certified mail addressed to Borrower or Lender, as applicable, at the address of Borrower or Lender, as applicable, set forth in this Agreement, provided a concurrent copy is sent to Borrower's counsel or Lender's counsel, as applicable. The non-exclusive choice of forum set forth in this Section shall not be deemed to preclude the enforcement of any judgment obtained in such forum or the taking of any action under this Agreement to enforce same in any appropriate jurisdiction.

9.4 This Agreement and, to the extent no other choice of law is expressly set forth therein, the other Loan Documents, and any and all claims relating to or arising there from or the breach thereof, whether sounding in contract, tort or otherwise, in each case, shall be governed by, and construed in accordance with, the laws of the State of Texas (determined without preference to principles of conflicts of laws).

9.5 This Agreement is the result of negotiations among and has been reviewed by Borrower's counsel and Lender's counsel and is the product of all parties hereto. Accordingly, this Agreement and the other Loan Documents shall not be construed against the Lender merely because of Lender's involvement in the preparation of such documents and agreements. Without limiting the generality of the foregoing, each of the parties hereto has had the advice of counsel with respect to Section 9.2 hereof.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Construction Loan Agreement as of the day and year first above written, the execution hereof by Borrower constituting (a) a certification by Borrower that the representations and warranties made in Article V are true and correct as of the date hereof and that the person executing on behalf of Borrower duly holds and is incumbent in the position indicated under his name.

LENDER:

CAPITAL ONE, NATIONAL ASSOCIATION

By: _____
David J. Musial, Senior Director

IN WITNESS WHEREOF, the parties have executed this Construction Loan Agreement as of the day and year first above written, the execution hereof by Borrower constituting (a) a certification by Borrower that the representations and warranties made in Article V are true and correct as of the date hereof and that the person executing on behalf of Borrower duly holds and is incumbent in the position indicated under his name.

BORROWER:

CSH DIAN STREET VILLAS, LTD., a Texas limited partnership

By: CSH Dian Street Villas GP, LLC, a Texas limited liability company, its general partner

By: Texas Inter-Faith Housing Corporation, a 501(c)3 non-profit corporation, its sole member

By: _____
Russ Michael Schmidtberger ("Russ Michaels"), its Executive Director

CALIFORNIA ALL PURPOSE ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document, to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)

COUNTY OF Los Angeles)

On April 14, 2021 (Date) before me, N. LoSasso (Insert Name and Title of the officer) Notary Public, personally appeared David T. Musial

(Name(s) of Signer(s))

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) (is/are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

N. LOSASSO
COMM. # 2261825
NOTARY PUBLIC-CALIFORNIA
LOS ANGELES COUNTY
My Comm. Expires OCTOBER 20, 2022

Signature: N LoSasso

OPTIONAL

Though this section is optional, completing this information can deter alteration of the document or fraudulent attachment of this form to an unintended document.

Description of Attached Document
Title or Type of Document: Construction Loan Agreement Document Date:_____
Number of Pages:_____ Signer(s) Other Than Named Above:_____

Capacity(ies) Claimed by Signer(s)

Signers Name:_____
☐ Corporate Officer – Title(s)_____
☐ Partner - ☐ Limited ☐ General
☐ Individual ☐Attorney in Fact
☐ Trustee ☐Guardian or Conservator
☐ Other:_____
Signer is Representing:_____

Signers Name:_____
☐ Corporate Officer – Title(s)_____
☐ Partner - ☐ Limited ☐ General
☐ Individual ☐Attorney in Fact
☐ Trustee ☐Guardian or Conservator
☐ Other:_____
Signer is Representing:_____

STATE OF TEXAS §
§
COUNTY OF Harris §

BEFORE ME, the undersigned authority, on this day personally appeared Russ Michael Schmidtberger, Executive Director of Texas Inter-Faith Housing Corporation, a 501(c)3 non-profit corporation, on behalf of said non-profit corporation, as sole member of CSH Dian Street Villas GP, LLC, a Texas limited liability company, as general partner of CSH DIAN STREET VILLAS, LTD., a Texas limited partnership.

GIVEN UNDER MY HAND AND SEAL OF OFFICE on this the 12 day of April, 2021.

Adrianna Martinez
Notary Public State of Texas

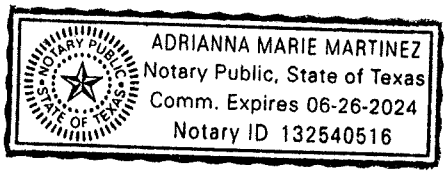


EXHIBIT A

BUDGET

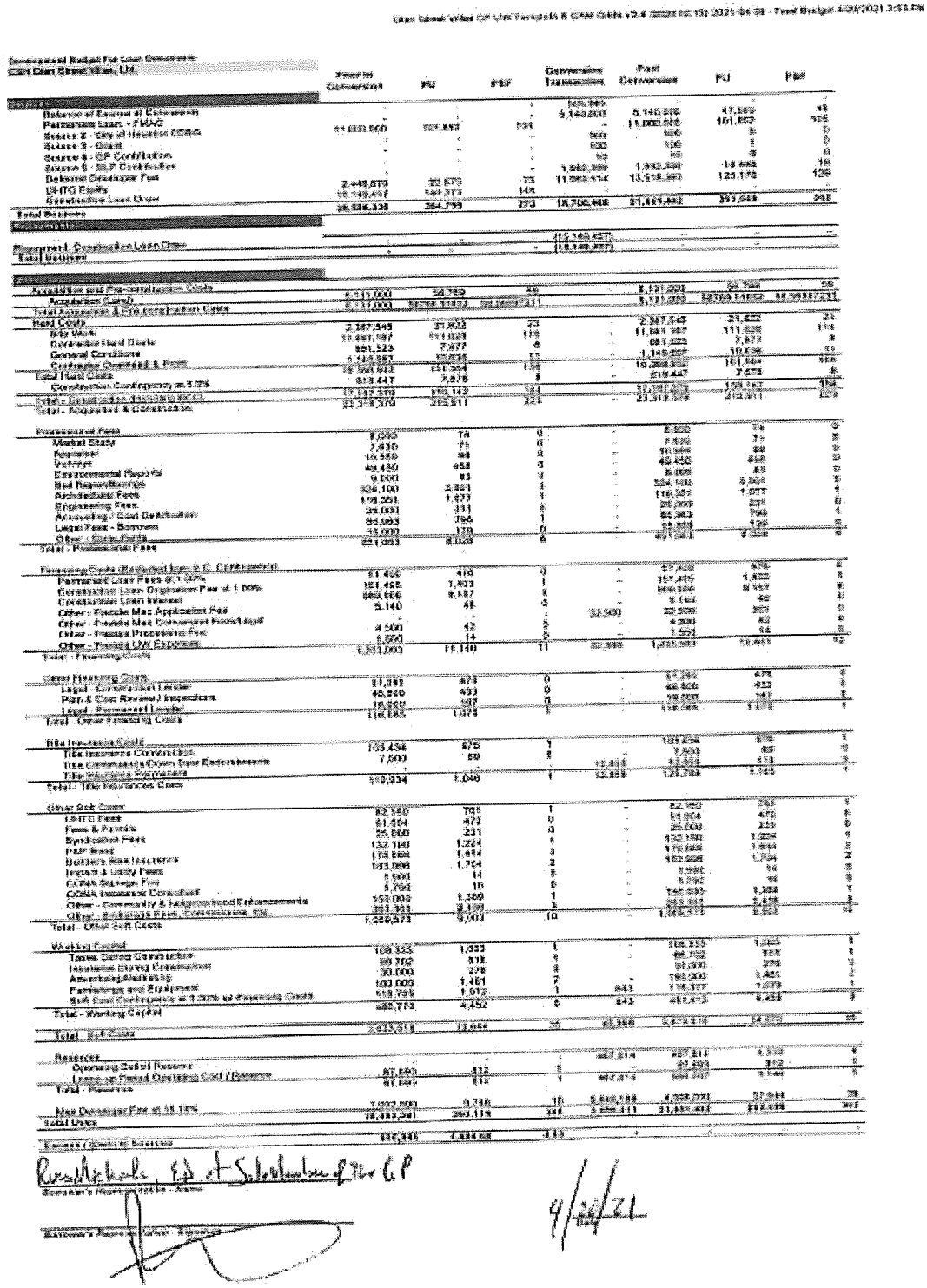


EXHIBIT B
(FORM OF LETTER OF BORROWER'S ARCHITECT)

[*Begins on following page*]

EXHIBIT C
(FORM OF GENERAL CONTRACTOR'S LETTER AND PRIMARY SUBCONTRACTOR'S LETTER)

[*Begins on following page*]

EXHIBIT D

Intentionally Omitted

EXHIBIT E

(BORROWER'S REQUISITION)

REQUISITION #: _____
BORROWER'S NAME: CSH Dian Street Vilas, Ltd.
CAPITAL ONE Loan No.: _____

Capital One, National Association
299 Park Avenue, 14th Floor
New York, NY 10171

RE: Requisition in connection with a $15,149,457.00 loan under that certain Construction Loan Agreement (as amended or modified from time to time, the "Agreement"), dated _____, between CSH Dian Street Villas, Ltd. ("Borrower") and Capital One, National Association ("Lender")

1. Undefined terms used herein shall have the same meaning as in the Agreement.

2. Borrower hereby requests an advance under the Agreement in the amount of $_____ and a disbursement from the equity contribution account in the amount of $_____. We acknowledge that these amounts are subject to inspection, verification and available funds. We understand that no funds shall be disbursed on any property for which a payoff amount has been quoted by Lender.

3. Borrower agrees to provide, if requested by Lender, a listing of all vendors showing the name and the amount currently due each party to whom the Borrower is obligated for labor, material and/or services supplied. This information would be provided in support of the disbursements requested in this Requisition.

4. Borrower represents and warrants to Lender that:

   a) It has complied with all of its duties and obligations under the terms of the Agreement,

   b) No Event of Default has occurred and no default has occurred that with the passage of time or giving of notice, or both, would constitute an Event of Default,

c) All Change Orders or changes to the Budget have been submitted (to the extent required to be submitted) to and approved by Lender,

d) All previous loan advances have been used solely for the purposes set forth in the Agreement,

e) All outstanding claims for labor, materials and/or services furnished prior to this draw period have been paid,

f) All construction prior to the date hereof has been in accordance with the Plans,

g) All of the requested advance will be used solely to pay obligations set forth on the attachment hereto,

h) There are no liens outstanding against the Improvements or Premises, except for liens and security interests in favor of Lender,

i) The amount of undisbursed Loan proceeds is sufficient to pay the cost of completing the Improvements in accordance with the Plans originally submitted to Lender or as modified and approved by Lender through approved Change Orders,

j) Borrower understands this Requisition is made for the purpose of inducing Lender to make an advance to Borrower and that, in making such advance, Lender will rely upon the accuracy of the matters stated herein, and

k) The information stated above and the representations and warranties in Section 5.1 of the Agreement are true and correct in all material respects as of the date of this Requisition and, unless Lender is notified to the contrary prior to the disbursement of the advance requested above, will be so on the date thereof.

5. Disbursement of the requested advance will be subject to the receipt by Lender of a certificate from a title company stating that no claims have been filed of record which adversely affects the title of Borrower to the property subsequent to the filing of the Lender's mortgage.

6. Borrower certifies that the statements made herein and in any documents submitted herewith are true and has duly caused this Requisition to be signed on its behalf by the undersigned, thereto duly authorized.

7. Borrower requests that this draw be funded and that the disbursement funds be deposited in accordance with the Disbursement Authorization Form on file with Lender or as specified below:

Name of Lender	Capital One, N.A.
ABA Routing #	_____
Account Name	_____
Account #	_____

Very truly yours,

By: _____

Subscribed and sworn to before me on _____, 20__

_____
Notary Public

Capital One Confidential/Proprietary

EXHIBIT F

(FINANCIAL REPORTING REQUIREMENTS)

Borrower	
Requirement	Due
Borrower compliance certificate in substantially the form set forth in Schedule 1 to this Exhibit F, signed by Borrower	Fiscal Year End + 120 days
Until the last Direct Costs advance is released, an updated potential Change Order log must be provided reflecting forward looking PCOs.	With every Requisition. or in absence of a Requisition, Month end + 15 days, if requested by Lender.
Commencing the month following receipt of the temporary certificate of occupancy, monthly activity or property traffic report. The report should detail rents charged at the property by unit type and AMI restriction, estimated unrestricted market rents for each unit type, any concessions/discounts/rent specials being offered, vacancies by unit type, applications, application status (approved, withdrawn, denied, pending), signed leases, move ins, move outs, and notice of move outs or other vacancies pending.	Month end + 30 days
After property has achieved 90% physical occupancy, rent rolls and operating statements. Statements should include the current month, trial balance, balance sheet and income statement. Additionally, Lender may reasonably request supporting detail and supplemental documentation.	Month end + 30 days

Borrower	
Requirement	Due
To the extent requested by Lender in writing, copies of complete Federal tax returns, including all schedules – within 30 days after filing. If extensions are filed in advance of tax returns, copies of extensions are to be provided within 30 days after filing.	Date Filed + 30 days
After leasing is completed and/or upon conversion to the Permanent Loan, annual operating and capital expenditure budgets.	Fiscal Year End + 30 days, upon request of the Lender
If there are any material findings, the results of any Federal, State, Local or other government audit or inspection, including but not limited to those covering compliance, property condition, operations or financial reporting. Copies of all written communication with the applicable government agency related to material findings and related resolution or remediation, including the close-out report or other final correspondence.	Immediate notification by Borrower, but in no event more than + 5 days following receipt or sending of correspondence.

Guarantors	
Requirement	Due
Guarantor Compliance Certificate in substantially the form set forth in Schedule 2 to this Exhibit F, signed by each Guarantor.	120 days following Fiscal Year End or 45 days following any other test date (quarter end) for the liquidity/net worth covenant
For each Guarantor which is a legal entity and not a Single Purpose Entity, annual audited financial statement and statement of profit and loss of Guarantors prepared by a certified public accountant, and in each instance, in accordance with generally accepted accounting principles applied in a manner consistent with previous statements. For each Guarantor which is a natural person, annual signed and dated personal financial statements in a format acceptable to the Lender of Guarantor. Lender may reasonably request supporting detail (including without limitation, copies of brokerage, banking or other statements, a breakdown of assets that are individually owned, jointly owned and/or owned by the Guarantor's spouse; any assets held in the trust, legally owned or controlled by another entity (e.g., cash held in the name of a company owned by Guarantor); any restricted assets must be clearly noted). Such personal financial statement must be signed and dated by Guarantor attesting to the fact that the statements "are true and correct in all material respects and have been prepared in accordance with the usual practices of the Guarantor, applied in a manner consistent with previous statements".	Fiscal Year End + 120 days

Capital One Confidential/Proprietary

Guarantors	
Requirement	Due
For each Guarantor which is a legal entity and not a Single Purpose Entity, un-audited financial statements addressed to Lender. This requirement applies also to unaudited fiscal year end statements prepared before the receipt of year end audited statements. The statements should include a balance sheet and income statement and contingent liability schedule, and be signed and dated by an officer of each Guarantor attesting to the fact that the statements "are true and correct in all material respects, and have been prepared in accordance with the usual practices of the Guarantor, applied in a manner consistent with previous statements". For each Guarantor which is a natural person, signed and dated personal financial statements in a format acceptable to the Lender of Guarantor. Lender may reasonably request supporting detail as set forth above. Such personal financial statement must be signed and dated by Guarantor attesting to the fact that the statements "are true and correct in all material respects and have been prepared in accordance with the usual practices of the Guarantor, applied in a manner consistent with previous statements".	45 days following each compliance testing date (fiscal quarter end) for any net worth and liquidity covenants
Copies of complete Federal tax returns, including all schedules – within 30 days after filing. If extensions are filed in lieu of tax returns, copies of extensions are to be provided within 30 days after filing.	Date Filed + 30 days, if requested by Lender

Schedule 1 to Exhibit F

Borrower Compliance Certificate

Project Name: Dian Street Villas

THIS BORROWER COMPLIANCE CERTIFICATE, dated _____ __, 20____ (the "**Certificate**") is made and delivered by CSH Dian Street Villas, Ltd. ("**Borrower**") to Capital One, National Association and its successors and assigns (collectively, "**Lender**") in connection with that certain Construction Loan Agreement, dated as of _____ (the "**Loan Agreement**"), by and between Lender and Borrower. All words and phrases not otherwise defined in this Certificate shall have the meaning ascribed to such words and phrases in the Loan Agreement or other Loan Documents, as applicable. As provided in the Loan Documents, Lender requires delivery of, and is relying upon, this Certificate and on the statements contained in this Certificate.

The Borrower certifies, represents, and warrants to Lender, that, to the best of the Borrower's knowledge, information, and belief after diligent inquiry, and as of the date of this Certificate as set forth above:

1. No Event of Default (including without limitation, uncured events of default any other credit facility, subordinated debt or grant or other source of income for the Premises) has occurred and is continuing, and no event which with notice or the passage of time or both would constitute an Event of Default, has occurred [,other than DESCRIBE CIRCUMSTANCE AND STEPS, IF ANY, BEING TAKEN TO CURE IT].

2. No material adverse change in the financial condition of the Borrower is currently expected to occur or has occurred between the most recent date this Certification was delivered and the date hereof.

3. There are no material claims, litigation, or administrative or other proceedings pending, or threatened, against or relating in any way to the Borrower, the Loan, the Premises, or the Improvements [other than DESCRIBE CLAIM OR PROCEEDINGS],

4. There is no contingent liability previously undisclosed to Lender between the most recent date this Certification was delivered and the date hereof [other than DESCRIBE CONTINGENT LIABILITY].

5. Attached hereto are the annual audited financial statements of the Borrower, prepared in accordance with generally accepted accounting principles applied in a manner consistent with previous statements.

IN WITNESS, WHEREOF, the Undersigned has executed this Certificate as of the day and date first above written.

CSH DIAN STREET VILLAS, LTD., a Texas limited partnership

By: CSH Dian Street Villas GP, LLC, a Texas limited liability company, its general partner

By: Texas Inter-Faith Housing Corporation, a 501(c)3 non-profit corporation, its sole member

By: _____
Russ Michael Schmidtberger ("Russ Michaels"), its Executive Director

Schedule 2 to Exhibit F

Guarantor Compliance Certificate
(Form)

Project Name: Dian Street Villas

THIS GUARANTOR COMPLIANCE CERTIFICATE, dated _____ __, 20____ (the "**Certificate**") is made and delivered by each undersigned Guarantor (the "**Guarantor**") to Capital One, National Association and its successors and assigns (collectively, "**Lender**") in connection with (i) that certain Construction Loan Agreement, dated as of _____, 20__ (as amended from time to time, the "**Loan Agreement**"), by and between Lender and CSH Dian Street Villas, Ltd. ("**Borrower**") and (ii) that certain Joint And Several Payment And Non-Recourse Carve-Out Guaranty (as amended from time to time, the "**Guaranty**"), dated as of _____, 20__ made by each Guarantor in favor of Lender. All words and phrases not otherwise defined in this Certificate shall have the meaning ascribed to such words and phrases in the Loan Agreement or other Loan Documents, as applicable. As provided in the Loan Documents, Lender requires delivery of, and is relying upon, this Certificate and on the statements contained in this Certificate.

Each Guarantor certifies, represents, and warrants to Lender, that, to the best of the knowledge, information, and belief after diligent inquiry and review of the provisions of the Loan Documents, and as of the date of this Certificate as set forth above:

6. No Event of Default (including without limitation, uncured events of default any other credit facility, subordinated debt or grant or other source of income for the Premises) has occurred and is continuing, and no event which with notice or the passage of time or both would constitute an Event of Default, has occurred [,other than DESCRIBE CIRCUMSTANCE AND STEPS, IF ANY, BEING TAKEN TO CURE IT].

7. No material adverse change in the financial condition of such Guarantor or any of its general partners, managers, managing members or controlling shareholders, as applicable is currently expected to occur or has occurred between the most recent date this Certification was delivered and the date hereof.

8. There are no material claims, litigation, or administrative or other proceedings pending, or threatened, against or affecting such Guarantor (or any of its general partners, managers, managing members or controlling shareholder,

as applicable) or its properties except as for which such Guarantor is fully insured [other than DESCRIBE CLAIM OR PROCEEDINGS],

9. To the extent applicable to such Guarantor, it is in compliance with each of the applicable minimum net worth requirements and minimum liquidity requirements in the Guaranty as follows:

a. Liquidity Covenant Compliance. The Guarantors jointly have Liquid Assets (as defined in the Guaranty) in amount of $_____ (which amount shall be not less than $2,000,000.00 ($1,000,000.00 after completion of construction of the Improvements)) as of ____/_____/_____.

b Net Worth Covenant. The Guarantors jointly have Net Worth (as defined in the Guaranty) in the amount of $_____ (which amount shall be not less than $4,000,000.00) as of ____/_____/_____.

10. If such Guarantor which is a legal entity and not a Single Purpose Entity,] Attached hereto are the annual audited financial statements and statement of profit and loss of such Guarantor _____, 20__, each prepared in accordance with generally accepted accounting principles applied in a manner consistent with previous statements.

11. . For each Guarantor which is a legal entity and not a,] un-audited financial statements as of _____, 20__ addressed to Lender. The statements include a balance sheet and income statement and contingent liability schedule, and are true and correct in all material respects, and have been prepared in accordance with the usual practices of such Guarantor, applied in a manner consistent with previous statements.

12. If such Guarantor is a natural person,] signed and dated personal financial statements in a format we believe is acceptable to the Lender. Lender may reasonably request supporting detail (including without limitation, copies of brokerage, banking or other statements, a breakdown of assets that are individually owned, jointly owned and/or owned by the Guarantor's spouse; any assets held in the trust, legally owned or controlled by another entity (e.g., cash held in the name of a company owned by Guarantor); any restricted assets must be clearly noted).. Such personal financial statement are true and correct in all material respects, and have been prepared in accordance with the usual practices of such Guarantor, applied in a manner consistent with previous statements.

13. There is no contingent liability previously undisclosed to Lender between the most recent date this Certification was delivered and the date hereof [other than DESCRIBE CONTINGENT LIABILITY].

14. If the Loan Agreement contains a representation that such Guarantor is a Single Purpose Entity, such Guarantor has maintained its status as a Single Purpose Entity.

IN WITNESS, WHEREOF, the Undersigned has executed this Certificate as of the day and date first above written.

GUARANTORS

_____
JERVON HARRIS, Individually

TEXAS INTER-FAITH HOUSING CORPORATION a 501(c)3 non-profit corporation

By: _____
Russ Michael Schmidtberger ("Russ Michaels"), its Executive Director

TEXAS INTER-FAITH DEVELOPMENT, LLC, a Texas limited liability company

By: _____
Russ Michael Schmidtberger ("Russ Michaels"), its Executive Director

SUPERURBAN REALTY VENTURES, LLC, a Texas limited liability company

By: _____
Jervon Harris, sole member/manager

EXHIBIT "G"

The Hard Cost Requisition package should include the following supporting documentation:

- ❑ **Application for Payment**: Fully executed, AIA G702/703 or similar format (GC & Subcontractors)
- ❑ **Executed Change Orders**: Fully executed Change Orders supporting the Change Order Log values, as documented on the G702/G703.
- ❑ **Pending Order Log**: A Pending Change Order Log should be provided with placeholder values for all identified pending change orders.
- ❑ **Updated Construction Schedule**: The updated Construction Schedule is based on the original construction schedule, provided with the Plan & Cost Report and/or at closing. *All construction delays are tracked against the original construction schedule.*
- ❑ **Stored Materials Log:** - A spreadsheet which includes tracking opening and closing balances. The log should include on-site and off-site stored materials
- ❑ **Deposit Log**: A spreadsheet which includes tracking opening and closing balances
- ❑ **Buy-Out Log**: based on executed trade cost contracts and executed change orders. *Unawarded contracts and LOIs are excluded. Buyout milestone requirements per the executed loan agreement.*
- ❑ **Lien Waivers:**
  - ❑ Conditional and unconditional lien waivers MUST be provided by the GC;
  - ❑ Conditional subcontractor lien waivers must total 85% of the requested value; Unconditional subcontractor lien waivers must total 75% of the previously funded value; and
  - ❑ Unconditional subcontractor lien waivers missing from the same contractor for the second (following) requisition, recommend deducting the total value of both requisitions;

SCHEDULE A

DESCRIPTION OF REAL PROPERTY

Unrestricted Reserve "A", Block 1, of DIAN STREET VILLAS, a subdivision in Harris County, Texas, according to the map or plat thereof recorded under Film Code No. 694603, of the Map Records of Harris County, Texas.

AIA® Document A101® – 2017

Standard Form of Agreement Between Owner and Contractor where the basis of payment is a Stipulated Sum

AGREEMENT made as of the 5th day of April in the year 2021
(In words, indicate day, month and year.)

BETWEEN the Owner:
(Name, legal status, address and other information)

CSH Dian Street Villas, Ltd.
3701 Kirby Drive, Suite 860
Houston, Texas 77098
713-503-4477 phone

and the Contractor:
(Name, legal status, address and other information)

Texas Inter-Faith Housing Corporation, a 501(c)(3) non-profit corporation
3701 Kirby Drive, Suite 860
Houston, Texas 77098
713-503-4477 phone

for the following Project:
(Name, location and detailed description)

Dian Street Villas
1433 Dian Street
Houston, Texas 77008
A 108-unit multifamily apartment complex

The Architect:
(Name, legal status, address and other information)

Cross Architects, PLLC
879 Junction Drive
Allen, Texas 75013
972-398-6644 phone

The Owner and Contractor agree as follows.

ADDITIONS AND DELETIONS:
The author of this document has added information needed for its completion. The author may also have revised the text of the original AIA standard form. An *Additions and Deletions Report* that notes added information as well as revisions to the standard form text is available from the author and should be reviewed. A vertical line in the left margin of this document indicates where the author has added necessary information and where the author has added to or deleted from the original AIA text.

This document has important legal consequences. Consultation with an attorney is encouraged with respect to its completion or modification.

The parties should complete A101®–2017, Exhibit A, Insurance and Bonds, contemporaneously with this Agreement. AIA Document A201®–2017, General Conditions of the Contract for Construction, is adopted in this document by reference. Do not use with other general conditions unless this document is modified.

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TABLE OF ARTICLES

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2 THE WORK OF THIS CONTRACT

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EXHIBIT A INSURANCE AND BONDS

ARTICLE 1 THE CONTRACT DOCUMENTS

The Contract Documents consist of this Agreement, Conditions of the Contract (General, Supplementary, and other Conditions), Drawings, Specifications, Addenda issued prior to execution of this Agreement, other documents listed in this Agreement, and Modifications issued after execution of this Agreement, all of which form the Contract, and are as fully a part of the Contract as if attached to this Agreement or repeated herein. The Contract represents the entire and integrated agreement between the parties hereto and supersedes prior negotiations, representations, or agreements, either written or oral. An enumeration of the Contract Documents, other than a Modification, appears in Article 9.

ARTICLE 2 THE WORK OF THIS CONTRACT

The Contractor shall fully execute the Work described in the Contract Documents, except as specifically indicated in the Contract Documents to be the responsibility of others.

ARTICLE 3 DATE OF COMMENCEMENT AND SUBSTANTIAL COMPLETION

§ 3.1 The date of commencement of the Work shall be:
(Check one of the following boxes.)

[ ] The date of this Agreement.

[X] A date set forth in a notice to proceed issued by the Owner.

[ ] Established as follows:
(Insert a date or a means to determine the date of commencement of the Work.)

If a date of commencement of the Work is not selected, then the date of commencement shall be the date of this Agreement.

§ 3.2 The Contract Time shall be measured from the date of commencement of the Work.

§ 3.3 Substantial Completion

§ 3.3.1 Subject to adjustments of the Contract Time as provided in the Contract Documents, the Contractor shall achieve Substantial Completion of the entire Work:
(Check one of the following boxes and complete the necessary information.)

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[X] Not later than six hundred sixteen (616) calendar days from the date of commencement of the Work.

[ ] By the following date:

§ 3.3.2 Subject to adjustments of the Contract Time as provided in the Contract Documents, if portions of the Work are to be completed prior to Substantial Completion of the entire Work, the Contractor shall achieve Substantial Completion of such portions by the following dates:

Portion of Work	Substantial Completion Date
N/A	

§ 3.3.3 If the Contractor fails to achieve Substantial Completion as provided in this Section 3.3, liquidated damages, if any, shall be assessed as set forth in Section 4.5.

ARTICLE 4 CONTRACT SUM

§ 4.1 The Owner shall pay the Contractor the Contract Sum in current funds for the Contractor's performance of the Contract. The Contract Sum shall be Sixteen Million Three Hundred Sixty-Eight Thousand Nine Hundred Thirty-One and 95/100 Dollars ($ 16,368,931.95), subject to additions and deductions as provided in the Contract Documents.

§ 4.2 Alternates

§ 4.2.1 Alternates, if any, included in the Contract Sum:

Item	Price
See Exhibit "A" – Schedule of Values	

§ 4.2.2 Subject to the conditions noted below, the following alternates may be accepted by the Owner following execution of this Agreement. Upon acceptance, the Owner shall issue a Modification to this Agreement.
(Insert below each alternate and the conditions that must be met for the Owner to accept the alternate.)

Item	Price	Conditions for Acceptance
N/A		

§ 4.3 Allowances, if any, included in the Contract Sum:
(Identify each allowance.)

Item	Price
See Exhibit "L" – Qualifications/Exclusions	

§ 4.4 Unit prices, if any:
(Identify the item and state the unit price and quantity limitations, if any, to which the unit price will be applicable.)

Item	Units and Limitations	Price per Unit ($0.00)
No Unit Prices		

§ 4.5 Liquidated damages, if any:
(Insert terms and conditions for liquidated damages, if any.)

Liquidated damages of $500.00 per day beginning on the 617th day if Contractor has not achieved Substantial Completion on all residential buildings and the clubhouse, subject to Section 15.1.7 of the Supplementary Conditions ("Exhibit D")

§ 4.6 Other:
(Insert provisions for bonus or other incentives, if any, that might result in a change to the Contract Sum.)

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Contractor will follow and will ensure that its Major Subcontractor and any additional subcontractor and supplier will follow the lender requirements from the City of Houston as spelled out in Section N of the Supplementary Conditions (Exhibit D) and the attachments for Federal Labor Standards Provision, MWSBE and Section 3 Contract Requirements (Exhibit G) and the City of Houston Compliance Forms for any MWSBE or Section 3 subcontractor/supplier (Exhibit H) and the City Workforce Protection Measures (Exhibit J)

All construction/demolition activities must comply with applicable law and regulations regarding the identification, handling, management and disposal of asbestos containing material at the Property

ARTICLE 5 PAYMENTS

§ 5.1 Progress Payments

§ 5.1.1 Based upon Applications for Payment submitted to the Architect by the Contractor and Certificates for Payment issued by the Architect, the Owner shall make progress payments on account of the Contract Sum to the Contractor as provided below and elsewhere in the Contract Documents.

§ 5.1.2 The period covered by each Application for Payment shall be one calendar month ending on the last day of the month, or as follows:

See Exhibit "D"

§ 5.1.3 See Exhibit "D"
(Federal, state or local laws may require payment within a certain period of time.)

§ 5.1.4 Each Application for Payment shall be based on the most recent schedule of values submitted by the Contractor in accordance with the Contract Documents. The schedule of values shall allocate the entire Contract Sum among the various portions of the Work. The schedule of values shall be prepared in such form, and supported by such data to substantiate its accuracy, as the Architect may require. This schedule of values shall be used as a basis for reviewing the Contractor's Applications for Payment.

§ 5.1.5 Applications for Payment shall show the percentage of completion of each portion of the Work as of the end of the period covered by the Application for Payment.

§ 5.1.6 In accordance with AIA Document A201™–2007, General Conditions of the Contract for Construction, and subject to other provisions of the Contract Documents, the amount of each progress payment shall be computed as follows:

§ 5.1.6.1 The amount of each progress payment shall first include:

.1 That portion of the Contract Sum properly allocable to completed Work;

.2 That portion of the Contract Sum properly allocable to materials and equipment delivered and suitably stored at the site for subsequent incorporation in the completed construction, or, if approved in advance by the Owner, suitably stored off the site at a location agreed upon in writing; and

.3 That portion of Construction Change Directives that the Architect determines, in the Architect's professional judgment, to be reasonably justified.

§ 5.1.6.2 The amount of each progress payment shall then be reduced by:

.1 The aggregate of any amounts previously paid by the Owner;

.2 The amount, if any, for Work that remains uncorrected and for which the Architect has previously withheld a Certificate for Payment as provided in Article 9 of AIA Document A201–2007;

.3 Any amount for which the Contractor does not intend to pay a Subcontractor or material supplier, unless the Work has been performed by others the Contractor intends to pay;

.4 For Work performed or defects discovered since the last payment application, any amount for which the Architect may withhold payment, or nullify a Certificate of Payment in whole or in part, as provided in Article 9 of AIA Document A201–2007; and

.5 Retainage withheld pursuant to Section 5.1.7.

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§ 5.1.7 Retainage

§ 5.1.7.1 For each progress payment made prior to Substantial Completion of the Work, the Owner may withhold the following amount, as retainage, from the payment otherwise due:
(Insert a percentage or amount to be withheld as retainage from each Application for Payment. The amount of retainage may be limited by governing law.)

See Section 4.4 of Exhibit "D"

§ 5.1.7.1.1 The following items are not subject to retainage:
(Insert any items not subject to the withholding of retainage, such as general conditions, insurance, etc.)

§ 5.1.7.2 Reduction or limitation of retainage, if any, shall be as follows:
(If the retainage established in Section 5.1.7.1 is to be modified prior to Substantial Completion of the entire Work, including modifications for Substantial Completion of portions of the Work as provided in Section 3.3.2, insert provisions for such modifications.)

§ 5.1.7.3 Except as set forth in this Section 5.1.7.3, upon Substantial Completion of the Work, the Contractor may submit an Application for Payment that includes the retainage withheld from prior Applications for Payment pursuant to this Section 5.1.7. The Application for Payment submitted at Substantial Completion shall not include retainage as follows:
(Insert any other conditions for release of retainage upon Substantial Completion.)

§ 5.1.8 If final completion of the Work is materially delayed through no fault of the Contractor, the Owner shall pay the Contractor any additional amounts in accordance with Article 9 of AIA Document A201–2007.

§ 5.1.9 Except with the Owner's prior approval, the Contractor shall not make advance payments to suppliers for materials or equipment which have not been delivered and stored at the site.

§ 5.2 Final Payment

§ 5.2.1 Final payment, constituting the entire unpaid balance of the Contract Sum, shall be made by the Owner to the Contractor when

.1 the Contractor has fully performed the Contract except for the Contractor's responsibility to correct Work as provided in Article 12 of AIA Document A201–2007, and to satisfy other requirements, if any, which extend beyond final payment; and

.2 a final Certificate for Payment has been issued by the Architect.

§ 5.2.2 The Owner's final payment to the Contractor shall be made no later than 30 days after the issuance of the Architect's final Certificate for Payment, or as follows:

§ 5.3 Interest

Payments due and unpaid under the Contract shall bear interest from the date payment is due at the rate stated below, or in the absence thereof, at the legal rate prevailing from time to time at the place where the Project is located.
(Insert rate of interest agreed upon, if any.)

5.00 % per annum

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ARTICLE 6 DISPUTE RESOLUTION

§ 6.1 Initial Decision Maker

The Architect will serve as the Initial Decision Maker pursuant to Article 15 of AIA Document A201–2007, unless the parties appoint below another individual, not a party to this Agreement, to serve as the Initial Decision Maker.
(If the parties mutually agree, insert the name, address and other contact information of the Initial Decision Maker, if other than the Architect.)

The parties will agree in the future on an Initial Decision Maker who is not a party to this Agreement to the extent necessary and required by the Contract Documents.

§ 6.2 Binding Dispute Resolution

For any Claim subject to, but not resolved by, mediation pursuant to Article 15 of AIA Document A201–2007, the method of binding dispute resolution shall be as follows:
(Check the appropriate box.)

[X] Arbitration pursuant to Section 15.4 of AIA Document A201–2007

[ ] Litigation in a court of competent jurisdiction

[ ] Other *(Specify)*

If the Owner and Contractor do not select a method of binding dispute resolution, or do not subsequently agree in writing to a binding dispute resolution method other than litigation, Claims will be resolved by litigation in a court of competent jurisdiction.

ARTICLE 7 TERMINATION OR SUSPENSION

§ 7.1 The Contract may be terminated by the Owner or the Contractor as provided in Article 14 of AIA Document A201–2007.

§ 7.1.1 If the Contract is terminated for the Owner's convenience in accordance with Article 14 of AIA Document A201–2007, then the Owner shall pay the Contractor a termination fee as follows:
(Insert the amount of, or method for determining, the fee, if any, payable to the Contractor following a termination for the Owner's convenience.)

§ 7.2 The Work may be suspended by the Owner as provided in Article 14 of AIA Document A201–2007.

ARTICLE 8 MISCELLANEOUS PROVISIONS

§ 8.1 Where reference is made in this Agreement to a provision of AIA Document A201–2007 or another Contract Document, the reference refers to that provision as amended or supplemented by other provisions of the Contract Documents.

§ 8.2 The Owner's representative:
(Name, address, email address, and other information)

Russ Michael Schmidtberger
3701 Kirby Street, Suite 860
Houston, Texas 77098
Telephone: 713-503-4477

§ 8.3 The Contractor's representative:

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User Notes:

(Name, address, email address, and other information)

Larry Counce, II
6517 Mapleridge
Houston, Texas 77081
Telephone: 713-432-7727

§ 8.4 Neither the Owner's nor the Contractor's representative shall be changed without ten days' prior notice to the other party.

§ 8.5 Insurance and Bonds

§ 8.5.1 The Owner and the Contractor shall purchase and maintain insurance as set forth in Owner's Lender's loan documents, Owner's Equity Investor's documents and the City of Houston's loan documents.

§ 8.5.2 The Contractor shall require a Payment Bond, Performance Bond and Maintenance Bond in the form required by the City of Houston.

§ 8.6 Notice in electronic format, pursuant to Article 1 of AIA Document A201–2007, may be given in accordance with AIA Document E203™–2013, Building Information Modeling and Digital Data Exhibit, if completed, or as otherwise set forth below:
(If other than in accordance with AIA Document E203–2013, insert requirements for delivering notice in electronic format such as name, title, and email address of the recipient and whether and how the system will be required to generate a read receipt for the transmission.)

§ 8.7 Other provisions:

ARTICLE 9 ENUMERATION OF CONTRACT DOCUMENTS

§ 9.1 This Agreement is comprised of the following documents:

.1 AIA Document A101™–2017, Standard Form of Agreement Between Owner and Contractor
.2 Intentionally Omitted – Insurance is handled outside this Agreement; Bonds are required
.3 AIA Document A201™–2007, General Conditions of the Contract for Construction
.4 Intentionally Omitted

.5 Drawings

Number	Title	Date
See Exhibit "C" – Index of Drawings		

.6 Specifications

Section	Title	Date	Pages
See Exhibit "B" – Specifications Index			

.7 Addenda, if any:

Number	Date	Pages
See Exhibit "D" – Supplementary		

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User Notes: (1363761014)

Conditions

Portions of Addenda relating to bidding or proposal requirements are not part of the Contract Documents unless the bidding or proposal requirements are also enumerated in this Article 9.

.8 Other Exhibits:
(Check all boxes that apply and include appropriate information identifying the exhibit where required.)

[ ] AIA Document E204™–2017, Sustainable Projects Exhibit, dated as indicated below:
(Insert the date of the E204-2017 incorporated into this Agreement.)

[ ] The Sustainability Plan:

Title	Date	Pages

[ ] Supplementary and other Conditions of the Contract:

Document	Title	Date	Pages
See Exhibit "D" – Supplementary Conditions			

.9 Other documents, if any, listed below:
(List here any additional documents that are intended to form part of the Contract Documents. AIA Document A201™–2017 provides that the advertisement or invitation to bid, Instructions to Bidders, sample forms, the Contractor's bid or proposal, portions of Addenda relating to bidding or proposal requirements, and other information furnished by the Owner in anticipation of receiving bids or proposals, are not part of the Contract Documents unless enumerated in this Agreement. Any such documents should be listed here only if intended to be part of the Contract Documents.)

Exhibit "A" – Schedule of Values
Exhibit "B" – Specifications Index
Exhibit "C" – Index of Drawings
Exhibit "D" – Supplementary Conditions
Exhibit "E" – AIA A201-2007 General Conditions
Exhibit "F" – Sales Tax Exemption Certification
Exhibit "G" – Federal Labor Standards Provision, MWSBE, Section 3 Contract Requirements and Pay or Play
Exhibit "H" – City of Houston Compliance Forms – MWSBE and Section 3
Exhibit "I" – Quality Management Policies and Procedures
Exhibit "J" – City Workforce Protection Measures
Exhibit "K" – Construction Schedule
Exhibit "L" – Qualifications/Exclusions
Exhibit "M" – Finish Selection Sheet
Exhibit "N" – Requirements for the City of Houston Program for MWSBE
Exhibit "O" – City of Houston Good Faith Efforts Policy
Exhibit "P" - General Wage Decisions

This Agreement entered into as of the day and year first written above.

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User Notes:

CSH Dian Street Villas, Ltd.

By: CSH Dian Street Villas GP, LLC, its General Partner

By: Texas Inter-Faith Housing Corp., its Sole Member

OWNER *(Signature)*

Russ Michael Schmidtberger, Executive Director

(Printed name and title)

Texas Inter-Faith Housing Corporation, a 501(c)(3) non-profit corporation

CONTRACTOR *(Signature)*

Russ Michael Schmidtberger, Executive Director

(Printed name and title)

Init.

/

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User Notes:

(1363761014)

EXHIBIT A

SCHEDULE OF VALUES

Dian Street Villas-Shedule of Values	
Description Of Work	Scheduled Value
Division 2	
Excavation - Site Work	963,194.00
Site Utilities	1,121,564.78
Fencing	-
Site Furnishings	60,000.00
Irrigation/Landscaping	180,000.00
Division 3	
Concrete Pavement	452,508.25
Concrete Slabs	1,550,000.00
Sidewalks & Misc Concrete	85,000.00
Lightweight/Gypcrete	200,000.00
Division 4	
All Masonry/Dumpster Enc.	604,200.00
Division 5	
Stairs/Railings/Misc	160,474.00
Division 6	
Rough Framing	765,000.00
Lumber/Framing Hardware	1,100,672.00
Trusses	410,000.00
Division 7	
Roofing	235,178.21
Building Insulation	246,000.00
Division 8	
Exterior/Interior/Common Doors	189,182.01
Interior Trim Labor	85,000.00
Interior Trim	109,118.36
Club Doors/trim Labor and Material	71,397.35
Overhead Doors	7,500.00
Windows	97,161.68
Division 9	
Drywall	885,338.00
Vinyl Plank	222,084.00
Ceramic Tile (tubs/floors/splash)	174,376.18
Paint	250,000.00
Division 10	
Finish Hardware	222,653.26
Bldg Signage/Monument	40,000.00
Rough and Final Clean	41,276.84
Division 11	
Appliances	229,745.32
Division 12	
Cabinets	217,000.00
Window Coverings	15,076.00
Division 13	
Pool/Deck	200,000.00
Granite Counters	114,308.75
Division 14	
Elevators	222,000.00
Division 15	
Plumbing	836,083.58
Fire Sprinkler	270,000.00
HVAC	387,638.00
Division 16	
Electrical/Tel/Cable Rough/Dist	1,118,515.07
Fire Alarm/ CCTV/AV	109,466.61
Electrical Fixtures	110,000.00
HC Budget	14,358,712.23
GC 6%	861,522.73
Overhead 2%	287,174.24
Profit 6%	861,522.73
Total	16,368,931.95

EXHIBIT B

SPECIFICATIONS INDEX

PROJECT MANUAL
FOR
Dian Street Villas
Houston, Texas

OWNER/DEVELOPER:	**CSH DIAN STREET VILLAS, LTD** **C/O: Texas Inter-Faith Housing** 3701 Kirby Drive, Suite 860 Houston, Texas 77098
ARCHITECT:	**CROSS ARCHITECTS, PLLC** 879 Junction Drive Allen, Texas 75013 Ph: (972) 398-6644 Contact: Brian Rumsey
INTERIOR DESIGNER:	**CROSS ARCHITECTS, PLLC** 879 Junction Drive Allen, Texas 75013 Ph: (972) 398-6644 Contact: Jodi Banales
MEP ENGINEER:	**SUTTON ELDRIDGE ENGINEERING LLC** 5600 Tennyson Parkway, Suite 290 Plano, Texas 75024 Ph: (214) 763.7600 Contact: Chris Sutton
STRUCTURAL ENGINEER:	**RTP STRUCTURAL, PLLC.** 104 N. Goliad Street, Suite 204 Rockwall, Texas 75087 Ph: (214) 293-2503 Contact: Trent Perkins
CIVIL ENGINEER:	**JONES CARTER** 6330 West Loop South, Suite 150 Bellaire, Texas 77401 P (713) 777-5337 Contact: Maria Ramirez
LANDSCAPE ARCHITECT:	**MEEKS DESIGN GROUP** 1755 N. Collins Blvd, Suite 300 Richardson, Texas 75080 Ph: (972) 690.7474 Contact: Herb Meeks
DATE:	**14 September 2020**

CONSTRUCTION ISSUE
DATE: 02/23/2021

SECTION 000110

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SECTIONS	ISSUE DATE
DIVISION 00 — PROCUREMENT AND CONTRACTING REQUIREMENTS	
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007000 - GENERAL CONDITIONS	14Sep20
008001 - SUPPLEMENTARY CONDITIONS - 2017	14Sep20
009001 – PHASE 1 ENVIRONMENTAL SITE ASSESSMENT	
009002 – NGBS – SUMMARY OF RESULTS OF DESIGN PHASE	
009003 – MULTI-FAMILY BUILDING RESILIENCE – NEW CONSTRUCTION – EXHIBIT C	
DIVISION 01 — GENERAL REQUIREMENTS	
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012000 - PRICE AND PAYMENT PROCEDURES	14Sep20
013000 - ADMINSTRATIVE REQUIREMENTS	14Sep20
013216 - CONSTRUCTION PROGRESS SCHEDULE	14Sep20
014000 - QUALITY REQUIREMENTS	14Sep20
014100 - REGULATORY REQUIREMENTS	14Sep20
014216 - DEFINITIONS	14Sep20
015000 - TEMPORARY FACILITIES AND CONTROLS	14Sep20
015300 - MOLD PREVENTION MEASURES	14Sep20
015713 - TEMPORARY EROSION AND SEDIMENT CONTROL	14Sep20
016000 - PRODUCT REQUIREMENTS	14Sep20
017000 - EXECUTION AND CLOSEOUT	14Sep20
017800 - CLOSEOUT SUBMITTALS	14Sep20
017900 - DEMONSTRATION AND TRAINING	14Sep20
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DIVISION 03 — CONCRETE	
033050 - SHEET VAPOR RETARDER	14Sep20
033536 - CLEAR CONCRETE SEALER	14Sep20
035210 - HARDROCK CONCRETE TOPPINGS	14Sep20
035400 - CAST UNDERLAYMENT	14Sep20
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044510 - STONE MASONRY VENEER	14Sep20
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055213 - PIPE AND TUBE RAILINGS	14Sep20
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072100 - THERMAL INSULATION	14Sep20
072126 - BLOWN INSULATION	14Sep20
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072500 - SHEET WEATHER BARRIERS	14Sep20
073110 - ASPHALT SHINGLES	14Sep20
074113 - METAL ROOF PANELS	14Sep20
074160 - PRE-FORMED METAL AWNINGS	14Sep20
074646 - FIBER CEMENT SIDING AND SOFFITS	14Sep20

CONSTRUCTION ISSUE
DATE: 02/23/2021

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076200 - SHEET METAL FLASHING AND TRIM 14Sep20
076210 - FLEXIBLE FLASHING 14Sep20
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077210 - ROOF ACCESSORIES - STEEP SLOPE 14Sep20
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104400 - FIRE PROTECTION SPECIALTIES 14Sep20
105523 - MAIL BOXES 14Sep20
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108250 - SHOWER DOOR ENCLOSURES-FRAMED 14Sep20
109900 - MISCELLANEOUS SPECIALTIES 14Sep20

DIVISION 11 — EQUIPMENT
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122115 - HORIZONTAL LOUVER BLINDS-SIM WOOD 14Sep20
123530 - RESIDENTIAL CASEWORK 14Sep20
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NOT USED

DIVISION 14 — CONVEYING EQUIPMENT
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DIVISION 21 — FIRE SUPPRESSION

DIVISION 22 — PLUMBING

DIVISION 23 — HEATING VENTILATING AND AIR CONDITIONING

DIVISION 26 — ELECTRICAL

DIVISION 27 — COMMUNICATIONS

DIVISION 28 — ELECTRONIC SAFETY AND SECURITY

CONSTRUCTION ISSUE
DATE: 02/23/2021

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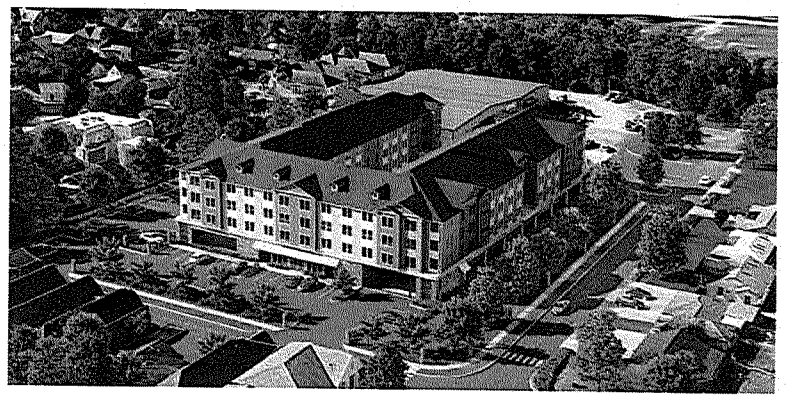
INDEX OF DRAWINGS

DIAN STREET VILLAS

1433 DIAN STREET, HOUSTON, TX. 77008

108 UNITS

CONSTRUCTION ISSUE
DATE: 02/23/2021



DEVELOPER
SUPERURBAN REALTY VENTURES, LLC
5416 PALMER STREET
HOUSTON, TX. 77004
P (713) 503 - 4477
CONTACT: JERVON HARRIS

OWNER
CSH DIAN STREET VILLAS, LTD
3701 KIRBY DRIVE #860
HOUSTON, TX. 77098
P (713) 503 - 4477
CONTACT: JERVON HARRIS

Cross architects

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ROCKWALL, TEXAS 75087
P (214) 293-2503
CONTACT: TRENT PERKINS

GENERAL CONTRACTOR
T.B.D.

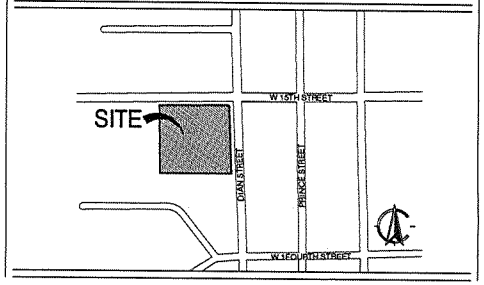
CIVIL ENGINEER
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CONTACT: ADAM EVERETT

INTERIOR DESIGNER
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CONTACT: JODI BANALES

MEP
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5600 TENNYSON PARKWAY, SUITE 290
PLANO, TX 75024
P (214) 763-7300
CONTACT: CHRIS SUTTON

VICINITY MAP



PROJECT DATA

CODES		CONSTRUCTION		
BUILDING	2012 INTERNATIONAL BUILDING CODE	ZONING	NO ZONING	
FIRE	2012 INTERNATIONAL FIRE CODE	CONSTRUCTION TYPE	I-A	CLUBHOUSE
RESIDENTIAL	2012 INTERNATIONAL RESIDENTIAL CODE		V-A	LIVING UNIT BUILDINGS
MECHANICAL	2012 UNIFORM MECHANICAL CODE	OCCUPANCY TYPE	B	CLUBHOUSE
PLUMBING	2012 UNIFORM PLUMBING CODE		R-2	LIVING UNIT BUILDINGS
ELECTRICAL	2017 NATIONAL ELECTRICAL CODE	FIRE SPRINKLER SYSTEM	NFPA 13R	LIVING UNIT BUILDINGS
ENERGY	2015 INTERNATIONAL ENERGY CONSERVATION CODE		NFPA 13	CLUBHOUSE

ACCESSIBILITY	
TAS	3/15/2012
ANSI	ICC/ANSI A117.1 2010
FHA	FAIR HOUSING ACT DESIGN MANUAL 1998
ADA	AMERICANS WITH DISABILITIES ACT DESIGN STANDARDS 9/15/2010

TAS REGISTRATION # TABS2021000573

MASTER DRAWING ISSUE & REVISION RECORD

DELTA	DESCRIPTION	DATE
	PERMIT / BID SET	09/14/2020
DELTA 1	PLAN REVIEW COMMENTS	10/19/2020
DELTA 2	PLAN REVIEW COMMENTS	11/18/2020
DELTA 3	PLAN REVIEW COMMENTS	12/09/2020
DELTA 4	BID SET II	12/18/2020
	ISSUED FOR CONSTRUCTION SET	02/23/2021

02/23/2021

Cross architects

ARCHITECT:
CROSS ARCHITECTS, PLLC
879 JUNCTION DRIVE
ALLEN, TEXAS 75013
P: 972.398.6644
WWW.CROSSARCHITECTS.COM

DIAN STREET VILLAS
HOUSTON, TEXAS

DATE: 09/14/2020
PROJECT NUMBER: 20022

NO	DATE
1	10/19/2020
2	11/18/2020
3	12/09/2020
4	12/18/2020

ISSUED FOR: CONSTRUCTION

SHEET NUMBER
CS-1
COVER SHEET

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MASTER REVISION RECORD

DELTA	SHEET #	DESCRIPTION

INDEX TO DRAWINGS

COVERSHEET

DELTA	SHEET #	DESCRIPTION
1	CS-1	COVER SHEET
1	CS-2	SHEET INDEX
1	CS-2a	SHEET INDEX
1	CS-3	PROJECT SUMMARY
	CS-4	GENERAL NOTES
1	CS-5	TDHCA NOTES
	CS-6	GREEN ENERGY
		CIVIL 1
		***ISSUED FOR PERMIT SEPARATELY ***
		***REFER TO ILMS NO. 20080094 ***
	1	COVER SHEET & INDEX
	2	GENERAL CONDITIONS & NOTES
	3	SITE DEMOLITION PLAN
	4	SITE PAVING & DIMENSION PLAN
	5	SITE UTILITY PLAN
	6	STORM DRAINAGE PLAN
	7	FLOODPLAIN MAP
	7.1	SITE CROSS-SECTIONS
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	9	GRADING PLAN
	10	MISCELLANEOUS DETAILS 1 OF 3
	11	MISCELLANEOUS DETAILS 2 OF 3
	12	MISCELLANEOUS DETAILS 3 OF 3
	13	STORM WATER POLLUTION PREVENTION PLAN & DETAILS

LANDSCAPE

DELTA	SHEET #	DESCRIPTION
1	LP0.01	LANDSCAPE COMPLIANCE PLAN

ARCHITECTURAL

DELTA	SHEET #	DESCRIPTION
1	A1.0	ARCHITECTURAL SITE PLAN
1	A1.1	SITE ADDRESS PLAN
1	A1.2	SITE LIGHTING PLAN
1	A2.0	DOOR & WINDOW SCHEDULE
	A3.0	UNIT A0 FLOOR PLAN & INTERIOR ELEVATIONS
	A3.1	UNIT A0-HC FLOOR PLAN & INTERIOR ELEVATIONS
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1	A4.29	BUILDING A ENLARGED THIRD FLOOR LIGHTING PLAN
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1	A4.31	BUILDING A ENLARGED THIRD FLOOR LIGHTING PLAN
1	A4.32	BUILDING A FOURTH LIGHTING FLOOR PLAN
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	A4.44	BUILDING A ELEVATORS 2
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	A8.1	INTERIOR SECTION DETAILS
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02/23/2021

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DIAN STREET VILLAS
HOUSTON, TEXAS

DATE:
09/14/2020

PROJECT NUMBER:
20022

NO	DATE
1	10/19/2020
2	11/18/2020
3	12/09/2020

ISSUED FOR:
CONSTRUCTION

SHEET NUMBER
CS-2

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CONSTRUCTION ISSUE
DATE: 02/23/2021

02/23/2021

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DIAN STREET VILLAS
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DATE:
09/14/2020

PROJECT NUMBER:
20022

NO	DATE
1	10/19/2020
2	11/16/2020
3	12/09/2020

ISSUED FOR:
CONSTRUCTION

SHEET NUMBER
CS-2a

SHEET INDEX

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EXHIBIT D

SUPPLEMENTARY CONDITIONS

EXHIBIT D

SUPPLEMENTARY CONDITIONS

Dian Street Villas
Houston, Texas

ADDENDUM TO STANDARD FORM OF AGREEMENT BETWEEN OWNER AND CONTRACTOR WHERE THE BASIS FOR PAYMENT IS A STIPULATED SUM

The Standard Form of Agreement ("Agreement") dated April 5, 2021 between CSH Dian Street Villas, Ltd. ("Owner") and Texas Inter-Faith Housing Corporation ("Contractor") for Dian Street Villas, a 108-unit multifamily rental development located in Houston, Texas ("Project") is hereby modified as follows:

PART I: GENERAL

A Parts 1 and 2 of these Supplementary Conditions contain changes and additions to the Agreement to which it is attached and shall apply to each and every section of the Agreement as though written in full therein.

B. The following paragraphs, subparagraphs and/or sections take precedence over the Agreement. Where part of the Agreement is changed or voided by this Addendum, the unaltered provisions of the Agreement shall remain in full effect.

C. Paragraph, subparagraph and/or section numbers and title refer to like numbers and titles in the Agreement.

D. In all instances where Contractor is required under the Agreement to deliver items to the Architect, it will simultaneously deliver such items to Owner.

E. Terms used herein which are defined elsewhere in the Contract Documents shall have the meanings defined in the Contract Documents, unless specially defined herein.

PART 2: MODIFICATIONS TO AGREEMENT

A. ARTICLE 2 — THE WORK OF THIS CONTRACT

1. Delete Article 2 and insert the following new Article 2:

ARTICLE 2-THE WORK OF THIS CONTRACT

The totality of the obligations imposed upon the Contractor by this Article and by all other provisions of the Contract Documents, as well as the structures and related amenities and facilities to be built and the labor to be performed, is herein referred to as the "Work" or "Scope of Work." The term "Work" or "Scope of Work" shall include all things necessary or inferable from the Contract Documents to fully complete the tasks and structures described in the Drawings and Specifications and other Contract Documents. The Contractor shall perform all Work required by and in accordance with the Contract Documents to construct a 108 unit Apartment project and related amenities and facilities. The Contractor shall provide and pay for all materials, tools, equipment,

labor, overtime and expedited material delivery and professional and nonprofessional services, and shall perform all other acts and supply all other things necessary for the proper and complete installation of the Work.

B. ARTICLE 3-DATE OF COMMENCEMENT AND SUBSTANTIAL COMPLETION

1. 3.3 Insert the following at the end of Section 3.3:

In addition, Contractor will complete those portions of the Work on the date (each such date herein called a "Interim Milestone Date") specified for each phase in the Progress Schedule prepared in accordance with Section 8.4 of the General Conditions, with the number of days to be calculated from the date of commencement set forth in Section 3.1 above. Contractor acknowledges that the certain of the Work of the phases will be performed simultaneously (rather than sequentially).

C. ARTICLE 4— CONTRACT SUM

1. Insert the following new Section 4.4:

4.4 Retention. Owner shall retain the following amounts from each properly submitted application for payment:

.1 Ten percent (10%) shall be withheld until fifty percent (50%) of the Work is Completed; thereafter, no retainage shall be required.

No interest shall be payable on any amounts retained under the Contract Documents.

D. ARTICLE 5—PAYMENTS

1. 5.1 PROGRESS PAYMENTS

a. Insert the following at the end of Section 5.1.1:

Owner hereby informs Contractor that the architect or engineer engaged by Owner's Lender (the "Lender's Inspector") will review payment applications of the Contractor and the progress of the performance of the Work in coordination with the Architect and that all such payment applications will require the approval of Lender's Inspector prior to payment by Owner. Additionally, Owner hereby informs Contractor that the architect or engineer engaged by Owner's equity investor (the "Equity Inspector") will periodically review payment applications of the Contractor and the progress of the performance of the Work in coordination with the Architect and that all such payment applications may require the approval of the Equity Inspector prior to payment by Owner.

b. Delete Section 5.1.3 and insert the following in lieu thereof:

Provided that an Application for Payment is received by the Architect and Owner not later than the fifth (5th) day of a month, the Owner shall make payment to the Contractor not later than the twenty-fifth (25th) day of the same month. If an Application for Payment is received by the Architect after the application date fixed above, it will be made part of the next month's Application for Payment.

c. Delete Section 5.1.6 and insert the following in lieu thereof:

5.1.6 Subject to other provisions of the Contract Documents, the amount of each progress payment shall be computed as follows:

.1 take that portion of the Contract Sum properly allocable to completed Work as determined by multiplying the percentage completion of each portion of the Work by the share of the Contract Sum allocated that portion of the Work in the Schedule of Values;

.2 subtract retainage with respect to such Work as more specifically set forth in Section 4.4 of this Agreement;

.3 add that portion of the Contract Sum properly allocable Materials and Equipment delivered and suitably stored at the site for subsequent incorporation in the completed construction (or if approved in advance by Owner, suitably stored off the site at a location agreed upon in writing);

.4 subtract the aggregate of previous payments made by the Owner;

.5 subtract the shortfall, it any, indicated by the Contractor in the documentation required to substantiate prior Applications for Payment, or resulting from errors subsequently discovered by the Owners accountants in such documentation; and

.6 subtract amounts, if any, for which the Owner or Architect has withheld payment pursuant to the Contract Documents.

ADDENDUM TO GENERAL CONDITIONS

PART 3 GENERAL

3.1 GENERAL CONDITIONS

The General Conditions of the Contract are the AIA Document A201 "GENERAL CONDITIONS OF THE CONTRACT FOR CONSTRUCTION", 2007 Edition, hereinafter referred to as the "General Conditions," as modified herein.

3.2 CHANGES TO GENERAL CONDITIONS

A. Parts 3 and 4 of these Supplementary Conditions contain changes and additions to the General Conditions comprising part of the Contract Documents and shall apply to each and every section of the Work as though written in full therein.

B. The following paragraphs and sections take precedence over the General Conditions. Where part of the General Conditions is changed or voided by the Supplementary Conditions, the unaltered provisions of the General Conditions shall remain in full effect.

C. Paragraph, subparagraph and section numbers and title refer to like numbers and titles in the General Conditions.

D. In all instances where items are to be submitted to the Architect pursuant to the terms of the General Conditions, such items will be simultaneously submitted to Owner.

E. Terms used herein which are defined elsewhere in the Contract Documents shall have the meanings defined in the Contract Documents, unless specially defined herein.

PART 4 MODIFICATIONS TO GENERAL CONDITIONS

A. ARTICLE 1— GENERAL PROVISIONS

1. Delete Section 1.1.1 and insert the following in lieu thereof:

1.1.1 THE CONTRACT DOCUMENTS

The Contract Documents (herein so called) consist of the Agreement between Owner and Contractor Where the Basis for Payment is a Stipulated Sum (hereinafter the "Agreement"), the Addendum to the Agreement attached thereto, the Conditions of the Contract for Construction (General, Supplementary and other Conditions), the Drawings, the Specifications, all Addenda (except the portions thereof relating to any of the bidding process), all approved Change Orders, all Modifications, and all other documents enumerated in the Agreement. A Modification is (1) a written amendment to the Agreement signed by both parties, or (2) a Change Order. The Contract Documents do not include other documents such as bidding requirements (advertisement or invitation to bid, Instructions to Bidders, sample forms the Contractor's bid or portions of addenda relating to bidding requirements). In the event of any conflict between the terms of the Agreement and those of any other of the Contract Documents, the

provisions of the Agreement will control. In the event of a conflict or inconsistency between any provision of the General Conditions and any Supplementary General Conditions or Special Conditions, the provisions of the Supplementary or Special Conditions will control. In the event of conflicts or inconsistencies, explanatory notes in the Drawings take precedence over graphic indications, large scale drawings and details take precedence over smaller scale drawings, and figured dimensions take precedence over scaled dimensions. Where figured dimensions are not indicated, scaled dimensions may be used upon approval by the Architect.

2. The following new Section 1.5.3 is inserted:

1.5.3. Before performing any portion of the Work, the Contractor shall fully investigate all physical aspects of the Project Site and verify all dimensions, measurements, utility locations, grades and elevations, existing improvements, and general suitability of conditions at the Project Site, to the reasonable extent possible without destructive testing or other means to determine original construction. Contractor has relied on design consultants research and investigations to determine the required modifications to existing building improvements.

B. ARTICLE 2—OWNER

1. 2.2 INFORMATION AND SERVICES REQUIRED OF OWNER

a. In Section 2.2.1, delete the last sentence and replace with the following:

"Owner shall use reasonable efforts to notify Contractor of any material changes to such financial arrangements to the extent such changes could, in Owner's judgment, have a material adverse impact on Owner's ability to perform hereunder."

2. Insert the following new Section 2.5:

2.5 LIMITATIONS ON RESPONSIBILITY

2.5.1 Neither Owner nor any of Owner's representatives shall be responsible for construction means, methods, techniques, sequences or procedures, or for safety precautions and programs, in connection with the Work. Further, neither Owner nor any Owner representative shall be responsible for the act or omissions of Contractor, any Subcontractors, any of their respective agents or employees or any other persons performing any of the Work. Furthermore, any information furnished to the Contractor in connection with the Project Site shall not relieve the Contractor from its duties under the Contract Documents. Notwithstanding the information furnished to the Contractor relating to the Project Site, Contractor shall be solely responsible for locating (and shall locate prior to performing any Work, including, in particular, any excavation work) all utility lines, telephone company lines and cables, sewer lines, water pipes, gas lines, electrical lines, including, without

limitation, all buried pipelines and buried telephone cables and shall perform the Work in such a manner so as to avoid damaging any such lines, cables, pipes, and pipelines.

C. ARTICLE 3- CONTRACTOR

1. 3.2 REVIEW OF CONTRACT DOCUMENTS AND FIELD CONDITIONS BY CONTRACTOR

a. insert the following at the end of Section 3.2.2:

After reporting to the Architect and Owner any error, inconsistency or omission Contractor may discover in the Contract Documents, the Contractor shall not proceed with any portion of the Work so affected without Owner's written approval. Contractor will report any such error, inconsistency or omission within three (3) days after its discovery so as to avoid any scheduling delay. Notwithstanding the foregoing, it is acknowledged and agreed that Contractors review of the Contract Documents is as a contractor and not as a design professional (i.e., Contractor is not responsible for technical design specifications and dimensions); however, Contractor shall make reasonable efforts to discover design deficiencies as they relate to the functioning of the systems to be constructed at or incorporated into the Project.

b. Insert the following at the end of Section 3.2.4:

"Contractor shall not knowingly perform the Work if it would violate any applicable laws, codes or regulations."

2. Insert the following new Section 3.3.4:

3.3.4 Contractor shall provide reasonable access to the Work for Owner, Architect, structural engineer, consulting engineer and governmental inspectors.

3. 3.5 WARRANTY

a. Add the following new Section 3.5.2:

3.5.2 Contractor agrees to correct all Work performed by it under the Contract Documents which proves to be defective or non-conforming in material or workmanship for a period of one year from the Date of Substantial Completion of the Project or for such longer periods of time as may be set forth with respect to special warranties required by the Contract Documents.

4. Section 3.7.1 is revised to read as follows:

Unless otherwise provided in the Contract Documents, the Contractor shall secure and the Owner shall pay for the building permit and other permits and

governmental fees, licenses and inspection necessary for proper execution and completion of the Work which are customarily secured after execution of the Contract and which are legally required when bids are received or negotiations concluded.

5. Section 3.8 is deleted.

6. 3.15 CLEANING UP

a. Insert the following as new Section 3.15.3:

3.15.3 The Contractor shall be responsible for damaged or broken glass, and at completion of the Work shall replace such damaged or broken glass. The Contractor shall perform the following final cleaning at completion of the Work:

.1 Remove all temporary protections;
.2 Remove marks, stains, fingerprints and other soil or dirt from all surfaces and other work;
.3 Remove spots, mortar, plaster, soil and paint from ceramic tile, marble, and other finish materials from all surfaces and other Work;
.4 Clean fixtures, cabinetwork and equipment, removing stains, paint, dirt, and dust and leave in an undamaged and new condition;
.5 Clean all interior glass and blinds; and
.6 Clean all surfaces and other Work in accordance with recommendations of the manufacturer.

7. 3.18 INDEMNIFICATION

a. Delete Section 3.18 and insert the following in lieu thereof:

3.18.1 Definitions. The "Contractor Parties" are (A) Contractor, (B) Contractor's Representative, (C) Contractor's officers, members, partners, agents, and employees, and (D) all Subcontractors and other persons and entities over whom Contractor has control. The "Owner Parties" with respect to the Project are (1) Owner, (2) Owner's Representative, (3) any lender whose loan is secured by a lien against the Project, (4) their respective shareholders, members, partners, affiliates, and subsidiaries, and (5) any officers, directors, employees, agents, independent contractors, tenants, and invitees of such persons or entities. "Claims" means all demands, legal action (whether filed or threatened), liabilities, damages (including actual, consequential, and punitive), expenses, Legal Costs, or penalties of any nature or description. "Injury" means (i) harm to, impairment or loss of property or its use, (ii) harm to or death of a person, or (iii) personal and advertising injury, as such term is defined in the form of "Commercial General Liability Insurance" Contractor is required to maintain. "Legal Costs" means court costs, attorneys' fees, experts' fees or other expenses incurred in investigating, preparing, prosecuting or settling any legal or alternative dispute

resolution action or proceeding. "Indemnify" means to (a) protect a person against the occurrence of a Claim, including defending or contesting on behalf of the indemnified person, a Claim in litigation, arbitration, mediation, or other proceeding with counsel reasonably acceptable to the Indemnified Person making a good faith effort to resolve Indemnified Person's reasonable objection, if any, to counsel assigned by Contractor's insurer, and paying all Legal Costs associated with such defense or contest and/or (b) compensate another Person for a Claim actually incurred. "Release" means to waive or relinquish a right or release another person from liability in connection with a Claim. "Arising From" means directly or indirectly, in whole or in part, (1) occurring in connection with or as a result of, (2) causing or resulting in, or (3) based upon.

3.18.2 Indemnities as to Performance. Contractor will Indemnify and Defend the Owner Parties against, and Releases the Owner Parties from, all Claims Arising From (i) performance by Contractor of the Work, (ii) any default by Contractor or any Subcontractor under the Contract, (iii) any defect in the Work or equipment or materials used to perform the Work, (iv) failure by Contractor or, any Subcontractor to maintain any required insurance policies, (v) violation of or failure to comply with any applicable law by any Contractor Party, or (vi) any release or disturbance of hazardous materials that occurs in or from the Project and Arises From a Contractor Party's activities or operations.

3.18.3 Indemnity and Release as to Injuries. Contractor agrees to Indemnify the Owner Parties against, and Releases the Owner Parties from, all Claims Arising from Injuries or alleged to Arise From injuries Arising From the presence or ongoing or completed operations of Contractor Parties at the Project.

3.18.4 Scope of Indemnities and Releases. The Indemnities and Releases in this Contract are independent of, and will not be limited by, each other or any insurance obligations in the Contract (whether or not complied with) or workers' compensation or other employee benefit programs or laws. The Indemnity and Release contained in Section 3.18.3 will not apply to the extent of the percentage of a Liability that, under the comparative negligence principles of the State of Texas, was proximately caused by the negligence or willful misconduct of the beneficiary of such Indemnity and Release.

3.18.5 NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, BECAUSE IT IS A NONPROFIT ENTITY, THE CONTRACTOR'S INDEMNIFICATION OBLIGATIONS SHALL BE LIMITED TO AMOUNTS RECOVERED FROM BROWNSTONE CONSTRUCTION, LTD. ("BROWNSTONE") UNDER THE SUBCONTRACT OF EVEN DATE HEREWITH ENTERED INTO BETWEEN THE CONTRACTOR AND BROWNSTONE WITH RESPECT TO THE WORK.

D. ARTICLE 4 ARCHITECT

1. ARCHITECT'S ADMINISTRATION OF THE CONTRACT

a. Delete Section 4.2.2 and insert the following:

4.2.2 At Owners election, the Architect shall visit the Site at intervals appropriate to the stage of construction to familiarize itself generally with the progress and quality of the Work and to determine in general if the Work is proceeding in accordance with the Contract Documents. On the basis of its on-site observations, the Architect shall keep Owner informed of the progress of the Work and shall endeavor to guard Owner against defects and deficiencies in the Work of Contractor. The Architect shall not be required to make exhaustive or continuous on-site inspections to check the quality or quantity of the Work; provided, however, the Architect shall visit the Site at a minimum of once each month for the duration of the construction period.

b. Delete Sections 4.2.4 and 4.2.5 and insert the following:

4.2.4 Owner and Contractor will communicate directly with each other, with copies of written communications to be delivered to the Architect as required by Owner.

4.2.5 Based on the Architect's observations and evaluations of the progress and quality of the Work, Architect will make recommendations as to Contractor's Applications for Payment. The Architect will review and after discussion with Owner and receipt of Owner's approval, certify the amounts due the Contractor and will issue Certificates for Payment in such amounts.

c. Insert the following as new Section 4.2.15:

4.2.15 Notwithstanding any provision of the Contract Documents to the contrary, no provision of the Contract Documents shall alter the responsibilities, obligations and liabilities of Owner to Architect and Architect to Owner set forth in the Agreement Between Owner and Architect, as amended from time to time. No action by the Architect will in any way relieve the Contractor from its responsibility for the performance of the Work in accordance with the Contract Documents.

E. ARTICLE 5— SUBCONTRACTORS

1. Section 5.2 is deleted.

F. ARTICLE 7—CHANGES IN THE WORK

1. Insert the following new Section 7.1.4:

7.1.4 A field directive or field order shall not be recognized as having any impact upon the Contract Sum or the Contract Time and Contractor shall have no Claim therefore unless Contractor shall, prior to complying with same and, in no event

no later than five (5) working days from the date such directive or order was given, submit to Owner for Owner's approval its Change Order Request.

2. Insert the following new Section 7.1.5:

7.1.5 No course of conduct or dealings between the parties, nor express or implied acceptance of alterations or additions to the Work, and no claim that Owner has been unjustly enriched by any alteration or addition to the Work, whether or not there is, in fact, any unjust enrichment to the Work, shall be the basis of any claim to any increase in any amounts due under the Contract Documents or a change in any time period provided for in the Contract Documents.

3. 7.3 CONSTRUCTION COST DIRECTIVES

Modify Section 7.3.7 as follows:

7.3.7 In the first sentence, (a) delete the words "the Architect shall determine the method and the adjustment" and substitute "the method and the adjustment shall be determined" and (b) delete the word "profit" and substitute "a Contractor's Fee of 6% of the increased cost of the Work."

G. ARTICLE 8—TIME

1. 8.3 DELAYS AND EXTENSIONS OF TIME

Insert after the words "Contractor's controls" in line 4 of Section 8.3.1 the following: "and which could not have been reasonably anticipated."

2. The following new Paragraph 8.4 is inserted in the Agreement:

8.4 PROGRESS SCHEDULES

8.4.1 Contractor shall provide the scheduling and periodic updating thereof and other necessary schedules in the interest of completing the Work in an optimum manner ("Progress Schedules"). Progress Schedules will at least be provided on a monthly basis with each monthly Application for Payment.

8.4.2 Prior to commencement of construction, Contractor shall prepare and submit to Owner's the Progress Schedules for the Work. The Progress Schedules shall be related to the construction of all the improvements to the extent required by the Contract Documents. The Progress Schedules shall indicate the dates for the starting and completion of the various stages of construction and shall be revised as required by the conditions of the Work. The Contract Time shall be governed by this Agreement and shall be extended only in accordance with the procedures herein set forth for same.

H. ARTICLE 9— PAYMENTS AND COMPLETION

1. 9.2 SCHEDULE OF VALUES

a. Insert the following as new Section 9.2:

9.2.1 Before the first Application for Payment, the Contractor shall submit to the Architect a schedule of values (the "Schedule of Values") of the various parts of the Work, aggregating to the total sum of the Contract, divided so as to facilitate payments to Subcontractors, supported by such evidence of accuracy as the Architect and Owner may direct. Overhead and profit shall be shown as a separate line item in the Schedule of Values. This Schedule, when approved by the Architect and Owner, shall be used as a basis for Applications for Payment. All items with entered values will be transferred by the Contractor to the Application and Certificate of Payment, and shall be broken down to show the various Subcontractors and/or categories of Work.

9.2.2 Applications for Payment shall be on a form approved by Owner. Each item shall show its total schedule value, value of previous applications, percentage complete, value completed and value yet to be completed. All blanks and columns must be filled in.

2. 9.3 APPLICATIONS FOR PAYMENT

a. Insert the following at the end of Section 9.3.1:

9.3.1 (cont'd) The form for Application for Payment shall be a notarized AIA Document G702, Application Certification for Payment, supported by AIA Document G703, Continuation Sheet. Such Application for Payment shall be accompanied by waivers of liens and other documentation from subcontractors as may be reasonably required by Owner, Construction Lender and any title insurer to establish the absence of any claims for mechanic's or other statutory liens. Copies of all Applications for Payment shall be submitted to Owner and, upon Owner's request, directly to the lender and the equity investor for the Project ("Construction Lender"). The Architect shall not certify any payment if objected to by Owner or Construction Lender, unless the Architect believes such objections to be groundless.

3. 9.5 DECISIONS TO WITHHOLD CERTIFICATION

a. Insert the following at the end of Section 9.5.1:

.8 reasonable evidence that the Work will not be completed within the Contract Time, and that the unpaid balance would not be adequate to cover actual or liquidated damages for the anticipated delay.

4. 9.7 FAILURE OF PAYMENT

a. insert the following new Sections 9.7.2, 9.7.3 and 9.7.4:

9.7.2 Notwithstanding Paragraph 9.7, if Contractor disputes any determination by the Architect with regard to any Certificate of Payment, Contractor shall nevertheless expeditiously continue to prosecute the Work. If the Architect declines to certify payment and withholds its Certificate for any reason, the Architect will promptly notify Owner in writing of such reasons therefore.

9.7.3 Notwithstanding Paragraph 9.7, Owner shall not be deemed to be in breach of this Contract by reason of the withholding of any payment pursuant to any provision of the Contract Documents provided the Architect has approved Owner's action or the Work in question shall have been rejected by any governmental authority, Owner or Construction Lender.

9.7.4 In any event, the Contractor may not stop the Work during the pendency of a bona fide dispute between Owner and Contractor.

5. 9.10 FINAL COMPLETION AND PAYMENT

a. Add the following new Section 9.10.6:

9.10.6 A reasonable sum may be withheld until the Contractor delivers to Owner record drawings and other items required pursuant to Section 3.11, and the warranties, instructions and maintenance manuals required to be furnished, and a final statement of the cost of the Work allocated in accordance with the budget and in a form which has been approved by Construction Lender has been furnished.

I. ARTICLE 10—PROTECTION OF PERSONS AND PROPERTY

1. 10.2.8 INJURY OR DAMAGE TO PERSON OR PROPERTY

Insert the following at the end of Section 10.2.8:

10.2.8 (cont'd) Without limiting the foregoing, provided that such reporting is permitted under the Contractor's insurance coverage, Contractor shall promptly report in writing to Owner all accidents known to Contractor arising out of or in connection with the Work which cause death or personal injury resulting in lost time from work of one (1) day or more, or property damage in excess of Twenty Thousand Dollars ($20,000.00) giving full details and statements of any witnesses. In addition, if death or serious property damages are caused, the accident shall be reported immediately by telephone or messenger to Owner.

J. ARTICLE 11—INSURANCE AND BONDS

1. 11.1 CONTRACTOR'S LIABILITY INSURANCE

Insert the following at the end of Section 11.1.1:

11.1.1 (cont'd) Owner and Contractor acknowledge that the insurance requirements set forth in the Contract Documents may be required to be varied by Construction Lender or by Owner's insurance carrier and Contractor agrees to enter into suitable modifications of the provisions hereof upon the request of Owner, provided Owner bears any additional cost occasioned thereby.

2. 11.3 PROPERTY INSURANCE

Delete Section 11.3.9 in its entirety and insert the following:

11.3.9 Upon the occurrence of an insured loss, monies received will be deposited in a separate escrow account and Construction Lender shall make distribution in accordance with this Agreement and the provisions of any Loan Agreement between Owner and Construction Lender, or in accordance with the order of any court having jurisdiction over any dispute.

K. ARTICLE 13 — MISCELLANEOUS PROVISIONS

1. Insert the following new Section 13.8:

13.8 MECHANICS' AND MATERIALMEN'S LIENS

13.8.1 Contractor shall save and keep Owner, Owner's loan proceeds and Owner's property free from all mechanic's and materialmen's liens and all other liens and claims, legal or equitable arising out of Contractor's Work hereunder for which Contractor has been paid. In the event any such lien or claim is filed by anyone claiming by, through or under Contractor, Contractor shall remove, bond around or discharge same within thirty (30) days of the filing thereof; unless such lien was filed because of nonpayment by Owner to Contractor under this Agreement. Any payment due Contractor hereunder shall be reduced by an amount up to 110% of the amount of any lien arising out of or related to Contractor's performance under this Agreement until such lien is removed as of record and/or bonded.

2. Insert the following new Section 13.9:

13.9 If any provision of the Contract Documents shall for any reason be held violative of any applicable law, and so much of the Contract Documents is held to be unenforceable, then the validity of such specific provision herein shall not be held to invalidate any other provision herein, all of which other provisions shall remain in full force and effect to the maximum extent permitted by applicable law.

3. Insert the following new Section 13.10:

13.10 This Contract is not intended to create, nor shall it be in any way interpreted or construed to create any third party beneficiary rights in any person not a party hereto, except as otherwise expressly provided herein.

L. ARTICLE 14 - TERMINATION OR SUSPENSION OF THE CONTRACT

1. Section 14.3 is deleted in its entirety.

2. Section 14.4 is deleted in its entirety.

3. Insert the following new Section 14.5:

14.5 If Contractor becomes subject to a proceeding under the United States Bankruptcy Code ("Bankruptcy") and, in the reasonable opinion of Owner, is unable to fulfill its obligations under this Contract because of the Bankruptcy, Owner will notify Contractor in writing. If Contractor is unable to provide adequate assurance of future performance reasonably satisfactory to Owner within 10 days after receiving Owner's notice, Contractor agrees that this Contract should be rejected and/or terminated and will take no action which would impede the efforts of Owner to have this Contract rejected and/or terminated by a Bankruptcy court.

M. ARTICLE 15 – CLAIMS AND DISPUTES

1. 15.1 CLAIMS

a. Insert the following at the end of Section 15.1.2:

Any Claim not timely asserted in accordance with the terms of this Section 15.1.2 shall be deemed waived.

b. Insert the following as new Section 15.1.4.1:

15.1.4.1 Any claim for increased cost for delay shall be asserted in accordance with the provisions of Section 15.1 unless the time is extended in writing by Owner. This requirement is in the essence of the Contract Documents. Accordingly, no course of conduct or dealings between the parties, nor express or implied acceptance of the alterations or additions to the Work, and no claim that Owner has been unjustly enriched by any alteration or addition to the Work, whether or not there is in fact any such unjust enrichment, shall be the basis for any claim to an increase in the Contract Sum or change in the Contract Time.

c. Delete Section 15.1.5.2 and insert the following in lieu thereof:

15.1.5.2 If adverse weather conditions are the basis for a Claim for additional time (including an extension of the date of Substantial Completion), Contractor will notify Owner that such conditions are the basis of the Claim. However, weather conditions shall not be the basis of an increase in the Contract Sum. Weather delays shall not entitle Contractor to an increase in the Contract Sum.

d. Delete Section 15.1.6.

e. Insert the following as new Section 15.1.7:

15.1.7 LIQUIDATED DAMAGES. The Contractor shall complete the Work and achieve Substantial Completion of the Work within the Contract Time. Owner may retain from the Contract Sum to be paid to Contractor, the liquidated damages sum of $500.00 for each day that the Contractor fails to achieve Substantial Completion of the Work within the Contract Time. The parties agree that the sums set forth in this Section 15.1.7 are the proper measure of liquidated damages that Owner will sustain per day upon the failure of the Contractor to complete the Work in the time stipulated, and this sum is not to be construed in any case as a penalty. These liquidated damages shall be assessed if Substantial Completion is not achieved as specified above, as the Contract Time may be extended as provided herein.

2. 15.4 ARBITRATION

a. Insert the following at the end of Section 15.4.1:

The parties will be entitled to discovery under the Texas Rules of Civil Procedure in any such arbitration and any arbitration shall take place in Harris County, Texas.

N. ARTICLE 16 - LENDER AND EQUITY INVESTOR PROVISIONS

16.1 Owner may, upon prior notice but without consent of Contractor, assign this Contract to a Construction Lender and/or an equity investor.

16.2 Contractor agrees to cooperate fully with Owner in complying with all reasonable requirements of Construction Lender and equity investor contained in loan agreements, if any, which Owner may enter into in connection with the Project and to furnish all such information, documents, reports, certifications and lien releases that are required by such loan agreements or partnership agreement. Contractor also agrees to such modifications to the Agreement as Construction Lender and equity investor may reasonable require, provided that the Contractor's costs or time of performance are not increased, unless the Agreement is equitably adjusted, including, without limitation, the timing of the delivery of Applications for Payment and the making of Progress Payments.

16.3 Owner hereby informs Contractor that Construction Lender and equity investor may hire a third party consultant to review payment applications of the Contractor and the progress of the performance of the Work and Contractor will cooperate with the lender's and/or the equity investor's consultant in connection therewith.

16.4 All subcontractors will be subject to the approval of Construction Lender and equity investor, to the extent required by Construction Lender and equity investor.

O. WIDESPREAD COMMUNICABLE DISEASE

a. Provided no other concurrent delay caused by the Contractor exists and Contractor provides written notice within ten (10) days of discovery, notwithstanding any other provision(s) of the Contract Documents, if as a direct result of any virus, disease,

contagion, or any other widespread communicable disease that causes disruption, including but not limited to COVID-19 (individually or together "Epidemic"), which is national or state disaster under either the Robert T. Stafford Disaster Relief and Emergency Act by President of the United States, or by the Governor of the State of Texas under TEX. GOV'T CODE § 418.014, and under which Contractor's work is delayed, disrupted, suspended by, including, but not limited to: (1) disruptions to material and/or equipment supply; (2) illness of Contractor's workforce and/or unavailability of labor directly attributable to the existence of the widespread communicable disease; (3) government quarantines, shelter-in-place orders, closures, or other mandates, restrictions, and/or directives; (4) Owner restrictions and/or directives; and/or, (5) fulfillment of Contractor's contractual or legal health and safety obligations associated with an Epidemic; then, Contractor shall be entitled to an equitable adjustment to the Contract schedule duration to account for such disruptions, suspensions, and impacts.

b. Further, to the extent there is an increase in the price of labor, materials, or equipment used in the performance of this Contract, or other increases in the costs of performance of the Contract as a direct result of such Epidemic (including, but not limited to, any delay), Contractor shall be entitled to an equitable adjustment to the Contract Price for such increases, provided that Contractor provides Owner with reasonable notice in writing of such expected increases and presents documentation to support such increased costs.

c. Further, if specified products or materials are or become unavailable (or not reasonably available in sufficient time or quantity to allow completion of the Project in a reasonable time), Contractor shall provide Owner with written notice of such unavailability and a recommended substitute for such product or materials. Unless Owner gives timely notice of an objection to such substitution, Contractor shall be entitled to substitute such products or materials, and shall be entitled to an equitable adjustment in the price and/or the schedule to account for such substitution. If Owner objects to such substitution, Owner shall become solely liable for any increased costs to Contractor to await availability of such products or materials.

d. In no event shall Contractor be liable for any consequential, special, and/or indirect damages incurred by the Owner resulting from any delay due to any Epidemic, the unavailability (or decreased availability) of any products, material or labor, the substitution of any products or materials, or any other cause of delay or increased cost pursuant to this section, including but not limited to additional financing costs, lost rent or occupancy, or additional overhead costs.

P. CITY OF HOUSTON LENDER REQUIREMENTS

1. All defined terms provided in this section shall refer to the defined terms located with the City of Houston Loan Agreement and other supplementary documents.

2. **Davis-Bacon.** Compliance with the federal labor standards provisions of the Davis-Bacon Act, as amended (40 U.S.C. §§ 276a, et seq.); compliance with the Davis-Bacon Act shall be verified through on-site inspections by representatives of the City or at the City's option, the Approved Inspectors. Contractor shall comply with the

HUD 4010 Federal Labor Provisions and HUD Handbook 1344 –Davis Bacon Act, the CDBG Regulations at 24 C.F.R. 570.603 and the Department of Labor regulations at 29 C.F.R. Parts 1, 3, 5, 6, and 7.

3. **MWSBE.** The Contractor shall comply with the City's Minority and Women Business Enterprise ("MWBE") programs as set out in Chapter 15, Article V of the City of Houston Code of Ordinances. The Contractor shall make good faith efforts to award subcontracts or supply agreements in at least **23%** MBE and **11%** WBE of the value of this Agreement to MWBEs. The Contractor acknowledges that it has reviewed the requirements for good faith efforts on file with the City's Office of Business Opportunities ("OBO") and will comply with them. The Contractor shall identify the M/WBE participation level to equal at least **34%** for this project.

Contractor shall ensure that all subcontracts with MWSBE subcontractors and suppliers contain the following terms:

(A) (MWSBE subcontractor) shall not delegate or subcontract more than 50% of the work under this subcontract to any other subcontractor or supplier without the express written consent of the City of Houston's OBO Director.

(B) (MWSBE subcontractor) shall permit representatives of the City of Houston, at all reasonable times, to perform (1) audits of the books and records of the subcontractor, and (2) inspections of all places where work is to be undertaken in connection with this subcontract. Subcontractor shall keep such books and records available for such purpose for at least four (4) years after the end of its performance under this subcontract. Nothing in this provision shall affect the time for bringing a cause of action nor the applicable statute of limitations.

(C) Within five business days of execution of this subcontract, Contractor (prime contractor) and Subcontractor shall designate in writing to the Director an agent for receiving any notice required or permitted to be given pursuant to Chapter 15 of the Houston City Code of Ordinances, along with the street and mailing address and phone number of such agent.

(D) Any controversy between the parties involving the construction or application of any of the terms, covenants, or conditions of this subcontract may be submitted to the OBO Director. The OBO Director may prescribe procedures to provide dispute resolution by neutrals in accordance with the requirements of Chapter 15 of the Houston City Code of Ordinances.

4. **Section 3 Program.** The work to be performed under this Agreement is on a project assisted under a program providing federal financial assistance from the Department of Housing and Urban Development (HUD). Section 3 of the Housing and Urban Development Act of 1968, as amended, (12 U.S.C. 1701 u, "Section 3") applies to the Agreement. Under Section 3, to the greatest extent feasible, for any contract award in excess of $100,000. The Contractor shall give opportunities for training and employment to lower-income residents of the City and shall award contracts for work in connection with the project to business concerns which are located in or owned in substantial part by persons residing in the City. Contractors/subcontractors that are

debarred, suspended or otherwise excluded from or ineligible for participation on federal assistance programs may not undertake any activity in part or in full under this project.

5. **Insurance.** Contractor, its Major Subcontractor, any additional subcontractor or supplier shall maintain insurance as required by the City of Houston.

6. **Disputes.** Subject to the requirements of Section 3 above, all disputes concerning the quantity, quality and completion or sufficiency of work performed or materials supplied pursuant to this Agreement shall be submitted to the Director for resolution, and the Director may order the parties to mediation, at his option, to attempt to resolve the dispute in accordance with Section 18, Paragraph 18.18 of the Loan Agreement. The Director may declare a default under the City Loan if any dispute referred to mediation is not resolved within sixty (60) days after submission to non-binding mediation. The Director shall have the authority to require any disputes under this Agreement be submitted to non-binding mediation, but the Director shall not be required to participate in such mediation. Neither the decision of the Director nor the issuance of a Certificate of Completion shall be construed to release the Owner or any surety from liability under any bond, warranty or guaranty to be provided under the City's Loan Agreement.

7. **Release and Indemnification**:

RELEASE. **CONTRACTOR, ITS PREDECESSORS, SUCCESSORS AND ASSIGNS (THE FOREGOING ARE COLLECTIVELY REFERRED TO IN THIS SECTION AS "CONTRACTOR") HEREBY RELEASE, RELINQUISH AND DISCHARGE THE CITY, ITS PREDECESSORS, SUCCESSORS, ASSIGNS, LEGAL REPRESENTATIVES AND ITS FORMER, PRESENT AND FUTURE AGENTS, EMPLOYEES AND OFFICERS (THE FOREGOING ARE COLLECTIVELY REFERRED TO IN THIS SECTION AS "CITY") FROM ANY LIABILITY AS A RESULT OF THE JOINT NEGLIGENCE OF THE CITY AS A RESULT OF ANY INJURY, INCLUDING DEATH OR DAMAGE TO PERSONS OR PROPERTY, WHERE SUCH DAMAGE IS SUSTAINED IN CONNECTION WITH THIS AGREEMENT.**

INDEMNIFICATION AGREEMENT. **CONTRACTOR COVENANTS AND WARRANTS THAT IT WILL PROTECT, DEFEND, AND HOLD THE CITY HARMLESS FROM ANY AND ALL THIRD PARTY CLAIMS, DEMANDS, AND LIABILITY, INCLUDING DEFENSE COSTS, RELATING IN ANY WAY TO DAMAGES, CLAIMS OR FINES ARISING BY REASON OF OR IN CONNECTION WITH CONTRACTOR'S ACTUAL OR ALLEGED NEGLIGENCE OR OTHER ACTIONABLE PERFORMANCE OR OMISSION OF CONTRACTOR IN CONNECTION WITH OR DURING THE PERFORMANCE OF THE DUTIES UNDER THIS AGREEMENT. ALSO, DURING THE PERFORMANCE OF THE WORK AND UP TO A PERIOD OF FIVE (5) YEARS AFTER THE DATE OF FINAL ACCEPTANCE OF THE WORK, CONTRACTOR FURTHER EXPRESSLY COVENANTS AND AGREES TO PROTECT, DEFEND, INDEMNIFY, AND HOLD HARMLESS THE CITY**

FROM ALL CLAIMS, ALLEGATIONS, FINES, DEMANDS, AND DAMAGES RELATING IN ANY WAY TO THE ACTUAL OR ALLEGED JOINT AND/OR CONCURRENT NEGLIGENCE OF THE CITY AND CONTRACTOR, WHETHER CONTRACTOR IS IMMUNE FROM LIABILITY OR NOT.

IT IS THE EXPRESSED INTENTION OF THE PARTIES HERETO THAT THE INDEMNITY PROVIDED HEREIN IS AN AGREEMENT BY CONTRACTOR TO INDEMNIFY AND PROTECT THE CITY FROM THE CITY'S OWN NEGLIGENCE WHERE SAID NEGLIGENCE IS AN ALLEGED OR ACTUAL CONCURRING PROXIMATE CAUSE OF ANY ALLEGED THIRD-PARTY HARM.

THE INDEMNITY PROVISION PROVIDED HEREIN SHALL HAVE NO APPLICATION TO ANY CLAIM OR DEMAND WHERE BODILY INJURY, DEATH, OR DAMAGE RESULTS ONLY FROM THE SOLE NEGLIGENCE OF THE CITY UNMIXED WITH ANY FAULT OF CONTRACTOR.

8. **Compliance with Minimum Property Standards.** The Project shall be constructed and brought up to the standards required by the City's Minimum Property Standards and all applicable local codes, construction standards, ordinances, and zoning ordinances (including without limitation, the City's Building, Housing and Fire Codes). All newly constructed and reconstructed housing units must meet the current requirements of the Model Energy Code (http://www.energycodes.gove/implement/pdfs/modelcode.pdf).

9. **Bidding Requirements (if applicable).**

(a) The Contractor shall send an invitation to bid to construction and repair businesses that are listed in the City's Office of Business Opportunity ("OBO"). The Owner also may solicit invitations to bid from other sources.

(b) The Contractor shall solicit at least 3 bids for all Work.

(c) The Contractor shall provide a bid package to all prospective bidders. The Contractor may charge bidders the cost of copying the bid package. The bid package shall contain the Approved Final Plans, Specifications, and Drawings and shall contain the Construction Contract Requirements set forth as an exhibit to this Agreement.

(d) The Contractor shall select the lowest responsible bidder for award of the contract.

(e) The Contractor shall give the selected bidder written notice of the award. The notice shall state that the award is conditioned upon the bidder's compliance with this Agreement, including, without limitation. compliance with the MWSBE provisions.

10. **Audit Rights.** The GLO and the City have the right to review, audit and monitor any construction contracts and subcontracts.

11. **Cost-Plus Contracts Prohibited**. Neither Owner, nor Contractor, the Major Subcontractor or any subcontractors will enter into contract types prohibited by the U.S. Department of Housing and Urban Development and the regulations at 2 CFR Part 200. Specifically, as required by the GLO, no party will enter into a cost-plus or cost-plus percentage of cost contract in connection with work at the Development.

12. **Penalties**. Failure to adequately perform under the Contract may result in penalties including the possibility of debarment from future GLO or City work.

13. **Pay or Play**. Project activities will be subject to comply with the requirements of the Pay or Play program which is governed by the City of Houston Executive Order 1-7. Any contractor with a sub-contract in excess of $200,000 is required to adhere to these requirements. Any Covered contractor with covered employees must receive Pay or Play benefits. A covered employee is: an employee that works for a covered contractor who is over age 18, works at least 30 hours per week and work any amount of time under a covered city contract or subcontract. A contractor may comply by choosing to Pay or Play. A contactor can Pays" by contributing $1.00 per covered employee per regular hour for work performed under the contract with the City; or "Plays" by providing health benefits to covered employees. Health benefits must meet or exceed the following standards:

- The employer will contribute no less than $150 per covered employee per month toward the total premium cost.
- The employee contribution, if any amount, will be no greater than 50% of the monthly premium cost and no more than $150 per month.

If a contractor chooses to "Pay" monthly hours must be reported in the POPMS system which will generate monthly invoices. As applicable. If a contractor chooses to "Play", on a quarterly basis proof of coverage must be provided for each covered employee.

EXHIBIT E

AIA A201-2007 GENERAL CONDITIONS

AIA® Document A201® – 2007

General Conditions of the Contract for Construction

for the following PROJECT:
(Name and location or address)
Dian Street Villas
1433 Dian Street
Houston, Texas 77008

THE OWNER:
(Name, legal status and address)
CSH Dian Street Villas, Ltd.
3701 Kirby Drive, Suite 860
Houston, Texas 77098

THE ARCHITECT:
(Name, legal status and address)
Cross Architects, PLLC
879 Junction Drive
Allen, Texas 75013

ADDITIONS AND DELETIONS:
The author of this document has added information needed for its completion. The author may also have revised the text of the original AIA standard form. An *Additions and Deletions Report* that notes added information as well as revisions to the standard form text is available from the author and should be reviewed. A vertical line in the left margin of this document indicates where the author has added necessary information and where the author has added to or deleted from the original AIA text.

This document has important legal consequences. Consultation with an attorney is encouraged with respect to its completion or modification.

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ARTICLE 1 GENERAL PROVISIONS

§ 1.1 BASIC DEFINITIONS

§ 1.1.1 THE CONTRACT DOCUMENTS

The Contract Documents are enumerated in the Agreement between the Owner and Contractor (hereinafter the Agreement) and consist of the Agreement, Conditions of the Contract (General, Supplementary and other Conditions), Drawings, Specifications, Addenda issued prior to execution of the Contract, other documents listed in the Agreement and Modifications issued after execution of the Contract. A Modification is (1) a written amendment to the Contract signed by both parties, (2) a Change Order, (3) a Construction Change Directive or (4) a written order for a minor change in the Work issued by the Architect. Unless specifically enumerated in the Agreement, the Contract Documents do not include the advertisement or invitation to bid, Instructions to Bidders, sample forms, other information furnished by the Owner in anticipation of receiving bids or proposals, the Contractor's bid or proposal, or portions of Addenda relating to bidding requirements.

§ 1.1.2 THE CONTRACT

The Contract Documents form the Contract for Construction. The Contract represents the entire and integrated agreement between the parties hereto and supersedes prior negotiations, representations or agreements, either written or oral. The Contract may be amended or modified only by a Modification. The Contract Documents shall not be construed to create a contractual relationship of any kind (1) between the Contractor and the Architect or the Architect's consultants, (2) between the Owner and a Subcontractor or a Sub-subcontractor, (3) between the Owner and the Architect or the Architect's consultants or (4) between any persons or entities other than the Owner and the Contractor. The Architect shall, however, be entitled to performance and enforcement of obligations under the Contract intended to facilitate performance of the Architect's duties.

§ 1.1.3 THE WORK

The term "Work" means the construction and services required by the Contract Documents, whether completed or partially completed, and includes all other labor, materials, equipment and services provided or to be provided by the Contractor to fulfill the Contractor's obligations. The Work may constitute the whole or a part of the Project.

§ 1.1.4 THE PROJECT

The Project is the total construction of which the Work performed under the Contract Documents may be the whole or a part and which may include construction by the Owner and by separate contractors.

§ 1.1.5 THE DRAWINGS

The Drawings are the graphic and pictorial portions of the Contract Documents showing the design, location and dimensions of the Work, generally including plans, elevations, sections, details, schedules and diagrams.

§ 1.1.6 THE SPECIFICATIONS

The Specifications are that portion of the Contract Documents consisting of the written requirements for materials, equipment, systems, standards and workmanship for the Work, and performance of related services.

§ 1.1.7 INSTRUMENTS OF SERVICE

Instruments of Service are representations, in any medium of expression now known or later developed, of the tangible and intangible creative work performed by the Architect and the Architect's consultants under their respective professional services agreements. Instruments of Service may include, without limitation, studies, surveys, models, sketches, drawings, specifications, and other similar materials.

§ 1.1.8 INITIAL DECISION MAKER

The Initial Decision Maker is the person identified in the Agreement to render initial decisions on Claims in accordance with Section 15.2 and certify termination of the Agreement under Section 14.2.2.

§ 1.2 CORRELATION AND INTENT OF THE CONTRACT DOCUMENTS

§ 1.2.1 The intent of the Contract Documents is to include all items necessary for the proper execution and completion of the Work by the Contractor. The Contract Documents are complementary, and what is required by one shall be as binding as if required by all; performance by the Contractor shall be required only to the extent consistent with the Contract Documents and reasonably inferable from them as being necessary to produce the indicated results.

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§ 1.2.2 Organization of the Specifications into divisions, sections and articles, and arrangement of Drawings shall not control the Contractor in dividing the Work among Subcontractors or in establishing the extent of Work to be performed by any trade.

§ 1.2.3 Unless otherwise stated in the Contract Documents, words that have well-known technical or construction industry meanings are used in the Contract Documents in accordance with such recognized meanings.

§ 1.3 CAPITALIZATION

Terms capitalized in these General Conditions include those that are (1) specifically defined, (2) the titles of numbered articles or (3) the titles of other documents published by the American Institute of Architects.

§ 1.4 INTERPRETATION

In the interest of brevity the Contract Documents frequently omit modifying words such as "all" and "any" and articles such as "the" and "an," but the fact that a modifier or an article is absent from one statement and appears in another is not intended to affect the interpretation of either statement.

§ 1.5 OWNERSHIP AND USE OF DRAWINGS, SPECIFICATIONS AND OTHER INSTRUMENTS OF SERVICE

§ 1.5.1 The Architect and the Architect's consultants shall be deemed the authors and owners of their respective Instruments of Service, including the Drawings and Specifications, and will retain all common law, statutory and other reserved rights, including copyrights. The Contractor, Subcontractors, Sub-subcontractors, and material or equipment suppliers shall not own or claim a copyright in the Instruments of Service. Submittal or distribution to meet official regulatory requirements or for other purposes in connection with this Project is not to be construed as publication in derogation of the Architect's or Architect's consultants' reserved rights.

§ 1.5.2 The Contractor, Subcontractors, Sub-subcontractors and material or equipment suppliers are authorized to use and reproduce the Instruments of Service provided to them solely and exclusively for execution of the Work. All copies made under this authorization shall bear the copyright notice, if any, shown on the Instruments of Service. The Contractor, Subcontractors, Sub-subcontractors, and material or equipment suppliers may not use the Instruments of Service on other projects or for additions to this Project outside the scope of the Work without the specific written consent of the Owner, Architect and the Architect's consultants.

§ 1.6 TRANSMISSION OF DATA IN DIGITAL FORM

If the parties intend to transmit Instruments of Service or any other information or documentation in digital form, they shall endeavor to establish necessary protocols governing such transmissions, unless otherwise already provided in the Agreement or the Contract Documents.

ARTICLE 2 OWNER

§ 2.1 GENERAL

§ 2.1.1 The Owner is the person or entity identified as such in the Agreement and is referred to throughout the Contract Documents as if singular in number. The Owner shall designate in writing a representative who shall have express authority to bind the Owner with respect to all matters requiring the Owner's approval or authorization. Except as otherwise provided in Section 4.2.1, the Architect does not have such authority. The term "Owner" means the Owner or the Owner's authorized representative.

§ 2.1.2 The Owner shall furnish to the Contractor within fifteen days after receipt of a written request, information necessary and relevant for the Contractor to evaluate, give notice of or enforce mechanic's lien rights. Such information shall include a correct statement of the record legal title to the property on which the Project is located, usually referred to as the site, and the Owner's interest therein.

§ 2.2 INFORMATION AND SERVICES REQUIRED OF THE OWNER

§ 2.2.1 Prior to commencement of the Work, the Contractor may request in writing that the Owner provide reasonable evidence that the Owner has made financial arrangements to fulfill the Owner's obligations under the Contract. Thereafter, the Contractor may only request such evidence if (1) the Owner fails to make payments to the Contractor as the Contract Documents require; (2) a change in the Work materially changes the Contract Sum; or (3) the Contractor identifies in writing a reasonable concern regarding the Owner's ability to make payment when due. The Owner shall furnish such evidence as a condition precedent to commencement or continuation of the Work or the

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portion of the Work affected by a material change. After the Owner furnishes the evidence, the Owner shall not materially vary such financial arrangements without prior notice to the Contractor.

§ 2.2.2 Except for permits and fees that are the responsibility of the Contractor under the Contract Documents, including those required under Section 3.7.1, the Owner shall secure and pay for necessary approvals, easements, assessments and charges required for construction, use or occupancy of permanent structures or for permanent changes in existing facilities.

§ 2.2.3 The Owner shall furnish surveys describing physical characteristics, legal limitations and utility locations for the site of the Project, and a legal description of the site. The Contractor shall be entitled to rely on the accuracy of information furnished by the Owner but shall exercise proper precautions relating to the safe performance of the Work.

§ 2.2.4 The Owner shall furnish information or services required of the Owner by the Contract Documents with reasonable promptness. The Owner shall also furnish any other information or services under the Owner's control and relevant to the Contractor's performance of the Work with reasonable promptness after receiving the Contractor's written request for such information or services.

§ 2.2.5 Unless otherwise provided in the Contract Documents, the Owner shall furnish to the Contractor one copy of the Contract Documents for purposes of making reproductions pursuant to Section 1.5.2.

§ 2.3 OWNER'S RIGHT TO STOP THE WORK

If the Contractor fails to correct Work that is not in accordance with the requirements of the Contract Documents as required by Section 12.2 or repeatedly fails to carry out Work in accordance with the Contract Documents, the Owner may issue a written order to the Contractor to stop the Work, or any portion thereof, until the cause for such order has been eliminated; however, the right of the Owner to stop the Work shall not give rise to a duty on the part of the Owner to exercise this right for the benefit of the Contractor or any other person or entity, except to the extent required by Section 6.1.3.

§ 2.4 OWNER'S RIGHT TO CARRY OUT THE WORK

If the Contractor defaults or neglects to carry out the Work in accordance with the Contract Documents and fails within a ten-day period after receipt of written notice from the Owner to commence and continue correction of such default or neglect with diligence and promptness, the Owner may, without prejudice to other remedies the Owner may have, correct such deficiencies. In such case an appropriate Change Order shall be issued deducting from payments then or thereafter due the Contractor the reasonable cost of correcting such deficiencies, including Owner's expenses and compensation for the Architect's additional services made necessary by such default, neglect or failure. Such action by the Owner and amounts charged to the Contractor are both subject to prior approval of the Architect. If payments then or thereafter due the Contractor are not sufficient to cover such amounts, the Contractor shall pay the difference to the Owner.

ARTICLE 3 CONTRACTOR

§ 3.1 GENERAL

§ 3.1.1 The Contractor is the person or entity identified as such in the Agreement and is referred to throughout the Contract Documents as if singular in number. The Contractor shall be lawfully licensed, if required in the jurisdiction where the Project is located. The Contractor shall designate in writing a representative who shall have express authority to bind the Contractor with respect to all matters under this Contract. The term "Contractor" means the Contractor or the Contractor's authorized representative.

§ 3.1.2 The Contractor shall perform the Work in accordance with the Contract Documents.

§ 3.1.3 The Contractor shall not be relieved of obligations to perform the Work in accordance with the Contract Documents either by activities or duties of the Architect in the Architect's administration of the Contract, or by tests, inspections or approvals required or performed by persons or entities other than the Contractor.

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§ 3.2 REVIEW OF CONTRACT DOCUMENTS AND FIELD CONDITIONS BY CONTRACTOR

§ 3.2.1 Execution of the Contract by the Contractor is a representation that the Contractor has visited the site, become generally familiar with local conditions under which the Work is to be performed and correlated personal observations with requirements of the Contract Documents.

§ 3.2.2 Because the Contract Documents are complementary, the Contractor shall, before starting each portion of the Work, carefully study and compare the various Contract Documents relative to that portion of the Work, as well as the information furnished by the Owner pursuant to Section 2.2.3, shall take field measurements of any existing conditions related to that portion of the Work, and shall observe any conditions at the site affecting it. These obligations are for the purpose of facilitating coordination and construction by the Contractor and are not for the purpose of discovering errors, omissions, or inconsistencies in the Contract Documents; however, the Contractor shall promptly report to the Architect any errors, inconsistencies or omissions discovered by or made known to the Contractor as a request for information in such form as the Architect may require. It is recognized that the Contractor's review is made in the Contractor's capacity as a contractor and not as a licensed design professional, unless otherwise specifically provided in the Contract Documents.

§ 3.2.3 The Contractor is not required to ascertain that the Contract Documents are in accordance with applicable laws, statutes, ordinances, codes, rules and regulations, or lawful orders of public authorities, but the Contractor shall promptly report to the Architect any nonconformity discovered by or made known to the Contractor as a request for information in such form as the Architect may require.

§ 3.2.4 If the Contractor believes that additional cost or time is involved because of clarifications or instructions the Architect issues in response to the Contractor's notices or requests for information pursuant to Sections 3.2.2 or 3.2.3, the Contractor shall make Claims as provided in Article 15. If the Contractor fails to perform the obligations of Sections 3.2.2 or 3.2.3, the Contractor shall pay such costs and damages to the Owner as would have been avoided if the Contractor had performed such obligations. If the Contractor performs those obligations, the Contractor shall not be liable to the Owner or Architect for damages resulting from errors, inconsistencies or omissions in the Contract Documents, for differences between field measurements or conditions and the Contract Documents, or for nonconformities of the Contract Documents to applicable laws, statutes, ordinances, codes, rules and regulations, and lawful orders of public authorities.

§ 3.3 SUPERVISION AND CONSTRUCTION PROCEDURES

§ 3.3.1 The Contractor shall supervise and direct the Work, using the Contractor's best skill and attention. The Contractor shall be solely responsible for, and have control over, construction means, methods, techniques, sequences and procedures and for coordinating all portions of the Work under the Contract, unless the Contract Documents give other specific instructions concerning these matters. If the Contract Documents give specific instructions concerning construction means, methods, techniques, sequences or procedures, the Contractor shall evaluate the jobsite safety thereof and, except as stated below, shall be fully and solely responsible for the jobsite safety of such means, methods, techniques, sequences or procedures. If the Contractor determines that such means, methods, techniques, sequences or procedures may not be safe, the Contractor shall give timely written notice to the Owner and Architect and shall not proceed with that portion of the Work without further written instructions from the Architect. If the Contractor is then instructed to proceed with the required means, methods, techniques, sequences or procedures without acceptance of changes proposed by the Contractor, the Owner shall be solely responsible for any loss or damage arising solely from those Owner-required means, methods, techniques, sequences or procedures.

§ 3.3.2 The Contractor shall be responsible to the Owner for acts and omissions of the Contractor's employees, Subcontractors and their agents and employees, and other persons or entities performing portions of the Work for, or on behalf of, the Contractor or any of its Subcontractors.

§ 3.3.3 The Contractor shall be responsible for inspection of portions of Work already performed to determine that such portions are in proper condition to receive subsequent Work.

§ 3.4 LABOR AND MATERIALS

§ 3.4.1 Unless otherwise provided in the Contract Documents, the Contractor shall provide and pay for labor, materials, equipment, tools, construction equipment and machinery, water, heat, utilities, transportation, and other facilities and services necessary for proper execution and completion of the Work, whether temporary or permanent and whether or not incorporated or to be incorporated in the Work.

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§ 3.4.2 Except in the case of minor changes in the Work authorized by the Architect in accordance with Sections 3.12.8 or 7.4, the Contractor may make substitutions only with the consent of the Owner, after evaluation by the Architect and in accordance with a Change Order or Construction Change Directive.

§ 3.4.3 The Contractor shall enforce strict discipline and good order among the Contractor's employees and other persons carrying out the Work. The Contractor shall not permit employment of unfit persons or persons not properly skilled in tasks assigned to them.

§ 3.5 WARRANTY

The Contractor warrants to the Owner and Architect that materials and equipment furnished under the Contract will be of good quality and new unless the Contract Documents require or permit otherwise. The Contractor further warrants that the Work will conform to the requirements of the Contract Documents and will be free from defects, except for those inherent in the quality of the Work the Contract Documents require or permit. Work, materials, or equipment not conforming to these requirements may be considered defective. The Contractor's warranty excludes remedy for damage or defect caused by abuse, alterations to the Work not executed by the Contractor, improper or insufficient maintenance, improper operation, or normal wear and tear and normal usage. If required by the Architect, the Contractor shall furnish satisfactory evidence as to the kind and quality of materials and equipment.

§ 3.6 TAXES

The Contractor shall pay sales, consumer, use and similar taxes for the Work provided by the Contractor that are legally enacted when bids are received or negotiations concluded, whether or not yet effective or merely scheduled to go into effect.

§ 3.7 PERMITS, FEES, NOTICES AND COMPLIANCE WITH LAWS

§ 3.7.1 Unless otherwise provided in the Contract Documents, the Contractor shall secure and pay for the building permit as well as for other permits, fees, licenses, and inspections by government agencies necessary for proper execution and completion of the Work that are customarily secured after execution of the Contract and legally required at the time bids are received or negotiations concluded.

§ 3.7.2 The Contractor shall comply with and give notices required by applicable laws, statutes, ordinances, codes, rules and regulations, and lawful orders of public authorities applicable to performance of the Work.

§ 3.7.3 If the Contractor performs Work knowing it to be contrary to applicable laws, statutes, ordinances, codes, rules and regulations, or lawful orders of public authorities, the Contractor shall assume appropriate responsibility for such Work and shall bear the costs attributable to correction.

§ 3.7.4 **Concealed or Unknown Conditions.** If the Contractor encounters conditions at the site that are (1) subsurface or otherwise concealed physical conditions that differ materially from those indicated in the Contract Documents or (2) unknown physical conditions of an unusual nature, that differ materially from those ordinarily found to exist and generally recognized as inherent in construction activities of the character provided for in the Contract Documents, the Contractor shall promptly provide notice to the Owner and the Architect before conditions are disturbed and in no event later than 21 days after first observance of the conditions. The Architect will promptly investigate such conditions and, if the Architect determines that they differ materially and cause an increase or decrease in the Contractor's cost of, or time required for, performance of any part of the Work, will recommend an equitable adjustment in the Contract Sum or Contract Time, or both. If the Architect determines that the conditions at the site are not materially different from those indicated in the Contract Documents and that no change in the terms of the Contract is justified, the Architect shall promptly notify the Owner and Contractor in writing, stating the reasons. If either party disputes the Architect's determination or recommendation, that party may proceed as provided in Article 15.

§ 3.7.5 If, in the course of the Work, the Contractor encounters human remains or recognizes the existence of burial markers, archaeological sites or wetlands not indicated in the Contract Documents, the Contractor shall immediately suspend any operations that would affect them and shall notify the Owner and Architect. Upon receipt of such notice, the Owner shall promptly take any action necessary to obtain governmental authorization required to resume the operations. The Contractor shall continue to suspend such operations until otherwise instructed by the Owner but shall

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continue with all other operations that do not affect those remains or features. Requests for adjustments in the Contract Sum and Contract Time arising from the existence of such remains or features may be made as provided in Article 15.

§ 3.8 ALLOWANCES

§ 3.8.1 The Contractor shall include in the Contract Sum all allowances stated in the Contract Documents. Items covered by allowances shall be supplied for such amounts and by such persons or entities as the Owner may direct, but the Contractor shall not be required to employ persons or entities to whom the Contractor has reasonable objection.

§ 3.8.2 Unless otherwise provided in the Contract Documents,

.1 Allowances shall cover the cost to the Contractor of materials and equipment delivered at the site and all required taxes, less applicable trade discounts;

.2 Contractor's costs for unloading and handling at the site, labor, installation costs, overhead, profit and other expenses contemplated for stated allowance amounts shall be included in the Contract Sum but not in the allowances; and

.3 Whenever costs are more than or less than allowances, the Contract Sum shall be adjusted accordingly by Change Order. The amount of the Change Order shall reflect (1) the difference between actual costs and the allowances under Section 3.8.2.1 and (2) changes in Contractor's costs under Section 3.8.2.2.

§ 3.8.3 Materials and equipment under an allowance shall be selected by the Owner with reasonable promptness.

§ 3.9 SUPERINTENDENT

§ 3.9.1 The Contractor shall employ a competent superintendent and necessary assistants who shall be in attendance at the Project site during performance of the Work. The superintendent shall represent the Contractor, and communications given to the superintendent shall be as binding as if given to the Contractor.

§ 3.9.2 The Contractor, as soon as practicable after award of the Contract, shall furnish in writing to the Owner through the Architect the name and qualifications of a proposed superintendent. The Architect may reply within 14 days to the Contractor in writing stating (1) whether the Owner or the Architect has reasonable objection to the proposed superintendent or (2) that the Architect requires additional time to review. Failure of the Architect to reply within the 14 day period shall constitute notice of no reasonable objection.

§ 3.9.3 The Contractor shall not employ a proposed superintendent to whom the Owner or Architect has made reasonable and timely objection. The Contractor shall not change the superintendent without the Owner's consent, which shall not unreasonably be withheld or delayed.

§ 3.10 CONTRACTOR'S CONSTRUCTION SCHEDULES

§ 3.10.1 The Contractor, promptly after being awarded the Contract, shall prepare and submit for the Owner's and Architect's information a Contractor's construction schedule for the Work. The schedule shall not exceed time limits current under the Contract Documents, shall be revised at appropriate intervals as required by the conditions of the Work and Project, shall be related to the entire Project to the extent required by the Contract Documents, and shall provide for expeditious and practicable execution of the Work.

§ 3.10.2 The Contractor shall prepare a submittal schedule, promptly after being awarded the Contract and thereafter as necessary to maintain a current submittal schedule, and shall submit the schedule(s) for the Architect's approval. The Architect's approval shall not unreasonably be delayed or withheld. The submittal schedule shall (1) be coordinated with the Contractor's construction schedule, and (2) allow the Architect reasonable time to review submittals. If the Contractor fails to submit a submittal schedule, the Contractor shall not be entitled to any increase in Contract Sum or extension of Contract Time based on the time required for review of submittals.

§ 3.10.3 The Contractor shall perform the Work in general accordance with the most recent schedules submitted to the Owner and Architect.

§ 3.11 DOCUMENTS AND SAMPLES AT THE SITE

The Contractor shall maintain at the site for the Owner one copy of the Drawings, Specifications, Addenda, Change Orders and other Modifications, in good order and marked currently to indicate field changes and selections made during construction, and one copy of approved Shop Drawings, Product Data, Samples and similar required

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submittals. These shall be available to the Architect and shall be delivered to the Architect for submittal to the Owner upon completion of the Work as a record of the Work as constructed.

§ 3.12 SHOP DRAWINGS, PRODUCT DATA AND SAMPLES

§ 3.12.1 Shop Drawings are drawings, diagrams, schedules and other data specially prepared for the Work by the Contractor or a Subcontractor, Sub-subcontractor, manufacturer, supplier or distributor to illustrate some portion of the Work.

§ 3.12.2 Product Data are illustrations, standard schedules, performance charts, instructions, brochures, diagrams and other information furnished by the Contractor to illustrate materials or equipment for some portion of the Work.

§ 3.12.3 Samples are physical examples that illustrate materials, equipment or workmanship and establish standards by which the Work will be judged.

§ 3.12.4 Shop Drawings, Product Data, Samples and similar submittals are not Contract Documents. Their purpose is to demonstrate the way by which the Contractor proposes to conform to the information given and the design concept expressed in the Contract Documents for those portions of the Work for which the Contract Documents require submittals. Review by the Architect is subject to the limitations of Section 4.2.7. Informational submittals upon which the Architect is not expected to take responsive action may be so identified in the Contract Documents. Submittals that are not required by the Contract Documents may be returned by the Architect without action.

§ 3.12.5 The Contractor shall review for compliance with the Contract Documents, approve and submit to the Architect Shop Drawings, Product Data, Samples and similar submittals required by the Contract Documents in accordance with the submittal schedule approved by the Architect or, in the absence of an approved submittal schedule, with reasonable promptness and in such sequence as to cause no delay in the Work or in the activities of the Owner or of separate contractors.

§ 3.12.6 By submitting Shop Drawings, Product Data, Samples and similar submittals, the Contractor represents to the Owner and Architect that the Contractor has (1) reviewed and approved them, (2) determined and verified materials, field measurements and field construction criteria related thereto, or will do so and (3) checked and coordinated the information contained within such submittals with the requirements of the Work and of the Contract Documents.

§ 3.12.7 The Contractor shall perform no portion of the Work for which the Contract Documents require submittal and review of Shop Drawings, Product Data, Samples or similar submittals until the respective submittal has been approved by the Architect.

§ 3.12.8 The Work shall be in accordance with approved submittals except that the Contractor shall not be relieved of responsibility for deviations from requirements of the Contract Documents by the Architect's approval of Shop Drawings, Product Data, Samples or similar submittals unless the Contractor has specifically informed the Architect in writing of such deviation at the time of submittal and (1) the Architect has given written approval to the specific deviation as a minor change in the Work, or (2) a Change Order or Construction Change Directive has been issued authorizing the deviation. The Contractor shall not be relieved of responsibility for errors or omissions in Shop Drawings, Product Data, Samples or similar submittals by the Architect's approval thereof.

§ 3.12.9 The Contractor shall direct specific attention, in writing or on resubmitted Shop Drawings, Product Data, Samples or similar submittals, to revisions other than those requested by the Architect on previous submittals. In the absence of such written notice, the Architect's approval of a resubmission shall not apply to such revisions.

§ 3.12.10 The Contractor shall not be required to provide professional services that constitute the practice of architecture or engineering unless such services are specifically required by the Contract Documents for a portion of the Work or unless the Contractor needs to provide such services in order to carry out the Contractor's responsibilities for construction means, methods, techniques, sequences and procedures. The Contractor shall not be required to provide professional services in violation of applicable law. If professional design services or certifications by a design professional related to systems, materials or equipment are specifically required of the Contractor by the Contract Documents, the Owner and the Architect will specify all performance and design criteria that such services must satisfy. The Contractor shall cause such services or certifications to be provided by a properly licensed design professional, whose signature and seal shall appear on all drawings, calculations, specifications, certifications, Shop

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Drawings and other submittals prepared by such professional. Shop Drawings and other submittals related to the Work designed or certified by such professional, if prepared by others, shall bear such professional's written approval when submitted to the Architect. The Owner and the Architect shall be entitled to rely upon the adequacy, accuracy and completeness of the services, certifications and approvals performed or provided by such design professionals, provided the Owner and Architect have specified to the Contractor all performance and design criteria that such services must satisfy. Pursuant to this Section 3.12.10, the Architect will review, approve or take other appropriate action on submittals only for the limited purpose of checking for conformance with information given and the design concept expressed in the Contract Documents. The Contractor shall not be responsible for the adequacy of the performance and design criteria specified in the Contract Documents.

§ 3.13 USE OF SITE

The Contractor shall confine operations at the site to areas permitted by applicable laws, statutes, ordinances, codes, rules and regulations, and lawful orders of public authorities and the Contract Documents and shall not unreasonably encumber the site with materials or equipment.

§ 3.14 CUTTING AND PATCHING

§ 3.14.1 The Contractor shall be responsible for cutting, fitting or patching required to complete the Work or to make its parts fit together properly. All areas requiring cutting, fitting and patching shall be restored to the condition existing prior to the cutting, fitting and patching, unless otherwise required by the Contract Documents.

§ 3.14.2 The Contractor shall not damage or endanger a portion of the Work or fully or partially completed construction of the Owner or separate contractors by cutting, patching or otherwise altering such construction, or by excavation. The Contractor shall not cut or otherwise alter such construction by the Owner or a separate contractor except with written consent of the Owner and of such separate contractor; such consent shall not be unreasonably withheld. The Contractor shall not unreasonably withhold from the Owner or a separate contractor the Contractor's consent to cutting or otherwise altering the Work.

§ 3.15 CLEANING UP

§ 3.15.1 The Contractor shall keep the premises and surrounding area free from accumulation of waste materials or rubbish caused by operations under the Contract. At completion of the Work, the Contractor shall remove waste materials, rubbish, the Contractor's tools, construction equipment, machinery and surplus materials from and about the Project.

§ 3.15.2 If the Contractor fails to clean up as provided in the Contract Documents, the Owner may do so and Owner shall be entitled to reimbursement from the Contractor.

§ 3.16 ACCESS TO WORK

The Contractor shall provide the Owner and Architect access to the Work in preparation and progress wherever located.

§ 3.17 ROYALTIES, PATENTS AND COPYRIGHTS

The Contractor shall pay all royalties and license fees. The Contractor shall defend suits or claims for infringement of copyrights and patent rights and shall hold the Owner and Architect harmless from loss on account thereof, but shall not be responsible for such defense or loss when a particular design, process or product of a particular manufacturer or manufacturers is required by the Contract Documents, or where the copyright violations are contained in Drawings, Specifications or other documents prepared by the Owner or Architect. However, if the Contractor has reason to believe that the required design, process or product is an infringement of a copyright or a patent, the Contractor shall be responsible for such loss unless such information is promptly furnished to the Architect.

§ 3.18 INDEMNIFICATION

§ 3.18.1 To the fullest extent permitted by law the Contractor shall indemnify and hold harmless the Owner, Architect, Architect's consultants, and agents and employees of any of them from and against claims, damages, losses and expenses, including but not limited to attorneys' fees, arising out of or resulting from performance of the Work, provided that such claim, damage, loss or expense is attributable to bodily injury, sickness, disease or death, or to injury to or destruction of tangible property (other than the Work itself), but only to the extent caused by the negligent acts or omissions of the Contractor, a Subcontractor, anyone directly or indirectly employed by them or anyone for whose acts they may be liable, regardless of whether or not such claim, damage, loss or expense is caused in part by a

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party indemnified hereunder. Such obligation shall not be construed to negate, abridge, or reduce other rights or obligations of indemnity that would otherwise exist as to a party or person described in this Section 3.18.

§ 3.18.2 In claims against any person or entity indemnified under this Section 3.18 by an employee of the Contractor, a Subcontractor, anyone directly or indirectly employed by them or anyone for whose acts they may be liable, the indemnification obligation under Section 3.18.1 shall not be limited by a limitation on amount or type of damages, compensation or benefits payable by or for the Contractor or a Subcontractor under workers' compensation acts, disability benefit acts or other employee benefit acts.

ARTICLE 4 ARCHITECT

§ 4.1 GENERAL

§ 4.1.1 The Owner shall retain an architect lawfully licensed to practice architecture or an entity lawfully practicing architecture in the jurisdiction where the Project is located. That person or entity is identified as the Architect in the Agreement and is referred to throughout the Contract Documents as if singular in number.

§ 4.1.2 Duties, responsibilities and limitations of authority of the Architect as set forth in the Contract Documents shall not be restricted, modified or extended without written consent of the Owner, Contractor and Architect. Consent shall not be unreasonably withheld.

§ 4.1.3 If the employment of the Architect is terminated, the Owner shall employ a successor architect as to whom the Contractor has no reasonable objection and whose status under the Contract Documents shall be that of the Architect.

§ 4.2 ADMINISTRATION OF THE CONTRACT

§ 4.2.1 The Architect will provide administration of the Contract as described in the Contract Documents and will be an Owner's representative during construction until the date the Architect issues the final Certificate for Payment. The Architect will have authority to act on behalf of the Owner only to the extent provided in the Contract Documents.

§ 4.2.2 The Architect will visit the site at intervals appropriate to the stage of construction, or as otherwise agreed with the Owner, to become generally familiar with the progress and quality of the portion of the Work completed, and to determine in general if the Work observed is being performed in a manner indicating that the Work, when fully completed, will be in accordance with the Contract Documents. However, the Architect will not be required to make exhaustive or continuous on-site inspections to check the quality or quantity of the Work. The Architect will not have control over, charge of, or responsibility for, the construction means, methods, techniques, sequences or procedures, or for the safety precautions and programs in connection with the Work, since these are solely the Contractor's rights and responsibilities under the Contract Documents, except as provided in Section 3.3.1.

§ 4.2.3 On the basis of the site visits, the Architect will keep the Owner reasonably informed about the progress and quality of the portion of the Work completed, and report to the Owner (1) known deviations from the Contract Documents and from the most recent construction schedule submitted by the Contractor, and (2) defects and deficiencies observed in the Work. The Architect will not be responsible for the Contractor's failure to perform the Work in accordance with the requirements of the Contract Documents. The Architect will not have control over or charge of and will not be responsible for acts or omissions of the Contractor, Subcontractors, or their agents or employees, or any other persons or entities performing portions of the Work.

§ 4.2.4 COMMUNICATIONS FACILITATING CONTRACT ADMINISTRATION

Except as otherwise provided in the Contract Documents or when direct communications have been specially authorized, the Owner and Contractor shall endeavor to communicate with each other through the Architect about matters arising out of or relating to the Contract. Communications by and with the Architect's consultants shall be through the Architect. Communications by and with Subcontractors and material suppliers shall be through the Contractor. Communications by and with separate contractors shall be through the Owner.

§ 4.2.5 Based on the Architect's evaluations of the Contractor's Applications for Payment, the Architect will review and certify the amounts due the Contractor and will issue Certificates for Payment in such amounts.

§ 4.2.6 The Architect has authority to reject Work that does not conform to the Contract Documents. Whenever the Architect considers it necessary or advisable, the Architect will have authority to require inspection or testing of the Work in accordance with Sections 13.5.2 and 13.5.3, whether or not such Work is fabricated, installed or completed.

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However, neither this authority of the Architect nor a decision made in good faith either to exercise or not to exercise such authority shall give rise to a duty or responsibility of the Architect to the Contractor, Subcontractors, material and equipment suppliers, their agents or employees, or other persons or entities performing portions of the Work.

§ 4.2.7 The Architect will review and approve, or take other appropriate action upon, the Contractor's submittals such as Shop Drawings, Product Data and Samples, but only for the limited purpose of checking for conformance with information given and the design concept expressed in the Contract Documents. The Architect's action will be taken in accordance with the submittal schedule approved by the Architect or, in the absence of an approved submittal schedule, with reasonable promptness while allowing sufficient time in the Architect's professional judgment to permit adequate review. Review of such submittals is not conducted for the purpose of determining the accuracy and completeness of other details such as dimensions and quantities, or for substantiating instructions for installation or performance of equipment or systems, all of which remain the responsibility of the Contractor as required by the Contract Documents. The Architect's review of the Contractor's submittals shall not relieve the Contractor of the obligations under Sections 3.3, 3.5 and 3.12. The Architect's review shall not constitute approval of safety precautions or, unless otherwise specifically stated by the Architect, of any construction means, methods, techniques, sequences or procedures. The Architect's approval of a specific item shall not indicate approval of an assembly of which the item is a component.

§ 4.2.8 The Architect will prepare Change Orders and Construction Change Directives, and may authorize minor changes in the Work as provided in Section 7.4. The Architect will investigate and make determinations and recommendations regarding concealed and unknown conditions as provided in Section 3.7.4.

§ 4.2.9 The Architect will conduct inspections to determine the date or dates of Substantial Completion and the date of final completion; issue Certificates of Substantial Completion pursuant to Section 9.8; receive and forward to the Owner, for the Owner's review and records, written warranties and related documents required by the Contract and assembled by the Contractor pursuant to Section 9.10; and issue a final Certificate for Payment pursuant to Section 9.10.

§ 4.2.10 If the Owner and Architect agree, the Architect will provide one or more project representatives to assist in carrying out the Architect's responsibilities at the site. The duties, responsibilities and limitations of authority of such project representatives shall be as set forth in an exhibit to be incorporated in the Contract Documents.

§ 4.2.11 The Architect will interpret and decide matters concerning performance under, and requirements of, the Contract Documents on written request of either the Owner or Contractor. The Architect's response to such requests will be made in writing within any time limits agreed upon or otherwise with reasonable promptness.

§ 4.2.12 Interpretations and decisions of the Architect will be consistent with the intent of, and reasonably inferable from, the Contract Documents and will be in writing or in the form of drawings. When making such interpretations and decisions, the Architect will endeavor to secure faithful performance by both Owner and Contractor, will not show partiality to either and will not be liable for results of interpretations or decisions rendered in good faith.

§ 4.2.13 The Architect's decisions on matters relating to aesthetic effect will be final if consistent with the intent expressed in the Contract Documents.

§ 4.2.14 The Architect will review and respond to requests for information about the Contract Documents. The Architect's response to such requests will be made in writing within any time limits agreed upon or otherwise with reasonable promptness. If appropriate, the Architect will prepare and issue supplemental Drawings and Specifications in response to the requests for information.

ARTICLE 5 SUBCONTRACTORS

§ 5.1 DEFINITIONS

§ 5.1.1 A Subcontractor is a person or entity who has a direct contract with the Contractor to perform a portion of the Work at the site. The term "Subcontractor" is referred to throughout the Contract Documents as if singular in number and means a Subcontractor or an authorized representative of the Subcontractor. The term "Subcontractor" does not include a separate contractor or subcontractors of a separate contractor.

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§ 5.1.2 A Sub-subcontractor is a person or entity who has a direct or indirect contract with a Subcontractor to perform a portion of the Work at the site. The term "Sub-subcontractor" is referred to throughout the Contract Documents as if singular in number and means a Sub-subcontractor or an authorized representative of the Sub-subcontractor.

§ 5.2 AWARD OF SUBCONTRACTS AND OTHER CONTRACTS FOR PORTIONS OF THE WORK

§ 5.2.1 Unless otherwise stated in the Contract Documents or the bidding requirements, the Contractor, as soon as practicable after award of the Contract, shall furnish in writing to the Owner through the Architect the names of persons or entities (including those who are to furnish materials or equipment fabricated to a special design) proposed for each principal portion of the Work. The Architect may reply within 14 days to the Contractor in writing stating (1) whether the Owner or the Architect has reasonable objection to any such proposed person or entity or (2) that the Architect requires additional time for review. Failure of the Owner or Architect to reply within the 14-day period shall constitute notice of no reasonable objection.

§ 5.2.2 The Contractor shall not contract with a proposed person or entity to whom the Owner or Architect has made reasonable and timely objection. The Contractor shall not be required to contract with anyone to whom the Contractor has made reasonable objection.

§ 5.2.3 If the Owner or Architect has reasonable objection to a person or entity proposed by the Contractor, the Contractor shall propose another to whom the Owner or Architect has no reasonable objection. If the proposed but rejected Subcontractor was reasonably capable of performing the Work, the Contract Sum and Contract Time shall be increased or decreased by the difference, if any, occasioned by such change, and an appropriate Change Order shall be issued before commencement of the substitute Subcontractor's Work. However, no increase in the Contract Sum or Contract Time shall be allowed for such change unless the Contractor has acted promptly and responsively in submitting names as required.

§ 5.2.4 The Contractor shall not substitute a Subcontractor, person or entity previously selected if the Owner or Architect makes reasonable objection to such substitution.

§ 5.3 SUBCONTRACTUAL RELATIONS

By appropriate agreement, written where legally required for validity, the Contractor shall require each Subcontractor, to the extent of the Work to be performed by the Subcontractor, to be bound to the Contractor by terms of the Contract Documents, and to assume toward the Contractor all the obligations and responsibilities, including the responsibility for safety of the Subcontractor's Work, which the Contractor, by these Documents, assumes toward the Owner and Architect. Each subcontract agreement shall preserve and protect the rights of the Owner and Architect under the Contract Documents with respect to the Work to be performed by the Subcontractor so that subcontracting thereof will not prejudice such rights, and shall allow to the Subcontractor, unless specifically provided otherwise in the subcontract agreement, the benefit of all rights, remedies and redress against the Contractor that the Contractor, by the Contract Documents, has against the Owner. Where appropriate, the Contractor shall require each Subcontractor to enter into similar agreements with Sub-subcontractors. The Contractor shall make available to each proposed Subcontractor, prior to the execution of the subcontract agreement, copies of the Contract Documents to which the Subcontractor will be bound, and, upon written request of the Subcontractor, identify to the Subcontractor terms and conditions of the proposed subcontract agreement that may be at variance with the Contract Documents. Subcontractors will similarly make copies of applicable portions of such documents available to their respective proposed Sub-subcontractors.

§ 5.4 CONTINGENT ASSIGNMENT OF SUBCONTRACTS

§ 5.4.1 Each subcontract agreement for a portion of the Work is assigned by the Contractor to the Owner, provided that

.1 assignment is effective only after termination of the Contract by the Owner for cause pursuant to Section 14.2 and only for those subcontract agreements that the Owner accepts by notifying the Subcontractor and Contractor in writing; and

.2 assignment is subject to the prior rights of the surety, if any, obligated under bond relating to the Contract.

When the Owner accepts the assignment of a subcontract agreement, the Owner assumes the Contractor's rights and obligations under the subcontract.

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§ 5.4.2 Upon such assignment, if the Work has been suspended for more than 30 days, the Subcontractor's compensation shall be equitably adjusted for increases in cost resulting from the suspension.

§ 5.4.3 Upon such assignment to the Owner under this Section 5.4, the Owner may further assign the subcontract to a successor contractor or other entity. If the Owner assigns the subcontract to a successor contractor or other entity, the Owner shall nevertheless remain legally responsible for all of the successor contractor's obligations under the subcontract.

ARTICLE 6 CONSTRUCTION BY OWNER OR BY SEPARATE CONTRACTORS

§ 6.1 OWNER'S RIGHT TO PERFORM CONSTRUCTION AND TO AWARD SEPARATE CONTRACTS

§ 6.1.1 The Owner reserves the right to perform construction or operations related to the Project with the Owner's own forces, and to award separate contracts in connection with other portions of the Project or other construction or operations on the site under Conditions of the Contract identical or substantially similar to these including those portions related to insurance and waiver of subrogation. If the Contractor claims that delay or additional cost is involved because of such action by the Owner, the Contractor shall make such Claim as provided in Article 15.

§ 6.1.2 When separate contracts are awarded for different portions of the Project or other construction or operations on the site, the term "Contractor" in the Contract Documents in each case shall mean the Contractor who executes each separate Owner-Contractor Agreement.

§ 6.1.3 The Owner shall provide for coordination of the activities of the Owner's own forces and of each separate contractor with the Work of the Contractor, who shall cooperate with them. The Contractor shall participate with other separate contractors and the Owner in reviewing their construction schedules. The Contractor shall make any revisions to the construction schedule deemed necessary after a joint review and mutual agreement. The construction schedules shall then constitute the schedules to be used by the Contractor, separate contractors and the Owner until subsequently revised.

§ 6.1.4 Unless otherwise provided in the Contract Documents, when the Owner performs construction or operations related to the Project with the Owner's own forces, the Owner shall be deemed to be subject to the same obligations and to have the same rights that apply to the Contractor under the Conditions of the Contract, including, without excluding others, those stated in Article 3, this Article 6 and Articles 10, 11 and 12.

§ 6.2 MUTUAL RESPONSIBILITY

§ 6.2.1 The Contractor shall afford the Owner and separate contractors reasonable opportunity for introduction and storage of their materials and equipment and performance of their activities, and shall connect and coordinate the Contractor's construction and operations with theirs as required by the Contract Documents.

§ 6.2.2 If part of the Contractor's Work depends for proper execution or results upon construction or operations by the Owner or a separate contractor, the Contractor shall, prior to proceeding with that portion of the Work, promptly report to the Architect apparent discrepancies or defects in such other construction that would render it unsuitable for such proper execution and results. Failure of the Contractor so to report shall constitute an acknowledgment that the Owner's or separate contractor's completed or partially completed construction is fit and proper to receive the Contractor's Work, except as to defects not then reasonably discoverable.

§ 6.2.3 The Contractor shall reimburse the Owner for costs the Owner incurs that are payable to a separate contractor because of the Contractor's delays, improperly timed activities or defective construction. The Owner shall be responsible to the Contractor for costs the Contractor incurs because of a separate contractor's delays, improperly timed activities, damage to the Work or defective construction.

§ 6.2.4 The Contractor shall promptly remedy damage the Contractor wrongfully causes to completed or partially completed construction or to property of the Owner or separate contractors as provided in Section 10.2.5.

§ 6.2.5 The Owner and each separate contractor shall have the same responsibilities for cutting and patching as are described for the Contractor in Section 3.14.

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§ 6.3 OWNER'S RIGHT TO CLEAN UP

If a dispute arises among the Contractor, separate contractors and the Owner as to the responsibility under their respective contracts for maintaining the premises and surrounding area free from waste materials and rubbish, the Owner may clean up and the Architect will allocate the cost among those responsible.

ARTICLE 7 CHANGES IN THE WORK

§ 7.1 GENERAL

§ 7.1.1 Changes in the Work may be accomplished after execution of the Contract, and without invalidating the Contract, by Change Order, Construction Change Directive or order for a minor change in the Work, subject to the limitations stated in this Article 7 and elsewhere in the Contract Documents.

§ 7.1.2 A Change Order shall be based upon agreement among the Owner, Contractor and Architect; a Construction Change Directive requires agreement by the Owner and Architect and may or may not be agreed to by the Contractor; an order for a minor change in the Work may be issued by the Architect alone.

§ 7.1.3 Changes in the Work shall be performed under applicable provisions of the Contract Documents, and the Contractor shall proceed promptly, unless otherwise provided in the Change Order, Construction Change Directive or order for a minor change in the Work.

§ 7.2 CHANGE ORDERS

§ 7.2.1 A Change Order is a written instrument prepared by the Architect and signed by the Owner, Contractor and Architect stating their agreement upon all of the following:

.1 The change in the Work;
.2 The amount of the adjustment, if any, in the Contract Sum; and
.3 The extent of the adjustment, if any, in the Contract Time.

§ 7.3 CONSTRUCTION CHANGE DIRECTIVES

§ 7.3.1 A Construction Change Directive is a written order prepared by the Architect and signed by the Owner and Architect, directing a change in the Work prior to agreement on adjustment, if any, in the Contract Sum or Contract Time, or both. The Owner may by Construction Change Directive, without invalidating the Contract, order changes in the Work within the general scope of the Contract consisting of additions, deletions or other revisions, the Contract Sum and Contract Time being adjusted accordingly.

§ 7.3.2 A Construction Change Directive shall be used in the absence of total agreement on the terms of a Change Order.

§ 7.3.3 If the Construction Change Directive provides for an adjustment to the Contract Sum, the adjustment shall be based on one of the following methods:

.1 Mutual acceptance of a lump sum properly itemized and supported by sufficient substantiating data to permit evaluation;
.2 Unit prices stated in the Contract Documents or subsequently agreed upon;
.3 Cost to be determined in a manner agreed upon by the parties and a mutually acceptable fixed or percentage fee; or
.4 As provided in Section 7.3.7.

§ 7.3.4 If unit prices are stated in the Contract Documents or subsequently agreed upon, and if quantities originally contemplated are materially changed in a proposed Change Order or Construction Change Directive so that application of such unit prices to quantities of Work proposed will cause substantial inequity to the Owner or Contractor, the applicable unit prices shall be equitably adjusted.

§ 7.3.5 Upon receipt of a Construction Change Directive, the Contractor shall promptly proceed with the change in the Work involved and advise the Architect of the Contractor's agreement or disagreement with the method, if any, provided in the Construction Change Directive for determining the proposed adjustment in the Contract Sum or Contract Time.

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§ 7.3.6 A Construction Change Directive signed by the Contractor indicates the Contractor's agreement therewith, including adjustment in Contract Sum and Contract Time or the method for determining them. Such agreement shall be effective immediately and shall be recorded as a Change Order.

§ 7.3.7 If the Contractor does not respond promptly or disagrees with the method for adjustment in the Contract Sum, the Architect shall determine the method and the adjustment on the basis of reasonable expenditures and savings of those performing the Work attributable to the change, including, in case of an increase in the Contract Sum, an amount for overhead and profit as set forth in the Agreement, or if no such amount is set forth in the Agreement, a reasonable amount. In such case, and also under Section 7.3.3.3, the Contractor shall keep and present, in such form as the Architect may prescribe, an itemized accounting together with appropriate supporting data. Unless otherwise provided in the Contract Documents, costs for the purposes of this Section 7.3.7 shall be limited to the following:

.1 Costs of labor, including social security, old age and unemployment insurance, fringe benefits required by agreement or custom, and workers' compensation insurance;

.2 Costs of materials, supplies and equipment, including cost of transportation, whether incorporated or consumed;

.3 Rental costs of machinery and equipment, exclusive of hand tools, whether rented from the Contractor or others;

.4 Costs of premiums for all bonds and insurance, permit fees, and sales, use or similar taxes related to the Work; and

.5 Additional costs of supervision and field office personnel directly attributable to the change.

§ 7.3.8 The amount of credit to be allowed by the Contractor to the Owner for a deletion or change that results in a net decrease in the Contract Sum shall be actual net cost as confirmed by the Architect. When both additions and credits covering related Work or substitutions are involved in a change, the allowance for overhead and profit shall be figured on the basis of net increase, if any, with respect to that change.

§ 7.3.9 Pending final determination of the total cost of a Construction Change Directive to the Owner, the Contractor may request payment for Work completed under the Construction Change Directive in Applications for Payment. The Architect will make an interim determination for purposes of monthly certification for payment for those costs and certify for payment the amount that the Architect determines, in the Architect's professional judgment, to be reasonably justified. The Architect's interim determination of cost shall adjust the Contract Sum on the same basis as a Change Order, subject to the right of either party to disagree and assert a Claim in accordance with Article 15.

§ 7.3.10 When the Owner and Contractor agree with a determination made by the Architect concerning the adjustments in the Contract Sum and Contract Time, or otherwise reach agreement upon the adjustments, such agreement shall be effective immediately and the Architect will prepare a Change Order. Change Orders may be issued for all or any part of a Construction Change Directive.

§ 7.4 MINOR CHANGES IN THE WORK

The Architect has authority to order minor changes in the Work not involving adjustment in the Contract Sum or extension of the Contract Time and not inconsistent with the intent of the Contract Documents. Such changes will be effected by written order signed by the Architect and shall be binding on the Owner and Contractor.

ARTICLE 8 TIME

§ 8.1 DEFINITIONS

§ 8.1.1 Unless otherwise provided, Contract Time is the period of time, including authorized adjustments, allotted in the Contract Documents for Substantial Completion of the Work.

§ 8.1.2 The date of commencement of the Work is the date established in the Agreement.

§ 8.1.3 The date of Substantial Completion is the date certified by the Architect in accordance with Section 9.8.

§ 8.1.4 The term "day" as used in the Contract Documents shall mean calendar day unless otherwise specifically defined.

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§ 8.2 PROGRESS AND COMPLETION

§ 8.2.1 Time limits stated in the Contract Documents are of the essence of the Contract. By executing the Agreement the Contractor confirms that the Contract Time is a reasonable period for performing the Work.

§ 8.2.2 The Contractor shall not knowingly, except by agreement or instruction of the Owner in writing, prematurely commence operations on the site or elsewhere prior to the effective date of insurance required by Article 11 to be furnished by the Contractor and Owner. The date of commencement of the Work shall not be changed by the effective date of such insurance.

§ 8.2.3 The Contractor shall proceed expeditiously with adequate forces and shall achieve Substantial Completion within the Contract Time.

§ 8.3 DELAYS AND EXTENSIONS OF TIME

§ 8.3.1 If the Contractor is delayed at any time in the commencement or progress of the Work by an act or neglect of the Owner or Architect, or of an employee of either, or of a separate contractor employed by the Owner; or by changes ordered in the Work; or by labor disputes, fire, unusual delay in deliveries, unavoidable casualties or other causes beyond the Contractor's control; or by delay authorized by the Owner pending mediation and arbitration; or by other causes that the Architect determines may justify delay, then the Contract Time shall be extended by Change Order for such reasonable time as the Architect may determine.

§ 8.3.2 Claims relating to time shall be made in accordance with applicable provisions of Article 15.

§ 8.3.3 This Section 8.3 does not preclude recovery of damages for delay by either party under other provisions of the Contract Documents.

ARTICLE 9 PAYMENTS AND COMPLETION

§ 9.1 CONTRACT SUM

The Contract Sum is stated in the Agreement and, including authorized adjustments, is the total amount payable by the Owner to the Contractor for performance of the Work under the Contract Documents.

§ 9.2 SCHEDULE OF VALUES

Where the Contract is based on a stipulated sum or Guaranteed Maximum Price, the Contractor shall submit to the Architect, before the first Application for Payment, a schedule of values allocating the entire Contract Sum to the various portions of the Work and prepared in such form and supported by such data to substantiate its accuracy as the Architect may require. This schedule, unless objected to by the Architect, shall be used as a basis for reviewing the Contractor's Applications for Payment.

§ 9.3 APPLICATIONS FOR PAYMENT

§ 9.3.1 At least ten days before the date established for each progress payment, the Contractor shall submit to the Architect an itemized Application for Payment prepared in accordance with the schedule of values, if required under Section 9.2, for completed portions of the Work. Such application shall be notarized, if required, and supported by such data substantiating the Contractor's right to payment as the Owner or Architect may require, such as copies of requisitions from Subcontractors and material suppliers, and shall reflect retainage if provided for in the Contract Documents.

§ 9.3.1.1 As provided in Section 7.3.9, such applications may include requests for payment on account of changes in the Work that have been properly authorized by Construction Change Directives, or by interim determinations of the Architect, but not yet included in Change Orders.

§ 9.3.1.2 Applications for Payment shall not include requests for payment for portions of the Work for which the Contractor does not intend to pay a Subcontractor or material supplier, unless such Work has been performed by others whom the Contractor intends to pay.

§ 9.3.2 Unless otherwise provided in the Contract Documents, payments shall be made on account of materials and equipment delivered and suitably stored at the site for subsequent incorporation in the Work. If approved in advance by the Owner, payment may similarly be made for materials and equipment suitably stored off the site at a location agreed upon in writing. Payment for materials and equipment stored on or off the site shall be conditioned upon

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compliance by the Contractor with procedures satisfactory to the Owner to establish the Owner's title to such materials and equipment or otherwise protect the Owner's interest, and shall include the costs of applicable insurance, storage and transportation to the site for such materials and equipment stored off the site.

§ 9.3.3 The Contractor warrants that title to all Work covered by an Application for Payment will pass to the Owner no later than the time of payment. The Contractor further warrants that upon submittal of an Application for Payment all Work for which Certificates for Payment have been previously issued and payments received from the Owner shall, to the best of the Contractor's knowledge, information and belief, be free and clear of liens, claims, security interests or encumbrances in favor of the Contractor, Subcontractors, material suppliers, or other persons or entities making a claim by reason of having provided labor, materials and equipment relating to the Work.

§ 9.4 CERTIFICATES FOR PAYMENT

§ 9.4.1 The Architect will, within seven days after receipt of the Contractor's Application for Payment, either issue to the Owner a Certificate for Payment, with a copy to the Contractor, for such amount as the Architect determines is properly due, or notify the Contractor and Owner in writing of the Architect's reasons for withholding certification in whole or in part as provided in Section 9.5.1.

§ 9.4.2 The issuance of a Certificate for Payment will constitute a representation by the Architect to the Owner, based on the Architect's evaluation of the Work and the data comprising the Application for Payment, that, to the best of the Architect's knowledge, information and belief, the Work has progressed to the point indicated and that the quality of the Work is in accordance with the Contract Documents. The foregoing representations are subject to an evaluation of the Work for conformance with the Contract Documents upon Substantial Completion, to results of subsequent tests and inspections, to correction of minor deviations from the Contract Documents prior to completion and to specific qualifications expressed by the Architect. The issuance of a Certificate for Payment will further constitute a representation that the Contractor is entitled to payment in the amount certified. However, the issuance of a Certificate for Payment will not be a representation that the Architect has (1) made exhaustive or continuous on-site inspections to check the quality or quantity of the Work, (2) reviewed construction means, methods, techniques, sequences or procedures, (3) reviewed copies of requisitions received from Subcontractors and material suppliers and other data requested by the Owner to substantiate the Contractor's right to payment, or (4) made examination to ascertain how or for what purpose the Contractor has used money previously paid on account of the Contract Sum.

§ 9.5 DECISIONS TO WITHHOLD CERTIFICATION

§ 9.5.1 The Architect may withhold a Certificate for Payment in whole or in part, to the extent reasonably necessary to protect the Owner, if in the Architect's opinion the representations to the Owner required by Section 9.4.2 cannot be made. If the Architect is unable to certify payment in the amount of the Application, the Architect will notify the Contractor and Owner as provided in Section 9.4.1. If the Contractor and Architect cannot agree on a revised amount, the Architect will promptly issue a Certificate for Payment for the amount for which the Architect is able to make such representations to the Owner. The Architect may also withhold a Certificate for Payment or, because of subsequently discovered evidence, may nullify the whole or a part of a Certificate for Payment previously issued, to such extent as may be necessary in the Architect's opinion to protect the Owner from loss for which the Contractor is responsible, including loss resulting from acts and omissions described in Section 3.3.2, because of

- .1 defective Work not remedied;
- .2 third party claims filed or reasonable evidence indicating probable filing of such claims unless security acceptable to the Owner is provided by the Contractor;
- .3 failure of the Contractor to make payments properly to Subcontractors or for labor, materials or equipment;
- .4 reasonable evidence that the Work cannot be completed for the unpaid balance of the Contract Sum;
- .5 damage to the Owner or a separate contractor;
- .6 reasonable evidence that the Work will not be completed within the Contract Time, and that the unpaid balance would not be adequate to cover actual or liquidated damages for the anticipated delay; or
- .7 repeated failure to carry out the Work in accordance with the Contract Documents.

§ 9.5.2 When the above reasons for withholding certification are removed, certification will be made for amounts previously withheld.

§ 9.5.3 If the Architect withholds certification for payment under Section 9.5.1.3, the Owner may, at its sole option, issue joint checks to the Contractor and to any Subcontractor or material or equipment suppliers to whom the

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Contractor failed to make payment for Work properly performed or material or equipment suitably delivered. If the Owner makes payments by joint check, the Owner shall notify the Architect and the Architect will reflect such payment on the next Certificate for Payment.

§ 9.6 PROGRESS PAYMENTS

§ 9.6.1 After the Architect has issued a Certificate for Payment, the Owner shall make payment in the manner and within the time provided in the Contract Documents, and shall so notify the Architect.

§ 9.6.2 The Contractor shall pay each Subcontractor no later than seven days after receipt of payment from the Owner the amount to which the Subcontractor is entitled, reflecting percentages actually retained from payments to the Contractor on account of the Subcontractor's portion of the Work. The Contractor shall, by appropriate agreement with each Subcontractor, require each Subcontractor to make payments to Sub-subcontractors in a similar manner.

§ 9.6.3 The Architect will, on request, furnish to a Subcontractor, if practicable, information regarding percentages of completion or amounts applied for by the Contractor and action taken thereon by the Architect and Owner on account of portions of the Work done by such Subcontractor.

§ 9.6.4 The Owner has the right to request written evidence from the Contractor that the Contractor has properly paid Subcontractors and material and equipment suppliers amounts paid by the Owner to the Contractor for subcontracted Work. If the Contractor fails to furnish such evidence within seven days, the Owner shall have the right to contact Subcontractors to ascertain whether they have been properly paid. Neither the Owner nor Architect shall have an obligation to pay or to see to the payment of money to a Subcontractor, except as may otherwise be required by law.

§ 9.6.5 Contractor payments to material and equipment suppliers shall be treated in a manner similar to that provided in Sections 9.6.2, 9.6.3 and 9.6.4.

§ 9.6.6 A Certificate for Payment, a progress payment, or partial or entire use or occupancy of the Project by the Owner shall not constitute acceptance of Work not in accordance with the Contract Documents.

§ 9.6.7 Unless the Contractor provides the Owner with a payment bond in the full penal sum of the Contract Sum, payments received by the Contractor for Work properly performed by Subcontractors and suppliers shall be held by the Contractor for those Subcontractors or suppliers who performed Work or furnished materials, or both, under contract with the Contractor for which payment was made by the Owner. Nothing contained herein shall require money to be placed in a separate account and not commingled with money of the Contractor, shall create any fiduciary liability or tort liability on the part of the Contractor for breach of trust or shall entitle any person or entity to an award of punitive damages against the Contractor for breach of the requirements of this provision.

§ 9.7 FAILURE OF PAYMENT

If the Architect does not issue a Certificate for Payment, through no fault of the Contractor, within seven days after receipt of the Contractor's Application for Payment, or if the Owner does not pay the Contractor within seven days after the date established in the Contract Documents the amount certified by the Architect or awarded by binding dispute resolution, then the Contractor may, upon seven additional days' written notice to the Owner and Architect, stop the Work until payment of the amount owing has been received. The Contract Time shall be extended appropriately and the Contract Sum shall be increased by the amount of the Contractor's reasonable costs of shut-down, delay and start-up, plus interest as provided for in the Contract Documents.

§ 9.8 SUBSTANTIAL COMPLETION

§ 9.8.1 Substantial Completion is the stage in the progress of the Work when the Work or designated portion thereof is sufficiently complete in accordance with the Contract Documents so that the Owner can occupy or utilize the Work for its intended use.

§ 9.8.2 When the Contractor considers that the Work, or a portion thereof which the Owner agrees to accept separately, is substantially complete, the Contractor shall prepare and submit to the Architect a comprehensive list of items to be completed or corrected prior to final payment. Failure to include an item on such list does not alter the responsibility of the Contractor to complete all Work in accordance with the Contract Documents.

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§ 9.8.3 Upon receipt of the Contractor's list, the Architect will make an inspection to determine whether the Work or designated portion thereof is substantially complete. If the Architect's inspection discloses any item, whether or not included on the Contractor's list, which is not sufficiently complete in accordance with the Contract Documents so that the Owner can occupy or utilize the Work or designated portion thereof for its intended use, the Contractor shall, before issuance of the Certificate of Substantial Completion, complete or correct such item upon notification by the Architect. In such case, the Contractor shall then submit a request for another inspection by the Architect to determine Substantial Completion.

§ 9.8.4 When the Work or designated portion thereof is substantially complete, the Architect will prepare a Certificate of Substantial Completion that shall establish the date of Substantial Completion, shall establish responsibilities of the Owner and Contractor for security, maintenance, heat, utilities, damage to the Work and insurance, and shall fix the time within which the Contractor shall finish all items on the list accompanying the Certificate. Warranties required by the Contract Documents shall commence on the date of Substantial Completion of the Work or designated portion thereof unless otherwise provided in the Certificate of Substantial Completion.

§ 9.8.5 The Certificate of Substantial Completion shall be submitted to the Owner and Contractor for their written acceptance of responsibilities assigned to them in such Certificate. Upon such acceptance and consent of surety, if any, the Owner shall make payment of retainage applying to such Work or designated portion thereof. Such payment shall be adjusted for Work that is incomplete or not in accordance with the requirements of the Contract Documents.

§ 9.9 PARTIAL OCCUPANCY OR USE

§ 9.9.1 The Owner may occupy or use any completed or partially completed portion of the Work at any stage when such portion is designated by separate agreement with the Contractor, provided such occupancy or use is consented to by the insurer as required under Section 11.3.1.5 and authorized by public authorities having jurisdiction over the Project. Such partial occupancy or use may commence whether or not the portion is substantially complete, provided the Owner and Contractor have accepted in writing the responsibilities assigned to each of them for payments, retainage, if any, security, maintenance, heat, utilities, damage to the Work and insurance, and have agreed in writing concerning the period for correction of the Work and commencement of warranties required by the Contract Documents. When the Contractor considers a portion substantially complete, the Contractor shall prepare and submit a list to the Architect as provided under Section 9.8.2. Consent of the Contractor to partial occupancy or use shall not be unreasonably withheld. The stage of the progress of the Work shall be determined by written agreement between the Owner and Contractor or, if no agreement is reached, by decision of the Architect.

§ 9.9.2 Immediately prior to such partial occupancy or use, the Owner, Contractor and Architect shall jointly inspect the area to be occupied or portion of the Work to be used in order to determine and record the condition of the Work.

§ 9.9.3 Unless otherwise agreed upon, partial occupancy or use of a portion or portions of the Work shall not constitute acceptance of Work not complying with the requirements of the Contract Documents.

§ 9.10 FINAL COMPLETION AND FINAL PAYMENT

§ 9.10.1 Upon receipt of the Contractor's written notice that the Work is ready for final inspection and acceptance and upon receipt of a final Application for Payment, the Architect will promptly make such inspection and, when the Architect finds the Work acceptable under the Contract Documents and the Contract fully performed, the Architect will promptly issue a final Certificate for Payment stating that to the best of the Architect's knowledge, information and belief, and on the basis of the Architect's on-site visits and inspections, the Work has been completed in accordance with terms and conditions of the Contract Documents and that the entire balance found to be due the Contractor and noted in the final Certificate is due and payable. The Architect's final Certificate for Payment will constitute a further representation that conditions listed in Section 9.10.2 as precedent to the Contractor's being entitled to final payment have been fulfilled.

§ 9.10.2 Neither final payment nor any remaining retained percentage shall become due until the Contractor submits to the Architect (1) an affidavit that payrolls, bills for materials and equipment, and other indebtedness connected with the Work for which the Owner or the Owner's property might be responsible or encumbered (less amounts withheld by Owner) have been paid or otherwise satisfied, (2) a certificate evidencing that insurance required by the Contract Documents to remain in force after final payment is currently in effect and will not be canceled or allowed to expire until at least 30 days' prior written notice has been given to the Owner, (3) a written statement that the Contractor knows of no substantial reason that the insurance will not be renewable to cover the period required by the Contract

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Documents, (4) consent of surety, if any, to final payment and (5), if required by the Owner, other data establishing payment or satisfaction of obligations, such as receipts, releases and waivers of liens, claims, security interests or encumbrances arising out of the Contract, to the extent and in such form as may be designated by the Owner. If a Subcontractor refuses to furnish a release or waiver required by the Owner, the Contractor may furnish a bond satisfactory to the Owner to indemnify the Owner against such lien. If such lien remains unsatisfied after payments are made, the Contractor shall refund to the Owner all money that the Owner may be compelled to pay in discharging such lien, including all costs and reasonable attorneys' fees.

§ 9.10.3 If, after Substantial Completion of the Work, final completion thereof is materially delayed through no fault of the Contractor or by issuance of Change Orders affecting final completion, and the Architect so confirms, the Owner shall, upon application by the Contractor and certification by the Architect, and without terminating the Contract, make payment of the balance due for that portion of the Work fully completed and accepted. If the remaining balance for Work not fully completed or corrected is less than retainage stipulated in the Contract Documents, and if bonds have been furnished, the written consent of surety to payment of the balance due for that portion of the Work fully completed and accepted shall be submitted by the Contractor to the Architect prior to certification of such payment. Such payment shall be made under terms and conditions governing final payment, except that it shall not constitute a waiver of claims.

§ 9.10.4 The making of final payment shall constitute a waiver of Claims by the Owner except those arising from

- **.1** liens, Claims, security interests or encumbrances arising out of the Contract and unsettled;
- **.2** failure of the Work to comply with the requirements of the Contract Documents; or
- **.3** terms of special warranties required by the Contract Documents.

§ 9.10.5 Acceptance of final payment by the Contractor, a Subcontractor or material supplier shall constitute a waiver of claims by that payee except those previously made in writing and identified by that payee as unsettled at the time of final Application for Payment.

ARTICLE 10 PROTECTION OF PERSONS AND PROPERTY

§ 10.1 SAFETY PRECAUTIONS AND PROGRAMS

The Contractor shall be responsible for initiating, maintaining and supervising all safety precautions and programs in connection with the performance of the Contract.

§ 10.2 SAFETY OF PERSONS AND PROPERTY

§ 10.2.1 The Contractor shall take reasonable precautions for safety of, and shall provide reasonable protection to prevent damage, injury or loss to

- **.1** employees on the Work and other persons who may be affected thereby;
- **.2** the Work and materials and equipment to be incorporated therein, whether in storage on or off the site, under care, custody or control of the Contractor or the Contractor's Subcontractors or Sub-subcontractors; and
- **.3** other property at the site or adjacent thereto, such as trees, shrubs, lawns, walks, pavements, roadways, structures and utilities not designated for removal, relocation or replacement in the course of construction.

§ 10.2.2 The Contractor shall comply with and give notices required by applicable laws, statutes, ordinances, codes, rules and regulations, and lawful orders of public authorities bearing on safety of persons or property or their protection from damage, injury or loss.

§ 10.2.3 The Contractor shall erect and maintain, as required by existing conditions and performance of the Contract, reasonable safeguards for safety and protection, including posting danger signs and other warnings against hazards, promulgating safety regulations and notifying owners and users of adjacent sites and utilities.

§ 10.2.4 When use or storage of explosives or other hazardous materials or equipment or unusual methods are necessary for execution of the Work, the Contractor shall exercise utmost care and carry on such activities under supervision of properly qualified personnel.

§ 10.2.5 The Contractor shall promptly remedy damage and loss (other than damage or loss insured under property insurance required by the Contract Documents) to property referred to in Sections 10.2.1.2 and 10.2.1.3 caused in

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whole or in part by the Contractor, a Subcontractor, a Sub-subcontractor, or anyone directly or indirectly employed by any of them, or by anyone for whose acts they may be liable and for which the Contractor is responsible under Sections 10.2.1.2 and 10.2.1.3, except damage or loss attributable to acts or omissions of the Owner or Architect or anyone directly or indirectly employed by either of them, or by anyone for whose acts either of them may be liable, and not attributable to the fault or negligence of the Contractor. The foregoing obligations of the Contractor are in addition to the Contractor's obligations under Section 3.18.

§ 10.2.6 The Contractor shall designate a responsible member of the Contractor's organization at the site whose duty shall be the prevention of accidents. This person shall be the Contractor's superintendent unless otherwise designated by the Contractor in writing to the Owner and Architect.

§ 10.2.7 The Contractor shall not permit any part of the construction or site to be loaded so as to cause damage or create an unsafe condition.

§ 10.2.8 INJURY OR DAMAGE TO PERSON OR PROPERTY

If either party suffers injury or damage to person or property because of an act or omission of the other party, or of others for whose acts such party is legally responsible, written notice of such injury or damage, whether or not insured, shall be given to the other party within a reasonable time not exceeding 21 days after discovery. The notice shall provide sufficient detail to enable the other party to investigate the matter.

§ 10.3 HAZARDOUS MATERIALS

§ 10.3.1 The Contractor is responsible for compliance with any requirements included in the Contract Documents regarding hazardous materials. If the Contractor encounters a hazardous material or substance not addressed in the Contract Documents and if reasonable precautions will be inadequate to prevent foreseeable bodily injury or death to persons resulting from a material or substance, including but not limited to asbestos or polychlorinated biphenyl (PCB), encountered on the site by the Contractor, the Contractor shall, upon recognizing the condition, immediately stop Work in the affected area and report the condition to the Owner and Architect in writing.

§ 10.3.2 Upon receipt of the Contractor's written notice, the Owner shall obtain the services of a licensed laboratory to verify the presence or absence of the material or substance reported by the Contractor and, in the event such material or substance is found to be present, to cause it to be rendered harmless. Unless otherwise required by the Contract Documents, the Owner shall furnish in writing to the Contractor and Architect the names and qualifications of persons or entities who are to perform tests verifying the presence or absence of such material or substance or who are to perform the task of removal or safe containment of such material or substance. The Contractor and the Architect will promptly reply to the Owner in writing stating whether or not either has reasonable objection to the persons or entities proposed by the Owner. If either the Contractor or Architect has an objection to a person or entity proposed by the Owner, the Owner shall propose another to whom the Contractor and the Architect have no reasonable objection. When the material or substance has been rendered harmless, Work in the affected area shall resume upon written agreement of the Owner and Contractor. By Change Order, the Contract Time shall be extended appropriately and the Contract Sum shall be increased in the amount of the Contractor's reasonable additional costs of shut-down, delay and start-up.

§ 10.3.3 To the fullest extent permitted by law, the Owner shall indemnify and hold harmless the Contractor, Subcontractors, Architect, Architect's consultants and agents and employees of any of them from and against claims, damages, losses and expenses, including but not limited to attorneys' fees, arising out of or resulting from performance of the Work in the affected area if in fact the material or substance presents the risk of bodily injury or death as described in Section 10.3.1 and has not been rendered harmless, provided that such claim, damage, loss or expense is attributable to bodily injury, sickness, disease or death, or to injury to or destruction of tangible property (other than the Work itself), except to the extent that such damage, loss or expense is due to the fault or negligence of the party seeking indemnity.

§ 10.3.4 The Owner shall not be responsible under this Section 10.3 for materials or substances the Contractor brings to the site unless such materials or substances are required by the Contract Documents. The Owner shall be responsible for materials or substances required by the Contract Documents, except to the extent of the Contractor's fault or negligence in the use and handling of such materials or substances.

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§ 10.3.5 The Contractor shall indemnify the Owner for the cost and expense the Owner incurs (1) for remediation of a material or substance the Contractor brings to the site and negligently handles, or (2) where the Contractor fails to perform its obligations under Section 10.3.1, except to the extent that the cost and expense are due to the Owner's fault or negligence.

§ 10.3.6 If, without negligence on the part of the Contractor, the Contractor is held liable by a government agency for the cost of remediation of a hazardous material or substance solely by reason of performing Work as required by the Contract Documents, the Owner shall indemnify the Contractor for all cost and expense thereby incurred.

§ 10.4 EMERGENCIES

In an emergency affecting safety of persons or property, the Contractor shall act, at the Contractor's discretion, to prevent threatened damage, injury or loss. Additional compensation or extension of time claimed by the Contractor on account of an emergency shall be determined as provided in Article 15 and Article 7.

ARTICLE 11 INSURANCE AND BONDS

§ 11.1 CONTRACTOR'S LIABILITY INSURANCE

§ 11.1.1 The Contractor shall purchase from and maintain in a company or companies lawfully authorized to do business in the jurisdiction in which the Project is located such insurance as will protect the Contractor from claims set forth below which may arise out of or result from the Contractor's operations and completed operations under the Contract and for which the Contractor may be legally liable, whether such operations be by the Contractor or by a Subcontractor or by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable:

- .1 Claims under workers' compensation, disability benefit and other similar employee benefit acts that are applicable to the Work to be performed;
- .2 Claims for damages because of bodily injury, occupational sickness or disease, or death of the Contractor's employees;
- .3 Claims for damages because of bodily injury, sickness or disease, or death of any person other than the Contractor's employees;
- .4 Claims for damages insured by usual personal injury liability coverage;
- .5 Claims for damages, other than to the Work itself, because of injury to or destruction of tangible property, including loss of use resulting therefrom;
- .6 Claims for damages because of bodily injury, death of a person or property damage arising out of ownership, maintenance or use of a motor vehicle;
- .7 Claims for bodily injury or property damage arising out of completed operations; and
- .8 Claims involving contractual liability insurance applicable to the Contractor's obligations under Section 3.18.

§ 11.1.2 The insurance required by Section 11.1.1 shall be written for not less than limits of liability specified in the Contract Documents or required by law, whichever coverage is greater. Coverages, whether written on an occurrence or claims-made basis, shall be maintained without interruption from the date of commencement of the Work until the date of final payment and termination of any coverage required to be maintained after final payment, and, with respect to the Contractor's completed operations coverage, until the expiration of the period for correction of Work or for such other period for maintenance of completed operations coverage as specified in the Contract Documents.

§ 11.1.3 Certificates of insurance acceptable to the Owner shall be filed with the Owner prior to commencement of the Work and thereafter upon renewal or replacement of each required policy of insurance. These certificates and the insurance policies required by this Section 11.1 shall contain a provision that coverages afforded under the policies will not be canceled or allowed to expire until at least 30 days' prior written notice has been given to the Owner. An additional certificate evidencing continuation of liability coverage, including coverage for completed operations, shall be submitted with the final Application for Payment as required by Section 9.10.2 and thereafter upon renewal or replacement of such coverage until the expiration of the time required by Section 11.1.2. Information concerning reduction of coverage on account of revised limits or claims paid under the General Aggregate, or both, shall be furnished by the Contractor with reasonable promptness.

§ 11.1.4 The Contractor shall cause the commercial liability coverage required by the Contract Documents to include (1) the Owner, the Architect and the Architect's consultants as additional insureds for claims caused in whole or in part by the Contractor's negligent acts or omissions during the Contractor's operations; and (2) the Owner as an additional

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insured for claims caused in whole or in part by the Contractor's negligent acts or omissions during the Contractor's completed operations.

§ 11.2 OWNER'S LIABILITY INSURANCE

The Owner shall be responsible for purchasing and maintaining the Owner's usual liability insurance.

§ 11.3 PROPERTY INSURANCE

§ 11.3.1 Unless otherwise provided, the Owner shall purchase and maintain, in a company or companies lawfully authorized to do business in the jurisdiction in which the Project is located, property insurance written on a builder's risk "all-risk" or equivalent policy form in the amount of the initial Contract Sum, plus value of subsequent Contract Modifications and cost of materials supplied or installed by others, comprising total value for the entire Project at the site on a replacement cost basis without optional deductibles. Such property insurance shall be maintained, unless otherwise provided in the Contract Documents or otherwise agreed in writing by all persons and entities who are beneficiaries of such insurance, until final payment has been made as provided in Section 9.10 or until no person or entity other than the Owner has an insurable interest in the property required by this Section 11.3 to be covered, whichever is later. This insurance shall include interests of the Owner, the Contractor, Subcontractors and Sub-subcontractors in the Project.

§ 11.3.1.1 Property insurance shall be on an "all-risk" or equivalent policy form and shall include, without limitation, insurance against the perils of fire (with extended coverage) and physical loss or damage including, without duplication of coverage, theft, vandalism, malicious mischief, collapse, earthquake, flood, windstorm, falsework, testing and startup, temporary buildings and debris removal including demolition occasioned by enforcement of any applicable legal requirements, and shall cover reasonable compensation for Architect's and Contractor's services and expenses required as a result of such insured loss.

§ 11.3.1.2 If the Owner does not intend to purchase such property insurance required by the Contract and with all of the coverages in the amount described above, the Owner shall so inform the Contractor in writing prior to commencement of the Work. The Contractor may then effect insurance that will protect the interests of the Contractor, Subcontractors and Sub-subcontractors in the Work, and by appropriate Change Order the cost thereof shall be charged to the Owner. If the Contractor is damaged by the failure or neglect of the Owner to purchase or maintain insurance as described above, without so notifying the Contractor in writing, then the Owner shall bear all reasonable costs properly attributable thereto.

§ 11.3.1.3 If the property insurance requires deductibles, the Owner shall pay costs not covered because of such deductibles.

§ 11.3.1.4 This property insurance shall cover portions of the Work stored off the site, and also portions of the Work in transit.

§ 11.3.1.5 Partial occupancy or use in accordance with Section 9.9 shall not commence until the insurance company or companies providing property insurance have consented to such partial occupancy or use by endorsement or otherwise. The Owner and the Contractor shall take reasonable steps to obtain consent of the insurance company or companies and shall, without mutual written consent, take no action with respect to partial occupancy or use that would cause cancellation, lapse or reduction of insurance.

§ 11.3.2 BOILER AND MACHINERY INSURANCE

The Owner shall purchase and maintain boiler and machinery insurance required by the Contract Documents or by law, which shall specifically cover such insured objects during installation and until final acceptance by the Owner; this insurance shall include interests of the Owner, Contractor, Subcontractors and Sub-subcontractors in the Work, and the Owner and Contractor shall be named insureds.

§ 11.3.3 LOSS OF USE INSURANCE

The Owner, at the Owner's option, may purchase and maintain such insurance as will insure the Owner against loss of use of the Owner's property due to fire or other hazards, however caused. The Owner waives all rights of action against the Contractor for loss of use of the Owner's property, including consequential losses due to fire or other hazards however caused.

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§ 11.3.4 If the Contractor requests in writing that insurance for risks other than those described herein or other special causes of loss be included in the property insurance policy, the Owner shall, if possible, include such insurance, and the cost thereof shall be charged to the Contractor by appropriate Change Order.

§ 11.3.5 If during the Project construction period the Owner insures properties, real or personal or both, at or adjacent to the site by property insurance under policies separate from those insuring the Project, or if after final payment property insurance is to be provided on the completed Project through a policy or policies other than those insuring the Project during the construction period, the Owner shall waive all rights in accordance with the terms of Section 11.3.7 for damages caused by fire or other causes of loss covered by this separate property insurance. All separate policies shall provide this waiver of subrogation by endorsement or otherwise.

§ 11.3.6 Before an exposure to loss may occur, the Owner shall file with the Contractor a copy of each policy that includes insurance coverages required by this Section 11.3. Each policy shall contain all generally applicable conditions, definitions, exclusions and endorsements related to this Project. Each policy shall contain a provision that the policy will not be canceled or allowed to expire, and that its limits will not be reduced, until at least 30 days' prior written notice has been given to the Contractor.

§ 11.3.7 WAIVERS OF SUBROGATION

The Owner and Contractor waive all rights against (1) each other and any of their subcontractors, sub-subcontractors, agents and employees, each of the other, and (2) the Architect, Architect's consultants, separate contractors described in Article 6, if any, and any of their subcontractors, sub-subcontractors, agents and employees, for damages caused by fire or other causes of loss to the extent covered by property insurance obtained pursuant to this Section 11.3 or other property insurance applicable to the Work, except such rights as they have to proceeds of such insurance held by the Owner as fiduciary. The Owner or Contractor, as appropriate, shall require of the Architect, Architect's consultants, separate contractors described in Article 6, if any, and the subcontractors, sub-subcontractors, agents and employees of any of them, by appropriate agreements, written where legally required for validity, similar waivers each in favor of other parties enumerated herein. The policies shall provide such waivers of subrogation by endorsement or otherwise. A waiver of subrogation shall be effective as to a person or entity even though that person or entity would otherwise have a duty of indemnification, contractual or otherwise, did not pay the insurance premium directly or indirectly, and whether or not the person or entity had an insurable interest in the property damaged.

§ 11.3.8 A loss insured under the Owner's property insurance shall be adjusted by the Owner as fiduciary and made payable to the Owner as fiduciary for the insureds, as their interests may appear, subject to requirements of any applicable mortgagee clause and of Section 11.3.10. The Contractor shall pay Subcontractors their just shares of insurance proceeds received by the Contractor, and by appropriate agreements, written where legally required for validity, shall require Subcontractors to make payments to their Sub-subcontractors in similar manner.

§ 11.3.9 If required in writing by a party in interest, the Owner as fiduciary shall, upon occurrence of an insured loss, give bond for proper performance of the Owner's duties. The cost of required bonds shall be charged against proceeds received as fiduciary. The Owner shall deposit in a separate account proceeds so received, which the Owner shall distribute in accordance with such agreement as the parties in interest may reach, or as determined in accordance with the method of binding dispute resolution selected in the Agreement between the Owner and Contractor. If after such loss no other special agreement is made and unless the Owner terminates the Contract for convenience, replacement of damaged property shall be performed by the Contractor after notification of a Change in the Work in accordance with Article 7.

§ 11.3.10 The Owner as fiduciary shall have power to adjust and settle a loss with insurers unless one of the parties in interest shall object in writing within five days after occurrence of loss to the Owner's exercise of this power; if such objection is made, the dispute shall be resolved in the manner selected by the Owner and Contractor as the method of binding dispute resolution in the Agreement. If the Owner and Contractor have selected arbitration as the method of binding dispute resolution, the Owner as fiduciary shall make settlement with insurers or, in the case of a dispute over distribution of insurance proceeds, in accordance with the directions of the arbitrators.

§ 11.4 PERFORMANCE BOND AND PAYMENT BOND

§ 11.4.1 The Owner shall have the right to require the Contractor to furnish bonds covering faithful performance of the Contract and payment of obligations arising thereunder as stipulated in bidding requirements or specifically required in the Contract Documents on the date of execution of the Contract.

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§ 11.4.2 Upon the request of any person or entity appearing to be a potential beneficiary of bonds covering payment of obligations arising under the Contract, the Contractor shall promptly furnish a copy of the bonds or shall authorize a copy to be furnished.

ARTICLE 12 UNCOVERING AND CORRECTION OF WORK

§ 12.1 UNCOVERING OF WORK

§ 12.1.1 If a portion of the Work is covered contrary to the Architect's request or to requirements specifically expressed in the Contract Documents, it must, if requested in writing by the Architect, be uncovered for the Architect's examination and be replaced at the Contractor's expense without change in the Contract Time.

§ 12.1.2 If a portion of the Work has been covered that the Architect has not specifically requested to examine prior to its being covered, the Architect may request to see such Work and it shall be uncovered by the Contractor. If such Work is in accordance with the Contract Documents, costs of uncovering and replacement shall, by appropriate Change Order, be at the Owner's expense. If such Work is not in accordance with the Contract Documents, such costs and the cost of correction shall be at the Contractor's expense unless the condition was caused by the Owner or a separate contractor in which event the Owner shall be responsible for payment of such costs.

§ 12.2 CORRECTION OF WORK

§ 12.2.1 BEFORE OR AFTER SUBSTANTIAL COMPLETION

The Contractor shall promptly correct Work rejected by the Architect or failing to conform to the requirements of the Contract Documents, whether discovered before or after Substantial Completion and whether or not fabricated, installed or completed. Costs of correcting such rejected Work, including additional testing and inspections, the cost of uncovering and replacement, and compensation for the Architect's services and expenses made necessary thereby, shall be at the Contractor's expense.

§ 12.2.2 AFTER SUBSTANTIAL COMPLETION

§ 12.2.2.1 In addition to the Contractor's obligations under Section 3.5, if, within one year after the date of Substantial Completion of the Work or designated portion thereof or after the date for commencement of warranties established under Section 9.9.1, or by terms of an applicable special warranty required by the Contract Documents, any of the Work is found to be not in accordance with the requirements of the Contract Documents, the Contractor shall correct it promptly after receipt of written notice from the Owner to do so unless the Owner has previously given the Contractor a written acceptance of such condition. The Owner shall give such notice promptly after discovery of the condition. During the one-year period for correction of Work, if the Owner fails to notify the Contractor and give the Contractor an opportunity to make the correction, the Owner waives the rights to require correction by the Contractor and to make a claim for breach of warranty. If the Contractor fails to correct nonconforming Work within a reasonable time during that period after receipt of notice from the Owner or Architect, the Owner may correct it in accordance with Section 2.4.

§ 12.2.2.2 The one-year period for correction of Work shall be extended with respect to portions of Work first performed after Substantial Completion by the period of time between Substantial Completion and the actual completion of that portion of the Work.

§ 12.2.2.3 The one-year period for correction of Work shall not be extended by corrective Work performed by the Contractor pursuant to this Section 12.2.

§ 12.2.3 The Contractor shall remove from the site portions of the Work that are not in accordance with the requirements of the Contract Documents and are neither corrected by the Contractor nor accepted by the Owner.

§ 12.2.4 The Contractor shall bear the cost of correcting destroyed or damaged construction, whether completed or partially completed, of the Owner or separate contractors caused by the Contractor's correction or removal of Work that is not in accordance with the requirements of the Contract Documents.

§ 12.2.5 Nothing contained in this Section 12.2 shall be construed to establish a period of limitation with respect to other obligations the Contractor has under the Contract Documents. Establishment of the one-year period for correction of Work as described in Section 12.2.2 relates only to the specific obligation of the Contractor to correct the Work, and has no relationship to the time within which the obligation to comply with the Contract Documents may be

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sought to be enforced, nor to the time within which proceedings may be commenced to establish the Contractor's liability with respect to the Contractor's obligations other than specifically to correct the Work.

§ 12.3 ACCEPTANCE OF NONCONFORMING WORK

If the Owner prefers to accept Work that is not in accordance with the requirements of the Contract Documents, the Owner may do so instead of requiring its removal and correction, in which case the Contract Sum will be reduced as appropriate and equitable. Such adjustment shall be effected whether or not final payment has been made.

ARTICLE 13 MISCELLANEOUS PROVISIONS

§ 13.1 GOVERNING LAW

The Contract shall be governed by the law of the place where the Project is located except that, if the parties have selected arbitration as the method of binding dispute resolution, the Federal Arbitration Act shall govern Section 15.4.

§ 13.2 SUCCESSORS AND ASSIGNS

§ 13.2.1 The Owner and Contractor respectively bind themselves, their partners, successors, assigns and legal representatives to covenants, agreements and obligations contained in the Contract Documents. Except as provided in Section 13.2.2, neither party to the Contract shall assign the Contract as a whole without written consent of the other. If either party attempts to make such an assignment without such consent, that party shall nevertheless remain legally responsible for all obligations under the Contract.

§ 13.2.2 The Owner may, without consent of the Contractor, assign the Contract to a lender providing construction financing for the Project, if the lender assumes the Owner's rights and obligations under the Contract Documents. The Contractor shall execute all consents reasonably required to facilitate such assignment.

§ 13.3 WRITTEN NOTICE

Written notice shall be deemed to have been duly served if delivered in person to the individual, to a member of the firm or entity, or to an officer of the corporation for which it was intended; or if delivered at, or sent by registered or certified mail or by courier service providing proof of delivery to, the last business address known to the party giving notice.

§ 13.4 RIGHTS AND REMEDIES

§ 13.4.1 Duties and obligations imposed by the Contract Documents and rights and remedies available thereunder shall be in addition to and not a limitation of duties, obligations, rights and remedies otherwise imposed or available by law.

§ 13.4.2 No action or failure to act by the Owner, Architect or Contractor shall constitute a waiver of a right or duty afforded them under the Contract, nor shall such action or failure to act constitute approval of or acquiescence in a breach there under, except as may be specifically agreed in writing.

§ 13.5 TESTS AND INSPECTIONS

§ 13.5.1 Tests, inspections and approvals of portions of the Work shall be made as required by the Contract Documents and by applicable laws, statutes, ordinances, codes, rules and regulations or lawful orders of public authorities. Unless otherwise provided, the Contractor shall make arrangements for such tests, inspections and approvals with an independent testing laboratory or entity acceptable to the Owner, or with the appropriate public authority, and shall bear all related costs of tests, inspections and approvals. The Contractor shall give the Architect timely notice of when and where tests and inspections are to be made so that the Architect may be present for such procedures. The Owner shall bear costs of (1) tests, inspections or approvals that do not become requirements until after bids are received or negotiations concluded, and (2) tests, inspections or approvals where building codes or applicable laws or regulations prohibit the Owner from delegating their cost to the Contractor.

§ 13.5.2 If the Architect, Owner or public authorities having jurisdiction determine that portions of the Work require additional testing, inspection or approval not included under Section 13.5.1, the Architect will, upon written authorization from the Owner, instruct the Contractor to make arrangements for such additional testing, inspection or approval by an entity acceptable to the Owner, and the Contractor shall give timely notice to the Architect of when and where tests and inspections are to be made so that the Architect may be present for such procedures. Such costs, except as provided in Section 13.5.3, shall be at the Owner's expense.

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§ 13.5.3 If such procedures for testing, inspection or approval under Sections 13.5.1 and 13.5.2 reveal failure of the portions of the Work to comply with requirements established by the Contract Documents, all costs made necessary by such failure including those of repeated procedures and compensation for the Architect's services and expenses shall be at the Contractor's expense.

§ 13.5.4 Required certificates of testing, inspection or approval shall, unless otherwise required by the Contract Documents, be secured by the Contractor and promptly delivered to the Architect.

§ 13.5.5 If the Architect is to observe tests, inspections or approvals required by the Contract Documents, the Architect will do so promptly and, where practicable, at the normal place of testing.

§ 13.5.6 Tests or inspections conducted pursuant to the Contract Documents shall be made promptly to avoid unreasonable delay in the Work.

§ 13.6 INTEREST

Payments due and unpaid under the Contract Documents shall bear interest from the date payment is due at such rate as the parties may agree upon in writing or, in the absence thereof, at the legal rate prevailing from time to time at the place where the Project is located.

§ 13.7 TIME LIMITS ON CLAIMS

The Owner and Contractor shall commence all claims and causes of action, whether in contract, tort, breach of warranty or otherwise, against the other arising out of or related to the Contract in accordance with the requirements of the final dispute resolution method selected in the Agreement within the time period specified by applicable law, but in any case not more than 10 years after the date of Substantial Completion of the Work. The Owner and Contractor waive all claims and causes of action not commenced in accordance with this Section 13.7.

ARTICLE 14 TERMINATION OR SUSPENSION OF THE CONTRACT

§ 14.1 TERMINATION BY THE CONTRACTOR

§ 14.1.1 The Contractor may terminate the Contract if the Work is stopped for a period of 30 consecutive days through no act or fault of the Contractor or a Subcontractor, Sub-subcontractor or their agents or employees or any other persons or entities performing portions of the Work under direct or indirect contract with the Contractor, for any of the following reasons:

.1 Issuance of an order of a court or other public authority having jurisdiction that requires all Work to be stopped;

.2 An act of government, such as a declaration of national emergency that requires all Work to be stopped;

.3 Because the Architect has not issued a Certificate for Payment and has not notified the Contractor of the reason for withholding certification as provided in Section 9.4.1, or because the Owner has not made payment on a Certificate for Payment within the time stated in the Contract Documents; or

.4 The Owner has failed to furnish to the Contractor promptly, upon the Contractor's request, reasonable evidence as required by Section 2.2.1.

§ 14.1.2 The Contractor may terminate the Contract if, through no act or fault of the Contractor or a Subcontractor, Sub-subcontractor or their agents or employees or any other persons or entities performing portions of the Work under direct or indirect contract with the Contractor, repeated suspensions, delays or interruptions of the entire Work by the Owner as described in Section 14.3 constitute in the aggregate more than 100 percent of the total number of days scheduled for completion, or 120 days in any 365-day period, whichever is less.

§ 14.1.3 If one of the reasons described in Section 14.1.1 or 14.1.2 exists, the Contractor may, upon seven days' written notice to the Owner and Architect, terminate the Contract and recover from the Owner payment for Work executed, including reasonable overhead and profit, costs incurred by reason of such termination, and damages.

§ 14.1.4 If the Work is stopped for a period of 60 consecutive days through no act or fault of the Contractor or a Subcontractor or their agents or employees or any other persons performing portions of the Work under contract with the Contractor because the Owner has repeatedly failed to fulfill the Owner's obligations under the Contract Documents with respect to matters important to the progress of the Work, the Contractor may, upon seven additional days' written notice to the Owner and the Architect, terminate the Contract and recover from the Owner as provided in Section 14.1.3.

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§ 14.2 TERMINATION BY THE OWNER FOR CAUSE

§ 14.2.1 The Owner may terminate the Contract if the Contractor

.1 repeatedly refuses or fails to supply enough properly skilled workers or proper materials;

.2 fails to make payment to Subcontractors for materials or labor in accordance with the respective agreements between the Contractor and the Subcontractors;

.3 repeatedly disregards applicable laws, statutes, ordinances, codes, rules and regulations, or lawful orders of a public authority; or

.4 otherwise is guilty of substantial breach of a provision of the Contract Documents.

§ 14.2.2 When any of the above reasons exist, the Owner, upon certification by the Initial Decision Maker that sufficient cause exists to justify such action, may without prejudice to any other rights or remedies of the Owner and after giving the Contractor and the Contractor's surety, if any, seven days' written notice, terminate employment of the Contractor and may, subject to any prior rights of the surety:

.1 Exclude the Contractor from the site and take possession of all materials, equipment, tools, and construction equipment and machinery thereon owned by the Contractor;

.2 Accept assignment of subcontracts pursuant to Section 5.4; and

.3 Finish the Work by whatever reasonable method the Owner may deem expedient. Upon written request of the Contractor, the Owner shall furnish to the Contractor a detailed accounting of the costs incurred by the Owner in finishing the Work.

§ 14.2.3 When the Owner terminates the Contract for one of the reasons stated in Section 14.2.1, the Contractor shall not be entitled to receive further payment until the Work is finished.

§ 14.2.4 If the unpaid balance of the Contract Sum exceeds costs of finishing the Work, including compensation for the Architect's services and expenses made necessary thereby, and other damages incurred by the Owner and not expressly waived, such excess shall be paid to the Contractor. If such costs and damages exceed the unpaid balance, the Contractor shall pay the difference to the Owner. The amount to be paid to the Contractor or Owner, as the case may be, shall be certified by the Initial Decision Maker, upon application, and this obligation for payment shall survive termination of the Contract.

§ 14.3 SUSPENSION BY THE OWNER FOR CONVENIENCE

§ 14.3.1 The Owner may, without cause, order the Contractor in writing to suspend, delay or interrupt the Work in whole or in part for such period of time as the Owner may determine.

§ 14.3.2 The Contract Sum and Contract Time shall be adjusted for increases in the cost and time caused by suspension, delay or interruption as described in Section 14.3.1. Adjustment of the Contract Sum shall include profit. No adjustment shall be made to the extent

.1 that performance is, was or would have been so suspended, delayed or interrupted by another cause for which the Contractor is responsible; or

.2 that an equitable adjustment is made or denied under another provision of the Contract.

§ 14.4 TERMINATION BY THE OWNER FOR CONVENIENCE

§ 14.4.1 The Owner may, at any time, terminate the Contract for the Owner's convenience and without cause.

§ 14.4.2 Upon receipt of written notice from the Owner of such termination for the Owner's convenience, the Contractor shall

.1 cease operations as directed by the Owner in the notice;

.2 take actions necessary, or that the Owner may direct, for the protection and preservation of the Work; and

.3 except for Work directed to be performed prior to the effective date of termination stated in the notice, terminate all existing subcontracts and purchase orders and enter into no further subcontracts and purchase orders.

§ 14.4.3 In case of such termination for the Owner's convenience, the Contractor shall be entitled to receive payment for Work executed, and costs incurred by reason of such termination, along with reasonable overhead and profit on the Work not executed.

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ARTICLE 15 CLAIMS AND DISPUTES

§ 15.1 CLAIMS

§ 15.1.1 DEFINITION

A Claim is a demand or assertion by one of the parties seeking, as a matter of right, payment of money, or other relief with respect to the terms of the Contract. The term "Claim" also includes other disputes and matters in question between the Owner and Contractor arising out of or relating to the Contract. The responsibility to substantiate Claims shall rest with the party making the Claim.

§ 15.1.2 NOTICE OF CLAIMS

Claims by either the Owner or Contractor must be initiated by written notice to the other party and to the Initial Decision Maker with a copy sent to the Architect, if the Architect is not serving as the Initial Decision Maker. Claims by either party must be initiated within 21 days after occurrence of the event giving rise to such Claim or within 21 days after the claimant first recognizes the condition giving rise to the Claim, whichever is later.

§ 15.1.3 CONTINUING CONTRACT PERFORMANCE

Pending final resolution of a Claim, except as otherwise agreed in writing or as provided in Section 9.7 and Article 14, the Contractor shall proceed diligently with performance of the Contract and the Owner shall continue to make payments in accordance with the Contract Documents. The Architect will prepare Change Orders and issue Certificates for Payment in accordance with the decisions of the Initial Decision Maker.

§ 15.1.4 CLAIMS FOR ADDITIONAL COST

If the Contractor wishes to make a Claim for an increase in the Contract Sum, written notice as provided herein shall be given before proceeding to execute the Work. Prior notice is not required for Claims relating to an emergency endangering life or property arising under Section 10.4.

§ 15.1.5 CLAIMS FOR ADDITIONAL TIME

§ 15.1.5.1 If the Contractor wishes to make a Claim for an increase in the Contract Time, written notice as provided herein shall be given. The Contractor's Claim shall include an estimate of cost and of probable effect of delay on progress of the Work. In the case of a continuing delay, only one Claim is necessary.

§ 15.1.5.2 If adverse weather conditions are the basis for a Claim for additional time, such Claim shall be documented by data substantiating that weather conditions were abnormal for the period of time, could not have been reasonably anticipated and had an adverse effect on the scheduled construction.

§ 15.1.6 CLAIMS FOR CONSEQUENTIAL DAMAGES

The Contractor and Owner waive Claims against each other for consequential damages arising out of or relating to this Contract. This mutual waiver includes

.1 damages incurred by the Owner for rental expenses, for losses of use, income, profit, financing, business and reputation, and for loss of management or employee productivity or of the services of such persons; and

.2 damages incurred by the Contractor for principal office expenses including the compensation of personnel stationed there, for losses of financing, business and reputation, and for loss of profit except anticipated profit arising directly from the Work.

This mutual waiver is applicable, without limitation, to all consequential damages due to either party's termination in accordance with Article 14. Nothing contained in this Section 15.1.6 shall be deemed to preclude an award of liquidated damages, when applicable, in accordance with the requirements of the Contract Documents.

§ 15.2 INITIAL DECISION

§ 15.2.1 Claims, excluding those arising under Sections 10.3, 10.4, 11.3.9, and 11.3.10, shall be referred to the Initial Decision Maker for initial decision. The Architect will serve as the Initial Decision Maker, unless otherwise indicated in the Agreement. Except for those Claims excluded by this Section 15.2.1, an initial decision shall be required as a condition precedent to mediation of any Claim arising prior to the date final payment is due, unless 30 days have passed after the Claim has been referred to the Initial Decision Maker with no decision having been rendered. Unless the Initial Decision Maker and all affected parties agree, the Initial Decision Maker will not decide disputes between the Contractor and persons or entities other than the Owner.

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§ 15.2.2 The Initial Decision Maker will review Claims and within ten days of the receipt of a Claim take one or more of the following actions: (1) request additional supporting data from the claimant or a response with supporting data from the other party, (2) reject the Claim in whole or in part, (3) approve the Claim, (4) suggest a compromise, or (5) advise the parties that the Initial Decision Maker is unable to resolve the Claim if the Initial Decision Maker lacks sufficient information to evaluate the merits of the Claim or if the Initial Decision Maker concludes that, in the Initial Decision Maker's sole discretion, it would be inappropriate for the Initial Decision Maker to resolve the Claim.

§ 15.2.3 In evaluating Claims, the Initial Decision Maker may, but shall not be obligated to, consult with or seek information from either party or from persons with special knowledge or expertise who may assist the Initial Decision Maker in rendering a decision. The Initial Decision Maker may request the Owner to authorize retention of such persons at the Owner's expense.

§ 15.2.4 If the Initial Decision Maker requests a party to provide a response to a Claim or to furnish additional supporting data, such party shall respond, within ten days after receipt of such request, and shall either (1) provide a response on the requested supporting data, (2) advise the Initial Decision Maker when the response or supporting data will be furnished or (3) advise the Initial Decision Maker that no supporting data will be furnished. Upon receipt of the response or supporting data, if any, the Initial Decision Maker will either reject or approve the Claim in whole or in part.

§ 15.2.5 The Initial Decision Maker will render an initial decision approving or rejecting the Claim, or indicating that the Initial Decision Maker is unable to resolve the Claim. This initial decision shall (1) be in writing; (2) state the reasons therefor; and (3) notify the parties and the Architect, if the Architect is not serving as the Initial Decision Maker, of any change in the Contract Sum or Contract Time or both. The initial decision shall be final and binding on the parties but subject to mediation and, if the parties fail to resolve their dispute through mediation, to binding dispute resolution.

§ 15.2.6 Either party may file for mediation of an initial decision at any time, subject to the terms of Section 15.2.6.1.

§ 15.2.6.1 Either party may, within 30 days from the date of an initial decision, demand in writing that the other party file for mediation within 60 days of the initial decision. If such a demand is made and the party receiving the demand fails to file for mediation within the time required, then both parties waive their rights to mediate or pursue binding dispute resolution proceedings with respect to the initial decision.

§ 15.2.7 In the event of a Claim against the Contractor, the Owner may, but is not obligated to, notify the surety, if any, of the nature and amount of the Claim. If the Claim relates to a possibility of a Contractor's default, the Owner may, but is not obligated to, notify the surety and request the surety's assistance in resolving the controversy.

§ 15.2.8 If a Claim relates to or is the subject of a mechanic's lien, the party asserting such Claim may proceed in accordance with applicable law to comply with the lien notice or filing deadlines.

§ 15.3 MEDIATION

§ 15.3.1 Claims, disputes, or other matters in controversy arising out of or related to the Contract except those waived as provided for in Sections 9.10.4, 9.10.5, and 15.1.6 shall be subject to mediation as a condition precedent to binding dispute resolution.

§ 15.3.2 The parties shall endeavor to resolve their Claims by mediation which, unless the parties mutually agree otherwise, shall be administered by the American Arbitration Association in accordance with its Construction Industry Mediation Procedures in effect on the date of the Agreement. A request for mediation shall be made in writing, delivered to the other party to the Contract, and filed with the person or entity administering the mediation. The request may be made concurrently with the filing of binding dispute resolution proceedings but, in such event, mediation shall proceed in advance of binding dispute resolution proceedings, which shall be stayed pending mediation for a period of 60 days from the date of filing, unless stayed for a longer period by agreement of the parties or court order. If an arbitration is stayed pursuant to this Section 15.3.2, the parties may nonetheless proceed to the selection of the arbitrator(s) and agree upon a schedule for later proceedings.

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§ 15.3.3 The parties shall share the mediator's fee and any filing fees equally. The mediation shall be held in the place where the Project is located, unless another location is mutually agreed upon. Agreements reached in mediation shall be enforceable as settlement agreements in any court having jurisdiction thereof.

§ 15.4 ARBITRATION

§ 15.4.1 If the parties have selected arbitration as the method for binding dispute resolution in the Agreement, any Claim subject to, but not resolved by, mediation shall be subject to arbitration which, unless the parties mutually agree otherwise, shall be administered by the American Arbitration Association in accordance with its Construction Industry Arbitration Rules in effect on the date of the Agreement. A demand for arbitration shall be made in writing, delivered to the other party to the Contract, and filed with the person or entity administering the arbitration. The party filing a notice of demand for arbitration must assert in the demand all Claims then known to that party on which arbitration is permitted to be demanded.

§ 15.4.1.1 A demand for arbitration shall be made no earlier than concurrently with the filing of a request for mediation, but in no event shall it be made after the date when the institution of legal or equitable proceedings based on the Claim would be barred by the applicable statute of limitations. For statute of limitations purposes, receipt of a written demand for arbitration by the person or entity administering the arbitration shall constitute the institution of legal or equitable proceedings based on the Claim.

§ 15.4.2 The award rendered by the arbitrator or arbitrators shall be final, and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction thereof.

§ 15.4.3 The foregoing agreement to arbitrate and other agreements to arbitrate with an additional person or entity duly consented to by parties to the Agreement shall be specifically enforceable under applicable law in any court having jurisdiction thereof.

§ 15.4.4 CONSOLIDATION OR JOINDER

§ 15.4.4.1 Either party, at its sole discretion, may consolidate an arbitration conducted under this Agreement with any other arbitration to which it is a party provided that (1) the arbitration agreement governing the other arbitration permits consolidation, (2) the arbitrations to be consolidated substantially involve common questions of law or fact, and (3) the arbitrations employ materially similar procedural rules and methods for selecting arbitrator(s).

§ 15.4.4.2 Either party, at its sole discretion, may include by joinder persons or entities substantially involved in a common question of law or fact whose presence is required if complete relief is to be accorded in arbitration, provided that the party sought to be joined consents in writing to such joinder. Consent to arbitration involving an additional person or entity shall not constitute consent to arbitration of any claim, dispute or other matter in question not described in the written consent.

§ 15.4.4.3 The Owner and Contractor grant to any person or entity made a party to an arbitration conducted under this Section 15.4, whether by joinder or consolidation, the same rights of joinder and consolidation as the Owner and Contractor under this Agreement.

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EXHIBIT F

SALES TAX EXEMPTION CERTIFICATION

01-339 (Back)
(Rev.4-13/8)

Texas Sales and Use Tax Exemption Certification

This certificate does not require a number to be valid.

Name of purchaser, firm or agency	
Texas Inter-Faith Housing Corporation	
Address *(Street & number, P.O. Box or Route number)*	Phone *(Area code and number)*
3701 Kirby Drive, Suite 860	**713-503-4477**
City, State, ZIP code	
Houston, Texas 77098	

I, the purchaser named above, claim an exemption from payment of sales and use taxes (for the purchase of taxable items described below or on the attached order or invoice) from:

Seller: **Brownstone Construction, Ltd.**

Street address: **6517 Mapleridge** City, State, ZIP code: **Houston, TX 77081**

Description of items to be purchased or on the attached order or invoice:

Purchaser is purchasing these materials as shown on the attached invoice to be incorporated into that certain multifamily affordable housing development being constructed in Houston Texas, to be known as the Dian Street Villas a 108 unit affordable housing apartment complex

Purchaser claims this exemption for the following reason:

Purchaser is a 501(c)(3) organization and, therefore is a tax exempt organization described in Public Charity Status, 170(b)(1)(A)(vi) and has been determined to be exempt from Texas sales and use taxes pursuant to a Comptroller's exemption letter dated 11/20/14. Purchaser is using this purchase for the construction of a 108-unit affordable housing development in Houston, Texas, to be known as Dian Street Villas. Such construction of affordable housing has been determined by the Purchaser to be in furtherance of its exempt purpose under the Code.

I understand that I will be liable for payment of all state and local sales or use taxes which may become due for failure to comply with the provisions of the Tax Code and/or all applicable law.

I understand that it is a criminal offense to give an exemption certificate to the seller for taxable items that I know, at the time of purchase, will be used in a manner other than that expressed in this certificate, and depending on the amount of tax evaded, the offense may range from a Class C misdemeanor to a felony of the second degree.

sign here ▶ Purchaser	Title	Date
	Executive Director	4/5/2021

NOTE: This certificate cannot be issued for the purchase, lease, or rental of a motor vehicle.

THIS CERTIFICATE DOES NOT REQUIRE A NUMBER TO BE VALID.

Sales and Use Tax "Exemption Numbers" or "Tax Exempt" Numbers do not exist.

This certificate should be furnished to the supplier.
Do not send the completed certificate to the Comptroller of Public Accounts.

EXHIBIT G

FEDERAL LABOR STANDARDS PROVISION, MWSBE AND SECTION 3 CONTRACT REQUIREMENTS

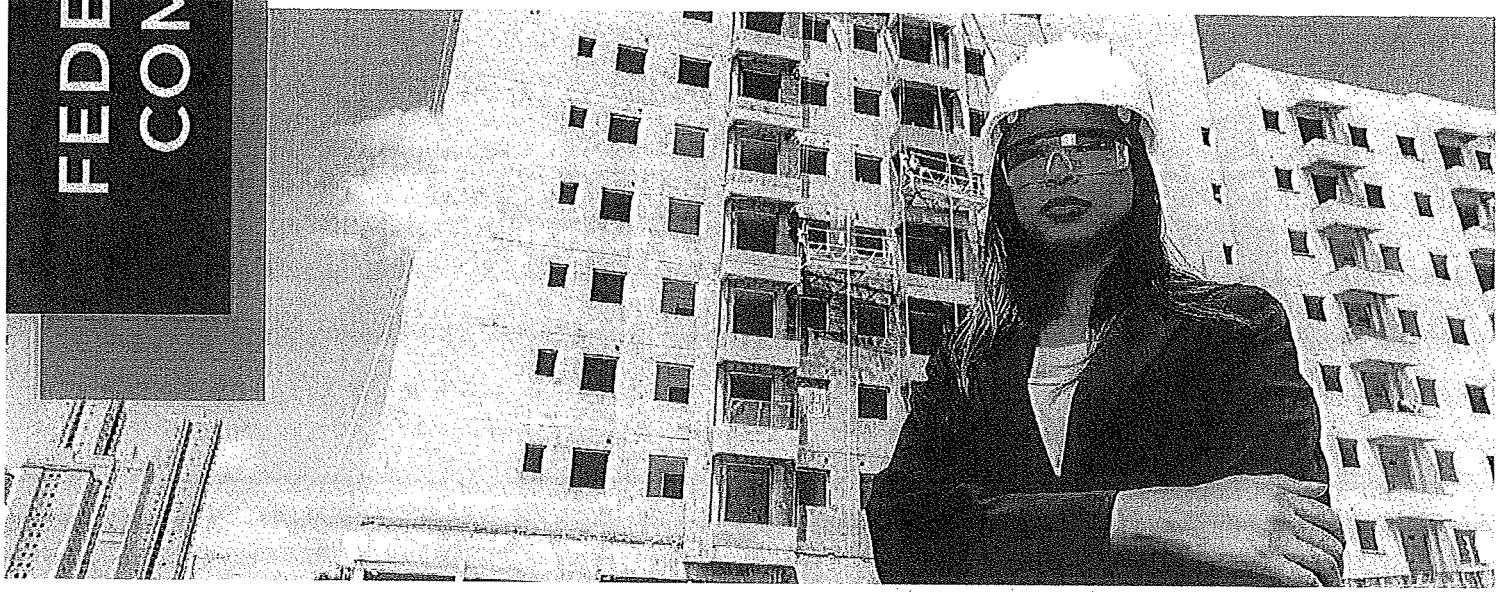
FEDERAL REGULATIONS COMPLIANCE PACKET

CITY OF HOUSTON

HOUSING AND COMMUNITY DEVELOPMENT DEPARTMENT

2100 Travis Street | 9th floor | Houston, TX 77002 | 832.394.6200

- **Federal Labor Standards Provisions**
- **Minority,Women & Small Business Enterprises (MWSBE)**
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CITY OF HOUSTON
HOUSING AND COMMUNITY DEVELOPMENT

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Applicability

The Project or Program to which the construction work covered by this contract pertains is being assisted by the United States of America and the following Federal Labor Standards Provisions are included in this Contract pursuant to the provisions applicable to such Federal assistance.

A. 1. (i) Minimum Wages. All laborers and mechanics employed or working upon the site of the work, will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR Part 3), the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the contractor and such laborers and mechanics. Contributions made or costs reasonably anticipated for bona fide fringe benefits under Section l(b)(2) of the Davis-Bacon Act on behalf of laborers or mechanics are considered wages paid to such laborers or mechanics, subject to the provisions of 29 CFR 5.5(a)(1)(iv); also, regular contributions made or costs incurred for more than a weekly period (but not less often than quarterly) under plans, funds, or programs, which cover the particular weekly period, are deemed to be constructively made or incurred during such weekly period.

Such laborers and mechanics shall be paid the appropriate wage rate and fringe benefits on the wage determination for the classification of work actually performed, without regard to skill, except as provided in 29 CFR 5.5(a)(4). Laborers or mechanics performing work in more than one classification may be compensated at the rate specified for each classification for the time actually worked therein: Provided, That the employer's payroll records accurately set forth the time spent in each classification in which work is performed. The wage determination (including any additional classification and wage rates conformed under 29 CFR 5.5(a)(1)(ii) and the Davis-Bacon poster (WH-1321) shall be posted at all times by the contractor and its subcontractors at the site of the work in a prominent and accessible, place where it can be easily seen by the workers.

(ii) (a) Any class of laborers or mechanics which is not listed in the wage determination and which is to be employed under the contract shall be classified in conformance with the wage determination. HUD shall approve an additional classification and wage rate and fringe benefits therefor only when the following criteria have been met:

(1) The work to be performed by the classification requested is not performed by a classification in the wage determination; and

(2) The classification is utilized in the area by the construction industry; and

(3) The proposed wage rate, including any bona fide fringe benefits, bears a reasonable relationship to the wage rates contained in the wage determination.

(b) If the contractor and the laborers and mechanics to be employed in the classification (if known), or their representatives, and HUD or its designee agree on the classification and wage rate (including the amount designated for fringe benefits where appropriate), a report of the action taken shall be sent by HUD or its designee to the Administrator of the Wage and Hour Division, Employment Standards Administration, U.S. Department of Labor, Washington, D.C. 20210. The Administrator, or an authorized representative, will approve, modify, or disapprove every additional classification action within 30 days of receipt and so advise HUD or its designee or will notify HUD or its designee within the 30-day period that additional time is necessary. (Approved by the Office of Management and Budget under OMB control number 1215-0140.)

(c) In the event the contractor, the laborers or mechanics to be employed in the classification or their representatives, and HUD or its designee do not agree on the proposed classification and wage rate (including the amount designated for fringe benefits, where appropriate), HUD or its designee shall refer the questions, including the views of all interested parties and the recommendation of HUD or its designee, to the Administrator for determination. The Administrator, or an authorized representative, will issue a determination within 30 days of receipt and so advise HUD or its designee or will notify HUD or its designee within the 30-day period that additional time is necessary. (Approved by the Office of Management and Budget under OMB Control Number 1215-0140.)

(d) The wage rate (including fringe benefits where appropriate) determined pursuant to subparagraphs (1)(ii)(b) or (c) of this paragraph, shall be paid to all workers performing work in the classification under this contract from the first day on which work is performed in the classification.

(iii) Whenever the minimum wage rate prescribed in the contract for a class of laborers or mechanics includes a fringe benefit which is not expressed as an hourly rate, the contractor shall either pay the benefit as stated in the wage determination or shall pay another bona fide fringe benefit or an hourly cash equivalent thereof.

(iv) If the contractor does not make payments to a trustee or other third person, the contractor may consider as part

of the wages of any laborer or mechanic the amount of any costs reasonably anticipated in providing bona fide fringe benefits under a plan or program, Provided, That the Secretary of Labor has found, upon the written request of the contractor, that the applicable standards of the Davis-Bacon Act have been met. The Secretary of Labor may require the contractor to set aside in a separate account assets for the meeting of obligations under the plan or program. (Approved by the Office of Management and Budget under OMB Control Number 1215-0140.)

2. Withholding. HUD or its designee shall upon its own action or upon written request of an authorized representative of the Department of Labor withhold or cause to be withheld from the contractor under this contract or any other Federal contract with the same prime contractor, or any other Federally-assisted contract subject to Davis-Bacon prevailing wage requirements, which is held by the same prime contractor so much of the accrued payments or advances as may be considered necessary to pay laborers and mechanics, including apprentices, trainees and helpers, employed by the contractor or any subcontractor the full amount of wages required by the contract In the event of failure to pay any laborer or mechanic, including any apprentice, trainee or helper, employed or working on the site of the work, all or part of the wages required by the contract, HUD or its designee may, after written notice to the contractor, sponsor, applicant, or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds until such violations have ceased. HUD or its designee may, after written notice to the contractor, disburse such amounts withheld for and on account of the contractor or subcontractor to the respective employees to whom they are due. The Comptroller General shall make such disbursements in the case of direct Davis-Bacon Act contracts.

3. (i) Payrolls and basic records. Payrolls and basic records relating thereto shall be maintained by the contractor during the course of the work preserved for a period of three years thereafter for all laborers and mechanics working at the site of the work. Such records shall contain the name, address, and social security number of each such worker, his or her correct classification, hourly rates of wages paid (including rates of contributions or costs anticipated for bona fide fringe benefits or cash equivalents thereof of the types described in Section l(b)(2)(B) of the Davis-bacon Act), daily and weekly number of hours worked, deductions made and actual wages paid. Whenever the Secretary of Labor has found under 29 CFR 5.5 (a)(1)(iv) that the wages of any laborer or mechanic include the amount of any costs reasonably anticipated in providing benefits under a plan or program described in Section l(b)(2)(B) of the Davis-Bacon Act, the contractor shall maintain records which show that the commitment to provide such benefits is enforceable, that the plan or program is financially responsible, and that the plan or program has been communicated in writing to the laborers or mechanics affected, and records which show the costs anticipated or the actual cost incurred in providing such benefits. Contractors employing apprentices or trainees under approved programs shall maintain written evidence of the registration of apprenticeship programs and certification of trainee programs, the registration of the apprentices and trainees, and the ratios and wage rates prescribed in the applicable programs. (Approved by the Office of Management and Budget under OMB Control Numbers 1215-0140 and 1215-0017.)

(ii) (a) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to HUD or its designee if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant sponsor, or owner, as the case may be, for transmission to HUD or its designee. The payrolls submitted shall set out accurately and completely all of the information required to be maintained under 29 CFR 5.5(a)(3)(i) except that full social security numbers and home addresses shall not be included on weekly transmittals. Instead the payrolls shall only need to include an individually identifying number for each employee (e.g., the last four digits of the employee's social security number). The required weekly payroll information may be submitted in any form desired. Optional Form WH-347 is available for this purpose from the Wage and Hour Division Web site at http://www.dol.gov/esa/whd/forms/wh347instr.htm or its successor site. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors. Contractors and subcontractors shall maintain the full social security number and current address of each covered worker, and shall provide them upon request to HUD or its designee if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant sponsor, or owner, as the case may be, for transmission to HUD or its designee, the contractor, or the Wage and Hour Division of the Department of Labor for purposes of an investigation or audit of compliance with prevailing wage requirements. It is not a violation of this subparagraph for a prime contractor to require a subcontractor to provide addresses and social security numbers to the prime contractor for its own records, without weekly submission to HUD or its designee. (Approved by the Office of Management and Budget under OMB Control Number 1215-0149.)

(b) Each payroll submitted shall be accompanied by a "Statement of Compliance," signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract and shall certify the following:

(1) That the payroll for the payroll period contains the information required to be provided under 29 CFR 5.5 (a)(3)(ii), the appropriate information is being maintained under 29 CFR 5.5(a)(3)(i), and that such information is correct and complete;

(2) That each laborer or mechanic (including each helper, apprentice, and trainee) employed on the contract during the payroll period has been paid the full weekly wages earned, without rebate, either directly or indirectly, and that no deductions have been made either directly or indirectly from the full wages earned, other than permissible deductions as set forth in 29 CFR Part 3;

(3) That each laborer or mechanic has been paid not less than the applicable wage rates and fringe benefits or cash equivalents for the classification of work performed, as specified in the applicable wage determination incorporated into the contract.

(c) The weekly submission of a properly executed certification set forth on the reverse side of Optional Form WH-347 shall satisfy the requirement for submission of the "Statement of Compliance" required by subparagraph A.3.(ii)(b).

(d) The falsification of any of the above certifications may subject the contractor or subcontractor to civil or criminal prosecution under Section 1001 of Title 18 and Section 231 of Title 31 of the United States Code.

(iii) The contractor or subcontractor shall make the records required under subparagraph A.3.(i) available for inspection, copying, or transcription by authorized representatives of HUD or its designee or the Department of Labor, and shall permit such representatives to interview employees during working hours on the job. If the contractor or subcontractor fails to submit the required records or to make them available, HUD or its designee may, after written notice to the contractor, sponsor, applicant or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds. Furthermore, failure to submit the required records upon request or to make such records available may be grounds for debarment action pursuant to 29 CFR 5.12.

4. Apprentices and Trainees.

(i) Apprentices. Apprentices will be permitted to work at less than the predetermined rate for the work they performed when they are employed pursuant to and individually registered in a bona fide apprenticeship program registered with the U.S. Department of Labor, Employment and Training Administration, Office of Apprenticeship Training, Employer and Labor Services, or with a State Apprenticeship Agency recognized by the Office, or if a person is employed in his or her first 90 days of probationary employment as an apprentice in such an apprenticeship program, who is not individually registered in the program, but who has been certified by the Office of Apprenticeship Training, Employer and Labor Services or a State Apprenticeship Agency (where appropriate) to be eligible for probationary employment as an apprentice. The allowable ratio of apprentices to journeymen on the job site in any craft classification shall not be greater than the ratio permitted to the contractor as to the entire work force under the registered program. Any worker listed on a payroll at an apprentice wage rate, who is not registered or otherwise employed as stated above, shall be paid not less than the applicable wage rate on the wage determination for the classification of work actually performed. In addition, any apprentice performing work on the job site in excess of the ratio permitted under the registered program shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. Where a contractor is performing construction on a project in a locality other than that in which its program is registered, the ratios and wage rates (expressed in percentages of the journeyman's hourly rate) specified in the contractor's or subcontractor's registered program shall be observed. Every apprentice must be paid at not less than the rate specified in the registered program for the apprentice's level of progress, expressed as a percentage of the journeymen hourly rate specified in the applicable wage determination. Apprentices shall be paid fringe benefits in accordance with the provisions of the apprenticeship program. If the apprenticeship program does not specify fringe benefits, apprentices must be paid the full amount of fringe benefits listed on the wage determination for the applicable classification. If the Administrator determines that a different practice prevails for the applicable apprentice classification, fringes shall be paid in accordance with that determination. In the event the Office of Apprenticeship Training, Employer and Labor Services, or a State Apprenticeship Agency recognized by the Office, withdraws approval of an apprenticeship program, the contractor will no longer be permitted to utilize apprentices at less than the applicable predetermined rate for the work performed until an acceptable program is approved.

(ii) Trainees. Except as provided in 29 CFR 5.16, trainees will not be permitted to work at less than the predetermined rate for the work performed unless they are employed pursuant ',to and individually registered in a program which has received prior approval, evidenced by formal certification by the U.S. Department of Labor, Employment and Training Administration. The ratio of trainees to journeymen on the job site shall not be greater than permitted under the plan approved by the Employment and Training Administration. Every trainee must be paid at not less than the rate specified in the approved program for the trainee's level of progress, expressed as a percentage of the journeyman hourly rate specified in the applicable wage determination. Trainees shall be paid fringe benefits in accordance with the provisions of the trainee program. If the trainee program does not mention fringe benefits, trainees shall be paid the full amount of fringe benefits listed on the wage determination unless the Administrator of the Wage and Hour Division determines that there is an apprenticeship program associated with the corresponding journeyman wage rate on the wage determination which provides for less than full fringe benefits for apprentices. Any employee listed on the payroll at a trainee rate who is not registered and participating in a training plan approved by

the Employment and Training Administration shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. In addition, any trainee performing work on the job site in excess of the ratio permitted under the registered program shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. In the event the Employment and Training Administration withdraws approval of a training program, the contractor will no longer be permitted to utilize trainees at less than the applicable predetermined rate for the work performed until an acceptable program is approved.

(iii) Equal employment opportunity. The utilization of apprentices, trainees and journeymen under 29 CFR Part 5 shall be in conformity with the equal employment opportunity requirements of Executive Order 11246, as amended, and 29 CFR Part 30.

5. Compliance with Copeland Act requirements. The contractor shall comply with the requirements of 29 CFR Part 3 which are incorporated by reference in this contract

6. Subcontracts. The contractor or subcontractor will insert in any subcontracts the clauses contained in subparagraphs 1 through 11 in this paragraph A and such other clauses as HUD or its designee may by appropriate instructions require, and a copy of the applicable prevailing wage decision, and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime contractor shall be responsible for the compliance by any subcontractor or lower tier subcontractor with all the contract clauses in this paragraph.

7. Contract termination; debarment. A breach of the contract clauses in 29 CFR 5.5 may be grounds for termination of the contract and for debarment as a contractor and a subcontractor as provided in 29 CFR 5.12.

8. Compliance with Davis-Bacon and Related Act Requirements. All rulings and interpretations of the Davis-Bacon and Related Acts contained in 29 CFR Parts 1, 3, and 5 are herein incorporated by reference in this contract

9. Disputes concerning labor standards. Disputes arising out of the labor standards provisions of this contract shall not be subject to the general disputes clause of this contract. Such disputes shall be resolved in accordance with the procedures of the Department of Labor set forth in 29 CFR Parts 5, 6, and 7. Disputes within the meaning of this clause include disputes between the contractor (or any of its subcontractors) and HUD or its designee, the U.S. Department of Labor, or the employees or their representatives.

10. (i) Certification of Eligibility. By entering into this contract the contractor certifies that neither it (nor he or she) nor any person or firm who has an interest in the contractor's firm is a person or firm ineligible to be awarded Government contracts by virtue of Section 3(a) of the Davis-Bacon Act or 29 CFR 5.12(a)(1) or to be awarded HUD contracts or participate in HUD programs pursuant to 24 CFR Part 24.

(ii) No part of this contract shall be subcontracted to any person or firm ineligible for award of a Government contract by virtue of Section 3(a) of the Davis-Bacon Act or 29 CFR 5.12(a)(1) or to be awarded HUD contracts or participate in HUD programs pursuant to 24 CFR Part 24.

(iii) The penalty for making false statements is prescribed in the U.S. Criminal Code, 18 U.S.C. 1001. Additionally, U.S. Criminal Code, Section 1 01 0, Title 18, U.S.C., "Federal Housing Administration transactions", provides in part: "Whoever, for the purpose of . . . influencing in any way the action of such Administration..... makes, utters or publishes any statement knowing the same to be false..... shall be fined not more than $5,000 or imprisoned not more than two years, or both."

11. Complaints, Proceedings, or Testimony by Employees. No laborer or mechanic to whom the wage, salary, or other labor standards provisions of this Contract are applicable shall be discharged or in any other manner discriminated against by the Contractor or any subcontractor because such employee has filed any complaint or instituted or caused to be instituted any proceeding or has testified or is about to testify in any proceeding under or relating to the labor standards applicable under this Contract to his employer.

B. Contract Work Hours and Safety Standards Act. The provisions of this paragraph B are applicable where the amount of the prime contract exceeds $100,000. As used in this paragraph, the terms "laborers" and "mechanics" include watchmen and guards.

(1) Overtime requirements. No contractor or subcontractor contracting for any part of the contract work which may require or involve the employment of laborers or mechanics shall require or permit any such laborer or mechanic in any workweek in which the individual is employed on such work to work in excess of 40 hours in such workweek unless such laborer or mechanic receives compensation at a rate not less than one and one-half times the basic rate of pay for all hours worked in excess of 40 hours in such workweek.

(2) Violation; liability for unpaid wages; liquidated damages. In the event of any violation of the clause set forth in subparagraph (1) of this paragraph, the contractor and any subcontractor responsible therefor shall be liable for the unpaid wages. In addition, such contractor and subcontractor shall be liable to the United States (in the case of work done under contract for the District of Columbia or a territory, to such District or to such territory), for liquidated damages. Such liquidated damages shall be computed with respect to each individual laborer or mechanic, including watchmen and guards, employed in violation of the clause set forth in subparagraph (1) of this paragraph, in the sum of $10 for each calendar day on which such individual was required or permitted to work in excess of the standard workweek of 40 hours without payment of the overtime wages required by the clause set forth in sub paragraph (1) of this paragraph.

(3) Withholding for unpaid wages and liquidated damages. HUD or its designee shall upon its own action or upon written request of an authorized representative of the Department of Labor withhold or cause to be withheld, from any moneys payable on account of work performed by the contractor or subcontractor under any such contract or any other Federal contract with the same prime contract, or any other Federally-assisted contract subject to the Contract Work Hours and Safety Standards Act which is held by the same prime contractor such sums as may be determined to be necessary to satisfy any liabilities of such contractor or subcontractor for unpaid wages and liquidated damages as provided in the clause set forth in subparagraph (2) of this paragraph.

(4) Subcontracts. The contractor or subcontractor shall insert in any subcontracts the clauses set forth in subparagraph (1) through (4) of this paragraph and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime contractor shall be responsible for compliance by any subcontractor or lower tier subcontractor with the clauses set forth in subparagraphs (1) through (4) of this paragraph.

C. Health and Safety. The provisions of this paragraph C are applicable where the amount of the prime contract exceeds $100,000.

(1) No laborer or mechanic shall be required to work in surroundings or under working conditions which are unsanitary, hazardous, or dangerous to his health and safety as determined under construction safety and health standards promulgated by the Secretary of Labor by regulation.

(2) The Contractor shall comply with all regulations issued by the Secretary of Labor pursuant to Title 29 Part 1926 and failure to comply may result in imposition of sanctions pursuant to the Contract Work Hours and Safety Standards Act, (Public Law 91-54, 83 Stat 96). 40 USC 3701 et seq.

(3) The contractor shall include the provisions of this paragraph in every subcontract so that such provisions will be binding on each subcontractor. The contractor shall take such action with respect to any subcontractor as the Secretary of Housing and Urban Development or the Secretary of Labor shall direct as a means of enforcing such provisions.

CITY OF HOUSTON'S CODE OF ORDIANCE ARTICLE V. MINORITY, WOMEN, AND SMALL BUSINESS ENTERPRISES

Sec. 15-81. - Declaration of policy.

(a) It is the policy of the city to stimulate the growth of local minority, women and small business enterprises by encouraging the full participation of these business enterprises in various phases of city contracting, as set forth in this article. The purposes and objectives of this article are:

(1) To promote equal opportunity for participation amongst local minority, women and small business enterprises in all phases of city contracting;

(2) To increase the utilization of such local firms in providing certain goods and services;

(3) To provide opportunities to broaden and enhance local firms' ranges of capacities; and

(4) To increase opportunities for such local firms to serve as contractors, in addition to acting as subcontractors to others, there applicable, in an effort to remedy discriminatory practices and eliminate statistical disparities in city contracting.

(b) This article is intended to be remedial in nature and to continue only until its purposes and objectives are achieved. At least every five years the city shall make its best efforts to initiate a review of its minority and women business enterprise program, the results of which shall be provided to city council, who shall determine, upon its receipt of recommendations and the consideration of other relevant information from the OBO director, whether there is strong statistical and anecdotal evidence of discrimination against minority and women business enterprises in city contracting warranting the continuation of a race and gender conscious minority and women business enterprise program.

(Ord. No. 2013-428, § 10(Exh. A), 5-8-2013, eff. 7-1-2013)

Sec. 15-82. - Definitions.

The following words and phrases, when used in this article and in article VI of this chapter, shall have the meanings provided in this section, unless the context clearly indicates another meaning. For the purpose of these definitions, the singular shall also include the plural, and the plural shall also include the singular.

Bidder means any person or legal entity which submits a bid or proposal to provide labor, goods or services to the city by contract for profit.

Commercially useful function means a discrete task or group of tasks, the responsibility for performance of which shall be discharged by the MWSBE by using its own forces or by actively supervising on-site the execution of the tasks by another entity for whose work the MWSBE is responsible. In determining whether a MWSBE is performing a commercially useful function, factors including but not limited to the following shall be considered: (1) whether it has the skill and expertise to perform the work for which it is being utilized and possesses all the necessary licenses; (2) whether it is in the business of performing, managing or supervising the work for which it has been certified and is being utilized; and (3) whether it is performing a real and actual service that is a distinct and verifiable element of the work called for in a contract. MWSBEs shall be responsible for performing more than fifty percent of the task or group of tasks being counted toward the applicable participation goal unless subcontracting such task or group of tasks in excess of fifty percent has been expressly authorized via a waiver by the OBO director.

Contractor means any person or legal entity providing goods, labor, or services to the city by contract for profit.

Established business enterprise means a MWSBE or any business applying for certification as a MWSBE that, by virtue of its size meets or exceeds the standards promulgated by the U.S. Small Business

Administration for that category of business, as determined by the procedures described in section 15-87(a) of this Code.

Goal-oriented contract means any contract, agreement or other undertaking anticipated for construction work in excess of $1,000,000.00 and for the supply of goods or nonpersonal or nonprofessional services in excess of $100,000.00:

a. For which competitive bids are required by law;

b. Which is not within the scope of the disadvantaged business enterprise programs of the United States Environmental Protection Agency or the United States Department of Transportation or any other federal or state agency having jurisdiction; and

c. That the initiating city department, in consultation with the OBO director, determines has significant subcontracting potential in fields in which there are adequate numbers of known MWSBEs to compete for and perform the subcontract service(s).

Good faith efforts shall refer to steps taken to achieve a MWSBE goal or other requirements which, by their scope, intensity and usefulness demonstrate a bidder's responsiveness to fulfill the business opportunity objective prior to the award of a contract and a contractor's responsibility to put forth measures to meet or exceed a MWSBE goal throughout the duration of the contract.

Joint venture means an association of a MWSBE and one or more other firms to carry out a single, for-profit business enterprise, for which the parties combine their property, capital, efforts, skills and knowledge, and in which the MWSBE is responsible for a distinct, clearly defined portion of the work of the contract and whose share in the capital contribution, control, management, risks, and profits of the joint venture are commensurate with its ownership interest.

Local firm, local MWSBE, or *locally based when describing a firm or entity seeking certification* means a sole proprietorship, partnership, corporation or any other business entity with a significant business presence in the Houston-Sugar Land-Baytown metropolitan statistical area, as defined by the Office of Management and Budget within the Executive Office of the President of the United States. A significant business presence includes the requirement that a MWSBE have an established place of business in the Houston-Sugar Land-Baytown metropolitan statistical area at which one or more of its employees is regularly based and that such place of business has a substantial role in the MWSBE's performance of a commercially useful function.

MWSBE means, collectively, MBEs, WBEs, and SBEs.

Minority business enterprise or *MBE* means a business which is:

a. A sole proprietorship in which the owner is a minority person who owns, controls and manages the business; or

b. A corporation in which at least 51 percent of the stock or of the assets of such corporation is owned, controlled and managed by one or more minority persons; or

c. A partnership in which at least 51 percent of the assets of such partnership is owned, controlled and managed by one or more minority persons; or

d. Any other business or professional entity in which at least 51 percent of the assets in such business or professional entity is owned, controlled and managed by one or more minority persons; or

e. Any entity in which at least 51 percent of the assets of such entity is owned, controlled and managed by one or more minority persons and one or more women and such minority person; or

f. A business which has been certified as an MBE by the office of business opportunity under any other recognized MBE program.

Minority person means a citizen or legal resident alien of the United States who is:

a. Black American, which includes persons having origins in any of the black racial groups of Africa;

b. Hispanic American, which includes persons of Mexican, Puerto Rican, Cuban, Central or South American, or other Spanish or Portuguese culture or origin, regardless of race;

c. Asian-Pacific American, which includes persons having origins from Japan, China, Taiwan, Korea, Burma (Myanmar), Vietnam, Laos, Cambodia (Kampuchea), Thailand, Malaysia, Indonesia, the Philippines, Brunei, Samoa, Guam, the U.S. Trust Territories of the Pacific Islands (Republic of Palau), the Commonwealth of the Northern Marianas Islands, Macao, Fiji, Tonga, Kiribati, Juvalu, Nauru, the Federated States of Micronesia, or Hong Kong, or the region generally known as the Far East;

d. Native American, which includes persons having origins in any of the original peoples of North America, American Indian, Eskimo, Aleut, Native Hawaiian; or

e. Subcontinent Asian American, which includes persons whose origins are from India, Pakistan, Bangladesh, Bhutan, the Maldives Islands, Nepal, or Sri Lanka.

Origin or descent can be regarded as the ancestry, nationality group, lineage or country in which the person or persons' parents or ancestors were born before their arrival in the United States.

Owned, controlled and managed means that the one or more minority persons or women who own the requisite interests in or assets of a business applying for minority or women business enterprise certification possesses equivalent incidents of such ownership, including an equivalent interest in profit and loss, and has contributed an equivalent percentage of capital and equipment to the business. Contributions of capital and equipment must be real and substantial. In instances where expertise is relied upon to demonstrate ownership, control, and management, it must be shown that the expertise is: (1) in a specialized field; (2) in an area critical to the firm's operation and performance of a commercially useful function; (3) critical to the firm's continued success; and (4) documented in the records of the firm, including but not limited to documentation showing the particular expertise and its value to the firm. Additionally, the individual whose expertise is relied upon must have a significant financial investment in the business. Ownership shall be measured as though not subject to the community property interest of a spouse, if both spouses certify in writing that the nonparticipating spouse relinquishes control over his or her community property interest in the subject business (but by doing so is not required to transfer to his or her spouse his or her community property ownership interest or to characterize the property as the separate property of the spouse). The one or more minority person or woman owners shall have recognized, ultimate control over all day-to-day business decisions affecting the MBE or WBE and shall hold a title commensurate with such control. Such ultimate control shall be known to and at least tacitly acknowledged in day-to-day operations by employees of the business.

Regulated contract means any contract, agreement or other undertaking:

a. For which competitive bids are not required by law;

b. That is not covered by the MBE/WBE programs of the United States Environmental Protection Agency or the United States Department of Transportation or any other federal or state agency having jurisdiction; and

c. That the recommending city department has determined, in consultation with the director of the office of business opportunity either:

   1. Has significant subcontracting potential in fields in which there are sufficient known MWSBEs to perform the particular subcontract service(s); or

   2. Is of a type for which there are sufficient known MWSBEs which have represented their ability to perform the prime contract service to afford effective competition for the prime contract.

Small business enterprise or *SBE* means a firm whose gross revenues or number of employees, averaged over the past three years, inclusive of any affiliates as defined by 13 CFR Section 121.103, does not exceed the size standards defined in Section 3 of the Federal Small Business Act and applicable Small Business Administration regulations related to the size standards found in 13 CFR Part 121. The term shall also include a certified minority/women business enterprise defined in this Code.

Subcontractor means any business providing goods, labor or services to a contractor if such goods, labor or services are procured or used in fulfillment of the contractor's obligations arising from a contract with the City of Houston.

Woman means a person who is a citizen or legal resident alien of the United States and who is of the female gender.

Women business enterprise or *WBE* means a business which is:

a. A sole proprietorship in which the owner is a woman who owns, controls and manages the business; or

b. A corporation in which at least 51 percent of the stock or assets of such corporation is owned, controlled and managed by one or more women; or

c. A partnership in which at least 51 percent of the assets of such partnership is owned, controlled and managed by one or more women; or

d. Any other business or professional entity in which at least 51 percent of the assets in such business or professional entity is owned, controlled and managed by one or more women; or

e. Any entity in which at least 51 percent of the assets of such entity is owned, controlled and managed by one or more minority persons and one or more women; or

f. A business which has been certified as a WBE by the office of business opportunity under any other recognized WBE program.

(Ord. No. 2013-428, § 10(Exh. A), 5-8-2013, eff. 7-1-2013)

Sec. 15-83. - Program elements.

(a) Based upon a review of annual awards and purchases by affected city departments, the office of business opportunity shall each year submit a progress report to the city council. The report shall include two percentage figures that are intended to as closely as possible represent the ratio of the prior year's measured utilization and availability of local MWSBEs to do business in:

(1) The supply of goods and nonpersonal or nonprofessional services; and

(2) The performance of personal or professional services;

to the prior year's total local business community utilization and availability to do business in each of the two named fields of city contracting.

In addition, the report shall include percentage figures that are intended to as closely as possible represent the ratio of the prior year's measured utilization and availability of local MWSBEs to do business in construction to the prior year's total local business community utilization and availability to do business in city construction contracting. The report may also include figures and other evidence of factors prescribed in Part 26, Title 49 of the Code of Federal Regulations in the year the report is made that may affect the aforementioned ratio of utilization and availability.

(b) Based upon the measured utilization and availability and any other relevant factors prescribed in Part 26, Title 49 of the Code of Federal Regulations and identified in the report submitted pursuant to subsection (a) above, city council shall from time to time set annual city-wide percentage goals for city contracting with MWSBEs in each of the two named categories described in subsection (a)(1) and (2) above and for contracting with MWSBEs in the construction category. The adjustment, if any, in the percentage goals shall be made during the first quarter of the fiscal year.

(c) It is the responsibility of each city department to determine which contracts initiated by it are goal-oriented contracts and which are regulated contracts. If the determination is made that a contract is a goal-oriented contract or a regulated contract, the initiating department shall review the contract and shall determine, by reference to the MWSBE register, the number of certified MWSBEs in each of the two named categories described in subsection (a)(1) and (2), above, and for construction, the number of certified MWSBEs in the construction category. The initiating department director or his or her designee shall determine whether the contract is one to which MWSBE provisions should be applied.

(1) These provisions are not required to be applied in the following circumstances:

a. A public or administrative emergency exists which requires the goods or services to be provided with unusual immediacy;

b. The service or goods requested are of such a specialized, technical or unique nature as to require the city department to be able to select its contractor without application of MWSBE provisions (such as contracts for expert witnesses, certain financial advisors or technical consultants);

c. If application of MWSBE provisions would impose an unwarranted economic burden or risk on the city or unduly delay acquisition of the goods or services, or would otherwise not be in the best interest of the city; or

d. If the possible MWSBE participation level based on MWSBE availability would produce negligible MWSBE participation.

If one of the above-listed conditions is determined to exist, the department director shall certify that determination in writing prior to the award of the contract, specifying the conditions which lead to the determination, and submit the determination to the OBO director for review and approval.

(2) If the contract does not fall within one of the above-listed exceptions, based upon its overall review, the initiating department shall assign an appropriate MWSBE participation level, if any, for the contract (whether goal-oriented or regulated) considering the local availability of certified MWSBEs in the contract field.

The intention of this article is to provide administrative flexibility in the application of MWSBE provisions of this Code and in the percentage participation level on a contract-by-contract basis so as not to limit access to city contracting by nonminority-owned, nonwomen-owned or established business enterprises to a greater degree than necessary to meet the city-wide annual goal and the policies and objectives of this article.

(d) The bidding documents and the contract documents for goal-oriented contracts for which a MWSBE participation level has been established shall contain a provision detailing the purposes and objectives of the city's MWSBE ordinance and shall incorporate by reference this article and the then-current motion or ordinance establishing MWSBE annual goals. Regulated contracts which are determined to have significant subcontracting potential for which a MWSBE participation level has been established shall contain contractual provisions (and proposal provisions if submitted for proposals or for bids) requiring the contractor to meet or exceed the determined MWSBE participation level for that contract, or to establish that it has made good-faith efforts to do so, and that notwithstanding such efforts, was unable to meet or exceed the determined participation levels. The OBO director shall establish procedures defining good-faith efforts. These procedures will be reviewed and approved by the mayor and the city attorney.

(Ord. No. 2013-428, § 10(Exh. A), 5-8-2013, eff. 7-1-2013)

Sec. 15-84. - Office of business opportunity.

(a) Applications for certification as a MWSBE and any addenda thereto shall be made on a form promulgated by the OBO director, and the requirements for certification shall be consistent with the applicable requirements set forth in subsection (b) below.

(b) The office of business opportunity has responsibility for:

(1) Establishing procedures for the implementation of this article, and reviewing and approving procedures established by city departments, such procedures to be narrowly designed to attain the purposes and objectives specified herein without unduly limiting nonminority-owned or nonwoman-owned or established business enterprises. Such procedures shall be reviewed and approved by the mayor and by the city attorney prior to implementation;

(2) Certifying businesses as minority, small or women business enterprises and maintaining and distributing to affected city departments a current register, updated monthly, of such business (including a separate listing of such businesses whose applications for certification are pending) specifying the categories of city contracting represented by the certified MWSBEs;

(3) Developing educational programs for and otherwise assisting (without offering favoritism in relation to the competitive bidding system) MWSBEs to compete effectively for city contracts;

(4) Making recommendations to the mayor, city council and city departments to further the policies and objectives of this article, including but not limited to assisting city departments in setting contract-specific MWSBE goals;

(5) Reviewing documentation from potential contractors and from contractors concerning good-faith efforts made to meet or exceed the participation level for contracts. The final recommendation to city council for award or for acceptance of work shall be the city department's, although the office of business opportunity may take exception;

(6) Compiling a report of the progress of city departments, by department, in attaining the city-wide goals set by city council. This report shall be based upon MWSBE contractor and subcontractor information, to be specified by the office of business opportunity. Upon completion, the report is to be submitted quarterly to city council members, the mayor and all affected city department directors for their information;

(7) Receiving and reviewing complaints and suggestions concerning the MWSBE program from contractors, MWSBEs and city departments; and

(8) Without limiting the authority of the office of business opportunity to establish procedures that are consistent with the terms of this article, the office of business opportunity is specifically directed to promulgate and implement procedures as follows:

a. Grievance procedures for any person aggrieved by any decision of the office of business opportunity under this article. The procedures shall include notice and a hearing before an impartial hearing officer who shall be appointed by the mayor;

b. Mediation procedures for the resolution of disputes between contractors or bidders and MWSBE participants or potential participants with respect to any aspect of compliance with this article, including, without limitation, any assertion that a contractor, subcontractor, or MWSBE has failed to make good faith efforts to comply with this article;

c. Procedures to implement and enforce any sanctions provided under this article;

d. Procedures to ensure performance of work by MWSBEs, which procedures shall include: (i) a requirement that no more than 50 percent of their work may be subcontracted, without a specific waiver from the office of business opportunity for cause; (ii) a requirement that the minority person, small business or woman owner of a MWSBE have the necessary experience, expertise, credentials and regulatory authority to conduct the type of business for which the business is certified; (iii) a requirement that bidders and contractors make good faith efforts to meet or exceed contract MWSBE goals; and (iv) a requirement that MWSBEs accurately represent all material information required for certification and truly perform a commercially useful function;

e. Procedures for counting participation by MWSBEs as prime contractors, subcontractors, suppliers and joint venturers on city contracts, which procedures shall ensure that all work performed by MWSBEs is included in the computation of the progress made toward meeting the annual city-wide goals;

f. Procedures to ensure that this article is limited in its application to the certification of locally based MWSBEs;

g. Procedures to coordinate the operation of this article with other local MWSBE programs, which may include reliance upon certification procedures of other entities that are determined to be reliable and equivalent to this article;

h. Procedures to ensure access to necessary records of prime contractors and subcontractors on city contracts; and

i. Procedures for handling theft of services (wage theft) complaints of employees of city contractors and subcontractors.

(c) MWSBE certification shall be valid for a period of three years from the date of certification; provided, however, all applicants certified as MWSBEs shall be subject to review on an annual basis pursuant to procedures established by the OBO director to ensure compliance with all applicable provisions of this article.

(d) Applications for renewal of MWSBE certification shall be evaluated under the same criteria and subject to the same manner of review as original applications.

(e) All procedures established under this section shall be reviewed and approved by the city attorney prior to implementation. A copy of all procedures hereunder shall be maintained in the office of business opportunity for inspection, and copies may be purchased at the fees prescribed by law.

(Ord. No. 2013-428, § 10(Exh. A), 5-8-2013, eff. 7-1-2013)

Sec. 15-84.1. - Responsibilities of city departments; department utilization plan.

(a) Each department director shall be accountable for the oversight and implementation of the following activities:

(1) Informing MWSBE organizations or associations of the department's procurement procedures and future procurement opportunities;

(2) Ensuring that department bid solicitations and requests for proposals are sent to MWSBEs in a timely manner;

(3) Referring MWSBEs to technical assistance services available from the office of business opportunity and other organizations that provide such services;

(4) Reviewing each request for waiver or modification of participation goals prior to its submission to the office of business opportunity for approval;

(5) Monitoring the department's procurement activities to ensure compliance with and progress towards the city-wide participation goals; and

(6) Providing the OBO director with the departmental utilization plan prescribed in subsection (b) of this section and any other documentation requested by the office of business opportunity necessary in evaluating a department's progress in achieving city-wide participation goals.

(b) Each department that has procured goods and services in excess of three million dollars during the fiscal year ending on June 30 th of the preceding calendar year shall be required to submit a departmental utilization plan for the following fiscal year commencing on July 1 st . Departmental utilizations plans shall be submitted on or before June 15, 2014, and not later than June 15 th of each calendar year thereafter.

(c) Each department director shall be responsible for creating, submitting, and implementing an annual departmental utilization plan that shall include, at a minimum, the following:

(1) The department's forecast of anticipated projects and contract specific goals for the upcoming fiscal year;

(2) A detailed, written explanation for any departmental goal that is not consistent with the overall city-wide goals for MWSBE participation;

(3) A list of the names and titles of department personnel responsible for the implementation of the departmental utilization plan;

(4) The methods and relevant activities proposed for achieving the department's participation goals; and

(5) Any other information the department director deems relevant or necessary.

(d) Upon review by the OBO director, all departmental utilization plans shall be submitted to the mayor and city council for final approval.

(e) A departmental utilization plan may be amended to reflect changes in the department's projected procurements, expenditures, or other relevant circumstances and resulting changes in the department's participation goals. Such amendments shall be submitted to the OBO director for review and shall be submitted to city council for final approval not less than 30 days prior to the proposed date of implementation.

(f) Each department director shall be accountable for setting and making reasonable efforts to meet the participation goals stated its departmental utilization plan. Departments shall, at minimum, engage in outreach activities that encourage eligible businesses to apply for certification as MWSBEs and encourage MWSBEs to participate in all facets of the procurement process and compete for city contracts, including contracts awarded by negotiated acquisition and emergency and sole source contracts.

(Ord. No. 2013-428, § 10(Exh. A), 5-8-2013, eff. 7-1-2013)

Sec. 15-85. - Filing of plan.

Before execution of any contract or issuance of any purchase order for which a MWSBE goal has been established, a bidder or potential contractor shall submit a plan setting forth how it intends to meet the contract MWSBE goal or documentation demonstrating its proof of good faith efforts to meet the contract MWSBE goal. After execution of a contract or receipt of a purchase order, the contractor shall comply with the submitted plan, unless it has received approval from the OBO director for a deviation therefrom. Approval shall not be unreasonably withheld. While it is not a requirement that a contractor meet its goal, it is required that the contractor objectively demonstrate to the office of business opportunity that it has made good faith efforts to meet the goal. To this end, the contractor shall maintain records as prescribed by the office of business opportunity demonstrating its efforts at compliance. The contractor shall be required to submit to the office of business opportunity reports of its efforts under this article in such form or manner as shall be prescribed by the OBO director.

(Ord. No. 2013-428, § 10(Exh. A), 5-8-2013, eff. 7-1-2013)

Sec. 15-86. - Sanctions.

(a) The OBO director is authorized to suspend any contractor who has failed to make good faith efforts to meet any goal established under this article from engaging in any contract with the city for a period up to, but not to exceed, five years. The OBO director is also authorized to suspend any MWSBE who has failed to make good faith efforts to meet all requirements necessary for participation as a MWSBE from engaging in any contract affected by this article for a period up to, but not to exceed, five years.

(b) In accordance with section 15-84 of this Code, the office of business opportunity shall establish procedures for the imposition of sanctions and shall ensure that no sanction is imposed without notice of the grounds being given and an opportunity for a hearing consistent with the procedures set forth in sections 15-22, 15-23, and 15-24 of this Code. Any procedure established shall be consistent with state law.

(Ord. No. 2013-428, § 10(Exh. A), 5-8-2013, eff. 7-1-2013)

Sec. 15-87. - Determination of established business enterprise status.

(a) Based upon a review of data submitted by MWSBEs or MWSBE applicants and any other information available from its files or the files of any other governmental entity, the office of business opportunity shall determine the size of each MWSBE or MWSBE applicant by determining the average of the gross receipts for the prior three years and the average number of employees for the 12 calendar months immediately preceding the review, as applicable. The calculation of size shall be based solely upon the size standards and methods of calculation identified by the U.S. Small Business Administration (SBA) including, without limitation those set forth in 13 C.F.R. part 121, subpart A, secs. 121.101 through 121.107, and sec. 121.201, any amendment or successor thereto, or any other document defining such size standards or the calculation thereof that has been fully and finally adopted by the SBA. The review shall be applicable to business entities applying for initial certification as a MWSBE or to certified MWSBEs, provided that such review may not be initiated until the applicant or certified MWSBE has established a business history of sufficient length to allow calculation of size based on the three year financial or 12 month employee data, as applicable.

(b) Following the review described in this section, each certified MWSBE or MWSBE applicant shall be re-evaluated under this section on an annual basis based upon the size standards and methods of calculation

identified by the SBA and procedures established by the OBO director to ensure compliance with all applicable provisions of this article.

(c) All MWSBEs and MWSBE applicants shall, upon written request of the OBO director, provide to the office of business opportunity copies of any and all documents, including without limitation financial statements and tax records, requested by the director in connection with the review authorized in subsection (a) of this section, not later than 20 business days following the date of mailing of the request. Failure to timely and completely comply with any such request will authorize the imposition of sanctions under section 15-86 of this Code, or denial of certification in the case of a MWSBE applicant.

(d) Following the review authorized by subsection (a) of this section, the office of business opportunity shall classify each MWSBE or MWSBE applicant whose size meets or exceeds the size standard identified by the SBA for that class of enterprise as an established business enterprise. The classification shall be effective as of the date of mailing of the notice provided in section 15-88 of this Code.

(Ord. No. 2013-428, § 10(Exh. A), 5-8-2013, eff. 7-1-2013)

Sec. 15-88. - Notice, appeal and waiver.

(a) Immediately upon classification of a certified MWSBE or MWSBE applicant as an established business enterprise pursuant to section 15-87 of this Code, the office of business opportunity shall notify the business so classified of the action by United States certified mail, return receipt requested, addressed to the last known address of the business and deemed given when placed in a United States mail depository.

(b) Each notice shall inform the affected MWSBE or MWSBE applicant of the following matters: (1) That the MWSBE or MWSBE applicant has been classified as an established business enterprise;

(2) That the classification is effective as of the date of mailing of the notice;

(3) That the MWSBE or MWSBE applicant may appeal the classification or seek a waiver of the classification pursuant to the procedures established under this section;

(4) That the provisions of section 15-89 of this chapter shall become enforceable with respect to any certified MWSBE one year following the notice of classification, unless the decision is reversed or a waiver is granted and the classification is withdrawn prior to the expiration of the one-year period; and

(5) That any MWSBE applicant deemed ineligible for certification based upon its classification as an established business enterprise shall remain ineligible for certification unless and until any withdrawal of the classification as an established business enterprise is granted pursuant to an appeal or a request for waiver conducted under this section.

(c) In order to appeal a classification as an established business enterprise, a MWSBE or MWSBE applicant must submit to the OBO director a written notice of appeal no later than 60 days following the date of mailing of the notice of classification. The sole basis for an appeal shall be that the office of business opportunity has incorrectly calculated the size of the business according to SBA standards based upon incorrect information or error in computation. The notice of appeal shall be accompanied by any documentation necessary to demonstrate the asserted error. If the OBO director finds that an error or errors were made in calculating the size of the business and that any such error resulted in an incorrect classification as an established business enterprise, the classification shall be withdrawn and the business promptly notified of the withdrawal. If the OBO director finds that no error was made, or that any error would not materially alter the classification, he shall notify the business that the classification is not altered, by certified mail, return receipt requested. The business may within ten days of the date of mailing of the notice submit to the OBO director a written request for a hearing, which hearing shall be conducted under the procedures set forth in subsections (e) through (g) of this section.

(d) In order to seek a waiver of a classification as an established business enterprise, a MWSBE or MWSBE applicant must submit to the OBO director a written request for a hearing no later than 60 days following the date of mailing of the notice of classification. The written request shall include documentary evidence, including but not limited to financial statements and tax records, relevant to the following criteria:

(1) Profitability of the enterprise;

(2) Sales of the enterprise, including a demonstration that 55 percent or more of the enterprise's sales, within the period utilized by the office of business opportunity in its classification determination, are not related to city contracts;

(3) Ability of the MWSBE or MWSBE applicant to obtain bonding, if the enterprise acts as a prime contractor or in a category in which obtaining bonding is required; and

(4) Positive comparison of the enterprise's business and financial profile with those of non-MWSBE firms in the same business category based on an objective industry standard.

(e) The OBO director shall notify the affected MWSBE or MWSBE applicant of the place and time of a hearing before the OBO director or his designee to consider an appeal requested under subsection (c) of this section, or a request for waiver of the classification under subsection (d) of this section, or both, as applicable, by United States certified mail, return receipt requested. The hearing shall be set not later than 30 days following receipt of the request, provided that the OBO director or his designee may in his discretion extend such date by a reasonable period for good and sufficient cause shown. Hearings for businesses that have both appealed under subsection (c) of this section and requested a waiver under subsection (d) of this section may be consolidated in a single hearing at the discretion of the OBO director or his designee.

(f) The OBO director shall promulgate written procedures for the conduct of hearings. The OBO director or his designee shall hear each appeal or request for waiver and shall consider only the criteria set forth under subsections (c) and (d)(1) through (d)(4) of this section, as applicable, in determining whether to withdraw the classification of the affected business as an established business enterprise. The OBO director shall develop objective standards for evaluating each factor set forth under subsections (d)(1) through (d)(4) based upon recognized industry or governmental practices or standards. The burden shall be on the business to demonstrate by clear, convincing and cogent evidence either that a material error in classification was made or that the granting of a waiver is justified by at least two of the criteria set forth in subsections (d)(1) through (d)(4) of this section.

(g) Notwithstanding any provision of this Code or of the rules or regulations of the office of business opportunity to the contrary, including any provision for mediation of a decision of the OBO director, the decision of the OBO director or his designee regarding appeal or waiver shall be final.

(Ord. No. 2013-428, § 10(Exh. A), 5-8-2013, eff. 7-1-2013)

Sec. 15-89. - Effect of classification; re-application.

(a) Upon the expiration of one year following the notice of classification as an established business enterprise referenced in section 15-88(a) of this Code, and in the absence of any withdrawal of such classification by the OBO director, each certified MWSBE so classified shall be ineligible for future participation in any city contract as a MWSBE and its certification shall be withdrawn. No application for re-certification shall be granted absent the prior determination of the OBO director that the applicant does not meet or exceed the SBA size standards referenced in section 15-87(a) of this Code. Certified businesses whose evaluation results in classification as an established business enterprise shall timely file any re-certification application due prior to expiration of the one year extension of program eligibility referenced in this section, but the application shall not be granted unless and until the classification is withdrawn or waived.

(b) Notwithstanding any provision of this Code or the rules or regulations of the office of business opportunity to the contrary, including any provision for mediation of a decision of the OBO director, any initial applicant for MWSBE certification who meets the criteria for an established business enterprise at the time of its application and is so classified shall be denied certification on that basis alone and shall have no recourse for the denial except through challenging the classification in the manner set forth in section 15-88 of this chapter. Any and all other matters pertaining to the eligibility of the applicant shall be abated and shall only be reinstated if the classification as an established business enterprise is withdrawn.

(c) The office of business opportunity may continue to assist established business enterprises following ineligibility as follows:

(1) Such businesses, if formerly certified by the city, may continue to be listed in any listing of MWSBE firms in a separate category of established MWSBE firms for the information of other private or public entities; and

(2) Such businesses, if formerly certified by the city, may receive information, counseling and referrals to other agencies supporting business enterprises from the office of business opportunity after their classification as established business enterprises.

(d) No sooner than one year following the date of program ineligibility provided in subsection (a) of this section or the denial of certification provided in subsection (b) of this section, any established business enterprise may apply for reinstatement as a fully eligible, certified MWSBE or reinstatement of an application for certification abated under subsection (b) of this section, as applicable, upon demonstrating the existence of one or more of the following conditions:

(1) That the subsequent history from the date of initial classification as an established business enterprise demonstrates that a size calculation as of the date of application for reinstatement would place the business below the SBA size standards for that category of business;

(2) That the established business enterprise has successfully obtained an SBA size determination from a federal agency authorized to make such a determination, or has prevailed in an SBA size protest under 13 CFR § 121.1001, et seq., as amended, including any judicial review thereof, establishing that the business does not meet or exceed the applicable SBA size standard;

(3) That the SBA size standards have been revised in such a manner that the subject business no longer meets or exceeds the size standard for its category based upon the most recent three-year average for receipts or 12 month average for employees, as applicable; or

(4) That the criteria listed in section 15-88(d) of this Code demonstrate the need to grant a waiver and withdraw the classification of the business as an established business enterprise.

(e) Applications for reinstatement shall be on a form prescribed by the OBO director and shall be accompanied by relevant documentary evidence supporting the ground or grounds for reinstatement asserted, as requested by the OBO director.

(f) Within 30 days following receipt of a completed application for reinstatement, the OBO director shall grant the application or deny the application and set the matter for hearing within 30 days of the date of mailing notice of such denial.

(g) The burden on the business applying for reinstatement shall be to demonstrate the existence of one or more of the conditions set forth in subsections d(1) through d(4) of this section by clear, convincing and cogent evidence, to be evaluated by the director under hearing procedures consistent with the nature of the application and, to the extent applicable, with the provisions of subsections (c), (d), (e) and (f) of section 15-88 of this Code. In addition, a business seeking reinstatement under subsection (b)(4) of this section that has previously sought a waiver of classification as an established business enterprise pursuant to section 15-88(d) of this chapter must present evidence of a material and substantial change in circumstances not shown at the preceding hearing, and the OBO director or his designee shall disregard evidence that is repetitious or cumulative of the prior hearing on the matter.

(h) The decision of the OBO director or his designee following a hearing on reinstatement shall be final, and any applicant denied reinstatement is to be notified in writing of the decision within ten days following the hearing. No business denied reinstatement may subsequently apply for reinstatement until the expiration of one year from the date of the denial.

(Ord. No. 2013-428, § 10 (Exh. A), 5-8-2013, eff. 7-1-2013)

SECTION 3 REGULATION

APPENDIX TO PART 135
AUTHORITY: 12 U.S.C. 1701u; 42 U.S.C. 3535(d).
SOURCE: 59 FR 33880, June 30, 1994, unless otherwise noted.
EFFECTIVE DATE NOTE: At 59 FR 33880, June 30, 1994, part 135 was revised effective August 1, 1994 through June 30, 1995. At 60 FR 28325, May 31, 1995, the effective period was ex- tended until the final rule implementing changes made to section 3 of the Housing and Urban Development Act of 1968 by the Housing and Community Development Act of 1992 is published and becomes effective.

Subpart A—General Provisions

§ 135.1 Purpose.

(a) *Section 3.* The purpose of section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) (section 3) is to ensure that employ ment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, be directed to low- and very low- income persons, particularly those who are recipients of government assistance for housing, and to business concems which provide economic opportunities to low- and very low- income per- sons.

(b) *Part 135.* The purpose of this part is to establish the standards and procedures to be followed to ensure that the objectives of section 3 are met.

§ 135.2 Effective date of regulation.

The regulations of this part will re- main in effect until the date the final rule adopting the regulations of this part with or without changes is published and becomes effective, at which point the final rule will remain in effect.
[60 FR 28326, May 31, 1995]

§ 135.3 Applicability.

(a) *Section 3 covered assistance.* Section 3 applies to the following HUD assistance (section 3 covered assistance):

(1) *Public and Indian housing assistance.* Section 3 applies to training, employ ment, contracting and other economic opportunities arising from the

expenditure of the following public and Indian housing assistance:

(i) Development assistance provided pursuant to section 5 of the U.S. Housing Act of 1937 (1937 Act);

(ii) Operating assistance provided pursuant to section 9 of the 1937 Act; and

(iii) Modernization assistance pro- vided pursuant to section 14 of the 1937 Act;

(2) *Housing and community development assistance.* Section 3 applies to training, employ ment, contracting and other economic opportunities arising in connection with the expenditure of housing assistance (including section 8 assistance, and including other housing assistance not administered by the Assistant Secretary of Housing) and com- munity development assistance that is used for the following projects;

(i) Housing rehabilitation (including reduction and abatement of lead-based paint hazards, but excluding routine maintenance, repair and replacement);

(ii) Housing construction; and

(iii) Other public construction.

(3) *Thresholds*—(i) *No thresholds for section 3 covered public and Indian housing assistance.* The requirements of this part apply to section 3 covered assistance provided to recipients, notwithstanding the amount of the assistance provided to the recipient. The requirements of this part apply to all contractors and subcontractors performing work in connection with projects and activities funded by public and Indian housing assistance covered by section 3, regardless of the amount of the con tractor subcontract.

(ii) *Thresholds for section 3 covered housing and community development assistance*—(A) *Recipient thresholds.* The requirements of this part apply to recipients of other housing and community development program assistance for a section 3 covered project(s) for which the amount of the assistance ex- ceeds $200,000.

(B) *Contractor and subcontractor thresholds.* The requirements of this part apply to contractors and sub- contractors performing work on sec- tion 3 covered project(s) for which the amount of the assistance exceeds
$200,000; and the contract or sub- contract exceeds $100,000.

(C) *Threshold met for recipients, but not contractors or subcontractors.* If a recipient receives section 3 covered housing or community development assistance in excess of $200,000, but no contract exceeds $100,000, the section 3 preference requirements only apply to the recipient.

(b) *Applicability of section 3 to entire project or activity funded with section 3 assistance.* The requirements of this part apply to the entire project or activity that is funded with section 3 covered assistance, regardless of whether the section 3 activity is fully or partially funded with section 3 covered assistance.

(c) *Applicability to Indian housing authorities and Indian tribes.* Indian housing authorities and tribes that receive HUD assistance described in paragraph (a) of this section shall comply with the procedures and requirements of this part to the maximum extent consistent with, but not in derogation of, compliance with section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e(b)). (See 24 CFR part 905.)

(d) *Other HUD assistance and other Federal assistance.* Recipients, contractors and subcontractors that receive HUD assistance, not listed in paragraph (a) of this section, or other Federal assistance, are encouraged to provide, to the greatest extent feasible, training, employment, and contracting opportunities generated by the expenditure of this assistance to low- and very low-income persons, and business concerns owned by low- and very low-income persons, or which employ low- and very low-income persons.

§ 135.5 Definitions.

The terms *Department, HUD, Indian housing authority (IHA), Public housing agency (PHA),* and *Secretary* are defined in 24 CFR part 5.

Annual Contributions Contract (ACC) means the contract under the U.S. Housing Act of 1937 (1937 Act) between HUD and the PHA, or between HUD and the IHA, that contains the terms and conditions under which HUD assists the PHA or the IHA in providing decent, safe, and sanitary housing for low income families. The ACC must be in a form prescribed by HUD under which HUD agrees to provide assistance in the development, modernization and/or operation of a low income housing project under the 1937 Act, and the PHA or IHA agrees to develop, modernize and operate the project in compliance with all provisions of the ACC and the 1937 Act, and all HUD regulations and implementing requirements and procedures. (The ACC is not a form of procurement contract.)

Applicant means any entity which makes an application for section 3 covered assistance, and includes, but is not limited to, any State, unit of local government, public housing agency, Indian housing authority, Indian tribe, or other public body, public or private nonprofit organization, private agency or institution, mortgagor, developer, limited dividend sponsor, builder, property manager, community housing development organization (CHDO), resident management corporation, resident council, or cooperative association.

Assistant Secretary means the Assistant Secretary for Fair Housing and Equal Opportunity.

Business concern means a business entity formed in accordance with State law, and which is licensed under State, county or municipal law to engage in the type of business activity for which it was formed.

Business concern that provides economic opportunities for low- and very low-income persons. See definition of "section 3 business concern" in this section.

Contract. See the definition of "section 3 covered contract" in this section.

Contractor means any entity which contracts to perform work generated by the expenditure of section 3 covered assistance, or for work in connection with a section 3 covered project.

Employment opportunities generated by section 3 covered assistance means all employment opportunities generated by the expenditure of section 3 covered public and Indian housing assistance (i.e., operating assistance, development assistance and modernization assistance, as described in § 135.3(a)(1)). With respect to section 3 covered housing and community development assistance, this term means all employment opportunities arising in connection.

with section 3 covered projects (as de- scribed in § 135.3(a)(2)), including management and administrative jobs connected with the section 3 covered project. Management and administrative jobs include architectural, engineering or related professional services required to prepare plans, drawings, specifications, or work write-ups; and jobs directly related to administrative support of these activities, e.g., construction manager, relocation specialist, payroll clerk, etc.

Housing authority (HA) means, collectively, public housing agency and Indian housing authority.

Housing and community development assistance means any financial assistance provided or otherwise made avail- able through a HUD housing or com- munity development program through any grant, loan, loan guarantee, cooperative agreement, or contract, and includes community development funds in the form of community development block grants, and loans guaranteed under section 108 of the Housing and Community Development Act of 1974, as amended. Housing and community development assistance does not include financial assistance provided through a contract of insurance or guaranty.

Housing development means low-in- come housing owned, developed, or operated by public housing agencies or Indian housing authorities in accordance with HUD's public and Indian housing program regulations codified in 24 CFR Chapter IX.

HUD Youthbuild programs mean pro- grams that receive assistance under subtitle D of Title IV of the National Affordable Housing Act, as amended by the Housing and Community Development Act of 1992 (42 U.S.C. 12899), and provide disadvantaged youth with opportunities for employment, education, leadership development, and training in the construction or rehabilitation of housing for homeless individuals and members of low- and very low-income families.

Indian tribes shall have the meaning given this term in 24 CFR part 571.

JTPA means the Job Training Partnership Act (29 U.S.C. 1579(a)).

Low-income person. See the definition of "section 3 resident" in this section.

Metropolitan area means a metropolitan statistical area (MSA), as established by the Office of Management and Budget.

Neighborhood area means:

(1) For HUD housing programs, a geo- graphical location within the jurisdiction of a unit of general local government (but not the entire jurisdiction) designated in ordinances, or other local documents as a neighborhood, village, or similar geographical designation.

(2) For HUD community development programs, see the definition, if pro- vided, in the regulations for the applicable community development pro- gram, or the definition for this term in 24 CFR 570.204(c)(1).

New hires mean full-time employees for permanent, temporary or seasonal employment opportunities.

Nonmetropolitan county means any county outside of a metropolitan area.

Other HUD programs means HUD programs, other than HUD public and Indian housing programs, that provide housing and community development assistance for "section 3 covered projects," as defined in this section.

Public housing resident has the meaning given this term in 24 CFR part 963. *Recipient* means any entity which receives section 3 covered assistance, directly from HUD or from another recipient and includes, but is not limited to, any State, unit of local government, PHA, IHA, Indian tribe, or other public body, public or private nonprofit organization, private agency or institution, mortgagor, developer, limited dividend sponsor, builder, property manager, community housing development organization, resident management corporation, resident council, or cooperative association. Recipient also includes any successor, assignee or transferee of any such entity, but does not include any ultimate beneficiary under the HUD program to which section 3 applies and does not include con-tractors.

Section 3 means section 3 of the Housing and Urban Development Act of 1968, as amended (12 U.S.C. 1701u).

Section 3 business concern means a business concern, as defined in this section—

(1) That is 51 percent or more owned by section 3residents; or

(2) Whose permanent, full-time employees include persons, at least 30 per- cent of whom are currently section 3 residents, or within three years of the date of first employment with the business concern were section 3 residents; or

(3) That provides evidence of a commitment to subcontract in excess of 25 percent of the dollar award of all sub- contracts to be awarded to business concerns that meet the qualifications set forth in paragraphs (1) or (2) in this definition of "section 3 business concern."

Section 3 clause means the contract provisions set forth in § 135.38.

Section 3 covered activity means any activity which is funded by section 3 covered assistance public and Indian housing assistance.

Section 3 covered assistance means:

(1) Public and Indian housing development assistance provided pursuant to section 5 of the 1937 Act;

(2) Public and Indian housing operating assistance provided pursuant to section 9 of the 1937 Act;

(3) Public and Indian housing modernization assistance provided pursuant to section 14 of the 1937 Act;

(4) Assistance provided under any HUD housing or community development program that is expended for work arising in connection with:

(i) Housing rehabilitation (including reduction and abatement of lead-based paint hazards, but excluding routine maintenance, repair and replacement);

(ii) Housing construction; or

(iii) Other public construction project (which includes other buildings or improvements, regardless of owner- ship).

Section 3 covered contract means a contract or subcontract (including a professional service contract) awarded by a recipient or contractor for work generated by the expenditure of section 3 covered assistance, or for work arising in connection with a section 3 covered project. "Section 3 covered con- tracts" do not include contracts awarded under HUD's procurement program, which are governed by the Federal Acquisition Regulation System (see 48 CFR, Chapter 1). "Section 3 covered contracts" also do not include con- tracts for the purchase of supplies and materials. However, whenever a contract for materials includes the installation of the materials, the contract constitutes a section 3 covered con- tract. For example, a contract for the purchase and installation of a furnace would be a section 3 covered contract because the contract is for work (i.e., the installation of the furnace) and thus is covered by section 3.

Section 3 covered project means the construction, reconstruction, conversion or rehabilitation of housing (including reduction and abatement of lead-based paint hazards), other public construction which includes buildings or improvements (regardless of owner- ship) assisted with housing or community development assistance.

Section 3 joint venture. See § 135.40.

Section 3 resident means: (1) A public housing resident; or

(2) An individual who resides in the metropolitan area or nonmetropolitan county in which the section 3 covered assistance is expended, and who is:

(i) *A low-income person,* as this term is defined in section 3(b)(2) of the 1937 Act (42 U.S.C. 1437a(b)(2)). Section 3(b)(2) of the 1937 Act defines this term to mean families (including single per- sons) whose incomes do not exceed 80 per centum of the median income for the area, as determined by the Secretary, with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 80 per centum of the median for the area on the basis of the Secretary's findings that such variations are necessary because of prevailing levels of construction costs or unusually high or low-income families; or

(ii) *A very low-income person,* as this term is defined in section 3(b)(2) of the 1937 Act (42 U.S.C. 1437a(b)(2)). Section 3(b)(2) of the 1937 Act (42 U.S.C. 1437a(b)(2)) defines this term to mean families (including single persons) whose incomes do not exceed 50 per centum of the median family income for the area, as determined by the Secretary with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 50 per centum of the median for the area on the basis of the Secretary's findings that

such variations are necessary because of unusually high or low family in- comes.

(3) A person seeking the training and employment preference provided by section 3 bears the responsibility of providing evidence (if requested) that the person is eligible for the preference.

Section 8 assistance means assistance provided under section 8 of the 1937 Act (42 U.S.C. 1437f) pursuant to 24 CFR part 882, subpart G.

Service area means the geographical area in which the persons benefitting from the section 3 covered project re- side. The service area shall not extend beyond the unit of general local government in which the section 3 covered assistance is expended. In HUD's Indian housing programs, the service area, for IHAs established by an Indian tribe as a result of the exercise of the tribe's sovereign power, is limited to the area of tribal jurisdiction.

Subcontractor means any entity (other than a person who is an employee of the contractor) which has a contract with a contractor to under- take a portion of the contractor's obligation for the performance of work generated by the expenditure of section 3 covered assistance, or arising in connection with a section 3 covered project.

Very low-income person. See the definition of "section 3 resident" in this section.

Youthbuild programs. See the definition of "HUD Youthbuild programs" in this section.

[59 FR 33880, June 30, 1994, as amended at 61 FR 5206, Feb. 9, 1996]

§ 135.7 Delegation of authority.

Except as may be otherwise provided in this part, the functions and responsibilities of the Secretary under section 3, and described in this part, are delegated to the Assistant Secretary for Fair Housing and Equal Opportunity. The Assistant Secretary is further authorized to redelegate functions and responsibilities to other employees of HUD; *provided however,* that the authority to issue rules and regulations under this part, which authority is delegated to the Assistant Secretary, may

not be redelegated by the Assistant Secretary.

§ 135.9 Requirements applicable to HUD NOFAs for section 3 covered programs.

(a) Certification of compliance with part 135. All notices of funding availability (NOFAs) issued by HUD that announce the availability of funding covered by section 3 shall include a provision in the NOFA that notifies applicants that section 3 and the regulations in part

135 are applicable to funding awards made under the NOFA. Additionally the NOFA shall require as an application submission requirement (which may be specified in the NOFA or application kit) a certification by the applicant that the applicant will comply with the regulations in part 135. (For PHAs, this requirement will be met where a PHA Resolution in Support of the Application is submitted.) With respect to application evaluation, HUD will accept an applicant's certification unless there is evidence substantially challenging the certification.

(b) *Statement of purpose in NOFAs.*

(1) For competitively awarded assistance in which the grants are for activities administered by an HA, and those activities are anticipated to generate significant training, employment or contracting opportunities, the NOFA must include a statement that one of the purposes of the assistance is to give to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, job training, employment, contracting and other economic opportunities to section 3 residents and section 3 business concerns.

(2) For competitively awarded assistance involving housing rehabilitation, construction or other public construction, where the amount awarded to the applicant may exceed $200,000, the NOFA must include a statement that one of the purposes of the assistance is to give, to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, job training, employment, contracting and other economic opportunities to section 3 residents and section 3 business concerns.

(c) *Section 3 as NOFA evaluation criteria.* Where not otherwise precluded by statute, in the evaluation of applications for the award of assistance, consideration shall be given to the extent to which an applicant has demonstrated that it will train and employ section 3 residents and contract with section 3 business concerns for economic opportunities generated in connection with the assisted project or activity. The evaluation criteria to be utilized, and the rating points to be as- signed, will be specified in the NOFA.

§ 135.11 Other laws governing train- ing, employment, and contracting.

Other laws and requirements that are applicable or may be applicable to the economic opportunities generated from the expenditure of section 3 covered assistance include, but are not necessarily limited to those listed in this section.

(a) *Procurement standards for States and local governments (24 CFR 85.36)*—(1) *General.* Nothing in this part 135 pre- scribes specific methods of procurement. However, neither section 3 nor the requirements of this part 135 supersede the general requirement of 24 CFR 85.36(c) that all procurement trans- actions be conducted in a competitive manner. Consistent with 24 CFR 85.36(c)(2), section 3 is a Federal statute that expressly encourages, to the maximum extent feasible, a geographic preference in the evaluation of bids or proposals.

(2) *Flexible Subsidy Program.* Multi- family project mortgagors in the Flexible Subsidy Program are not required to utilize the methods of procurement in 24 CFR 85.36(d), and are not per- mitted to utilize methods of procurement that would result in their award of a contract to a business concern that submits a bid higher than the lowest responsive bid. A multifamily project mortgagor, however, must ensure that, to the greatest extent feasible, the procurement practices it selects provide preference to section 3 business concerns.

(b) *Procurement standards for other recipients (OMB Circular No. A–110).* Nothing in this part prescribes specific methods of procurement for grants and other agreements with institutions of higher education, hospitals, and other nonprofit organizations. Consistent with the requirements set forth in OMB Circular No. A–110, section 3 is a Federal statute that expressly encourages a geographic preference in the evaluation of bids or proposals.

(a) *Federal labor standards provisions.* Certain construction contracts are subject to compliance with the requirement to pay prevailing wages deter- mined under Davis-Bacon Act (40 U.S.C. 276a—276a–7) and implementing U.S. Department of Labor regulations in 29 CFR part 5. Additionally, certain HUD-assisted rehabilitation and maintenance activities on public and Indian housing developments are subject to compliance with the requirement to pay prevailing wage rates, as deter- mined or adopted by HUD, to laborers and mechanics employed in this work. Apprentices and trainees may be utilized on this work only to the extent permitted under either Department of Labor regulations at 29 CFR part 5 or for work subject to HUD-determined prevailing wage rates, HUD policies and guidelines. These requirements include adherence to the wage rates and ratios of apprentices or trainees to journeymen set out in "approved apprenticeship and training programs," as described in paragraph (d) of this section.

(b) *Approved apprenticeship and trainee programs.* Certain apprenticeship and trainee programs have been approved by various Federal agencies. Approved apprenticeship and trainee programs include: an apprenticeship program approved by the Bureau of Apprenticeship and Training of the Department of Labor, or a State Apprenticeship Agency, or an on-the-job training program approved by the Bureau of Apprentice- ship and Training, in accordance with the regulations at 29 CFR part 5; or a training program approved by HUD in accordance with HUD policies and guidelines, as applicable. Participation in an approved apprenticeship program does not, in and of itself, demonstrate compliance with the regulations of this part.

(c) *Compliance with Executive Order 11246.* Certain contractors covered by this part are subject to compliance with Executive Order 11246, as amended

by Executive Order 12086, and the Department of Labor regulations issued pursuant thereto (41 CFR chapter 60) which provide that no person shall be discriminated against on the basis of race, color, religion, sex, or national origin in all phases of employment during the performance of Federal or Federally assisted construction contracts.

Subpart B—Economic Opportunities for Section 3 Residents and Section 3 Business Concerns

§ 135.30 Numerical goals for meeting the greatest extent feasible requirement.

(a) General. (1) Recipients and covered contractor may demonstrate compliance with the "greatest extent feasible" requirement of section 3 by meeting the numerical goals set forth in this section for providing training, employment, and contracting opportunities to section 3 residents and section 3 business concerns.

(2) The goals established in this section apply to the entire amount of section 3 covered assistance awarded to a recipient in any Federal Fiscal Year (FY), commencing with the first FY following the effective date of this rule.

(3) For recipients that do not engage in training, or hiring, but award con- tracts to contractors that will engage in training, hiring, and subcontracting, recipients must ensure that, to the greatest extent feasible, contractors will provide training, employment, and contracting opportunities to section 3 residents and section 3 business concerns.

(4) The numerical goals established in this section represent minimum numerical targets.

b. *Training and employment.* The numerical goals set forth in paragraph (b) of this section apply to new hires. The numerical goals reflect the aggregate hires. Efforts to employ section 3 residents, to the greatest extent feasible, should be made at all job levels.

(1) *Numerical goals for section 3 covered public and Indian housing programs.* Recipients of section 3 covered public and Indian housing assistance (as described in § 135.5) and their contractors and

subcontractors may demonstrate compliance with this part by committing to employ section 3 residents as:

(i) 10 percent of the aggregate number of new hires for the one year period beginning in FY 1995;

(ii) 20 percent of the aggregate number of new hires for the one period beginning in F Y 1996;

(iii) 30 percent of the aggregate number of new hires for one year period be- ginning in FY 1997 and continuing thereafter.

(2) *Numerical goals for other HUD programs covered by section 3.* (i) Recipients of section 3 covered housing assistance provided under other HUD programs, and their contractors and subcontractors (unless the contract or sub- contract awards do not meet the threshold specified in § 135.3(a)(3)) may demonstrate compliance with this part by committing to employ section 3 residents as 10 percent of the aggregate number of new hires for each year over the duration of the section 3 project;

(ii) Where a managing general partner or management agent is affiliated, in a given metropolitan area, with recipients of section 3 covered housing assistance, for an aggregate of 500 or more units in any fiscal year, the man- aging partner or management agent may demonstrate compliance with this part by committing to employ section 3 residents as:

(A) 10 percent of the aggregate number of new hires for the one year period beginning in FY 1995;

(B) 20 percent of the aggregate number of new hires for the one year period beginning in FY 1996;

(C) 30 percent of the aggregate number of new hires for the one year period beginning in FY 1997, and continuing thereafter.

(3) Recipients of section 3 covered community development assistance, and their contractors and subcontractors (unless the contract or sub- contract awards do not meet the threshold specified in § 135.3(a)(3)) may demonstrate compliance with the requirements of this part by committing to employ section 3 residents as:

(i) 10 percent of the aggregate number of new hires for the one year period beginning in FY 1995;

(ii) 20 percent of the aggregate number of new hires for the one year period beginning in FY 1996; and
(iii) 30 percent of the aggregate number of new hires for the one year period beginning in FY 1997 and continuing thereafter.

(c) Contracts. Numerical goals set forth in paragraph (c) of this section apply to contracts awarded in connection with all section 3 covered projects and section 3 covered activities. Each recipient and contractor and subcontractor (unless the contract or sub- contract awards do not meet the threshold specified in § 135.3(a)(3)) may demonstrate compliance with the requirements of this part by committing to award to section 3 business concerns:

(1) At least 10 percent of the total dollar amount of all section 3 covered contracts for building trades work for maintenance, repair, modernization or development of public or Indian housing, or for building trades work arising in connection with housing rehabilitation, housing construction and other public construction; and
(2) At least three (3) percent of the total dollar amount of all other section 3 covered contracts.

(d) *Safe harbor and compliance determinations.*
(1) In the absence of evidence to the contrary, a recipient that meets the minimum numerical goals set forth in this section will be considered to have complied with the section 3 preference requirements.
(2) In evaluating compliance under subpart D of this part, a recipient that has not met the numerical goals set forth in this section has the burden of demonstrating why it was not feasible to meet the numerical goals set forth in this section. Such justification may include impediments encountered de- spite actions taken. A recipient or contractor also can indicate other economic opportunities, such as those listed in § 135.40, which were provided in its efforts to comply with section 3 and the requirements of this part.

§ 135.32 Responsibilities of the recipient.

Each recipient has the responsibility to comply with section 3 in its own operations, and ensure compliance in the operations of its contractors and sub-contractors. This responsibility includes but may not be necessarily limited to:

(a) Implementing procedures de- signed to notify section 3 residents about training and employment opportunities generated by section 3 covered assistance and section 3 business concerns about contracting opportunities generated by section 3 covered assistance;

(b) Notifying potential contractors for section 3 covered projects of the requirements of this part, and incorporating the section 3 clause set forth in § 135.38 in all solicitations and con- tracts.

(c) Facilitating the training and employment of section 3 residents and the award of contracts to section 3 business concerns by undertaking activities such as described in the Appendix to this part, as appropriate, to reach the goals set forth in § 135.30. Recipients, at their own discretion, may establish reasonable numerical goals for the training and employment of section 3 residents and contract award to section 3 business concerns that exceed those specified in § 135.30;

(d) Assisting and actively cooperating with the Assistant Secretary in obtaining the compliance of contractors and subcontractors with the requirements of this part, and refraining from entering into any contract with any contractor where the recipient has notice or knowledge that the con- tractor has been found in violation of the regulations in 24 CFR part 135.

(e) Documenting actions taken to comply with the requirements of this part, the results of actions taken and impediments, if any.

(f) A State or county which distributes funds for section 3 covered assistance to units of local governments, to the greatest extent feasible, must at- tempt to reach the numerical goals set forth in 135.30 regardless of the number of local governments receiving funds from the section 3 covered assistance which meet the thresholds for applicability set forth at 135.3. The State or county must inform units of local government to whom funds are distributed of the requirements of this part; assist

local governments and their contractors in meeting the requirements and objectives of this part; and monitor the performance of local governments with respect to the objectives and requirements of this part.

§ 135.34 Preference for section 3 residents in training and employment opportunities.

(a) *Order of providing preference.* Recipients, contractors and subcontractors shall direct their efforts to pro- vide, to the greatest extent feasible, training and employment opportunities generated from the expenditure of section 3 covered assistance to section 3 residents in the order of priority pro- vided in paragraph (a) of this section.

(1) *Public and Indian housing pro- grams.* In public and Indian housing programs, efforts shall be directed to provide training and employment opportunities to section 3 residents in the following order of priority:

(i) Residents of the housing development or developments for which the section 3 covered assistance is ex- pended (category 1 residents);

(ii) Residents of other housing developments managed by the HA that is ex- pending the section 3 covered housing assistance (category 2 residents);

(iii) Participants in HUD Youthbuild programs being carried out in the metropolitan area (or nonmetropolitan county) in which the section 3 covered assistance is expended (category 3 residents);

(iv) Other section 3 residents.

(2) *Housing and community development programs.* In housing and community development programs, priority consideration shall be given, where feasible, to:

(i) Section 3 residents residing in the service area or neighborhood in which the section 3 covered project is located (collectively, referred to as category 1 residents); and

(ii) Participants in HUD Youthbuild programs (category 2 residents).

(iii) Where the section 3 project is assisted under the Stewart

B. McKinney Homeless Assistance Act (42 U.S.C. 11301 *et seq.*), homeless persons residing in the service area or neighborhood in which the section 3 covered project is located shall be given the highest priority;

(iv) Other section 3 residents.

(3) Recipients of housing assistance programs administered by the Assist- ant Secretary for Housing may, at their own discretion, provide preference to residents of the housing development receiving the section 3 covered assistance within the service area or neighborhood where the section 3 covered project is located.

(4) Recipients of community development programs may, at their own discretion, provide priority to recipients of government assistance for housing, including recipients of certificates or vouchers under the Section 8 housing assistance program, within the service area or neighborhood where the section 3 covered project is located.

(b) *Eligibility for preference.* A section 3 resident seeking the preference in training and employment provided by this part shall certify, or submit evidence to the recipient contractor or subcontractor, if requested, that the person is a section 3 resident, as de- fined in §135.5. (An example of evidence of eligibility for the preference is evidence of receipt of public assistance, or evidence of participation in a public assistance program.)

(c) *Eligibility for employment.* Nothing in this part shall be construed to re- quire the employment of a section 3 resident who does not meet the qualifications of the position to be filled.

§ 135.36 Preference for section 3 business concerns in contracting opportunities.

(a) *Order of providing preference.* Recipients, contractors and subcontractors shall direct their efforts to award section 3 covered contracts, to the greatest extent feasible, to section 3 business concerns in the order of priority provided in paragraph (a) of this section.

(1) *Public and Indian housing pro- grams.* In public and Indian housing programs, efforts shall be directed to award contracts to section 3 business concerns in the following order of priority:

(i) Business concerns that are 51 per- cent or more owned by residents of the housing development or developments

for which the section 3 covered assistance is expended, or whose full-time, permanent workforce includes 30 per- cent of these persons as employees (category 1 businesses);

(ii) Business concerns that are 51 per- cent or more owned by residents of other housing developments or developments managed by the HA that is ex- pending the section 3 covered assistance, or whose full-time, permanent workforce includes 30 percent of these persons as employees (category 2 businesses); or

(iii) HUD Youthbuild programs being carried out in the metropolitan area (or nonmetropolitan county) in which the section 3 covered assistance is ex- pended (category 3 businesses).

(iv) Business concerns that are 51 percent or more owned by section 3 residents, or whose permanent, full- time workforce includes no less than 30 percent section 3 residents (category 4 businesses), or that subcontract in excess of 25 percent of the total amount of subcontracts to business concerns identified in paragraphs (a)(1)(i) and (a)(1)(ii) of this section.

(2) *Housing and community development programs.* In housing and community development programs, priority consideration shall be given, where feasible, to:

(i) Section 3 business concerns that provide economic opportunities for section 3 residents in the service area or neighborhood in which the section 3 covered project is located (category 1 businesses); and

(ii) Applicants (as this term is de- fined in 42 U.S.C. 12899) selected to carry out HUD Youthbuild programs (category 2 businesses);

(iii) Other section 3 business concerns.

(b) *Eligibility for preference.* A business concern seeking to qualify for a section 3 contracting preference shall certify or submit evidence, if requested, that the business concern is a section 3 business concern as defined in §135.5.

(c) *Ability to complete contract.* A section 3 business concern seeking a contract or a subcontract shall submit evidence to the recipient, contractor, or subcontractor (as applicable), if re- quested, sufficient to demonstrate to the satisfaction of the party awarding the contract that the business concern is responsible and has the ability to perform successfully under the terms and conditions of the proposed con- tract. (The ability to perform success- fully under the terms and conditions of the proposed contract is required of all contractors and subcontractors subject to the procurement standards of 24 CFR 85.36 (see 24 CFR 85.36(b)(8)).) This regulation requires consideration of, among other factors, the potential contractor's record in complying with public policy requirements. Section 3 compliance is a matter properly considered as part of this determination.

§ 135.38 Section 3 clause.

All section 3 covered contracts shall include the following clause (referred to as the section 3 clause):

A. The work to be performed under this contract is subject to the requirements of section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (section 3). The purpose of section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing.

B. The parties to this contract agree to comply with HUD's regulations in 24 CFR part 135, which implement section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from com- plying with the part 135 regulations.

C. The contractor agrees to send to each labor organization or representative of workers with which the contractor has a collective bargaining agreement or other under- standing, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the section 3 preference, shall set forth minimum number and job titles subject to hire, avail- ability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.

D. The contractor agrees to include this section 3 clause in every subcontract subject to compliance with regulations in 24 CFR

part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR part 135.

E. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the con- tractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 135.

F. Noncompliance with HUD's regulations in 24 CFR part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

G. With respect to work performed in connection with section 3 covered Indian housing assistance, section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e) also applies to the work to be performed under this contract. Section 7(b) requires that to the greatest ex- tent feasible (i) preference and opportunities for training and employment shall be given to Indians, and (ii) preference in the award of contracts and subcontracts shall be given to Indian organizations and Indian-owned Economic Enterprises. Parties to this contract that are subject to the provisions of section 3 and section 7(b) agree to comply with section 3 to the maximum extent feasible, but not in derogation of compliance with section 7(b).

§ 135.40 Providing other economic opportunities.

(a) *General.* In accordance with the findings of the Congress, as stated in section 3, that other economic opportunities offer an effective means of empowering low-income persons, a recipient is encouraged to undertake efforts to provide to low-income persons economic opportunities other than training, employment, and contract awards, in connection with section 3 covered assistance.

(b) *Other training and employment related opportunities.* Other economic opportunities to train and employ section 3 residents include, but need not be limited to, use of "upward mobility", "bridge" and trainee positions to fill vacancies; hiring section 3 residents in management and maintenance positions within other housing developments; and hiring section 3 residents in part-time positions.

(c) *Other business related economic opportunities.* (l) A recipient or contractor may provide economic opportunities to establish, stabilize or expand section 3 business concerns, including microenterprises. Such opportunities include, but are not limited to the formation of section 3 joint ventures, financial sup- port for affiliating with franchise development, use of labor only contracts for building trades, purchase of sup- plies and materials from housing authority resident-owned businesses, purchase of materials and supplies from PHA resident-owned businesses and use of procedures under 24 CFR part 963 regarding HA contracts to HA resident- owned businesses. A recipient or con- tractor may employ these methods directly or may provide incentives to non-section 3 businesses to utilize such methods to provide other economic opportunities to low-income persons.

(2) A *section 3 joint venture* means an association of business concerns, one of which qualifies as a section 3 business concern, formed by written joint venture agreement to engage in and carry out a specific business venture for which purpose the business concerns combine their efforts, resources, and skills for joint profit, but not necessarily on a continuing or permanent basis for conducting business generally, and for which the section 3 business concern:

(i) Is responsible for a clearly defined portion of the work to be performed and holds management responsibilities in the joint venture; and

(ii) Performs at least 25 percent of the work and is contractually entitled to compensation proportionate to its work.

Subpart C [Reserved]

Subpart D—Complaint and Compliance Review

§ 135.70 General.

(a) *Purpose.* The purpose of this sub- part is to establish the procedures for handling complaints alleging non- compliance with the regulations of this

part, and the procedures governing the Assistant Secretary's review of a recipient's or contractor's compliance with the regulations in this part.

(b) *Definitions.* For purposes of this subpart:

(1) *Complaint* means an allegation of noncompliance with regulations of this part made in the form described in § 135.76(d).

(2) *Complainant* means the party which files a complaint with the Assistant Secretary alleging that a recipient or contractor has failed or re- fused to comply with the regulations in this part.

(3) *Noncompliance with section 3* means failure by a recipient or contractor to comply with the requirements of this part.

(4) *Respondent* means the recipient or contractor against which a complaint of noncompliance has been filed. The term "recipient" shall have the meaning set forth in § 135.7, which includes PHA and IHA.

§ 135.72 Cooperation in achieving compliance.

(a) The Assistant Secretary recognizes that the success of ensuring that section 3 residents and section 3 business concerns have the opportunity to apply for jobs and to bid for contracts generated by covered HUD financial assistance depends upon the cooperation and assistance of HUD recipients and their contractors and subcontractors. All recipients shall cooperate fully and promptly with the Assistant Secretary in section 3 compliance reviews, in investigations of allegations of non- compliance made under § 135.76, and with the distribution and collection of data and information that the Assist- ant Secretary may require in connection with achieving the economic objectives of section 3.

(b) The recipient shall refrain from entering into a contract with any con- tractor after notification to the recipient by HUD that the contractor has been found in violation of the regulations in this part. The provisions of 24 CFR part 24 apply to the employment, engagement of services, awarding of contracts or funding of any contractors or subcontractors during any period of debarment, suspension or otherwise in- eligible status.

§ 135.74 Section 3 compliance review procedures.

(a) *Compliance reviews by Assistant Secretary.* The Assistant Secretary shall periodically conduct section 3 compliance reviews of selected recipients and contractors to determine whether these recipients are in compliance with the regulations in this part.

(b) *Form of compliance review.* A section 3 compliance review shall consist of a comprehensive analysis and evaluation of the recipient's or contractor's compliance with the requirements and obligations imposed by the regulations of this part, including an analysis of the extent to which section 3 residents have been hired and section 3 business concerns have been awarded contracts as a result of the methods undertaken by the recipient to achieve the employment, contracting and other economic objectives of section 3.

(c) *Where compliance review reveals noncompliance with section 3 by recipient or contractor.* Where the section 3 compliance review reveals that a recipient or contractor has not complied with section 3, the Assistant Secretary shall notify the recipient or contractor of its specific deficiencies in compliance with the regulations of this part, and shall advise the recipient or contractor of the means by which these deficiencies may be corrected. HUD shall conduct a follow-up review with the recipient or contractor to ensure that action is being taken to correct the deficiencies.

(d) *Continuing noncompliance by recipient or contractor.* A continuing failure or refusal by the recipient or con- tractor to comply with the regulations in this part may result in the application of sanctions specified in the con- tract through which HUD assistance is provided, or the application of sanctions specified in the regulations governing the HUD program under which HUD financial assistance is provided. HUD will notify the recipient of any continuing failure or refusal by the contractor to comply with the regulations in this part for possible action under any procurement contract between the recipient and the contractor.

Debarment, suspension and limited denial of participation pursuant to HUD's regulations in 24 CFR part 24, where appropriate, may be applied to the recipient or the contractor.

(e) *Conducting compliance review before the award of assistance.* Section 3 compliance reviews may be conducted be- fore the award of contracts, and especially where the Assistant Secretary has reasonable grounds to believe that the recipient or contractor will be un- able or unwilling to comply with the regulations in this part.

(f) *Consideration of complaints during compliance review.* Complaints alleging noncompliance with section 3, as pro- vided in § 135.76, may also be considered during any compliance review con- ducted to determine the recipient's conformance with regulations in this part.

§ 135.76 Filing and processing com- plaints.

(a) *Who may file a complaint.* The following individuals and business concerns may, personally or through an authorized representative, file with the Assistant Secretary a complaint alleging noncompliance with section 3:

(1) Any section 3 resident on behalf of himself or herself, or as a representative of persons similarly situated, seeking employment, training or other economic opportunities generated from the expenditure of section 3 covered assistance with a recipient or contractor, or by a representative who is not a section 3 resident but who represents one or more section 3 residents;

(2) Any section 3 business concern on behalf of itself, or as a representative of other section 3 business concerns similarly situated, seeking contract opportunities generated from the expenditure of section 3 covered assistance from a recipient or contractor, or by an individual representative of section 3 business concerns.

(b) *Where to file a complaint.* A com- plaint must be filed with the Assistant Secretary for Fair Housing and Equal Opportunity, Department of Housing and Urban Development, Washington, DC, 20410.

(c) *Time of filing.* (1) A complaint must be received not later than 180 days from the date of the action or omission upon which the complaint is based, unless the time for filing is ex- tended by the Assistant Secretary for good cause shown.

(2) Where a complaint alleges non- compliance with section 3 and the regulations of this part that is continuing, as manifested in a number of incidents of noncompliance, the complaint will be timely if filed within 180 days of the last alleged occurrence of noncompliance.

(3) Where a complaint contains in- complete information, the Assistant Secretary shall request the needed in- formation from the complainant. In the event this information is not furnished to the Assistant Secretary with- in sixty (60) days of the date of the re- quest, the complaint may be closed.

(d) *Contents of complaint*—(1) *Written complaints.* Each complaint must be in writing, signed by the complainant, and include:

(i) The complainant's name and ad- dress;

(ii) The name and address of the respondent;

(iii) A description of the acts or omissions by the respondent that is sufficient to inform the Assistant Secretary of the nature and date of the alleged noncompliance.

(iv) A complainant may provide in- formation to be contained in a com- plaint by telephone to HUD or any HUD Field Office, and HUD will reduce the information provided by telephone to writing on the prescribed complaint form and send the form to the complainant for signature.

(2) *Amendment of complaint.* Com- plaints may be reasonably and fairly amended at any time. Such amendments may include, but are not limited to, amendments to cure, technical defects or omissions, including failure to sign or affirm a complaint, to clarify or amplify the allegations in a com- plaint, or to join additional or substitute respondents. Except for the purposes of notifying respondents, amended complaints will be considered as having been made as of the original filing date.

(e) Resolution of complaint by recipient. (1) Within ten (10) days of timely filing of a complaint that contains complete

information (in accordance with para- graphs (c) and (d) of this section), the Assistant Secretary shall determine whether the complainant alleges an action or omission by a recipient or the recipient's contractor that if proven qualifies as noncompliance with section 3. If a determination is made that there is an allegation of noncompliance with section 3, the complaint shall be sent to the recipient for resolution.

(2) If the recipient believes that the complaint lacks merit, the recipient must notify the Assistant Secretary in writing of this recommendation with supporting reasons, within 30 days of the date of receipt of the complaint. The determination that a complaint lacks merit is reserved to the Assistant Secretary.

(3) If the recipient determines that there is merit to the complaint, the recipient will have sixty (60) days from the date of receipt of the complaint to resolve the matter with the complain- ant. At the expiration of the 60-day period, the recipient must notify the Assistant Secretary in writing whether a resolution of the complaint has been reached. If resolution has been reached, the notification must be signed by both the recipient and the complainant, and must summarize the terms of the resolution reached between the two parties.

(4) Any request for an extension of the 60-day period by the recipient must be submitted in writing to the Assist- ant Secretary, and must include a statement explaining the need for the extension.

(5) If the recipient is unable to re- solve the complaint within the 60-day period (or more if extended by the Assistant Secretary), the complaint shall be referred to the Assistant Secretary for handling.

(f) *Informal resolution of complaint by Assistant Secretary*—(1) *Dismissal of complaint.* Upon receipt of the recipient's written recommendation that there is no merit to the complaint, or upon failure of the recipient and complainant to reach resolution, the Assistant Secretary shall review the complaint to determine whether it presents a valid allegation of noncompliance with section 3. The Assistant Secretary may conduct further investigation if deemed necessary. Where the complaint fails to present a valid allegation of noncompliance with section 3, the Assistant Secretary will dismiss the complaint without further action. The Assistant Secretary shall notify the complainant of the dismissal of the complaint and the reasons for the dismissal.

(2) *Informal resolution.* Where the allegations in a complaint on their face, or as amplified by the statements of the complainant, present a valid allegation of noncompliance with section 3, the Assistant Secretary will attempt, through informal methods, to obtain a voluntary and just resolution of the complaint. Where attempts to resolve the complaint informally fail, the Assistant Secretary will impose a resolution on the recipient and complainant. Any resolution imposed by the Assist- ant Secretary will be in accordance with requirements and procedures concerning the imposition of sanctions or resolutions as set forth in the regulations governing the HUD program under which the section 3 covered assistance was provided.

(3) *Effective date of informal resolution.* The imposed resolution will become effective and binding at the expiration of 15 days following notification to recipient and complainant by certified mail of the imposed resolution, unless either party appeals the resolution before the expiration of the 15 days. Any appeal shall be in writing to the Secretary and shall include the basis for the appeal.

(g) *Sanctions.* Sanctions that may be imposed on recipients that fail to com- ply with the regulations of this part include debarment, suspension and limited denial of participation in HUD pro- grams.

(h) *Investigation of complaint.* The Assistant Secretary reserves the right to investigate a complaint directly when, in the Assistant Secretary's discretion, the investigation would further the purposes of section 3 and this part.

(i) *Intimidatory or retaliatory acts prohibited.* No recipient or other person shall intimidate, threaten, coerce, or discriminate against any person or business because the person or business has made a complaint, testified, assisted or participated in any manner in an investigation, proceeding, or hearing under this part. The identity of

complainants shall be kept confidential except to the extent necessary to carry out the purposes of this part, including the conduct of any investigation, hearing or judicial proceeding arising thereunder.

(j) *Judicial relief.* Nothing in this sub- part D precludes a section 3 resident or section 3 business concerning from exercising the right, which may other- wise be available, to seek redress directly through judicial procedures.

(Approved by the Office of Management and Budget under control number 2529–0043)

Subpart E—Reporting and Recordkeeping

§ 135.90 Reporting.

Each recipient which receives directly from HUD financial assistance that is subject to the requirements of this part shall submit to the Assistant Secretary an annual report in such form and with such information as the Assistant Secretary may request, for the purpose of determining the effectiveness of section 3. Where the pro- gram providing the section 3 covered assistance requires submission of an annual performance report, the section

3 report will be submitted with that annual performance report. If the pro- gram providing the section 3 covered assistance does not require an annual performance report, the section 3 re- port is to be submitted by January 10 of each year or within 10 days of project completion, whichever is earlier. All reports submitted to HUD in accordance with the requirements of this part will be made available to the public.

(Approved by the Office of Management and Budget under control number 2529–0043)

§ 135.92 Recordkeeping and access to records.

HUD shall have access to all records, reports, and other documents or items of the recipient that are maintained to demonstrate compliance with the requirements of this part, or that are maintained in accordance with the regulations governing the specific HUD program under which section 3 covered assistance is provided or otherwise made available to the recipient or con- tractor.

APPENDIX TO PART 135

I. Examples of Efforts To Offer Training and Employment Opportunities to Section 3 Residents

(1)Entering into "first source" hiring agreements with organizations representing Section 3 residents.

(2) Sponsoring a HUD-certified "Step-Up" employment and training program for section 3 residents.

(3) Establishing training programs, which are consistent with the requirements of the Department of Labor, for public and Indian housing residents and other section 3 residents in the building trades.

(4) Advertising the training and employment positions by distributing flyers (which identify the positions to be filled, the qualifications required, and where to obtain additional information about the application process) to every occupied dwelling unit in the housing development or developments where category 1 or category 2 persons (as these terms are defined in § 135.34) reside.

(5) Advertising the training and employment positions by posting flyers (which identify the positions to be filled, the qualifications required, and where to obtain additional information about the application process) in the common areas or other prominent areas of the housing development or developments. For HAs, post such advertising in the housing development or developments where category 1 or category 2 per- sons reside; for all other recipients, post such advertising in the housing development or developments and transitional housing in the neighborhood or service area of the section 3 covered project.

(6) Contacting resident councils, resident management corporations, or other resident organizations, where they exist, in the housing development or developments where category 1 or category 2 persons reside, and community organizations in HUD-assisted neighborhoods, to request the assistance of these organizations in notifying residents of the training and employment positions to be filled.

(7) Sponsoring (scheduling, advertising, financing or providing in-kind services) a job informational meeting to be conducted by an HA or contractor representative or representatives at a location in the housing development or developments where category 1 or category 2 persons reside or in the neighborhood or service area of the section 3 covered project.

(8) Arranging assistance in conducting job interviews and completing job applications for residents of the housing development or developments where category 1 or category 2

persons reside and in the neighborhood or service area in which a section 3 project is located.

(9) Arranging for a location in the housing development or developments where category 1 persons reside, or the neighborhood or service area of the project, where job applications may be delivered to and collected by a recipient or contractor representative or representatives.

(10) Conducting job interviews at the housing development or developments where category 1 or category 2 persons reside, or at a location within the neighborhood or service area of the section 3 covered project.

(11) Contacting agencies administering HUD Youthbuild programs, and requesting their assistance in recruiting HUD Youthbuild program participants for the HA's or contractor's training and employment positions.

(12) Consulting with State and local agencies administering training programs funded through JTPA or JOBS, probation and parole agencies, unemployment compensation pro- grams, community organizations and other officials or organizations to assist with recruiting Section 3 residents for the HA's or contractor's training and employment positions.

(13) Advertising the jobs to be filled through the local media, such as community television networks, newspapers of general circulation, and radio advertising.

(14) Employing a job coordinator, or contracting with a business concern that is licensed in the field of job placement (preferably one of the section 3 business concerns identified in part 135), that will undertake, on behalf of the HA, other recipient or con- tractor, the efforts to match eligible and qualified section 3 residents with the training and employment positions that the HA or contractor intends to fill.

(15) For an HA, employing section 3 residents directly on either a permanent or a temporary basis to perform work generated by section 3 assistance. (This type of employment is referred to as "force account labor" in HUD's Indian housing regulations. See 24 CFR 905.102, and §905.201(a)(6).)

(16) Where there are more qualified section 3 residents than there are positions to be filled, maintaining a file of eligible qualified section 3 residents for future employment positions.

(17) Undertaking job counseling, education and related programs in association with local educational institutions.

(18) Undertaking such continued job training efforts as may be necessary to ensure the continued employment of section 3 residents previously hired for employment opportunities.

(19) After selection of bidders but prior to execution of contracts, incorporating into the contract a negotiated provision for a specific number of public housing or other section 3 residents to be trained or employed on the section 3 covered assistance.

(20) Coordinating plans and implementation of economic development (e.g., job training and preparation, business development assistance for residents) with the planning for housing and community development.

II. Examples of Efforts To Award Contracts to Section 3 Business Concerns

(1) Utilizing procurement procedures for section 3 business concerns similar to those provided in 24 CFR part 905 for business concerns owned by Native Americans (see section III of this Appendix).

(2) In determining the responsibility of potential contractors, consider their record of section 3 compliance as evidenced by past actions and their current plans for the pending contract.

(3) Contacting business assistance agencies, minority contractors associations and community organizations to inform them of contracting opportunities and requesting their assistance in identifying section 3 businesses which may solicit bids or proposals for contracts for work in connection with section 3 covered assistance.

(4) Advertising contracting opportunities by posting notices, which provide general information about the work to be contracted and where to obtain additional information, in the common areas or other prominent areas of the housing development or developments owned and managed by the HA.

(5) For HAs, contacting resident councils, resident management corporations, or other resident organizations, where they exist, and requesting their assistance in identifying category 1 and category 2 business concerns.

(6) Providing written notice to all known section 3 business concerns of the contracting opportunities. This notice should be in sufficient time to allow the section 3 business concerns to respond to the bid invitations or request for proposals.

(7) Following up with section 3 business concerns that have expressed interest in the contracting opportunities by contacting them to provide additional information on the contracting opportunities.

(8) Coordinating pre-bid meetings at which section 3 business concerns could be informed of upcoming contracting and subcontracting opportunities.

(9) Carrying out workshops on contracting procedures and specific contract opportunities in a timely manner so that section 3 business concerns can take advantage of upcoming contracting opportunities, with such information being made available in languages other than English where appropriate.

(10) Advising section 3 business concerns as to where they may seek assistance to overcome limitations such as inability to obtain bonding, lines of credit, financing, or insurance.

(11) Arranging solicitations, times for the presentation of bids, quantities, specifications, and delivery schedules in ways to facilitate the participation of section 3 business concerns.

(12) Where appropriate, breaking out contract work items into economically feasible units to facilitate participation by section 3 business concerns.

(13) Contacting agencies administering HUD Youthbuild programs, and notifying these agencies of the contracting opportunities.

(14) Advertising the contracting opportunities through trade association papers and newsletters, and through the local media, such as community television networks, newspapers of general circulation, and radio advertising.

(15) Developing a list of eligible section 3 business concerns.

(16) For HAs, participating in the "Contracting with Resident-Owned Businesses" program provided under 24 CFR part 963.

(17) Establishing or sponsoring programs designed to assist residents of public or Indian housing in the creation and development of resident-owned businesses.

(18) Establishing numerical goals (number of awards and dollar amount of contracts) for award of contracts to section 3 business concerns.

(19) Supporting businesses which provide economic opportunities to low income persons by linking them to the support services available through the Small Business Administration (SBA), the Department of Commerce and comparable agencies at the State and local levels.

(20) Encouraging financial institutions, in carrying out their responsibilities under the Community Reinvestment Act, to provide no or low interest loans for providing working capital and other financial business needs.

(21) Actively supporting joint ventures with section 3 business concerns.

(22) Actively supporting the development or maintenance of business incubators which assist Section 3 business concerns.

III. Examples of Procurement Procedures That Provide for Preference for Section 3 Business Concerns

This Section III provides specific procedures that may be followed by recipients and contractors (collectively, referred to as the "contracting party") for implementing the section 3 contracting preference for each of the competitive procurement methods authorized in 24 CFR 85.36(d).

(1) *Small Purchase Procedures.* For section 3 covered contracts aggregating no more than $25,000, the methods set forth in this paragraph (1) or the more formal procedures set forth in paragraphs (2) and (3) of this Section III may be utilized.

(i) *Solicitation.* (A) Quotations may be solicited by telephone, letter or other informal procedure provided that the manner of solicitation provides for participation by a reasonable number of competitive sources. At the time of solicitation, the parties must be informed of:

—the section 3 covered contract to be awarded with sufficient specificity;

—the time within which quotations must be submitted; and

—the information that must be submitted with each quotation.

(B) If the method described in paragraph (i)(A) is utilized, there must be an attempt to obtain quotations from a minimum of three qualified sources in order to promote competition. Fewer than three quotations are acceptable when the contracting party has attempted, but has been unable, to obtain a sufficient number of competitive quotations. In unusual circumstances, the contracting party may accept the sole quotation received in response to a solicitation provided the price is reasonable. In all cases, the contracting party shall document the circumstances when it has been unable to obtain at least three quotations.

(ii) *Award.* (A) Where the section 3 covered contract is to be awarded based upon the lowest price, the contract shall be awarded to the qualified section 3 business concern with the lowest responsive quotation, if it is reasonable and no more than 10 percent higher than the quotation of the lowest responsive quotation from any qualified source. If no responsive quotation by a qualified section 3 business concern is within 10 percent of the lowest responsive quotation from any qualified source, the award shall be made to the source with the lowest quotation.

(B) Where the section 3 covered contract is to be awarded based on factors other than price, a request for quotations shall be issued by developing the particulars of the solicitation, including a rating system for the assignment of points to evaluate the merits of each quotation. The solicitation shall identify all factors to be considered, including price or cost. The rating system shall provide for a range of 15 to 25 percent of the total number of available rating points to be set aside for the provision of preference for section 3 business concerns. The purchase order shall be awarded to the responsible firm whose quotation is the most advantageous, considering price and all other factors specified in the rating system.

(2) *Procurement by sealed bids (Invitations for Bids).* Preference in the award of section 3 covered contracts that are awarded under a sealed bid (IFB) process may be provided as follows:

(i) Bids shall be solicited from all businesses (section 3 business concerns, and non- section 3 business concerns). An award shall be made to the qualified section 3 business concern with the highest priority ranking and with the lowest responsive bid if that bid—

(A) is within the maximum total contract price established in the contracting party's budget for the specific project for which bids are being taken, and

(B) is not more than "X" higher than the total bid price of the lowest responsive bid from any responsible bidder. "X" is determined as follows:

	x=lesser
When the lowest responsive bid is less than $100,000	10% of that bid or $9,000.
When the lowest responsive bid is:	
At least $100,000, but less than $200,000	9% of that bid, or $16,000.
At least $200,000, but less than $300,000	8% of that bid, or $21,000.
At least $300,000, but less than $400,000	7% of that bid, or $24,000.
At least $400,000, but less than $500,000	6% of that bid, or $25,000.
At least $500,000, but less than $1 million	5% of that bid, or $40,000.
At least $1 million, but less than $2 million	4% of that bid, or $60,000.
At least $2 million, but less than $4 million	3% of that bid, or $80,000.
At least $4 million, but less than $7 million	2% of that bid, or $105,000.
$7 million or more	1½% of the lowest responsive bid, with no dollar limit.

(ii) If no responsive bid by a section 3 business concern meets the requirements of paragraph (2)(i) of this section, the contract shall be awarded to a responsible bidder with the lowest responsive bid.

(3) Procurement under the competitive proposals method of procurement (Request for Proposals (RFP)). (i) For contracts and sub- contracts awarded under the competitive proposals method of procurement (24 CFR 85.36(d)(3)), a Request for Proposals (RFP) shall identify all evaluation factors (and their relative importance) to be used to rate proposals.

(ii) One of the evaluation factors shall address both the preference for section 3 business concerns and the acceptability of the strategy for meeting the greatest extent feasible requirement (section 3 strategy), as dis- closed in proposals submitted by all business concerns (section 3 and non-section 3 business concerns). This factor shall provide for a range of 15 to 25 percent of the total number of available points to be set aside for the evaluation of these two components.

(iii) The component of this evaluation factor designed to address the preference for section 3 business concerns must establish a preference for these business concerns in the order of priority ranking as described in 24 CFR 135.36.

(iv) With respect to the second component (the acceptability of the section 3 strategy), the RFP shall require the disclosure of the contractor's section 3 strategy to comply with the section 3 training and employment preference, or contracting preference, or both, if applicable. A determination of the contractor's responsibility will include the submission of an acceptable section 3 strategy. The contract award shall be made to the responsible firm (either section 3 or non-section 3 business concern) whose proposal is determined most advantageous, considering price and all other factors specified in the RFP.

PART 146—NONDISCRIMINATION ON THE BASIS OF AGE IN HUD PROGRAMS OR ACTIVITIES RE- CEIVING FEDERAL FINANCIAL ASSISTANCE

Subpart A—General

Sec.

146.1 Purpose of the Age Discrimination Act of 1975.
146.3 Purpose of HUD's age discrimination regulation.
146.5 Applicability of part.
146.7 Definitions.

Subpart B—Standards for Determining Age Discrimination

146.11 Scope of subpart.
146.13 Rules against age discrimination.

Subpart C—Duties of HUD Recipients

146.21 General responsibilities.
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146.25 Assurance of compliance and recipient assessment of age distinctions.
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Subpart D—Investigation, Settlement, and Enforcement Procedures

146.31 Compliance reviews.
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146.35 Mediation.
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146.41 Prohibition against intimidation or retaliation.

City of Houston
Pay or Play Program Requirements

I. Pay or Play Program Overview

A. Purpose

The Pay or Play Program was established with Ordinance 2007-534 on July 1, 2007 and is governed by Executive Order 1-7. The Pay or Play Program (POP Program) creates a more level playing field and enhances fairness in the bid process between competing contractors that choose to offer health benefits to their workforce and those who do not. The program also recognizes and accounts for the fact that there are cost associated with health care of the uninsured citizens of the Houston and Harris County area.

B. Program Elements

1. Covered contracts:

I.) Advertised after July 1, 2007 or which is executed on or after the effective date of this Executive Order.
II.) Contracts valued at or above $100,000.00 (contract) and $200,000.00 (sub-contract) including contingencies, amendments, supplemental terms and/or change orders.
III.) Professional Service, Construction, and Service type contracts.

2. Contracts not covered:

I.) Any contract in which the primary purpose is procurement of property, goods, supplies, and or equipment.
II.) An inter-governmental contract, inter-governmental agreement or purchasing cooperative.

3. Covered employees: This program applies to employees of a covered contractor or subcontractor, including contract labor, who are over age 18, work at least 30 hours per week and work any amount of time under a covered city contract or subcontract.

4. Pay or Play Option:

I.) "Pays" by contributing $1.00 per covered employee per regular hour for work performed under the contract with the City; or
II.) "Plays" by providing health benefits to covered employees. Health benefits must meet or exceed the following standards:

- The **employer will contribute no less than $150 per covered employee per month** toward the total premium cost.
- The **employee contribution, if any amount, will be no greater than 50% of the monthly premium cost and no more than $150 per month.**

Note: (1)A contractor is deemed to have complied with section 5.4 of E.O. 1-7 with respect to a covered employee who is not provided health benefits if the employee refuses the benefits and the employee's contribution to the premium is no more than $40 per month. (2) If applicable the contractor has the option to both Pay and Play.

City of Houston
Pay or Play Program Requirements

5. **Exemptions/Waivers:** The City of Houston will award a contract to a contractor that neither Pays nor Plays only if the contractor has received an approved waiver (Form POP-4 requested by City departments only).

6. **Administration**: Contractor performance in meeting Pay or Play program requirements will be managed by the contracting department. The Office of Business Opportunity (OBO) has administrative oversight of the program, including audit responsibilities (department compliance). Questions about the program should be referred to the Department POP Liaison an updated contact list is available on http://www.houstontx.gov/obo/popforms.html or call Gracie Orr with the Office of Business Opportunity at 832-393-0633.

II. Documentation and Reporting Requirements

A. Document that must be signed and returned to administering department with the bid/proposal.

1.) City of Houston Pay or Play Program Acknowledgment Form (Form POP-1) acknowledges bidder/proposers' knowledge of the program and its requirements, and the intention to comply.

B. Documents that must be signed and returned to administering department within a period designated by the department's Contract Administrator, upon notification of low bidder or successful proposer status:

1.) Certification of Compliance with Pay or Play Program (Form POP-2)

Note - Contractors that opt to "play" must provide proof of coverage, including document from insurance provider, and names of covered employees.

2.) List of Subcontractors (Form POP-3)

Note- Review the affidavit statement at the bottom of this form for further important POP Compliance information.

C. Contractors reporting requirements:

1.) Contractors that opt to Pay
Provide monthly reports to administering department, detailing names of employees, hours worked, exemptions (if any) and amount owed. (Form POP-5)

2.) Contractors that opt to Play
Provide periodic reports to the contract administrator showing proof of coverage (insurance premium invoice or insurance card) reporting schedule will be determined by administering department based on length of contract. (Form POP-7)

City of Houston
Pay or Play Program Requirements

3.) Employee Waiver Request
Contractor may request POP program waiver by submitting the request on POP-8 if the employee is less than 18 years old, employee has other health coverage such as through spouse or parents, or Medicare/Medicaid.

Note proof of coverage must be provided in the form of a copy of the employee's insurance card. (Remove social security numbers if applicable)

4.) Contractors shall submit an initial report with the second invoice to the department. Payments based on monthly reports are due to the contracting department with submission of the following month's invoice. Payments may be made out to the City of Houston preferably via cashier check or business check.

III. Compliance and Enforcement

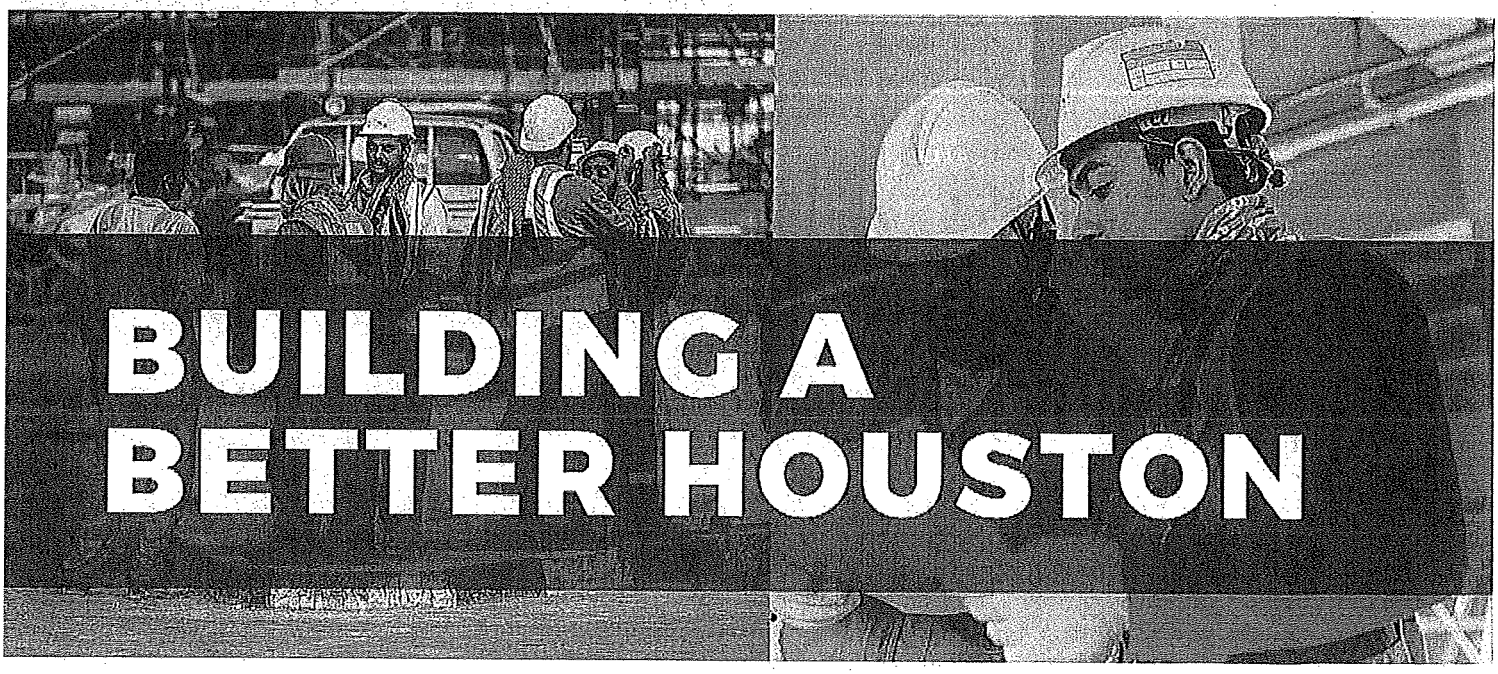
The Office of Business Opportunity will audit program compliance. Contractors willfully violating or misrepresenting POP program compliance will be subject to corrective and/or punitive action, including but not limited to the assessment of fines and penalties and/or debarment. The Pay or Play Program Requirements Form and all other POP Forms are available for downloading from the City of Houston's Website at http://www.houstontx.gov/obo/popforms.html

EXHIBIT H

CITY OF HOUSTON COMPLIANCE FORMS

MWSBE AND SECTION 3

COMPLIANCE FORMS
MWSBE AND SECTION 3



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CITY OF HOUSTON
HOUSING AND COMMUNITY DEVELOPMENT

CONTACT INFORMATION

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Section 3 Contract Administrator	Desmond Calloway	(832) 393-9110 Desmond.Calloway@houstontx.gov
Section 3 Coordinator	Patricia Holcombe	(832) 394-6321 Patricia.Holcombe@houstontx.gov
Community Involvement Coordinator	Karen Franklin	(832) 394-6160 Karen.Franklin@houstontx.gov

COMPLIANCE FORMS

CITY OF HOUSTON
HOUSING AND COMMUNITY DEVELOPMENT

Instructions: All compliance forms must be completed and/or signed by a duly authorized member of the firm. The Prime Contractor, Subcontractor, and Suppliers must upload the following forms in **LCPTracker** by the deadlines provided below. Read each form to verify if it's applicable to your firm and follow the instructions written on each form.

The following form(s) are to be submitted ***before construction*** commences.		
Compliance Section(s): MWSBE/Section 3	**Form/Documents**	**Due**
All sections	Executed contract agreement, purchase order, and/or invoice	Within 5 business days of executed contract agreement
All sections	Compliance Cover Sheet	Within 5 business days of executed contract agreement
All sections	Request for Contractor/Subcontractor Clearance Form/SAM Verification	**Before** execution of contract agreement
All sections	Start of Work Notice	Upon commencement of work
All sections	Termination of Work Notice	Upon completion of work
MWSBE/ Section 3	Section 3/MWSBE Utilization Plan	Within 5 business days of executed contract agreement, monthly, and/or when changes occur
Section 3	Contractor's Section 3 Compliance Certification	Within 5 business days of executed contract agreement
Section 3	First Source Hiring Agreement	Within 5 business days of executed contract agreement
Section 3	Permanent Employee List	Within 5 business days of executed contract agreement
Section 3	Workforce Analysis Form	Within 5 business days of executed contract agreement
Section 3	Internal Capacity Affidavit	Within 5 business days of executed contract agreement or when internal capacity is reached
Section 3	Monthly Verification of Internal Capacity Status	Between 1st and 5th day of the month capturing previous month activity
Section 3	Section 3 Monthly Activity Report	Between 1st and 5th day of the month capturing previous month activity
Section 3	Section 3 New Hire Form	Between 1st and 5th day of the month capturing previous month activity
Section 3	Confirmation of Subcontractor Amount	Within 5 business days of executed contract agreement
Section 3	E-BID Announcement	Submit at least 14 business days from need to contract
Section 3	Employment Opportunity Announcement (EOA)	Submit at least 14 business days prior need to hire
Section 3	Bid Tabulation	Submit no later than 5 business days after final selection is made
Section 3	Template - Section 3 Signage (GC)	Signage must be posted on site prior to start of work

Compliance Cover Sheet

CITY OF HOUSTON HOUSING AND COMMUNITY DEVELOPMENT

Return with Compliance Documents **(Complete all fields)**

Project Name:		
Name of Prime Contractor/Sub/Supplier:		I/We have a written contract or purchase order with:
Services to be provided:		NAICS code [Hint: To look up a code, please visit http://www.census.gov/eos/www/naics/]
Company Address:		Pre-existing LCP Tracker User ID:
EIN or SS Number:	DUNS Number: (N/A if not applicable)	Contract Amount: $
Compliance Contact Person/Title:		Email:
Phone Number:		Fax Number:
*Owner's Ethnicity/Racial Background:		Gender:

☐	MBE	☐	WBE	☐	SBE	☐	Section 3

Instructions:

This form must be completed by all Prime contractors, Subcontractors, and Suppliers upon execution of a contract agreement, purchase order and/or invoice.

**For contracts applicable to Section 3, Suppliers that do not perform labor should NOT complete this form.*

The Prime Contractor is responsible for collecting this form from Subcontractors and Suppliers to complete setup and access to LCP Tracker.

**HUD's ethnicity categories are: White American, Black American, Native American, Hispanic American, Asian/Pacific American and Hasidic Jewish.*

***REQUIRED BY ALL SECTIONS**

Request for Prime Contractor /Subcontractor Clearance

No contract can be executed with a Prime Contractor, Subcontractor or Supplier until their eligibility has been verified by HCDD.

Date	
Project Name	
Project Address	
Prime Contractor/Sub/Supplier	
EIN or SS Number	
Address/Zip Code	
Phone Number	
Check the applicable entity	☐Sole Proprietorship ☐Corporation ☐Partnership ☐Other

List Principal(s) below:

Instructions:

To ensure eligibility, a search must be conducted of the (1) Company Name, (2) Principal Owner(s) and (3) the Employer Identification Number (EIN) through www.sam.gov/SAM.

The Prime Contractor verifies the eligibility of all Subcontractors and Suppliers. Search results and the Request for Clearance form MUST be uploaded in LCP Tracker for each Subcontractor and Supplier.

*REQUIRED BY ALL SECTIONS

Start of Work Notice

Prime Contractor Information

Project Name	
Project Address	
Prime Contractor/Sub Name	
Prime Contractor/Sub Address	
Start of Work Date	

Prime Contractor Authorization

Name of Authorized Officer	
Signature	
Title	

Instructions:

This form must be completed by the Prime Contractor/Subcontractor and serves as notice of commencement of work to HCDD.

***REQUIRED BY ALL SECTIONS**

Termination of Work Notice

Prime Contractor Information

Project Name	
Project Address	
Prime Contractor/Sub Name	
Prime Contractor/Sub Address	
Termination of Work Date	

Prime Contractor Authorization

Name of Authorized Officer	
Signature	
Title	

Instructions:

This form must be completed by the Prime Contractor/Subcontractor and serves as notice to HCDD that work has been completed.

*REQUIRED BY ALL SECTIONS

CITY OF HOUSTON HOUSING AND COMMUNITY DEVELOPMENT

Section 3 Utilization Plan

A Prime Contractor **must** submit an **initial** Utilization Plan when selected and then **once every month and/or when there are changes to utilization and/or contract amounts**. All Subcontractors, and Owner/Developer are also required to submit a Utilization Plan **once every month and/or when there are changes to utilization and/or contract amounts**. Section 3 requires an Owner/Developer(s), Prime Contractor & Subcontractor to award 10% of the construction budget to Section 3 Business Concerns when "NEW" contracting opportunities arise. This requirement by Section 3 **excludes** Suppliers. The 10% hard cost goal is calculated based on the total contract amount financed with HUD funds for construction related activities. The 3% soft cost goal is applicable when "New" opportunities arise for non-construction related activities. The 3% is calculated based on the soft cost budget, not the total contract amount. This form **MUST** be completed by **ALL** Subcontractors working on projects at all tier levels.

Reminder: THIS FORM MUST BE DATED BETWEEN THE 1ST AND 5TH OF EACH MONTH.

1A. DD/MM/YYYY:	1B. Project Name:	1C. Contract Number:	1D. Contractor Amount:	1E. Contact Person:	1F. Prime/Subcontractor Name:	1G. Compliance Contact Name:	1H. Compliance Contact Telephone Number:

2A. Required 10% Hard Cost Goal	2B. Achieved 10% Hard Cost Goal	2C. 10% Hard Cost Goal Met	2D. Soft Cost Budget (N/A if not applicable)	2E. Required 3% Soft Cost Goal	2F. Achieved 3% Soft Cost Goal	2G. 3% Soft Cost Goal Met

NAICS Code (6digits)	Subcontractor	Section 3 Certified (Select drop down Yes or No)	Gender (Select drop down Male or Female)	*Ethnicity (Refer options below)	Description of Service	EIN or ISS	Contract Amount	% of Contract	Hard Cost, Soft Cost or Supplier (select the correct choice)	Address & Phone Number
		No	Female	White American						
		No	Female	Hasidic Jewish						
		No	Female	Hasidic Jewish						
		No	Female	Hasidic Jewish						
		No	Female	Hasidic Jewish						
		No	Female	Hasidic Jewish						
		No	Female	Hasidic Jewish						
		No	Female	Hasidic Jewish						
		No	Female	Hasidic Jewish						
		No	Female	Hasidic Jewish						
		No	Female	Hasidic Jewish						
		No	Female	Hasidic Jewish						

**HUD's ethnicity categories are: White American, Black American, Native American, Hispanic American, Asian/Pacific American and Hasidic Jewish*

CITY OF HOUSTON HOUSING AND COMMUNITY DEVELOPMENT

MWSBE Utilization Plan

A Prime Contractor **must** submit an **initial** Utilization Plan when selected and then **once every month and/or when there are changes to utilization and/or contract amounts**. All Subcontractors, Suppliers and Owner/Developers are also required to submit a Utilization Plan **once every month and/or when there are changes to utilization and/or contract amounts**. This form **MUST** be completed by **ALL** Subcontractors and Suppliers working on MWSBE projects at all tier levels.

Reminder: THIS FORM MUST BE DATED BETWEEN THE 1ST AND 5TH OF EACH MONTH.

1A. DD/MM/YYYY:	1B. Project Name	1C. Contract Number	1D. Contractor Amount:	1E. Prime/Sub Contractor Name:	1F. Compliance Contact Name:	1G. Compliance Contact Telephone Number:

NAICS Code (6digits)	Subcontractor/Supplier	MWSBE (select drop down Yes or No)	Section 3 Certified (circle the correct choice)	*Ethnicity (Refer options below)	Description of Service	EIN or SS#	Contract Amount	% of Contract	Hard Cost, Soft Cost or Supplier (select the correct choice)	Address & Phone Number & Email
		No	No	Hasidic Jewish						
		No	No	Hasidic Jewish						
		No	No	Hasidic Jewish						
		No	No	Hasidic Jewish						
		No	No	Hasidic Jewish						
		No	No	Hasidic Jewish						
		No	No	Hasidic Jewish						
		No	No	Hasidic Jewish						
		No	No	Hasidic Jewish						
		No	No	Hasidic Jewish						
		No	No	Hasidic Jewish						
		No	No	Hasidic Jewish						
		No	No	Hasidic Jewish						
		No	No	Hasidic Jewish						
		No	No	Hasidic Jewish						
		No	No	Hasidic Jewish						
		No	No	Hasidic Jewish						

**HUD's ethnicity categories are: White American, Black American, Native American, Hispanic American, Asian/Pacific American and Hasidic Jewish.*

Note: Actual dollar amounts are assumed if the date is in the past, otherwise numbers reflect projected dollar amounts

CITY OF HOUSTON
HOUSING AND
COMMUNITY
DEVELOPMENT

Contractor's Section 3 Compliance Certification

The undersigned makes this affidavit with full knowledge that its contents will be used in the expenditure of funds provided by the United States Government. Under penalty of perjury I hereby state:

1. I am the_____of_____.
   (owner, partner, officer, representative, agent) (Company Name)

2. My company adheres to Section 3 of the Housing and Urban Development (HUD) Act of 1968, as amended, 12 U.S.C. 1701u which requires, to the greatest extent feasible, that a "good faith effort" given to identifying small businesses located within the boundaries of the Section 3 service area, making them aware of contracting opportunities, encouraging their participation and actually awarding contracts to Section 3 business concerns through the assistance of the City of Houston and their referral system.

3. An attempt will be made to undertake outreach activities intended to encourage participation by Section 3 residents in training and employment opportunities, to include but not be limited to utilizing the referral established by the City of Houston, the Texas Employment Commission, and Houston Works.

4. My company also acknowledges and affirms the required steps stipulated in the Code of Federal regulations 24 CFR Part **§135.38 for** any **"New"** services, i.e. employment/labor, services/materials, or subcontracting. Any violation of this requirement will present a negative impact on the performance rating of the recipient, developer, and contractor/subcontractor.

§ 135.38 Section 3 clause

All section 3 covered contracts shall include the following clause (referred to as the section 3 clause):

A. The work to be performed under this contract is subject to the requirements of section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (section 3). The purpose of section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing.

B. The parties to this contract agree to comply with HUD's regulations in 24 CFR part 135, which implement section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the part 135 regulations.

C. The contractor agrees to send to each labor organization or representative of workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this section 3 clause and will post copies of the notice in conspicuous places at the work site where both employees and new applicants can see. The notice shall describe the section 3 preference, set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the required qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.

D. The contractor agrees to include this section 3 clause in every subcontract subject to compliance with regulations in 24 CFR part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the

subcontractor has been found in violation of the regulations in 24 CFR part 135.

E. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 135.

F. Noncompliance with HUD's regulations in 24 CFR part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts. G. With respect to work performed in connection with section 3 covered Indian housing assistance, section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e) also applies to the work to be performed under this contract. Section 7(b) requires that to the greatest extent feasible (i) preference and opportunities for training and employment shall be given to Indians, and (ii) preference in the award of contracts and subcontracts shall be given to Indian organizations and Indian-owned Economic Enterprises. Parties to this contract that are subject to the provisions of section 3 and section 7(b) agree to comply with section 3 to the maximum extent feasible, but not in derogation of compliance with section 7(b).

Affiant's Signature:_____Address: _____

Affiant's Title:_____Telephone:_____

Affiant's Company Name:_____

_____Subscribed and

sworn to under oath before me this _____day of_____, 20_____

_____
Notary Public Signature

My Commission Expires: _____

Notary Stamp

First Source Hiring Agreement

This agreement is entered this_____day of ,20 by and between the City of Houston and, hereinafter referred to as the "City", and hereinafter referred to the "Contractor", in connection with work to be performed in relation to the City's HUD-assisted project entitled, hereinafter referred to as the "project".

Whereas, HUD has promulgated certain regulations to implement Section 3 of the Housing and Urban Development (HUD) Act of 1968 (12 U.S.C. 1701u) (Section 3), which regulations were published in the Federal Register June 30, 1994 at page 33865, hereinafter referred to as the "Section 3 regulations"; and

Whereas, the purpose of Section 3 regulations is to ensure that employment and other economic opportunities generated by Section 3 covered assistance shall, to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, be directed to low-and very low-income persons, and to business concerns, which provide economic opportunities to such persons.

Whereas, HUD has set forth numerical employment, and contracting goals to be achieved by all Community Development recipients of Section 3 covered assistance and by other recipients of such assistance in which HUD's share exceeds $200,000 per project and by those Contractors whose share of such projects exceeds $100,000; and

Whereas, the numerical goal so established by HUD applicable to the Project is set forth below; and

Whereas, recipients of Section 3-covered assistance and their contractors can demonstrate compliance with the Section 3 regulations by committing to employ Section 3 eligible persons as the applicable percentage of the aggregate number of new hires during the time period involved in the Section 3-covered project; and

Whereas, the City and the Contractor are desirous of being in compliance with the Section 3 regulations as they relate to the Project;

Now Therefore, the City and the Contractor agree as follows:

1. The Contractor and any of its subcontractors shall supply the City with a list of all full-time employees currently employed, indicating which, if any, of said employees were hired within the past three years and were also low or very low-income persons when so hired;
2. The Contractor and any of its subcontractors shall provide a listing of any and all positions for which new hires are expected to be required as a result of the Project;
3. The Contractor and any of its contractors will, to the greatest extent feasible, endeavor to hire 30% percent of the new hires generated by the Project from the following list of Section 3-eligible groups, in the order of priority listed:
    a. Section 3 residents of service area or neighborhood;
    b. Youth build participants;
    c. Homeless projects; Homeless persons; and
    d. Other Section 3 residents.
4. The Contractor and any of its subcontractors will be encouraged to make new hires from the list of Section 3-eligible groups in Paragraph 3 above for any and all other projects assisted with Federal funding, whether or not such project is subject to the Section 3 regulations;

5. The Contractor and any of its subcontractors shall accept referrals of Section 3-eligible persons from the City.

Provided, however, that nothing in this agreement is to be construed requiring any party hereto, or its subcontractors, to hire any person or persons who are unqualified to or incapable of carrying out the work required of any such new hires.

Witness our hands and seals on the date first written above:

The City of Houston
Department of Housing & Community Development

by_____
Section 3 Coordinator

Contractors Name:

by_____
its Owner/President/Vice President

***SECTION 3 ONLY**

Permanent Employee List

CITY OF HOUSTON
HOUSING AND COMMUNITY DEVELOPMENT

Project Name:_____ Total Amount of Contract _

Name of Contractor:_____ Address:_____

Name of Contact Person:_____ Date:_____

Employee Names	Job Title	Certified Section 3 Resident		Monthly Salary or Hourly Rate
		Yes	No	

I certify the above-named individuals are permanent employees of this firm. I understand that falsifying information is perjury and subject to legal ramifications.

_____ _____ _____

Print Name / Title **Signature** **Date**

SECTION 3 ONLY

Section 3 Prime Contractor/Subcontractor Workforce Analysis Form

CITY OF HOUSTON HOUSING AND COMMUNITY DEVELOPMENT

ESTIMATED PROJECT WORK FORCE BREAKDOWN

	Job Category	Estimated Number of Positions Needed for Project	Number of Positions Occupied by Permanent Employees	Number of Positions Not Occupied	Number of Positions to be Filled w/ Section 3 Residents
Non-Construction	Officer/Supervisor				
	Professionals				
	Technical				
	Office/Clerical				
	Service Workers				
	Other:				
Construction	Journeymen:				
	Apprentices:				
	Laborers				
	Trainees				
	Other:				

EMPLOYMENT CERTIFICATION (make additional copies of this form if necessary)

The Company hereby certifies that the above table represents the appropriate number of employee's positions required in the execution of project and represents the number of Section 3 service area residents that the company proposes to employ. The Company certifies that it will make a good faith effort to employ the number of lower income employees stated utilizing such community-based organizations and service agencies as the Texas Employment Commission and Houston Works.

Company:_____ Title: _____

By:_____ Date: _____

CITY OF HOUSTON
HOUSING AND COMMUNITY DEVELOPMENT

Section 3 Internal Capacity Form

Affidavit:

The undersigned makes this affidavit with full knowledge of the content described in the Section 3 Program regulations at 24 CFR Part 135. Each recipient of Section 3 covered financial assistance, and its contractors or subcontractors are required to comply with the requirements of Section 3 for ***new*** employment, training, or contracting opportunities that are created during the expenditure of covered funding. This requirement applies to matters which include:

1. All construction projects for which the amount of City (HUD-sourced) assistance to the project or program exceeds $200,000.
2. All Contractor/Subcontractor situations where the individual contract or subcontract exceeds $100,000 from the City with HUD-sourced funds.

This affidavit is to document the contractor has sufficient internal capacity to execute the entire scope of work awarded without the need to subcontract and to acknowledge by the undersigned if subcontracts are required, they may be subject to additional requirements under the Section 3 program.
Under penalty of perjury I hereby state:

I,_____ am the_____ of_____,
(Print Name) (Owner, partner, officer, representative, agent) (Company Name)

which has executed a contract with_____ to perform _____
(Other Contract Party) (Description of Work)

_____ on the project known as _____
(Description of Work - Continued) (Name of Project)

and represent that the contract covered by this affidavit has met the conditions, including those described above and hereby authorize and request any person, firm or corporation to furnish any information requested by the Housing and Community Development Department in verification of the recitals comprising this_____ day of_____, 20_____.

_____
Company Name Representative Signature Title

STATE OF TEXAS §
§
COUNTY OF_____ §

_____ being duly sworn, deposes and says that he/she is the
_____ (Print Name)
(Owner, partner, officer, representative, agent)

of_____ and that the answers to the foregoing questions and all statements therein contained are true
(Company Name)
and correct.

Notary Stamp

Subscribed and sworn to before me this_____ day of _____, 20_____.

_____ My Commission Expires: _____
Notary Public Signature

Only submit form if Prime/Subcontractor does not have a need for lower-tier subs or new hires for the duration of the project.

CITY OF HOUSTON
HOUSING AND COMMUNITY DEVELOPMENT

Monthly Verification of Internal Capacity Status

This form is to be completed and submitted by the 5th of each month by every Subcontractor claiming Internal Capacity, for the duration of their contract. Always report for the previous month; (E.g., Form due on July 5th, will be reporting activity of June).

Reporting Month:	**Project Name**
Subcontractor	**Contracted With**

By signing below, I hereby verify that my company has remained in the qualifying Internal Capacity parameters stated below:

- No Lower-Tier Subcontracts have been awarded, and/or
- No New Hires (employees placed on payroll) have been hired to work specifically on the project stated above.

By signing below, I also verify that I understand that in the event my company has the need for lower-tier subcontracts and/or new hires, I will immediately alert the General Contractor and will follow the below Section 3 Procurement Processes. I also understand that my company can no longer claim Internal Capacity and will be required to comply with all Section 3 requirements that are now applicable.

Section 3 Procurement Process for Lower-Tier Subcontractors

1. Subcontractor will submit **EBID Announcement** that lists scope of work, contact information and a bid due date (minimum is two weeks). Subcontractors should submit EBID directly to General Contractor.
    a. EBID will be forwarded to HCDD and will then be sent to all Section 3 Businesses.
2. Subcontractor will review all bids received and will award contract based on the Section 3 procurement guidelines, depending if bids are construction or non-construction:
    a. 10% of construction contract must be awarded to Section 3 Business.
    b. 3% of soft cost (non-construction) budget must be awarded to Section 3 Business.
3. Subcontractor will submit a **Bid Tabulation** after all bids have been received. The bid tabulation should indicate which awarded contracts were to a Section 3 Business.
4. Subcontractor will submit a **Utilization Plan** that lists all Lower-Tier Subcontractors, Professional Services and Suppliers being utilized. The template is provided on page 46 of the Section 3 Contractor Orientation Guide.

Section 3 Procurement Process for New Hires

1. Subcontractor will submit an Employment Opportunity Announcement (EOA) that lists position details, applicant qualifications, contact information and application deadline. EOA will be submitted directly to the General Contractor.
    a. EOA will be forwarded to HCDD and will then be sent to all certified Section 3 Residents.
2. Subcontractor will hold interviews and determine how the 30% New Hire Goal will be met.
    a. For example, if 10 new hires are needed, at least 3 must be either:
        i. Currently certified as a Section 3 Resident
        ii. Qualifies as a Section 3 Resident (required to complete Section 3 Resident Application)
3. Subcontractor will notify the General Contractor of hiring results and will submit the following:
    a. Statement indicating how the 30% New Hire Goal was met, list of new hire names and Section 3 Resident status.
    b. Section 3 Resident Applications for new hires that must be certified in order to meet the 30% New Hire Goal.
4. Subcontractor will start submitting monthly reporting and any other additional documents needed for the duration of their contract.

Print Name	Title/Company	Signature	Date

***SECTION 3 ONLY**

CITY OF HOUSTON
HOUSING AND COMMUNITY DEVELOPMENT

Section 3 Monthly Activity Report (PART I)

Contractor Name	Project Name
Contractor Address	Contract Amount
Contact Person	Reporting Month
Phone Number / Email	Date of Submission

Employment and Training

A	B				C		D			
	New Hires ☐ No New Hires				Employees		Trainees ☐ No Trainees			
Job Category	Section 3 New Hires*		Non-Section 3 New Hires		Section 3 Employees*	Non-Section 3 Employees	Section 3 Trainees* Previously Reported That Worked This Month		New Section 3 Trainees* Reporting for the First Time	
	# of New Hires	Hours Worked	# of New Hires	Hours Worked	Hours Worked	Hours Worked	# of Trainees	Hours Worked	# of Trainees	Hours Worked
Professional										
Technician										
Office/Clerical										
Trade:										
Trade:										
Trade:										
Trade:										
Other:										
Other:										
TOTAL										

NOTES:

1. This form **MUST** be submitted by **ALL** contractors (with a contract in excess of $100,000) no later than the **5th** of each month.
2. Reporting **MUST** always reflect previous months activity.
3. New Hires are reported under Column "B" for the first month following their date of hire. Thereafter, New Hires are reported under Column "C".
4. All New Hires **MUST** be listed on the Section 3 and Non-Section 3 New Hire Form.
5. This form is **NOT** required by Prime and Subcontractors claiming, "Internal Capacity".

CITY OF HOUSTON
HOUSING AND COMMUNITY DEVELOPMENT

Section 3 and Non-Section 3 New Hire Form (PART II)

FormInstructions

ContractorName:					ReportingMonth/Year:				
A. First Name	**B. Last Name**	**C. Racial/ Ethnic Code**	**D. Hire Date**	**E. Hourly Rate**	**F. Section 3 Status**	**G. Trade Work**	**H. Hours Worked**	**I. Hours Trained**	**J. Payroll Classification**

A. First name of Section 3 Resident
B. Last name of Section 3 Resident
C. Racial/ethnic code: 1 – White American, 2 – Black American, 3 – Native American, 4 – Hispanic American, 5 – Asian Pacific American, 6 – Hasidic Jew
D. Hire date of Section 3 Resident
E. Hourly rate of Section 3 Resident
F. Indicate Section 3 status by entering either: New Hire, Employee or Trainee
G. Trade work performed by Section Resident
H. Hours worked during reporting month by Section 3 New Hire or Section 3 Employee
I. Hours trained during reporting month by Section 3 Trainee
J. Indicate payroll classification: Full Time, Part Time, FT - Temporary, PT- Temporary, FT-Seasonal, PT-Seasonal, Internship

CITY OF HOUSTON
HOUSING AND COMMUNITY DEVELOPMENT

Section 3 Confirmation of Subcontract Amount

Project Name: _____

Subcontractor Name: _____

Executed Contract With: _____

Original Contract Amount:

Start of Work Date: _____

Contract Amount at Start of Work: _____

Please complete one (1) of the following that applies:

A.
Contract Amount Has Remained Less Than $100,000

If the contract amount is below $100,000 prior to the start of work date, the Subcontractor is not required to comply with Section 3 due established minimum threshold. Sign below and submit form.

I, hereby, confirm that the above Subcontractor 's contract amount has stayed below the $100,000 threshold by the start of work date stated above.

Print Name	Title/Company	Signature	Date

B.
Contract Amount Has Increased to Equal to or Greater Than $100,000

If the contract amount is now in excess of $100,000, the Subcontractor is required to comply with the Section 3 federal regulations and the HCDD's Section 3 policy and procedures set forth in the Section 3 Contractor Orientation Guide.

I, hereby, acknowledge that the above Subcontractor's met the minimum threshold and I understand that the Subcontractor is now required to comply with the Section 3 requirements set forth in the Section 3 Contractor Orientation Guide.

Print Name	Title/Company	Signature	Date

CITY OF HOUSTON
HOUSING AND COMMUNITY DEVELOPMENT

Section 3 EBID Announcement

Date: **BID DUE BY:**

To: Section 3 Contractors, Labor Force, and Materials Vendors

Project Name: _____

Address, City, State, Zip: _____

From: _____

Summary of Work: _____

_____

*This project is (**name of project**)* _____. *As a General Contractor/Subcontractor, we are hiring Section 3 companies/residents that can perform the following scope of work:*

*(**description and minimum qualifications**)* _____

_____

If interested, please contact me as soon as possible to schedule an appointment to look at the scope of services. This project is funded through a federal grant; therefore, we encourage all qualified Section 3 Business Concerns/Residents to respond to this E-Bid for employment and Contracting Opportunities.

Contact Information:

Please email this form to _____. *Should you have any questions contact: (Name and Phone Number).* _____

Bidder Information: _____

_____

☐ Yes, I will be bidding on the project ☐ No, I will not be bidding on this project

Contract Name: _____

Company: _____

Phone number: _____

Address: _____

Email: _____

Trade/Specialty: _____

HCDD contractors are committed to "ensure employment and economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible and consistent with existing federal, state and local laws and regulations, be directed to low and very low-income persons." If your company is interested in certifying as a Section 3 Business Concern complete the application process here: https://hcddsection3.gob2g.com/

This form must be completed and submitted to HCDD Section 3 and MWSBE Compliance Coordinators for all contracting opportunities.

CITY OF HOUSTON
HOUSING AND
COMMUNITY
DEVELOPMENT

Section 3 Employment Opportunity Announcement (EOA) for procuring Labor for Section 3 Residents

DATE: _____ **APPLICATION DEADLINE:** _____

TO : *Section 3 Residents*

PROJECT: _____

FROM: _____

POSITION NEEDED/DESCRIPTION: _____

CONTACT INFORMATION: _____

_____

Section 3 Residents: Include this cover sheet with your application

☐ Yes, I am interested in this position ☐ No, I am not interested in this position

Contact Name: _____

Address: _____

Phone: _____ Email: _____

Job: _____

Job Skills:

_____

_____

Federal Labor Standard Provisions including the Davis Bacon and Related Act may be applicable to the construction of this project.

If you know someone interested to become a certified Section 3 Resident the guidelines and application are available here: https://www.houstontx.gov/housing/compliance.html#sec3

The Housing and Community Development Department (HCDD) Section 3 Program is committed to ensure that employment and economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible and consistent with existing federal, state and local laws and regulations, be directed to low-and very low-income persons.

Sample Bid Tabulation

Date:

COST CODE:

Projected Budget

SUBCONTRACTORS	BID AMOUNT		COST BREAKDOWN
			per unit per square foot
			per unit per square foot
			per unit per square foot
			per unit per square foot

Labor	$ -		**PM:**
Material	$ -		
TOTAL:	$ -		**SPM:**
CONTRACT:			**VP:**
- **P.O.:**			

Signage Template

CITY OF HOUSTON
HOUSING AND COMMUNITY DEVELOPMENT

Housing and Community Development Department

In partnership with the U.S. Department of Housing and Urban Development, and _____

Acknowledge that the Construction of this project is subject to the Section 3 plan of the U.S. Department of Housing and Urban Development. This program is designed to generate various Employment and Contracting Opportunities.

Please inquire within:
Contractor name and contact number/Email:

_____

CITY OF HOUSTON
HOUSING AND
COMMUNITY
DEVELOPMENT

SUPPLEMENTAL COMPLIANCE FORMS, TEMPLATES AND REFERENCE MATERIAL

In addition to the forms listed on the previous pages, Prime Contractor, Subcontractor and Suppliers are **required**, where applicable, to submit supplemental compliance forms during and upon completion of the construction. The supplemental forms, templates and reference material are available for download in LCP Tracker. For your convenience, a **sample** of available forms and documents in LCP Tracker are attached:

Compliance Section: MWSBE/ Section 3	Form	Deadline
All sections	Work on Hold Notice	Refer to instructions
All sections	System for Award Management Instructions	N/A
All sections	Statement of Information for SAM Results	N/A
MWSBE	MWBE Utilization Schedule	Submitted **with** "Initial" Utilization Plan, and/or when Prime fails to meet MWBE participation goals.
MWSBE	Mediation Arbitration Language	Included in certified firms executed contract agreement and/or purchase order(s)

CITY OF HOUSTON
HOUSING AND COMMUNITY DEVELOPMENT

Work on Hold Notice

Prime Contractor Information

Project Name	
Project Address	
Prime/Sub Contractor Name	
Prime/Sub Contractor Address	
Exact or estimated date range that work is scheduled to be on hold	

Prime Contractor Authorization

Name of Authorized Officer	
Signature	
Title	

Instructions:

This form MUST be completed by the Prime Contractor and Subcontractor(s) who generate certified payroll reports and will not be working at the project site for more than 4 consecutive weeks. When work resumes, continue to number payrolls in sequential order from the last certified payroll report number. This form must be uploaded into LCP Tracker.

*REQUIRED BY ALL SECTIONS

System for Award Management's

Instructions how to process a Request for Contractor Clearance

Enter one of the *search terms*:

-Entity name
-Tax payer ID
-Name of each principals

Click on *Search Records*

Did you receive

No record found for current search?

No.

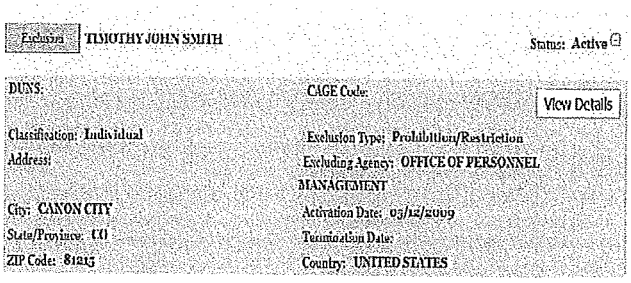
-Exclusions: Yes
-If results are found, click on "+" sign to expand.
-Print the page and attach it to the Request for Clearance.

Example below

Yes.

Print results page and attach it to the Request for Contractor/Subcontract or Clearance.

REPEAT FOR EACH SEARCH TERM.



Stop

Notify your assigned HCDD staff member for clearance. Upload the form and results and send an email for expedited clearance.

Stop.

You are finished.

CITY OF HOUSTON
HOUSING AND COMMUNITY DEVELOPMENT

MWSBE Utilization Schedule

Status as of:	(enter date)
Project Name:	(enter project name)
Project Number	(enter project number)
Company Name	(enter construction Company name)

Month	Total	Sub 1 (Enter Name)	Sub 2 (Enter Name)	Sub 3 (Enter Name)
(enter NTP date)	$0	$0	$0	$0
(enter NTP date + 1 month)	$0	$0	$0	$0
(enter NTP date + 2 months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
	$	$0	$0	$0
	%	0.00%	0.00%	0.00%

Contract Amount: **$1,000,000**
Goal % **24.00%**
Goal $ **$240,000**

****Note:* *Actual dollar amounts are assumed if the date is in the past, otherwise numbers reflect projected dollar amounts.***

EXHIBIT I

QUALITY MANAGEMENT POLICIES AND PROCEDURES

BROWNSTONE CONSTRUCTION

QUALITY MANAGEMENT

POLICY
AND PROCEDURES

MANUAL 2019

Overview

Building Turn/Acceptance Procedure

- When a building is complete and punched by Brownstone Construction, superintendent calls to schedule a Courtesy Walk with owner/management. (This is a combined walk, not separate)
- On the Courtesy Walk, owner/management inspects all aspects of the building and surrounding common areas both interior and exterior to set a standard. These can be split, but should be conducted by the same personnel.
- Owner/management produces and distributes a list to Brownstone identifying the items to be addressed by construction.
- Superintendent ensures that all items on the list are completed before second walk. Upon completion of list items, Superintendent schedules second walk with Owner/management (OM for future reference)
- OM re-walks the list from the first walk ensuring completion of items, and accepts or rejects the building as complete. Acceptance or rejection is determined by satisfactory completion of list items.
- OM signs off a Certificate of Acceptance to construction signifying completion of the building per Brownstone standards.
- Building is then turned over to management.

Warranty, Asset Management

- After construction is complete, OM monitors the property through routine site visits, communication with property management and routine property inspections.
- Brownstone Construction keeps records of all third party reviews, third party inspections, certificates of acceptance, and OM inspections.
- OM monitors and coordinates warranty issues.

BROWNSTONE BUILDING PUNCH OVERVIEW

Develop Uniform Consistent Standards

- These standards should be agreed upon and accepted by the following
- Brownstone Construction
- Management Company on each project
- Cover what is acceptable in quality and exceptions in the walk process

OM First Walk; Unit and Exterior Punch

- OM will walk with Brownstone representative(preferably superintendent or assistant)
- First walk should be conducted at least 1 week prior to the scheduled turn date
- Exterior and interior meet standards and have been punched out
- Superintendent schedules the OM (Development Representative) for a first walk
  - No more than 10, non-cosmetic, items of deficiencies in each unit. If more are found in the first three units then the walk will be terminated/rescheduled
  - Reschedule walk
- Timeline
  - 15 minutes- 1 bedroom
  - 20 minutes- 2 bedroom
  - 25 minutes- 3 and 4 bedroom
  - 45 minutes- Exterior
- OM to give copy of punch lists to Brownstone Construction for completion

OM Second Walk; Acceptance

- OM will walk with Brownstone representative(superintendent or assistant)
- Should be generally three to five business days between first and second walks
- There should be no additional issues added to the second OM punch list. If some are added, under very few circumstances, these should not hold up the building's release to the Management Company and should be considered exceptions
- OM checks the following (Interior and Exterior)
  - OM punch list
  - Final clean
- If the above items have not been completed then the OM will terminate the walk and reschedule
- Timeline
  - 5 minutes- 1 bedroom
  - 8 minutes- 2 bedroom
  - 10 minutes- 3 and 4 bedroom
  - 30 minutes- Exterior

Acceptance of Interiors and Exteriors

- OM will sign-off on the "Brownstone Acceptance Certificate" to Construction
- Exceptions or miscellaneous punch items will be noted on the acceptance form
- Certificate of Occupancy from city/county must be obtained before the second OM walk occurs

Permanent keys will be given to the Management Company

Brownstone Building Acceptance Standards and Procedures

Requirements for Building Acceptance

When the building exterior and units within meet established Brownstone Construction standards and with punch completed, the Superintendent will schedule the first acceptance walk with the OM.

The following items are to be completed prior to the first walk of a building:

- Units must be ready for tenant move-in
- Unit interiors and exterior of building must be clean
- Permanent power and water must be connected and functioning in each unit
- All trims must be complete
- Flooring in place
- Paint punched out
- Flatwork in place
- Exteriors complete (cornice, brick, stucco, paving and painting)
- Completely landscaped
- Pool and surrounding area
- Mailboxes in place
- Manuals on all appliances must be stored in each unit in a kitchen drawer
- All appliance serial numbers recorded

The following items are to be completed prior to the second walk of a building:

- Certificate of Occupancy from local jurisdiction(or all final inspections complete)
- All punch list items completed
- Ready for tenant "Move-In"
- Separate the accepted building from the buildings under construction with a temporary fence. This temporary fence must be relocated each time a building is accepted.

** If any new items are noted on the second walk or back ordered parts from the first walk are not in, then these items will be marked as exceptions and not delay Owner Acceptance, item are to be completed within a reasonable amount of time and rechecked for completion.*

- **First Walk Procedure: Interior**

Before inspecting a building, the OM should familiarize oneself with the particular project specifications. Paint colors, appliances, fixtures and a wide array of other requirements are found in the project specifications. Different buildings and unit types call for different specifications. Familiarization with local municipal codes for a particular project will also help the OM in identifying local regulation issues.

Use the "OM First Walk" form for the first walk. Have one form for both interior and exterior. The OM will walk both interiors and exteriors of the scheduled building on the same date. A punch list of construction deficiencies will be generated from walking the building on the interior and exterior walk form. These construction deficiencies must be completed before the OM performs the second walk of the interior and exterior for final acceptance.

The OM will walk with Brownstone representative (Superintendent or Assistant).

The following procedures should be applied accordingly to multiple unit and building floor plans. This procedure will be applied to any configuration of unit.

Standing in front of the main entry door, enter the unit. This procedure should start from right to left, all rooms of any kind should be inspected in the same manner whether they have very few items to examine such as a stairwell, closet, garage and bedroom or numerous as in a kitchen or bathroom. It is most important that this inspection procedure be done thoroughly and consistently for the entire unit. If the inspection deviates from this procedure, this is when quality deficiencies are often overlooked. Cosmetic items such as paint and texture should be uniform and viewed from a distance of 4-5'away.

Examine all area from floor to ceiling. Take 3 to 4 foot sections from top to bottom, then the next adjoining section from bottom to top. Within these sections examine the structural, mechanical and major aesthetic aspects of these areas. Repeat the procedure around the room until you end up in the same place that you started. As the inspection proceeds you will encounter closets, windows, doorways and appliances. It is important to examine the entire room you are inspecting completely before proceeding to the next room. After examining the walls, floor and ceiling of the room proceed to the next room. Treat closets, bathrooms, kitchens, porches and any other like areas as "rooms" with the same inspection process.

Besides looking for quality deficiencies it is important to note that the OM should make sure that all areas have their appropriate fixtures, appliances, and finishes according to the project's specifications. Use the quality definitions listed later in the manual under interior and exterior as a guide to check these areas. When noting items be as specific as you can with the room or area and request for change.

First Walk Procedure: Exterior

Begin examining the hardscape and landscape of the immediate surrounding area. These areas may contain covered parking, electrical, plumbing and various other items that need to be inspected. Examine all areas around the building until ending at the origination point. Starting at the same origination point, inspect all vertical areas of the building's exterior. Check for quality consistency and any construction deficiencies.

When the first walk is complete the walk form should be distributed to the Superintendent, Project Manager and owner.

Second Walk Procedure

The OM will walk with Brownstone representative (superintendent or assistant).

Taking the first walk deficiencies list for both interior and exterior, check the specific items for completion. If, when checking these items, there are additional items in question found, note them for completion, these items will be added as exclusions.

At the completion of the interior and exterior of the building, the OM will sign off the building on the "Certificate of Acceptance" form. If any unresolved issues (items found on the second walk and first walk back ordered items) remain with the building, then these must be noted on this form for completion. These items will be added as exclusions, not to prevent or delay building acceptance.

Interior

Refrigerator - Power connected, ice-maker functional, light inside operates. Exterior should be clean with no dents or scratches. The unit is balanced with the floor. Dispose of the first batch of ice as it can be harmful when used.

Range - Anti-Tip connected, LCD is illuminated, one burner powers up, exterior/interior is clean, balanced with the floor and unit is level. Free of any scratches or dents. All packing materials inside removed.

Microwave - LCD is illuminated, light inside works and is clean. Exterior is free of any scratches or dents. DO NOT OPERATE. It is harmful for the microwave to be operated without food in it to be heated.

Dishwasher - Engage a cycle until it drains through the disposal drain, inspect if water is draining properly. Unit is secured to the countertop, and is balanced with the floor.
Exterior should be clean and free of scratches and dents.

Disposal - Turn on the disposal briefly, it should run smoothly with little vibration and should have no foreign matter in it. Drain from dishwasher is free of any obstructions.

Cabinets - Finish should have no dents or scratches; operation should be smooth for doors and drawers. Inside the cabinets, if shelves exist, they should be level and have the same finish as the exterior. Doors should have bumpers installed and the door when closed should have evenly spaced gaps.

Ceramic Tile - Free of any cracks or chips in the tile and grout, should be consistently level and spaced.

Cleanliness - Entire unit should be clean and free of trash, dirt and dust, in all areas including countertops, flooring, plumbing fixtures, and hardware.

Drywall - Sheetrock and corner bead throughout the unit should have no visible joints showing through the texture by way of cracking, depression or bubbles.

Texture - The texture of the drywall should be consistent throughout the unit and match with the units of the same building and construction project. Any patches that are performed should blend in as much as possible with the surrounding drywall texture.

Switches and Receptacles (Electrical, Telephone, Cable) - Switches, receptacles and their covers should be flush, plumb and level. GFCI receptacles should be tested for safety purposes.

Light Fixtures - All light fixtures should be functional, have their appropriate cover on and be flush, plumb, level and secure.

Breaker Panels – Breaker panels should have no open slots, with each breaker labeled in the panel's directory. Cover is level and flush.

Fire Sprinklers - The fire sprinkler head and glass bulb should be free of paint. The sprinkler head should be perpendicular with the wall or ceiling to maximize efficiency. The trim ring should be flush to the wall or ceiling area.

Fireplaces - Mantles should be free of cracks and chips. Doors or screens should operate smoothly. Verify that damper and gas, if supplied, are operable.

Carpet - Stretched and tucked properly to all base and transition areas. Seams are not noticeable. Clean and free of any stains or imperfections.

Sheet Vinyl/VCT - Flush with the under flooring, with no bubbles or humps. VCT edges should be flush with each other. Free of any gouges, cuts, scratches or stains. No excess glue should be visible. All transition areas (Tubs, Toilets, Trim, etc.) should be caulked.

Framing - Floors, walls and ceiling should be plumb, level and square with each other.

Garage Door - Operates smoothly and quietly. Minimal spacing when closed between the bottom of the door and flooring. If local coding requires anti-close sensor eye installed, it should be tested for function. Trim plates must be installed where sensor wire protrudes from wall.

Mirrors - Level and plumb with the countertop and walls. Clean and contains no imperfections.

Hardware - Uniform throughout the unit, building and project. Performs the intended task and is free of imperfections on the finish. All locks should operate easily with minimal effort or resistance.

HVAC - Heater, air conditioning and exhaust fan should be functional. Return air filter should be clean and free of debris. Secondary condensate drain (usually located in the shower or sink areas) is not dripping. Blower unit and exhaust fans are quiet. All registers and appropriate covers are plumb and level. Dryer vent exhaust tube is not damaged and protrudes from the wall a minimum of 2" inches.

Trim and Doors - All doors, base, casing and ceiling trim should be plumb and level with the floor, walls and ceilings. All trim and doors should be free of any noticeable imperfections. Doors should have minimal play at the strike plate when closed. Weather strip and door sweeps should be installed on exterior doors and be adjusted for maximum effectiveness. Hinges are to be quiet when operated. Stops supplied where needed and attached firmly. Doors should not drag on any flooring.

Shelving - Shelves are mounted at the correct height, level and appropriately anchored. Make sure all shelving caps and secondary retaining clips are installed per manufacturer's recommendation.

Paint - Consistent per project specified colors throughout all units, buildings and construction site. Application should be so that no noticeable primer or material color shows through the final coat of paint. Finishes should be smooth and uniform.
Transition areas of like and non-like materials should be caulked. Minimal evidence of nailing should exist.

Washer Box - Washer Box located in the utility room have color coded handles. Left (red for hot) and right (blue for cold). The hose bib openings should parallel with the wall for easy future installment of the washer supply hoses. If box is also being utilized for the HVAC drain line, then the HVAC drain line should extend ¼" inside the primary drain line.

Sanitary Clean-outs - All exposed clean-outs should have an appropriate cover.

Sinks - Hot and cold water tested to their designated handle (Hot on the left, Cold on the right). Aerators free of any clogs and sprays uniformly. Stopper if applicable, tested.
Sink filled and checked for leaks. Finish is free of imperfections. Transition to countertop should be sealed.

Toilets – Toilet is plumb, level, anchored firmly, and does not rock. Seat and lid firmly attached. When flushed, it operates smoothly and quietly. Toilet refills in an appropriate amount of time. Free of imperfections to the finish and clean. Flooring transition should be sealed appropriately.

Tubs and Showers - Hot and cold water tested to their designated handle. Stopper and diverter valve are operable. Shower head free sprays uniformly and water drains effectively. Shower head, valve and spout should be firmly anchored and caulked to their tile transitions. Glass shower enclosure should close properly, be clean, free of scratches, and caulked.

Window Coverings - Vertical or horizontal blinds should be plumb and level with the walls and ceiling. Smooth to operate with minimal effort.

Windows - Plumb and level. Operate smoothly. Free of any broken or cracked panes of glass. Anti-opening locks perform as intended.

Exterior

Brick - Plumb and level. Uniform in mortar application and spacing. Clean and free of mortar film.

Cleanliness - All exteriors and surrounding area free of trash, dirt and stains.

Drainage - Landscape and concrete areas should drain efficiently and have minimal water standing for extended periods of time.

Electrical - Supply and meter area should have their appropriate covers, and be labeled per unit.

Fencing – Posts and pickets should be plumb and level. Internal parts are welded properly, spaced uniformly, and anchored in the ground. Check the gap between bottom pickets or crossbars with the grade of the underlying material. Standardize to the local municipal and project specification safety code requirements for the entire project.

Fire Sprinklers - Fire Department Connection valve in place. Fire sprinkler closet is taped and bedded, all components within are coded to local standards.

Foundation - Void of large cracks and any evidence of visible movements. Foundation should have 4" to 6" of visible clear space with a smooth finish and be free of debris.

Gutters - Plumb and level. Anchored firmly to the various building material. Gutter mouths should be directed for maximum drainage effectiveness. Splashguards should be square to the building and have their lip facing the opening of the gutter mouth.
Splashguards should be clear of shrubs and irrigation risers.

HVAC - Condensing unit's exterior frame and internal fan are balanced. Supply lines are insulated and penetration through the exterior wall is filled with insulating material. Units must be marked with unit numbers

Hardware - Uniform throughout the building and project. Performs the intended task and is free of imperfections on the finish. All locks should be operated easily with minimal effort or resistance.

Landscape - Consistent throughout the project within the project's specifications or approved modifications. Dead or dying plants, shrubs, trees, or grass should be replaced. Ground cover material should be of the same depth throughout. Trees should be columnar shaped and full. Discourage "ball shaped" trees. Install shrubs two feet away from parking area curbs, structural buildings, and a/c units.

Lights - Flush, level and plumb. Fixtures, trims and covers firmly secured. If exposed to the elements, caulk top and two sides of the fixture.

Masonry - Stone or masonry walls, etc., should have no large cracks, uniform in design and within specifications. Installed with proper drainage and/or weep holes.

Railings/Metal Work - Plumb and level. Secured firmly and adhere to local codes. All welded joints must be primed before painting.

Paint - Consistent project specified colors throughout buildings and construction site. Application should be so that no noticeable primer or underlying material color shows through the final coat of paint. Finishes should be smooth and uniform. All transition areas of dissimilar materials should be caulked.

Paving/Concrete/Curbs- Void of large cracks, separations or depressions. Surface texture or sealing material is uniform throughout project. Ensure that all areas are accessible for FHA/ADAGG.

Plumbing - Clean-outs and valves have an appropriate cover on them. At the end of every Pressure and Relief Valve exiting the building, a 90-degree fitting should be in place.

Roofing - Shingle material level and plumb. No dents, tears or missing shingles should exist. Visible top layers free of trash, nails and paint. All exposed nail heads should be sealed.

Security Gates - Operate functionally. Plumb and level. Pedestrian and Auto gates should open smoothly and latch easily when closed. Security gates should be tested for automatic anti-close capabilities.

Stucco - Uniform texture throughout on the building and project. Free of major imperfections in the finish. Wire mesh should not be exposed in any area of the building.

Windows/Coverings - Plumb and level with no broken panes. Screens should be secure with no loose screen material or tears. Caulking should be applied to the adjoining material so that a seal exists, and end-dams are not blocked or sealed.

BROWNSTONE EXTERIOR OF THE PROPERTY FINAL LIST PROCEDURES

This process should not change for a garden style or high density wrap building product. Building exteriors will be accepted at the same time as interiors, final property exterior acceptance and punch should be complete prior to the OM first walk of the last building, this will ensure items can be completed in a timely manner and before most crews have reduced personnel. The bench mark to start these procedures should be at the second to the last building being turned to Management on the property. The last building to be turned should have all concerns from the rest of the property applied to it by the end of the OM second walk.

- OM should walk the exterior of the property
- All issues should be reduced to one list
- By the time the last building turnover walk occurs, this final exterior walk list should be given to Construction for completion
- This final exterior list will include the last building exterior
- By the time the second building turnover walk occurs on the last building, Construction should be well on the way for completion on all issues of the exterior list.
- OM should re-walk all exterior issues for completion and issue a Certificate of Acceptance

WALK LIST SAMPLE

Building	1	Section:	1st Exterior
ALL ITEMS MUST BE COMPLETED BEFORE SECOND WALK			
Unit	**Trade**	**Description**	**Comp.**
		Building Perimeter	
	GENERAL	remove debris from landscaping	
	GENERAL	paint or clean all window frames	
	GENERAL	clean all exterior windows	
	GENERAL	caulk top and sides of meter boxes and breaker boxes	
	GENERAL	clean debris from all condenser pads	
	GENERAL	check all condensers for missing caps at service valves	
	GENERAL	touchup gutters and downspouts	
	GENERAL	poor caulking and expansion joints on stone walls	
	GENERAL	touchup and clean garage doors	
	GENERAL	clean and touch up paint all railing	
	GENERAL	clean caulk from Freon line insulation all condensers	
	CLEAN	marking and handicap parking is cluttered / remove old striping	
	CLEAN	clean white paint from stone above window of 125	
	CLEAN	pool furniture needs to be removed from garage before second walk	
	ELECTRICAL	remove meter box on post between building 1 and 17	
	ELECTRICAL	remove meter box on post in front of clubhouse	
	CONCRETE	previous patch on curb in front of garage 1 is cracking	
	CLEAN	remove adhesive from window on garage 1	
	CLEAN	remove adhesive from stone on south end of bldg.	
	PAINT	paint entire cleanout by meters	
	PAINT	caulk around ground wire going into stone under meters	
	ELECTRICAL	exposed PVC pipe not capped by meters at the south end of building	
	MASONRY	touchup masonry behind four-inch PVC pipe at south end of building	
	CLEAN	clean caulk from Freon line insulation	
	MASONRY	cover or cut exposed rebar on foundation at south end of building	
	PAINT	touch up paint flashing on patio 124	
	GARAGE DOORS	bent garage door on garage 2	
	PAINT	touchup stucco fascia around dryer vents at third-floor/S.West side	
	PAINT	paint NP1 at corner of ceiling on patio 212	
	PAINT	fill a hole under fascia at stucco / second-level at patio 212	
	PAINT	NP1 not painted behind fascia on left side unit 112	

Brownstone

Building Acceptance Form

Building: _____

Job: _____

I, _____, as a representative of Brownstone Construction, Ltd., certify the items listed below have been completed and deliver building to management. Construction related exceptions listed below will be completed within fourteen calander days.

_____ Attic insulation is installed in accordance with plans and visually inspected for required thickness.

_____ Serial numbers for appliances have been cataloged and provided to management.

_____ Lights are turned off and blinds are closed

_____ A/C set to 78° during the summer / Heat set to 68° during the winter.

_____ Building and mailbox keys have been provided to management; construction key access has been removed.

_____ _____

Brownstone Representative Signature Date

I, _____, as a representative of _____, accept this building with only the items listed below as exceptions.

_____ _____

_____ Representative Signature Date

Exceptions:

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____

I, _____, as a representative of Brownstone Construction, Ltd., have completed the affomentioned exceptions and deliver building to Owner.

_____ _____

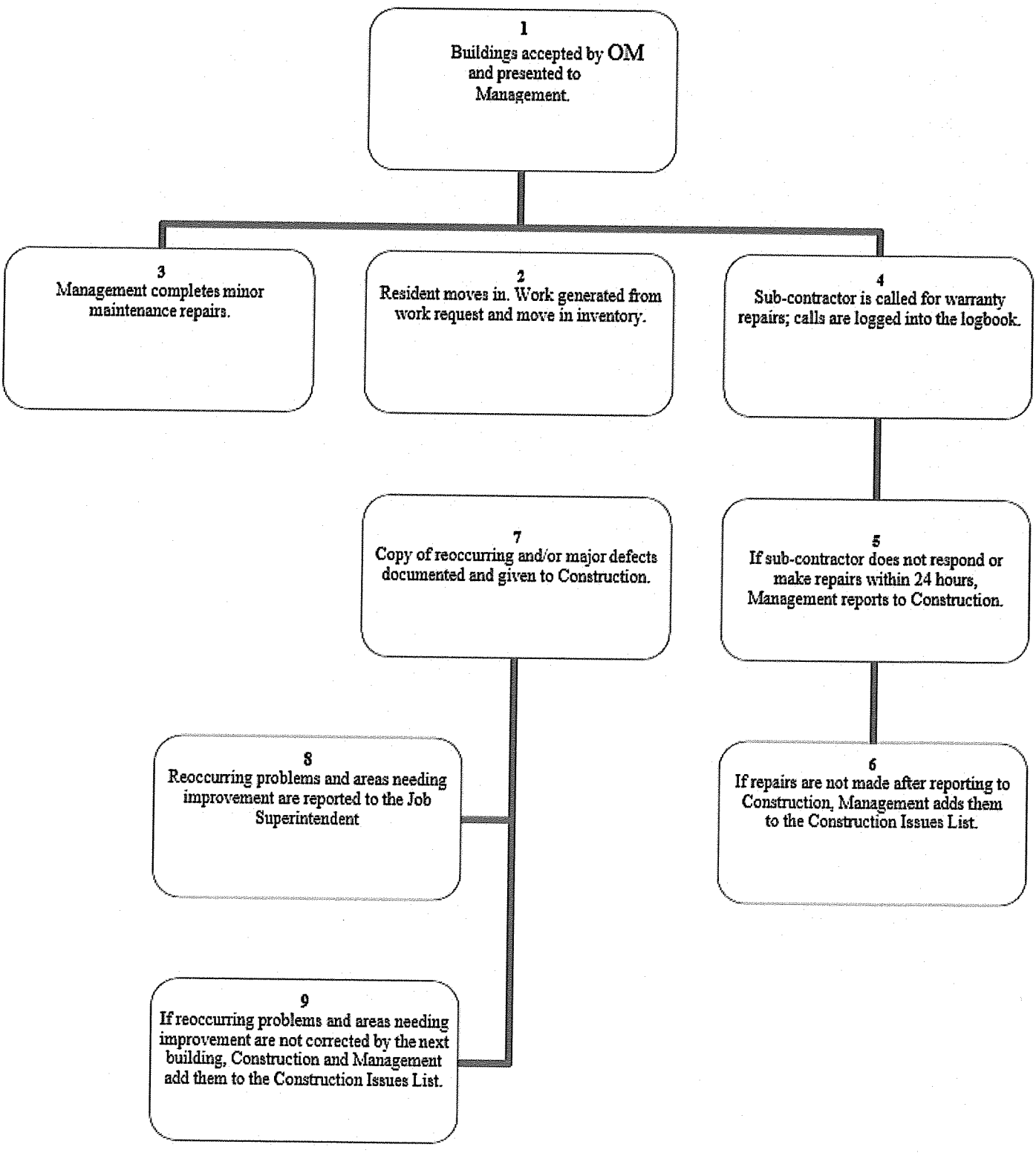
Brownstone Representative Signature Date

_____ _____

_____ Representative Signature Date

Brownstone Construction, Ltd. 6517 Mapleridge, Houston , TX 77081
(713) 432-7727 Phone * (713) 432-0120 Fax

NEW CONSTRUCTION WARRANTY/REPAIR PROCESS



FLOW CHART EXPLANATION

1. **Building Turnover Construction to Management:**

   - All buildings/units are rent ready.
   - Construction personnel present keys to Management. (Included: apartments, storage areas, equipment rooms, garage remotes, etc.)
   - Construction provides City CO, green tag, and OM acceptance letter. (Date acceptance letters and give copy back to construction to record turnover dates.)
   - Construction provides Management with a list of sub-contractors to be used for warranty work at the presentation of the first building or clubhouse. (List includes company name, phone number, contact name, and task or tasks contractor is responsible for.)
   - Construction presents Management with plans of water, gas, electric, and irrigation shut-offs.
   - Management now totally responsible for that building. (Including interiors, exteriors, landscaping, warranty repairs, and irrigation of that building.)
   - **Management will not enter buildings that have not been released without approval.**
   - **Construction will not enter buildings released to Management without Management approval.**
   - **It is against Brownstone policy to remove parts from apartments and/or move parts from one apartment to another.**
   - Management Maintenance associates introduce themselves to all sub- contractors.

2. **Resident Work Requests**

   - When buildings and apartments are received from Brownstone Construction they are ready for move-in. Management maintenance staff will complete minor work requests and sub-contractors will make major warranty repairs.
   - Management staff will document consistently missed repairs and areas needing improvement. (Especially on the first building, this will set the standard of what is acceptable and will ensure a consistent quality product throughout the job.)

- Major issues causing damage to structure or residents property should be documented with pictures and incident report if applicable. (Fire, flood, trip hazards, etc.)

3. **Management Maintenance Repairs**

   - Management maintenance associates make repairs that require 15 minutes to complete. (Generated from resident requests and move-in inventory sheets.)

   - Repairs consistently taking longer than 15 minutes per apartment require notification in writing to Construction cc.

4. **Warranty Call to sub-contractor**

   - Management maintenance associate contact sub-contractors for any repairs requiring more than 15 minutes to repair.

   - Management maintenance associate logs call in Warranty Logbook.

   - Sub-contractor has 24 hours to make repairs as long as it is not an emergency requiring immediate attention.

   - Emergency repairs that the sub-contractor does not respond to are repaired through sources and are back-charged to the sub-contractor.

   - Contact Construction if there are questions as to who is responsible for a repair. (Which specific sub-contractor)

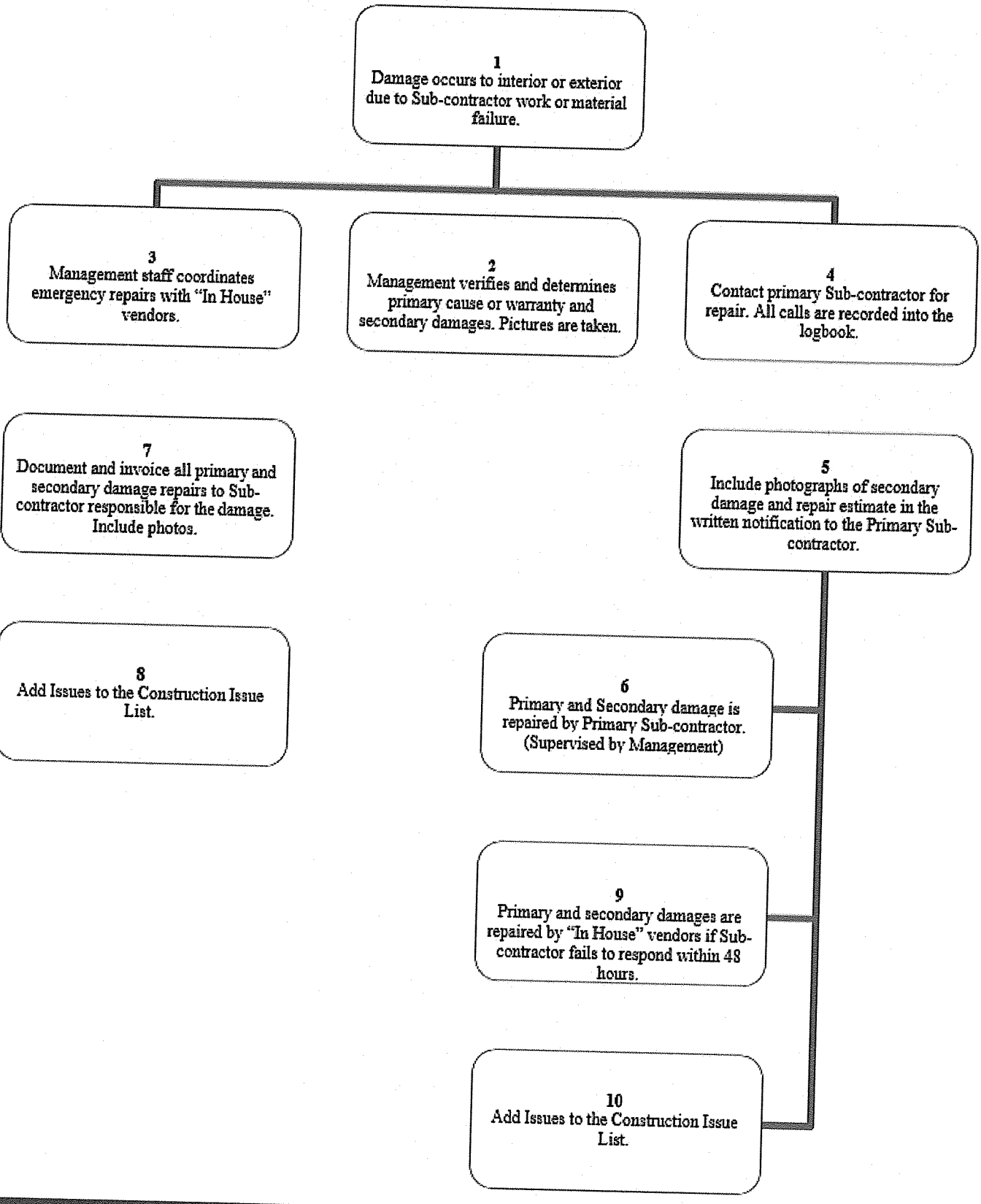
5. **Call to Construction**

   - Management reports sub-contractor to Construction 24hrs after call to sub-contractor if they still have not responded or made repairs. (Construction will step in and try to resolve issues.)

Management associates will not contact the Construction Superintendent or any workers on the job site to make repairs. All repair requests will be made to sub- contractors offices.

Maintenance associate is to inspect all work requests prior to contacting sub- contractors.

SECONDARY DAMAGES FROM WARRANTY: REPAIR PROCESS



FLOW CHART EXPLANATION

1. **Damage Occurs to Interior or Exterior due to Sub-contractor work or material failure.**
    - Roof leaks, plumbing leaks, sprinkler failures, or any other primary cause of damages.
    - Failure of work and materials is under warranty.
    - All of the above within warranty period (ONE YEAR FROM THE DATE OF SUBSTANTIAL COMPLETION).
2. **Management Staff Personally Verifies and Determines Cause of Primary Warranty Damage and Secondary Damages.**
    - Determine what is the primary cause of secondary damages to the unit(s) or building's exterior.
    - Pictures must be taken of Primary cause (Exp. Roof Leak) and all Secondary damages (Exp. Sheet rock, paint and carpet repairs needed).
    - Do not take Work Order as confirmation of extent of damages.
3. **Management Staff Coordinates Emergency Repairs with approved In-House Vendors.**
    - Management Coordinates repairs to unit on emergency basis using approved vendor list.
4. **Contact Primary Sub-contractor for Repair; Calls are logged in logbook.**
    - Contact Primary Sub-contractor immediately to inform them they are responsible for Primary Warranty repair and have the option of taking care of all Secondary Damage or Management will coordinate repair at their cost.
5. **Written Notification to Primary Sub-contractor to include Photographs of Primary and Secondary Damages with Repair Estimate.**
    - Management Staff writes a letter informing that responsible Primary Sub- contractor has 48 hours to notify management if they are going to repair the secondary damages (include Photographs).
6. **Primary and or Secondary Damages are repaired by Primary Sub-contractor (Supervised by Management Staff).**
    - Within 48 hours of notification sub-contractor responsible for repairs will coordinate his subs with Management staff to repair all secondary damages to the satisfaction of Management.

7. **Document and Invoice all Primary and Secondary damage repairs to Sub- contractor responsible for primary cause of damage. Include Photographs.**

    - When emergency repairs are called for, coordinate approved subs to make repairs.
    - Include photographs and invoice Primary sub-contractor who is responsible.

8. **Add Issues to the Construction List.**

9. **Primary and secondary damages are repaired by Management vendors if Sub- contractor fails for respond within 48 hours.**

10. **Add Issues to the Construction List.**

EXHIBIT J

CITY WORKFORCE PROTECTION MEASURES

Appendix 15
City Workforce Protection Measures

The City is committed to ensuring that the construction it finances protects workers on these projects by making sure they are safe, are compensated in accordance with applicable law and have access to pathways for sustainable careers in the construction industry. Contractors who work on developments financed under this NOFA will be required to implement certain policies designed to ensure every worker on the project is safe, receives appropriate pay, and has a path toward building a career in construction. All contractors of any tier that perform work on the development, unless otherwise specified, will be required to comply with the following workforce protection program and employment measures.

The City acknowledges many of these provisions may require additional costs. The department will consider award requests sufficient to cover additional costs associated with the new requirements. However, the City will still require the limitation of CDBG-DR awards to no greater than 50% of total development costs. The City reserves the right to revise the requirements of the workforce protection measures on an as-needed basis before and after issuance of CDBG-DR awards.

Pay or Play

In an effort to create a level playing field for competing contractors, the Pay or Play program (POP) mandates City Contractors to offer their employees a minimum level of health benefits or contribute a prescribed amount towards "Contractors Responsibility Fund" to defray the costs of providing health care to uninsured people in the Houston and Harris County area.

This program applies to contracts for services in which the total expenditure by the City, including contingencies, amendments, supplemental terms and/or change orders equals or exceeds $100,000. This program also applies to subcontracts for services in which the total value of the subcontract, including contingencies, amendments, supplemental terms and/or change orders equal or exceeds $200,000.

All project contractors (of any tier) must comply with the City's Pay or Play policies with regard to every Section 3 worker and apprentice-level worker that they employ for work on the project. Prior to the commencement of a covered contract, the contractor will declare its intent to comply with the Program and will submit a plan for compliance. Contractors will report to the City regarding the identity of covered subcontracts and covered employees working under subcontracts in the form and manner prescribed by the Administer (060).

Pay
If the contractor elects to comply by paying, the contractor will pay to the City $1 for each regular hour of work performed by covered employees, including covered employees of covered subcontractors. All payments will be deposited into the City shall be deposited in the Contractor Responsibility Fund.

Play
If the contractor elects to comply by "playing", the contractor will provide documentary proof in a form acceptable to the Administrator that it provides the requisite level of health benefits

to each covered employee, and that covered employees of covered subcontractors are provided with health benefits. A contractor must contribute no less than $150 per covered employee per month toward the total premium cost; and the covered employee may not contribute more than $150 per month toward the premium. A contractor is deemed to have complied with this provision with respect to a covered employee who is not provided health benefits if the employee refuses the benefits and the employee's contribution to the premium is no more than $40 per month. Program exceptions such as waivers and types of contracts that do not require participation can be found in Executive Order 1-7. For additional information regarding the City of Houston, Housing and Community Development Department compliance requirements you may visit: http://vvww.houstontx.gov/housinq/multifamily compliance.html

Workers' Compensation

The owner and general contractor will provide workers' compensation coverage provided with either project level policy or umbrella policy provided by the owner or GC HCDD will require that the owner and GC place signage onsite to properly inform workers of their benefits under this coverage. Developer must provide the Director of HCDD or his or her designee with evidence of worker's compensation coverage at the time of loan closing.

Awardees will be subject to these terms which will be included within the loan agreement.

Safety Training and Hourly Base Wage Rate

The owner and general contractor will be required to ensure that (1) all individuals performing project work, regardless of job designation or employment status, have received OSHA 10 certification and (2) at least one (1) on-site supervisor with OSHA 30 certification is present on the job site at all times that work is being performed.

In addition, any individual performing project work, regardless of job designation or employment status, will receive a minimum hourly wage of no less than the higher of (1) $15.00 per hour or (2) the Federal prevailing wage.

If the applicant elects to include their statement on safety training, they will be required to certify within the HCDD contract they will employ contractors with adequate OSHA training. HCDD will require the construction contract with the general contractor include this provision as an addendum. HCDD will test compliance during onsite visits and payment applications.

If the applicant elects to include their statement on an hourly base wage rate, they will be required to certify within the HCDD contract they will comply with the Hourly base rate requirement of $15.00 per hour for each worker. HCDD will require the construction contract with the general contractor include the Hourly Base Rate of $15.00 requirement along with the applicable DBRA wage scale as an addendum. HCDD will test compliance during construction.

Awardees will be subject to these terms which will be included within the loan agreement.

Employment Training and Apprenticeships

HCDD expects project contractors to commit to the development of their craft workforce and invest in skills training linked to construction career paths. A minimum of 10% of all labor hours on each project must be performed by individuals enrolled in apprenticeship or craft training programs that are certified by the U.S. Department of Labor.

Owners will be required to certify within the HCDD contract they will employ contractors that adhere to the employment and apprenticeship policy. HCDD will require the construction contract with the general contractor include acknowledgement that 10% of all labor hours will be performed by apprentices enrolled in apprenticeship or craft training programs that are certified by the Department of Labor. HCDD will test compliance during construction. Awardees will be subject to these terms which will be included within the loan agreement.

Section 3

Awardees must, to the greatest extent feasible, employ Section 3 Residents (as defined in Title 24 CFR Part 135) for 30 percent (30%) of the aggregate number of new hires for each year over the duration of the project. At a minimum, awardees must, to the greatest extent feasible, ensure that 10 percent (10%) of all project work hours are performed by Section 3 Residents.

Awardees will be subject to these terms which will be included within the loan agreement.

Employment Classification

HCDD expects its awardees to hire responsible contractors who can reliably verify the proper employment classification of all individuals they engage to perform work on covered projects and provide verified reporting of wages owed and paid to employees and monthly certified payroll data to the City.

All Section 3 workers and apprentice-level workers must be directly employed by a project contractor. In addition, all self-employed workers will be subject to the same compensation standards and protections as other employees/contractors outlined in this policy.

Awardees will be subject to these terms which will be included within the loan agreement.

Davis Bacon and Related Acts (DBRA)/Labor Standards Provisions

All City financed developments require compliance with the Davis-Bacon Labor Standards no matter the use of HCDD's funds. Davis-Bacon and Related Acts require that prevailing wage rates be paid to all construction laborers regardless of job designation or employment status.

Compliance Plan

The Borrower and Owner will be required to submit a plan for implementing these measures. The plan is not required to have detailed procedure, but at minimum an acknowledgement that the applicant will inform general contractors that they and all subcontractors of any tier will be subject to these terms when solicited for the referenced development.

EXHIBIT K

CONSTRUCTION SCHEDULE

DIAN STREET VILLAS

PROJECTED START: Week # 1 4/20/2021

No. of Units/Bldg.	0	33	42	33	108
Building Type					
Bldg. No.	Club	A	B	C	
DEMO	2	2	2	2	
PAD COMPLETE	6	6	6	8	
UTILITIES OFF-SITE	5	5	6	8	
UTILITIES ON-SITE	7	9	11	13	
SPREAD FOOTINGS	15	17	19	21	
1st FLOOR GARGE	18	20	25	28	
PAVING	25	27	29	31	
PODIUM	33	36	39	42	
START FRAME	37	39	41	43	
100% FRAME	40	42	44	46	
PLUMBING TOP OUT	41	43	45	47	
ROOFING	42	43	45	46	
CORNICE	43	44	45	47	
50% ELECTRICAL	44	46	48	50	
PRE-SHEETROCK	45	46	48	49	
50% HVAC	46	48	50	52	
FURRDOWNS	47	49	50	52	
100% HVAC	48	50	51	53	
100% ELECTRICAL	49	51	53	55	
SPECIAL PRE-WIRE	50	52	54	56	
INSULATION	51	53	55	57	
HANG SHEETROCK	52	54	56	58	
TAPE,BED, TEXTURE	53	55	57	59	
1ST TRIM	54	56	58	60	
WALL OUT ENAMEL	55	57	59	61	
FLOORING	56	58	60	62	
CABINETS	57	59	61	63	
COUNTERTOPS	58	60	62	64	
2ND TRIM	59	61	63	65	
MECH. TRIM	60	62	64	66	
ELECTRICAL TRIM	61	63	65	67	
PLUMBING TRIM	62	64	66	68	
MASONRY (STUCCO)	58	60	62	64	
EXTERIOR PAINT	59	61	63	65	
FLAT WORK	60	62	64	66	
LANDSCAPE	61	63	65	67	
CARPET & BLINDS	64	66	68	70	
CONSTRUCTION PUNCH	67	69	71	73	
MGMNT. PUNCH	70	72	74	76	
BUILDING / TURN OCCUPANCY	73	78	79	82	
	0	33	42	33	108
Bldg. No.	Club	A	B	C	

WEEK	DATE Week end Friday	Bldg No.	Units	Cuml Units	Rain Days
1	04/23/21				
2	04/30/21				
3	05/07/21				
4	05/14/21				
5	05/21/21				
6	05/28/21				
7	06/04/21				
8	06/11/21				
9	06/18/21				
10	06/25/21				
11	07/02/21				
12	07/09/21				
13	07/16/21				
14	07/23/21				
15	07/30/21				
16	08/06/21				
17	08/13/21				
18	08/20/21				
19	08/27/21				
20	09/03/21				
21	09/10/21				
22	09/17/21				
23	09/24/21				
24	10/01/21				
25	10/08/21				
26	10/15/21				
27	10/22/21				
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36	12/24/21				
37	12/31/21				
38	01/07/22				
39	01/14/22				
40	01/21/22				
41	01/28/22				
42	02/04/22				
43	02/11/22				
44	02/18/22				
45	02/25/22				
46	03/04/22				
47	03/11/22				
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54	04/29/22				
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56	05/13/22				
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58	05/27/22				
59	06/03/22				
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61	06/17/22				
62	06/24/22				
63	07/01/22				
64	07/08/22				
65	07/15/22				
66	07/22/22				
67	07/29/22				
68	08/05/22				
69	08/12/22				
70	08/19/22				
71	08/26/22				
72	09/02/22				
73	09/09/22	Club			
74	09/16/22				
75	09/23/22				
76	09/30/22	A	33		
77	10/07/22				
78	10/14/22				
79	10/21/22	B	42		
80	10/28/22				
81	11/04/22				
82	11/11/22	C	33		
83	11/18/22				
84	11/25/22				
85	12/02/22				
86	12/09/22	Project Complete			
# Months	20		Total:	108	
Holiday Week					

	Bldg Level Turn
	Bldg Complete
	Holiday Week

Projected Task
Completed Task

EXHIBIT L

QUALIFICATIONS/EXCLUSIONS

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Dian Street Villas – 3/5/21

Exclusions

Division 1 -General Requirements

1.1 Any requirements from the EPA, ADA, TCEQ, AEGB or any other Government Agency not shown and specified on plans.

1.2 Any other requirements imposed by Government, Local Municipality, Inspection, or Regulatory Agencies or codes not specifically shown in the plans.

1.3 Permits of any kind including building permits, other than standard sub trades permits and offsite permits as may be required.

1.4 Third party inspections, other than concrete and utility undergrounds, Inspections for energy related items and radon testing is not included.

1.5 Environmental study or air monitoring.

1.6 Testing of existing manholes or utility lines.

1.7 Handling or disposal of contaminated waste or hazardous materials.

1.8 All utility company charges including connection charges, deposits and fees; except for temporary utilities, which are contractor costs.

1.9 Dewatering or well-pointing due to subsurface groundwater.

1.10 Design of SWPPP plan.

1.11 Removal of abandoned utilities.

1.12 Unforeseeable subsurface or latent physical conditions.

1.13 LEED, Energy Star, NGBS, or any other Green Building Certification requirements.

1.14 Any costs associated with revised plans and specifications issued to Builders with revision dates after those listed in Builders plan index sheet.

1.15 All pricing based on plans dated "**2/23/2021 For Construction**" not including any additional federal/state/local government mandated statutes and regulations (including all tariffs) occurring after final contract date.

1.16 Platting fees.

1.17 TCEQ and/or EPA permit fees.

1.18 Bonds for any public utilities.

1.19 Asbestos or Lead Abatement other than listed in ***TARGAS Environmental Report 12/16/20.***

1.20 Buy American Act.

1.21 FF&E and all items listed to be "by others," including Fitness equipment, TV's, Stereos, Pool Furnishings and all other Furnishings

1.22 Any surveying other than that which is required for construction production with the exception of an ALTA Survey or equivalent as-built survey, if required.

1.23 Elevation certificates and/or any additional surveying to verify FLOMR requirements.

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Division 2 -Site Work

2.1 Moisture conditioning or select fill under pool excavation.
2.2 TXDOT ROW permit application.
2.3 Cave, fissure or void mitigation.
2.4 Handling, storage or disposal of any contaminated soils not identified on reports.
2.5 Entrapment protection devices for auto vehicular gates.
2.6 Tree arborist and fees.
2.7 Lime stabilization for paving.
2.8 All site water meters. (Domestic and Irrigation)
2.9 Rock excavation.
2.10 Export of excess dirt.
2.11 Radon Mitigation.

Division 3 - Concrete

3.1 FTC and ICC ratings limited to plans and specs.
3.2 Sound mat under carpet.
3.3 Drain Mat below concrete.
3.4 Concrete retaining wall not shown on plans.

Division 4- Masonry

4.1 Stucco wrap.
4.2 Mortar net, masonry sealer and backer rod.

Division 5 - Metals

5.1 Drainage plates on sidewalks.

Division 6 - Lumber Products

6.1 Fire retardant treatment to any framing, decking, or sheathing materials not shown on plans.
6.2 Any preservative treatment to framing lumber or sheathing, other than bottom plate which is in contact with foundation.
6.3 Quarter Round at units.
6.4 All Zip wall sheathing and related products.

Division 7 - Roofing and Water Proofing

7.1 Insulated wall panels, Zip walls.

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Division 8 – Doors & Windows

8.1 Store Front Glass and systems.

Division 9 - Finishes

9.1 Deluxe RC-1 channels.
9.2 Drywall finish – drag or hand textures; priming of wallboard.
9.3 Crack isolation membrane; epoxy grout and shoe molds.
9.4 Vapor barrier on ceilings.

Division 11 - Appliances

11.1 Unit Washers and Dryers, provided by others.

Division 14 – Elevator & Granite

14.1 Quartz tops in units.
14.2 3 CM granite in units.

Division 15 - Plumbing and Mechanical

15.1 Water pressure regulating devices.
15.2 Recirculating pumps.
15.3 HVAC control lines.
15.4 Thermal expansion valves.
15.5 Copper drains.
15.6 Sheet metal ductwork.
15.7 Duct and energy testing for units.
15.8 Testing and balancing of HVAC system.
15.9 Pumps for existing low water pressure; ie booster pumps. Domestic or Fire.
15.10 Heat recovery units.
15.11 Water heater timers.
15.12 Heat Trace for pipes in unconditioned areas.
15.13 Teal System, site boiler.
15.14 Expansion tanks.
15.15 Mounting racks for AC compressors.
15.16 Assume NFPA 13R in all residential sections and NFPA 13 in clubhouse and NFPA 13 Dry system in parking garage.

Division 16 - Electrical

16.1 Transformers and concrete transformer pads.
16.2 Concrete electrical duct banks.
16.3 Concrete encased electrode.
16.4 Unit security systems

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Qualifications

Division 1 –General Conditions

1.1 All work is to be completed under "Industry Standards" and practices within this project's given class of multifamily construction.

1.2 No work shall be self-performed or materials provided by owner unless previously agreed upon by General Contractor and Owner. These items will be deducted from the General Contractors scope of work and schedule of values. Scopes of work that require inspections will not be provided or performed by the Owner.

1.3 Document Control: Responses to Requests for Information (RFI's) are due within 48 hours, Submittals are to be turned around in 10 business days; any responses that fall outside of this duration will be cause to submit for delays to the project schedule and are eligible for associated General Requirements and Overhead burden of the General Contractor on a per diem basis.

1.4 All approved finishes must be provided to Contractor by production week 17 or provide equal amount of time extension to project.

1.5 All interior finishes based on Finish Selection sheets provided with Cross ID Plans dated ***12/18/20***.

Division 2 -Site Work

2.1 Demolition noted on **C3 of Civil** and qualifying demo and abatements noted on ***TARGAS Environmental Report 12/16/2020***

2.2 Landscaping/Irrigation allowance ***$180,000.00***.

2.3 SWPPP restricted to permits, controls, and maintenance of the controls.

2.4 Off-site Work: ***$65,000.00***.

Division 3 - Concrete

3.1 Podium Deck Concrete-5000psi.

3.2 Columns-4000 psi.

3.3 Slab on Grade-3000 psi.

3.4 6" paving @ private drives, entries, drive lanes, and fire lanes with #3 @ 18" O.C. or #4 @ 24" O.C.

3.5 5" paving @ parking areas, with #3 @ 18" O.C. or #4 @ 24" O.C.

3.6 7" paving @ Entries and dumpster, with #3 @ 18" O.C. or #4 @ 24" O.C.

3.7 Concrete @ pavement is 4000 psi with 4% entrained air, flyash shall not exceed 20%.

3.8 10 mil poly for slab vapor barrier.

3.9 ¾" nominal thickness gypcrete over ⅛" sound mat (at hard flooring only) over ¾" plywood.

4.0 Expansion joints redwood w/ self-leveling sealant, spacing per plan.

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Division 4- Masonry

4.1 Manufactured, Austin Chalk stone (or equivalent) using gray mortar (type N masonry mix, sticky stone by Nevil or equal).
4.2 Wall ties (22 gauge corrugated) and steel lintels installed where needed.
4.3 8 masonry perimeter fence columns.

Division 5 – Metals

5.1 Handrails and stairwells per plans, to be field painted.

Division 6 - Lumber Products

6.1 Radiant barrier plywood to be provided for all roof decks.
6.2 Trim profiles to match Architectural details, interior base and casing may be mdf.
6.3 Exterior sheathing may be substituted with Gypsum based materials.

Division 7 - Roofing and Water Proofing

7.1 All gutters to be standard profile, standard color 5", unless roof type requires 6".
7.2 All downspouts to be standard profile, standard color, 2"x3"; gutter type requires 3"x4" or where scuppers exist.
7.3 Standing seam, 24-gauge prefinished Kynar 500, standard color list at canopies.
7.4 30-year architectural shingle for body of roof.
7.5 TPO provided at mechanical wells, walk pads at access points only.
7.6 Tyvek house wrap and products, per manufacturer specifications.

Division 8 – Doors & Windows

8.2 Windows to be Trophy windows or equivalent, Low E Vinyl.

Division 9 - Finishes

9.1 Assumes single color walls & ceilings; doors and trim to match.
9.2 Apply paint to achieve coverage within tolerances provided by manufacturer.
9.3 Only **interior** paint colors provided within Sherwin-Williams ProMar 700 class paints (or lesser), or equivalent.
9.4 Only **exterior** paint colors provided within Sherwin-Williams A-100 class paints (or lesser), or equivalent.
9.5 Only **metal** paint colors provided within Sherwin-Williams Industrial Enamel class paints (or lesser), or equivalent.
9.6 **Trim**, **Kitchens** and **Baths** are to receive two coats of semi-gloss paint. All other **Walls** and **Ceilings** are to receive two coats of flat paint.
9.7 Sherwin Williams Paints currently meet all VOC requirements per manufacturer.

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Division 10 – Specialties

10.1 Assumes standard mirror, light fixtures mounted above vanity mirrors.
10.2 BHP or equivalent door hardware throughout remainder of unit.
10.3 Bath accessories, and ClosetMaid ventilated steel shelving per selection sheets.
10.4 Building Signage Allowance, ***$25,000.00.***
10.5 Monument Sign Allowance ***15,000.00***

Division 11 - Appliances

11.2 GE Stainless Steel Appliances, Energy-Star rated Refrigerator, 19 cuft, and Standard Dishwashers.
11.3 Coil top ranges.

Division 12 – Furnishings

12.1 Republic Cabinets or equal, 42" Upper, Café Finish, Full overlay, Maple.
12.2 Clubhouse Finishes based on ***Cross Architects ID plans dated 12/18/20.***
12.3 Unit window coverings-2" faux wood blinds.

Division 13 - Pool

13.1 Pool Pricing is an Allowance, to include pool and deck, **$200,000.**

Division 14 – Elevator & Granite

14.1 2 cm group 1 granite at units and clubhouse.

Division 15 – Mechanical

15.1 Plumbing fixtures per selection sheets.
15.2 14 seer Goodman units or equivalent.
15.3 Fire Sprinkler System-NFPA 13R (No coverage between floors and in attics) in units, Clubhouse NFPA 13, standard heads throughout.
15.4 AC supports to be 4x4's wrapped in TPO.

Division 16 - Electrical

16.1 Lighting Allowance **$110,000.00**.
16.2 Amenity/Pool access control, CCTV and sound allowance **$ 26,000.00**
16.3 ERRC allowance, pathway only, **$5,000.00.**
16.4 Security system in Clubhouse only and maintenance.

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SUPPLEMENTAL CONDITIONS

WIDESPREAD COMMUNICABLE DISEASE

A. Provided no other concurrent delay caused by the Contractor exists and Contractor provides written notice within ten (10) days of discovery, notwithstanding any other provision(s) of the Contract Documents, if as a direct or indirect result of any virus, disease, contagion, or any other widespread communicable disease that causes disruption, including but not limited to COVID-19 (individually or together "Epidemic"), which is national or state disaster under either the Robert T. Stafford Disaster Relief and Emergency Act by President of the United States, or by the Governor of the State of Texas under TEX. GOV'T CODE § 418.014, and under which Contractor's work is delayed, disrupted, suspended, or otherwise impacted by, including, but not limited to: (1) disruptions to material and/or equipment supply; (2) illness of Contractor's workforce and/or unavailability of labor directly attributable to the existence of the widespread communicable disease; (3) government quarantines, shelter-in-place orders, closures, or other mandates, restrictions, and/or directives; (4) Owner restrictions and/or directives; and/or, (5) fulfillment of Contractor's contractual or legal health and safety obligations associated with an Epidemic; then, Contractor shall be entitled to an equitable adjustment to the Contract schedule duration to account for such disruptions, suspensions, and impacts.

B. Further, to the extent there is an increase in the price of labor, materials, or equipment used in the performance of this Contract, or other increases in the costs of performance of the Contract as a direct or indirect result of such Epidemic (including, but not limited to, any delay), Contractor shall be entitled to an equitable adjustment to the Contract Price for such increases, provided that Contractor provides Owner with reasonable notice in writing of such expected increases and presents documentation to support such increased costs.

C. Further, if specified products or materials are or become unavailable (or not reasonably available in sufficient time or quantity to allow completion of the Project in a reasonable time), Contractor shall provide Owner with written notice of such unavailability and a recommended substitute for such product or materials. Unless Owner gives timely notice of an objection to such substitution, Contractor shall be entitled to substitute such products or materials, and shall be entitled to an equitable adjustment in the price and/or the schedule to account for such substitution. If Owner objects to such substitution, Owner shall become

BROWN STONE
Construction, Ltd.

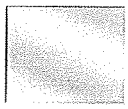
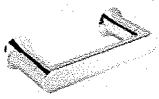
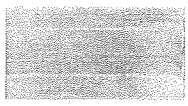
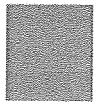
solely liable for any increased costs to Contractor to await availability of such products or materials.

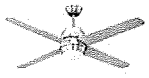
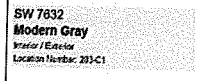
D. In no event shall Contractor be liable for any consequential, special, and/or indirect damages incurred by the Owner resulting from any delay due to any Epidemic, the unavailability (or decreased availability) of any products, material or labor, the substitution of any products or materials, or any other cause of delay or increased cost pursuant to this section, including but not limited to additional financing costs, lost rent or occupancy, or additional overhead costs.

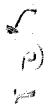
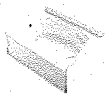
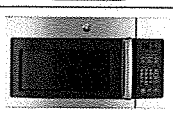
EXHIBIT M

FINISH SELECTION SHEET

Finish Selection Sheet
Dian St. Villas
Unit Finish Selections
Date: 03/12/2021

SELECTION	Photo	MANUFACTURER	Product #	SERIES	COLOR / FINISH	NOTES
MIRROR		GC to Select	N/A	N/A	Plain Plated Glass	Size Shown on Elevations
BATHROOM TOILET PAPER DISPENSER		Moen	BH3808CH	Genta Collection	Polished Chrome	N/A
SHOWER ROD		Moen	5" Low Profile Shower rod CSR2165CH	N/A	Polished Chrome	N/A
Cabinets						
KITCHEN BATHROOM		Republic Elite	N/A	N/A	Frameless Shaker Style W/ Slab Drawer Maple- Café	Entire Unit - U.N.O.
HARDWARE PULLS		Design House	Barrel 5-1/16" Center to center handle cabinet pull 828517	N/A	Satin Nickel	All Cabinets - U.N.O
Countertops/Backsplash						
BACKSPLASH - KITCHEN		GC to slect	N/A	N/A	Bahala White Polished	4" Granite Backsplash to match countertops
COUNTERTOP - KITCHEN						2CM
COUNTERTOP - BATH						2CM
Flooring/Tile Surrounds						
UNIT FLOORING (Kitchen, living room, bathroom, bedroom)		Artistek by Metrofloor	Centennital Plus: Detroit 53346CBK / Barnside	N/A	6" x 48" Plank	Entire Unit - U.N.O. Installed in broken joint patern
WALL TILE		Daltile	P036	Concrete Masonry	Artisan Grey 16" x 32"	Installed in a stacked bond pattern
WALL TILES GROUT		N/A	#542	N/A	Graystone	N/A
LIGHT FIXTURES						
Kitchen/Living Room/Porch/Balcony/Shower/ Bath/ Hall/ Corridor/ Sprinkler/ Utility /DinningFoyer/Closet Light		Saylite	LMD - LED Disk Light	N/A	White 7-1/2" Diam x 1-1/2" H Flush Mount	Entire Unite - U.N.O / Energy Star Rated / Wattage 15W / Lumens = 1100 / Color Temp = 30K

CELLING FAN		Hampton Bay or Equal	Northport Indoor Brushed Nickle Celling Fan W/ Light Kit 14926	N/A	Brushed Nickle & Frosted Glass 17" H x 52" Diam	Installed W 6" Downrod / Energy Star Rated
VANITY LIGHT SCONCE		Shades of Light or Equal	BS18168 SN	Mercer Vanity 3 - light	Satin Nickel & Opal Glass 21-1/2" W x 9"H x 6"D	Install downward facing
BLINDS		2" Faux Wood	Plantation White Faux Wood Blinds	N/A	2" White	All Blinds - U.N.O.
Interior & Entry Doors Hardware						
ENTRY DOORS		BMC or Equal	2 Panel Interior Door	N/A	Paint Grade	Entire Unit - U.N.O
KNOCKER		Taymor or Equal	N/A	N/A	Satin Nickel Finish	No selection called out. GC Selected.
ENTRY DOOR LOCK/LEVER		Kwikset or Equal	N/A	N/A	Satin Nickel Finish	No selection called out. GC Selected.
INTERIOR DOORS		BMC or Equal	N/A	N/A	2 Panel SW #7643 Pussywillow	Entire Unit - U.N.O
INTERIOR LEVER		GC To select	N/A	N/A	Lever Door Handle Satin Nickel	Entire Unit - U.N.O
PATIO DOOR		N/A	N/A	N/A	Paint Grade	No selection called out. GC Selected.
Paint Colors / Wall Finishes						
UNIT CEILING/WALL PAINT		Sherwin Williams	SW #7632	N/A	Modern Gray Flat	Entire Unit - U.N.O
UNIT TRIM / INTERIOR DOOR PAINT		Sherwin Williams	SW #7643	N/A	Pussywillow Semi-gloss	Entire Unit - U.N.O
Plumbing Fixtures						
KITCHEN SINK		Moen or equivalent	Drop in 22 gauge kitchen snk GS202134Q	N/A	Stainless Steel	Or equivalent
ADA KITCHEN SINK		Moen	GS202174BQ	N/A	Stainless Steel	Or equivalent
KITCHEN FAUCET		Pfister	Pfister Series: Pull down Kitchen Faucet G529-PF1S	N/A	Stainless Steel	N/A

BATHROOM SINK		Kohler	Caxton rectangle undermount bathroom sink W/ Overflow K-20000-D	N/A	Undermount White / 20 5/16"	ADA Compliant
BATHROOM FAUCET		Pfister	Weller Centerset Lav. Faucet LG48-WR0C	N/A	Polished Chrome	ADA Complanit / Water sense Certified
BATHROOM TUB/SHOWER FIXTURES		Pfister	Weller Tub & Shower Trim Kit LG-89-8WRC	N/A	Polished Chrome	ADA Compliant / Water Sense Certified
ADA SHOWER FIXTURES		Pfister	Weller Shower Only Trim Kit LG89-7WRC	N/A	Polished Chrome	ADA Compliant / Water Sense Certified
ADA BATH TUB		Sterling	Ensemble 60" ADA Bath 71111112-0	N/A	White	ADA Compliant
TOILET		Vortens	Medalist Elongated Toliet W/ Dual Flush 3151-3490	N/A	Floor Mounted White	Need to order along w/ mainline plastic elongated toielt seat Model # VL170
ADA TOILET		Vortens	Medalist Elongated Toliet W/ Hydro Surge Technology 3123-3486	N/A	Floor Mounted White	ADA Compliant / Need to order along w/ mainline plastic elongated toielt seat Model # VL170
Appliances						
Refrigerator		General Electric	GIE9JSNRSS	N/A	Stainless Steel 66 3/8" H x 29 3/4" W x 34 1/2" D	ADA Complaint / Engery Star Certified
Stove		General Electric	30 " Electric Freestanding Range JB258R	N/A	Stainless Steel	N/A
Dishwasher		General Electric	Built-In Dishwasher with Power Cord GSF511PSKSS	N/A	Stainless Steel 34" H x 24" W x 25 3/4" D	Engery Star Qualified
Overhead Microwave		General Electric	1.6 cu. ft. Over-the-Range Microwave Oven W/ recirculating vent JNM3163RJSS		Stainless Steel 29 7/8" W x 16-7/16" H x 15-7/8" D	N/A
ADA Stove		General Electric	30" freestanding electric radiant smooth cooktop range JB480SMSS	N/A	Stainless Steel 30" W x 47" H x 29" D	ADA Complaint
ADA Dishwasher		General Electric	24" ADA qualified built-in dishwasher GDT225SSLSS	N/A	Stainless Steel 23-3/4" W x 32-1/4"H 23-1/2"D	ADA Complaint / Engery Star Certified
ADA Microwave		LG	1.1 cu. ft. Countertop Microwave Oven LCS1112ST	N/A	Stainless Steel	ADA Complaint

ADA Kitchen Venthood		General Electric	30" Convertible under cabinet wall hood JVX3300SJSS	N/A	Stainless Steel	N/A

EXHIBIT N

REQUIREMENTS FOR THE CITY OF HOUSTON PROGRAM FOR MWSBE

Document 00808

REQUIREMENTS FOR THE CITY OF HOUSTON PROGRAM FOR MINORITY, WOMEN, AND SMALL BUSINESS ENTERPRISES (MWSBE) AND PERSONS WITH DISABILITIES ENTERPRISES (PDBE)

CONSTRUCTION CONTRACTS

I. GENERAL

A. CITY AUTHORITIES

1. The "OBO Director" is the City of Houston's Office of Business Opportunity Director, or his or her designee.

   City of Houston
   611 Walker Street, 7th Floor
   Houston, Texas 77002

2. The "Contracting Department" for this Project is the City of Houston Department specified in Document 00520 – Agreement.

3. The "Project Manager" for this Project is specified in Document 00550, Contract Approval Notification.

II. REOCCURRING REPORTS THAT MUST BE SUBMITTED DURING THE COURSE OF THE CONTRACT:

A. MWSBE MONTHLY REPORT PROCESS

The Contractor shall complete the MWSBE Monthly Utilization Report in the Contract Compliance and Monitoring System (available at https://houston.mwdbe.com/).

B. The Contractor shall comply with further, applicable instructions regarding reporting and compliance as provided in Sections III.E and III.I below.

III. BUSINESS ENTERPRISE PROGRAM REQUIREMENTS:

A. PURPOSE

This Document facilitates implementation of City of Houston, Tex. Code of Ordinances Chapter 15, Article V, § 15-81 *et seq.,* relating to MWSBE contract participation, and Code of Ordinances Chapter 15, Article VI, § 15-90 *et seq.,*

relating to PDBE contract participation (collectively, the "Business Enterprise Program or "MWSBE"). City of Houston, Tex. Ordinance 2013-0428, May 8, 2013.

B. POLICY

It is the policy of the City to encourage the full participation of Minority and Women-owned Business Enterprises, Small Business Enterprises, and Persons with Disabilities Business Enterprises in all phases of its procurement activities and to afford them a full and fair opportunity to compete for City contracts at all levels.

C. POLICY ELEMENTS

1. The Contractor agrees to ensure that MWSBE firms have a full and fair opportunity to participate in the performance of City contracts. In this regard the Contractor shall make all reasonable Good Faith Efforts to meet the Contract Goals for this Contract.

2. The Contractor and any Subcontractor shall not discriminate on the basis of race, color, religion, national origin, or sex in the performance of City contracts.

3. Contractor's performance in meeting the Participation Plan Percentage will be monitored during the construction phase of the Contract by the Office of Business Opportunity ("OBO") and the Contracting Department (the "Department").

D. PERCENTAGE GOALS

The MWSBE goals and PDBE goals, if any, for the Work are specified in Document 00800 – Supplementary Conditions Goals.

E. CONTRACTOR RESPONSIBILITIES

1. **Prior to Award:**
The Bidder shall submit MWSBE documents in accordance with the requirements of Document 00410 – Bid Form Part A.

a. In accordance with the Code of Ordinances and the OBO Good Faith Efforts Policy (Attachment A), the Department shall approve an Apparent Low Bidder's MWSBE Participation Plan, Document 00470 (the "Bidder's Plan" or "Plan"), within three business days of the Bid Opening only if the Department representative determines that Bidder's Plan meets the advertised Contract Goal and is administratively complete.

b. If the Department cannot approve the Bidder's Plan, it shall forward the Plan to OBO, who shall review the Bidder's Plan, and if applicable, the Bidder's Document 00471 (Record of Good Faith Efforts) and Document 00472 (Pre-Award Deviation Request) and determine whether the Bidder has made Good Faith Efforts to meet the Contract Goals within 10 business days of the Bid Opening.

c. If OBO determines that the Bidder has failed to provide a valid participation plan or make Good Faith Efforts or if the Bidder fails to provide documents and associated information required by this Document 00808 or reasonably requested in writing by OBO, OBO may declare the Bidder to be non-responsible.

d. If OBO determines that the Bidder has made Good Faith Efforts, OBO may approve the Bidder's Contract Goal Deviation request. Thereafter, the Bidder/Contractor shall be bound by the Plan, as approved or modified by OBO.

e. The Contractor shall:

(1) ensure that all MWSBE firms listed in the Plan are certified by the Office of Business Opportunity prior to bid date. Qualified, non-certified firms may obtain priority consideration for certification if no more than two firms are certified with the same capability as the non-certified firm.

(2) execute written contracts with all certified Subcontractors and Suppliers. All such contracts must be executed and sent to OBO and Contracting Department within 30 days after the date of the Notice to Proceed and must include provisions set forth in Articles 3 and 5 of Document 00700, General Conditions; and

(3) designate an MWSBE liaison officer who will administer the Contractor's MWSBE program and who shall document and maintain records of Good Faith Efforts to subcontract with MWSBE Subcontractors and Suppliers.

2. After Award:

a. The Contractor shall submit MWSBE Monthly Utilization Reports, as requested in Article II above.

b. The Contractor shall complete and submit to OBO a deviation request if the Contractor reasonably believes that it will not achieve the Business Enterprise Program Participation Plan Percentage documented in the Plan. The Contractors shall also submit to OBO, with a copy to the Contracting Department, a Record of Post-Award Good Faith Efforts (Document 00571) for each Certified Firm that the Contractor does not use in accordance with the Approved Plan before the Contractor uses another firm to perform the work.

c. The Contractor shall conform to the Plan unless OBO approves a

deviation request. OBO shall approve or reject a request for deviation within five business days of receipt of the request.

d. OBO shall approve a deviation request if:

(1) for a reason beyond the Contractor's control, the Contractor is unable to use the certified MWSBE firm in the Plan to perform the specified work. In such cases, the Contractor shall use and document Good Faith Efforts to find a similarly qualified, certified MWSBE firm to perform such specified work; or

(2) the Contractor reasonably believes that, due to a change of scope, execution of the work in accordance with the directions from the Contracting Department is unlikely to meet the terms of the Plan. In such cases, the Contractor shall use and document Good Faith efforts to achieve a reasonable amount of MWSBE participation on the remaining work on the Contract.

(3) OBO shall not unreasonably withhold approval of a deviation request.

e. After the Date of Substantial Completion, OBO shall evaluate the Contractor's Good Faith Efforts towards meeting the Plan, as it may be amended.

f. If the Contractor fails to conform to the Plan and fails to submit a Post-Award Deviation Request or provide documents and associated information required by the Good Faith Efforts Policy or reasonably requested in writing by OBO, OBO may impose sanctions in accordance with Article VI of this Document 00808.

F. ELIGIBILITY OF MWSBE FIRMS FOR SUBCONTRACTING

1. To ensure that the City's Business Enterprise Program benefits only those firms that are owned and controlled by a minority person(s), a woman (women), a person(s) with a disability, or a small business enterprise, the Office of Business Opportunity will certify the eligibility of MWSBE and PDBE Contractors, Subcontractors, and Suppliers. Contact the OBO Certification Division at 832-393-0600 for information regarding certification.

2. Firms must be certified by OBO at the time of bid in order to be counted towards meeting MWSBE goals. OBO maintains a Certified Minority, Women and Small Business Enterprises and Persons with Disabilities Business Enterprises Directory on the City's website. This Directory also lists federally-designated Disadvantaged Business Enterprises (DBEs).

G. DETERMINATION OF MWSBE PARTICIPATION

MWSBE participation shall be counted toward meeting the Contract Goals in

response to the following:

1. Contractor may count toward its Contract Goals only those MWSBE Subcontractors/ Suppliers performing a Commercially Usefully Function.
   a. **COMMERCIALLY USEFUL FUNCTION** means a discrete task or group of tasks, the responsibility for performance of which shall be discharged by the MWSBE firm by using its own forces or by actively supervising on-site the execution of the tasks by another entity for whose work the MWSBE firm is responsible. In determining whether a certified firm is performing a commercially useful function, factors including but not limited to the following shall be considered: (1) whether the firm has the skill and expertise to perform the work for which it is being utilized and possesses all necessary licenses; (2) whether the firm is in the business of performing, managing, or supervising the work for which it has been certified and is being utilized; and (3) whether it is performing a real and actual service that is a distinct and verifiable element of the work called for in a contract. Without limiting the generality of the foregoing, a MWSBE will not be considered to be performing a commercially useful function, if it subcontracts more than 50 percent of a contract being counted toward the applicable Contract Goals, unless such subcontracting in excess of 50 percent has been expressly approved by OBO either pre-bid or post award.
   b. OBO shall approve a Plan Deviation Request if the Contractor demonstrates that the industry standard for the type of work involved is to subcontract over 50 percent of the work.

2. Once a firm is certified as a MWSBE firm, the total dollar value of the subcontract awarded to the MWSBE firm is counted toward the Contract Goals, counting only the work in which the MWSBE has performed a Commercially Useful Function. The use of one MWSBE certified firm to meet multiple goals (e.g. MBE, WBE, SBE goals) on a contract is prohibited, unless expressly approved by OBO. Safety and Participation goals do not count as a single goal concerning MWSBE/DBE requirements.

3. The dollar value of the work performed by a certified Prime Contractor may not be counted toward the MWSBE goal unless the certified Prime Contractor is a part of a joint venture. When the Contractor or Subcontractor is in a joint venture with one or more MWSBE firms, OBO shall determine the percent of participation resulting from such joint venture to be counted toward the Contract Goals. The City may count towards the Contractor's MWSBE contract goal that portion of the total value of the contract amount paid to an MWSBE joint venturer equal

to the distinct, clearly defined portion of the contract work performed by the MWSBE.

4. A MWSBE Supplier's participation will be counted towards the MWSBE goals if all of the following criteria are met. The MWSBE Supplier must:
(a) negotiate price;
(b) determine quality and quantity;
(c) order the materials;
(d) show that the invoice is in the certified firm's name;
(e) pay for the material itself;
(f) control delivery; and
(g) be certified to provide the supplies in the appropriate NAICS code.

If the listed criteria above are not met, only the entire amount of fees or commissions charged for assistance in the procurement of the supplies and materials, or fees or transportation charges for the delivery of supplies or materials required on a job site will be counted towards the MWSBE goal. To be counted, proof must be provided of the fees paid and the fees must be reasonable and not excessive as compared with fees customarily allowed for similar services. MWSBE Supplier participation may account for no more than 50% of the MWSBE participation plan.

5. The OBO Policy and Procedures Manual, as amended from time to time, shall apply to the Contract for other determinations regarding counting MWSBE participation not explicitly provided for in the Contract.

H. CONTRACTOR COMPLIANCE

To ensure compliance with MWSBE requirements, OBO and the Department will monitor Contractor's efforts regarding MWSBE Subcontractors/Suppliers during the performance of this Contract. This may be accomplished through the following: job site visits; reviewing of records and reports; and interviews of randomly selected personnel.

I. RECORDS AND REPORTS

1. In accordance with II.A of this Document, the Contractor shall submit an initial report outlining MWSBE participation 40 days after the Notice to Proceed date, and on or before the 15th day of each month thereafter until all MWSBE subcontracting or material supply activity is completed. Each report shall cover the preceding month's activity. The Contractor shall use the MWSBE Contract Compliance and Monitoring System (B2G Now) to meet this requirement.

2. Contractor shall maintain the following records for review upon request by OBO or the Department:

a. Copies of executed Subcontractor agreements and purchase orders;
b. Documentation of payments and other transactions with MWSBE Subcontractors/ Suppliers; and
c. Appropriate explanations of any changes or replacements of MWSBE Subcontractors/Suppliers. All replacement MWSBE Subcontractors/Suppliers must be certified by OBO.
d. Any other records required by OBO or Contracting Department.

3. If a Participation Plan Percentage is not being met, the monthly report shall include a narrative description of the progress being made in MWSBE participation. If sufficient MWSBE Subcontractors or Suppliers to meet the Participation Plan Percentage are being utilized, they should be identified by name and the dollar amount paid to date for work performed or materials furnished by each MWSBE during the monthly period. Reports are required when no activity has occurred in a monthly period.

4. Contractor shall retain all such records for a period of four years following completion of the Work and shall be available at reasonable times and places for inspection by authorized representatives of the City including the City Controller.

IV. SANCTIONS:

A. SUSPENSION PERIOD AND WAIVER

Pursuant to Section 15-86 of the Code of Ordinances, OBO is authorized to suspend any Contractor who has failed to make Good Faith Efforts for a period of up to, but not to exceed, five years.

B. GUIDELINES FOR IMPOSITION OF SANCTIONS

1. General:
a. OBO shall not impose any sanction except upon evidence of specific conduct on the part of a MWSBE or Contractor that is inconsistent with, or in direct contravention of, specific applicable requirements for Good Faith Efforts.
b. Imposition and enforcement of suspensions shall be consistent with applicable state law.

2. Severity of Sanctions:
a. In determining the length of any suspension, OBO shall consider the following factors:
(1) Whether the failure to comply with applicable requirements involved intentional conduct or, alternatively,

may be reasonably concluded to have resulted from a misunderstanding on the part of the Contractor or MWSBE of the duties imposed on them by Article V of Chapter 15 of the Code of Ordinances and these procedures;

(2) The number of specific incidences of failure by Contractor or MWSBE to comply;

(3) Whether the Contractor or MWSBE has been previously suspended;

(4) Whether the Contractor or MWSBE has failed or refused to provide OBO with any information requested by OBO's Director or required to be submitted to OBO's Director pursuant to law or these procedures;

(5) Whether the Contractor or MWSBE has materially misrepresented any applicable facts in any filing or communication to OBO; and

(6) Whether any subsequent restructuring of the subject business or other action has been undertaken to cure the deficiencies in meeting applicable requirements.

b. Suspensions may be for any length of time not to exceed five years. Suspensions in excess of one year shall be reserved for cases involving intentional or fraudulent misrepresentation or concealment of material facts, multiple acts in contravention of applicable requirements, cases where the Contractor or MWSBE has been previously suspended, or other similarly egregious conduct.

C. APPEALS

A decision to implement a suspension may be taken after notice and an opportunity for an informal conciliation conference with OBO and a hearing by the Contract Compliance Commission. Commission members shall not have participated in the actions or investigations giving rise to the suspension hearing.

D. NOTICE

1. Prior to imposing any suspension, OBO shall deliver written notice to the Contractor or MWSBE setting forth the grounds for the proposed suspension and setting a date, time, and place to appear for an informal conciliation conference with OBO, in addition to information regarding the appearance before the Contract Compliance Commission for a hearing on the matter.

2. Any notice required or permitted to be given hereunder to any Contractor or MWSBE may be given either by personal delivery or by certified United States mail, postage prepaid, return receipt requested, addressed to their

most recent address as specified in the records of the Office of Business Opportunity or in the Contract if no address is on file with the Office of Business Opportunity.

E. HEARING PROCEDURES

Proceedings before the Contract Compliance Commission shall be conducted in accordance with Section 15-23 of the Code of Ordinances. If the Commission, in a written decision, finds that a suspension is supported by the evidence presented, the Commission shall submit its recommendation to the Mayor and City Council.

ATTACHMENT A

City of Houston
Office of Business Opportunity
Good Faith Efforts Policy

General Policy.

Good Faith Efforts are steps taken to achieve an Contract Goal or other requirements which, by their scope, intensity and usefulness demonstrates the bidder's responsiveness to fulfill the business opportunity objective prior to the award of a contract, as well as the contractor's responsibility to put forth measures to meet or exceed the Contract Goal throughout the duration of the contract.

Good Faith Efforts are required to be made and demonstrated by an apparent successful bidder on goal oriented contracts or proposer on a regulated contract prior to award of a contract. Good Faith Efforts are required on professional services and construction contracts and on procurement of goods and non-professional service contracts with goals. If a bidder, when submitting a participation plan at the time of bid or proposal submission, anticipates it cannot or will not meet the Contract Goal prior to the award, the bidder must demonstrate to Office of Business Opportunity ("OBO") it has made Good Faith Efforts to meet the Contract Goal, to be eligible for the contract award.

Good Faith Efforts shall be evaluated on a case-by-case basis in making a determination whether a bidder or contractor is in compliance with this policy. The efforts employed by a bidder or contractor should be those that one could reasonably expect a bidder or contractor to take if the bidder were actively and aggressively attempting to obtain MWSBE participation sufficient to meet the Contract Goal. Efforts taken that are mere formalities or other perfunctory acts shall not be considered Good Faith Efforts to meet Contract Goals.

The factors provided herein are representative of the types of actions OBO will consider in determining whether the bidder or contractor made Good Faith Efforts to obtain MWSBE participation to meet the Contract Goal. The factors prescribed below are not intended to be a mandatory checklist, nor is it intended to be exhaustive or exclusive. OBO may consider other factors or types of efforts that may be relevant in appropriate cases.

If a contractor fails to submit Good Faith Efforts documentation as provided in this Policy, it waives the right to appeal OBO decisions related to this Policy. OBO will review all the efforts made by the contractor, including the quality and quantity of those efforts.

Pre–Award.

A bidder must submit a participation plan (Document 00470) to OBO at the time the bidder

submits the bid. If the participation by certified MWSBE subcontractors documented on the participation plan ("participation") is less than the Contract Goal, a bidder should submit a Record of Good Faith Efforts (Document 00471) with the bid. A bidder should also submit a request for a deviation (Document 00472) if the bidder, having used Good Faith Efforts, reasonably believes that it cannot meet the Contract Goal or a commercially useful deviation.

In making a determination that the bidder has made a good faith effort to meet the Contract Goals, OBO shall consider specific documentation[1] concerning the steps taken to obtain MWSBE participation, with a consideration of, by way of illustration and not limitation, whether the bidder demonstrated a genuine effort to comply with the following factors.

1. Attended any pre-bid or pre-proposal meetings scheduled by the City Department;

2. Followed up with MWSBEs that attended the pre-bid or pre-proposal meetings to discuss subcontracting and supplier opportunities and contacted MWSBEs listed in the City's online directory;

3. Conducted outreach with minority and women focused organizations and associations far in advance of solicitation due date (no less than 10 business days);

4. Identified and designated portions of the work to be performed by MWSBEs to increase the likelihood of meeting the Contract Goals (including where appropriate breaking down the contract into reasonably sized subcontracts to ensure participation);

5. Advertised subcontracting opportunities in news media focused towards minority and women persons far in advance of solicitation due date;

6. Provided MWSBEs with a point of contact that was knowledgeable about the project and possessed decision-making authority to answer questions from interested MWSBEs;

7. Provided a reasonable number of MWSBEs certified with timely written notices via email, mail, and/or fax and/or with documented contact regarding the subcontracting/supplier opportunities. A "reasonable number of MWSBEs" shall be based on the number of MWSBEs available in the directory;

8. Solicited the MWSBEs within a reasonable amount of time (no less than seven business days) before bid submission, as well as followed up with the MWSBEs solicited to determine if they were interested in submitting a bid or proposal or participating on a team.

[1] A list of common supporting documentation that may allow Contractors to support their good faith efforts can be found on the Office of Business Opportunity website at www.houstontx.gov/obo.

9. Provided interested MWSBEs certified to perform the solicited work with prompt access to the plans, specifications, scope of work and requirements of the contract;

10. Negotiated in good faith with interested MWSBEs, and not rejecting MWSBEs as unqualified without sound reasons based on a thorough investigation of their capabilities;

11. Entered into a formal contract, or signing enforceable letters of intent with MWSBEs;

12. Provided an explanation to any MWSBE whose bid or price quotation is rejected, unless another MWSBE is accepted for the same work, as follows:
    a. Where price competitiveness is not the reason for rejection, a written rejection notice including the reason for rejection will be sent to the rejected MWSBE firm;
    b. Where price competitiveness is the reason for rejection, a meeting must be held with the price-rejected MWSBE, if requested, to discuss the rejection;

13. Made efforts to assist interested MWSBEs in obtaining bonding, lines of credit, insurance required for the contract, and documenting MWSBE denied by bona fide surety agents;

14. Ensured that the conditions and requirements for subcontracts are commensurate with industry standards and would not cause an economic hardship on MWSBEs, such as unnecessary insurance or coupling bid bonds with retainage;

15. Incorporated efforts not attempted earlier or on previous bids that appear more likely to lead to attaining the Contract Goal. Past performance on similar contracts with similar scopes will also be taken in consideration when determining Good Faith Efforts. A bidder that continues to make same efforts without any significant change in the level of participation may not be making Good Faith Efforts.

Post–Award.

The contractor must sign the approved participation plan (Document 00470 or Document 00570) prior to starting work on the Project. A contractor should submit a request for deviation (Document 00572) from OBO if the contractor, having made Good Faith Efforts, reasonably believes that it will not achieve the Participation Plan Percentage documented in the approved participation plan. Unless OBO approves a deviation, a contractor must submit to OBO a Participation Summary (Document 00660) prior to City Council's consideration of any close-out, term extension, or change order. If participation is less than anticipated in the approved

participation plan, the contractor must submit a Record of Good Faith Efforts (Document 00571) along with the Participation Summary. A contractor that fails to submit a deviation request and Good Faith Efforts documentation waives the right to appeal OBO decisions related to this Policy.

If the contractor is awarded the contract and fails to achieve the established Participation Plan Percentage, the contractor must demonstrate to OBO its efforts to meet the Participation Plan Percentage and failure to do so based on circumstances that the contractor could not reasonably control. In determining whether the contractor made Good Faith Efforts to ensure full participation and achievement of the Participation Plan Percentage, OBO shall consider the following factors:

1. Whether the contractor designated an MWSBE liaison officer to administer the Contractor's MWSBE programs and to be responsible for maintenance of records of Good Faith Efforts.

2. Whether the contractor furnished prompt MWSBE Utilization Reports in a timely and accurate manner through the online Contract Monitoring System or via hard copy.

3. Whether the contractor responded to efforts to resolve disputes with MWSBEs, and genuinely attempted to resolve these issues.

4. Whether the contractor disclosed payment discrepancies timely and within the monthly reporting period;

5. Whether the contractor complied with the participation plan, unless the contractor received a deviation from the OBO Director and whether upon approval, the contractor made Good Faith Efforts to replace a removed MWSBE with another certified firm;

6. Whether the contractor furnished prompt written responses to written inquiries from the Director or any employee of OBO regarding the MWSBE's performance or information germane to the MWSBE's certification;

7. Whether the contractor ensured that at all times during the performance of any contract or subcontract the MWSBE firm is engaging in a commercially useful function as that term is defined in Chapter 15 of the City of Houston Code of Ordinances;

8. Whether the contractor provided the OBO information, or other material, that was factually accurate and free of material misrepresentation; and

9. Whether the contractor furnished prompt responses to requests for information, books and records needed to verify compliance from the department administering the Contract, the City Attorney and the City Controller;

10. Whether the contractor attended all meetings and mediation hearings as requested by the Director or his/her designee; and

11. How the contractor may be affected by change orders, with consideration given to the size of the change orders.

Change Orders.

The requirement to make Good Faith Efforts to achieve the approved Participation Plan Percentage is applicable to change orders. Contractors should make Good Faith Efforts to ensure that the Participation Plan Percentage remains substantially the same after the issuance of change orders. If a contractor cannot maintain substantially the same level of participation provided in the latest approved Participation Plan (Document 00470 or Document 00570) due to a change order, the contractor shall submit to the OBO Director and Contracting Department a Document 00571 (Post-Award Record of Good Faith Efforts) and Document 00572 (Post-Award Plan Deviation Request) in a timely manner that does not cause disruption to the project. In addition to other relevant factors, in evaluating whether Good Faith Efforts were made by the contractor to meet the Participation Plan Percentage despite change orders, the OBO Director shall consider the contractor's efforts to timely and efficiently deliver the project.

END OF DOCUMENT

EXHIBIT O

CITY OF HOUSTON GOOD FAITH EFFORTS POLICY

City of Houston
Office of Business Opportunity
Good Faith Efforts Policy

General Policy

Good Faith Efforts are steps taken to achieve an Contract Goal or other requirements which, by their scope, intensity and usefulness demonstrates the bidder's responsiveness to fulfill the business opportunity objective prior to the award of a contract, as well as the contractor's responsibility to put forth measures to meet or exceed the Contract Goal(s) throughout the duration of the contract.

Good Faith Efforts are required to be made and demonstrated by an apparent successful bidder on goal-oriented contracts or proposer on a regulated contract prior to award of a contract. Good Faith Efforts are required on professional services and construction contracts and on procurement of goods and non-professional service contracts with goals. If a bidder, when submitting a participation plan at the time of bid or proposal submission, anticipates it cannot or will not meet the Contract Goal(s) prior to the award, the bidder must demonstrate to Office of Business Opportunity ("OBO") it has made Good Faith Efforts to meet the Contract Goal(s) to be eligible for the contract award.

Good Faith Efforts shall be evaluated on a case-by-case basis in making a determination whether a bidder or contractor is in compliance with this policy. The efforts employed by a bidder or contractor should be those that one could reasonably expect a bidder or contractor to take if the bidder or contractor were actively and aggressively attempting to obtain MWSBE participation sufficient to meet the Contract Goal(s). Efforts taken that are mere formalities or other perfunctory acts shall not be considered Good Faith Efforts to meet Contract Goals.

The factors provided herein are representative of the types of actions OBO will consider in determining whether the bidder or contractor made Good Faith Efforts to obtain MWSBE participation to meet the Contract Goal(s). The list of factors described below are not intended to be a mandatory checklist, nor is it intended to be exhaustive or exclusive. OBO may consider other factors or types of efforts that may be relevant in appropriate cases.

If a bidder or contractor fails to submit Good Faith Efforts documentation as provided in this Policy, it waives the right to appeal OBO decisions related to this Policy. OBO will review all the efforts made by the contractor, including the quality and quantity of those efforts.

Pre–Award

A bidder must submit a participation plan (Document 00470) to OBO at the time the bidder submits the bid. If the participation by certified MWSBE subcontractors documented on the participation plan ("participation") is less than the Contract Goal(s), a bidder should submit

a Record of Good Faith Efforts (Document 00471) with the bid. A bidder should also submit a request for a deviation (Document 00472) if the bidder, having used Good Faith Efforts, reasonably believes that it cannot meet the Contract Goal(s) or a commercially useful deviation.

In making a determination that the bidder has made a good faith effort to meet the Contract Goal(s), OBO shall consider specific documentation[1] concerning the steps taken to obtain MWSBE participation, with a consideration of, by way of illustration and not limitation, whether the bidder demonstrated a genuine effort to comply with the following factors.

1. Attended any pre-bid or pre-proposal meetings scheduled by the City Department;

2. Followed up with MWSBEs that attended the pre-bid or pre-proposal meetings to discuss subcontracting and supplier opportunities and contacted MWSBEs listed in the City's online directory;

3. Conducted outreach with minority and women focused organizations and associations far in advance of solicitation due date (no less than 10 business days);

4. Identified and designated portions of the work to be performed by MWSBEs to increase the likelihood of meeting the Contract Goals (including where appropriate breaking down the contract into reasonably sized subcontracts to ensure participation);

5. Advertised subcontracting opportunities in news media focused towards minority and women persons far in advance of solicitation due date;

6. Provided MWSBEs with a point of contact that was knowledgeable about the project and possessed decision-making authority to answer questions from interested MWSBEs;

7. Provided a reasonable number of MWSBEs certified with timely written notices via email, mail, and/or fax and/or with documented contact regarding the subcontracting/supplier opportunities. A "reasonable number of MWSBEs" shall be based on the number of MWSBEs available in the directory;

8. Solicited the MWSBEs within a reasonable amount of time (no less than seven business days) before bid submission, as well as followed up with the MWSBEs solicited to determine if they were interested in submitting a bid or proposal or participating on a team.

9. Provided interested MWSBEs certified to perform the solicited work with prompt

[1] A list of common supporting documentation that may allow Contractors to support their good faith efforts can be found on the Office of Business Opportunity's website at www.houstontx.gov/obo.

access to the plans, specifications, scope of work and requirements of the contract;

10. Negotiated in good faith with interested MWSBEs, and not rejecting MWSBEs as unqualified without sound reasons based on a thorough investigation of their capabilities;

11. Entered into a formal contract, or signing enforceable letters of intent with MWSBEs;

12. Provided an explanation to any MWSBE whose bid or price quotation is rejected, unless another MWSBE is accepted for the same work, as follows:
    a. Where price competitiveness is not the reason for rejection, a written rejection notice including the reason for rejection will be sent to the rejected MWSBE firm;
    b. Where price competitiveness is the reason for rejection, a meeting must be held with the price-rejected MWSBE, if requested, to discuss the rejection;

13. Ensured that MWSBE Supplier participation did not account for more than 50% of the MWSBE participation plan

14. Made efforts to assist interested MWSBEs in obtaining bonding, lines of credit, insurance required for the contract, and documenting MWSBE denied by bona fide surety agents;

15. Ensured that the conditions and requirements for subcontracts are commensurate with industry standards and would not cause an economic hardship on MWSBEs, such as unnecessary insurance or coupling bid bonds with retainage;

16. Incorporated efforts not attempted earlier or on previous bids that appear more likely to lead to attaining the Contract Goal. Past performance on similar contracts with similar scopes will also be taken in consideration when determining Good Faith Efforts. A bidder that continues to make same efforts without any significant change in the level of participation may not be making Good Faith Efforts.

Post–Award

The contractor must sign the approved participation plan (Document 00470 or Document 00570) prior to starting work on the Project. A contractor should submit a request for deviation from OBO if the contractor, having made Good Faith Efforts, reasonably believes that it will not achieve the Participation Plan Percentage documented in the approved participation plan. Unless OBO approves a deviation, a contractor must submit to OBO a Participation Summary (Document 00660) prior to City Council's consideration of any close-out, term extension, or change order. If participation is less than anticipated in the approved

participation plan, the contractor must, along with the Participation Summary, submit supporting documentation evidencing their Good Faith Efforts. . A contractor that fails to submit a deviation request and Good Faith Efforts documentation waives the right to appeal OBO decisions related to this Policy.

If the contractor is awarded the contract and fails to achieve the established Participation Plan Percentage(s), the contractor must demonstrate to OBO its efforts to meet the Participation Plan Percentage(s) and failure to do so based on circumstances that the contractor could not reasonably control. In determining whether the contractor made Good Faith Efforts to ensure full participation and achievement of the Participation Plan Percentage, OBO shall consider the following factors:

1. Whether the contractor designated an MWSBE liaison officer to administer the Contractor's MWSBE programs and to be responsible for maintenance of records of Good Faith Efforts.

2. Whether the contractor furnished prompt MWSBE Utilization Reports in a timely and accurate manner through the online Contract Monitoring System or via hard copy.

3. Whether the contractor responded to efforts to resolve disputes with MWSBEs, and genuinely attempted to resolve these issues.

4. Whether the contractor disclosed payment discrepancies timely and within the monthly reporting period;

5. Whether the contractor complied with the participation plan, unless the contractor received a deviation from the OBO Director and whether upon approval, the contractor made Good Faith Efforts to replace a removed MWSBE with another certified firm;

6. Whether MWSBE Supplier participation accounted for more than 50% of the MWSBE participation plan.

7. Whether the contractor furnished prompt written responses to written inquiries from the Director or any employee of OBO regarding the MWSBE's performance or information germane to the MWSBE's certification;

8. Whether the contractor ensured that at all times during the performance of any contract or subcontract the MWSBE firm is engaging in a commercially useful function as that term is defined in Chapter 15 of the City of Houston Code of Ordinances;

9. Whether the contractor provided the OBO information, or other material, that was factually accurate and free of material misrepresentation; and

10. Whether the contractor furnished prompt responses to requests for information, books and records needed to verify compliance from the department administering the Contract, the City Attorney and the City Controller;

11. Whether the contractor attended all meetings and mediation hearings as requested by the Director or his/her designee; and

12. How the contractor may be affected by change orders, with consideration given to the size of the change orders.

Change Orders

The requirement to make Good Faith Efforts to achieve the approved Participation Plan Percentage is applicable to change orders. Contractors should make Good Faith Efforts to ensure that the Participation Plan Percentage remains substantially the same after the issuance of change orders. If a contractor cannot maintain substantially the same level of participation provided in the latest approved Participation Plan (Document 00470 or Document 00570) due to a change order, the contractor shall submit to the OBO Director and Contracting Department a Document 00571 (Post-Award Record of Good Faith Efforts) and Document 00572 (Post-Award Plan Deviation Request) in a timely manner that does not cause disruption to the project. In addition to other relevant factors, in evaluating whether Good Faith Efforts were made by the contractor to meet the Participation Plan Percentage despite change orders, the OBO Director shall consider the contractor's efforts to timely and efficiently deliver the project.

END OF DOCUMENT

EXHIBIT P

GENERAL WAGE DECISIONS

RESIDENTIAL

"General Decision Number: TX20210067 03/12/2021

Superseded General Decision Number: TX20200067

State: Texas

Construction Type: Residential

County: Harris County in Texas.

Note: Under Executive Order (EO) 13658, an hourly minimum wage of $10.95 for calendar year 2021 applies to all contracts subject to the Davis-Bacon Act for which the contract is awarded (and any solicitation was issued) on or after January 1, 2015. If this contract is covered by the EO, the contractor must pay all workers in any classification listed on this wage determination at least $10.95 per hour (or the applicable wage rate listed on this wage determination, if it is higher) for all hours spent performing on the contract in calendar year 2021. If this contract is covered by the EO and a classification considered necessary for performance of work on the contract does not appear on this wage determination, the contractor must pay workers in that classification at least the wage rate determined through the conformance process set forth in 29 CFR 5.5(a)(1)(ii) (or the EO minimum wage rate,if it is higher than the conformed wage rate). The EO minimum wage rate will be adjusted annually. Please note that this EO applies to the above-mentioned types of contracts entered into by the federal government that are subject to the Davis-Bacon Act itself, but it does not apply to contracts subject only to the Davis-Bacon Related Acts, including those set forth at 29 CFR 5.1(a)(2)-(60). Additional information on contractor requirements and worker protections under the EO is available at www.dol.gov/whd/govcontracts.

Modification Number	Publication Date
0	01/01/2021
1	03/12/2021

* ELEV0031-002 01/01/2021

	Rates	Fringes
ELEVATOR MECHANIC	$ 45.48	36.365

Footnotes:

A. 6% under 5 years based on regular hourly rate for all hours worked. 8% over 5 years based on regular hourly rate for all hours worked.

B. Holidays: New Year's Day, Memorial Day, Independence Day, Labor Day, Veterans' Day, Thanksgiving Day, the Friday

after Thanksgiving Day, and Christmas Day.

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* SFTX0669-001 01/01/2021

	Rates	Fringes
SPRINKLER FITTER (Fire Sprinklers)	$ 30.64	22.20

SHEE0054-008 04/01/2020

	Rates	Fringes
Sheetmetal Worker (Excluding HVAC Work)	$ 29.70	13.85

SUTX2005-030 12/15/2005

	Rates	Fringes
Bricklayer	$ 15.00	
Plasterer	$ 16.60	
Tile setter	$ 14.08	
Acoustical Ceiling Installer	$ 12.50	
Carpenter (Includes Batt/Blown Insulation, Formwork & Overhead Door Installation	$ 12.06	1.41
Carport Structural Supports Installer	$ 11.46	2.61
Cement Manson/Concrete Finisher	$ 13.68	.75
Drywall Finishers	$ 12.00	
Drywall Hanger	$ 12.71	
Electrician(Incl. Low Voltage Wiring and Installation of Alarms)	$ 17.05	6.32
Gutter and Siding Installer	$ 18.59	1.41
HVAC MECHANIC (Pipe & System Installation Only)	$ 12.82	
Ironworker		

Ornamental.....$ 16.29
Reinforcing.....$ 11.25 2.35
Structural.....$ 17.21

Laborers:
Common.....$ 8.88 1.10
Landscape and Irrigation....$ 9.02
Mason Tender Brick.....$ 9.97 .68
Mason Tender Cement.....$ 9.46 .68
Pipelayer.....$ 10.06
Plaster Tender.....$ 11.10

Painter:
Brush, Roller, and Spray....$ 11.41
Parking Lot Striping.....$ 14.21

Plumbers (Excluding HVAC Pipe)...$ 17.96 1.15

Power Equipment Operator
Backhoe.....$ 13.55 .69
Bulldozer.....$ 12.67 .69
Forklift.....$ 12.54
Front End Loader.....$ 12.00 .69
Grader.....$ 13.67

Roofers.....$ 10.00

Sheet Metal Worker (HVAC Duct
Only).....$ 12.76 1.95

Soft Floor Layers, Carpet and
Vinyl.....$ 14.50

Truck drivers.....$ 13.43

WELDERS - Receive rate prescribed for craft performing operation to which welding is incidental.

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Note: Executive Order (EO) 13706, Establishing Paid Sick Leave for Federal Contractors applies to all contracts subject to the Davis-Bacon Act for which the contract is awarded (and any solicitation was issued) on or after January 1, 2017. If this contract is covered by the EO, the contractor must provide employees with 1 hour of paid sick leave for every 30 hours they work, up to 56 hours of paid sick leave each year. Employees must be permitted to use paid sick leave for their own illness, injury or other health-related needs, including preventive care; to assist a family member (or person who is like family to the employee) who is ill, injured, or has other health-related needs, including preventive care; or for reasons resulting from, or to assist a family member (or person who is

like family to the employee) who is a victim of, domestic violence, sexual assault, or stalking. Additional information on contractor requirements and worker protections under the EO is available at www.dol.gov/whd/govcontracts.

Unlisted classifications needed for work not included within the scope of the classifications listed may be added after award only as provided in the labor standards contract clauses (29CFR 5.5 (a) (1) (ii)).

The body of each wage determination lists the classification and wage rates that have been found to be prevailing for the cited type(s) of construction in the area covered by the wage determination. The classifications are listed in alphabetical order of ""identifiers"" that indicate whether the particular rate is a union rate (current union negotiated rate for local), a survey rate (weighted average rate) or a union average rate (weighted union average rate).

Union Rate Identifiers

A four letter classification abbreviation identifier enclosed in dotted lines beginning with characters other than ""SU"" or ""UAVG"" denotes that the union classification and rate were prevailing for that classification in the survey. Example: PLUM0198-005 07/01/2014. PLUM is an abbreviation identifier of the union which prevailed in the survey for this classification, which in this example would be Plumbers. 0198 indicates the local union number or district council number where applicable, i.e., Plumbers Local 0198. The next number, 005 in the example, is an internal number used in processing the wage determination. 07/01/2014 is the effective date of the most current negotiated rate, which in this example is July 1, 2014.

Union prevailing wage rates are updated to reflect all rate changes in the collective bargaining agreement (CBA) governing this classification and rate.

Survey Rate Identifiers

Classifications listed under the ""SU"" identifier indicate that no one rate prevailed for this classification in the survey and the published rate is derived by computing a weighted average rate based on all the rates reported in the survey for that classification. As this weighted average rate includes all rates reported in the survey, it may include both union and non-union rates. Example: SULA2012-007 5/13/2014. SU indicates the rates are survey rates based on a weighted average calculation of rates and are not majority rates. LA indicates

the State of Louisiana. 2012 is the year of survey on which these classifications and rates are based. The next number, 007 in the example, is an internal number used in producing the wage determination. 5/13/2014 indicates the survey completion date for the classifications and rates under that identifier.

Survey wage rates are not updated and remain in effect until a new survey is conducted.

Union Average Rate Identifiers

Classification(s) listed under the UAVG identifier indicate that no single majority rate prevailed for those classifications; however, 100% of the data reported for the classifications was union data. EXAMPLE: UAVG-OH-0010 08/29/2014. UAVG indicates that the rate is a weighted union average rate. OH indicates the state. The next number, 0010 in the example, is an internal number used in producing the wage determination. 08/29/2014 indicates the survey completion date for the classifications and rates under that identifier.

A UAVG rate will be updated once a year, usually in January of each year, to reflect a weighted average of the current negotiated/CBA rate of the union locals from which the rate is based.

WAGE DETERMINATION APPEALS PROCESS

1.) Has there been an initial decision in the matter? This can be:

* an existing published wage determination
* a survey underlying a wage determination
* a Wage and Hour Division letter setting forth a position on a wage determination matter
* a conformance (additional classification and rate) ruling

On survey related matters, initial contact, including requests for summaries of surveys, should be with the Wage and Hour Regional Office for the area in which the survey was conducted because those Regional Offices have responsibility for the Davis-Bacon survey program. If the response from this initial contact is not satisfactory, then the process described in 2.) and 3.) should be followed.

With regard to any other matter not yet ripe for the formal process described here, initial contact should be with the Branch of Construction Wage Determinations. Write to:

Branch of Construction Wage Determinations

Wage and Hour Division
U.S. Department of Labor
200 Constitution Avenue, N.W.
Washington, DC 20210

2.) If the answer to the question in 1.) is yes, then an interested party (those affected by the action) can request review and reconsideration from the Wage and Hour Administrator (See 29 CFR Part 1.8 and 29 CFR Part 7). Write to:

Wage and Hour Administrator
U.S. Department of Labor
200 Constitution Avenue, N.W.
Washington, DC 20210

The request should be accompanied by a full statement of the interested party's position and by any information (wage payment data, project description, area practice material, etc.) that the requestor considers relevant to the issue.

3.) If the decision of the Administrator is not favorable, an interested party may appeal directly to the Administrative Review Board (formerly the Wage Appeals Board). Write to:

Administrative Review Board
U.S. Department of Labor
200 Constitution Avenue, N.W.
Washington, DC 20210

4.) All decisions by the Administrative Review Board are final.

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END OF GENERAL DECISION"

HEAVY

"General Decision Number: TX20210031 03/12/2021

Superseded General Decision Number: TX20200031

State: Texas

Construction Type: Heavy

County: Harris County in Texas.

HEAVY CONSTRUCTION PROJECTS Including Water and Sewer Lines (Does Not Include Flood Control).

Note: Under Executive Order (EO) 13658, an hourly minimum wage of $10.95 for calendar year 2021 applies to all contracts subject to the Davis-Bacon Act for which the contract is awarded (and any solicitation was issued) on or after January 1, 2015. If this contract is covered by the EO, the contractor must pay all workers in any classification listed on this wage determination at least $10.95 per hour (or the applicable wage rate listed on this wage determination, if it is higher) for all hours spent performing on the contract in calendar year 2021. If this contract is covered by the EO and a classification considered necessary for performance of work on the contract does not appear on this wage determination, the contractor must pay workers in that classification at least the wage rate determined through the conformance process set forth in 29 CFR 5.5(a)(1)(ii) (or the EO minimum wage rate,if it is higher than the conformed wage rate). The EO minimum wage rate will be adjusted annually. Please note that this EO applies to the above-mentioned types of contracts entered into by the federal government that are subject to the Davis-Bacon Act itself, but it does not apply to contracts subject only to the Davis-Bacon Related Acts, including those set forth at 29 CFR 5.1(a)(2)-(60). Additional information on contractor requirements and worker protections under the EO is available at www.dol.gov/whd/govcontracts.

Modification Number	Publication Date
0	01/01/2021
1	03/12/2021

* SFTX0669-001 01/01/2021

	Rates	Fringes
SPRINKLER FITTER (Fire Sprinklers)	$ 30.64	22.20

SUTX2005-019 08/16/2005

	Rates	Fringes

CARPENTER.....$ 14.04 0.00

CEMENT MASON/CONCRETE FINISHER...$ 12.50 1.17

ELECTRICIAN.....$ 17.00 0.04

Formbuilder/Formsetter.....$ 13.84 1.17

IRONWORKER, REINFORCING.....$ 11.28 0.00

Laborers:
- Common.....$ 8.94 0.00
- Landscape.....$ 7.35 0.00
- Mason Tender Cement.....$ 9.94 0.00
- Pipelayer.....$ 10.14 0.00

PIPEFITTER.....$ 17.00 0.04

POWER EQUIPMENT OPERATOR:
- Backhoe.....$ 13.47 0.00
- Bulldozer.....$ 12.58 0.00
- Crane.....$ 15.33 0.57
- Excavator.....$ 16.37 0.00
- Front End Loader.....$ 12.16 0.00
- Grader.....$ 12.20 1.48
- Tractor.....$ 15.00 0.00

TRUCK DRIVER.....$ 12.02 1.02

WELDERS - Receive rate prescribed for craft performing operation to which welding is incidental.

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Note: Executive Order (EO) 13706, Establishing Paid Sick Leave for Federal Contractors applies to all contracts subject to the Davis-Bacon Act for which the contract is awarded (and any solicitation was issued) on or after January 1, 2017. If this contract is covered by the EO, the contractor must provide employees with 1 hour of paid sick leave for every 30 hours they work, up to 56 hours of paid sick leave each year. Employees must be permitted to use paid sick leave for their own illness, injury or other health-related needs, including preventive care; to assist a family member (or person who is like family to the employee) who is ill, injured, or has other health-related needs, including preventive care; or for reasons resulting from, or to assist a family member (or person who is like family to the employee) who is a victim of, domestic violence, sexual assault, or stalking. Additional information on contractor requirements and worker protections under the EO is available at www.dol.gov/whd/govcontracts.

Unlisted classifications needed for work not included within the scope of the classifications listed may be added after award only as provided in the labor standards contract clauses (29CFR 5.5 (a) (1) (ii)).

The body of each wage determination lists the classification and wage rates that have been found to be prevailing for the cited type(s) of construction in the area covered by the wage determination. The classifications are listed in alphabetical order of ""identifiers"" that indicate whether the particular rate is a union rate (current union negotiated rate for local), a survey rate (weighted average rate) or a union average rate (weighted union average rate).

Union Rate Identifiers

A four letter classification abbreviation identifier enclosed in dotted lines beginning with characters other than ""SU"" or ""UAVG"" denotes that the union classification and rate were prevailing for that classification in the survey. Example: PLUM0198-005 07/01/2014. PLUM is an abbreviation identifier of the union which prevailed in the survey for this classification, which in this example would be Plumbers. 0198 indicates the local union number or district council number where applicable, i.e., Plumbers Local 0198. The next number, 005 in the example, is an internal number used in processing the wage determination. 07/01/2014 is the effective date of the most current negotiated rate, which in this example is July 1, 2014.

Union prevailing wage rates are updated to reflect all rate changes in the collective bargaining agreement (CBA) governing this classification and rate.

Survey Rate Identifiers

Classifications listed under the ""SU"" identifier indicate that no one rate prevailed for this classification in the survey and the published rate is derived by computing a weighted average rate based on all the rates reported in the survey for that classification. As this weighted average rate includes all rates reported in the survey, it may include both union and non-union rates. Example: SULA2012-007 5/13/2014. SU indicates the rates are survey rates based on a weighted average calculation of rates and are not majority rates. LA indicates the State of Louisiana. 2012 is the year of survey on which these classifications and rates are based. The next number, 007 in the example, is an internal number used in producing the wage determination. 5/13/2014 indicates the survey completion date for the classifications and rates under that identifier.

Survey wage rates are not updated and remain in effect until a new survey is conducted.

Union Average Rate Identifiers

Classification(s) listed under the UAVG identifier indicate that no single majority rate prevailed for those classifications; however, 100% of the data reported for the classifications was union data. EXAMPLE: UAVG-OH-0010 08/29/2014. UAVG indicates that the rate is a weighted union average rate. OH indicates the state. The next number, 0010 in the example, is an internal number used in producing the wage determination. 08/29/2014 indicates the survey completion date for the classifications and rates under that identifier.

A UAVG rate will be updated once a year, usually in January of each year, to reflect a weighted average of the current negotiated/CBA rate of the union locals from which the rate is based.

WAGE DETERMINATION APPEALS PROCESS

1.) Has there been an initial decision in the matter? This can be:

* an existing published wage determination
* a survey underlying a wage determination
* a Wage and Hour Division letter setting forth a position on a wage determination matter
* a conformance (additional classification and rate) ruling

On survey related matters, initial contact, including requests for summaries of surveys, should be with the Wage and Hour Regional Office for the area in which the survey was conducted because those Regional Offices have responsibility for the Davis-Bacon survey program. If the response from this initial contact is not satisfactory, then the process described in 2.) and 3.) should be followed.

With regard to any other matter not yet ripe for the formal process described here, initial contact should be with the Branch of Construction Wage Determinations. Write to:

Branch of Construction Wage Determinations
Wage and Hour Division
U.S. Department of Labor
200 Constitution Avenue, N.W.
Washington, DC 20210

2.) If the answer to the question in 1.) is yes, then an interested party (those affected by the action) can request review and reconsideration from the Wage and Hour Administrator (See 29 CFR Part 1.8 and 29 CFR Part 7). Write to:

Wage and Hour Administrator
U.S. Department of Labor
200 Constitution Avenue, N.W.
Washington, DC 20210

The request should be accompanied by a full statement of the interested party's position and by any information (wage payment data, project description, area practice material, etc.) that the requestor considers relevant to the issue.

3.) If the decision of the Administrator is not favorable, an interested party may appeal directly to the Administrative Review Board (formerly the Wage Appeals Board). Write to:

Administrative Review Board
U.S. Department of Labor
200 Constitution Avenue, N.W.
Washington, DC 20210

4.) All decisions by the Administrative Review Board are final.

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END OF GENERAL DECISION"

TABLE OF EXHIBITS

A	Legal Description
B-1	Contribution Certificate
B-2	General Partner Section 13.04(d) Certification
C	Guaranty Agreement
D	Development Agreement
E	Supervisory Management and Incentive Fee Agreement
F	Pledge and Security Agreement
G	Post Closing Due Diligence Checklist
H	Summary of Project Loans
I	Projections
J	Insurance Requirements
K	Form of Assignment
L	Form of Lender Estoppel
M	Radon Guidelines
N	Purchase Option and Right of First Refusal Agreement

EXHIBIT A
TO PARTNERSHIP AGREEMENT

LEGAL DESCRIPTION

Unrestricted Reserve "A", Block 1, of DIAN STREET VILLAS, a subdivision in Harris County, Texas, according to the map or plat thereof recorded under Film Code No. 694603, of the Map Records of Harris County, Texas.

EXHIBIT B-1
TO PARTNERSHIP AGREEMENT

CONTRIBUTION CERTIFICATE

(See Attached)

CONTRIBUTION CERTIFICATE

WHEREAS, the undersigned is the _____ of CSH Dian Street Villas GP, LLC (the "General Partner");

WHEREAS, the General Partner is the sole General Partner of CSH Dian Street Villas, Ltd. (the "Partnership");

WHEREAS, the General Partner, Red Stone Equity – Fund 73 Limited Partnership, a Delaware limited partnership (the "Limited Partner"), and Red Stone Equity Manager, LLC, a Delaware limited liability company (the "Special Limited Partner") have entered into that certain Amended and Restated Agreement of Limited Partnership (the "Partnership Agreement"), dated as of April 21, 2021 (all capitalized terms not otherwise defined herein shall have the applicable meaning set forth in the Partnership Agreement); and

WHEREAS, the General Partner has requested that the Limited Partner make its _____ Capital Contribution to the Partnership.

NOW, THEREFORE, the undersigned hereby certifies to the Limited Partner and the Special Limited Partner as follows:

1. The Partnership is not in default under any of the Project Documents and no event has occurred which, with the giving of notice or the passage of time, or both, could constitute a default by the Partnership under any of the Project Documents.

2. The General Partner is not in default under the Partnership Agreement or any of the Project Documents to which it is a party and no event has occurred which, with the giving of notice or the passage of time, or both, could constitute a default by a General Partner under the Partnership Agreement or any of the Project Documents to which it is a party.

3. No Guarantor is in default under the Guaranty Agreement or any of the Project Documents to which it is a party and no event has occurred which, with the giving of notice or the passage of time, or both, could constitute a default by a Guarantor under the Guaranty Agreement or any of the Project Documents to which it is a party.

4. No condition for repurchase of the Limited Partner's Interest exists under Section 5.08 of the Partnership Agreement, and no event has occurred which, with the giving of notice or the passage of time, or both, could give rise to a condition to repurchase of the Limited Partner's Interest under Section 5.08 of the Partnership Agreement.

5. The installments of the Limited Partner Capital Contributions previously contributed to the Partnership by the Limited Partner, and the proceeds of all Project Loans previously funded to the Partnership by the Project Lenders, have been applied by the

Partnership in accordance with the Development Budget for the Apartment Complex approved by the Limited Partner.

6. All of the representations and warranties of the General Partners set forth in the Partnership Agreement are true, correct and complete as of the date hereof and the General Partners have performed all covenants required to be performed by them on or before the date hereof.

7. There have been no changes or modifications of any kind to the Plans and Specifications, except as disclosed to the Limited Partners in writing.

8. All conditions precedent to funding of the Limited Partner Capital Contribution to which this Certificate relates have been satisfied in full.

This Contribution Certificate is made on the date hereof as a condition to a Capital Contribution under the Partnership Agreement and the Exhibits.

Dated as of _____, 20____

CSH DIAN STREET VILLAS GP, LLC,
a Texas limited liability company

By: Texas Inter-Faith Housing Corporation, a Texas non-profit corporation, its managing member

By: _____
Name: Russ Michael Schmidtberger
Title: Executive Director

EXHIBIT B-2
TO PARTNERSHIP AGREEMENT

GENERAL PARTNER SECTION 13.04(d) CERTIFICATION

The undersigned hereby certifies as of the date set forth below, that:

(A) all Project Loan payments and insurance payments with respect to the Apartment Complex are current as of the date of the year-end report,

(B) there is no material default under the Project Documents or this Agreement, or if there is any material default, a description thereof

_____
_____,

(C) it has not received notice of any building, health or fire code violation or similar violation of a governmental law, ordinance or regulation against the Apartment Complex or, if any such notice of any violation has been received, a description thereof

_____
_____,

(D) all real estate and ad valorem taxes, personal property taxes, assessments and other charges levied against the Apartment Complex have been paid and evidence of such payment, and

(E) it has not received and does not expect to receive 8823s from the Agency, and there are no outstanding action items arising from the Agency's annual inspection and/or audit of the Apartment Complex.

GENERAL PARTNER:

CSH DIAN STREET VILLAS GP, LLC,
a Texas limited liability company

By: Texas Inter-Faith Housing Corporation, a Texas non-profit corporation, its managing member

By: _____
Name: Russ Michael Schmidtberger
Title: Executive Director

Date: _____, _____

EXHIBIT C
TO PARTNERSHIP AGREEMENT

GUARANTY AGREEMENT

(See Attached)

GUARANTY AGREEMENT

THIS GUARANTY AGREEMENT (this "Guaranty Agreement"), made as of April 21, 2021, is by CSH Dian Street Villas GP, LLC, a Texas limited liability company (the "General Partner"), Texas Inter-Faith Development, LLC, a Texas limited liability company ("TIFD"), SuperUrban Realty Ventures, LLC, a Texas limited liability company ("SuperUrban"), Texas Inter-Faith Housing Corporation, a Texas non-profit corporation ("TIFHC"), and Jervon Harris ("Harris"), an individual and resident of Texas (individually, the General Partner, TIFD, SuperUrban, TIFHC and Harris are each a "Guarantor" and collectively, they are the "Guarantors"), jointly and severally, for the benefit of Red Stone Equity – Fund 73 Limited Partnership, a Delaware limited partnership, its successors and/or assigns, and Red Stone Equity Manager, LLC, a Delaware limited liability company, its successors and/or assigns (collectively, "Red Stone").

Recitals

WHEREAS General Partner is the general partner of CSH Dian Street Villas, Ltd. (the "Partnership");

WHEREAS, the Partnership is governed by its Amended and Restated Agreement of Limited Partnership dated as of April 21, 2021 (the "Partnership Agreement") (all capitalized terms not otherwise defined herein shall have the meaning given to them in the Partnership Agreement);

WHEREAS, Developer and the Partnership have entered into that certain Development Agreement dated as of the date hereof (the "Development Agreement");

WHEREAS, Red Stone has been requested to enter into the Partnership Agreement and the Partnership with the General Partner;

WHEREAS, TIFD, SuperUrban, TIFHC and Harris are each an affiliate of the General Partner, and believes he shall substantially benefit, directly or indirectly, from Red Stone's entering into the Partnership Agreement and the Partnership with the General Partner; and

WHEREAS, as a condition to entering into the Partnership Agreement and the Partnership, Red Stone has required the Guarantors to jointly and severally guarantee to Red Stone the obligations of the General Partner and the Developer under the Partnership Agreement and certain other items as herein set forth;

NOW, THEREFORE, in order to induce Red Stone to enter into the Partnership Agreement and the Partnership in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the Guarantor hereby covenants and agrees as follows:

1. Guarantor irrevocably and unconditionally fully guarantees the due, prompt and complete performance of each and every one of the following obligations: (a) the payment and performance by the General Partner of each and every obligation of the General Partner due under the Partnership Agreement; and (b) the payment and performance by the Developer of each and every obligation of the Developer under the Development Agreement; and (c) the due, prompt and complete payment of all costs and expenses (including, without limitation, reasonable attorneys' fees) incurred by Red Stone in collection of the enforcement of this Guaranty Agreement against the Guarantor (the obligations described in this Paragraph 1 are hereinafter collectively referred to as the "Indebtedness"). Following achievement of Substantial Completion, the financial obligations of TIFD and SuperUrban shall be limited to their respective share of the total Development Fee payment under the Development Agreement. Upon the achievement of Final Closing and Stabilized Operations, each of TIFD, SuperUrban and Harris shall be released from their obligations under this Guaranty. The General Partner and TIFHC shall remain obligated for the Indebtedness for so long as this Guaranty shall be in effect.

2. Guarantor hereby grants to Red Stone, in the uncontrolled discretion of Red Stone, and without notice to any Guarantor, the power and authority to deal in any lawful manner with the Indebtedness and the other obligations guaranteed hereby, and without limiting the generality of the foregoing, further power and authority, from time to time:

(a) to renew, compromise, extend, accelerate or otherwise change the time or place of payment of or to otherwise change the terms of the Indebtedness;

(b) subject to the terms of the Partnership Agreement and the Development Agreement, to modify or to waive any of the terms of the Partnership Agreement, the Development Agreement and/or any other obligations guaranteed hereby;

(c) to take and hold security for the payment of the Indebtedness and/or performance of the other obligations guaranteed hereby and to impair, exhaust, exchange, enforce, waive or release any such security;

(d) to direct the order or manner of sale of any such security as Red Stone, in its discretion, may determine;

(e) to grant any indulgence, forbearance or waiver with respect to the Indebtedness or any of the other obligations guaranteed hereby;

(f) to release or waive rights against any one or more Guarantors without releasing or waiving any rights against any other Guarantor; and/or

(g) to agree to any valuation by Red Stone of any collateral securing payment of any of the Indebtedness in any proceedings under the United States Bankruptcy Code concerning Red Stone or the Guarantor.

The liability of Guarantor hereunder shall not be affected, impaired or reduced in any way by any action taken by Red Stone under the foregoing provisions or any other provision hereof, or by any delay, failure or refusal of Red Stone to exercise any right or remedy it may have against the General Partner or any other person, firm or corporation, including other

guarantors, if any, liable for all or any part of the Indebtedness or any of the other obligations guaranteed hereby.

3. Each Guarantor agrees that if any of the Indebtedness is not fully and timely paid or performed according to the tenor thereof, whether by acceleration or otherwise, the Guarantors shall immediately upon receipt of written demand therefor from Red Stone pay all of the Indebtedness hereby guaranteed in like manner as if the Indebtedness constituted the direct and primary obligation of Guarantors. The Guarantors shall not have any right of subrogation as a result of any payment hereunder or any other payment made by the Guarantors on account of the Indebtedness, and each Guarantor hereby waives, releases and relinquishes any claim based on any right of subrogation, any claim for unjust enrichment or any other theory that would entitle a Guarantor to a claim against the General Partner based on any payment made hereunder or otherwise on account of the Indebtedness.

4. This Guaranty Agreement has been duly executed and delivered to Red Stone, and the obligations of Guarantor set forth herein are the legal, valid and binding obligations of the Guarantor enforceable in accordance with the terms hereof subject to creditors rights and general principles of equity. Neither the entry into nor the performance of and compliance with this Guaranty Agreement has resulted or will result in any violation of, or a conflict with or a default under any judgment, decree, order, mortgage, indenture contract, agreement or lease by which the Guarantor or any of its property is bound or any statute, rule or regulation applicable to the Guarantor.

5. The Guarantor represents and warrants that it has a minimum liquidity (cash and marketable securities) of $2,000,000 (which shall be reduced to $1,000,000 upon achievement of Substantial Completion) and a minimum net worth (determined in accordance with generally accepted accounting principles) of $4,000,000; provided, however, that TIFD and SuperUrban shall not be taken into consideration for the purposes of this covenant. On or before April 1 of each year, each Guarantor will provide evidence to Red Stone that they have met the minimum liquidity and net worth requirements set forth above, which shall include audited financial statements with respect to any entity guarantors and unaudited financial statements (accompanied by bank statements) for any individual guarantor. Guarantor further represents and warrants that there are no criminal or civil actions or administrative proceedings pending, or, to the Guarantor’s knowledge, threatened against the Guarantor or its shareholders, partners, members or managers.

6. This Guaranty Agreement and the obligations of Guarantors hereunder shall be continuing and irrevocable until the Indebtedness has been satisfied in full. Notwithstanding the foregoing or anything else set forth herein, and in addition thereto, if at any time all or any part of any payment received by Red Stone from a Guarantor under or with respect to this Guaranty Agreement is or must be rescinded or returned for any reason whatsoever (including, but not limited to, determination that said payment was a voidable preference or fraudulent transfer under insolvency, bankruptcy or reorganization laws), then Guarantor's obligations hereunder shall, to the extent of the payment rescinded or returned, be deemed to have continued in existence, notwithstanding such previous receipt of payment by Red Stone, and Guarantor's obligations hereunder shall continue to be effective or be reinstated as to such payment, all as though such previous payment to Red Stone had never been made. The provisions of the

foregoing sentence shall survive termination of this Guaranty Agreement, and shall remain a valid and binding obligation of Guarantor until satisfied.

7. Each Guarantor hereby waives notice of acceptance of this Guaranty Agreement by Red Stone and this Guaranty Agreement shall immediately be binding upon Guarantor. Any Guarantor who executes this Agreement shall be fully bound hereby regardless of whether or not any other Guarantor subsequently executes this Guaranty Agreement.

8. Each Guarantor hereby waives and agrees not to assert or take advantage of:

(a) any right to require the General Partner to proceed against any other person or to proceed against or exhaust any security held by the General Partner at any time or to pursue any other remedy in the General Partner's power before proceeding against any one or more Guarantors hereunder;

(b) any right to require Red Stone to proceed against the General Partner or any other person or to proceed against or exhaust any security held by Red Stone at any time or to pursue any other remedy in Red Stone's power before proceeding against Guarantor hereunder;

(c) the defense of the statute of limitations in any action hereunder or in any action for the collection of the Indebtedness or the performance of any other obligations guaranteed hereby;

(d) any defense that may arise by reason of the incapacity, lack of authority, death or disability of any other person or persons or the failure of Red Stone to file or enforce a claim against the estate (in administration, bankruptcy or any other proceeding) of any other person or persons;

(e) demand, presentment for payment, notice of non-payment, protest, notice of protest and all other notices of any kind, including, without limitation, notice of the existence, creation or incurring of any new or additional indebtedness or obligation or of any action or non-action on the part of Red Stone or any endorser or creditor of Red Stone or any Guarantor or on the part of any other person whomsoever under this or any other instrument in connection with any obligation or evidence of indebtedness held by Red Stone or in connection with the Indebtedness;

(f) any defense based upon an election of remedies by Red Stone , the right of Guarantor to proceed against Red Stone for reimbursement, or both, or if contrary to the express agreement of the parties, laws of the State is deemed to apply to this Guaranty, any rights or benefits under the bankruptcy and insolvency laws of the State or under Sections 364 and 1111 of the U.S. Bankruptcy Code as same may be amended or replaced from time to time;

(g) any election by Red Stone to exercise any right or remedy it may have against the Partnership or any security held by Red Stone, including, without limitation, the right to foreclose upon any such security by judicial or non-judicial sale, without affecting or impairing in any way the liability of Guarantor hereunder, except to the extent the Indebtedness has been paid, and Guarantor waives any default arising out of the absence, impairment or loss of

any right of reimbursement, contribution or subrogation or any other right or remedy of the Guarantor against the Partnership or any such security whether resulting from such election by Red Stone or otherwise. Guarantor understands that if all or any part of the liability of the Partnership to Red Stone for the Indebtedness is secured by real property Guarantor shall be liable for the full amount of their liability hereunder, notwithstanding foreclosure on such real property by trustee sale or any other reason impairing the Guarantor's right to proceed against the Partnership; and

(h) all duty or obligation on the part of Red Stone to perfect, protect, not impair, retain or enforce any security for the payment of the Indebtedness or performance of any of the other obligations guaranteed hereby.

9. All existing and future indebtedness of the General Partner to the Guarantor or to any person controlled or owned in whole or in part by any of the Guarantor and, the right of the Guarantor to withdraw or to cause or permit any person controlled or owned in whole or in part by any of the Guarantors to withdraw any capital invested by such Guarantor or such person in the General Partner, is hereby subordinated to the Indebtedness at any time after a default exists under the Indebtedness. Furthermore, without the prior written consent of Red Stone, such subordinated indebtedness shall not be paid and such capital shall not be withdrawn in whole or in part nor shall any Guarantor accept or cause or permit any person controlled or owned in whole or in part by a Guarantor to accept any payment of or on account of any such subordinated indebtedness or as a withdrawal of capital at any time after a default exists under the Indebtedness. Any payment received by any Guarantor in violation of this Guaranty Agreement shall be received by the person to whom paid in trust for Red Stone, and such Guarantor shall cause the same to be paid to Red Stone immediately on account of the Indebtedness. No such payment shall reduce or affect in any manner the liability of the Guarantor under this Guaranty Agreement.

10. The amount of each Guarantor's liability and all rights, powers and remedies of Red Stone hereunder shall be cumulative and not alternative and such rights, powers and remedies shall be in addition to all rights, powers and remedies given to Red Stone under the Partnership Agreement, any document or agreement relating in any way to the terms and provisions thereof or otherwise by law. With respect to each Guarantor, this Guaranty Agreement is in addition to and exclusive of the guaranty of any other Guarantor executing this Guaranty Agreement or any other person or entity which guarantees the Indebtedness and/or the other obligations guaranteed hereby. A change of any direct or indirect ownership interest in any Guarantor or member, partner or shareholder of any Guarantor that results in a change in control of such Guarantor, without the prior written approval of Red Stone, shall constitute a default herein.

11. The liability of each Guarantor under this Guaranty Agreement shall be an absolute, direct, immediate and unconditional guarantee of payment and not of collectability. The obligations of each Guarantor hereunder are independent of the obligations of the General Partner or any other party which may be initially or otherwise responsible for performance or payment of the obligations hereunder guaranteed and each other Guarantor, and, in the event of any default hereunder, a separate action or actions may be brought and prosecuted against any one or more Guarantor, whether or not the General Partner is joined therein or a separate action

or actions are brought against the General Partner. Red Stone may maintain successive actions for other defaults. Red Stone's rights hereunder shall not be exhausted by its exercise of any of its rights or remedies or by any such action or by any number of successive actions until and unless the Indebtedness has been paid in full.

12. Red Stone, in its sole discretion, may at any time enter into agreements with the General Partner or with any other person to amend, modify or change the Partnership Agreement or any document or agreement relating in any way to the terms and provisions thereof, or may at any time waive or release any provision or provisions thereof and, with reference thereto, may make and enter into all such agreements as Red Stone may deem proper or desirable, without any notice or further assent from any Guarantor and without in any manner impairing or affecting this Guaranty Agreement or any of the rights of Red Stone or any Guarantor's obligations hereunder.

13. Guarantors hereby agree to pay to Red Stone, upon demand, reasonable attorneys' fees and all other costs and other expenses which Red Stone expends or incurs in collecting or compromising the Indebtedness or in enforcing this Guaranty Agreement against any Guarantor whether or not suit is filed, including, without limitation, all costs, attorneys' fees and expenses incurred by Red Stone in connection with any insolvency, bankruptcy, reorganization, arrangement or other similar proceedings involving a Guarantor which in any way affect the exercise by Red Stone of its rights and remedies hereunder. Any and all such costs, attorneys' fees and expenses not so paid shall bear interest at an annual interest rate equal to the lesser of (i) 18%, or (ii) the highest rate permitted by applicable law, from the date incurred by Red Stone until paid by the Guarantor.

14. Should any one or more provisions of this Guaranty Agreement be determined to be illegal or unenforceable, all other provisions nevertheless shall be effective.

15. No provision of this Guaranty Agreement or right of Red Stone hereunder can be waived nor can any Guarantor be released from such Guarantor's obligations hereunder except by a writing duly executed by Red Stone. This Guaranty Agreement may not be modified, amended, revised, revoked, terminated, changed or varied in any way whatsoever except by the express terms of a writing duly executed by Red Stone.

16. When the context and construction so require, all words used in the singular herein shall be deemed to have been used in the plural, and the masculine shall include the feminine and neuter and vice versa. The word "person" as used herein shall include any individual, company, firm, association, partnership, corporation, trust or other legal entity of any kind whatsoever.

17. If any or all of the Indebtedness is assigned by Red Stone, this Guaranty Agreement shall automatically be assigned therewith in whole or in part, as applicable, without the need of any express assignment and when so assigned, each Guarantor shall be bound as set forth herein to the assignee(s) without any further action or consent required of the Guarantor or in any manner affecting any Guarantor's liability hereunder for any part of the Indebtedness retained by Red Stone.

18. This Guaranty Agreement shall inure to the benefit of and bind the heirs, legal representatives, administrators, executors, successors and assigns of Red Stone and Guarantor.

19. This Guaranty Agreement shall be governed by and construed in accordance with the laws of the State without regard to principles of conflicts of law, except to the extent that any of such laws may now or hereafter be preempted by Federal law, in which case, such Federal law shall so govern and be controlling. In any action brought under or arising out of this Guaranty Agreement, Guarantor hereby consents to the jurisdiction of any competent court within the State and consents to service of process by any means authorized by the laws of such state. Except as provided in any other written agreement now or at any time hereafter in force between Red Stone and any Guarantor, this Guaranty Agreement shall constitute the entire agreement of Guarantor with Red Stone with respect to the subject matter hereof, and no representation, understanding, promise or condition concerning the subject matter hereof shall be binding upon Red Stone or any Guarantor unless expressed herein.

20. All notices, demands, requests or other communications to be sent by one party to the other hereunder or required by law shall be in writing and shall be deemed to have been validly given or served by delivery of same in person to the addressee or by depositing same with Federal Express for next business day delivery or by depositing same in the United States mail, postage prepaid, registered or certified mail, return receipt requested, addressed as follows:

Red Stone:	Red Stone Equity Partners, LLC 1100 Superior Avenue, Suite 1640 Cleveland, Ohio 44114 Attention: General Counsel
Guarantor:	CSH Dian Street Villas GP, LLC Texas Inter-Faith Housing Corporation Texas Inter-Faith Development, LLC 3701 Kirby Drive, Suite 860 Houston, TX 77098 SuperUrban Realty Ventures, LLC Jervon Harris 5416 Palmer Street Houston, TX 77004 With a copy to: Shackelford, Bowen, McKinley & Norton, LLP 9201 N. Central Expressway Fourth Floor Dallas, TX 75231 Attention: John C. Shackelford

All notices, demands and requests shall be effective upon such personal delivery or upon being deposited with Federal Express (or comparable overnight courier) or in the United States

mail as required above. However, with respect to notices, demands or requests so deposited with Federal Express or in the United States mail, the time period in which a response to any such notice, demand or request must be given shall commence to run from the next business day following any such deposit with Federal Express or, in the case of a deposit in the United States mail as provided above, the date on the return receipt of the notice, demand or request reflecting the date of delivery or rejection of the same by the addressee thereof. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice, demand or request sent. By giving to the other party hereto at least 30 days' written notice thereof in accordance with the provisions hereof, the parties hereto shall have the right from time to time to change their respective addresses and each shall have the right to specify as its address any other address within the United States of America.

21. Guarantor hereby agrees that this Guaranty Agreement, the Indebtedness and all other obligations guaranteed hereby, shall remain in full force and effect at all times hereinafter until paid and/or performed in full notwithstanding any action or undertakings by, or against, Red Stone, any Guarantor, and/or any member of Red Stone in any proceeding in the United States Bankruptcy Court, including, without limitation, any proceeding relating to valuation of collateral, election or imposition of secured or unsecured claim status upon claims by Red Stone pursuant to any Chapter of the Bankruptcy Code or the Rules of Bankruptcy Procedure as same may be applicable from time to time.

22. Any married person who signs this Guaranty hereby agrees that recourse may be had against his or her separate property for all of his or her obligations.

23. The Guarantor (i) acknowledges that it is contemplated that Red Stone will assign its interest to an Affiliate pursuant to the Assignment substantially in the form attached to the Agreement as Exhibit K, and (ii) agrees that such Assignment shall not negate, adversely affect or modify Guarantor's obligations hereunder.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned Guarantor has executed this Guaranty Agreement as of the day and year first above written.

GUARANTOR:

CSH DIAN STREET VILLAS GP, LLC,
a Texas limited liability company

By: Texas Inter-Faith Housing Corporation, a Texas non-profit corporation, its managing member

By: _____
Name: Russ Michael Schmidtberger
Title: Executive Director

STATE OF TEXAS)
) ss.
COUNTY OF HARRIS)

Before me, the undersigned Notary Public in the aforesaid County and State, personally appeared Russ Michael Schmidtberger, in his capacity as Executive Director of Texas Inter-Faith Housing Corporation, the managing member of CSH Dian Street Villas GP, LLC, and being duly sworn, acknowledged the execution of the foregoing Guaranty Agreement as his free and voluntary act on behalf of such entity.

Witness my hand and notarial seal this 13 day of April, 2021.

_____
Notary Public

NOTARY PUBLIC STATE OF TEXAS
Kristopher Whaley Beasley
My Commission Expires
01/27/2025
ID No. 132893966

My commission expires: 1/27/2025

[*Signatures Continue on Following Page*]

TEXAS INTER-FAITH HOUSING
CORPORATION, a Texas non-profit corporation

By: _____
Name: Russ Michael Schmidtberger
Title: Executive Director

STATE OF Texas)
) ss.
COUNTY OF Harris)

Before me, the undersigned Notary Public in the aforesaid County and State, personally appeared Russ Michael Schmidtberger, in his capacity as Executive Director of Texas Inter-Faith Housing Corporation, and being duly sworn, acknowledged the execution of the foregoing Guaranty Agreement as his free and voluntary act on behalf of such entity.

Witness my hand and notarial seal this 13 day of April, 2021.

_____
Notary Public

Kristopher Whaley Beasley
My Commission Expires
01/27/2025
ID No. 132893966

My commission expires: 1/27/2025

[*Signatures Continue on Following Page*]

TEXAS INTER-FAITH DEVELOPMENT, LLC, a Texas limited liability company

By: Texas Inter-Faith Housing Corporation, a Texas non-profit corporation, its managing member

By: _____
Name: Russ Michael Schmidtberger
Title: Executive Director

STATE OF Texas)
) ss.
COUNTY OF Harris)

Before me, the undersigned Notary Public in the aforesaid County and State, personally appeared Russ Michael Schmidtberger, in his capacity as Executive Director of Texas Inter-Faith Housing Corporation, the manager of Texas Inter-Faith Development, LLC, and being duly sworn, acknowledged the execution of the foregoing Guaranty Agreement as his free and voluntary act on behalf of such entity.

Witness my hand and notarial seal this 13 day of April, 2021.

_____
Notary Public

Kristopher Whaley Beasley
My Commission Expires
01/27/2025
ID No 132893966

My commission expires: 1/27/2025

[*Signatures Continue on Following Page*]

SUPERURBAN REALTY VENTURES, LLC, a Texas limited liability company

By: _____
Name: Jervon Harris
Title: Manager

STATE OF Texas)
) ss.
COUNTY OF Harris)

Before me, the undersigned Notary Public in the aforesaid County and State, personally appeared Jervon Harris, in his capacity as Manager of SuperUrban Realty Ventures, LLC, and being duly sworn, acknowledged the execution of the foregoing Guaranty Agreement as his free and voluntary act on behalf of such entity.

Witness my hand and notarial seal this 16th day of April, 2021.

Nancy Salazar
Notary Public

My commission expires:

NANCY SALAZAR
Notary Public, State of Texas
Comm. Expires 02-27-2023
Notary ID 131910324

[*Signatures Continue on Following Page*]

JERVON HARRIS, an individual

STATE OF Texas)
) ss.
COUNTY OF Harris)

Before me, the undersigned Notary Public in the aforesaid County and State, personally appeared Jervon Harris, in his individual capacity, and being duly sworn, acknowledged the execution of the foregoing Guaranty Agreement as his free and voluntary act.

Witness my hand and notarial seal this 16th day of April, 2021.

Nancy Salazar
Notary Public

My commission expires:

NANCY SALAZAR
Notary Public, State of Texas
Comm. Expires 02-27-2023
Notary ID 131910324

EXHIBIT D
TO PARTNERSHIP AGREEMENT

DEVELOPMENT AGREEMENT

(See Attached)

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (this "Agreement") is made and entered into as of April 21, 2021, among CSH Dian Street Villas, Ltd., a Texas limited partnership (the "Partnership") and Texas Inter-Faith Development, LLC, a Texas limited liability company ("TIFD") and SuperUrban Realty Ventures, LLC, a Texas limited liability company ("SuperUrban") (TIFD and SuperUrban are collectively referred to as the "Developer"). This Agreement is made with reference to the following facts

A. WHEREAS, the Partnership is governed by its Amended and Restated Agreement of Limited Partnership dated as of even date herewith (the "Partnership Agreement") (capitalized terms used herein without definition shall have the meaning given to them in the Partnership Agreement).

B. WHEREAS, the Partnership has been formed to develop, construct, own, maintain and operate the Apartment Complex.

C. WHEREAS, CSH Dian Street Villas GP, LLC (the "General Partner"), Red Stone Equity – Fund 73 Limited Partnership, a Delaware limited partnership (the "Limited Partner"), and Red Stone Equity Manager, LLC, a Delaware limited liability company (the "Special Limited Partner") are the sole Partners in the Partnership.

D. WHEREAS, the Partnership desires to appoint the Developer to provide certain services for the Partnership with respect to overseeing the development of the Apartment Complex until all development work is completed.

NOW, THEREFORE, in consideration of the foregoing, of the mutual promises of the parties hereto and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, it is agreed as follows:

1. Appointment. The Partnership hereby appoints the Developer to render services for the Partnership, and confirms and ratifies the appointment of the Developer with respect to services rendered for the Partnership to date, in supervising and overseeing the development of the Apartment Complex as herein contemplated.

2. Authority. In conformity with the provisions of the Partnership Agreement, the Developer shall have, and has had, the authority and the obligation to:

(a) coordinate the preparation of the Plans and Specifications by the Architect and recommend alternative solutions whenever in the Developer's judgment design details affect construction feasibility or schedules;

(b) monitor disbursement and payment of amounts owed to the Architect and the subcontractors;

(c) inspect the construction of the Apartment Complex and advise the Partnership of items the Developer finds to be deficient;

(d) cooperate with the Partnership in securing all building code approvals and obtain certificates of occupancy (to the extent necessary) for all of the residential units of the Apartment Complex;

(e) keep, or cause to be kept, accounts and cost records as to the construction of the Apartment Complex;

(f) maintain, or cause to be maintained, at its expense, all office and accounting facilities and equipment necessary to adequately perform the foregoing functions;

(g) make available to the Partnership, during normal business hours and upon the Partnership's written request, copies of all material contracts and subcontracts held by Developer related to the Apartment Complex;

(h) provide and periodically update an Apartment Complex construction time schedule which coordinates and integrates Architect's services with construction schedules;

(i) assist the Partnership in negotiating the Construction Contract and supervising construction;

(j) provide regular monitoring of the schedule as construction progresses, identify potential variances between scheduled and probable completion dates, review the schedule for work not started or incomplete, recommend to the Partnership adjustments in the schedule to meet the probable completion date, provide summary reports of such monitoring, and document all changes in the schedule;

(k) provide regular monitoring of the approved estimate of construction costs and development costs, show actual costs for activities in process and estimates for uncompleted tasks, identify variances between actual and budgeted or estimated costs and advise the Partnership whenever projected costs exceed budgets or estimates;

(l) develop and implement a system for review and processing of change orders as to construction of the Apartment Complex;

(m) in collaboration with Architect, establish and implement procedures for expediting the processing and approval of shop drawings and samples;

(n) investigate and recommend a schedule for purchase by the Partnership of all materials and equipment requiring long lead time procurement, coordinate the schedule with Architect and expedite and coordinate delivery of such purchases;

(o) prepare pre-qualification criteria for bidders interested in the Apartment Complex, establish bidding schedules and conduct pre-bid conferences to familiarize bidders with the bidding documents and management techniques and with any special systems, materials or methods;

(p) receive bids, prepare bid analyses and make recommendations to the Partnership for award of contracts or rejection of bids;

(q) develop and implement a procedure for the review and processing of applications by subcontractors for progress and final payments;

(r) provide a detailed schedule of realistic activity sequences and durations, allocation of labor and materials and processing of shop drawings and samples;

(s) recommend courses of action to the Partnership when requirements of the construction contract and subcontracts are not being fulfilled;

(t) revise and refine the approved estimate of construction cost, incorporate changes as they occur, and develop cash flow reports and forecasts as needed; and

(u) review requests for disbursements of proceeds of loans to the Partnership for the construction of the Apartment Complex.

3. Development Fee.

(a) For services performed and to be performed under Sections 1 and 2 of this Agreement, the Partnership shall pay the Developer a Development Fee in the aggregate amount of $4,098,000 as follows: (i) $631,680 shall be paid concurrently with the First Capital Contribution, (ii) $421,120 shall be paid concurrently with the Second Capital Contribution and upon receipt of evidence that the sources and uses are "In Balance" in the discretion of the Special Limited Partner, (iii) $714,841 shall be paid concurrently with the Third Capital Contribution, (iv) $337,960 shall be paid concurrently with the Fourth Capital Contribution, and (v) thereafter in accordance with the remainder of this Section 3(a); provided, however, the amount payable subsequent to the Initial Closing is subject to adjustment downward by an amount equal to the reductions in, or refunds of, the Limited Partner Capital Contribution pursuant to Section 5.03 of the Partnership Agreement. Subject to Section 5(b), the portion of the Development Fee not paid under the prior sentence (currently projected to be $1,992,399) shall be paid to the Developer (the "Deferred Development Fee") solely from Net Cash Flow, proceeds of a Capital Transaction and proceeds of a dissolution and liquidation of the Partnership pursuant to Article 11 of the Partnership Agreement, but in no event later than the Maturity Date (as defined below). The Development Fee shall be the only amount payable to Developer for services performed pursuant to this Agreement. The Developer shall not be entitled to any reimbursement for costs and expenses, including without limitation salaries, compensation and fringe benefits of employees of Developer or for Developer's overhead. The Development Fee shall be payable 60% to TIFD and 40% to SuperUrban.

The Deferred Development Fee shall bear interest commencing upon the achievement of Substantial Completion (the "Effective Date") on the outstanding unpaid balance at 5.0%, compounded annually. All payments made to the Deferred Development Fee shall be applied first to interest due and then to the outstanding balance of the Deferred Development Fee until the fee is paid in full. Notwithstanding anything to the contrary contained in this Section 3, any unpaid portion of the Deferred Development Fee shall be payable by the earlier of (i) the fifteenth (15th) year following the date upon which the entire Apartment Complex has been

placed in service (as defined in the Code) and (ii) the date of liquidation of the Partnership (the "Maturity Date"). The Deferred Development Fee shall be unsecured and a recourse liability.

(b) The Development Fee shall be deemed to have been earned as and when the services specified herein shall have been rendered, as follows:

(i) Twenty percent (20%) before the date hereof for preconstruction development services;

(ii) Twenty percent (20%) upon commencement of construction/rehabilitation of the Apartment Complex;

(iii) Sixty percent (60%) upon the placement in service of 100% of the units in the Apartment Complex.

4. Scope of Developer's Responsibility. The Developer is responsible for the duties that it has specifically undertaken in this Agreement, and no additional duties or responsibilities may be implied from this Agreement.

5. Withholding of Fee Payments. If (a) a General Partner, Guarantor or Developer shall not have complied with any provisions under the Partnership Agreement, this Agreement, the Supervisory Management and Incentive Fee Agreement, or the Guaranty, as applicable, within thirty (30) days after the Special Limited Partner delivers written notice of such noncompliance to the General Partner, or (b) any holder of any Project Loan shall have declared the Partnership to be in default under the applicable Project Loan after the expiration of all applicable cure periods, if any, as a result of acts or omissions of either General Partner, the Developer, the Guarantor or any Affiliate of any of them, or (c) foreclosure proceedings shall have been commenced against the Apartment Complex as a result of acts or omissions of a General Partner, the Developer, the Guarantor or any Affiliate of any of them, then the Developer shall be in default of this Agreement and the Partnership shall withhold payment of any installment of fees payable to the Developer. All amounts so withheld by the Partnership under this Section 5 shall be promptly released to the Developer only after the default justifying the withholding has been cured, as demonstrated by evidence reasonably acceptable to Special Limited Partner. In addition, the Partnership shall be entitled to withhold payments to the Developer hereunder pursuant to Section 14.03 of the Partnership Agreement. Notwithstanding the foregoing, the Development Fee shall in all events be payable on the Maturity Date.

6. Assignment of Fees. The Developer shall not assign, pledge or otherwise encumber, for security or otherwise, the Development Fee, or any portion thereof or any right of such Developer thereto, without the Consent of Special Limited Partner.

7. Successors and Assigns. This Agreement shall be binding on the parties hereto, their successors and assigns. However, this Agreement may not be assigned by the Partnership or the Developer without the Consent of Special Limited Partner, nor may it be terminated by the Partnership or the Developer without the Consent of Special Limited Partner.

8. No Lien Filings. The Developer hereby represents, warrants and covenants that neither it nor its Affiliates shall file a mechanic's lien, materialmen's lien or other lien against the

Apartment Complex or any other assets of the Partnership, and hereby waives and releases any right it may have or may hereafter acquire to file a such lien against the Apartment Complex or any other assets of the Partnership. The Developer shall indemnify and hold harmless the Partnership and the Limited Partners from any losses, damages, and/or liabilities, to or as a result of a breach of this provision.

9. Separability of Provisions. Each provision of this Agreement shall be considered separable 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.

10. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original copy and all of which together shall constitute one agreement binding on all parties hereto, notwithstanding that all the parties shall not have signed the same counterpart.

11. Waiver of Jury Trial. EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (a) ARISING UNDER THIS DEVELOPMENT AGREEMENT, INCLUDING WITHOUT LIMITATION, ANY PRESENT OR FUTURE AMENDMENT THEREOF, OR (b) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO THE DEVELOPMENT AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH, OR THE TRANSACTIONS RELATED HERETO OR THERETO, IN EACH CASE WHETHER SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION IS NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF ANY RIGHT THEY MIGHT OTHERWISE HAVE TO TRIAL BY JURY.

12. No Continuing Waiver. No waiver by a party hereto of any breach of this Agreement shall be effective unless in a writing executed by such party. No waiver shall operate or be construed to be a waiver of any subsequent breach.

13. Applicable Law. This Agreement shall be construed and enforced in accordance with the laws of the State.

14. Third Party Beneficiary. The Limited Partners are third party beneficiaries of this Agreement.

15. Amendments. Each party hereto expressly agrees that any amendment to this Agreement shall not be effective unless signed by the parties hereto and Consented to by the Special Limited Partner.

16. Attorney's Fees. Each party hereto agrees to pay the other party, without demand, reasonable attorney's fees and all costs and expenses expended or incurred in collecting any amounts payable by such party hereunder or in enforcing this Agreement against the other party, whether or not suit is filed.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have caused this Development Agreement to be duly executed as of the date first written above.

PARTNERSHIP:

CSH DIAN STREET VILLAS, LTD., a Texas limited partnership

By: CSH Dian Street Villas GP, LLC,
a Texas limited liability company

By: Texas Inter-Faith Housing Corporation,
a Texas non-profit corporation, its
managing member

By: _____
Name: Russ Michael Schmidtberger
Title: Executive Director

DEVELOPER:

TEXAS INTER-FAITH DEVELOPMENT, LLC, a Texas limited liability company

By: Texas Inter-Faith Housing Corporation, a Texas non-profit corporation, its managing member

By: _____
Name: Russ Michael Schmidtberger
Title: Executive Director

[*Signatures Continue on Following Page*]

SUPERURBAN REALTY VENTURES, LLC, a Texas limited liability company

By: _____

Name: Jervon Harris
Title: Manager

EXHIBIT E
TO PARTNERSHIP AGREEMENT

SUPERVISORY MANAGEMENT AND INCENTIVE FEE AGREEMENT

(See Attached)

SUPERVISORY MANAGEMENT AND INCENTIVE FEE AGREEMENT

This Supervisory Management and Incentive Fee Agreement (the "Agreement") is made as of April 21, 2021, by and between CSH Dian Street Villas, Ltd., a Texas limited partnership (the "Partnership"), and CSH Dian Street Villas GP, LLC, a Texas limited liability company (the "Supervisory Agent"). This Agreement is made with reference to the following facts:

A. WHEREAS, the Partnership, pursuant to its Amended and Restated Agreement of Limited Partnership of even date herewith (the "Partnership Agreement"), is engaged in the construction, ownership and operation of an apartment complex known as Dian Street Villas and located in Houston, Texas (the "Apartment Complex"). (Capitalized terms used and not otherwise defined herein shall have the respective meanings set forth in the Partnership Agreement.)

B. WHEREAS, the Supervisory Agent is being retained to perform certain additional management and oversight services, and the Partnership has agreed to pay the Supervisory Agent a certain fee, all as hereinafter provided.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Appointment and Term. The Partnership hereby retains the Supervisory Agent to render services in managing the business of the Partnership as herein contemplated. The appointment of the Supervisory Agent hereunder shall terminate on the earlier of (i) the date the General Partner withdraws as the general partner of the Partnership, including, without limitation, the removal of the General Partner pursuant to Article VI of the Agreement, or (ii) the expiration of the term of the Partnership.

2. Authority and Obligations. Subject to the approval rights of the Administrative Limited Partner as set forth in the Partnership Agreement, the Supervisory Agent shall have the authority and obligation to:

(i) provide for the use of Partnership funds, perform certain economic analyses and prepare projections, reports and recommendations as it may deem necessary or desirable with respect to the business of the Partnership;

(ii) provide office space, support staff and administrative services as required by the Partnership;

(iii) administer, manage, and direct the business of the Partnership and take such further action as it may deem necessary or desirable to further the interest of the Partnership;

(iv) monitor the management and day-to-day operations of the Apartment Complex;

(v) investigate and make recommendations with respect to the selection of and conduct of relations with consultants and technical advisors (including, without limitation, accountants, attorneys, management agents, escrow agents, depositories, custodians, agents for collection, insurers, insurance agents and banks), and persons acting in any other capacity, in connection with the management and administration of the Partnership;

(vi) maintain the books and records of the Partnership in accordance with sound federal income tax accounting principles and generally accepted accounting principles;

(vii) be responsible for the safekeeping and use of all funds and assets of the Partnership, including the maintenance of bank accounts; and

(viii) furnish all Persons who were Partners of the Partnership at any time during the Partnership's prior Fiscal Year such reports (including such reports as are required by Lenders), tax returns and financial statements as are required under Section 13 of the Partnership Agreement. The out-of-pocket costs of preparing the tax returns and financial statements of the Partnership and Apartment Complex required under the Partnership Agreement shall be reimbursed by the Partnership.

3. Compensation. In consideration of the services to be rendered by the Supervisory Agent to the Partnership hereunder, commencing with the year in which Substantial Completion occurs and for each year thereafter, the Partnership shall pay to the Supervisory Agent an incentive management fee (the "Incentive Management Fee") in an amount equal to ninety percent (90%) of Net Cash Flow remaining after application of Net Cash Flow against the amounts described in Sections 11.03(b)(i) through 11.03(b)(viii) of the Partnership Agreement for such year pursuant to Section 11.03(b)(ix) of the Partnership Agreement; provided that the Incentive Management Fee for any year shall not exceed ten percent (10%) of gross revenues of the Apartment Complex for such year.

The fees due under this Section 3 shall be subject to the limitations set forth in Section 14.03 of the Partnership Agreement, and shall be the only amount payable to the Supervisory Agent for services performed pursuant to this Agreement. Except for the costs described in Section 2(viii), the Supervisory Agent shall not be entitled to any reimbursement for costs and expenses, including without limitation, salaries, compensation and fringe benefits of employees of the Supervisory Agent or overhead of the Supervisory Agent.

4. Default of the Supervisory Agent. Notwithstanding anything contained in this Agreement to the contrary, in the event that (a) the Supervisory Agent shall default in any material respect in any of its obligations hereunder or (b) the General Partners and/or the Guarantors default in any of their obligations under the Partnership Agreement, then the Partnership shall have the right to withhold all compensation otherwise payable to the Supervisory Agent hereunder until such default is fully cured, and to set off against such compensation any obligations of the Supervisory Agent hereunder or of the General Partners or

Guarantors under the Partnership Agreement. In addition, this Agreement shall automatically terminate upon the withdrawal of a General Partner as a general partner of the Partnership for whatever reason.

5. Burden and Benefit. The covenants and agreements contained herein shall be binding upon and inure to the benefit of the successors and assigns of the respective parties hereto. Neither party may assign this Agreement without the consent of the other party.

6. Severability of Provisions. Each provision of this Agreement shall be considered severable, and if for any reason any provision that 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 that are valid.

7. No Continuing Waiver. The waiver of either party of any breach of this Agreement shall not operate or be construed to be a waiver of any subsequent breach.

8. Applicable Law. This Agreement shall be construed and enforced in accordance with the laws of the State and to be performed entirely therein.

9. Headings. All section headings in this Agreement are for convenience of reference only and are not intended to qualify the meaning of any section.

10. Terminology. All personal pronouns used in this Agreement, whether used in the masculine, feminine and neuter gender, shall include all other genders, the singular shall include the plural, and vice versa as the context may require.

11. Reliance. No person other than the parties to this Agreement may directly or indirectly rely upon or enforce the provisions of this Agreement, whether as a third party beneficiary or otherwise.

12. Relationship of Parties. Nothing contained in this Agreement shall be deemed or construed by the parties or any third party to create the relationship of partners or joint venturers between the Supervisory Agent and the Partnership.

13. Waiver of Jury Trial. EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION (a) ARISING UNDER THIS AGREEMENT, INCLUDING WITHOUT LIMITATION, ANY PRESENT OR FUTURE AMENDMENT THEREOF, OR (b) IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO THE DEVELOPMENT AGREEMENT OR ANY OTHER INSTRUMENT, DOCUMENT OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HEREWITH, OR THE TRANSACTIONS RELATED HERETO OR THERETO, IN EACH CASE WHETHER SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION IS NOW EXISTING OR HEREAFTER ARISING, AND WHETHER SOUNDING IN CONTRACT OR TORT OR

OTHERWISE; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES HERETO TO THE WAIVER OF ANY RIGHT THEY MIGHT OTHERWISE HAVE TO TRIAL BY JURY.

14. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original for all purposes, but all of which taken together shall constitute only one agreement. The production of any executed counterpart of this Agreement shall be sufficient for all purposes without producing any other counterpart thereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date and year first above written.

SUPERVISORY AGENT:

CSH DIAN STREET VILLAS GP, LLC,
a Texas limited liability company

By: Texas Inter-Faith Housing Corporation, a Texas non-profit corporation, its managing member

By: _____
Name: Russ Michael Schmidtberger
Title: Executive Director

PARTNERSHIP:

CSH DIAN STREET VILLAS, LTD., a Texas limited partnership

By: CSH Dian Street Villas GP, LLC,
a Texas limited liability company

By: Texas Inter-Faith Housing Corporation,
a Texas non-profit corporation, its
managing member

By: _____
Name: Russ Michael Schmidtberger
Title: Executive Director

EXHIBIT F
TO PARTNERSHIP AGREEMENT

PLEDGE AND SECURITY AGREEMENT

(See Attached)

PLEDGE AND SECURITY AGREEMENT

THIS PLEDGE AND SECURITY AGREEMENT (this "Agreement"), made as of April 21, 2021, by CSH Dian Street Villas GP, LLC, a Texas limited liability company ("Pledgor"), having an office at 3701 Kirby Drive, Suite 860, Houston, Texas 77098, for the benefit of Red Stone Equity – Fund 73 Limited Partnership, a Delaware limited partnership, its successors and/or assigns ("Pledgee").

Recitals

WHEREAS, Pledgor is the general partner of CSH Dian Street Villas, Ltd., a Texas limited partnership (the "Partnership"), and the Partnership is governed by its Amended and Restated Agreement of Limited Partnership dated as of April 21, 2021 (the "Partnership Agreement") (capitalized terms used herein and not otherwise defined shall have the meaning given to them in the Partnership Agreement).

WHEREAS, Pledgee is a limited partner of the Partnership.

WHEREAS, in order to secure the full payment and performance by Pledgor of all of Pledgor's obligations, duties, expenses and liabilities under or in connection with the Partnership Agreement as such Partnership Agreement may be now or hereafter amended, modified or restated (such obligations, duties, expenses and liabilities under and in connection with the Partnership Agreement and all other sums of any kind which may or shall become due thereunder are collectively referred to herein as the "Obligations"), Pledgor is entering into this Agreement for the benefit of Pledgee.

NOW, THEREFORE, in consideration of the recitals, covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties hereby agree as follows:

1. Definitions.

(a) "Collateral" shall mean:

(i) All of Pledgor's right, title and interest in the Partnership, whether now owned or hereafter acquired, including, without limitation, its general partnership interest in the Partnership and its right to receive distributions, allocations and payments under the Partnership Agreement, as such Partnership Agreement may be modified from time to time with the consent of the Pledgee;

(ii) All fees and charges to be paid by the Partnership to the Pledgor, whether now owned or hereafter acquired, whether arising under the Partnership Agreement or otherwise, including, without limitation, the Incentive Management Fee;

(iii) All indebtedness of the Partnership to Pledgor of any kind or description, including without limitation, Pledgor's right to receive payment of Operating Deficit Loans or other loans to the Partnership;

(iv) All products and proceeds, whether cash proceeds or noncash proceeds, and products of any and all of the foregoing.

(b) "Event of Default" shall mean an event of default described in Paragraph 8 herein.

2. Pledge of Collateral and Grant of Security Interest Pledgor does hereby unconditionally and irrevocably assign, pledge, convey, transfer, deliver, set over and grant unto Pledgee, its successors and assigns, as security for Pledgor's complete and timely payment and performance of the Obligations, a continuing second priority security interest under the Uniform Commercial Code of the State in the Collateral until release of that certain first priority security interest of Construction Lender pursuant to its Project Loan documents. Pledgor hereby further grants to the Pledgee all rights in the Collateral as are available to a secured party of such collateral under the Uniform Commercial Code of the State (being the principal place of business of Pledgor and the location of Pledgor's chief executive office) and, concurrently herewith, shall deliver to Pledgee UCC- 1 Financing Statements suitable for filing in the State with respect to the Collateral and agrees, upon request, to deliver any other documents which Pledgee may reasonably request with respect thereto.

3. Delivery to Pledgee.

(a) Pledgor agrees to execute and to cause all other necessary parties, and any successors and assigns thereof, to execute and deliver to Pledgee such other agreements, instruments and documentation as Pledgee may reasonably request from time to time to effect the conveyance, transfer, and grant to Pledgee of each and all of Pledgor's right, title and interest in and to the Collateral as security for the Obligations.

(b) If required by Pledgee, Pledgor agrees and covenants to execute an amendment to the Partnership Agreement in such form as Pledgee may require to reflect the substitution of the Pledgee in place of Pledgor as a general partner in the Partnership. Pledgor further agrees to execute and to cause the other partners of the Partnership (other than the Pledgee) to execute and deliver to Pledgee such other agreements, instruments and documentation as Pledgee may reasonably request from time to time to effectuate the conveyance, transfer, assignment and grant to Pledgee of all of Pledgor's right, title and interest in and to the Collateral and to evidence the substitution of the Pledgee in place of Pledgor as a general partner in the Partnership.

4. Proceeds and Products of the Collateral.

(a) Unless and until there occurs an Event of Default, Pledgee agrees to forbear in exercising its right to receive all benefits pertaining to the Collateral, and the Pledgor shall be permitted to exercise all rights and to receive all benefits of the Collateral, including, without limitation, the right to exercise all voting, approval, consent and similar rights of Pledgor pertaining to the Collateral, payments due under, proceeds, whether cash proceeds or noncash proceeds, and products of the Collateral and retain and enjoy the same, provided, however, that Pledgor shall not cast any vote or give any approval, consent, waiver or ratification or take any action which would be inconsistent with or violate any provision of this Agreement.

(b) Pledgor acknowledges and agrees with the Pledgee, that, unless Pledgee otherwise consents, in Pledgee's sole discretion, Pledgor shall not exercise any voting, approval, consent or other rights with respect to the Collateral at any time (i) after the occurrence of an Event of Default, and (ii) delivery of notice from the Pledgee instructing Pledgor not to exercise any such voting, approval, consent or other rights with respect to the Collateral; provided, however, that Pledgor shall exercise any such right it may have under the Partnership Agreement with respect to the business affairs of the Partnership as is reasonably necessary to protect and preserve the Collateral.

(c) Upon or at any time after the occurrence of an Event of Default, Pledgee, at its option to be exercised in its sole discretion, may exercise all rights and remedies granted under this Agreement, including, without limitation, the right to require the obligors under the Collateral to make all payments due under and to pay all proceeds, whether cash proceeds or noncash proceeds, and products of the Collateral to Pledgee. Upon the giving of any such notice, the security constituted by this Agreement shall become immediately enforceable by the Pledgee, without any presentment, further demand, protest or other notice of any kind, all of which are hereby expressly and irrevocably waived by Pledgor. Pledgor hereby authorizes and directs each respective obligor under the agreements constituting the Collateral, that upon receipt of written notice from Pledgee of an Event of Default by Pledgor hereunder, to assign, set over, transfer, distribute, pay and deliver any and all Collateral or said payments, proceeds or products of the Collateral to Pledgee, at such address as Pledgee may direct, at such time and in such manner as Collateral and such payments, proceeds and products of the Collateral would otherwise be distributed, transferred, paid or delivered to Pledgor. The respective obligors under the agreements constituting the Collateral shall be entitled to conclusively rely on such notice and make all such assignments and transfers of the Collateral and all such payments with respect to the Collateral and pay all such proceeds and products of the Collateral to Pledgee and shall have no liability to Pledgor for any loss or damage Pledgor may incur by reason of said reliance.

5. No Assumption. Notwithstanding any of the foregoing, whether or not an Event of Default shall have occurred, and whether or not Pledgee elects to foreclose on its security

interest in the Collateral as set forth herein, neither the execution of this Agreement, receipt by Pledgee of any of Pledgor's right, title and interest in and to the Collateral and the payments, proceeds and products of the Collateral, now or hereafter due to Pledgor from any obligor of the Collateral, nor Pledgee's foreclosure of its security interest in the Collateral, shall in any way be deemed to obligate Pledgee to assume any of Pledgor's obligations, duties, expenses or liabilities under the Collateral or any agreements constituting the Collateral, as presently existing or as hereafter amended, or under any and all other agreements now existing or hereafter drafted or executed (collectively, the "Pledgor's Liabilities"), unless Pledgee otherwise agrees to assume any or all of Pledgor's Liabilities in writing. In the event of foreclosure by Pledgee of its security interest in the Collateral, Pledgor shall remain bound and obligated to perform its Pledgor's Liabilities and Pledgee shall not be deemed to have assumed any of Pledgor's Liabilities, except as provided in the preceding sentence. In the event the entity or person acquiring the Collateral at a foreclosure sale elects to assume Pledgor's Liabilities, such assignee shall agree to be bound by the terms and provisions of the applicable agreement.

6. Indemnification. Pledgor hereby agrees to indemnify, defend and hold Pledgee, its successors and assigns harmless from and against any and all damages, losses, claims, costs or expenses (including reasonable attorneys' fees) and any other liabilities whatsoever that Pledgee or its successors or assigns may incur by reason of this Agreement or by reason of any assignment of Pledgor' s right, title and interest in and to any or all of the Collateral.

7. Representations. Warranties and Covenants. In addition to the representations made by Pledgor in the Partnership Agreement, Pledgor makes the following representations and warranties, which shall be deemed to be continuing representations and warranties in favor of Pledgee, and covenants and agrees to perform all acts necessary to maintain the truth and correctness, in all material respects, of the following:

(a) Other than a pledge to Construction Lender**,** Pledgor owns the Collateral free and clear of any claim, lien or encumbrance.

(b) Pledgor has delivered to Pledgee true and complete copies of the Partnership Agreement, the Supervisory Management and Incentive Fee Agreement and any other agreements pertinent to the Collateral, and such agreements are currently in full force and effect and have not been amended or modified except as disclosed to Pledgee in writing.

(c) Pledgor has the full right and title to its interest in the Collateral and has the full power, legal right and authority to pledge, convey, transfer and assign such interest. None of the Collateral is subject to any existing or subsequent assignment, claim, lien, pledge, transfer or other security interest of any character, or to any attachment, levy, garnishment or other judicial process or to any claim for set-off, counterclaim, deduction or discount. Pledgor shall not, without the prior written consent of Pledgee, which consent may be granted or denied in Pledgee's sole discretion, further convey, transfer, set over or pledge to any party any of its interests in the Collateral. Pledgor agrees to (i) warrant and defend its title to the Collateral and the security interest created by this Agreement

against all claims of all persons (other than Pledgee and persons claiming through Pledgee), and (ii) maintain and preserve the Collateral and such security interests.

(d) Pledgor's Employer Identification Number is 85-3835985, and its principal place of business is located at 3701 Kirby Drive, Suite 860 Houston, Texas 77098.

(e) Pledgor agrees that it shall not, without at least thirty (30) days' prior written notification to Pledgee, move or otherwise change its principal place of business.

(f) Pledgor shall not exercise any voting rights, or give any approvals, consents waiver or other ratifications in respect to the Collateral which would violate or contravene, or which would cause or otherwise authorize Pledgor to violate or contravene, any provision of this Agreement.

8. Event of Default. Any default shall have occurred under the Partnership Agreement that is cause for removal of the General Partner thereunder, shall, if, continuing beyond any applicable notice and cure period under the Partnership Agreement, constitute an Event of Default hereunder.

9. Remedies.

(a) Upon the occurrence of an Event of Default, Pledgee may by giving notice of such Event of Default, at its option, do any one or more of the following:

(i) Declare all of the Obligations for the payment of money secured hereby to be immediately due and payable, whereupon all unpaid principal and interest on said Obligations and other amounts declared due and payable shall become immediately due and payable without presentment, demand, protest or notice of any kind; and

(ii) Take possession of all or any of the Collateral, collect, and apply against the Obligations, all payments due, proceeds, whether cash proceeds or noncash proceeds, and products from any obligor under the agreements constituting the Collateral, that would otherwise be paid to the Pledgor; and

(iii) Either personally, or by means of a court-appointed receiver, take possession of all or any of the Collateral and exclude therefrom Pledgor and all others claiming under Pledgor, and thereafter exercise all rights and powers of Pledgor with respect to the Collateral or any part thereof. In the event Pledgee demands, or attempts to take possession of any of the Collateral in the exercise of any rights under this Agreement, Pledgor promises and agrees to promptly turn over and deliver complete possession thereof to Pledgee; and

(iv) Without notice to or demand upon Pledgor, make such payments and do such acts as Pledgee may deem necessary to protect its security interest in the Collateral, including, without limitation, paying, purchasing, contesting or compromising any encumbrance, charge or lien which is prior to or superior to the security interest granted hereunder, and in exercising any such powers or authority to pay all expenses incurred in connection therewith; and

(v) Require Pledgor to take all actions necessary to deliver such Collateral to Pledgee, or an agent or representative designated by it. Pledgee, and its agents and representatives, shall have the right to enter upon any or all of Pledgor's premises and property to exercise Pledgee's rights hereunder; and

(vi) Foreclose upon this Agreement as herein provided or in any manner permitted by law, and exercise any and all of the rights and remedies conferred upon Pledgee by the Partnership Agreement, or in any other document executed by Pledgor in connection with the Obligations secured hereby, either concurrently or in such order as Pledgee may determine; and sell or cause to be sold in such order as Pledgee may determine, as a whole or in such parcels as Pledgee may determine, the Collateral, without affecting in any way the rights or remedies to which Pledgee may be entitled under the other such instruments; and

(vii) Sell or otherwise dispose of the Collateral at public sale, without having the Collateral at the place of sale, and upon terms and in such manner as Pledgee may determine. Pledgee may be a purchaser at any sale; and

(viii) Exercise any remedies of a secured party under the Uniform Commercial Code of the State or any other applicable law; and

(ix) Exercise any remedies available to Pledgee under the Partnership Agreement, including, but not limited to, the removal of the Pledgor as a General Partner of the Partnership and exercise of any rights of offset in favor of Pledgee as a Limited Partner of the Partnership; and

(x) Notwithstanding anything to the contrary contained in this Agreement at any time after an Event of Default, Pledgee may, by delivering written notice to the Partnership and to Pledgor, succeed, or designate its nominee or designee to succeed, to all right, title and interest of Pledgor (including, without limitation, the right, if any, to vote on or take any action with respect to Partnership matters) as a general partner of the Partnership in respect of the Collateral. The Pledgor hereby irrevocably authorizes and directs the Partnership on receipt of any such notice (a) to deem and treat Pledgee or such nominee or designee in all respects as a general partner (and not merely an assignee of a general partner) of the Partnership, entitled to exercise all the rights, powers and privileges (including the right to vote on or take any action with respect to Partnership matters pursuant to the Partnership Agreement, to receive all distributions, to be credited with the capital account and to have all other rights,

powers and privileges appertaining to the Collateral to which Pledgor would have been entitled had the Collateral not been transferred to the Pledgee or such nominee or designee), and (b) to file an amendment to the certificate of limited partnership, if required, admitting the Pledgee or such nominee or designee as general partner of the Partnership in place of Pledgor; and

(xi) The rights granted to the Pledgee under this Agreement are of a special, unique, unusual and extraordinary character. The loss of any of such rights cannot reasonably or adequately be compensated by way of damages in any action at law, and any material breach by Pledgor of any of Pledgor's covenants, agreements or obligations under this Agreement will cause the Pledgee irreparable injury and damage. In the event of any such breach, the Pledgee shall be entitled, as a matter of right, to injunctive relief or other equitable relief in any court of competent jurisdiction to prevent the violation or contravention of any of the provisions of this Agreement or to compel compliance with the terms of this Agreement by Pledgor. The Pledgee is absolutely and irrevocably authorized and empowered by Pledgor to demand specific performance of each of the covenants and agreements of Pledgor in this Agreement. Pledgor hereby irrevocably waives any defense based on the adequacy of any remedy at law which might otherwise be asserted by Pledgor as a bar to the remedy of specific performance in any action brought by the Pledgee against Pledgor to enforce any of the covenants or agreements of Pledgor in this Agreement.

(b) Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Pledgee shall give Pledgor at least ten (10) days' prior written notice of the time and place of any public sale of the Collateral subject to this Agreement or other intended disposition thereof to be made. Such notice shall be conclusively deemed to have been delivered to Pledgor at the address set forth in paragraph 7(c) of this Agreement, unless Pledgor shall notify Pledgee in writing of its change of its principal place of business and provide Pledgee with the address of its new principal place of business.

(c) The proceeds of any sale under Subparagraphs 9(a)(vi) and (vii) above shall be applied as follows:

(i) To the repayment of the costs and expenses of retaking, holding and preparing for the sale and the selling of the Collateral (including actual legal expenses and attorneys' fees) and the discharge of all assessments, encumbrances, charges or liens, if any, on the Collateral prior to the lien hereof (except any taxes, assessments, encumbrances, charges or liens subject to which such sale shall have been made);

(ii) To the payment of the whole amount then due and unpaid of the Obligations;

(iii) To the payment of all other amounts then secured hereby; and

(iv) The aggregate surplus, if any, shall be paid to Pledgor in a lump sum, without recourse to Pledgee, or as a court or competent jurisdiction may direct.

(d) Pledgee shall have the right to enforce one or more remedies hereunder under this Agreement and under the Partnership Agreement, successively or concurrently, and such action shall not operate to estop or prevent Pledgee from pursuing any further remedy which it may have, and any repossession or retaking or sale of the Collateral pursuant to the terms hereof shall not operate to release Pledgor until full payment of any deficiency has been made in cash.

(e) PLEDGOR ACKNOWLEDGES THAT PLEDGEE MAY BE UNABLE TO EFFECT A PUBLIC SALE OF ALL OR ANY PART OF THE COLLATERAL AND MAY BE COMPELLED TO RESORT TO ONE OR MORE PRIVATE SALES TO A RESTRICTED GROUP OF PURCHASERS WHO WILL BE OBLIGATED TO AGREE, AMONG OTHER THINGS, TO ACQUIRE THE COLLATERAL FOR THEIR OWN ACCOUNT, FOR INVESTMENT AND NOT WITH A VIEW TO THE DISTRIBUTION OR RESALE THEREOF. PLEDGOR FURTHER ACKNOWLEDGES THAT ANY SUCH PRIVATE SALES MAY BE AT PRICES AND ON TERMS LESS FAVORABLE THAN THOSE OF PUBLIC SALES, AND AGREES THAT SUCH PRIVATE SALES SHALL BE DEEMED TO HAVE BEEN MADE IN A COMMERCIALLY REASONABLE MANNER AND THAT PLEDGEE HAS NO OBLIGATION TO DELAY SALE OF ANY COLLATERAL TO PERMIT THE ISSUER THEREOF TO REGISTER IT FOR PUBLIC SALE UNDER THE SECURITIES ACT OF 1933. PLEDGOR AGREES THAT PLEDGEE SHALL BE PERMITTED TO TAKE SUCH ACTIONS AS PLEDGEE DEEMS REASONABLY NECESSARY IN DISPOSING OF THE COLLATERAL TO AVOID CONDUCTING A PUBLIC DISTRIBUTION OF SECURITIES IN VIOLATION OF THE SECURITIES ACT OF 1933 OR THE SECURITIES LAWS OF ANY STATE, AS NOW ENACTED OR AS THE SAME MAY IN THE FUTURE BE AMENDED, AND ACKNOWLEDGES THAT ANY SUCH ACTIONS SHALL BE COMMERCIALLY REASONABLE. IN ADDITION, PLEDGOR AGREES TO EXECUTE, FROM TIME TO TIME, ANY AMENDMENT TO THIS AGREEMENT OR OTHER DOCUMENT AS PLEDGEE MAY REASONABLY REQUIRE TO EVIDENCE THE ACKNOWLEDGMENTS AND CONSENTS OF PLEDGOR SET FORTH IN THIS PARAGRAPH.

10. Attorneys Fees. Pledgor agrees to pay to Pledgee, without demand, reasonable attorneys' fees and all costs and other expenses which Pledgee expends or incurs in collecting any amounts payable by Pledgor hereunder or in enforcing this Agreement against Pledgor whether or not suit is filed.

11. Further Documentation. Pledgor hereby agrees to execute, from time to time, one or more financing statements and such other instruments as may be required to perfect the security interest created hereby, including any continuation or amendments of such financing statements, and pay the cost of filing or recording the same in the public records specified by Pledgee.

12. Waiver and Estoppel. Pledgor represents and acknowledges that it knowingly waives each and every one of the following rights, and agrees that it will be estopped from asserting any argument to the contrary: (a) any promptness in making any claim or demand hereunder; (b) any defense that may arise by reason of the incapacity, lack of authority, death or disability of Pledgor or the failure to file or enforce a claim against Pledgor's estate (in administration, bankruptcy or any other proceeding); (c) any defense based upon an election of remedies by Pledgee which destroys or otherwise impairs any or all of the Collateral; (d) the right of Pledgor to proceed against Pledgee or any other person, for reimbursement; and (e) all duty or obligation of the Pledgee to perfect, protect, retain or enforce any security for the payment of amounts payable by Pledgor hereunder.

TO THE FULLEST EXTENT PERMITTED BY LAW, EACH PARTY TO THIS AGREEMENT SEVERALLY, KNOWINGLY, IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY AND ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, SUIT OR COUNTERCLAIM BROUGHT BY ANY PARTY TO THIS AGREEMENT ARISING IN CONNECTION WITH, OUT OF OR OTHERWISE RELATING TO THIS AGREEMENT.

No delay or failure on the part of Pledgee in the exercise of any right or remedy against Pledgor or any other party against whom Pledgee may have any rights, shall operate as a waiver of any agreement or obligation contained herein, and no single or partial exercise by Pledgee of any rights or remedies hereunder shall preclude other or further exercise thereof or other exercise of any other right or remedy whether contained in this Agreement or in any of the other documents regarding the Obligations, including without limitation the Partnership Agreement. No waiver of the rights of Pledgee hereunder or in connection herewith and no release of Pledgor shall be effective unless in writing executed by Pledgee. No actions of Pledgee permitted under this Agreement shall in any way impair or affect the enforceability of any agreement or obligation contained herein.

13. Independent Obligations. The obligations of Pledgor are independent of the obligations of any other party which may be initially or otherwise responsible for performance or payment of the Obligations, and a separate action or actions for payment, damages or performance may be brought and prosecuted by Pledgee against Pledgor, individually, for the full amount of the Obligations then due and payable, whether or not an action is brought against any other party, whether or not the Pledgee is involved in any proceedings and whether or not the Pledgee or the Pledgor or other person is joined in any action or proceedings.

14. No Offset Rights of Pledgor. No lawful act of commission or omission of any kind or at any time upon the part of Pledgor shall in any way affect or impair the rights of the Pledgee to enforce any right, power or benefit under this Agreement, and no set-off recoupment,

counterclaim, claim, reduction or diminution of any obligation or any defense of any kind or nature which Pledgor has or may have against Pledgee or against any other party shall be available against Pledgee in any suit or action brought by Pledgee to enforce any right, power or benefit under this Agreement.

15. Power of Attorney. Pledgor hereby appoints Pledgee as its attorney-in-fact to execute and file, effective upon the occurrence of an Event of Default, on its behalf any financing statements, continuation statements or other documentation required to perfect or continue the security interest created hereby. This power, being coupled with an interest, shall be irrevocable until all amounts secured hereby have been paid, satisfied and discharged in full. Pledgor acknowledges and agrees that the exercise by Pledgee of its rights under this Paragraph 15 will not be deemed a satisfaction of any amounts owed Pledgee unless Pledgee so elects.

16. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State without regard to principles of conflicts of law.

17. Successors and Assigns. All agreements, covenants, conditions and provisions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties hereto.

18. Notices. Whenever any party hereto shall desire to, or be required to, give or serve any notice, demand, request or other communication with respect to this Agreement, each such notice, demand, request or communication shall be in writing and shall be effective only if the same is delivered by personal service (including, without limitation, courier or express service) or mailed certified or registered mail, postage prepaid, return receipt requested, or sent by telegram to the parties at the addresses shown throughout this Agreement or such other addresses which the parties may provide to one another in accordance herewith.

Notices delivered personally will be effective upon delivery to an authorized representative of the party at the designated address; notices sent by mail in accordance with the above paragraph will be effective upon execution by the addressee of the Return Receipt Requested.

19. Consent of Pledgor. Pledgor consents to the exercise by Pledgee of any rights of Pledgor in accordance with the provisions of this Agreement.

20. Severability. Every provision of this Agreement is intended to be severable. In the event any term or provision hereof is declared by a court of competent jurisdiction to be illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the legality or validity of the balance of the terms and provisions hereof, which terms and provisions shall remain binding and enforceable.

21. Amendment. This Agreement may be modified or rescinded only by a writing expressly relating to this Agreement and signed by all of the parties.

22. Termination. This Agreement shall terminate, and shall be of no further force or effect, and the Collateral shall be released from any lien hereunder, upon the earlier to occur of the performance in full of the Obligations of the Pledgor or upon the mutual written consent of Pledgor and the Pledgee. Pledgor and Pledgee shall cooperate in the preparation and filing of all required documents to terminate all UCC-1s that have been filed with respect to the security interest under this Agreement.

23. Expenses. Pledgor shall pay all reasonable out-of-pocket fees and charges incurred by Pledgee in connection with this Agreement and the transaction contemplated by this Agreement and the documents entered into in connection therewith, including, without limitation, reasonable attorneys' fees incurred by Pledgee.

24. Subordination. Notwithstanding anything herein or in the Partnership Agreement to the contrary, this Pledge and Security Agreement is subject and subordinate to the security interest in the Collateral and other rights of Construction Lender under its Project Loan documents and Construction Lender's rights and remedies set forth therein. Notwithstanding Pledgee's rights under applicable law or any provision in this Agreement or the Partnership Agreement to the contrary, none of the terms or provisions of this Pledge and Security Agreement or the Partnership Agreement relating to Construction Lender's security interest in the Collateral (including this Section 24), will be modified, waived, or amended without the prior written consent of Construction Lender (which Consent will not be unreasonably withheld) unless and until all Borrower's obligations under the Construction Lender's Project Loan documents, and all other amounts due Construction Lender pursuant to the terms thereunder shall have been fully and indefeasibly paid in full. Construction Lender shall be a third party beneficiary of this Section 24 with full power and authority to enforce it.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this Pledge and Security Agreement as of the date first above written.

PLEDGOR:

CSH DIAN STREET VILLAS GP, LLC,
a Texas limited liability company

By: Texas Inter-Faith Housing Corporation, a Texas non-profit corporation, its managing member

By: _____
Name: Russ Michael Schmidtberger
Title: Executive Director

STATE OF TEXAS)
) ss.
COUNTY OF HARRIS)

Before me, the undersigned Notary Public in the aforesaid County and State, personally appeared Russ Michael Schmidtberger, in his capacity as Executive Director of CSH Dian Street Villas GP, LLC, and being duly sworn, acknowledged the execution of the foregoing instrument as his free and voluntary act on behalf of CSH Dian Street Villas GP, LLC.

Witness my hand and notarial seal this 13 day of April, 2021.

_____
Notary Public

Kristopher Whaley Beasley
My Commission Expires
01/27/2025
ID No. 132893966

My commission expires: 1/27/2025

EXHIBIT G
TO PARTNERSHIP AGREEMENT

POST CLOSING DUE DILIGENCE CHECKLIST

1. Owner's Title Insurance Policy – 30 days

2. Copies of all recorded closing and loan documents – 30 days

3. Notice to Proceed – 30 days

4. Updated Critical Path Construction Schedule evidencing Notice to Proceed and actual start of construction – 30 days

5. Final issued for construction Plans and Specifications – 30 days

EXHIBIT H
TO PARTNERSHIP AGREEMENT

SUMMARY OF PROJECT LOAN TERMS

1. Construction Loan

Lender:	Capital One, National Association
Type of Loan:	Construction
Loan Amount:	$15,149,457
Interest Rate:	LIBOR plus 2.50% per annum
Term:	30 months plus one 4-month option to extend
Repayment terms:	Interest only payments until maturity
Security:	Guaranteed by Jervon Harris, Texas Inter-Faith Housing Corporation, Texas Inter-Faith Development, LLC and SuperUrban Realty Ventures, LLC and secured by a first priority mortgage on the property during construction
Source of Funds:	Conventional Funds

2. Permanent Loan

Lender:	Capital One, National Association/Freddie Mac
Type of Loan:	Permanent
Loan Amount:	$5,140,000
Interest Rate:	4.95%
Term:	15 years from Final Closing
Repayment terms:	Payments of principal and interest based on a 35-year amortization schedule
Security:	First priority mortgage on the property upon repayment of the Construction Loan
Source of Funds:	Freddie Mac CME Program

3. City CDBG Loan

Lender:	Texas Inter-Faith Housing Corporation
Type of Loan:	Construction/Permanent
Loan Amount:	$11,000,000
Interest Rate:	1.00% (0.8447% OID compounding equivalent)
Term:	40 years
Repayment terms:	Payments of principal and interest from lesser of (i) one percent (1%) annually on the outstanding balance of the loan, plus accrued unpaid interest, if any, or (ii) 50% of available Net Cash Flow
Security:	Secured by a subordinate mortgage on the property, which is then collaterally assigned to the City of Houston
Source of Funds:	CDBG Funds

EXHIBIT I
TO PARTNERSHIP AGREEMENT

PROJECTIONS

(See Attached)

REDSTONE™
EQUITY PARTNERS

Dian Street Villas Financial Projections

Updated: 4/20/2021

Houston, TX

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These projections do not guarantee actual operating results. Information herein may be revised based upon changes to assumptions and third-party information Inapplicable schedules may be omitted. This information is proprietary and may be shared only with Red Stone's prior consent.

Project Info

Property Information			
Name:	Dian Street Villas		
Street Address	Southwest Corner of Dian Street and West 15th Street		
City / County:	Houston	Harris	
State:	TX	Zip Code:	77008
MSA:	Houston-The Woodlands-Sugar Land, TX		
Total Units:	108	Opp Zone?	
LIHTC Units:	96	Manager Unit	0
Number of Res. Buildings:	3		
Scattered Site:	No	Rehab Type:	
Construction Type:	New Construction		N/A
Building Type:	Garden		
Market:	Urban		Special Needs:
Targeted Tenants:	Family		No
Type of GP:	Non-Profit		

Partnership Entities		Percent Interests in Distributions					
Developer:	Texas Interfaith Housing Corp.						
Co-Developer	SuperUrban Realty Ventures, LLC						
Partnership:	CSH Dian Street Villas, Ltd.	Income/Loss	LIHTC - Fed.	LIHTC - State	Historic	Cash Flow	Residual
Managing GP	CSH Dian Street Villas GP, LLC	0.009%	0.009%	0.009%	0.009%	0.009%	90.000%
Co-GP							
Limited Partner	RSEP Holding, LLC	99.990%	99.990%	99.990%	99.990%	99.990%	9.999%
Special LP	Red Stone Equity Manager, LLC	0.001%	0.001%	0.001%	0.001%	0.001%	0.001%
Other LP							
		100.000%	100.000%	100.000%	100.000%	100.000%	100.000%

UT Tax Rate	21%	Investor's 1st Fiscal Year End	12/31/2021
Updated:	4/20/2021		
Updated By:	Andy Markenson		

Date Benchmarks	
Model Start	4/20/2021
Construction Start	4/21/2021
LT Close	4/20/2021
Completion - First Bldg.	10/1/2022
Completion - Last Bldg.	11/1/2022
Construction Term	19
Operations Start	10/1/2022
Months in First Year	3
Depreciation Start	10/1/2022
Lease Up Start	10/1/2022
Lease Up Period	6
100% QO	3/31/2023
Permanent Loan Closing Date	10/1/2023
First Tax Credit Month	10/1/2022
Required Placed in Service Date	12/31/22

Financing Assumptions - Cash Flow Waterfall

										Start Dates									
Name of Financing	Type	Related Party?	Calculation Type	Lien	Amount	Rate	Term (years)	Amortization (months)	% of Cash Flow For Payment	Deductions	Payment	MIP/Fees	Cash Flow %	Fixed Amount	Inflation	Deductible	Cumulative Balance	Cash Basis	Nonrecourse
Freddie Mac	Loan	No	Hard-Amort	1	5,140,000	4.9500%	15	420	100%	10/1/2023	10/1/2023					Yes	Yes	No	Yes
2nd																			No
3rd																			No
4th																			No
LP Asset Management Fee	AMF		$				15	180	100%	4/20/2021	3/1/2022			$7,500	103%	Yes	Yes	No	No
GP Managemenet Fee	Fee-GP		$				15	180	100%	11/1/2022	3/1/2023			$25,000	103%	Yes	Yes	No	No
7th																			No
Deferred Developer Fee	DDF		Soft-% CF		1,992,399	5.0000%	15	180	100%	11/1/2022	11/1/2022					Yes	Yes	No	No
9th																			No
City of Houston CDBG	Loan	No	Soft-% CF	2	11,000,000	0.8447%	40	480	50%	4/20/2023	10/1/2023					Yes	Yes	No	Yes
11th																			No
12th																			No
13th																			No
14th																			No
15th																			No
16th					-														No
Incentive Management Fee	IMF		% CF				15	180	100%	4/1/2023	4/1/2023		90%			Yes	No	No	No

Tax Credit Calculation

				Date of Rate	Locked?
Allocation Year	2020	Rehab Credit Rate	9.00%		
Credit Type	9%	Acquisition Rate	9.00%		
DDA/QCT	DDA	5112.00 < Census Tract			
		Total			
LIHTC Reservation		$1,461,594	$ 14,615,940		
LIHTC Projected		2,231,782	22,317,818	SF Percentage	91.78%
Lesser of:		1,461,594	14,615,940	Unit Percentage	88.89%
Excess Basis (Shortfall)		7,405,559		Lesser of	88.89%
Historic Tax Credits:	No				
Override Credits:	No				
Excess Basis Credits:	Yes	90%			

Comments/Notes

City of Houston CDBG 11,000,000

Equity Pay-In Assumptions 901,610

Installment #	Benchmark	Projected Date	Date Certain	% of Equity	Equity	Dev Fee Paid
1st	Closing	4/20/2021		15.00%	2,027,759	631,680
	25% Construction Completion				-	-
	50% Construction Completion				-	-
	75% Construction Completion				-	-
					-	-
	Post Construction Contributions					
2nd	Construction Completion	1/1/2023	1/1/2023	3.12%	421,120	421,120
3rd	Perm Loan Closing	10/1/2023	10/1/2023	79.38%	10,731,554	714,841
4th	8609s	1/1/2024	1/1/2024	2.50%	337,960	337,960
					-	-
					-	-
				TOTAL	100.00% $ 13,518,393	$ 2,105,601

Check	$ 0	
From Sources	13,518,393	2,105,601
Price/Credit	$0.9250	

Base Year DSC Ratio

Net Income	982,216
Comm./Other	-
Op. Expenses	$ (593,827)
Rep. Reserves	$ (32,400)
Base Year NOI	355,989
Base Year DS	309,324
Base Year DSC	1.151

Base Year IE Ratio

Base Year IER 0.00

Monthly Construction Draws

Draw #	Projected Date	DATE	%	Equity
Draw 1	4/21/2021	4/1/2021	0.00%	$ -
Draw 2	5/1/2021	5/1/2021	0.00%	-
Draw 3	6/1/2021	6/1/2021	0.00%	-
Draw 4	7/1/2021	7/1/2021	0.00%	-
Draw 5	8/1/2021	8/1/2021	0.00%	-
Draw 6	9/1/2021	9/1/2021	0.00%	-
Draw 7	10/1/2021	10/1/2021	0.00%	-
Draw 8	11/1/2021	11/1/2021	0.00%	-
Draw 9	12/1/2021	12/1/2021	0.00%	-
Draw 10	1/1/2022	1/1/2022	0.00%	-
Draw 11	2/1/2022	2/1/2022	0.00%	-
Draw 12	3/1/2022	3/1/2022	0.00%	-
Draw 13	4/1/2022	4/1/2022	0.00%	-
Draw 14	5/1/2022	5/1/2022	0.00%	-
Draw 15	6/1/2022	6/1/2022	0.00%	-
Draw 16	7/1/2022	7/1/2022	0.00%	-
Draw 17	8/1/2022	8/1/2022	0.00%	-
Draw 18	9/1/2022	9/1/2022	0.00%	-
Draw 19	10/1/2022	10/1/2022	0.00%	-
Draw 20	11/1/2022	11/1/2022	0.00%	-
Draw 21	12/1/2022	12/1/2022	0.00%	-
Draw 22	1/1/2023	1/1/2023	0.00%	-
Draw 23	2/1/2023	2/1/2023	0.00%	-
Draw 24	3/1/2023	3/1/2023	0.00%	-

Lease-Up Schedule — Dian Street Villas

LIHTC Units Lease-Up					Market Rate Lease-Up		Placed in Service Schedule		PIS
Month	Revenue Units	Cum. %	Credit Units	Cum. %	Current	Cum. %	Current	Cum. %	10/1/2022
January-21	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
February-21	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
March-21	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
April-21	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
May-21	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
June-21	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
July-21	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
August-21	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
September-21	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
October-21	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
November-21	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
December-21	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
January-22	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
February-22	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
March-22	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
April-22	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
May-22	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
June-22	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
July-22	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
August-22	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
September-22	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
October-22	17	17.7%	0	0.0%	3	25.0%	75	69.4%	
November-22	17	35.4%	0	0.0%	3	50.0%	33	100.0%	
December-22	17	53.1%	0	0.0%	3	75.0%	0	100.0%	
January-23	17	70.8%	68	70.8%	3	100.0%	0	100.0%	
February-23	17	88.5%	17	88.5%	0	100.0%	0	100.0%	
March-23	11	100.0%	11	100.0%	0	100.0%	0	100.0%	
April-23	0	100.0%	0	100.0%	0	100.0%	0	100.0%	
May-23	0	100.0%	0	100.0%	0	100.0%	0	100.0%	
June-23	0	100.0%	0	100.0%	0	100.0%	0	100.0%	
July-23	0	100.0%	0	100.0%	0	100.0%	0	100.0%	
August-23	0	100.0%	0	100.0%	0	100.0%	0	100.0%	
September-23	0	100.0%	0	100.0%	0	100.0%	0	100.0%	
October-23	0	100.0%	0	100.0%	0	100.0%	0	100.0%	
November-23	0	100.0%	0	100.0%	0	100.0%	0	100.0%	
December-23	0	100.0%	0	100.0%	0	100.0%	0	100.0%	
January-24	0	100.0%	0	100.0%	0	100.0%	0	100.0%	
February-24	0	100.0%	0	100.0%	0	100.0%	0	100.0%	
March-24	0	100.0%	0	100.0%	0	100.0%	0	100.0%	
April-24	0	100.0%	0	100.0%	0	100.0%	0	100.0%	

May-24	0	100.0%	0	100.0%		0	100.0%		0	100.0%
June-24	0	100.0%	0	100.0%		0	100.0%		0	100.0%
July-24	0	100.0%	0	100.0%		0	100.0%		0	100.0%
August-24	0	100.0%	0	100.0%		0	100.0%		0	100.0%
September-24	0	100.0%	0	100.0%		0	100.0%		0	100.0%
October-24	0	100.0%	0	100.0%		0	100.0%		0	100.0%
November-24	0	100.0%	0	100.0%		0	100.0%		0	100.0%
December-24	0	100.0%	0	100.0%		0	100.0%		0	100.0%
Totals	**96**		**96**			**12**			**108**	

Sources of Funds — Dian Street Villas

Sources		Total	Accrued Interest
Freddie Mac	$	5,140,000	-
		-	-
		-	-
		-	-
		-	-
		-	-
		-	-
Deferred Developer Fee		1,992,399	-
		-	-
City of Houston CDBG		11,000,000	-
		-	-
		-	-
		-	-
		-	-
		-	-
		-	-
		-	-
Accrued interest during construction		-	
Operating Income during construction			
Grants (reduction of basis)		500	
Other			
Capital - General Partner		100	
Capital - Limited Partner		13,518,393	
Capital - Special Limited Partner		10	
Capital - Other			
Total Sources	**$**	**31,651,402**	

Sources During Construction	Total	Rate	Type	Term
Construction Loan 1	15,149,457	4.25%	Variable	
City of Houston CDBG	11,000,000	0.00%	Fixed	
Construction Loan 3			N/A	
Construction Loan 4			N/A	
Construction Loan 5			N/A	
Construction Loan 6			N/A	
Red Stone Bridge Loan			N/A	
Total Cons. Financing	$ 26,149,457			

Variable Interest Rate	Rate	Date
Applicable LIBOR	0.7500%	
Spread	2.50%	
Cushion	1.00%	
	4.25%	

Limited Partner Capital Contributions:

	PPC		Credits			
99.99%	0.9250	$	14,615,940	$	13,518,393	Fed LIHTC
99.99%	-	$	-	$	-	Fed Historic
99.99%	-	$	-	$	-	Solar
99.99%	-	$	-	$	-	Geothermal
0.00%	-	$	-	$	-	State LIHTC
0.00%	-	$	-	$	-	State Historic
Additional Contribution:				$	-	
				$	13,518,393	
				$	13,687,610	

Notes / Comments

Uses of Funds — Dian Street Villas

Uses		Total	Eligible Basis	Dep. Basis	Expensed/Amort.	Non-Dep.	Comments
Land		$ 6,131,000	$ -	$ -	$ -	$ 6,131,000	
Building Acquisition		-	-	-	-	-	
Other Acquisition Costs		-	-	-	-	-	
Subtotal	**$ 6,131,000**						
Structures and Rehabilitation		13,034,299	13,034,299	13,034,299	-	-	
Site Work		977,508	977,508	977,508	-	-	11,969 per unit
Personal Property		506,905	506,905	506,905	-	-	6,207 per unit
Energy Expenditures		-	-	-	-	-	
Construction Contingency		818,447	818,447	818,447	-	-	
General Requirements		861,523	861,523	861,523	-	-	
Builder Profit		861,523	861,523	861,523	-	-	
Builder Overhead		287,174	287,174	287,174	-	-	
Building Permits		235,000	235,000	235,000	-	-	
P&P Bond Costs		132,190	132,190	132,190	-	-	
Environmental Remediation		-	-	-	-	-	
Demolition Costs		-	-	-	-	-	
Off-Site Work		-	-	-	-	-	
Other 1		-	-	-	-	-	
Community Enhancements		150,000	-	-	-	150,000	########
Other 3		-	-	-	-	-	
Subtotal	**17,864,569**						
Architect - Design		260,500	260,500	260,500	-	-	
Architect- Supervision		63,600	63,600	63,600	-	-	
Municipal/Tap Fees		-	-	-	-	-	
Impact Fees		-	-	-	-	-	
Appraisal/Market Study		15,630	15,630	15,630	-	-	
Title and Recording		125,789	112,934	112,934	12,855	-	
Legal		137,248	137,248	137,248	-	-	
Organizational Legal		-	-	-	-	-	
Accounting/Cost Cert		25,000	25,000	25,000	-	-	
Phase I/Environmental		49,450	49,450	49,450	-	-	
Soils/Geotech		9,000	9,000	9,000	-	-	
Survey		126,920	126,920	126,920	-	-	
Tax Credit Fees		82,160	-	-	82,160	-	
Construction Period Taxes/Ins.		353,703	287,001	353,703	-	-	
Soft Cost Contingency		116,377	116,377	116,377	-	-	
		-	-	-	-	-	
Other consultants		278,305	15,000	15,000	-	263,305	
PCA		46,800	46,800	46,800	-	-	
Subtotal	**1,690,482**						
CPI Capitalized		331,500	331,500	331,500	-	-	
CPI Expensed		657,509	-	-	657,509	-	
Predevelopment Interest		-	-	-	-	-	
Bridge Loan Interest		-	-			-	
Accrued CPI		-	-	-	-	-	
Subtotal	**989,009**						
Developer Fee		4,098,000	2,959,420	4,098,000	-	-	
Subtotal	**4,098,000**						
Perm Loan Fees		113,090	-	-	113,090	-	
Construction Loan Fees		154,745	154,745	154,745	-	-	
Bond Issuance Costs		-	-	-	-	-	
Subtotal	**267,835**						
Rent-Up		87,693	-	-	87,693	-	
Marketing		30,000	-	-	30,000	-	
Organization		-	-	-	-	-	
Syndication Costs		25,000	-	-	-	25,000	
Subtotal	**142,693**						
Replacements Reserves		-	-	-	-	-	
Operating Reserves		467,814	-	-	-	467,814	-
Tax/Insurance Escrow		-	-	-	-	-	
Other 1		-	-	-	-	-	
Other 2		-	-	-	-	-	
Subtotal	**467,814**						
Total Uses	**$ 31,651,402**	**$ 31,651,402**	**$ 22,425,694**	**$ 23,630,976**	**$ 983,307**	**$ 7,037,119**	

Hard Cost Contingency Calc:

Contingency in Contract?	No		
Total Hard Costs:	17,864,569		
Less Contingency	818,447		
Insurance & P&P Bonds	132,190		
Permits	235,000		
Other	325,000		
	16,353,932	Construction Contract =	16,353,932
Contingency % =	5.00%		0

Geothermal Credit Calculation		Solar Credit Calculation	
Placed in Service Date	10/1/2022	Placed in Service Date	10/1/2022
Geothermal System Costs	-	*System Costs*	
Geothermal Rebate	-	Const. Contingency	-
Adj. Geo System Costs	-	PV & Solar H2O Costs	-
		Const. Period Interest	-
Adj. Geo System Costs	-	Interest on Bonds	-
Geo Credit %	10%	Const Period Insurance	-
Total Geo Credits	-	Cost of Issuance	-
		Legal - Construction	-
Total Geo Credits	-	Developer Fee	-
Non-Depreciable %	50%	Rebate	-
Non-Depreciable Costs	-	Adj. System Costs	-
Geo Rebate (non-depr)	-		
Total Non-Depreciable	-	Adj. System Costs	-
		Credit %	26%
		Total Credits	-
		Total Credits	-
		Non-Depreciable %	50%
		Non-Depreciable Costs	-
		Rebate (non-depr)	-
		Total Non-Depreciable	-

Cap. Interest from FoF:	**330,329**		
Exp. Interest from FoF:	**645,432**		
	975,761		
	989,009		
	13,248	surplus (shortage)	

Rental Revenue

Beds	Baths	AMI %	# of Units	Sq. Feet	Gross Tenant Paid Ret	Utility All.	Tenant Paid Rent	Net Max LIHTC	Annual Rental	Subsidy (Type)	Subsidy (Amount)	Annual Subsidy
Low Income Revenue												
0	1	30%	4	589	414	33	381	381	18,288			-
1	1	30%	4	700	443	38	405	405	19,440			-
2	2	30%	1	900	532	50	482	482	5,784			-
3	2	30%	1	1,125	615	62	553	553	6,636			-
0	1	50%	17	589	690	33	657	657	134,028			-
1	1	50%	16	700	739	38	701	701	134,592			-
2	2	50%	4	900	887	50	837	837	40,176			-
3	2	50%	2	1,125	1,025	62	963	963	23,112			-
0	1	60%	19	589	828	33	795	795	181,260			-
1	1	60%	20	700	887	38	849	849	203,760			-
2	2	60%	5	900	1,065	50	1,015	1,015	60,900			-
3	2	60%	3	1,125	1,230	62	1,168	1,168	42,048			-
					-			-	-			-
		Subtotal	96					Subtotal	870,024			-
Market Rate Revenue												
0			5	589			855		51,300			
1			5	700			990		59,400			
2			2	900			1,283		30,792			
									-			
									-			
									-			
		Subtotal	12					Subtotal	141,492			
Manager Unit Revenue												
									-			
		TOTAL	108					TOTAL	$ 1,011,516			

Rent Calulations

Achievable Market Rents	Discount to Market	Discount to Max LIHTC
950	59.89%	0.00%
1,100	63.18%	0.00%
1,425	66.18%	0.00%
1,800	69.28%	0.00%
950	30.84%	0.00%
1,100	36.27%	0.00%
1,425	41.26%	0.00%
1,800	46.50%	0.00%
950	16.32%	0.00%
1,100	22.82%	0.00%
1,425	28.77%	0.00%
1,800	35.11%	0.00%
Wtd Avg	**31.31%**	**0.00%**

Mrkt Rents	Discount
950	10.0%
1,100	10.0%
1,425	10.0%
Wtd Avg	10.0%

Base Year: 2022

Avg. Tenant Rent $ 755

Avg. Subsidy PUPM $ -

Avg. Miscellaneous Revenue PUPM $ 20

Trending Assumptions

Vacancy Rate LIHTC:	5.0%	5.0%
Vacancy Rate Market:	7.0%	7.0%
Vacancy Rate Rental Subsidy:	5.0%	5.0%
Vacancy Rate Other Revenue	7.0%	7.0%
Rental Revenue Inflation:	102.0%	102.0%
Subsidy Revenue Inflation:	102.0%	102.0%
Other Revenue Inflation:	102.0%	102.0%
Last Date of Subsidy:	1/1/2041	

Miscellaneous Revenue	Annual Revenue	Per Unit	PUPM
Cleaning, Late, NSF, App Fe	25,920	240	20
	-	-	-
Item 3		-	-
Item 4		-	-
Item 5		-	-
Item 6		-	-
Subtotal	25,920	240	

Commercial Revenue		Per Sq. Ft.
Sq. Ft. of Space		
Annual Revenue:		$ -
Vacancy Factor:		
Net Commercial Revenue	$ -	$ -

Gross Annual Revenue from all Sources: $ 1,037,436

Operating Expenses — Dian Street Villas

Variable Expenses

		Annual	Per unit
Administrative			
Accounting		-	-
Advertising		-	-
Professional Fees		-	-
Leased Equipment		-	-
Legal/Partnership		-	-
Social Services		17,940	166
Model Apartment Rent		-	-
Office Expenses		-	-
Telephone		-	-
Other Office Expenses		5,520	51
General		43,233	400
	Total	**$ 66,693**	**$ 618**
Repair and Maintenance			
Elevator		-	-
Exterminating		-	-
Grounds		-	-
Repairs		-	-
Trash		12,000	111
Contract Services		-	-
Other R&M		-	-
General		69,150	640
	Total	**$ 81,150**	**$ 751**
Payroll			
Administrative Payroll		-	-
R&M Payroll		-	-
Payroll Taxes and Insurance		-	-
General		145,757	1,350
	Total	**$ 145,757**	**$ 1,350**
Utilities			
Gas		-	-
Electric		-	-
Water & Sewer		-	-
Other Utilities		-	-
General		90,300	836
	Total	**$ 90,300**	**$ 836**
Total Variable Expenses:		**$ 383,900**	**$ 3,555**

Fixed Expenses

			Annual	Per unit
Insurance				
Property Insurance			65,928	610
Other Insurance			-	-
	Total		**$ 65,928**	**$ 610**
Management Fee				
Percent of Revenues:		5.00%	49,111	455
Fee/unit/month:		455	-	-
Management Fee - Annual			-	-
	Total		**$ 49,111**	**$ 455**
Real Estate Taxes				
Real Estate Taxes			94,888	879
Other RE Taxes			-	-
	Total		**$ 94,888**	**$ 879**
Total Fixed Expenses:			**$ 209,927**	**$ 1,944**
Total All Expenses:			**$ 593,827**	**$ 5,498**
Replacement Reserve				
RR Start Date		10/1/2023		
Red Stone RR			32,400	300
Lender RR			-	-
Replacement Reserve - Annual			-	-
	Total		**$ 32,400**	**$ 300**
Total Expenses & RR			**$ 626,227**	**$ 5,798**

Expense Summary

	Annual	Per Unit
Advertising & Promotion	-	-
Administrative	66,693	618
Management Fee	49,111	455
Utilities	90,300	836
Maintenance	81,150	751
Payroll (Salaries)	145,757	1,350
Insurance	65,928	610
RE Tax	94,888	879
Sub Variable & Fixed	$ 593,827	$ 5,498
Replacement Reserve	**32,400**	**300**
Total Expense & RR	$ 626,227	$ 5,798
Total Core OpEx	$ 275,660	$ 2,552

Trending Assumptions

Expense Inflation:	103.0%
RE Tax Inflation:	103.0%
Mgmt Fee Inflation:	100.0%
Replacement Reserve Inflation:	103.0%

Flow of Funds **Dian Street Villas**

Sources	Cons. Period	1/1/2023	10/1/2023	1/1/2024			Thereafter	**Total**
Freddie Mac	-	-	5,140,000	-	-	-	-	5,140,000
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Deferred Developer Fee	-	-	-	-	-	-	1,992,399	1,992,399
	-	-	-	-	-	-	-	-
City of Houston CDBG	9,900,000	1,100,000		-	-	-	-	11,000,000
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total Construction Financing*	$ 15,149,457	(460,557)	(14,688,900)	-	-	-	-	-
Accrued interest during construction	-	-	-	-	-	-	-	-
Operating Income during construction	-	-	-	-	-	-	-	-
Grants (reduction of basis)	500	-	-	-	-	-	-	500
Other	-	-	-	-	-	-	-	-
Capital - General Partner	100	-	-	-	-	-	-	100
Capital - Limited Partner	2,027,759	421,120	10,731,554	337,960	-	-	-	13,518,393
Capital - Special Limited Partner	10	-	-	-	-	-	-	10
Capital - Other	-	-	-	-	-	-	-	-
Total	**$ 27,077,825**	**$ 1,060,563**	**$ 1,182,655**	**$ 337,960**	**$ -**	**$ -**	**$ 1,992,399**	**$ 31,651,402**

Uses								
Land	6,131,000	-	-	-	-	-	-	6,131,000
Building Acquisition	-	-	-	-	-	-	-	-
Other Acquisition Costs	-	-	-	-	-	-	-	-
Structures and Rehabilitation	12,394,856	639,443	-	-	-	-	-	13,034,299
Site Work	977,508	-	-	-	-	-	-	977,508
Personal Property	506,905	-	-	-	-	-	-	506,905
Energy Expenditures	-	-	-	-	-	-	-	-
Construction Contingency	818,447	-	-	-	-	-	-	818,447
General Requirements	861,523	-	-	-	-	-	-	861,523
Builder Profit	861,523	-	-	-	-	-	-	861,523
Builder Overhead	287,174	-	-	-	-	-	-	287,174
Building Permits	235,000	-	-	-	-	-	-	235,000
P&P Bond Costs	132,190	-	-	-	-	-	-	132,190
Environmental Remediation	-	-	-	-	-	-	-	-
Demolition Costs	-	-	-	-	-	-	-	-
Off-Site Work	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-
Community Enhancements	150,000	-	-	-	-	-	-	150,000
Other 3	-	-	-	-	-	-	-	-
Architect - Design	260,500	-	-	-	-	-	-	260,500
Architect- Supervision	63,600	-	-	-	-	-	-	63,600
Municipal/Tap Fees	-	-	-	-	-	-	-	-
Impact Fees	-	-	-	-	-	-	-	-
Appraisal/Market Study	15,630	-	-	-	-	-	-	15,630
Title and Recording	125,789	-	-	-	-	-	-	125,789
Legal	137,248	-	-	-	-	-	-	137,248
Organizational Legal	-	-	-	-	-	-	-	-
Accounting/Cost Cert	25,000	-	-	-	-	-	-	25,000
Phase I/Environmental	49,450	-	-	-	-	-	-	49,450
Soils/Geotech	9,000	-	-	-	-	-	-	9,000
Survey	126,920	-	-	-	-	-	-	126,920
Tax Credit Fees	82,160	-	-	-	-	-	-	82,160
Construction Period Taxes/Ins.	353,703	-	-	-	-	-	-	353,703
Soft Cost Contingency	116,377	-	-	-	-	-	-	116,377
0	-	-	-	-	-	-	-	-
Other consultants	278,305	-	-	-	-	-	-	278,305
PCA	46,800	-	-	-	-	-	-	46,800
CPI Capitalized	331,500	-	-	-	-	-	-	331,500
CPI Expensed	657,509	-	-	-	-	-	-	657,509
Predevelopment Interest	-	-	-	-	-	-	-	-
Bridge Loan Interest	-	-	-	-	-	-	-	-
Accrued CPI	-	-	-	-	-	-	-	-
Developer Fee	631,680	421,120	714,841	337,960	-	-	1,992,399	4,098,000
Perm Loan Fees	113,090	-	-	-	-	-	-	113,090
Construction Loan Fees	154,745	-	-	-	-	-	-	154,745
Bond Issuance Costs	-	-	-	-	-	-	-	-
Rent-Up	87,693	-	-	-	-	-	-	87,693
Marketing	30,000	-	-	-	-	-	-	30,000
Organization	-	-	-	-	-	-	-	-
Syndication Costs	25,000	-	-	-	-	-	-	25,000
Replacements Reserves	-	-	-	-	-	-	-	-
Operating Reserves	-	-	467,814	-	-	-	-	467,814
Tax/Insurance Escrow	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-
Other 2	-	-	-	-	-	-	-	-
Total	**$ 27,077,825**	**$ 1,060,563**	**$ 1,182,655**	**$ 337,960**	**$ -**	**$ -**	**$ 1,992,399**	**$ 31,651,402**

Credit Calculation — Dian Street Villas

LIHTC Tax Credit Calculation

		Rehabilitation	Acquisition
Eligible Basis		$ 22,425,694	
Less:			
	Acquisition Costs	-	-
	Historic Credits	-	
	Grants	(500)	
	Acquisition Dev. Fee	-	-
	Garages	-	-
	Match to Developer	(966,022)	-
	Other 2	-	-
		$ 21,459,172	$ -
Eligible Basis		$ 21,459,172	$ -
DDA/QCT	DDA	130%	100%
Total Eligible Basis		27,896,924	-
Basis Limitation		-	-
Low Income %		88.89%	88.89%
Qualified Basis		24,797,575	-
Tax Credit Rates		9.00%	9.00%
LIHTC Calculated	2,231,782	2,231,782	-
LIHTC Reservation	1,461,594	1,461,594	-
Actual LIHTC	1,461,594	1,461,594	-

Historic Credit Calculation

	Rehabilitation	Commercial	Total
Depreciable Basis	-	-	
Less:			
Acquisition Cost	-	-	
Personal Property	-	-	
Sitework	-	-	
Grants	(500)	-	
Bldg Additions/(Demo)	-	-	
Ineligible Interest/Solar	-	-	
Other 1	-	-	
Other 2	-	-	
Historic Credit Basis	(500)	-	
Tax Credit %	0%	0%	
Total Historic Credit	-	-	-
Delivery			
2022	-	-	-
2023	-	-	-
2024	-	-	-
2025	-	-	-
2026	-	-	-

Projected 15 Yr Cash Flow — **Dian Street Villas**

		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Revenues																			
Gross LIHTC Rental Revenue		-	77,033	857,381	905,173	923,276	941,742	960,577	979,788	999,384	1,019,372	1,039,759	1,060,554	1,081,765	1,103,401	1,125,469	1,147,978	1,170,938	1,194,357
Gross Market Rental Revenue		-	17,687	144,322	147,208	150,152	153,155	156,219	159,343	162,530	165,780	169,096	172,478	175,928	179,446	183,035	186,696	190,430	194,238
Less: Vacancies		-	(5,090)	(52,972)	(55,563)	(56,674)	(57,808)	(58,964)	(60,143)	(61,346)	(62,573)	(63,825)	(65,101)	(66,403)	(67,731)	(69,086)	(70,468)	(71,877)	(73,314)
Net Rental Revenues		-	89,630	948,732	996,818	1,016,754	1,037,089	1,057,831	1,078,988	1,100,568	1,122,579	1,145,031	1,167,931	1,191,290	1,215,116	1,239,418	1,264,206	1,289,490	1,315,280
Rental Subsidy (Net)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Revenue (Net)		-	2,232	23,848	25,079	25,581	26,093	26,615	27,147	27,690	28,244	28,808	29,385	29,972	30,572	31,183	31,807	32,443	33,092
Commercial Revenue (Net)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effective Gross Income		$ -	$ 91,862	$ 972,580	$ 1,021,897	$ 1,042,335	$ 1,063,182	$ 1,084,446	$ 1,106,135	$ 1,128,257	$ 1,150,823	$ 1,173,839	$ 1,197,316	$ 1,221,262	$ 1,245,687	$ 1,270,601	$ 1,296,013	$ 1,321,933	$ 1,348,372
Expenses																			
Variable Expenses		-	35,546	383,518	407,280	419,498	432,083	445,045	458,397	472,149	486,313	500,902	515,929	531,407	547,350	563,770	580,683	598,104	616,047
Insurance		-	16,482	67,906	69,943	72,041	74,203	76,429	78,721	81,083	83,516	86,021	88,602	91,260	93,998	96,817	99,722	102,714	105,795
Management Fee		-	4,593	48,629	51,095	52,117	53,159	54,222	55,307	56,413	57,541	58,692	59,866	61,063	62,284	63,530	64,801	66,097	67,419
Real Estate Taxes - Total		-	23,722	97,735	100,667	103,687	106,797	110,001	113,301	116,700	120,201	123,807	127,522	131,347	135,288	139,346	143,527	147,832	152,267
Other / RE Tax Abatement		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Project Operating Exp.		$ -	$ 80,343	$ 597,787	$ 628,984	$ 647,343	$ 666,242	$ 685,697	$ 705,726	$ 726,345	$ 747,571	$ 769,423	$ 791,919	$ 815,077	$ 838,919	$ 863,464	$ 888,732	$ 914,746	$ 941,528
NOI Before Replacement Reserves		-	11,519	374,792	392,913	394,993	396,940	398,748	400,409	401,913	403,251	404,416	405,397	406,185	406,768	407,137	407,281	407,187	406,844
Replacement Reserves		-	-	8,100	33,372	34,373	35,404	36,466	37,560	38,687	39,848	41,043	42,275	43,543	44,849	46,195	47,580	49,008	50,478
Net Operating Income		**$ -**	**$ 11,519**	**$ 366,692**	**$ 359,541**	**$ 360,620**	**$ 361,536**	**$ 362,282**	**$ 362,848**	**$ 363,225**	**$ 363,404**	**$ 363,373**	**$ 363,123**	**$ 362,642**	**$ 361,919**	**$ 360,943**	**$ 359,700**	**$ 358,179**	**$ 356,366**
Plus Other Cash Sources:																			
Interest on Reserve Accts.		-	-	2,339	9,518	10,185	10,873	11,581	12,310	10,107	10,881	11,678	12,499	13,344	10,227	11,124	12,048	12,999	13,980
Other		-	(11,519)	11,519	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Other Cash Sources		-	(11,519)	13,858	9,518	10,185	10,873	11,581	12,310	10,107	10,881	11,678	12,499	13,344	10,227	11,124	12,048	12,999	13,980
Available Cash Flow		$ -	$ (0)	$ 380,550	$ 369,059	$ 370,805	$ 372,409	$ 373,863	$ 375,158	$ 373,332	$ 374,285	$ 375,051	$ 375,622	$ 375,986	$ 372,146	$ 372,067	$ 371,748	$ 371,178	$ 370,346
Cash Requirements/Waterfall:																			
Operating Income as a Source		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Construction Loan Interest		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Freddie Mac	DSC	-	-	(77,331)	(309,324)	(309,324)	(309,324)	(309,324)	(309,324)	(309,324)	(309,324)	(309,324)	(309,324)	(309,324)	(309,324)	(309,324)	(309,324)	(309,324)	(309,324)
2nd		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3rd		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4th		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
LP Asset Management Fee		-	-	(21,307)	(8,196)	(8,442)	(8,695)	(8,956)	(9,225)	(9,502)	(9,787)	(10,081)	(10,383)	(10,694)	(11,015)	(11,345)	(2,921)	-	-
GP Managemenet Fee		-	-	(29,917)	(26,523)	(27,319)	(28,139)	(28,983)	(29,852)	(30,748)	(31,670)	(32,620)	(33,599)	(34,607)	(35,645)	(36,714)	(37,815)	(32,458)	-
7th		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Developer Fee		-	-	(251,995)	(25,016)	(25,720)	(26,251)	(26,600)	(26,757)	(23,758)	(23,504)	(23,026)	(22,316)	(21,361)	(16,162)	(14,684)	(21,688)	(29,396)	(61,022)
9th		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
City of Houston CDBG		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11th		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12th		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13th		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14th		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15th		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16th		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Incentive Management Fee		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Cash Flow		$ -	$ (0)	$ 0	$ 0	$ (0)	$ 0	$ (0)	$ 0	$ 0	$ (0)	$ (0)	$ (0)	$ (0)	$ 0	$ (0)	$ 0	$ 0	$ 0
Funded from Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Funded by Operating Guarantees		-	0	-	-	0	-	0	-	-	0	0	0	0	-	0	-	-	-
Cash for Distributions		$ -	$ -	$ 0	$ 0	$ -	$ 0	$ -	$ 0	$ 0	$ -	$ -	$ -	$ -	$ 0	$ -	$ 0	$ 0	$ 0
Limited Partner Distribution		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash Flow to Fund		$ -	$ -	$ 0	$ 0	$ -	$ 0	$ -	$ 0	$ 0	$ -	$ -	$ -	$ -	$ 0	$ -	$ 0	$ 0	$ 0
Cumulative		$ -	$ -	$ 0	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1	$ 1
Debt Service Coverage Ratio		-	-	4.74	1.16	1.17	1.17	1.17	1.17	1.17	1.17	1.17	1.17	1.17	1.17	1.17	1.16	1.16	1.15
DSCR All Hard Debt		-	-	4.74	1.16	1.17	1.17	1.17	1.17	1.17	1.17	1.17	1.17	1.17	1.17	1.17	1.16	1.16	1.15
Income to Expense Ratio		-	1.14	1.61	1.54	1.53	1.52	1.50	1.49	1.47	1.46	1.45	1.44	1.42	1.41	1.40	1.38	1.37	1.36

Income/(Loss)

Dian Street Villas

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
NOI before Rep. Reserves	-	11,519	374,792	392,913	394,993	396,940	398,748	400,409	401,913	403,251	404,416	405,397	406,185	406,768	407,137	407,281	407,187
Other Taxable Income:																	
Interest on Reserves	-	-	2,339	9,518	10,185	10,873	11,581	12,310	10,107	10,881	11,678	12,499	13,344	10,227	11,124	12,048	12,999
State Income Credits (10 Years)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other																	
Total	$ -	$ -	$ 2,339	$ 9,518	$ 10,185	$ 10,873	$ 11,581	$ 12,310	$ 10,107	$ 10,881	$ 11,678	$ 12,499	$ 13,344	$ 10,227	$ 11,124	$ 12,048	$ 12,999
Partnership Deductions																	
Interest Limitation Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Construction Loan Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Freddie Mac	-	-	(63,551)	(252,469)	(249,590)	(246,565)	(243,387)	(240,048)	(236,540)	(232,854)	(228,981)	(224,913)	(220,638)	(216,147)	(211,428)	(206,471)	(201,262)
2nd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3rd	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4th	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
LP Asset Management Fee	(5,625)	(7,725)	(7,957)	(8,196)	(8,442)	(8,695)	(8,956)	(9,225)	(9,502)	(9,787)	(10,081)	(10,383)	(10,694)	(11,015)	(11,345)	(2,921)	-
GP Managemenet Fee	-	(4,167)	(25,750)	(26,523)	(27,319)	(28,139)	(28,983)	(29,852)	(30,748)	(31,670)	(32,620)	(33,599)	(34,607)	(35,645)	(36,714)	(37,815)	(32,458)
7th	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Developer Fee	-	(16,603)	(100,450)	(92,873)	(96,266)	(99,793)	(103,470)	(107,314)	(111,341)	(115,721)	(120,331)	(125,197)	(130,341)	(135,790)	(141,771)	(148,126)	(128,706)
9th	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
City of Houston CDBG	-	-	(69,690)	(93,509)	(94,299)	(95,095)	(95,899)	(96,709)	(97,526)	(98,349)	(99,180)	(100,018)	(100,863)	(101,715)	(102,574)	(103,441)	(104,314)
11th	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12th	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13th	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14th	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15th	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16th	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Incentive Management Fee	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	(5,625)	(28,495)	(267,398)	(473,570)	(475,916)	(478,287)	(480,695)	(483,148)	(485,657)	(488,381)	(491,193)	(494,110)	(497,143)	(500,312)	(503,832)	(498,774)	(466,740)
Depreciation	-	2,106,887	710,073	691,227	686,259	680,961	675,286	698,727	708,984	682,699	663,349	654,639	676,520	679,722	642,502	619,060	625,966
Amortizable Expenes	-	224,593	559,555	13,874	13,874	13,874	13,874	13,874	13,874	13,874	13,874	13,874	13,874	13,874	13,874	13,874	12,504
	-	2,331,480	1,269,628	705,101	700,133	694,835	689,160	712,600	722,858	696,573	677,222	668,513	690,394	693,595	656,376	632,934	638,470
Taxable Income/(Loss)	$ (5,625)	$ (2,348,457)	$ (1,159,895)	$ (776,240)	$ (770,871)	$ (765,308)	$ (759,526)	$ (783,030)	$ (796,495)	$ (770,822)	$ (752,321)	$ (744,726)	$ (768,008)	$ (776,912)	$ (741,947)	$ (712,379)	$ (685,024)
% OpEx																	
Loss Allocation to G.P.																	
Pre-Admission Income/(Loss)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
*use as loss override																	
Initial Income/(Loss) to L.P.	(5,624)	(2,348,222)	(1,159,779)	(776,162)	(770,794)	(765,232)	(759,450)	(782,952)	(796,416)	(770,745)	(752,246)	(744,652)	(767,931)	(776,834)	(741,873)	(712,308)	(684,956)
Loss Reallocations to G.P.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(597,784)
Total Income/(Loss) to Fund	$ (5,624)	$ (2,348,222)	$ (1,159,779)	$ (776,162)	$ (770,794)	$ (765,232)	$ (759,450)	$ (782,952)	$ (796,416)	$ (770,745)	$ (752,246)	$ (744,652)	$ (767,931)	$ (776,834)	$ (741,873)	$ (712,308)	$ (87,172)
Cumulative	$ (5,624)	$ (2,353,846)	$ (3,513,625)	$ (4,289,787)	$ (5,060,581)	$ (5,825,813)	$ (6,585,263)	$ (7,368,215)	$ (8,164,631)	$ (8,935,376)	$ (9,687,622)	$(10,432,274)	$(11,200,205)	$(11,977,039)	$(12,718,912)	$(13,431,220)	$(13,518,392)

Tax Credits	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Federal LIHTC	$ -	$ -	$ 1,461,594	$ 1,461,594	$ 1,461,594	$ 1,461,594	$ 1,461,594	$ 1,461,594	$ 1,461,594	$ 1,461,594	$ 1,461,594	$ 1,461,594	$ -	$ -	$ -	$ -	$ -
Credits to the Fund	$ -	$ -	$ 1,461,448	$ 1,461,448	$ 1,461,448	$ 1,461,448	$ 1,461,448	$ 1,461,448	$ 1,461,448	$ 1,461,448	$ 1,461,448	$ 1,461,448	$ -	$ -	$ -	$ -	$ -
Federal Historic (5 Years)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Credits to the Fund	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
State LIHTC (10 Years)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Credits to the Fund	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
State Historic (1 Years)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Credits to the Fund (99.99%)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Energy Credits	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Credits to the Fund (99.99%)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Reserve Accounts

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Replacements Reserves

Interest Start	10/1/2023	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Balance at beginning of year		-	-	-	8,100	41,472	75,845	111,250	147,716	37,560	76,248	116,096	157,139	199,414	43,543	88,392	134,587	182,167	231,175
Deposit from initial uses	2023	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current year interest income	2.00%	-	-	-	162	829	1,517	2,225	2,954	751	1,525	2,322	3,143	3,988	871	1,768	2,692	3,643	4,624
Current year deposit from operations		-	-	8,100	33,372	34,373	35,404	36,466	37,560	38,687	39,848	41,043	42,275	43,543	44,849	46,195	47,580	49,008	50,478
Less interest income included in C/F	Yes	-	-	-	(162)	(829)	(1,517)	(2,225)	(2,954)	(751)	(1,525)	(2,322)	(3,143)	(3,988)	(871)	(1,768)	(2,692)	(3,643)	(4,624)
Less expenditures made from account		-	-	-	-	-	-	-	(147,716)	-	-	-	-	(199,414)	-	-	-	-	(231,175)
End of Year Balance		-	-	8,100	41,472	75,845	111,250	147,716	37,560	76,248	116,096	157,139	199,414	43,543	88,392	134,587	182,167	231,175	50,478

Operating Reserves

Interest Start	10/1/2023	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Balance at beginning of year		-	-	-	467,814	467,814	467,814	467,814	467,814	467,814	467,814	467,814	467,814	467,814	467,814	467,814	467,814	467,814	467,814
Deposit from initial uses	2023	-	-	467,814	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current year interest income	2.00%	-	-	2,339	9,356	9,356	9,356	9,356	9,356	9,356	9,356	9,356	9,356	9,356	9,356	9,356	9,356	9,356	9,356
Current year deposit from operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less interest income included in C/F	Yes	-	-	(2,339)	(9,356)	(9,356)	(9,356)	(9,356)	(9,356)	(9,356)	(9,356)	(9,356)	(9,356)	(9,356)	(9,356)	(9,356)	(9,356)	(9,356)	(9,356)
Less expenditures made from account		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
End of Year Balance		-	-	467,814	467,814	467,814	467,814	467,814	467,814	467,814	467,814	467,814	467,814	467,814	467,814	467,814	467,814	467,814	467,814

Tax/Insurance Escrow

Interest Start	10/1/2023	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Balance at beginning of year		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposit from initial uses	2023	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current year interest income	2.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current year deposit from operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less interest income included in C/F	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less expenditures made from account		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
End of Year Balance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Other 1

Interest Start	10/1/2023	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Balance at beginning of year		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposit from initial uses	2023	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current year interest income	2.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current year deposit from operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less interest income included in C/F	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less expenditures made from account		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
End of Year Balance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Other 2

Interest Start	10/1/2023	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Balance at beginning of year		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposit from initial uses	2023	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current year interest income	2.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current year deposit from operations		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less interest income included in C/F	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less expenditures made from account		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
End of Year Balance		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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2039
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Depreciation and Amortization — Dian Street Villas

Amortizable Expenses

2021	Start Date	Amort Period.	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Title and Recording	10/1/2023	180	-	-	214	857	857	857	857	857	857	857	857	857	857	857	857
Legal	10/1/2023	180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Organizational Legal	10/1/2023	180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounting/Cost Cert	10/1/2022	180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tax Credit Fees	10/1/2022	180	-	1,369	5,477	5,477	5,477	5,477	5,477	5,477	5,477	5,477	5,477	5,477	5,477	5,477	5,477
CPI Expensed	10/1/2022	12	-	164,377	493,132	-	-	-	-	-	-	-	-	-	-	-	-
Perm Loan Fees	10/1/2023	180	-	-	1,885	7,539	7,539	7,539	7,539	7,539	7,539	7,539	7,539	7,539	7,539	7,539	7,539
Rent-Up	10/1/2022	6	-	43,847	43,847	-	-	-	-	-	-	-	-	-	-	-	-
Marketing	10/1/2022	6	-	15,000	15,000	-	-	-	-	-	-	-	-	-	-	-	-
Organization	4/20/2021	180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other consultants	10/1/2023	180	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 3		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 4		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total			$ -	$ 224,593	$ 559,555	$ 13,874	$ 13,874	$ 13,874	$ 13,874	$ 13,874	$ 13,874	$ 13,874	$ 13,874	$ 13,874	$ 13,874	$ 13,874	$ 13,874

Depreciation

0.00%	Tax Exempt Use property		No	Interest Limitation?		Bonus Depreciation - PP	Yes															
100.00%	Non-TE Use property					Bonus Depreciation - SW	Yes															
															Bonus Depreciation Percentage, if applicable							
															0%	100%	0%	0%				
		Dep. Life	Total	2021	Basis	2022	Basis	2023	Basis	2024	Basis	2021	2022	2023	2024							
	Residential Real Property	30	$ 20,870,479	0.00%	-	100.00%	20,870,479	0.00%	-	0.00%	-	0	10	1	1							
	Building Acquisition	30	-	0.00%	-	100.00%	-	0.00%	-	0.00%	-	0	10	1	1							
	Residential Real Property	30	-	0.00%	-	100.00%	-	0.00%	-	0.00%	-	0	10	1	1							
	Building Acquisition	30	-	0.00%	-	100.00%	-	0.00%	-	0.00%	-	0	10	1	1							
	Commercial Real Property	40	-	0.00%	-	100.00%	-	0.00%	-	0.00%	-	0	10	1	1							
150%	Site Work	15	1,292,689	0.00%	-	100.00%	1,292,689	0.00%	-	0.00%	-	0.5	0.125	0.5	0.5							
100%	Site Work	20	-	0.00%	-	100.00%	-	0.00%	-	0.00%	-	0.5	0.125	0.5	0.5							
100%	Site Work - TE Use	20	-	0.00%	-	100.00%	-	0.00%	-	0.00%	-	0.5	0.125	0.5	0.5							
150%	Personal Property	7	-	0.00%	-	100.00%	-	0.00%	-	0.00%	-	0.5	0.125	0.5	0.5							
100%	Personal Property	7	-	0.00%	-	100.00%	-	0.00%	-	0.00%	-	0.5	0.125	0.5	0.5							
200%	Personal Property	5	670,348	0.00%	-	100.00%	670,348	0.00%	-	0.00%	-	0.5	0.125	0.5	0.5							
100%	Personal Property - TE Use	9	-	0.00%	-	100.00%	-	0.00%	-	0.00%	-	0.5	0.125	0.5	0.5							
			$ 22,833,516		$ -		$ 22,833,516		$ -		$ -											

		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Placed in Serivce	2021																		
Building		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Site Work		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Personal Prop.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Placed in Serivce	2022																		
Building		-	144,934	695,683	695,683	695,683	695,683	695,683	695,683	695,683	695,683	695,683	695,683	695,683	695,683	695,683	695,683	695,683	695,683
Site Work		-	1,292,689	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Personal Prop.		-	670,348	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Placed in Serivce	2023																		
Building		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Site Work		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Personal Prop.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Placed in Serivce	2024																		
Building		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Site Work		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Personal Prop.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Depreciation		-	(1,084)	14,391	(4,455)	(9,424)	(14,722)	(20,396)	(26,499)	(33,968)	(41,345)	(49,351)	(58,061)	(67,554)	(79,773)	(91,468)	(99,595)	(92,689)	(3,334)
Rep. Reserves	2028	-	-	-	-	-	-	-	29,543	47,269	28,361	17,017	17,017	8,508	-	-	-	-	-
Rep. Reserves	2033	-	-	-	-	-	-	-	-	-	-	-	-	39,883	63,812	38,287	22,972	22,972	11,486
Rep. Reserves	2038	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	46,235
Total Depreciation		$ -	$ 2,106,887	$ 710,073	$ 691,227	$ 686,259	$ 680,961	$ 675,286	$ 698,727	$ 708,984	$ 682,699	$ 663,349	$ 654,639	$ 676,520	$ 679,722	$ 642,502	$ 619,060	$ 625,966	$ 750,070
Override	No	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Depcreciation		$ -	$ 2,106,887	$ 710,073	$ 691,227	$ 686,259	$ 680,961	$ 675,286	$ 698,727	$ 708,984	$ 682,699	$ 663,349	$ 654,639	$ 676,520	$ 679,722	$ 642,502	$ 619,060	$ 625,966	$ 750,070

Total Depreciable Basis	$ 23,630,976
Less Historic Credits	-
Less Grants	(500)
Less Dev Fee allocated to Land	-
Less Other	-
Deferred dep. for cash basis DDF	(796,960)
Net Depreciable Basis	$ 22,833,516

Limited Partner Capital Account — Dian Street Villas

		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Captial Account % 99.99%																		
Beginning Balance		$ -	$ 2,022,135	$ (326,087)	$ 9,666,808	$ 9,228,606	$ 8,457,812	$ 7,692,580	$ 6,933,130	$ 6,150,178	$ 5,353,761	$ 4,583,016	$ 3,830,770	$ 3,086,118	$ 2,318,187	$ 1,541,353	$ 799,480	$ 87,172
Contributions		2,027,759	-	11,152,674	337,960	-	-	-	-	-	-	-	-	-	-	-	-	-
Distributions		-	-	(0)	(0)	-	(0)	-	(0)	(0)	-	-	-	-	(0)	-	(0)	(0)
Energy Credits		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Historic Credits	Yr of Credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Excess Business Interest		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		2,027,759	2,022,135	10,826,587	10,004,768	9,228,606	8,457,812	7,692,580	6,933,130	6,150,177	5,353,761	4,583,016	3,830,770	3,086,118	2,318,187	1,541,353	799,480	87,172
Income/(Losses) to L.P.		(5,624)	(2,348,222)	(1,159,779)	(776,162)	(770,794)	(765,232)	(759,450)	(782,952)	(796,416)	(770,745)	(752,246)	(744,652)	(767,931)	(776,834)	(741,873)	(712,308)	(684,956)
Reallocation of losses to G.P.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	597,784
Total Income/(Losses) to L.P.		(5,624)	(2,348,222)	(1,159,779)	(776,162)	(770,794)	(765,232)	(759,450)	(782,952)	(796,416)	(770,745)	(752,246)	(744,652)	(767,931)	(776,834)	(741,873)	(712,308)	(87,172)
Year End Balance		$ 2,022,135	$ (326,087)	$ 9,666,808	$ 9,228,606	$ 8,457,812	$ 7,692,580	$ 6,933,130	$ 6,150,178	$ 5,353,761	$ 4,583,016	$ 3,830,770	$ 3,086,118	$ 2,318,187	$ 1,541,353	$ 799,480	$ 87,172	$ -
Basis Calculation																		
Capital Account Balance before losses		2,027,759	2,022,135	10,826,587	10,004,768	9,228,606	8,457,812	7,692,580	6,933,130	6,150,177	5,353,761	4,583,016	3,830,770	3,086,118	2,318,187	1,541,353	799,480	87,172
Minimum Gain		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deficit Restoration Obligation		-	1,750,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Maximum Loss Allocation		2,027,759	3,772,135	10,826,587	10,004,768	9,228,606	8,457,812	7,692,580	6,933,130	6,150,177	5,353,761	4,583,016	3,830,770	3,086,118	2,318,187	1,541,353	799,480	87,172
Nonrecourse Debt Analysis																		
Freddie Mac	100%	-	-	5,126,220	5,069,365	5,009,631	4,946,872	4,880,935	4,811,659	4,738,875	4,662,405	4,582,062	4,497,651	4,408,965	4,315,788	4,217,892	4,115,039	4,006,977
2nd	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3rd	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4th	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
LP Asset Management Fee	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
GP Managemenet Fee	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7th	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Developer Fee	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9th	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
City of Houston CDBG	100%	-	-	11,069,690	11,163,199	11,257,498	11,352,593	11,448,492	11,545,201	11,642,727	11,741,076	11,840,256	11,940,274	12,041,137	12,142,852	12,245,426	12,348,867	12,453,181
11th	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12th	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13th	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14th	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15th	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16th	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Incentive Management Fee	0%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Less Lender Held Reserves																		
Replacements Reserves	Yes	-	-	(8,100)	(41,472)	(75,845)	(111,250)	(147,716)	(37,560)	(76,248)	(116,096)	(157,139)	(199,414)	(43,543)	(88,392)	(134,587)	(182,167)	(231,175)
Operating Reserves	Yes	-	-	(467,814)	(467,814)	(467,814)	(467,814)	(467,814)	(467,814)	(467,814)	(467,814)	(467,814)	(467,814)	(467,814)	(467,814)	(467,814)	(467,814)	(467,814)
Tax/Insurance Escrow	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 2	Yes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		$ -	$ -	$ 15,719,996	$ 15,723,278	$ 15,723,470	$ 15,720,401	$ 15,713,897	$ 15,851,486	$ 15,837,540	$ 15,819,571	$ 15,797,365	$ 15,770,697	$ 15,938,745	$ 15,902,434	$ 15,860,917	$ 15,813,925	$ 15,761,169
Net Book Value of Assets																		
Initial Depreciable Cost		22,833,516	22,833,516	22,833,516	22,833,516	22,833,516	22,833,516	22,833,516	22,833,516	22,833,516	22,833,516	22,833,516	22,833,516	22,833,516	22,833,516	22,833,516	22,833,516	22,833,516
Land		6,131,000	6,131,000	6,131,000	6,131,000	6,131,000	6,131,000	6,131,000	6,131,000	6,131,000	6,131,000	6,131,000	6,131,000	6,131,000	6,131,000	6,131,000	6,131,000	6,131,000
Other non-depreciable costs		413,305	413,305	413,305	413,305	413,305	413,305	413,305	413,305	413,305	413,305	413,305	413,305	413,305	413,305	413,305	413,305	413,305
Additions to depreciable basis		-	(16,603)	134,942	67,085	(3,461)	(77,003)	(153,873)	(86,714)	(174,297)	(266,514)	(363,819)	(466,700)	(376,266)	(495,894)	(622,981)	(749,419)	(848,729)
Tax Credit Basis Reduction		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated Depreciation		-	(2,106,887)	(2,816,960)	(3,508,188)	(4,194,447)	(4,875,408)	(5,550,694)	(6,249,421)	(6,958,405)	(7,641,105)	(8,304,453)	(8,959,092)	(9,635,612)	(10,315,334)	(10,957,836)	(11,576,896)	(12,202,862)
Net Book Value		$ 29,377,821	$ 27,254,331	$ 26,695,803	$ 25,936,719	$ 25,179,913	$ 24,425,410	$ 23,673,254	$ 23,041,686	$ 22,245,119	$ 21,470,203	$ 20,709,549	$ 19,952,029	$ 19,365,943	$ 18,566,594	$ 17,797,004	$ 17,051,506	$ 16,326,230
Minimum Gain		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
L.P. Minimum Gain		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

Lower Tier Benefits Schedule — Dian Street Villas

Year	Equity Contribution	Projected Taxable Income (Loss)	Deduct Stressed Cash Flow 100.00%	Projected Tax Benefits 21.00%	Projected Federal Housing Tax Credits	Projected Historic Rehab Tax Credits	Projected State Tax Credits	Federal Tax Effect on State Credits No	Projected State Historic Credits	Projected Energy Credits	Projected Total Tax Benefits	0.00% Projected Cash Flow	Total Investing L.P. Benefits
2021	2,027,759	(5,624)	-	1,181	-	-	-	-	-	-	1,181	-	1,181
2022	-	(2,348,222)	-	493,127	-	-	-	-	-	-	493,127	-	493,127
2023	11,152,674	(1,159,779)	0	243,554	1,461,448	-	-	-	-	-	1,705,002	-	1,705,002
2024	337,960	(776,162)	0	162,994	1,461,448	-	-	-	-	-	1,624,442	-	1,624,442
2025	-	(770,794)	-	161,867	1,461,448	-	-	-	-	-	1,623,315	-	1,623,315
2026	-	(765,232)	0	160,699	1,461,448	-	-	-	-	-	1,622,147	-	1,622,147
2027	-	(759,450)	-	159,485	1,461,448	-	-	-	-	-	1,620,933	-	1,620,933
2028	-	(782,952)	0	164,420	1,461,448	-	-	-	-	-	1,625,868	-	1,625,868
2029	-	(796,416)	0	167,247	1,461,448	-	-	-	-	-	1,628,695	-	1,628,695
2030	-	(770,745)	-	161,856	1,461,448	-	-	-	-	-	1,623,304	-	1,623,304
2031	-	(752,246)	-	157,972	1,461,448	-	-	-	-	-	1,619,420	-	1,619,420
2032	-	(744,652)	-	156,377	1,461,448	-	-	-	-	-	1,617,825	-	1,617,825
2033	-	(767,931)	-	161,266	-	-	-	-	-	-	161,266	-	161,266
2034	-	(776,834)	0	163,135	-	-	-	-	-	-	163,135	-	163,135
2035	-	(741,873)	-	155,793	-	-	-	-	-	-	155,793	-	155,793
2036	-	(712,308)	0	149,585	-	-	-	-	-	-	149,585	-	149,585
2037	-	(87,172)	0	18,306	-	-	-	-	-	-	18,306	-	18,306
2038	-	-	-	-	-	-	-	-	-	-	-	-	-
2039	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	13,518,393	(13,518,392)	1	2,838,863	14,614,480	-	-	-	-	-	17,453,343	-	17,453,343
Sale		(0)		0							0	-	0
Totals	13,518,393	(13,518,392)	1	2,838,863	14,614,480	-	-	-	-	-	17,453,343	-	17,453,343

EXHIBIT J
TO PARTNERSHIP AGREEMENT

INSURANCE

The General Partner shall maintain or cause to be maintained insurance coverages in full force and effect at all times with respect to the Apartment Complex in accordance with the requirements of this Exhibit J. All capitalized terms used in this Exhibit J shall have the meanings as set forth in the Agreement.

(1) **Property Insurance**. The Partnership shall carry "special form" property insurance in an amount equal to 100% of the insurable replacement cost of the Apartment Complex with coinsurance waived. If a coinsurance clause is in effect, an agreed amount endorsement is required. Endorsements shall extend coverage to building ordinance compliance, demolition and increased cost of construction, and shall be subject to a per loss deductible not to exceed $10,000. The policy shall not contain any exclusion for acts of terrorism. If the policy contains such exclusion, separate insurance coverage of any such exclusion for terrorist acts shall be obtained, provided that such coverage is available in the marketplace. Blanket policies must include a statement of values and limits by property location. Such coverage shall also include business income coverage in an amount equal to not less than 12 months scheduled rental income from the Property**,** and naming Limited Partner and the Special Limited Partner as loss payee and certificate holder. All such policies must be on an Acord 28 Form as Evidence of Insurance and provide that insurance will not be cancelled, non-renewed, or be materially changed without 30 days written notice.

(a) **Mechanical Breakdown/Boiler and Machinery Insurance** only applies to central systems and/or elevators per code. Boiler insurance is required if there is a steam boiler or other pressurized vessel in operation in connection with the premises. A minimum coverage of $250,000 per accident is required, with Total Building Value Limit, comprehensive form including Mechanical Breakdown.

(b) If the Apartment Complex is in a flood plain or is otherwise susceptible to flooding, **flood insurance** for the building and its contents will be required for the full replacement cost of the building(s), improvements and contents; or the maximum amount of flood insurance available on the date the Partnership was closed at the lower tier. The flood insurance policy must be satisfactory to the Limited Partner.

(c) **Other Coverages.** The Partnership shall also obtain and maintain prudent and commercially reasonable insurance coverage over and above the minimum requirements specified as appropriate to the property type and location. Additional coverages may include windstorm, mine subsidence, sinkhole, personal property, supplemental liability, or coverages of other property-specific risks.

2. **Commercial General Liability** insurance with a combined single limit for bodily injury and property damage in the amount of not less than $1,000,000 combined single limit per **occurrence per project**, $2,000,000 in the aggregate with a minimum of $5,000,000 per occurrence umbrella coverage liability insurance, including

personal and advertising injury $1,000,000 per occurrence, fire damage liability $50,000 and medical expense limit $5,000. All such coverage shall be provided on Acord #25 form certificate.

The Other insurance clause shall be deleted and as such insurance is to be primary as to the Contractor, Owner, Architect and all other persons and/or entities entitled to indemnities as set forth in the contract documents.

Commercial Automobile liability insurance in an amount not less than $1,000,000 (combined single limit) for all owned, hired and non-owned vehicles, if applicable.

INSURANCE REQUIREMENTS FOR THIRD PARTY MANAGEMENT AGENT

1. **Management Agent Responsibilities.** The General Partner shall cause the Property Management Agreement to require the Management Agent to obtain, and maintain in full force and effect, at all times with respect to the Apartment Complex the insurance coverage as required by this Exhibit. The Property Management Agreement shall require the Management Agent to provide the General Partner with evidence of the required coverage in the form of current certificates of insurance for as long as the Property Management Agreement shall remain in force.

2. **Management Agent Coverages.** In addition to the partnership coverages required by this Exhibit, the Management Agent shall obtain and maintain in full force and effect, at all times with respect to the services it provides to the Partnership the following policies of insurance:

(a) Commercial general liability insurance in amounts not less than $1,000,000 per occurrence and $2,000,000 in the aggregate with a minimum of $5,000,000 per occurrence in umbrella coverage which shall name the Partnership, Limited Partner and Special Limited Partner as an additional insured. Projects may require additional umbrella coverage depending on location and conditions.

(b) Worker's compensation insurance as required by the state in which the work is performed, including Employer Liability coverage not less than $1,000,000;

(c) A fidelity bond in an amount not less than six (6) months of projected gross rental receipts or Employee Theft and Dishonesty in an amount of not less than $1,000,000;

(d) Commercial automobile liability insurance covering owned, hired and non-owned autos for limits no less than $1,000,000 combined single limit per accident for bodily injury, property damage and physical damage (collision and comprehensive), naming the Partnership as additional insured for vehicles used exclusively for the property.

3. Management Agent shall cause all contractors, sub-contractors and suppliers performing work or providing supplies to maintain insurance coverage at such parties' expense in the following amounts, as statutorily required in the projects' respective states, or as listed below whichever is less:

(a) Worker's compensation – Statutory Amount;

(b) Employer's Liability for losses which are not covered by Worker's Compensation statutes - $1,000,000 minimum;

(c) Comprehensive General Liability including contractual liability for limits no less than $1,000,000 per occurrence and $2,000,000 in the aggregate; and

(d) Business Auto Liability covering $1,000,000 bodily injury and property damage combined single limit, per accident, to cover all owned, leased, hired or non-owned vehicles.

INSURANCE REQUIREMENTS DURING CONSTRUCTION

1. **Contractor.** Prior to commencement of any work and until final completion and final acceptance of the work by the owner, the Contractor and each and every subcontractor of any tier of the Contractors shall, at its sole cost and expense, maintain the following insurance:

(a) Commercial General Liability Insurance with a minimum combined single limit of $1,000,000 per occurrence per project with $2,000,000 in the aggregate with the minimum of $5,000,000 per occurrence umbrella covering the following perils: Products/completed operations ($2,000,000) for one year after completion of the Apartment Complex; broad form property damage including completed operations for one year after completion of the Apartment Complex. Projects may require additional umbrella coverage depending on location and conditions.

(b) Commercial Automobile liability insurance in an amount not less than $1,000,000 (combined single limit) for all owned, hired and non-owned vehicles utilized by contractor in connection with the Apartment Complex.

(c) Workers Compensation insurance as required by the state in which the work is to be performed, including Employer's Liability with a minimum limit of $1,000,000.

(d) The Partnership, Limited Partner and Special Limited Partner shall be named as additional insureds and certificate holder.

(e) The Other Insurance clause shall be deleted and such insurance is to be primary as to the Contractor, Owner, Architect and all other persons and/or entities entitled to indemnities as set forth in the contract documents.

(f) The General Partner shall use its best efforts to assure that the Contractor shall cause each of its subcontractors to purchase and maintain insurance of the types set forth above in this Section. The General Partner shall obtain from the Contractor copies of certificates of insurance evidencing such coverage for each such subcontractor.

2. **Builder's Risk.** The General Partner shall purchase and maintain, or shall require the Contractor to purchase and maintain, property insurance written on a builder's risk, "all risk" or equivalent policy form in the amount of the Construction Contract sum (including the value of any modifications) on a replacement cost basis. Such insurance shall be maintained until final payment has been made to the Contractor. Such policies shall include, without limitation, insurance against the perils of fire (with extended coverage) and physical loss or damage including, without duplication of coverage, theft, vandalism, malicious mischief, collapse, windstorm, testing and startup, temporary buildings, portions of the work stored off site, all portions of the work in transit, debris removal including demolition occasioned by the

enforcement of any applicable legal requirements, and shall cover reasonable compensation for Architect's and Contractor's services and expenses required as a result of such insured loss. If obtained by the Contractor, the Partnership, Limited Partner and Special Limited Partner shall be named as an additional insured and certificate holder.

3. **Other Coverages.** Insurance covering Soft Costs, resulting from damage or destruction to insured property on-site and while in transit shall be provided, including flood, earthquake and earth movement when such perils are required. Such insurance shall cover continuing expenses not directly involved in the direct cost of construction/renovation, including expense incurred upon money borrowed to finance construction or repair, continuing interest on mortgage loans, advertising, promotion, realty taxes and other assessments, the cost to the insured of additional commissions incurred upon re-negotiating leases, and other expenses incurred as a result of property loss or destruction by an insured peril. The Partnership shall also obtain and maintain prudent and commercially reasonable insurance coverage over and above the minimum requirements specified as appropriate to the property type and location. Additional coverages may include windstorm, mine subsidence, sinkhole, personal property, supplemental liability, or coverages of other property-specific risks. Partial occupancy or use shall not commence until the insurance company providing the property insurance has consented to such partial occupancy or use by endorsement or otherwise. The General Partner shall take no action with respect to partial occupancy or use that would cause the cancellation, lapse or reduction of insurance.

4. **Architect.** The Architect shall obtain, and maintain in full force and effect, at all times with respect to the Apartment Complex, the following policies of insurance:

(a) Commercial general liability insurance in amounts not less than $1,000,000 per occurrence and $2,000,000 in the aggregate which shall name the Partnership, Limited Partner and Special Limited Partner as additional insured and certificate holder.

(b) Professional liability insurance in an amount not less than $1,000,000.

5. **Surveyor**. Professional Liability Insurance policy obtained by the surveyor in the minimum amount of $1,000,000 to be in effect throughout the contract term. Certificate of Insurance to be furnished upon request.

ADMINISTRATIVE REQUIREMENTS

1. **Carrier Requirements.** All of the insurance policies required hereunder shall (a) be written by insurance companies which are licensed to do business in the State where the Apartment Complex is located or otherwise in conformity with the laws of such State, in a General Policy holder Rating of A or higher, and a Financial Rating of VIII or better, as reported in the most current issue of Best's Insurance Guide, or as reported by Best on its internet web site, such insurance shall specifically identify the Limited Partner and Special Limited Partner as an additional insured; and (c) include a provision requiring the insurance company to notify in writing no less than thirty (30) days prior to any cancellation, non-renewal or material change in the terms and conditions of coverage. In addition, the General Partner shall provide policies of all insurance contracts required hereunder within thirty (30) days of their inception and subsequent renewals.

2. **Review of Coverage.** The General Partner shall review regularly all of the Partnership and Apartment Complex insurance coverage to insure that it is adequate. In particular, the General Partner shall review at least annually the insurance coverage required hereunder to insure that it is in an amount at least equal to the then current full replacement value of the Improvements.

3. **Additional Insured.** The clause used to refer to the Limited Partner must read verbatim as follows:

Red Stone Equity – Fund 73 Limited Partnership, its successors and/or assigns,
1100 Superior Avenue, Suite 1640
Cleveland, OH 44114

The clause used to refer to the Special Limited Partner must read verbatim as follows:

Red Stone Equity Manager, LLC, its successors and/or assigns
1100 Superior Avenue, Suite 1640
Cleveland, OH 44114

Upon transfer of the Limited Partner interest in the Partnership to the Fund (as such term is defined in the Partnership Agreement), and written notification of such transfer to the General Partner, the clause used to refer to the Limited Partner shall reference the Fund.

4. **Certificates of Coverage and Policies.** The General Partner shall provide copies of all such insurance policies to the Limited Partner promptly after receipt thereof. Binders are acceptable for a period not to exceed 90 days. In the event hereafter there are exclusions, redefinitions, or other modifications by the insurance industry to any standard form of coverage specified hereinabove and such changes materially increase risks to the Partnership, the foregoing requirements shall, to the extent feasible, be deemed to include the same coverage of such risks as presently required.

5. **Notice.** The Limited Partners must be immediately notified of any physical damage, additional improvements or other factors affecting any insurance contract, including any claims under the Partnership Insurance.

6. **Limitation of Liability**. The General Partner hereby releases and relieves the Limited Partner, the Special Limited Partner, **[Fund if applicable]**, for any and all liability, and waives its entire right of recovery against them, with respect to any loss or damage of property or for property damage, bodily injury or personal injury to third parties arising out of or incident to any loss or peril insured against under any of the foregoing policies, and any other perils for which the General Partner is responsible for arranging such insurance.

NOTIFICATION OF COMPLIANCE WITH INSURANCE REQUIREMENTS

Red Stone Equity Partners, LLC
1100 Superior Avenue, Suite 1640
Cleveland, OH 44114
Attn: General Counsel

The _____ does hereby certify that the insurance policy
(name of insurance carrier)

Carried by_____ on behalf of _____for the
(name of the General Partner) (name of Partnership)

_____
(name of Property)

complies with the insurance requirements as stated in the Red Stone Insurance Requirements summary (attached)

_____
Insurance Agency

_____
Name

_____
Title

_____
Date

EXHIBIT K
TO PARTNERSHIP AGREEMENT

FORM ASSIGNMENT

_____ LIMITED PARTNERSHIP **("PARTNERSHIP")**
ASSIGNMENT AND ASSUMPTION OF LIMITED PARTNER INTEREST

This Assignment and Assumption of Limited Partner Interest (the "Assignment") is entered into as of the ___ day of_____, 20___, by and among **RED STONE EQUITY – FUND 73 LIMITED PARTNERSHIP**, a Delaware limited partnership (the "Assignor"), as the Limited Partner, _____, a(n) _____ (the "Assignee"), as the Substitute Limited Partner, **RED STONE EQUITY MANAGER, LLC**, a Delaware limited liability company, as Special Limited Partner.

W I T N E S S E T H :

WHEREAS, the Assignor is the Limited Partner of the Partnership;

WHEREAS, pursuant to the Amended and Restated Agreement of Limited Partnership dated as of April 21, 2021 (the "Partnership Agreement") by and among the Assignor, as the Limited Partner and the other Partners, the Assignor owns the Limited Partner Interest in the Partnership;

WHEREAS, the Assignor desires to assign to the Assignee its entire Limited Partner Interest in the Partnership to the Assignee and the Assignee has agreed to accept the Assignor's entire interest and to become a Substitute Limited Partner; and

WHEREAS, the parties acknowledge that the assignment contemplated hereby includes not only the entire Limited Partner Interest of Assignor, but also its rights and obligations under that certain Partnership Agreement and its rights, but not obligations, under all other documents contemplated under the Partnership Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and conditions hereinafter set forth, the parties agree as follows:

1. Definitions. Capitalized terms not defined herein shall have the meaning ascribed to them in the Partnership Agreement.

2. Representations and Warranties by Assignor. The Assignor hereby represents and warrants that (i) the execution, delivery and performance by the Assignor of this Assignment are within its corporate powers and have been duly authorized by all necessary corporate action on its part, (ii) it is the owner of the Limited Partner Interest free and clear of all liens, claims, security interests, transfer restrictions and other encumbrances, other than as specifically provided in the Partnership Agreement, (iii) it is an Affiliate of the Assignee within

the meaning set forth in the Partnership Agreement, and (iv) the Assignment does not violate any law regulation, rule, judgment or decree of any court and does not constitute a default under any agreement to which the Assignor is a party or by which the Assignor is bound and no consents to the Assignment are required from any party, including but not limited to the General Partner of the Partnership or any lender.

3. Assignment. The Assignor hereby assigns to the Assignee all the Assignor's interest, right and title in and to the Assignor's Limited Partner Interest in the Partnership, including without limitation all rights and obligations of the Assignor under the Partnership Agreement and any and all of the agreements attached to the Partnership Agreement as exhibits. From and after the date of this Assignment, the Assignor and the Assignee shall treat the Assignee as the owner of the Limited Partner Interest for all purposes, including the allocation of all profits, gains, losses, and credits for income tax purposes and any distributions with respect thereof. Assignor shall indemnify and hold Assignee harmless against all losses, costs and expenses (including reasonable attorneys' fees) arising out of the Assignor's acts or omissions as the predecessor Limited Partner, or any Assignor liability or obligation under any agreement or instrument other than the Partnership Agreement. The parties agree that Assignor retains the right to receipt of their fees and reimbursements, including without limitation, its Asset Management Fee and Capital Transactions fees pursuant to the Partnership Agreement, payable to Red Stone Equity Manager, LLC in its own name, and not as Limited Partner.

4. Assumption. The Assignee hereby accepts the Limited Partner Interest and agrees to be bound by the Partnership Agreement and assumes all obligations of the Limited Partner thereunder including, without limitation, the capital contribution obligations set forth in Section 5.01 of the Partnership Agreement which may accrue after the date hereof, but assumes no other obligations of Assignor.

5. Rights of Assignee. The parties acknowledge that by execution of this Assignment, Assignee is admitted as a Substitute Limited Partner in the Partnership. Assignor represents and warrants that it has provided (or within thirty (30) days hereafter shall provide) all required notices of this Assignment, and no further action (including without limitation any amendment to the Limited Partnership Certificate of the Partnership) is required under the Partnership Agreement in order to admit Assignee as a Substitute Limited Partner.

6. Further Covenants by Assignor. The Assignor hereby further covenants that it will, at any time, and from time to time, upon written request therefor, execute and deliver to the Assignee, or its successors, nominees and assigns, any reasonable new or confirmatory instruments (in forms reasonably acceptable to the Assignor) and do and perform any and all other reasonable acts which the Assignee, or its successors, nominees and assigns, may reasonably request in order to fully assign, transfer and vest in the Assignee, or its successors, nominees and assigns, the Limited Partner Interest and to protect their rights, title and interest in and to the Limited Partner Interest, or to otherwise realize upon or enjoy such rights in and to the Limited Partner Interest. The Assignor further covenants that it will promptly provide the Assignee with copies of all correspondence, notices, reports and similar documents related to the Partnership that are received by the Assignor.

7. Counterparts. This Assignment may be executed in counterparts, each taken together with the other counterparts shall constitute one instrument, binding and enforceable against each signatory to any counterpart instrument. Any facsimile signature shall be accepted as an original if containing a copy of the original signature notwithstanding that the original has not been received.

IN WITNESS WHEREOF, the Assignor, Assignee and the Special Limited Partner have executed this Assignment or caused this Assignment to be executed as of the day first written above.

ASSIGNOR:

RED STONE EQUITY – FUND 73 LIMITED PARTNERSHIP, a Delaware limited partnership

By: _____
Name: _____
Title: _____

ASSIGNEE:

_____

By: _____
Name: _____
Title: _____

SPECIAL LIMITED PARTNER:

RED STONE EQUITY MANAGER, LLC,
a Delaware limited liability company

By: _____
Name: _____
Title: _____

EXHIBIT L
TO PARTNERSHIP AGREEMENT

FORM OF LENDER ESTOPPEL LETTER

[Red Stone Entity]
c/o Red Stone Equity Partners, LLC
1100 Superior Avenue, Suite 1640
Cleveland, OH 44114

Re: Loan in the amount of $_____ evidenced by a note (the "**Note**") dated as of _____, 20___, from _____ (the "**Partnership**") secured by a [mortgage] [deed of trust] (the "**Mortgage**") of the same date encumbering certain property known as [Project Name] located in [Project Location]

Ladies and Gentlemen:

The undersigned is the holder of the Mortgage and the payee under the Note. The undersigned has been advised that you have acquired a limited partnership interest in and will be making a capital contribution to the Partnership upon the satisfaction of certain conditions precedent which include the delivery by the undersigned of this letter confirming certain information about the Note and the Mortgage.

Accordingly, the undersigned confirms as follows:

1. As of the date hereof, the principal balance of the Note is $_____.

2. Interest on the indebtedness evidenced by the Note has been paid through _____.

3. To the best knowledge of the undersigned, no default exists under the Note and the Mortgage and no event has occurred which, with notice or the passage of time, or both, would constitute a default under the Note and/or the Mortgage.

4. The Note and the Mortgage have not been modified, amended or supplemented.

5. All escrows required to be funded as of the date hereof pursuant to the Loan have been fully funded.

The undersigned agrees for so long as it is a [Mortgagee] [Beneficiary] of record to deliver to you copies of any notices of default which are sent by the undersigned to the general partners of the Partnership, it being understood and agreed that the terms and conditions of the Mortgage governing notices of default will also apply to copies of such notices.

Very truly yours,
[Lender]

By:_____
Name:_____
Title:_____
Date:_____

EXHIBIT M
TO PARTNERSHIP AGREEMENT

Intentionally Omitted

EXHIBIT N
TO PARTNERSHIP AGREEMENT

PURCHASE OPTION AND RIGHT OF FIRST REFUSAL AGREEMENT

(See Attached)

PURCHASE OPTION AND RIGHT OF FIRST REFUSAL AGREEMENT

This Purchase Option and Right of First Refusal Agreement ("Purchase Agreement"), is made as of April 21, 2021, by and between CSH Dian Street Villas, Ltd., a Texas limited partnership (the "Partnership"), and Texas Inter-Faith Housing Corporation, a Texas non-profit corporation ("Grantee"), and is consented and agreed to hereinbelow by Red Stone Equity – Fund 73 Limited Partnership, a Delaware limited partnership (the "Limited Partner") and Red Stone Equity Manager, LLC, a Delaware limited liability company (the "Special Limited Partner").

Recitals

WHEREAS, CSH Dian Street Villas GP, LLC as general partner (the "General Partner") and one or more other parties, concurrently with the execution and delivery of this Purchase Agreement, are entering into that certain Amended and Restated Agreement of Limited Partnership of the Partnership dated as of the date hereof (the "Agreement") continuing the Partnership by amending and restating a prior partnership agreement (all capitalized terms used herein and not otherwise defined shall have the meaning given to them in the Agreement); and

WHEREAS, Grantee has been instrumental in the development of the Apartment Complex, as described in the Agreement; and

WHEREAS, the Apartment Complex is or will be subject to one or more governmental agency regulatory agreements (collectively, the "Use Restrictions") restricting its use to low-income housing; and

WHEREAS, Grantee desires to provide for the continuation of the Apartment Complex as low-income housing upon termination of the Partnership by Grantee purchasing the Apartment Complex at the applicable price determined under this Purchase Agreement and operating the Apartment Complex in accordance with the Use Restrictions; and

WHEREAS, as a condition precedent to the continuation of the Partnership pursuant to the Agreement, Grantee has negotiated and required that the Partnership shall execute and deliver this Purchase Agreement.

NOW, THEREFORE, in consideration of the execution and delivery of the Agreement and the payment by the Grantee to the Partnership of Ten and No/100 Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. Grant of Option. The Partnership hereby grants to Grantee an option to purchase either (a) the real estate, fixtures, and personal property comprising the Apartment Complex or associated with the physical operation thereof, owned by the Partnership at the time of purchase (the "Property") (the "Project Option"), or (b) purchase the Limited Partner's and the Special Limited Partner's partnership interests in the Partnership (the "Partnership Interest Option") (the Project Option and Partnership Interest Option shall

collectively be known as the “Option”), for a period beginning with the expiration of the fifteen (15) year compliance period for the low-income housing tax credits for all buildings at the Apartment Complex (the "Compliance Period") as determined under Section 42(i)(1) of the Internal Revenue Code of 1986, as amended (the "Code") and ending twenty-four months thereafter, on the terms and conditions set forth in this Purchase Agreement and subject to the conditions precedent to exercise of the Option specified herein. The Apartment Complex real estate is legally described in Exhibit A attached hereto and made a part hereof. The Use Restrictions to which the Apartment Complex real estate will remain subject under Section 8 hereof are described in Exhibit B attached hereto and made a part hereof.

2. Grant of Refusal Right. In the event that the Partnership receives a bona fide offer to purchase the Apartment Complex, which offer the Partnership intends to accept, Grantee shall have a right of first refusal to purchase the Property (the "Refusal Right") commencing on the date hereof and continuing until twenty-four months after the expiration of the Compliance Period, on the terms and conditions set forth in this Purchase Agreement and subject to the conditions precedent to exercise of the Refusal Right specified herein. In addition to all other applicable conditions set forth in this Purchase Agreement, (a) the foregoing grant of the Refusal Right shall be effective only if Grantee is currently and remains at all times hereafter, until (i) the Refusal Right has been exercised and the resulting purchase and sale has been closed or (ii) the Refusal Right has been assigned to a Permitted Assignee described in Section 9 hereof, whichever first occurs, a qualified nonprofit organization, as defined in Section 42(h)(5)(C) of the Code, and (b) any assignment of the Refusal Right permitted under this Purchase Agreement and the Refusal Right so assigned shall be effective only if the assignee is at the time of the assignment and remains at all times thereafter, until the Refusal Right has been exercised and the resulting purchase and sale has been closed, a Permitted Assignee described in Section 9 hereof meeting the requirements of Section 42(i)(7)(A) of the Code as determined in its judgment by tax counsel to the Limited Partner. Prior to accepting any such offer to purchase the Property, the Partnership shall notify Grantee, the General Partner, and the Limited Partner of such offer and deliver to each of them a copy thereof. The Partnership shall not accept any such offer unless and until the Refusal Right has expired without exercise by Grantee under Section 5 hereof.

3. Purchase Price Under Option.

a. Purchase Price Under Project Option. The purchase price for the Property pursuant to the Project Option shall be the greater of the following amounts, subject to the proviso set forth hereinbelow:

(1) Debt and Taxes. An amount sufficient (i) to pay all debts (including Partner loans) and liabilities of the Partnership upon its termination and liquidation as projected to occur immediately following the sale pursuant to the Project Option, and (ii) to distribute to the Partners, after payments of items under Section 11.04(a) through (d) of the Agreement, cash proceeds equal to the taxes projected to be imposed on the Partners of the Partnership as a result of the sale pursuant to the Project Option, all as more fully stated in Section 11.04 of the Agreement, which is hereby incorporated herein by reference; or

(2) Fair Market Value. The fair market value of the Property, appraised as low-income housing to the extent continuation of such use is required under the Use

Restrictions, any such appraisal to be made by a licensed appraiser, selected by the Partnership's regular certified public accountants, who is a member of the Master Appraiser Institute and who has experience in the geographic area in which the Apartment Complex is located, as reduced by customary costs of sale, including customary sales commissions; provided, however, that if prior to exercise of the Project Option the Service has issued a revenue ruling or provided a private letter ruling to the Partnership, the applicability of which ruling shall be determined in its judgment by tax counsel to the Limited Partner, or tax counsel to the Limited Partner has issued an opinion letter concluding that property of the nature and use of the Property may be sold under circumstances described in this Purchase Agreement at the price determined under Section 42(i)(7) of the Code without limiting tax credits or deductions that would otherwise be available to the Limited Partner, then the Project Option price shall be such price.

b. Purchase Price Under Partnership Interest Option. The purchase price for the Interest of the Limited Partner and the Special Limited Partner pursuant to the Partnership Interest Option shall be equal to the amount which would be payable and/or distributable to the Limited Partner and the Special Limited Partner upon liquidation of the Partnership following any sale of the Property under the Project Option at the purchase price set forth above, subject to the proviso set forth in subsection 3(a)(2) hereinabove.

4. Purchase Price Under Refusal Right. The purchase price for the Property pursuant to the Refusal Right shall be equal to the sum of (a) an amount sufficient to pay all debts (including Partner loans) and liabilities of the Partnership upon its termination and liquidation as projected to occur immediately following the sale pursuant to the Refusal Right, (b) an amount sufficient to make payments required under Section 11.04(a) through (d) of the Agreement, and (c) an amount equal to the taxes projected to be imposed on the Partners of the Partnership as a result of the sale pursuant to the Refusal Right, all as more fully stated in Section 11.04 of the Agreement, which is hereby incorporated herein by reference.

5. Exercise of Option or Refusal Right. The Option and the Refusal Right may each be exercised by Grantee by (a) giving prior written notice of its intent to exercise the Option or the Refusal Right to the Partnership and each of its Partners in the manner provided in the Agreement and in compliance with the requirements of this Section 5, and (b) complying with the contract and closing requirements of Section 7 hereof. Any such notice of intent to exercise the Option shall be given during the twenty-four (24) months following the Compliance Period. Any such notice of intent to exercise the Refusal Right shall be given within one hundred eighty (180) days after Grantee has received the Partnership's notice of a bona fide offer pursuant to Section 2 hereof, but in no event later than twenty-four (24) months immediately following the end of the Compliance Period, notwithstanding any subsequent receipt by the Partnership of any such offer. In either case, the notice of intent shall specify a closing date within twenty-four (24) months immediately following the end of the Compliance Period. If the foregoing requirements (including those of Sections 7 and 10 hereof) are not met as and when provided herein, the Option or the Refusal Right, or both, as applicable, shall expire and be of no further force or effect. Upon notice by Grantee of its intent to exercise the Option or the Refusal Right, all rights under the other shall be subordinate to the rights then being so exercised unless and until such exercise is withdrawn or discontinued, and upon the closing of any sale of the Property pursuant

to such notice shall expire and be of no further force or effect, provided that in the event that the Option and the Refusal Right are hereafter held by different parties by reason of any permitted assignment or otherwise, Grantee in its assignment(s) or such parties by written agreement may specify any other order of priority consistent with the other terms and conditions of this Purchase Agreement.

6. Determination of Price. Upon notice by Grantee of its intent to exercise the Option or the Refusal Right, the Partnership and Grantee shall exercise best efforts in good faith to agree on the purchase price for the Property. Any such agreement shall be subject to the prior written consent of the Limited Partner, which shall not be withheld as to any purchase price determined properly in accordance with this Purchase Agreement.

7. Contract and Closing. Upon determination of the purchase price, the Partnership and Grantee shall enter into a written contract for the purchase and sale of the Property in accordance with this Purchase Agreement and containing such other terms and conditions as are standard and customary for similar commercial transactions in the geographic area which the Apartment Complex is located, providing for a closing not later than the date specified in Grantee's notice of intent to exercise of the Option or the Refusal Right, as applicable, or ninety (90) days after the purchase price has been determined, whichever is later. In the absence of any such contract, this Purchase Agreement shall be specifically enforceable upon the exercise of the Option or the Refusal Right, as applicable. The purchase and sale hereunder shall be closed through a deed-and-money escrow with the title insurer for the Apartment Complex or another mutually acceptable title company. In the event that none of the Option or the Refusal Right is exercised, or the sale pursuant thereto is not consummated, then upon conveyance of the Apartment Complex to anyone other than Grantee or its permitted assignee hereunder, the foregoing provisions shall terminate and have no further force or effect.

8. Use Restrictions. In consideration of the Option and the Refusal Right granted hereunder at the price specified herein, Grantee hereby agrees that the deed of the Apartment Complex to Grantee shall be subject to the Use Restrictions.

9. Assignment. Grantee may assign all or any of its rights under this Purchase Agreement to (a) a qualified nonprofit organization, as defined in Section 42(h)(5)(C) of the Code, (b) a government agency, or (c) a tenant organization (in cooperative form or otherwise) or resident management corporation of the Apartment Complex (each a "Permitted Assignee") that demonstrates its ability and willingness to maintain the Apartment Complex as low-income housing in accordance with the Use Restrictions, in any case subject to the prior written consent of the Limited Partner, which shall not be unreasonably withheld if the proposed grantee demonstrates that it is reputable and creditworthy and is a capable, experienced owner and operator of residential rental property, and subject in any event to the conditions precedent to the Refusal Right grant and the Option Price set forth herein. Prior to any assignment or proposed assignment of its rights hereunder, Grantee shall give written notice thereof to the Partnership, the General Partner, and the Limited Partner. Upon any permitted assignment hereunder, references in this Purchase Agreement to Grantee shall mean the permitted Assignee where the context so requires, subject to all applicable conditions to the effectiveness of the rights granted under this Purchase Agreement and so assigned. No assignment of Grantee's rights hereunder shall be effective unless and until the permitted Assignee enters into a written agreement accepting the assignment and assuming all of Grantee's obligations under this Purchase

Agreement and copies of such written agreement are delivered to the Partnership, the General Partner, and the Limited Partner. Except as specifically permitted herein, Grantee's rights hereunder shall not be assignable.

10. Conditions Precedent. Notwithstanding anything in this Purchase Agreement to the contrary, the Option and the Refusal Right granted hereunder shall be contingent on the following:

a. General Partner. The General Partner shall have remained in good standing as General Partner of the Partnership and there shall be no default or any circumstances which, with the giving of notice or the passage of time, would constitute a default, under the Agreement; and

b. Use Restrictions. Either (i) the Use Restrictions shall have been entered into and remained in full force and effect, and those Use Restrictions to be contained therein, as heretofore initially approved in writing by the Limited Partner, shall have remained unmodified except as to any modification Consented to by the Special Limited Partner in writing, or (ii) if the Use Restrictions are no longer in effect due to reasons other than a default thereunder by the Partnership, such Use Restrictions, as so initially approved and unmodified, shall have remained in effect by other means and shall continue in effect by inclusion in the deed as required under Paragraph 8 hereof.

If any or all of such conditions precedent have not been met, the Option and the Refusal Right shall not be exercisable. Upon any of the events terminating the General Partner as General Partner of the Partnership under the Agreement or affecting the Use Restrictions as described in this Section 10, the Option and the Refusal Right shall be void and of no further force and effect.

11. Miscellaneous. This Purchase Agreement shall be governed by the laws of the State. This Purchase Agreement may be executed in counterparts or counterpart signature pages, which together shall constitute a single agreement.

12. Subordination. The Grantee’s Option and Right of First Refusal granted herein shall at all times be subject and subordinate to the liens of the Project Lenders.

(*document continues on following page*)

IN WITNESS WHEREOF, the parties have executed this Purchase Option and Right of First Refusal Agreement as of the date first set forth hereinabove.

PARTNERSHIP:

CSH DIAN STREET VILLAS, LTD., a Texas limited partnership

By: CSH Dian Street Villas GP, LLC,
a Texas limited liability company

By: Texas Inter-Faith Housing Corporation,
a Texas non-profit corporation, its
managing member

By: _____
Name: Russ Michael Schmidtberger
Title: Executive Director

GENERAL PARTNER:

CSH DIAN STREET VILLAS GP, LLC,
a Texas limited liability company

By: Texas Inter-Faith Housing Corporation, a Texas non-profit corporation, its managing member

By: _____
Name: Russ Michael Schmidtberger
Title: Executive Director

GRANTEE:

TEXAS INTER-FAITH HOUSING CORPORATION, a Texas non-profit corporation

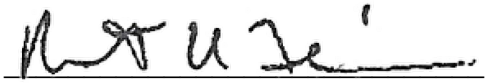
By: _____
Name: Russ Michael Schmidtberger
Title: Executive Director

The undersigned hereby consents to the foregoing Purchase Option and Right of First Refusal Agreement as of the date first set forth hereinabove.

LIMITED PARTNER:

RED STONE EQUITY – FUND 73 LIMITED PARTNERSHIP, a Delaware limited partnership

By: RSEP MM 3, LLC, a Delaware limited liability company, its general partner

By: 

Name: Robert U. Fein
Title: Chief Operating Officer

SPECIAL LIMITED PARTNER:

RED STONE EQUITY MANAGER, LLC, a Delaware limited liability company

By: 

Name: Robert U. Fein
Title: Chief Operating Officer

4600016550
2021-0208

LOAN AGREEMENT

Dated April 16, 2021

By and between

CITY OF HOUSTON, TEXAS,
a home-rule city organized under the laws of the State of Texas

and

TEXAS INTER-FAITH HOUSING CORPORATION,
a 501(c)3 non-profit corporation

and

CSH DIAN STREET VILLAS, LTD.,
a Texas limited partnership

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LOAN AGREEMENT (CDBG-DR 17 Transaction)

The parties to this Loan Agreement (this "Agreement") are the **CITY OF HOUSTON, TEXAS**, a home-rule city organized under the laws of the State of Texas ("City"), and **TEXAS INTER-FAITH HOUSING CORPORATION**, a Texas 501(c)3 non-profit corporation ("Borrower") and is joined herein by **CSH DIAN STREET VILLAS, LTD.**, a Texas limited partnership ("Owner").

Unless the context otherwise requires, the initial capitalized words shall have the meanings ascribed to them in **Schedule A** attached to this Agreement if they are not otherwise defined in the main body of this Agreement.

Borrower, City and Owner hereby agree as follows:

SECTION ONE
BACKGROUND

A. Borrower has requested and this Agreement provides for a loan to be made from the City to the Borrower in the maximum principal amount of Eleven Million AND NO/100 Dollars ($11,000,000.00) ("Loan Amount") (the "City Loan" or the "City's Loan"). The City's Loan will provide for the rehabilitation, reconstruction, acquisition and/or construction of replacement affordable housing that was damaged or destroyed by Hurricane Harvey, and will serve a Low and Moderate Income ("LMI") benefit by providing or improving residential structures to be occupied by households qualifying for LMI ("LMI Persons" or "City's LMI Persons").

B. Funding for the City Loan is being provided to the City pursuant to 2017 Community Development Block Grant ("CDBG") Disaster Recovery program funds ("CDBG-DR17 Program") awarded by the United States Department of Housing and Urban Development ("HUD") through the Texas General Land Office ("GLO") under the Continuing Appropriations

Act, 2018 and Supplemental Appropriations for Disaster Relief Requirements Act, 2017 (Public Law 115-56) and the Further Additional Supplemental Appropriations for Disaster Relief Requirements Act, 2018 (Public Law 115-23), and the requirements published by HUD under 83 Fed. Reg. 5844 and 83 Fed. Reg. 40314, and is subject to the terms and conditions of that certain Contract Numbered 19-147-001-B489 ("2019 Subrecipient Agreement") and 21-134-000-C788 ("2021 Subrecipient Agreement"), as may be amended from time to time ("GLO Contract") between GLO and the City. Pursuant to the GLO Contract, the provisions of that certain City of Houston Local Action Plan – Hurricane Harvey Housing Recovery passed and approved by City Council of the City of Houston ("City Council") by Ordinance No. 2018-518 on June 27, 2018, as amended by that certain State of Texas Plan for Disaster Recovery: Hurricane Harvey Round 1, as amended from time to time (as so amended, the "Action Plan"), Federal regulations, as published in 24 C.F.R. Part 570 ("CDBG Regulations"), the State of Texas CDBG Housing Rules, as published in 10 TAC Chapter 60; the City's Harvey Multifamily Program Guidelines, as amended from time to time, and other related administrative rules and regulations issued by the Federal Government or State of Texas that are applicable to rental activities funded under the CDBG-DR17 Program ("Other Requirements") are hereby included or incorporated in this Agreement and sub-agreements, as applicable. Furthermore, Borrower and Owner have been notified that the information related to the development, its operations and its residents are covered under Chapter 552, Texas Government Code, the Texas Public Information Act, unless a valid exception exists, and Chapter 2306 of the Texas Government Code. Borrower and Owner acknowledge that on the date HUD approves the eighth amendment to the Action Plan, the City's 2019 Subrecipient Agreement shall automatically terminate and the 2021 Subrecipient Agreement will become effective to govern this Agreement from that date forward.

C. The term of the City Loan shall commence on the Closing Date and shall mature on the last day of the Affordability Period (as same may be extended). Until Project Completion Borrower shall have no obligation to make payments on the City Loan, except as set forth in Section One, Paragraph D below. Following Project Completion the outstanding principal balance of the Note shall accrue interest at the rate of one percent (1%) per annum. From Available Cash Flow, Borrower shall pay an annual installment equal to the lesser of (i) one percent (1%) annually on the outstanding balance of the City Loan plus accrued unpaid interest, if any, or (ii) fifty percent (50%) of Net Cash Flow, as defined below. The annual interest payment or non-payment of such interest shall be accompanied by evidence acceptable to the Director documenting Net Cash Flow or lack of sufficient Net Cash Flow. Unpaid interest will accrue and will be payable from future Available Cash Flow. For purposes of this provision Available Cash Flow shall mean 50% of Net Cash Flow, defined as follows:

Net Cash Flow shall mean all income and revenues actually received by Owner from the lease of the Project Units and other improvements, and all other income and revenues actually received by Owner in connection with the Project, excluding and deducting therefrom all (1) Operating Expenses, including any debt service payments related to the Senior Loan (but not any subordinate loans); (2) security, pet or cleaning deposits, if any; (3) payments from the Replacement Reserve or from Operating Reserves; (4) payments or reimbursements from insurers or other third parties and used or to be used for restoration, repair or remodeling of any of the Project Units or other improvements; (5) capital contributions, grants, proceeds of any permitted sale, transfer, exchange, refinancing or other disposition or encumbrance of all or a portion of the Project; (6) condemnation proceeds and awards in place of them; (7) tax reduction or abatement proceeds (8) City

Loan proceeds; (9) deposits made to operating reserves and to the replacement operating reserves; (10) payments of the deferred developer fee; (11) costs of residential services; (12) social services fees; 13) any tax credit adjustments, any asset management fees due to either the Tax Credit Investor or a limited partner to the extent such fee is authorized under the Approved Final Operating Budget and loans from the limited partner of Owner related to the Project (to the extent that repayment of such loan (a) is not secured by the Project and (b) is made for the purposes of covering assumed tax liability, tax credit shortfalls and operating deficits under the Approved Final Operating Budget for the applicable year and not for the purposes of facilitating distributions to the partners of Owner).

Provided that no Default then exists and subject to the Director's consent and the conditions of this Section, Borrower may, at its option, extend the Term of this City Loan for a maximum of three (3) successive renewal periods of five (5) years each (the "Renewal Periods") by written notice to the City of Borrower's desire to renew the City Loan (the "Renewal Notice") which Renewal Notice shall be given no earlier than ninety (90) days prior to the expiration of the then current Term and no later than thirty (30) days prior to the expiration of the then current Term (as it may have previously been extended). For each Renewal Period, Borrower will pay the City a fee equal to one percent (1.0%) of the then outstanding balance of the City Loan which is a good faith estimate of the additional legal fees, monitoring costs and other expenses to be incurred by the City as a result of such extension and which sum must be paid simultaneously with the giving of the Renewal Notice. The extension option may only be exercised as to one Renewal Period at a time. (For clarity purposes, the second extension option may be exercised no earlier than ninety (90) days prior to the expiration of the first Renewal Period and will not be available if the first extension option is not exercised and the third extension option may be exercised no earlier than

ninety (90) days prior to the expiration of the second Renewal Period and will not be available if the first and second extension options are not exercised.) As a condition to each such extension, the Affordability Period must be extended to cover the applicable Renewal Period, and the parties shall execute a written extension agreement and any other documentation which may be required to extend the City Loan, the Affordability Period and the Restrictive Covenants for the Renewal Period in form and substance reasonably acceptable to the City and Owner. In addition, as a further condition to the renewal, (i) Borrower shall provide the City with a title company endorsement to the City's loan policy of title insurance for such extension under Texas Title Insurance Procedural Rule P.9.b.3 (or the equivalent), and (ii) the Project must pass the inspection of the City to ensure compliance with the Minimum Property Standards as the same are revised from time to time and if necessary, the Borrower shall cause Owner and Owner shall additionally make all necessary repairs to bring the Project into compliance. If Borrower requests an extension, the City may also, as a condition of renewal, require that the Replacement Reserve Account(s) be collaterally assigned to the City, subject, however, to Senior Lender's interest in the Replacement Reserve Account(s) under the Senior Loan Documents, as applicable.

D. No payment of principal shall be payable under the City Loan except (and subject to the next sentence) in the event of Borrower's or Owner's Default of its obligations or representations and warranties under (a) this Agreement, (b) the terms of the Note, the Collateral Note or any other Loan Documents securing or evidencing the City Loan, and/or (c) the City's Restrictive Covenants, provided, however, the Director, in his or her sole discretion, may waive in full or in part any requirement of this sentence. Upon the Maturity Date, if no Default has occurred which remains uncured, the amount of the City's Loan which remains unpaid, if any, shall be deemed paid by Borrower, Director elects to accelerate payment of the Note and declare that all

sums under the City Loan are immediately due and payable upon the declaration by the Director of a Default under (a) this Agreement, (b) the terms of the Note or other documents securing or evidencing the City Loan, (c) the City's Restrictive Covenants, (d) the terms of the Owner Loan Agreement or the terms of any of the Owner Loan Documents, or (e) the Collateral Assignment (Owner Loan), the principal balance of the City Loan together with accrued but unpaid interest thereon shall become immediately due and payable at the Director's option.

E. Borrower's obligations to the City under this Agreement, including, but not limited to repayment of the City's Loan as evidenced by the Note, will be secured by, among other things, the Collateral Assignment (Owner Loan) in favor of the City and the Owner Loan Documents. In furtherance of the foregoing, Borrower and Owner shall execute and deliver any instruments, documents and/or agreements necessary to create or perfect the security interests referenced hereunder.

F. Borrower shall loan the proceeds of the City Loan to Owner pursuant to the Owner Loan Agreement which has been or will be approved by the Director, for the Owner Loan from Borrower to Owner. Owner shall use the proceeds of the Owner Loan for the payment of the costs to acquire and rehabilitate, reconstruct, construct or replace rental housing to be known as Dian Street Villas, located in Houston, Harris County, Texas. The Land on which the Project is located is described in Exhibit A attached to this Agreement. The purpose of the Project is to provide housing for the City's LMI Persons in compliance with the affordability agreements set forth in this Agreement and in the Restrictive Covenants.

G. Guarantor will sign a Construction Completion Guaranty in the form set forth in the Attachments to this Agreement ("Construction Completion Guaranty") of Borrower's and

Owner's construction completion requirements under this Agreement and the Construction Contract.

H. To secure the City Loan, Borrower will collaterally assign the Owner Loan and the Owner Loan Documents pursuant to the Collateral Assignment (Owner Loan) executed by Borrower in favor of the City covering the Owner Loan, the Deed of Trust executed by Owner covering the Project and the other Owner Loan Documents. Notwithstanding anything to the contrary in this Agreement, the Owner shall remain obligated to repay the Owner Loan to the holder thereof according to its terms and conditions until satisfied in full.

I. The City is obligated to comply with certain requirements with respect to reporting to GLO about the use of the Loan Proceeds and the operations and maintenance of the Project, among other matters, and this Agreement contains provisions for the Borrower and Owner to submit information to the Director on various aspects of the Project. Borrower shall, and shall cause Owner to submit, and Owner shall submit this information to the Director on the forms from time to time provided and required by the Director to be used by the Borrower and/or Owner ("Monitoring Forms"), the initial form of which is attached as **APPENDIX 5** hereto.

J. The City Loan is issued subject to the conditions and terms of this Agreement.

K. Borrower and Owner shall comply and shall cause their contractors to comply with the City's Minority, Women and Small Business Enterprise ("MWSBE") programs as set out in Chapter 15, Article V of the City's Code of Ordinances. Borrower and Owner shall make good faith efforts as described by the City's Office of Business Opportunity ("OBO") policy attached hereto as **APPENDIX 9**, to award subcontracts or supply agreements in at least 34% of the Loan Amount to MWSBEs. Borrower and Owner acknowledge that they have reviewed the requirements for good faith efforts on file with the OBO and shall comply with them.

Borrower and Owner shall ensure and shall cause their contractors to ensure that all subcontracts with MWSBE subcontractors and suppliers contain the following terms:

1. "[MWSBE subcontractor] shall not delegate or subcontract more than 50% of the work under this Subcontract to any other subcontractor or supplier without the express written consent of the City of Houston's OBO Director.

2. [MWSBE subcontractor] shall permit representatives of the City of Houston (including without limitation the Director and City Controller), at all reasonable times, to perform (a) inspections of all places where work is to be undertaken in connection with this Subcontract, and (b) audits of the books and records of [MWSBE subcontractor]. [MWSBE subcontractor] shall keep such books and records available for such purpose for at least four (4) years after the completion of its performance under this Subcontract. Nothing in this provision shall affect the time for bringing a cause of action nor the applicable statute of limitations.

3. Within five (5) business days of execution of this Subcontract, the prime contractor and [MWSBE Subcontractor] shall designate in writing to the Director an agent for receiving any notice required or permitted to be given pursuant to Chapter 15 of the City's Code of Ordinances, together with the mailing address and telephone number of such agent.

4. Any controversy between the parties involving the construction or application of any terms, covenants, or conditions of this Subcontract may be submitted to the OBO Director. The OBO Director may prescribe procedures to provide dispute resolution by neutrals, in accordance with the requirements of Chapter 15 of the City's Code of Ordinances.

L. Borrower and Owner hereby agree to comply with the following conditions of GLO's approval of the Project for fair housing and affirmatively further fair housing purposes:

1. Install tenant safety improvements such as perimeter fencing along with keyed entries, if feasible from a budgetary and design perspective.

2. Install sidewalks along the property's Dian Street and W 15th Street frontages and ramps at corner.

3. Offer on-site outside-of-school-hours programs including tutoring and test preparation, character building programs, mentee opportunities and similar activities for the tenant children.

4. Property Manager to inform tenants in writing that the western third of the development's parking area is within the 100-year flood plain and that areas to the east, including on-street parking and parking lots, may be safer for temporary vehicle parking during flood events.

5. Provide GLO with its Affirmative Fair Housing Marketing Plan (AFHMP) prior to the commencement of lease-up activities that identifies the demographic groups least likely to apply to reside at the development using the methodology in the AFHMP form instructions, which at a minimum should include people identifying as Black/African American, families with children, and people with disabilities.

M. Borrower and Owner agree to abide by the conflict of interest provisions at 24 C.F.R. § 570.611, 2 C.F.R. § 200.317 and 2 C.F.R. §200.318 and furnish conflict of interest disclosure forms if so required by the Director.

N. If the Loan Proceeds do not cover all of the costs of the Project, Owner shall have obtained at the time of Closing a firm commitment for the funding of the remaining acquisition costs (if applicable) and the construction costs to repair, renovate, construct and/or reconstruct the Project (collectively, together with the Senior Loan the "Other Financings"), all of which combined with the Loan Proceeds, total at least the amount required by the Approved Final Project

Budget ("Final Project Budget") in form and content approved by the Director and attached hereto in the Exhibits to this Agreement. In any case, Owner shall be responsible for funding or obtaining funding for any costs or expenses of the Work, other Project cost under the Final Project Budget or otherwise payable under this Agreement to the extent not covered by the Loan Proceeds.

O. It is the policy of the City to ensure that construction work it finances protects workers on those projects by making sure they are safe, are compensated in accordance with Applicable Law, and have access to pathways for sustainable careers in the construction industry. All contractors who work on the Project are required to implement the workforce protection measures at **APPENDIX 15**.

P. The replacement reserve ("Replacement Reserve") shall be no less than $300.00 per unit annually, increasing by 3% annually, pursuant to the terms of the Senior Loan Documents, to the extent that such Replacement Reserve is required pursuant to such Senior Loan Documents, or, to the extent not so required, pursuant to Section 6.24 of this Agreement. The City shall have a subordinate security interest in the Replacement Reserve, and Borrower and Owner shall execute any instruments or other documents provided by the City that are necessary to create or perfect such interest.

Q. Any property management fee, asset management fee or other similar fee ("Property Management Fee") is limited to no more than five percent (5.0%) in the aggregate of the Project's gross annual income.

R. Borrower and Owner have submitted to the Director a signed Certificate regarding lobbying ("Lobbying Certificate") in the form set forth in the Appendices to this Agreement (or in the form in effect at the time the Lobbying Certificate was submitted to the Director).

S. In addition to the provisions of the main text of this Agreement, this Agreement consists of "Schedules", "Appendices", "Exhibits" and "Attachments", as follows

1. Schedule ("Schedule") setting forth definitions.

2. Appendices ("Appendices"), setting forth the specifics of requirements described in this Agreement or other City standard forms, policies and requirements, which specifics and forms may be modified by the City from time to time or which may change as a result of change in or to Applicable Law, relating to:

(a) the City's MWSBE programs to which the Owner's contractors and subcontractors are subject;

(b) insurance to be maintained by the Owner and also to be contained in the Approved Construction Contract and other Construction and Supply Contracts

(c) Release and Indemnity provisions to be contained in the Approved Construction Contract and other Construction and Supply Contracts;

(d) Construction Contract Requirements including bidding requirements (if applicable);

(e) the Monitoring Forms to be used by Owner and Borrower;

(f) Applicable Law;

(g) the Lobbying Certificate;

(h) the Debarment Form;

(i) the Survey Requirements;

(j) Property Condition Assessment requirements, if applicable;

(k) Multifamily Relocation Requirements, including related forms;

(l) Appraisal Requirements including sample Agreement for Appraisal Services;

(m) GLO Lien Waiver;

(n) Minimum Property Standards; and

(o) City of Houston Workforce Protection Requirements.

3. Exhibits ("Exhibits"), setting forth:

(a) the metes and bounds or legal description of the Land;

(b) commitments evidencing "Other Financings", if any;

(c) the Preliminary Project Budget.

(d) Scope of Work; and

(e) Construction Schedule.

4. Attachments ("Attachments"), as per the list of Attachments on the Attachments title page, describing and setting forth the information and the various specific documents and contents of specific documents particular to the City's Loan to be provided by or on behalf of the Borrower or Owner as conditions precedent to the Closing of the City's Loan or to be executed by Borrower, Owner and the City at the Closing of the City's Loan.

T. The City Loan is a community development activity undertaken by the City and authorized under Chapter 373 or Chapter 374 of the Texas Local Government Code.

U. The recitals and statements contained in this Section One shall be incorporated into this Agreement, and Borrower and Owner confirm, agree and acknowledge that the information contained in this Section One is true and correct in all material respects and, to the extent that any of the subsections contained in this Section One contain covenants or agreements of Borrower and/or Owner, Borrower and Owner hereby covenant and agree to comply with the terms

therewith. Borrower and Owner further agree to comply with all laws and other requirements contained in the Appendices.

SECTION TWO
REPRESENTATIONS AND WARRANTIES

Borrower and Owner, as the context requires, hereby represent and warrant, and such representations and warranties shall be deemed to be continuing representations and warranties during the entire Term of this Agreement, and so long as the City shall have any commitment or obligation to make any disbursements of the Loan Proceeds hereunder, and so long as all of or any part of the City's Loan remains unpaid and outstanding under any Loan Document (but only to the extent the City Loan has not been deemed repaid pursuant to the terms of this Agreement and/or the Note), as follows:

2.1. ***Ownership and Use of Land***. Owner holds or will hold either at the time of Closing or as a result thereof fee simple title in and to the Land located in Houston, Harris County, Texas, having an address of 1433 Dian Street, Houston, Texas 77008, Harris County, Texas, and more particularly described on **EXHIBIT "A"**, subject however, to the Permitted Encumbrances (as defined in the Deed of Trust). Owner shall promptly disclose to the Director if Owner has acquired the Land from Borrower; or any officer, director, employee, partner, company or individual of, related to or affiliated with Borrower or Owner.

2.2. ***Information Submitted True and Correct***. The information contained in or submitted in connection with Borrower's application to the City for the City Loan, as amended by further information provided and disclosed to the City, is true and correct in all material respects as of the date hereof.

2.3. ***Taxes and Assessments***. There are no delinquent taxes, assessments, or other impositions on the Land or Project, or if there are any delinquent taxes, assessments, or other

impositions on the Land or Project, same will be paid prior to or simultaneously with Closing of the City Loan. The Land or Project has not been subject to any special (reduced) real estate appraisal, or abatement, exemption or deferral of ad valorem taxes in the five (5) years preceding the Effective Date of this Agreement, unless Owner has an effective agreement providing that another party is liable for all liability, accruing prior to Owner's acquisition of the Land or Project, for ad valorem taxes owing as a result of an change or revocation of such special (reduced) real estate appraisal, or abatement, exemption or deferral of ad valorem taxes.

2.4. ***Financial Capacity***.

2.4.1. The financial representations made to the City by Borrower (and by Owner to Borrower or City) concerning Borrower's and Owner's financial condition are true and correct in all material respects and, upon the Closing of the City Loan, Owner and Borrower have the financial capacity to carry out their obligations under this Agreement and the Loan Documents as well as under the Owner Loan and the Owner Loan Documents. If any material negative change in either Borrower's or Owner's financial condition occurs, Borrower and Owner shall report such change to the City within five (5) business days.

2.4.2. The financial representations made to the City by Borrower and by Guarantor to Borrower or the City concerning Guarantor's financial condition are true and correct in all material respects and, upon the Closing of the City's Loan, Guarantor has the financial capacity to carry out its obligations under the Construction Completion Guaranty. If any material negative change in Guarantor's financial condition occurs, Borrower shall report such change to the City within five (5) business days.

2.4.3. The Borrower, Owner and Guarantor are in good standing on all outstanding loans and loan commitments with no defaults or negative collection actions on any

current or previous loans that City reasonably determines would adversely impact the ability of Borrower or Guarantor to perform hereunder. Borrower and Owner have provided the City with a true and correct listing with addresses of all multifamily properties owned or managed by Borrower and/or Owner.

2.5. ***Authorization***. All action on the part of Borrower and Owner necessary to authorize the transactions contemplated by this Agreement have been taken, and upon execution of this Agreement, this Agreement shall constitute the binding and enforceable obligation of Borrower and Owner.

2.6. ***Liens***. As of the Closing Date, there are no existing or threatened liens against the Project (other than the lien securing the Senior Loan), and the Borrower and Owner do not know of any reason such liens may be filed or threatened against the Project. As of the Closing Date, all payables and liabilities to parties providing goods or services to Borrower and Owner have been paid and no payables or liabilities exist that are more than thirty (30) days outstanding.

2.7. ***Preliminary Project Budget Contents***. The Preliminary Project Budget specifies (a) a listing of all costs necessary to (i) acquire the Land (if applicable); (ii) complete the Project; and (iii) reach a 90% occupancy level, and (b) the sources of funding which will be used to complete the Work and reach stabilized occupancy which will be enumerated on AIA documents if required by the City and shall indicate those items to be funded with Owner's equity.

2.8. ***Expertise***. Owner has engaged or will timely engage competent persons and firms for the purpose of constructing, leasing and managing the Project.

2.9. ***Legal Existence***. Borrower is a Texas 501(c)3 non-profit corporation, duly created and validly existing and in good standing under the laws of the State of Texas. Owner is a limited

partnership, duly created and validly existing and in good standing under the laws of the State of Texas.

2.10. ***Insurance Claims.*** Borrower and Owner represent that there are no insurance claims made or which Borrower and Owner plan to make (together with all supporting documentation) with respect to any damage to the Project within the last six (6) years including, without limitation, damage to the Project resulting from Hurricane Harvey. To the extent any such claims arise after the date hereof, none of the Loan Proceeds will be used to pay for damages covered by any insurance claim or any insurance policy including delayed or future payments anticipated under insurance policies. No portion of the Loan Proceeds shall be utilized to satisfy any deductible under such insurance policies.

2.11. ***Access***. Access by vehicles to the Land for the full utilization of the improvements for their intended purposes either (a) exists over paved roadways that have been completed, dedicated to the public use and accepted by the appropriate Governmental Authority, or (b) the necessary rights-of-way for such roadways have been acquired by the appropriate Governmental Authority and all necessary steps have been taken by Borrower and/or Owner, and such Governmental Authority to assure the complete construction and installation of such roadways.

2.12. ***Conflict of Interest***. Neither Borrower nor Owner has a conflict of interest as prohibited by 24 C.F.R. § 570.611, 2 C.F.R. § 200.317 and 2 C.F.R. § 200.318. If required by the Director, Borrower and Owner shall furnish to the Director a conflict of interest disclosure form (in effect at the time the form is required to be submitted to the Director), on or before the execution of this Agreement.

SECTION THREE
CONDITIONS PRECEDENT FOR CLOSING THE CITY LOAN

All of the conditions listed in this Section must be satisfied by the date of Closing of the City's Loan and the satisfaction of each of such conditions shall be a condition precedent to Closing of the City Loan:

3.1. ***Execution and Approval of Property Management Agreement***. The Owner and the Property Manager shall have executed the Property Management Agreement which shall have been approved by the Director. The Property Management Agreement will be collaterally assigned to the City (subordinate, however, to the assignment to Senior Lender) as additional security for the repayment and performance of the City Loan pursuant to an "Assignment of Property Management Agreement" instrument in the form set forth in the Attachments or in a form otherwise approved by the City Attorney. The Property Management Agreement may be amended from time to time with the Director's consent, such consent not to be unreasonably withheld, and shall provide that the Property Manager may be terminated by Owner if required by the Director.

3.2. ***Execution and Approval of Architect's Contract***. The Owner and the Architect (if any) shall have executed the Architect's Contract which shall have been approved by the Director; the Architect's Contract will be collaterally assigned to the City (subordinate, however, to the assignment to Senior Lender) as additional security for the repayment and performance of the City Loan pursuant to an "Assignment of Architect's Contract, Plans and Specifications, and Consent" instrument in the form set forth in the Attachments or in a form otherwise approved by the City Attorney ("Assignment of Architect's Contract, Plans and Specifications, and Consent").

3.3. ***Approval of Plans, Specifications, and Drawings***. The Director shall have approved the scope of the Work, any site plans, floor plans, any Environmental Mitigation plans,

wall sections, architectural, structural, civil, HVAC, mechanical, electrical, plumbing, and landscaping plans, and any other applicable drawings (collectively, the "Approved Plans, Specifications, and Drawings") required for the construction of the Project according to the Approved Construction Contract, which Approved Plans, Specifications, and Drawings will also be collaterally assigned to the City (subordinate, however, to the assignment to Senior Lender) as additional security for the repayment and performance of the City Loan pursuant to the Assignment of Architect's Contract, Plans, Specifications, and Consent. The Borrower or Owner shall pay the City $5,000.00 for review of the Approved Plans, Specifications and Drawings and cost review, which fee shall not be charged by the City if the Senior Lender's plan and cost review indicates that the City is entitled to rely on it and such review is acceptable to the City.

3.4. ***Approval of Construction Schedule and Drawdown Schedule***. The Director shall have approved the construction schedule and drawdown schedule for the Project (collectively referred to as the "Approved Construction Schedule").

3.5. ***Funding Commitments***. The sum of the City Loan, commitments for the Other Financings (if any), deferred developer fee, Net Operating Income, and any equity contributions for the Project shall be in at least the amount required to acquire the Land (if applicable), complete construction of the Project and allow operation of the Project in accordance with the Approved Final Operating Budget and the Approved Final Project Budget, substantially according to the Approved Final Plans, Specifications and Drawings and the Approved Construction Contract. Borrower and Owner shall disclose any changes in the commitments for Other Financings and/or any changes in any equity contributions to the Project to the City as soon as practical, but in any event no later than five (5) business days after knowledge of such changes. The City's funding shall be subject to funding of all Other Financing (including without limitation,

the Senior Loan) in the order specified in the Approved Construction Schedule or in the Intercreditor Agreement.

3.6. ***Approval of Financing Documents***. The Director shall have approved the documents evidencing the Other Financings, if any and the Owner Loan Documents, such approval not to be unreasonably withheld.

3.7. ***Priority of City's Restrictive Covenants and Declaration of Subordination***. The City's Restrictive Covenants, once recorded in the Official Public Records of Real Property of Harris County, Texas shall have priority over any and all liens proposed to evidence or secure the Senior Loan and any Other Financings (including without limitation, any refinancings or refundings thereof subsequent to the Closing Date, except and subject to the terms of the Freddie Mac Subordination Agreement as set forth in Section 19.6). Such priority shall be evidenced pursuant to the Declaration of Subordination executed by the Senior Lender, the City, Borrower and Owner (and/or any other lender or person providing any Other Financing to Borrower or Owner) and filed for record in the Official Public Records of Real Property, Harris County, Texas, on the Closing Date, in the form set forth in the Attachment "H" or in a form otherwise approved by the City Attorney (the "Declaration of Subordination").

3.8. ***Intercreditor Agreement***. The lenders under any Other Financings (if any) and the Senior Loan as well as Borrower, Owner and the City shall have executed an intercreditor agreement (the "Intercreditor Agreement") in the form set forth in the Attachments, or in a form otherwise approved by the City Attorney, Senior Lender, and any other lenders, as applicable, which agreement shall provide for periodic estoppel certificates from the Senior Lender as to the balance and maturity date(s) of the Senior Loan and whether any defaults are outstanding under the Senior Loan and shall provide for reasonable notice of default of Owner under the Senior Loan

to be provided to the City with a reasonable cure period unless the requirements are waived by the Director and the City Attorney, in their sole discretion.

3.9. Final Budgets.

3.9.1. Approved Final Operating Budget. The Director shall have approved a detailed operating budget ("Approved Final Operating Budget") for the Project. The Approved Final Operating Budget shall include a cash flow projection of all Project related income, expenses, debt service on all debt encumbering the Project, reserves for replacements of capital items, and any other costs associated with the operation of the Project for the period commencing with the initial leasing of the units within the Project and on an annual basis thereafter through the entire Affordability Period in a form as the Director may require. A proforma projection (and rent roll for existing, operational properties) specifying the unit type (e.g., 1 bedroom/1 bath, 2 bedroom/2 bath), the square footage of the units, and projected monthly rental rate shall also be provided to the Director prior to Closing.

3.9.2. Approved Final Project Budget and Approved Final Construction Budget. The Director shall have approved a detailed budget ("Approved Final Project Budget") for the Project which shall not materially vary from the Preliminary Project Budget unless such variance is approved in writing by the Director, such approval not to be unreasonably withheld, conditioned or delayed. The Approved Final Project Budget shall include the acquisition costs (if applicable), the architectural and design costs, the approved final Construction Budget which shall include all costs to construct the Work and any other construction costs for the Project ("Approved Final Construction Budget") and all other costs necessary to complete the Project per the Approved Plans, Specifications, and Drawings and Approved Construction Contract. The Approved Final Project Budget and the Approved Final Construction Budget shall be in such

forms as the Director may require, and shall be in sufficient detail to permit the City to effectively and adequately monitor the use of the Loan Proceeds for the payment of costs pursuant to the Approved Construction Schedule to ensure that Loan Proceeds are expended only for costs eligible under applicable GLO, CDBG and other applicable federal regulations. A hard cost contingency of 5% and a soft cost contingency of 5% of soft costs are required in the Approved Final Construction Budget, and the City reserves the right to require additional contingencies. Subsequent to the Closing, any changes to the Approved Final Project Budget or the Approved Final Construction Budget must be approved in writing by the Director, such approval not to be unreasonably withheld, delayed or conditioned. If required by the City, the Owner, at the Owner's expense, shall engage appropriate third party inspectors acceptable to the Director, in his or her sole discretion, or alternatively, the City, may utilize its own internal or external inspectors (collectively, "Approved Inspectors") to verify the budgets submitted to the Director for approval under this Section, to report to the Director on the adequacy and reasonableness of the amounts set forth in such budgets to complete the Project and the Work according to the Plans, Specifications and Drawings and to verify that all draws under the Approved Final Construction Budget conform with such budget, that all labor and material for which disbursement is requested have gone into the Project in accordance with the Plans, Specifications and Drawings and that the remaining undisbursed portion of the City Loan and Other Financings (if any) are adequate to complete the Work and the Project. The Owner's agreement with any Approved Inspectors engaged by Owner shall provide that the City is entitled to rely on the Approved Inspector's Reports and that the reports shall be addressed to the City. Notwithstanding the foregoing, if Senior Lender's inspectors are acceptable to the City, such inspectors shall be deemed Approved Inspectors and the City shall rely on the inspection reports of Senior Lender's inspectors, provided

that (a) the inspection reports are addressed to the City, and (b) the City is entitled to rely on the inspection reports. The City may charge and Borrower or Owner shall pay $1,000.00 a month for construction inspections or review throughout the construction period.

3.10. Construction Contract and Related Matters.

3.10.1. Approved Construction Contract. Owner and Contractor (and Contractor and its prime subcontractor, if any) shall have executed the Construction Contract approved by the Director ("Approved Construction Contract"), which Approved Construction Contract will be collaterally assigned to the City (subordinate, however, to the assignment to Senior Lender) as additional security for the City Loan pursuant to an "Assignment of Construction Contract" instrument in the form set forth in the Attachments or in a form otherwise approved by the City Attorney ("Assignment of Construction Contract"). The Approved Construction Contract shall be a fixed price/stipulated sum or guaranteed maximum price contract which shall be consistent with the Approved Final Construction Budget. Fees, overhead and general conditions of the Contractor shall be indicated as a fixed dollar amount which shall be determined in a manner that does not exceed amounts that are commercially customary and reasonable for similar affordable multifamily development projects.

3.10.2. Bonds. Owner or Contractor shall furnish (a) a performance bond, with dual obligee rider naming the City as an additional beneficiary, for the full amount of the construction or rehabilitation price ("Performance Bond"); (b) a maintenance bond to secure the Defects Warranty ("Maintenance Bond"); and (c) a statutory payment bond ("Payment Bond"). The surety upon any required bond must be on the current list, published by the United States Treasury Department, of acceptable sureties for federal bonds and must have an AM best rating of "A" or better. The form of the Performance Bond, Maintenance Bond, and Payment Bond shall

be as set forth in the Attachments or in other forms approved by the City Attorney. The Performance Bond, Maintenance Bonds and Payment Bond must be approved by the City Attorney in its sole discretion.

3.10.3. ***"Defects Warranty".*** Owner will cause Contractor to expressly and unconditionally agree to warrant and guarantee ("Defects Warranty") for a period of one (1) year any and all work performed or materials supplied to be, in all material respects, free of defects, omissions, unsoundness or flaws, by executing the Maintenance Bond in the form set forth in the Attachments or in other form approved by the Director. The one (1) year period shall commence on the date of issuance of the Certificate of Completion. The Defects Warranty shall include any condition which may impair the safe and normal use, functioning or enjoyment of the Project and which results in any manner from any and all labor and/or materials used or supplied under the Approved Construction Contract whether or not the materials or equipment are guaranteed by the manufacturer or supplier. The Defects Warranty shall not be construed to limit or in any way modify any warranties or guarantees placed upon any materials, appliances, fixtures or devices by their manufacturers, or any components for which a longer period of warranty is required in the Approved Construction Contract. The Maintenance Bond shall provide that the Owner, or Contractor for the benefit of Owner, shall obtain all manufacturers' and suppliers' written guarantees, warranties and operating instructions covering materials and equipment furnished under the Approved Construction Contract together with any documentation required for validation of such guarantees and warranties.

3.11. ***Lobbying***. On or before the Closing of the City's Loan, Borrower, Owner and Contractor shall each submit to the Director a signed Certificate Regarding Lobbying in the form

set forth in the Attachments (or in the form in effect at the time the Certificate is required to be submitted to the Director).

3.12. ***Appraisal***. The Owner, at Owner's sole cost and expense, shall obtain an appraisal of the value of the fee interest in the Project, which appraisal shall meet the definition of an appraisal under the URA at 49 C.F.R. § 24.2(a) (3), which shall be done in accordance with the requirements of the URA at 49 C.F.R. § 24.103, and which shall comply with the Appraisal Requirements ("Appraisal Requirements") in the Appendices. The appraisal shall be acceptable to the Director, shall be prepared by a qualified appraiser approved by the City and certified to the City.

3.13. ***Survey***. The Director shall have approved a current survey ("Survey") of the Land complying with the "Survey Requirements" ("Survey Requirements") in the Appendices and showing, among other things detailed in the Survey Requirements, that none of the improvements located within the Project are within an identified (shaded) special flood hazard area (including without limitation, the 100-year flood hazard area), unless otherwise approved by HUD and the Director.

3.14. **Title Commitments; Insured Closing Service Letters**.

3.14.1. ***City's Owner's Title Policy***. Except as waived by the Director in writing in accordance with Section 4.2 herein, the Title Company shall issue at Borrower's or Owner's expense, in substance approved by the City Attorney, a Commitment to issue to the City an Owner's Policy of Title Insurance ("City's Owner's Title Policy") naming the City as Insured, which will provide in Schedule A of the City's Owner's Title Policy that the estate or interest that is to be insured under the Owner's Policy is "the Restrictive Covenants dated April ___, 2021 and recorded under Harris County Clerk's File No. #_____" with the only Schedule

B Exceptions of the City's Owner's Title Policy, which will be allowed to be shown in the City's Owner's Title Policy being those which are acceptable to the Director, in his or her sole discretion.

3.14.2. ***City's Loan Title Policy***. The Title Company shall issue at Borrower's or Owner's expense, in substance approved by the Director, a Commitment to issue to the City a Loan Policy of Title Insurance ("City's Loan Title Policy") in the amount of the City's Loan naming the City as Insured, insuring the second lien priority of the liens securing the City's Loan, subject only to:

(1) the Senior Loan,

(2) the City's Restrictive Covenants; and

(3) Schedule B Exceptions approved by the Director, in his or her sole discretion.

3.14.3. ***Deletion of the Arbitration Provisions***. The arbitration provisions of the City's Loan Title Policy and the City's Owner's Title Policy (if applicable) shall be endorsed as deleted.

3.14.4. ***Insured Closing Service Letter***. The Title Insurer (as defined in Section 4.4) shall have issued the City an "insured closing service letter" relating to the closing of the City's Loan and such insured closing service letter shall be in effect as of the time of the closing of the City's Loan.

3.15. **Environmental**.

3.15.1. ***Director's Approval***. The Director shall have approved a "Phase I" (or "Phase II", if the Director has required) environmental site assessment (and any updates thereto) (the "Environmental Site Assessment") and the Environmental Review. The Environmental Site Assessment shall be performed by a qualified environmental services firm,

furnished to the Director by the Borrower or Owner, at the Borrower's or Owner's expense, in compliance with and prepared in accordance with standards adopted and promulgated by the American Society of Testing and Materials (ASTM), accompanied by a reliance letter submitted by the issuer of such Environmental Site Assessment for the benefit of the City. The required Environmental Site Assessment must show, among other things that the Project is not in a "Coastal Barrier Resource System unit," as such term is defined in the Coastal Barrier Resources Act (CBRA) of 1982, as amended by the Coastal Barrier Improvement Act of 1990 (16 U.S.C. § 3501), as amended, or in a runway clear zone, any lead-based paint and asbestos containing materials within the Project and if applicable, identify any "Special Flood Hazard Area", as such term is defined and designated by the Federal Emergency Management Agency ("FEMA"). The Environmental Assessment must be dated within six (6) months of Closing or if this timeframe is exceeded, an assessment which is less than twelve (12) months old may be updated by the original issuer if the update report is issued within six (6) months prior to Closing and an update is acceptable to the City's in-house environmental risk manager.

3.15.2. ***Environmental Indemnity Agreement***. Borrower and Owner shall have executed and delivered an "Environmental Indemnity Agreement" in favor of the City (the "Environmental Indemnity Agreement") in the form set forth in the Attachments or on another form approved by the City Attorney.

3.15.3. ***Flood Plains.*** The Project may not be located in a Special Flood Hazard Area (including, without limitation, the 100 year flood hazard area) unless such location is approved by HUD, which approval may be obtained through and included in the written "release of funds" authorization from HUD, as further described in Section Five, Paragraph 5.4.

3.16. ***Reserved***.

3.17. ***Reserved.***

3.18. ***Cost Reasonableness Analysis; Property Condition Assessment***. Borrower and/or Owner shall have provided the Director with a Cost Reasonableness Analysis, and if rehabilitation or reconstruction of the Project is contemplated, a Property Condition Assessment, which shall both (if applicable) be in form and content acceptable to the Director, prepared by an architect or engineer acceptable to the Director at Borrower's or Owner's expense, in compliance with and prepared in accordance with standards set forth in **APPENDIX 10** and those other standards which may be required by the Director. The Director may rely on the Cost Reasonableness Analysis and the Property Condition Assessment (if applicable) provided to the Senior Lender if the City is a named recipient of such reports.

3.19. ***Tenant Selection Policy***. With respect to the Designated Units, Borrower shall have caused Owner to adopt, and Owner shall have adopted, written tenant selection policies and criteria reasonably acceptable to the Director ("Tenant Selection Policy"). Owner's written tenant selection policy must be submitted and approved by the Director prior to Closing.

3.20. ***Affirmative Marketing Plan***. The City will use affirmative marketing efforts, which will include development of an "Affirmative Marketing and Outreach Plan" based on HUD regulations to ensure the Project is affirmatively marketed to the public at large. The Affirmative Marketing and Outreach Plan shall ensure that outreach and communication efforts reach eligible LMI Persons from all racial, ethnic, national origin, religious, familial status, disability, and gender groups.

3.21. ***UCC Search***. Owner shall provide the City with a UCC search dated no sooner than thirty (30) days prior to Closing indicating that the Project is free and clear from any security interests and other liens (or will be at Closing).

3.22. ***Purchase Agreement.*** Owner shall provide City with a copy of the Purchase Agreement for the Project.

3.23. ***Entity Documentation***. Borrower and Owner shall provide City with copies of (i) Owner's executed Partnership Agreement, together with all notes, guarantees and other instruments and agreements issued pursuant thereto; (ii) all corporate and company documents for Borrower, Owner's general partner or managing member, as applicable, and any Guarantor; and (iii) evidence of Borrower's, Owner's, Owner's general partner or managing member, as applicable, and each Guarantor's due formation, organization, good standing, existence and authorization to enter into this Agreement and the related Loan Documents (collectively, the "Entity Documentation").

3.24. ***Utility Letters***. Borrower shall or shall cause Owner to provide the City with utility letters ("Utility Letters") from the appropriate utility providers evidencing that the Project has access to public water, sanitary and storm sewer, electricity, gas and other required utilities in quantities sufficient for the successful operation of the Project and which utilities shall enter the Project through adjoining streets or in accordance with recorded easements across private lands.

3.25. ***Contracts***. Borrower shall or shall cause Owner to provide the City with all operating agreements, franchise agreements, or other contractual arrangements affecting the operation of the Project which the City, at its discretion, may require be collaterally assigned to the City (subject to Senior Lender's rights under the Senior Loan Documents) together with an acknowledgement of the assignment by the counterparties thereto.

3.26. ***Execution and Approval of Construction Project Management Agreement***. If the Director requires the Owner to retain the services of a Construction Project Manager, the Owner and the Construction Project Manager shall have executed the Construction Project Management Agreement which shall have been approved by the Director; the Construction Project Management

Agreement will be collaterally assigned to the City as additional security for the repayment and performance of the City Loan pursuant to an "Assignment of Construction Project Manager's Agreement" instrument in the form set forth in the Attachments or in a form otherwise approved by the City Attorney ("Assignment of Construction Project Management Agreement"). If the Director requires the use of a Construction Project Manager, such manager shall be the same construction consultant entity used by the Tax Credit Investor and other parties involved with construction of the Project. The Director will not require the use of a Construction Project Manager unless a Default has been declared pursuant to Section 10.1 of this Agreement.

SECTION FOUR
CLOSING

In addition to all of the conditions listed in Section Three being satisfied as conditions precedent to closing of the City Loan, the City shall not be obligated to close the City Loan unless the following requirements are satisfied or waived in writing by the City:

4.1. Delivery and Execution of Documents. Borrower, Owner and Guarantor as the case may be, must, concurrently with closing of the City's Loan, execute, or cause to be executed as applicable, and deliver to the City, together with any other documents, certificates, affidavits, policies and other deliverables required hereunder or under any of the Appendices hereto or otherwise reasonably required by the City including, but not limited to, the following:

1. the Borrower's Note;
2. Collateral Note, endorsed to the City;
3. the Deed of Trust;
4. the Financing Statements;
5. the City's Restrictive Covenants;
6. Collateral Assignment (Owner Loan);

7. the Assignment of Construction Contract;

8. the Assignment of Architect's Contract, Plans and Specifications, and Consent;

9. the Assignment of Construction Project Management Agreement if required;

10. the Assignment of Property Management Agreement

11. this Agreement;

12. Owner Loan Agreement;

13. the Environmental Indemnity Agreement;

14 the Declaration of Subordination;

15. the Intercreditor Agreement;

16. the Construction Completion Guaranty executed by Guarantor;

17. the Certification regarding Lobbying;

18. the Affidavit of Use of Funds on the form required by the Director stating that the Loan Proceeds will be used by Borrower and Owner only for the purposes set forth in this Agreement;

19. the Affidavit of No Commissions on the form required by the Director stating that as of Closing no commissions, fees or other payments of any kind have been made to Borrower, any general or limited partner of Borrower, or employee of Borrower, or any company or individual related to or affiliated with Borrower, except as described in the Affidavit of No Commissions or as may be shown in the Approved Final Project Budget;

20. the Certification Regarding Debarment, Suspension and Other Responsibility Matters;

21. a copy of the fully executed Approved Construction Contract;

22. a copy of the fully executed Architect's Contract;

23. a copy of the fully executed Property Management Agreement;

24. a copy of the fully executed documents evidencing, guaranteeing, securing or otherwise pertaining to any of the Other Financings;

25. a copy of the fully executed Owner Loan Documents;

26. a copy of the fully executed Construction Project Management Agreement (if any);

27. a copy of the Approved Plans, Specifications and Drawings for the Project;

28. a copy of the Approved Construction Schedule;

29. a copy of the Approved Final Operating Budget including a rent roll or proforma projection;

30. a copy of the Approved Final Project Budget (including the Approved Final Construction Budget)

31. an Appraisal of the Project meeting the Appraisal Requirements;

32. a Survey of the Land meeting the Survey Requirements;

33. certificates or policies of the Owner's insurance required by this Agreement or by the Deed of Trust, including flood insurance when required pursuant to all applicable federal, state, and local laws, rules, regulations and ordinances including, without limitation the National Flood Insurance Act of 1968, as amended, the Flood Disaster Protection Act of 1973, as amended, and the National Flood Insurance Reform Act of 1994, as amended, Chapter 19 (Floodplain) of the City of Houston, Texas, Code of Ordinances or as otherwise required by HUD, City ordinance or the Director;

34. the (i) Payment, (ii) Performance, and (iii) Maintenance Bonds;

35. the City's Loan Title Policy, a Proforma Loan Title Policy, or a Commitment to issue the same, dated as of the Closing Date, in conformity with the requirements of this Agreement and the Insured Closing Letter together with UCC Search;

36. the City's Owner's Title Policy, a Proforma Owner's Title Policy, or a Commitment to issue the same, dated as of the Closing Date, in conformity with the requirements of this Agreement and the Insured Closing Letter;

37. evidence that all premiums in respect of such Title Insurance Policies have been paid;

38. Proof of compliance with Multifamily Relocation requirements, if applicable;

39. Cost Reasonableness Analysis;

40. Property Condition Assessment (if applicable);

41. Resolutions of Borrower authorizing the City Loan or other evidence satisfactory to the Director that Borrower has authority to enter into the transactions contemplated by this Agreement in a form acceptable to the City Attorney ("Borrower's Resolutions");

42. Resolutions of Owner authorizing the Owner Loan or other evidence satisfactory to the Director that Owner has authority to enter into the transactions contemplated by this Agreement in a form acceptable to the City Attorney ("Owner's Resolutions");

43. Resolutions of Guarantor authorizing the Guaranty or other evidence satisfactory to the Director that Guarantor has authority to enter into the Guaranty in a form acceptable to the City Attorney ("Owner's Resolutions");

44. legal opinion(s) of counsel for Borrower, Owner and Guarantors addressing, without limitation the authority of the parties signing this agreement and the closing documents on behalf of the Borrower, Owner and the Guarantors and as to the enforceability of such documents in a form acceptable to the City Attorney ("Borrower's Counsel's Opinion");

45. the Owner's Affirmative Fair Housing Marketing Plan;

46. the Tenant Selection Policy;

47. the Entity Documentation and Owner's Partnership Agreement;

48. Utility Letters;

49. all other financing and recordable documents required by other lenders and the City's Housing and Community Development Department, as applicable; and

50. such other information and documentation which may be required by the Director to evidence Borrower's satisfaction of the conditions required by the City to close the City Loan.

Items 1-20, 24-25, 34-36, 42-44 and 46-49 listed above must be in form and substance acceptable to the Director and the City Attorney, in their sole discretion. Items 21-23, 26-33, 37-41 and 45-48 must be in form and substance acceptable to the Director, in his or her sole discretion. In addition, as a condition of Closing, the City must have obtained environmental clearance and authorization to release funds as further described in Section Five, Paragraph 5.4 herein. The City has the right to also require the collateral assignment of any contracts with respect to the operation

of the Project and the acknowledgement of such assignment by the counterparties thereto, such assignment to be subordinate to the assignment to Senior Lender.

4.2. ***Waiver of Conditions; Additional Conditions***. The Director may, by written instrument, waive any of the conditions or requirements set forth in this Agreement as a condition precedent to or a requirement of closing of the City's Loan, provided that waiver of any condition or requirement shall not operate as a waiver of the City's right to enforce any other condition or requirement set forth in this Agreement. In addition, the written consent of the City Attorney shall be required for the waiver of any legal requirement of the Loan Documents. Furthermore, with reasonable prior notice to Borrower and Owner, the Director may impose such additional conditions to, or requirements of, Closing of the City Loan as are necessary under the circumstances or are otherwise customary in connection with the CDBG-DR17 Program or other Federal guidelines or regulations.

4.3. ***Loan Disbursement***. All or any part of the sums to be funded by the City pursuant to this Agreement may be disbursed for purposes of a closing draw to a title company or mortgage servicer approved by the Director, to be held in escrow for disbursement to Borrower and other authorized payees or for return to the City pursuant to the terms and conditions of this Agreement. For all draws other than the initial closing draw, the remaining amounts of the City Loan shall be drawn into an account in the name of Owner and controlled by and held by Senior Lender (the "Construction Account"). Funds may only be drawn down for eligible costs in accordance with the Final Construction Budget. The City shall delegate, in the Intercreditor Agreement, to Senior Lender authority to further approve such draws that have been submitted by the Owner, approved by the Director and wired into the Construction Account in accordance with the requirements of this Agreement and the other Loan Documents.

4.4. ***Closing of City's Loan At Title Company***. The closing of the City's Loan shall occur at a title company approved by the Director ("Title Company"). In no event will the City's Loan be closed by a "fee attorney" or escrow officer who is not a full-time employee of the Title Company or Title Insurer who will "close the transaction". The Director reserves the right to require a representative of the Borrower with authority to execute the Loan Documents will personally attend Closing at the office of the Title Company in Houston, Texas. Notwithstanding the foregoing, the parties to this Agreement may agree in writing among themselves to close the City Loan in an alternative manner.

4.5. ***Closing Deadline***. Notwithstanding anything contained in this Agreement to the contrary, Borrower shall cause all conditions precedent to Closing to be satisfied, to the extent the same have not been waived by the City in writing, on or before July 31, 2021 (the "Outside Closing Date"). Unless Closing occurs on or before the Outside Closing Date (unless the Director, in his sole and absolute discretion, consents to an extension of the Outside Closing Date), the Director may, without providing prior notice, terminate this agreement by written notice to Borrower and Owner, in which event the City's obligations hereunder shall automatically cease and be of no further effect.

4.6 ***City Expenses.*** Borrower shall pay or cause Owner to pay all third party expenses incurred by the City whether or whether not the City Loan closes including, without limitation, any expenses incurred by the City for outside counsel (up to a maximum of $49,000.00).

SECTION FIVE
CITY AND FEDERAL FUNDING LIMITATIONS

5.1 ***Dependency Upon Federal Funding***. Borrower and Owner understand that the availability of the Loan Proceeds is dependent upon federal and state funding. Unless and until the City receives adequate funds from GLO, the City shall have no obligation to Borrower or

Owner under this Agreement. In the event that the funds received by the City under the CDBG-DR17 Program are insufficient to meet the City's prior commitments, the Director may reallocate all or a portion of the funds that are budgeted for this Agreement.

5.2 ***No Liability for Interruption of Funding***. In the event that GLO or other applicable governmental agency (for whatever reason) instructs the City to cease funding of the City Loan, the City may do so without obligation to Borrower or Owner and without being liable to Borrower or Owner for any damages Borrower or Owner may incur as a result of such cessation in funding. The City shall give Borrower and Owner written notice of such instructions promptly upon receiving such instruction, at which time, any and all of the City's obligations under this Agreement or any of the Loan Documents shall cease. In furtherance of the foregoing, in the event that the City provides Borrower and Owner with notice of interruption as contemplated in this Section Five, Borrower and Owner shall execute any releases or other documents or agreements that the City determines necessary to enable the City to reallocate all or a portion of funds that are available pursuant to this Agreement that have not been funded to Borrower.

5.3 ***Original Allocation***. In order to comply with Article II, Sections 19 and 19a of the City's Charter and Article XI, Section 5 of the Texas Constitution, the City has (in addition to prior appropriations and allocations) appropriated and allocated the Loan Amount to be used, in part or in whole, to discharge its duties, if any, to provide money under this Agreement.

5.4 ***Environmental Clearance and Release of Funds***. Notwithstanding any provision of this Agreement, the parties hereto agree and acknowledge that this Agreement does not constitute the City's commitment of funds or site approval, and that such commitment of funds and site approval may occur only upon satisfactory completion of the Environmental Review, receipt by the City of a written "release of funds" authorization from HUD (Authority to Use Grant

Funds, form HUD-7015.16 or successor form) in accordance with 24 C.F.R. Part 58 and Executive Order 11988 and any Environmental Mitigation required therein. The parties further agree that if the City is to provide any funds to the Borrower or the Owner in connection with the Project, such disbursement is conditioned on the City's determination to proceed with, modify, or cancel the City's Loan based on the results of a subsequent environmental review of the Land and the improvements thereon.

5.5 ***City Council Approval Required***. This Agreement is subject to the approval of the City Council.

SECTION SIX
COVENANTS OF BORROWER AND OWNER

Borrower and Owner agree as follows:

6.1 ***Use of Proceeds; Order of Funding and Disbursement; Reimbursement of Funds***.

6.1.1 ***Use of Proceeds***. Borrower shall cause Owner to, and Owner shall use the proceeds of the Owner Loan and the Other Financing only for items included in the Approved Final Project Budget. Further, proceeds of the City Loan (as distributed pursuant to the Owner Loan) shall only be used for hard construction or other allowable costs, acquisition costs, relocation expenses and work performed that is eligible for payment under the regulations applicable to the City Loan. No portion of the City Loan or the Owner Loan will be used to pay for damages to the extent covered and paid for by any FEMA reimbursement, SBA assistance, or any insurance policy including delayed or future payments anticipated under any insurance policy. Borrower covenants that the City Loan does not constitute a duplication of benefits to Owner within the meaning of Section 312 of the Stafford Act and the requirements of 76 Fed. Reg. 71060 as updated by 84 Fed. Reg. 28836 and 84 Fed. Reg. 28848.

6.1.2 ***Order of Funding and Disbursement.*** The proceeds of the City Loan, and Other Financings (if any), shall be disbursed as set forth in the Intercreditor Agreement among City, the Senior Lender, Owner and Borrower, in the form attached hereto in the Attachments.

6.1.3 ***Reimbursement to City***. Borrower agrees that it and Owner will reimburse the City in a sum equivalent to the amount of disallowed expenditures in the event that GLO or other applicable state or federal agency, through audit exception or other action, determines that Borrower's or Owner's expenditure of funds loaned to it (or for the benefit of Owner) under this Agreement for the Project was not made in compliance with this Agreement (including without limitation, for the purposes set forth in Section Six, Paragraph 6.1.1 hereof) or Applicable Law. Notwithstanding anything to the contrary, this provision shall survive the end of the term of this Agreement.

6.2 ***Construction Matters.***

6.2.1 ***Commencement and Completion of Work; Change Orders***. No Work shall commence on the Project prior to the Closing of the City's Loan. Borrower shall cause Owner to, and Owner shall begin the Work within two (2) months after the Closing of the City's Loan, but the City shall have no obligation to fund any portion of the Loan Proceeds until the issuance of all City authorizations and required permits, including a notice to proceed. Borrower shall cause Owner to, and Owner shall complete the Work in accordance with the Approved Construction Schedule but in no case later than the earlier of (i) twenty-four (24) months after the Closing of the City's Loan or (ii) the expiration date of the GLO Contract, time being of the essence (the "Approved Construction Period"). Any changes to the Approved Construction Schedule, Approved Construction Contract, Approved Construction Period, or the Approved Plans, Specifications, and Drawings must be submitted and approved in writing by the Director, such

approval not to be unreasonably withheld, conditioned or delayed. Subject to waiver by the Director, neither Borrower nor Owner shall be entitled to receive any disbursements of the City Loan after the expiration of the Approved Construction Period.

6.2.2 ***Good and Workmanlike Manner; Engagement of Experts***. Borrower shall cause Owner to, and Owner shall perform or cause to be performed, the Work in a good and workmanlike manner and in accordance with the Approved Plans, Specifications and Drawings, the Approved Construction Schedule (subject to delays caused by Force Majeure not to exceed sixty (60) days), the Approved Final Construction Budget and the Approved Construction Contract. Borrower shall cause Owner to, and Owner shall engage competent persons and firms for the purpose of constructing, leasing and managing the Project.

6.2.3 ***Compliance with Approved Construction Contract and Approved Construction Project Management Agreement***. If applicable, Borrower shall cause Owner to, and Owner shall fully and timely perform Owner's obligations under the Approved Construction Contract and/or the Approved Construction Project Management Agreement, if required.

6.2.4 ***Written Agreements With Subcontractors***. Borrower shall cause Owner to, and Owner shall cause Contractor to enter into written agreements with each Subcontractor who does work on or delivers materials to the Project. These subcontracts shall be subject to review and approval by the Director; to the extent that the Director requires, subcontractors shall be required to execute assignment and subordination of liens in favor of the City.

6.2.5 ***Construction Contract Requirements***. The Approved Construction Contract and any other written agreements with contractors, subcontractors, or suppliers (collectively, for "Construction Contracts") shall contain the requirements set forth in the Appendices attached hereto under the title "Construction Contract Requirements" (collectively,

the "Construction Contract Requirements") and Owner (if the Owner acts as the "contractor" of the Work) shall comply with the Construction and Supply Contract Requirements. Each Construction and Supply Contract must comply with the federal labor standards provisions of the Davis-Bacon Act, as amended (40 U.S.C. §§ 276a, et seq.); compliance with the Davis-Bacon Act may be verified through on-site inspections by representatives of the City or at the City's option, the Approved Inspectors. In addition, each Construction Contract must require compliance with labor standards under CDBG Regulations at 24 C.F.R. § 570.603 and Department of Labor regulations at 29 C.F.R. Parts 1, 3, 5, 6 and 7.

6.2.6 Owner's Insurance Requirements. Borrower shall cause Owner to, and Owner shall and shall cause its contractors to maintain insurance with waiver of subrogation against the City, its predecessors, successors, assigns, legal representatives, and its former, present and future agents, employees and officers (the foregoing are collectively referred to herein as "City") and, except with respect to workmen's compensation, shall name the City as an additional insured party. The amounts, types, and other specifications of such insurance are described in the "Insurance Requirements" pages of the Appendices (although the Appendices contain the Insurance Requirements as of the Effective Date of this Agreement, the version of Insurance Requirements in effect for the City's General Conditions of Construction Contract at the date of Closing of the City's Loan shall supersede the requirements set forth in the Appendices during the Approved Construction Period). Borrower shall cause Owner to, and Owner shall also comply with all insurance requirements of any Senior Loan Documents. In the event of a conflict between the insurance requirements of the Senior Loan Documents and this Agreement, the stricter of the two requirements for each type of insurance shall control. Notwithstanding the foregoing, during any period of time when construction is ongoing, Borrower shall cause Owner to, and Owner shall

cause builder's risk insurance to be maintained by Contractor for those buildings at the Project undergoing construction in coverage amounts not less than the total respective amount of City provided funds and the Senior Loan that will be allocated to Work on those buildings.

6.2.7 ***Debarment, etc***. No contractor or subcontractor shall be employed who is debarred or suspended by the City's Housing and Community Development Department, GLO, HUD, or any other federal, state or local governmental agency or program. The Debarment form included in the Appendices (or the Debarment form in effect at the time the form is required to be submitted to the Director) shall be furnished to the Director on or before the execution of this Agreement

6.3 ***Reserved.***

6.4 ***Reserved.***

6.5 ***Reserved.***

6.6 ***Inspections; Corrective Action.***

6.6.1 During construction, the Work shall be subject to inspection by the City, GLO or at the City's option, any Approved Inspectors. Until Project Completion, in connection with every requested draw on the City Loan, Borrower shall cause Owner to, and Owner shall provide the Director with an inspection report in form and substance acceptable to Director from the Approved Inspectors meeting the requirements of Section Three, Paragraph 3.9.2.

6.6.2 Borrower agrees to promptly cause Owner and Owner shall promptly make any corrections or modifications to the Work as requested by the Director to cause the Work to comply with the terms of this Agreement, the inspection reports from the Approved Inspectors, the Approved Plans, Specifications and Drawings, the Approved Construction Schedule, and any applicable GLO requirements.

6.6.3 After the Certificate of Completion is issued and throughout the entirety of the Affordability Period, the City and/or GLO shall have the right to inspect or have the Project inspected by Approved Inspectors to ensure compliance with Applicable Law, this Agreement, the Restrictive Covenants and the other Loan Documents.

6.6.4 With respect to all of the City's and GLO's inspection rights (1) the City, GLO, Approved Inspectors and the City's authorized agents and independent contractors, and others acting on its behalf, shall have access to the Project at reasonable times for purpose of monthly inspections; (2) each new or renewal lease of a unit within the Project shall include a clause that permits the City's Approved Inspectors and GLO access to inspect units at reasonable times (except in an emergency, when the inspection may be at any time); (3) neither the City nor GLO shall incur any liability to Borrower, Owner or any tenants as a result of such inspections; (4) the City does not guarantee the Work of the Contractor or any Subcontractor and the City shall not be liable in the event of the Contractor's or any Subcontractors' default, or for any damages caused by the Contractor, any Subcontractors, or their employees or agents.

6.6.5 Unless otherwise agreed or limited by the Director, Borrower shall cause Owner to, and Owner shall provide the Director with copies of any and all reports (of any nature) provided to or prepared by (or for) the Senior Lender.

6.7 ***Resiliency Design Requirements***. The Project design must incorporate the following resilient building measures:

(1) Protection:
- Wet Floodproofing
- Resilient Elevator modifications

(2) Adaptation:
- Elevated Equipment
- Elevated Living Space
- Distributed Heating and Cooling

(3) Back-Up Measures: Emergency Lighting

(4) Community:
- Develop an Emergency Management Manual
- Organizing for Community Resilience

(5) Green Building Standards: ICC-700 National Green Building Standards

(6) Solar: Solar Ready Design and Construction

(7) Electric Vehicles: Electrical Vehicle ready

(8) Green Infrastructure:
- Soil Amendments
- Vegetated Filter Strips

At the completion of construction of the Project and as a condition to the release of the retainage, Borrower and Owner shall provide the necessary documentation for the Director to verify compliance with this Section.

6.8 ***Designated Units; Compliance With Affordability Requirements***.

6.8.1 The Director has determined that the number of Designated Units for the Project covered by this Agreement shall consist of fifty-six (56) units, being at least fifty-one percent (51.0%) of the one hundred eight (108) total residential units in the Project, the location of which may float during the Affordability Period.

6.8.2 **Reserved**.

6.8.3 With respect to the Designated Units, Borrower shall cause Owner to, and Owner shall comply with the following rent and income requirements determined in accordance with the Restrictive Covenants (collectively, the "Affordability Requirements"):

(a) Each of the Designated Units shall be rented or be available for rent only to the City's LMI Persons, being those households whose gross

income does not exceed eighty percent (80%) of the Area Median Income ("AMI"), as determined by HUD.

(b) Designated Units shall be rent restricted based upon the following criteria:

(1) ten percent (10%) or six (6) of the Designated Units shall be restricted to households at rents that do not exceed thirty percent (30%) of AMI.

(2) twenty percent (20%) or eleven (11) of the Designated Units shall be restricted to households at rents that do not exceed fifty percent (50%) of AMI.

(3) forty percent (40%) or thirty-nine (39) of the Designated Units shall be restricted to households at rents that do not exceed sixty percent (60%) of AMI.

(c) The rental amount for each Designated Unit shall not exceed the applicable maximum rental limitations published annually by HUD for the low-income housing tax credit program, adjusted for household and unit size, and applicable to the City, as such rental limitation is further described at 26 U.S.C. §§ 42(g)(2)(A) and (B).

6.8.4 The location of the Designated Units shall "float" within the Project. No later than ninety (90) days prior to the initiation of rental activities at the Project, Borrower shall cause Owner to, and Owner shall contact the Director to establish a procedure for identifying the initial Designated Units to be occupied by qualified tenants and a procedure for identifying the floating Designated Units on a periodic basis thereafter. Floating Designated Units shall conform with the requirements of this Section and the Restrictive Covenants.

6.8.5 ***Reserved***.

6.8.6 If the income of the tenant family occupying a Designated Unit increases above the threshold eligible AMI level as provided for in this Agreement and in the Restrictive Covenants, then the next available non-Designated Unit at the Project must be set aside for an eligible family, and that new unit then becomes a Designated Unit.

6.9 ***Annual Reevaluation of Rents***. For purposes of monitoring compliance with the Affordability Requirements, Borrower shall cause Owner to, and Owner shall, prior to the occupancy of any tenant in a Designated Unit and thereafter annually, submit to the Director for his approval, the rents proposed to be charged by Owner for the coming year for Designated Units and the monthly allowances proposed by Owner for the coming year for utilities and services to be paid by the tenant. In connection with Owner's annual submission of proposed rents, Borrower shall cause Owner to, and Owner shall reexamine the income of each tenant family living in a Designated Unit. Borrower shall cause Owner to, and Owner shall calculate the maximum monthly rent in accordance with the Affordability Requirements, and such maximum monthly rent shall be reviewed and approved by the Director prior to the date that such rent becomes effective ("Approved Rents"). Any increase in the Approved Rents for Designated Units is subject to the provisions of the leases, in any event, and Borrower shall cause Owner to, and Owner shall provide tenants not less than thirty (30) days prior written notice before implementing any increase in Approved Rents.

6.10 ***Compliance With Property Standards***. Borrower shall cause Owner to, and Owner shall, throughout the Affordability Period, maintain the Project in good condition and repair, ordinary wear and tear and insured casualty excepted, in accordance with the Minimum Property Standards. City shall have the right to inspect the Project from time to time to ensure compliance with such requirements, and may require Owner to make any necessary repairs to comply with such requirements in a reasonable period of time; provided, however, any repairs to correct a dangerous condition or imminent hazard shall be commenced immediately upon written notice of such dangerous condition or imminent hazard and prosecuted diligently to completion.

6.11 Tenant Lease Requirements. Prior to the date that Owner enters into any new or renewal leases for Designated Units, the Director shall approve a form lease that shall be used for occupancy of the Designated Units. Owner shall not make any modifications to such form lease without the Director's prior written approval. Borrower shall cause Owner to, and Owner shall enter into leases in such approved form with each tenant of a Designated Unit. The term of each lease of a Designated Unit shall not be less than one year unless Owner and the tenant mutually agree otherwise.

6.12 Reserved.

6.13 Tenant Selection Policy; Marketing. Borrower shall cause Owner to, and Owner shall comply at all times with the approved Tenant Selection Policy and shall not amend the Tenant Selection Policy without the prior written approval of the Director.

6.13.1 Reserved.

6.13.2 Borrower shall cause Owner not to, and Owner shall not refuse to lease a Designated Unit to a prospective tenant because of the status of the prospective tenant as a holder of a certificate of family participation, rental voucher, or comparable tenant-based assistance document under any federal or state assistance program (unless such rental is in conflict with other applicable federal or state requirements).

6.14 Use of Project. During the term of the Affordability Period, the Designated Units shall be used solely for the purpose of providing housing for the City's LMI Persons in accordance with the provisions of this Agreement, and for no other purpose. Owner shall list the Project on the Houston Housing Authority's ("HHA") landlords list and shall notify HHA that the Designated Units are available for affordable housing.

6.15 Maintenance of Records; Financial and Operating Reports; Monitoring.

6.15.1 Borrower shall cause Owner to, and Owner shall follow the recordkeeping requirements set forth in this Agreement or required by the City or the Director, including to establish and maintain such records as may be necessary to facilitate review and audit by City representatives (including without limitation the Director and City Controller) (collectively, the "City Representatives") or GLO or HUD of the City Loan and any documentation required in connection with the CDBG Regulations under 24 C.F.R. § 570.492 and 24 C.F.R. § 570.493. The City Representatives, GLO and/or HUD or any of their authorized representatives shall have the right to audit Borrower's and Owner's books and record and compliance with this Agreement upon reasonable notice to Borrower or Owner, as applicable. If such books and records are located outside of Harris County, Texas, Borrower and Owner agree to make them available in Harris County, Texas.

6.15.2 Borrower and Owner shall provide to the Director: (a) quarterly balance sheets and operating statements for the Project not later than the 30th day of the month following the calendar quarter to which the statements relate; (b) monthly rent rolls for the Project not later than the 15th day of the following month which contain at a minimum the following information (or other information as the Director may from time to time require) which correctly reflects, as of the first of each month, for each Designated Unit: the unit number, the number of bedrooms, the tenant name, the effective lease date, the monthly rent and the unit status (i.e., AMI); (c) financial statements (balance sheet and operating statements) of Owner and Borrower, in a form acceptable to the Director, within 120 days (for unaudited statements) and six months (for audited statements) following the close of Owner's and Borrower's respective fiscal years; and (d) prior to the termination of the Construction Completion Guaranty, annual financial statement (balance sheet

and income/operating statement) within 120 days (for unaudited statements) and six months (for audited statements), if any, following the close of Guarantors' fiscal year. The annual financial statements of Owner and Borrower shall be audited by an independent certified public accountant upon the request of the Director. If the Director or City Controller requires, Borrower shall and shall cause Owner to, and Owner shall provide such reports at different intervals.

6.15.3 Using the Monitoring Forms or other forms from time to time established for use by the Director for monitoring purposes of the Loan Proceeds or to document Owner's compliance with the requirements of this Agreement, Borrower shall cause Owner to and Owner shall provide the Director with all monthly, quarterly or annual compliance reports as the Director requests.

6.15.4 The City shall have ownership of all information, including reports and data, prepared or assembled by Borrower or Owner for purposes of meeting CDBG-DR17 Program requirements and the contractual requirements of this Agreement; provided, however, Borrower and Owner may provide copies of such information to third parties.

6.15.5 Borrower shall cause Owner to and Owner shall, upon the request of the Director, make available to the City at the location of the Project (or at another location in Houston, Texas) all records, reports and other information and data maintained by Borrower or Owner relating to the Project, and shall cooperate with the City in connection with the City's review of such records and monitoring of the Project.

6.15.6 Borrower and Owner shall maintain all records and other information relating to the Project for a period of not less than five (5) years following the expiration of the Affordability Period.

6.15.7 Borrower shall pay or cause Owner to pay an annual monitoring compliance fee to the City in the amount of $30.00 per Designated Unit.

6.16 ***Notice of Claims or Suits***. Borrower shall cause Owner to and Owner shall, give the Director prompt written notice of any causes of action, suits, or other proceedings filed or any claims made against the Project, Borrower, Owner, or Guarantor, or, to the extent that it would have a material adverse effect on the Project, and Borrower and/or Owner have notice thereof.

6.17 ***Minority, Women and Small Business Enterprises***. For purposes of this Paragraph 6.17, the term "Owner" shall mean and include, collectively, Owner, its Construction Project Manager(s) and its general contractor(s). In order to monitor Owner's good faith efforts to adhere to the City's MWSBE's programs, Borrower shall cause Owner to and Owner shall maintain or cause its contractors to maintain records and submit periodic reports of its good faith efforts to the Director in the form and at the times prescribed by the City's designated OBO official and the **APPENDIX 9** requirements.

6.18 ***Transactions with Affiliates***. Except as otherwise provided in this Agreement and/or in any of the other Loan Documents, during the Term of this Agreement or any of the Loan Documents, neither Borrower nor Owner shall enter into any transaction in connection with this Agreement with any director, officer, employee, partner, or affiliate of either Borrower or Owner without the prior written approval of the Director. If the Land for the Project was acquired by Borrower or Owner from any director, officer, employee, partner, or affiliate of Borrower or Owner, the sales price for the Land may not have been any greater than most recent assessed value for ad valorem tax purposes, or the value set out in an independent appraisal report.

6.19 ***Taxes and Insurance***. Borrower shall cause Owner to and Owner shall pay all applicable taxes for the Project before delinquency and all insurance premiums for the Project at

least 15 days before the due date to prevent any lapse in coverage. Borrower shall cause Owner and Owner at its option shall either: (1) fund an escrow account with Senior Lender for the payment of taxes and insurance premiums; or (2) provide the Director with written evidence acceptable to the Director that taxes and insurance premiums are paid prior to the date that such taxes and insurance premiums are due. To the extent that Owner escrows funds with Senior Lender, Owner shall provide the City with evidence of the adequacy of such escrows. Further, to the extent that Owner fails to escrow funds with the Senior Lender, the Director reserves the right to require Owner to escrow funds for taxes and insurance premiums with the City.

6.20 ***HUD Section 3 Requirements***. If applicable, Borrower shall cause Owner to and Owner shall comply at all times with Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) as set forth and supplemented in the City's Housing and Community Development Department's Section 3 Plan and associated documents. Borrower shall cause Owner to report Section 3 compliance in accordance with 24 C.F.R. Part 135 and 83 Fed. Reg. 5844. Section 3 requirements are applicable to Borrower and Owner if the assistance provided for in this Agreement exceeds $200,000.00, and to contractors and subcontractors for contracts or subcontracts that exceed $100,000.00.

6.21 ***Public Relations and Signage***. All news releases and other public relations efforts, including advertising (except for advertisements solely for the purpose of obtaining tenants for the Project) and signage, must be approved in advance by the Director, and must properly refer to the City's Loan by the City and the City's Housing and Community Development Department.

6.22 ***Expertise***. Upon request by the City, the City shall have the right to approve Owner's intention to retain any person or firm for the purpose of constructing, leasing and managing the Project and Borrower shall cause Owner to, and Owner shall provide evidence of

the expertise and competence of such persons and firms that Owner intends to engage for the purpose of constructing, leasing and managing the Project.

6.23. Compliance with Applicable Law.

6.23.1 Borrower shall cause Owner to, and Owner shall acquire, repair/re-construct, lease, maintain and operate the Project, and conduct all activities under this Agreement in accordance with all applicable federal, state, and local laws, rules, regulations and ordinances including, without limitation, the those included in the Appendices and specifically set forth in this Agreement, as they may be from time to time amended (collectively, the "Applicable Law").

6.23.2 Borrower and Owner will conduct all activities under this Agreement and the Loan Documents in accordance with Applicable Law.

6.23.3 Borrower and Owner acknowledge and agree that they are required to comply with all Applicable Law with respect to lead-based paint (42 U.S.C. Sec. 4831(b)) and asbestos containing materials within the Project.

6.23.4 Borrower shall cause Owner, and Owner shall cause the Project and the Work to comply with the requirements of the 2010 ADA Standards (as hereafter defined) under the Americans With Disabilities Act of 1990 (42 U.S.C. § 12101 et seq.), the Architectural Barriers Act (42 U.S.C. §§ 4151-4157), Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. § 794 et seq.) ("Section 504"), and regulations and guidelines promulgated thereunder, as all of the same may be amended and supplemented from time to time, the Texas Architectural Barriers Act, Tex. Gov't. Code Ann. § 469.001 et seq. (1994) and the regulations and guidelines promulgated thereunder, and Chapter 10, subsection 60 of the Texas Administrative Code and the regulations and guidelines promulgated thereunder ("Chapter 10") as all of the same may be amended and supplemented from time to time (collectively, "Accessibility Requirements"). Five percent (5%) of the total number of units at the Project (i.e. six (6) units), disbursed throughout the Project, shall

be designated accessible in accordance with Section 504 and Chapter 10 using the 2010 ADA Standards for Accessible Design, promulgated by the United States Department of Justice, found at 28 C.F.R. § 35.151 (2013) and 36 C.F.R. Part 1191, App. B and D (2013) (the "2010 ADA Standards") as modified by HUD. In addition, two percent (2%) of the units at the Project (i.e. two (2) units) shall meet the standards to accommodate the hearing and visually impaired in accordance with Applicable Laws (as defined herein).

6.23.5 If applicable, Borrower shall cause Owner, and Owner shall comply with CDBG Regulations at 24 C.F.R. Part 570, the Uniform Relocation Assistance and Real Property Policies Act of 1970 ("URA"), as amended, at 49 C.F.R. § 24, and Section 104(d) of the Housing and Community Development Act of 1974, as amended, at 24 C.F.R. § 42. Borrower shall cause Owner, and Owner shall also comply with the tenant protection requirements set forth in the Protecting Tenants at Foreclosure Act of 2009, as amended and extended, ("PTAF"), as well as with any local codes or ordinances with respect to tenants' rights or tenant protection. If required by Applicable Law, Borrower shall cause Owner, and Owner shall also comply with the Multifamily Relocation Requirements ("Multifamily Relocation Requirements") in the Appendices and shall submit to the Director copies of all documentation required by the Multifamily Relocation Requirements or relating to URA, which may include, without limitation, (i) a certification or affidavit, unless waived by the Director, affirming Owner has performed all appropriate due diligence in order to confirm compliance with the tenant protection requirements set forth herein, (ii) a Notice to Real Property Owner/Seller, (iii) Tenant Status Reports, (iv) all Notices with Tenant Acknowledgements as required by the URA and (v) other related forms described in the Multifamily Requirements. If required by Applicable Law, Borrower shall cause Owner, and Owner shall also submit to Director copies of all tenant notices and the Seller's

Occupancy Certification required under PTAF with respect to the tenant protection requirements, to substantiate that such notices, if required by Applicable Law, were provided either by the foreclosing lender or by Borrower or Owner, as applicable.

6.24 ***Replacement Reserve and Operating Reserve***. In accordance with the Senior Loan Documents, but not later than the first (1st) anniversary following Project Completion, Borrower shall cause Owner to, and Owner shall establish with Senior Lender, or to the extent not funded with the Senior Lender, a financial institution acceptable to the Director and Senior Lender in their sole and absolute discretion, and fund as an Operating Expense a "replacement reserve escrow account" ("Replacement Reserve Account") for the replacement of furniture, fixtures, and equipment used in connection with those units at the Project for which the Work has been completed and for repair of capitalized improvements, in an amount not less than the greater of (i) $300.00 per unit annually, increased by 3% annually, or (ii) the reserve required by the Senior Lender per Unit per annum. If the Senior Lender requires a Replacement Reserve Account meeting these requirements, no additional reserve shall be required by the City. The reserve shall be deposited in equal monthly installments on an amortized basis. (For example if the Project had 100 Units, the monthly payment would be calculated as follows: 100 Units x $300 ÷ 12 = $2,500 monthly escrow payment). In the event that the Senior Lender does not require a Replacement Reserve Account pursuant to the immediately preceding sentence, the City shall have the right to cause Owner to fund such Replacement Reserve Account, in an annual amount not less than $300.00 per unit, increased by 3% annually, in accordance with the terms of this Section 6.24. Unless a Default exists, Owner shall be entitled to utilize amounts in the Replacement Reserve Account as necessary, provided that Owner shall replenish the amount withdrawn by continuing to fund deposits to the Replacement Reserve Account in accordance with the preceding sentence.

Any replacement reserve amounts required under the Senior Loan Documents may be applied toward satisfaction of the Replacement Reserve Account requirements in this Agreement. If the Replacement Reserve is not required by the Senior Lender, the Director may require that the Replacement Reserve Account and all amounts held therein shall be collaterally assigned to the City pursuant to a pledge and account control agreement in form and substance acceptable to the Director in his or her sole and absolute discretion. If the Replacement Reserve is required by the Senior Lender, the City shall have a second lien priority interest in the Replacement Reserve Account and the funds contained therein. On an annual basis, Borrower shall cause Owner to, and Owner shall provide the Director with an accounting of the Replacement Reserve Account. If not required by the Senior Lender or Owner's Partnership Agreement, the Director may require Owner to establish an Operating Reserve for the Project at Project Completion on terms and conditions as approved by the Director.

6.25 ***Insurance Provisions in the Deed of Trust***. Borrower shall cause Owner to, and Owner shall comply with all insurance requirements set out in the Senior Mortgage, the Deed of Trust securing the City Loan and this Agreement.

6.26 Reserved.

6.27 ***Consulting and Developer's Fees***. During the Term, without the prior written approval of the Director, no consulting or developer's fees shall be paid by Borrower or Owner, directly or indirectly out of the proceeds of the City's Loan (except as provided in the Approved Final Construction Budget or the Approved Final Operating Budget). During the Term, no consulting or developer's fees shall be paid by Borrower or Owner or out of the revenue of the Project (except as provided in the Approved Final Construction Budget, the Approved Final Operating Budget, or the Partnership Agreement).

6.28 ***Distributions Covenant.*** If the Project exceeds a debt service ratio of 1.5 to 1 on an annual (calendar year) basis, the available cash for distribution for such calendar year shall be limited to the cash available between breakeven (1:1 debt service ratio) and a 1.5 to 1 debt service ratio. Notwithstanding anything to the contrary contained in this Loan Agreement, any distribution in excess of such amount shall entitle the Director to declare a Default hereunder without prior notice and opportunity to cure. For example: If the debt service on the Project was $100,000 per year and the available cash before payment of debts was $200,000, the Project would have a debt service ratio of 2:1. $100,000 of the cash would be used to pay debt service, $50,000 (only) would be available for distribution and the remaining $50,000 would be reserved by Owner and promptly invested in the capital improvement of the Project in additional services for residents, or deposited in the Replacement Reserve Account. Cash flow in excess of a 1.5 to 1 debt service ratio shall not be available for distribution and shall be invested in the Project in additional services for residents or deposited in the Replacement Reserve Account as provided above. Borrower and Owner covenant to notify the City in writing at least ten (10) days in advance of any distribution of Project income to Borrower's or Owner's partners, shareholders or members as applicable. For purposes of this Section 6.28, "distribution" means those amounts distributed to Owner's partners as identified in the Partnership Agreement that are not in payment (or repayment) of specific amounts due to such partners. By way of example and not as a limitation, a payment to Owner's partners for assumed tax liability, tax credit shortfalls and loan repayments shall not be deemed a distribution.

6.29 ***Modification Fees.*** In the event that a modification of this Agreement or any change in any City Loan terms is required after Closing which requires the Director's or City

Council's approval, Borrower shall be responsible for all costs in connection therewith together a fee of no less than $25,000.00 with the amount of the fee to be determined at the time of request.

SECTION SEVEN
RESERVED

SECTION EIGHT
RESERVED

SECTION NINE
DISBURSEMENT PROCEDURES

9.1 ***Disbursement Limitations***. The proceeds of the City Loan shall be disbursed only for eligible and approved costs of the Work, relocation costs or acquisition costs that (i) are included in the Approved Final Project Budget, (ii) have been approved by the Director, (iii) if for Work, are for Work that has been completed and which Work has been approved by the Director, and (iv) if for materials, are for materials purchased and stored on site and approved by the Director.

9.2 ***Retainage***. Disbursement for the Work or other expenses under the Approved Final Construction Budget shall be subject to a ten percent (10.0%) retainage under Section 53.101, et seq. of the Texas Property Code (as it may be amended from time to time), but notwithstanding the foregoing, in no case shall retainage be released prior to thirty (30) days following completion of the Work as certified by the Architect or other person acceptable to the City. At the time of the release of the retainage, the Project is or will be as a result of the release of retainage free of all liens relating to the Project, other than liens that are bonded around. At the time of the release of the retainage, Borrower shall cause Owner and Owner shall provide the City with a down-date endorsement (T-3), final lien waivers and/or such other documentation as may be required by the Director.

9.3 ***Reallocation of Loan Proceeds***. Any Loan Proceeds that are allocated for the Project but that are not expended for eligible costs under the Approved Final Project Budget pursuant to the terms of this Agreement shall be returned to the City for reallocation.

9.4 ***Reallocation of Savings and Contingencies***. Borrower or Owner may, with the Director's approval, such approval not to be unreasonably withheld, conditioned or delayed, reallocate savings from one category of the Approved Final Construction Budget or from the contingency category of the Approved Final Construction Budget to another category of the Approved Final Construction Budget for the Project.

9.5 ***Drawdown Procedure***. Borrower shall not request a disbursement of the Loan Proceeds except in accordance with the Approved Construction Schedule and Approved Final Project Budget and in accordance with the provisions of this Paragraph 9.5. When a disbursement of Loan Proceeds is requested, Owner shall provide to Borrower for delivery to the Director, or Owner shall provide directly to Director as permitted under Section 10.4 hereof (but in no event more often than once a month and for an amount of not less than $5,000), an application for the disbursement (in a form required by the Director) (the "Disbursement Request") together with supporting documentation required by the Director (which shall include but not be limited to invoices and draw requests submitted by Contractor, interim lien waivers using forms provided by the GLO attached hereto as **APPENDIX 13**, and monthly construction progress reports on a unit by unit basis for verification by a third party inspector or a representative of the City) and evidence of required permits. In addition to the other information required by the Director, the initial disbursement request shall include a copy of all required permits necessary to commence construction. If the Director objects to an item (or the applicable portion thereof to which the Director objected) included in any Disbursement Request or if all required information has not

been submitted, then the Director shall notify Owner within 10 business days of receipt of the applicable Disbursement Request of the Director's objection and shall thereupon be relieved of any obligation to make a disbursement for that item (or portion thereof) until such time as Owner cures the objection(s) to the satisfaction of the Director. If the Disbursement Request is otherwise complete (as determined by the Director) and provided no Default exists or event that with the passage of time or giving of notice would constitute a Default has occurred and is continuing, the City shall, within 30 calendar days following approval of Owner's request, fund the requested disbursement from the City Loan less any amounts for items to which the Director has raised an objection and that have not been cured and less any retainage; provided, however, that the City shall not be required to make a disbursement (other than the last disbursement) in an amount less than $5,000 nor shall the City be required to make more than one disbursement per month. With each draw, the Owner shall provide a down-date endorsement (T-3) to the City Loan Title Policy together with conditional lien releases from the Contractor and subcontractors for the Work performed through the date of the draw request.

SECTION TEN
DEFAULT AND REMEDIES

10.1 ***Default***. The Director may declare a default ("Default") under this Agreement or any one or more of the Loan Documents upon the occurrence of any one or more of the following circumstances (and in all events, subject to the rights of Senior Lender under the Senior Loan Documents and Tax Credit Investor under Section 10.3 hereof):

10.1.1 Failure to Pay.

(a) If Borrower fails to pay, when due, any portion of the indebtedness evidenced by the Note and/or this Agreement and/or secured by the Collateral Assignment (Owner

Loan) and such failure continues for ten (10) days after written notice thereof from the Director to Borrower.

(b) If Owner fails to pay the Borrower when due any portion of the indebtedness evidenced by the Owner Loan and such failure continues beyond all applicable notice and cure periods contained in the Owner Loan Agreement.

10.1.2 Breach of Affordability Requirements and/or Restrictive Covenants. If Borrower or Owner breaches (i) the Affordability Requirements in this Agreement or the parallel Affordability Requirements set forth in the Restrictive Covenants and such breach continues for thirty (30) days after written notice thereof from the City to Borrower and Owner or (ii) any other covenant, condition, representation or warranty contained in the Restrictive Covenants and such breach continues for thirty (30) days after the City delivers written notice thereof to Borrower and Owner, Borrower and Owner shall not have additional cure rights hereunder.

10.1.3 Breach of Other Covenants or Conditions.

(a) Except for the breaches of covenants or conditions covered by Section Ten, Paragraphs 10.1.1 and 10.1.2 above, if Borrower or Owner fails, refuses or neglects to perform fully and timely any obligation, or breaches any covenant or condition (including any condition prior to or subsequent to the issuance of the City Loan) under this Agreement, or under any other Loan Document, and such failure continues for thirty (30) days after written notice from the City to Borrower and Owner, or, if the failure is not susceptible to cure within said 30-day period, such greater period of time (not to exceed sixty (60) days) as is necessary to cure such failure provided Borrower commences to cure such failure within said 30-day period and diligently works to cure such failure; provided, however that in the event that (i) any such cure periods would cause a violation to occur under Applicable Law or cause a recapture of the tax credits or (ii) any breach

or failure of performance of a life safety requirement, such event shall be deemed a Default hereunder without any notice or opportunity to cure;

(b) Except for the breaches of covenants or conditions covered by Section Ten, Paragraphs 10.1.1 and 10.1.2 above, if Owner fails, refuses or neglects to perform fully and timely any obligation, or breaches any covenant or condition under any of the documents evidencing, securing or otherwise pertaining to the Owner Loan, and such failure continues for thirty (30) days after written notice from Borrower or City to Owner; provided, however that in the event that (i) any such cure periods would cause a violation to occur under Applicable Law or cause a recapture of the tax credits or (ii) any breach or failure of performance of a life safety covenant, such event may be deemed and declared a Default hereunder without any notice or opportunity to cure.

10.1.4 Breach of Representations or Warranties. If any representation or warranty made by Borrower or Owner in its application(s) for the City Loan or in any of the Loan Documents, or this Agreement, or the Restrictive Covenants is false or misleading in any material respect, provided, however, that solely with regard to non-financial misrepresentations or warranties, Borrower and Owner shall have thirty (30) days after written notice to the Borrower and Owner from the City in which to take such action as may be necessary to cause the matter or thing represented to become true or not misleading; provided, however that in the event that any such cure periods would cause a violation to occur under Applicable Law or cause a recapture of the tax credits, such event may be deemed and declared a Default hereunder without any notice or opportunity to cure.

10.1.5 Voluntary Actions. If Borrower, Owner or Guarantor (if any) is voluntarily adjudicated bankrupt, seeks, consents or does not contest the appointment of a receiver or trustee for itself or for all or part of its property, makes a general assignment for the benefit of creditors,

does not pay its debts as they become due, or files a petition seeking relief under United States Bankruptcy Law.

10.1.6 Involuntary Actions. If a petition is filed against Borrower, Owner or Guarantor (if any) under United States Bankruptcy Law or if a court of competent jurisdiction enters an order appointing a receiver or trustee for Borrower, Owner or Guarantor (if any)for all or any material part of such party's property, and the order or petition is not discharged, dismissed or stayed within a period of ninety (90) days.

10.1.7 Dissolution or Liquidation. If Borrower or Owner is a partnership, limited liability company, corporation or other legal entity and dissolves, liquidates, or merges with or is consolidated into any other entity without the written approval of the Director.

10.1.8 Destruction of the Project. If the Project is demolished, destroyed or substantially damaged, and it is not restored or rebuilt in accordance with the requirements of the Loan Documents.

10.1.9 Cessation of Work. If Work on the Project ceases for ninety (90) or more consecutive days unless such cessation of Work is caused by cessation of funding under the City Loan.

10.1.10 Failure to Obtain or Default Under Other Financing. If Borrower or Owner fails to obtain any funding of the Other Financing in the order required under the Intercreditor Agreement (if applicable) or if Owner or Borrower has been declared in default under any regulatory agreement or document evidencing or related to the Other Financing and such default is not cured within ten (10) business days, or if longer, the cure period set forth in such regulatory agreement or other document but not to exceed thirty (30) days; provided, however, that any cure of the underlying default shall also constitute acceptable cure of the Default.

10.1.11 ***Liens and Other Encumbrances***. If any mechanics', materialman's or other similar lien or encumbrance is filed against the Project, or the fixtures, materials, machinery and equipment to be used in the Project or other collateral that secures the City Loan, and the same is not discharged (by payment, bonding, which may include payment bond furnished by contractor, or otherwise) within fifteen (15) business days following written notice thereof from the City to Borrower and Owner.

10.1.12 ***Change of Ownership or Management***.

(a) Except as otherwise permitted by the terms of this Agreement, if all or any part of Owner's interest in the Project is transferred (excluding transfers of membership or partnership interests in Owner to or by the Tax Credit Investor (or any entity permitted pursuant to Paragraph 10.1.15) or by its members or partners holding less than forty-nine percent (49%) ownership interest in Owner, unless such interests being transferred are general partner or managing interests), sold or assigned, voluntarily or involuntarily, or there is a change of management of the Project, at any time within the Affordability Period, such transfer of interest or change of management must first be approved in writing in the reasonable discretion of the Director, which approval may be granted or withheld by the Director. In the case of a transfer of Owner's interest in the Project, the Director's consent, if any, shall not be effective unless or until the purchaser or transferee assumes in writing all obligations and covenants of Borrower and Owner under the Loan Documents in a form acceptable to the Director and the City Attorney; or

(b) If there is otherwise a change in control of Borrower in violation of this Agreement.

(c) There is a change in the Property Manager without Director's consent, which consent shall not be unreasonably withheld.

10.1.13 ***Failure to Complete***. If Owner or Borrower fails to complete the Work substantially in accordance with the Approved Plans, Specifications, and Drawings that are approved by the Director within the Approved Construction Period.

10.1.14 ***GLO, IRS or other Audit Findings or Exceptions***. If the City Representatives, GLO, the Internal Revenue Service, or other federal or state agency makes an audit finding or exception that relates to the Project, the funds provided under this Agreement, or the Other Financing, provided, however, that if the audit finding or exception is curable, there shall be no Default unless the audit finding or exception is not cured within thirty (30) days after written notice to Borrower and Owner of such finding or exception or for such greater period as shall be necessary to cure such finding or exception so long as Borrower or Owner commences to cure such finding or exception within thirty (30) days after written notice thereof to Borrower and Owner and satisfactorily completes such cure.

10.1.15 ***Removal of Owner's General Partner.*** Notwithstanding anything to the contrary contained in this Agreement or the Loan Documents, the removal and/or replacement of Owner's general partner for cause in accordance with Owner's Partnership Agreement shall not require the consent of the City or Director, shall not constitute a default under this Agreement or the Loan Documents or accelerate the maturity of the City Loan. The consent of the Director shall be required for the appointment of a new general partner, but if the Tax Credit Investor exercises its right to remove the Owner's general partner for cause, City will not unreasonably withhold its consent to the substitute general partner; provided however, the consent of neither the City nor the Director shall be required if the substitute general partner is an affiliate of the Tax Credit Investor. The substitute general partner shall assume all of the rights and obligations of the removed general partner of Owner hereunder.

10.1.16 ***Transfer of Tax Credit Investor's Partnership Interest***. Notwithstanding anything to the contrary contained in this Agreement or the Loan Documents, no consent shall be required from the City or the Director (and the same shall not be deemed a Default or an event of default under any of the Loan Documents), in connection with (a) the pledge and encumbrance of the Tax Credit Investor's limited partnership interest in Owner to or for the benefit of any financial institution that enables such Tax Credit Investor to make its capital contribution to Owner, or (b) the transfer and/or the assignment by Tax Credit Investor of its interest in the Borrower to an entity controlled or managed by an entity which is related to or under common control with Tax Credit Investor.

10.2 ***Temporary Non-Compliance Not a Default***. Notwithstanding the foregoing or any other provision of this Agreement or any of the other Loan Documents to the contrary, neither Borrower nor Owner shall be in Default hereunder or thereunder if such Default occurs solely as a result of temporary noncompliance with Section Six, Paragraphs 6.8.1, 6.8.3 or 6.8.4, or comparable or similar provisions of this Agreement or any of the other Loan Documents, and such temporary noncompliance is caused by increases in incomes of existing tenants, provided that actions satisfactory to GLO and the City are being taken to ensure that all vacancies are filled with eligible tenants until the noncompliance is corrected. Without limiting the foregoing, existing tenants of Designated Units whose financial status during the term of the lease are found to be such as to no longer qualify such tenants as City LMI Persons, must pay as rent from the date any such tenant no longer qualifies as a City LMI Person, an amount equal to the lesser of the amount payable by the tenant under state or local law or thirty (30%) percent of the family's adjusted monthly income, as recertified annually, but in no event shall more rent be charged than is allowed under Section 42 of the Internal Revenue Code.

10.3 ***Right to Cure.*** Any time there is an event or a condition described in the Loan Documents which, with the passage of time might become a Default, if the Project has received Other Financing from low income housing tax credits, the Tax Credit Investor and/or the Senior Lender shall have the independent and concurrent right to cure such event or condition during the same period of time as that provided to Borrower or Owner. A cure by the Tax Credit Investor and/or the Senior Lender of any event or condition that, with the passage of time might become a Default, shall have the same effect as a cure of such event or condition by Borrower. The City shall give notice to the Senior Lender and Tax Credit Investor of any Default by Owner or Borrower at the same time the City gives notice to Owner and Borrower.

10.4 ***Owner's Right to Cure.*** Anytime there is an event or condition described in this Agreement which, with the passage of time might become a Default, if the Project has received other financings from low income housing tax credits, Owner shall have the independent and concurrent right to cure such event or condition during the same period of time as that provided to Borrower. A cure by Owner of any event or condition that, with the passage of time might become a Default, shall have the same effect as a cure of such event or condition by Borrower.

10.5 ***City's Remedies.*** Upon the declaration of a Default by the Director and the failure by Borrower or Owner or Senior Lender or Tax Credit Investor to cure same within a time period specified herein (if any), the Director may in his or her sole discretion: (i) terminate this Agreement; (ii) accelerate payment of the Note and declare that all sums under the City Loan are immediately due and payable; (iii) foreclose on the Project; (iv) cease funding any disbursements under the City Loan; (v) foreclose on the Collateral Note and/or (vi) take any other action authorized or available under this Agreement, any of the Loan Documents or under Applicable Law or in equity. In the event a Default exists, if the Director so chooses this remedy, the

outstanding deferred principal balance shall be immediately due and payable. Upon the occurrence and continuation of any Default hereunder, the deferred principal shall bear interest at a rate of the lesser of ten percent (10%) per annum or the maximum rate of interest permitted to be contracted for by Applicable Law ("Highest Lawful Rate"). Failure of Borrower or Owner to adequately perform under this Agreement may result in penalties including the possibility of disbarment from future GLO and City projects. In the event that the City elects to stop funding the City Loan upon the occurrence and continuance of a Default, the Borrower and Owner shall be obligated to continue and complete the Work at Borrower's expense.

SECTION ELEVEN
ALLOCATION OF COST SAVINGS
AND RECOVERY OF DAMAGES FROM CONTRACTOR

In the event that (i) cost savings are achieved in connection with the performance of the Work and not reallocated in accordance with Section Nine, Paragraph 9.4 or (ii) the Contractor or any Subcontractor selected to perform the Work on the Project makes a payment of damages to Owner for delays, defective workmanship or material, or for other items related to Work on the Project and such sums are not used by Owner to correct such defective workmanship or otherwise mitigate any damages related to Work on the Project resulting from such default by the Contractor or any Subcontractor, Borrower shall immediately cause Owner to and Owner shall pay to the City a portion of such cost savings or the sum received as payment of damages, to be applied against the principal balance of the City Loan. The amount of such savings or damages to be paid to the City and applied to the City Loan shall be equal to:

(i) $\frac{\text{(The total amount of the City Loan disbursed for Work) X (amount of cost savings realized or damages received)}}{\text{(The total Work cost)}}$

(ii) less any portion of the damages received that the Director determines are attributable to lost income from rent; and

(iii) less any portion of the cost savings realized or damages received that are used to pay Work costs approved by the Director in accordance with the Final Budget.

Provided, however, notwithstanding anything to the contrary set forth in this Agreement, to the extent that cost savings result in reduction in eligible basis for the Project, or will not be applied to projections for additional capital costs that would be considered eligible costs for tax credit certification under the applicable rules related thereto, and such reduction results in the amount of equity being contributed to the Project by the Tax Credit Investor being reduced, the City Loan shall not be reduced by any amount of reduction in the Tax Credit Investor's equity.

SECTION TWELVE
RESERVED

SECTION THIRTEEN
RESERVED

SECTION FOURTEEN
RELEASE AND INDEMNIFICATION

14.1 RELEASE. **OWNER, BORROWER, THEIR PREDECESSORS, SUCCESSORS AND ASSIGNS (THE FOREGOING ARE COLLECTIVELY REFERRED TO IN THIS SECTION AS "OWNER") HEREBY RELEASE, RELINQUISH AND DISCHARGE THE CITY, ITS PREDECESSORS, SUCCESSORS, ASSIGNS, LEGAL REPRESENTATIVES AND ITS FORMER, PRESENT AND FUTURE AGENTS, EMPLOYEES AND OFFICERS (THE FOREGOING ARE COLLECTIVELY REFERRED TO IN THIS SECTION AS "CITY") FROM ANY LIABILITY AS A RESULT OF THE JOINT NEGLIGENCE OF THE CITY AS A RESULT OF ANY INJURY, INCLUDING DEATH OR DAMAGE TO PERSONS OR PROPERTY, WHERE SUCH DAMAGE IS SUSTAINED IN CONNECTION WITH THIS AGREEMENT.**

14.2 ***INDEMNIFICATION AGREEMENT.*** **EACH OF BORROWER AND OWNER COVENANTS AND WARRANTS THAT IT WILL PROTECT, DEFEND, AND HOLD THE CITY HARMLESS FROM ANY AND ALL THIRD PARTY CLAIMS, DEMANDS, AND LIABILITY, INCLUDING DEFENSE COSTS, RELATING IN ANY WAY TO DAMAGES, CLAIMS OR FINES ARISING BY REASON OF OR IN CONNECTION WITH OWNER'S ACTUAL OR ALLEGED NEGLIGENCE OR OTHER ACTIONABLE PERFORMANCE OR OMISSION OF OWNER IN CONNECTION WITH OR DURING THE PERFORMANCE OF THE DUTIES UNDER THIS AGREEMENT. ALSO, DURING THE PERFORMANCE OF THE WORK AND UP TO A PERIOD OF FIVE (5) YEARS AFTER THE DATE OF FINAL ACCEPTANCE OF THE WORK, OWNER FURTHER EXPRESSLY COVENANTS AND AGREES TO PROTECT, DEFEND, INDEMNIFY, AND HOLD HARMLESS THE CITY FROM ALL CLAIMS, ALLEGATIONS, FINES, DEMANDS, AND DAMAGES RELATING IN ANY WAY TO THE ACTUAL OR ALLEGED JOINT AND/OR CONCURRENT NEGLIGENCE OF THE CITY AND OWNER, WHETHER OWNER IS IMMUNE FROM LIABILITY OR NOT.**

IT IS THE EXPRESSED INTENTION OF THE PARTIES HERETO THAT THE INDEMNITY PROVIDED HEREIN IS AN AGREEMENT BY OWNER TO INDEMNIFY AND PROTECT THE CITY FROM THE CITY'S OWN NEGLIGENCE WHERE SAID NEGLIGENCE IS AN ALLEGED OR ACTUAL CONCURRING PROXIMATE CAUSE OF ANY ALLEGED THIRD-PARTY HARM.

THE INDEMNITY PROVISION PROVIDED HEREIN SHALL HAVE NO APPLICATION TO ANY CLAIM OR DEMAND WHERE BODILY INJURY, DEATH, OR DAMAGE RESULTS ONLY FROM THE SOLE NEGLIGENCE OF THE CITY

UNMIXED WITH ANY FAULT OF OWNER. FURTHER, THE COVENANTS MADE IN THIS PARAGRAPH 14.2 TOGETHER WITH ALL OTHER INDEMNIFICATION REQUIREMENTS OF BORROWER AND OWNER SHALL BE JOINT AND SEVERAL OBLIGATIONS OF BORROWER AND OWNER.

SECTION FIFTEEN
NOTICE

All notices, demands, certificates, or other communications hereunder shall be in writing and shall be deemed sufficiently given or served for all purposes when delivered personally, by courier or via overnight delivery, when sent by certified or registered mail, postage prepaid, return receipt requested or by private courier service, in each case, with the proper address as indicated below; provided that any such notices, demands, certificates, or other communications shall be deemed delivered on the date delivered, or if mailed, three (3) business days after deposit in the U.S. mail. Where an email address is indicated below, notice shall also be sent to the applicable party both by email as well as one of the other designated forms of notice, but notice by email shall not satisfy the notice delivery requirements of this Agreement. Each party may, by written notice given to the other parties, designate any other address or addresses to which notices, certificates or other communications to them shall be sent as contemplated by this Agreement. Until otherwise so provided by the respective parties, all notices, certificates and communications sent to each of them under any of the Loan Documents shall be addressed as follows (notices sent to Owner or Borrower under any of the Loan Documents shall be sent to both Owner and Borrower):

TO THE CITY: City of Houston
c/o Housing and Community Development Department
2100 Travis, 9th Floor
Houston, TX 77002
Attention: Director

With a copy to:	City of Houston Legal Department 900 Bagby, 4th Floor Houston, TX 77002 Attention: Section Chief, Disaster Recovery
With a copy to:	Housing and Community Development Department 2100 Travis, 9th Floor Houston, TX 77002 Attention: Director
TO BORROWER:	Texas Inter-Faith Housing Corporation 3701 Kirby Drive, Suite 860 Houston, Texas 77098 Attention: Russ Michael Schmidtberger ("Russ Michaels")
TO OWNER:	CSH Dian Street Villas, LTD. 3701 Kirby Drive, Suite 860 Houston, Texas 77098 Attention: Russ Michael Schmidtberger ("Russ Michaels")
TO SENIOR LENDER:	Capital One, N.A. 299 Park Avenue, 14th Floor New York, New York 10171 Attention: Edward J. Santos

SECTION SIXTEEN
RESERVED

SECTION SEVENTEEN
RESERVED

SECTION EIGHTEEN
MISCELLANEOUS

18.1 ***Relationship of Parties***. The relationship of the City to Borrower pursuant to this Agreement, the Note, and all other Loan Documents is that of lender to borrower. Neither this Agreement, the Note, nor any of the Loan Documents creates any partnership, joint venture, or other subrecipient or fiduciary relationship between City and Borrower and/or the City and Owner.

18.2 ***Parties in Interest***. Except for the rights of the GLO specifically set forth herein, this Agreement shall not bestow any rights upon any third party, but, rather, shall bind and benefit

the City, Owner and Borrower, and as applicable, benefit GLO. Neither the U.S. Government, HUD, any subcontractor or supplier, nor any other person or entity, is a party to or a third-party beneficiary of this Agreement.

18.3 ***Exculpation***. The City shall not be liable to Borrower or Owner or responsible in any manner to any third-party in connection with this Agreement.

18.4 ***Non-waiver***. Failure or forbearance of any party hereto to insist on the strict performance of any obligation under this Agreement or to exercise any rights or remedies accruing upon default shall not be considered a waiver of the right to insist on and to enforce, by any appropriate remedy, strict compliance with any other obligation or to exercise any right or remedy occurring as a result of any future default or failure of performance.

18.5 ***Modification***. Any alterations, additions, or deletions to terms which are required by changes in federal or state laws and regulations shall be automatically incorporated into this Agreement and shall take effect on the effective date of the laws or regulations.

18.6 ***Severability***. In the event that any covenant, condition or provision of this Agreement is held to be invalid by a court of competent jurisdiction, the invalidity of the invalid covenant, condition or provision shall in no way affect any other covenant, condition, or provision, provided that the respective rights and obligations of the parties contained in the valid covenants, conditions and provisions of this Agreement are not materially prejudiced.

18.7 ***Choice of Law***. The interpretation and application of this Agreement shall be construed, applied and interpreted in accordance with the laws of the City, the State of Texas and other Applicable Law. Venue for any disputes relating in any way to this Agreement shall lie exclusively in Harris County, Texas.

18.8 Integration. Except as may be otherwise provided in this Agreement, this Agreement, the Appendices, Attachments, and Exhibits, or the other Loan Documents and Borrower's response to the City's request for proposal embody the entire agreement between the City, Borrower, and Owner, and there are no other effective agreements, representations or warranties between the City, Owner and Borrower in connection with this Agreement and the other Loan Documents.

18.9 Assignability. This Agreement shall not be assignable in whole or in part by Borrower or Owner without the prior written consent of the City which consent shall be in the form of an ordinance passed by City Council.

18.10 Survival. All the terms of this Agreement (including without limitation, the conditions listed in Section Three) shall survive the execution of the Note, the Deed of Trust and Restrictive Covenants. The parties hereto expressly agree and acknowledge that the terms of this Agreement and the Restrictive Covenants shall remain in full force and effect until the expiration of the Affordability Period, notwithstanding whether the Note or the Owner Note is prepaid in accordance with its terms.

18.11 Captions. The use of captions in this Agreement is for convenience only and such captions shall not be used to define or limit the terms of this Agreement.

18.12 Applicable Law. The interpretation and application of this Agreement shall be in accordance with the laws of the City, the State of Texas and other Applicable Law.

18.13 Multiple Counterparts; Effective Date. The parties have executed this Agreement in multiple originals, each having full force and effect, as of the Effective Date.

18.14 Approval by the City or the Director. All references to "reasonable" with respect to the granting or denying of the City's or the Director's approval shall be deemed to be

"reasonable" if the Director is acting in his or her official capacity in accordance with the City's Charter and related ordinances.

18.15 Transfer of Property: Flood Insurance. If applicable, during the term of this Agreement, Owner shall maintain flood insurance as required under the Flood Disaster Protection Act of 1973 and the National Flood Insurance Reform Act of 1994 (42 U.S.C. § 4001 et seq. and 42 U.S.C. § 5154a), as amended, in accordance with **APPENDIX 2** hereto or as otherwise required by HUD, City ordinance or the Director. Provided, however, that if the Property is located within a 100-year or 500-year floodplain or Special Flood Hazard Area designated by FEMA, Owner must maintain flood insurance on the Property for the life of the Property, in accordance with 42 U.S.C. §4012a, and this requirement shall survive the expiration or earlier termination of this Agreement. Borrower and Owner understand and acknowledge that failure to maintain the required flood insurance shall result in ineligibility for any further federal disaster relief of any kind, including but not limited to CDBG disaster recovery assistance. If the Property is sold or transferred by Owner or any subsequent transferring owner, the applicable flood insurance requirements under this Section are transferred to the new Property owner. Owner or any subsequent transferring owner of the Property must notify the new owner in accordance with 42 U.S.C. § 5154a and this requirement shall survive the expiration or earlier termination of this Agreement. Owner or any subsequent transferring owner of the Property may be subject to liability if it fails to provide the notice required by 42 U.S.C. § 5154a.

18.16 Consents and Approvals. Any approval or consent required of the City or the Director under the Loan Documents is for the purposes of administering the City Loan for City's benefit only and does not constitute any type of warranty or guaranty to Borrower or Owner that the plans, specifications, contracts or items of a similar nature for which approval or consent is

sought is free from error, in compliance with Applicable Law or fit for the Owner's purpose. Borrower and Owner acknowledge that neither the City nor the Director is an engineer or an architect and that Owner is required to rely on its own architect, contractors and engineers in performance and monitoring of the Work hereunder. To the extent that any condition or provision of this Agreement or any other Loan Document is subject to the approval or consent of the City or the Director and such consent is not expressly required to be "reasonable", such consent or approval may be granted or denied within the sole and absolute discretion of the City or the Director, as applicable. In all cases, any approval or consent required by the City or Director shall not be effective unless such consent or approval is in writing.

18.17 Choice of Venue. Borrower and Owner agree that proper and exclusive venue for any dispute with respect to this Agreement shall be in the United States District Court for the Southern District of Texas or the state circuit court sitting in Harris County, Texas, and Borrower and Owner agree to waive any claim that such court does not have personal jurisdiction over it or is an inconvenient forum.

18.18 Mediation of Contractor Disputes. In the event that a dispute arises between Owner and any contractor or subcontractor or between any contractor and subcontractor with respect to the Work or the Project, the Director shall have the right to require the disputing parties to conduct non-binding mediation to attempt to resolve such disputes to the extent that such mediation would not conflict with the requirements of the Payment, Performance or Maintenance Bonds. Such mediation shall occur within thirty (30) days of notice by the Director that a mediation is required. The Director may declare a default under the City Loan if any dispute referred to mediation is not resolved within sixty (60) days after submission to non-binding mediation, unless the applicable contract or subcontract is terminated. Each contract and subcontract for the

construction of the Project shall contain mandatory non-binding mediation requirements in case of a dispute if mediation is required by the Director as well as the other requirements of **APPENDIX 3** hereto. Nothing contained in this Agreement is intended to require the City to be a party to or participate in any mediation proceedings.

18.19 ***Force Majeure or Covid-19.*** In the event that any party shall be delayed in or prevented from the performance of any act required under this Agreement by reason of an event of Force Majeure or Covid-19, the time for performance shall be extended by the number of days that performance was reasonably delayed by such event provided that such extension shall not be permitted if such extension results in the breach of the GLO Contract. The parties agree that the COVID-19 pandemic may have an impact on the timing of performance under this Agreement due to closures or reductions in staffing of government offices and private businesses, travel and contact restrictions and other issues beyond the control of the parties. The parties will work together in good faith to extend any such period in accordance with this Section.

18.20 Anti-Boycott of Israel. Borrower certifies that Borrower is not currently engaged in and agrees for the duration of this Agreement not to engage in the boycott of Israel as defined by Section 808.001 of the Texas Government Code.

18.21 Zero Tolerance Policy for Human Trafficking and Related Activities. The requirements and terms of the City's Zero Tolerance Policy for Human Trafficking and Related Activities, as set forth in Executive Order 1-56, as revised from time to time, are incorporated into this Agreement for all purposes. Borrower has reviewed Executive Order 1-56, as revised, and shall comply with its terms and conditions as they are set out at the time of this Agreement's effective date. Borrower shall immediately notify the City's Chief Procurement Officer, City

Attorney, and the Director of any information regarding possible violation by the Borrower or its subcontractors providing services or goods under this Agreement.

SECTION NINETEEN

AUTHORITY OF THE DIRECTOR AND MAYOR

19.1 ***Authority of the Director to Extend Time of Performance***. The Director may extend the time of performance for any of Borrower's or Owner's covenants or conditions set forth in this Agreement, including all exhibits and attachments, or the other Loan Documents two (2) times for up to six (6) months each by written notice to Borrower and Owner. After these two six (6) months extensions, the next extension must be obtained by formal amendment to this Agreement, approved by City Council. After the extension approved by City Council, the Director may extend this Agreement (as amended) or any applicable time period for up to two (2) additional six (6) month periods by written notice to Borrower and Owner, but any additional extensions thereafter must be approved by City Council. Director may not extend the Maturity Date of the Loan or otherwise amend or extend any repayment obligations under the Note.

19.2 ***Authority of the Director to Execute Certain Amendments***. In the event that change orders, the application of delay damages, or other actions permitted by this Agreement, including all exhibits and attachments, cause the principal amount of the City Loan to decrease, the Director shall have the authority to execute the appropriate amendments to the Loan Documents reflecting such decrease.

19.3 ***Authority of the Mayor to Execute Other Documents***. The Mayor shall have the authority, without further action by City Council, to execute all other documents contemplated by this Agreement, including all exhibits and attachments, or necessary or appropriate to effectuate this Agreement, or to protect the City's interests hereunder, including, without limitation,

execution of the Intercreditor Agreement and Declaration of Subordination. The Mayor shall have the authority, without further action by City Council and upon the recommendation of the Director and City Attorney, to make changes to clarify, but not materially change, any provisions of this Agreement, including all exhibits and attachments, or other documents contemplated by this Agreement.

19.4 Schedules, Attachments, Appendices and Exhibits. References in this Agreement to various Schedules, Attachments, Appendices, or Exhibits shall refer to substantially the same form as those that are attached to this Agreement or such other form of Schedule, Attachment, Appendix or Exhibit as may be approved by the City Attorney and the other parties hereto.

19.5 Other Amendments; Council Approval Required. Except as otherwise provided in these Sections 19.1, 19.2, 19.3 and 19.4, any amendments to the Loan Documents must be in writing and authorized by City Council.

19.6 Refinance of Senior Loan. The Senior Loan may not be refinanced except as may be approved in writing by the Director, such approval not to be unreasonably withheld, delayed or conditioned. Upon the maturity of the construction financing in an amount not to exceed $15,845,898.00 provided by Capital One, National Association ("Construction Senior Loan"), it is anticipated that the Construction Senior Loan will be repaid and the Borrower will enter into a permanent loan in an amount not to exceed $5,651,000.00 made by Capital One, National Association, as the permanent loan lender (the "Permanent Senior Loan"), and intended to be sold to Federal Home Loan Mortgage Corporation, in accordance with the terms of that certain Forward Commitment Agreement by and between Capital One, National Association and Borrower dated on or about the date hereof (the "Term Sheet"). The repayment of the Construction Senior Loan and entering into the Permanent Senior Loan shall be permitted provided that the terms and

conditions of the Permanent Senior Loan do not materially vary from the Term Sheet and any additional material terms not set forth in the Term Sheet are reasonably acceptable to the Director and further provided that the parties named therein enter into the form of Subordination Agreement (Government Entity) attached to the Term Sheet dated as of closing the Permanent Senior Loan.

SECTION TWENTY
USURY LIMITATIONS

No provision of this Agreement, the Note, or any instrument securing payment of or relating to the indebtedness of Borrower, shall require the payment or permit the collection of interest in excess of the Highest Lawful Rate. If any excess of interest in such respect is herein or in any other instrument provided for, or shall be adjudicated to be so provided for herein or in any other instrument, the provisions of this paragraph shall govern and neither Borrower nor any guarantor or endorser of the Note, or their respective heirs, personal representatives, successors, or assigns shall be obligated to pay such interest to the extent it is in excess of the Highest Lawful Rate. Any fees or other sums that under Applicable Law are deemed to constitute interest shall be treated as interest and taken into account in calculating the Highest Lawful Rate and all such fees or other sums so deemed interest shall be amortized, prorated, allocated and spread in equal parts over the full stated Term of the City Loan. It is the intention of the City and Borrower to conform strictly to the laws applicable to the City Loan, and should it be held that interest or other sums payable to the City under this Agreement, the Note, or any other Loan Document are in excess of the Highest Lawful Rate, the interest chargeable shall be reduced to the maximum amount permitted by law.

IN WITNESS WHEREOF, the parties execute this Agreement in multiple counterparts as of the date of countersignature by the City Controller as set out below.

[SIGNATURE PAGES FOLLOW]

BORROWER:

TEXAS INTER-FAITH HOUSING CORPORATION,
a Texas 501(c)3 non-profit corporation

By: _____
Name: Russ Michael Schmidtberger
("Russ Michaels")
Title: Executive Director

OWNER:

CSH DIAN STREET VILLAS, LTD,
a Texas limited partnership

By: CSH DIAN STREET VILLAS GP, LLC, a Texas limited liability company, its general partner

By: TEXAS INTER-FAITH HOUSING CORPORATION, a Texas 501(c)3 non-profit corporation, its sole member

By: _____
Name: Russ Michael Schmidtberger
("Russ Michaels")
Title: Executive Director

SEAL/ATTEST:

Pat Jefferson Daniel, City Secretary

CITY OF HOUSTON, TEXAS

Sylvester Turner, Mayor Brenda Bonhan

APPROVED:

Tom McCasland, Director
Housing and Community Development
Department

COUNTERSIGNED:

Chris B. Brown, City Controller

APPROVED AS TO FORM:

Senior Assistant City Attorney
LD# 0292000717001

COUNTERSIGNATURE DATE:

4-16-21

SCHEDULE A

DEFINITIONS

Accessibility Requirements are defined in Section Six, Paragraph 6.23.4.

Affordability Period shall mean the forty (40) year period, which commences upon Project Completion, as defined in the City Loan Agreement, during which all Designated Units in the Project must remain affordable (in accordance with the provisions of Section 6.8 hereof) without regard to the term of the City Loan Agreement or transfer of ownership of the Project (the "City Affordability Requirements"). The Affordability Period includes a twenty (20) year HUD required affordability period as set forth in 83 Fed. Reg. 5844 and 83 Fed. Reg. 40314 (the "HUD Affordability Requirements"), in addition to a supplemental twenty (20) year affordability period required by the City. While the Owner's obligation to comply with the HUD Affordability Requirements and related obligations shall end at the close of the initial twenty (20) year affordability period, the Owner shall be required to comply with the City Affordability Requirements for the forty (40) years, as maybe extended, in accordance with this Agreement.

Applicable Law is defined in Section Six, Paragraph 6.23.1.

Approved Construction Schedule is defined in Section Three, Paragraph 3.4 hereof.

Approved Construction Contract is defined in Section Three, Paragraph 3.10.1 hereof.

Approved Final Construction Budget is defined in Section Three, Paragraph 3.9.2 of this Agreement.

Approved Final Operating Budget shall mean the portion of the approved Final Budget which relates to the operation and the Operating Expenses of the Project, which shall be updated and approved annually during the term of the City Loan in accordance with the provisions of Section Three, Paragraph 3.9.1.

Approved Final Project Budget is defined in Section Three, Paragraph 3.9.2 of this Agreement.

Approved Plans, Specifications and Drawings is defined in Section Three, Paragraph 3.3 hereof.

Assignment of Construction Contract shall mean that certain Assignment and Subordination of Construction Contract (with Consent) in form attached hereto as an Attachment or otherwise approved by the City Attorney.

C.F.R. shall mean the Code of Federal Regulations.

Certificate of Completion shall mean the certificate that is executed by the Director that states that Project Completion has occurred in accordance with the requirements of this Agreement.

Certificate of Compliance/Occupancy shall mean the certificate that is issued by the City acknowledging that construction has been completed and/or that the structure is ready for occupancy. Note: for rehabilitation Projects, this certificate may be termed a Certificate of Compliance.

City is defined in the preamble to this Agreement.

City Attorney shall mean the City Attorney of the City of Houston or any Assistant City Attorney that the City Attorney may designate to perform the various functions assigned to the City Attorney under this Agreement.

City Controller shall mean the Controller of the City of Houston or any other person the Controller may designate to perform the various functions assigned to the Controller under this Agreement.

City Loan or City's Loan shall mean the performance-based loan contemplated by this Agreement, in the maximum principal amount of $11,000,000.00 made by the City to Borrower for the purpose of financing eligible costs to construct the Project.

City Representatives shall have the meaning set forth in Paragraph 6, Section 6.15.1.

Closing or ***Closing Date*** shall mean the date on which the Loan Documents are executed and all of the other conditions set forth in Section Four of this Agreement have been satisfied.

Collateral Assignment (Owner Loan) shall mean that Collateral Assignment of Note and Liens to be executed by Borrower for the benefit of the City and which shall be substantially in the form attached hereto as **ATTACHMENT F.**

Collateral Note shall mean the Promissory Note to be executed by Owner payable to Borrower, which shall be collaterally assigned to the City to secure the City Loan pursuant to the Collateral Assignment (Owner Loan) and which shall be substantially in the form attached hereto as **ATTACHMENT E.**

Construction Contract shall mean the contract between Owner and the Contractor to perform the Work (in form approved by the Director).

Construction Project Manager shall mean an individual or corporation which must be an architect or an engineer and must be registered and in good standing in his or her profession under the laws of the State of Texas or must have a duly licensed architect or engineer on its staff or such other person or entity approved by the Director. Owner may not serve as the Construction Project Manager. The Construction Project Manager will oversee all phases of design, planning, and submission of the plans, specifications, drawings and other construction documents for the Project. The Construction Project Manager shall also be responsible for overseeing the Work and the performance of the Contractor, including without limitation, conducting on-site inspections appropriate to the state of construction so as to become generally familiar with the progress and quality of the Work and to determine in general if the Work is proceeding in accordance with the Contract Document.

Construction Project Management Agreement shall mean the agreement between Owner and the Construction Project Manager, in form acceptable to the Director, outlining the services to be performed by the Construction Project Manager in relation to the Project which Construction Project Management Agreement shall be collaterally assigned to the City pursuant to that certain Assignment of Construction Project Management Agreement in form attached hereto as an Attachment or other form approved by the City Attorney.

Contractor shall mean the contractor as approved by the Director selected by the Owner to perform the Work. The Contractor must be registered and in good standing in his or her profession under the laws of the State of Texas, and must be acceptable to the Director.

Cost Reasonableness Analysis shall mean an evaluation of the separate elements (e.g., labor, materials, etc.) that make up the Approved Final Construction Budget to determine if they are allowable, directed related to the Work and ultimately, reasonable.

Declaration of Subordination shall mean that certain Declaration of Subordination of Senior Lender attached hereto as an Attachment, or such other form approved by the City Attorney, which shall be executed on or prior to Closing and filed for record in the Official Public Records of Real Property, Harris County, Texas, in accordance with Section Three, Paragraph 3.7 hereof.

Deed of Trust shall mean and include the Deed of Trust, Security Agreement and Financing Statement to be executed by Owner, granting to the Borrower a second lien on Owner's fee interest in the Project and which shall be substantially in the form attached as an Attachment to this Agreement, which lien will be collaterally assigned to the City pursuant to the Collateral Assignment (Owner Loan).

Default shall mean the occurrence of any event set forth under Section Ten of this Agreement.

Designated Units shall mean those units in the Project which have been designated by Owner and approved by the Director as subject to all occupancy, rent, and affordability requirements of this Agreement and the Restrictive Covenants, as further described in Section Six, Paragraph 6.8.1. The Designated Units shall remain in compliance with the requirements of this Agreement without regard to the term of any mortgage or the transfer of ownership, pursuant to the Restrictive Covenants.

Director shall mean the Director of the City's Housing and Community Development Department or any other person that the Director may designate to perform the various functions assigned to the Director under this Agreement.

Effective Date shall mean the date this Agreement is countersigned by the City Controller.

Environmental Mitigation shall mean any environmental mitigation measures and conditions.

Environmental Review shall mean the environmental review conducted pursuant to 24 C.F.R. Part 58.

Final Budget shall mean, collectively, the Approved Final Operating Budget and the Approved Final Construction Budget.

Financing Statements shall mean U.C.C.-1 Financing Statements granting a second lien security interest in Owner's personal property included within the definition of the Project.

Force Majeure. An event of storm, flood, fire, earthquake, hurricane, pandemic or other acts of god, war, terrorism, sabotage, riot, insurrection or other civil disturbance, strikes, lockouts or other labor disturbances, orders of any governmental authority, including without limitation any civil or military authority, declarations of regional, state, or national emergencies or disaster areas, which renders a party temporarily incapable of performance. The term "Force Majeure" specifically excludes events related to COVID-19 existing as of the date of Closing.

Governmental Authority shall mean shall mean the United States, each state, each county, each city, and each other political subdivision in which all or any portion of the Land is located, and each other political subdivision, agency, or instrumentality exercising jurisdiction over the City, Borrower, Owner and/or the Land.

Guarantor shall mean, Texas Inter-Faith Housing Corporation, a Texas 501(c)3 non-profit corporation.

Highest Lawful Rate is defined in the Section Ten, Paragraph 10.5 of this Agreement.

HUD shall mean the United States Department of Housing and Urban Development.

Income and/or Family Income or any similar term, including without limitation, annual income, adjusted income, monthly income, and monthly adjusted income shall have the meanings assigned to such terms in 24 C.F.R. Part 5.

Intercreditor Agreement shall mean the agreement between the City, Owner, Borrower and Senior Lender described in Section Three, Paragraph 3.8 of this Agreement.

Land shall mean the real property included within the Project, as described in Section Two, Paragraph 2.1 of this Agreement.

LMI Persons shall mean low- or moderate-income households whose annual incomes do not exceed sixty (60%) percent of the AMI, as determined by HUD with adjustments for family size.

Loan Documents shall mean all of the documents executed by or on behalf of Borrower that govern, secure and/or evidence the City Loan, including without limitation, this Agreement, the Note, the Collateral Assignment (Owner Loan), the Assignment of Construction Contract, the Assignment of Property Management Agreement, the Assignment of Architect's Contract, Plans and Specifications, the Environmental Indemnity, the Assignment of Construction Project Management Agreement, if any, the Construction Completion Guaranty and the Restrictive Covenants; provided, however, that the Restrictive Covenants shall not be deemed a "Loan Document" for purposes of the Intercreditor Agreement and the Declaration of Subordination, and

further provided that the obligations of the restrictive covenants shall be secured by the Deed of Trust.

Loan Proceeds means amounts disbursed by the City to Borrower pursuant the terms of this Agreement.

Mayor shall mean the Mayor of the City of Houston, or any person that the Mayor may designate to perform the various functions assigned to the Mayor under this Agreement.

Maturity Date the expiration date of the Affordability Period.

Minimum Property Standards shall mean the minimum property standards of the City of Houston as set forth in **APPENDIX 14**, provided, however, that in the event of a conflict between the minimum property standards of the City of Houston and Section 8 Housing Quality Standards for Existing Housing under 24 C.F.R. § 982.401, the more rigorous requirement shall apply as the Minimum Property Standard hereunder.

Net Operating Income shall mean the Project's gross operating income less Operating Expenses.

Note shall mean the note to be executed by Borrower evidencing the City Loan, and which shall be substantially in the form attached as an Attachment to this Agreement.

Operating Expenses shall mean all costs and expenses paid or incurred in connection with or relating to the ownership, maintenance or operation of the Project pursuant to the Approved Final Operating Budget and the Approved Final Construction Budget, including any debt service payments related to the Senior Loan.

Other Financing is defined in Section One, Paragraph M of this Agreement (if applicable).

Owner is defined in the Preamble to this Agreement.

Owner Loan shall mean a loan to Owner from Borrower for Project costs which shall be evidenced by the Collateral Note and collaterally assigned and endorsed to City.

Owner Loan Agreement shall mean the Loan Agreement between Borrower and Owner evidencing the Owner Loan.

Owner Loan Documents shall mean the loan documents executed by Owner and Borrower evidencing or securing the Owner Loan.

Owner Note shall mean a promissory note from Owner to Borrower evidencing the Owner Loan and collaterally assigned and endorsed to City.

Partnership Agreement shall mean the Amended and Restated Agreement of Limited Partnership of Owner dated as of April 1, 2021.

Preliminary Project Budget shall mean the budget for the Project attached as an Exhibit to this Agreement, which has been submitted by Owner and approved by the Director prior to execution of this Agreement.

Project shall mean the Land described in Section Two, Paragraph 2.1 of this Agreement, together with all buildings and other improvements located or to be located on the Land. Project shall also include all real and personal property interests of Owner located on, incorporated into, or used in connection with the Land and improvements, including without limitation, all leases to Owner, appliances, air conditioning, heating, ventilation, plumbing and electrical fixtures and equipment.

Project Completion shall mean the date on which all of the following conditions have been satisfied and which:

(i) fee title to the Land is in Owner;

(ii) the Work has been completed to the reasonable satisfaction of the Director, and Owner has delivered to the City an AIA Affidavit of Completion signed by the Owner, Contractor and Architect for the Project in form and substance acceptable to the Director;

(iii) the City or the Approved Inspectors have conducted a Uniform Physical Conditions Standards inspection and all deficiencies have been remedied.

(iv) the Project in the Director's judgment complies with CDBG-DR17 Program Requirements, the requirements of HUD, including but not limited to those set forth in the written "release of funds" authorization from HUD as further described in Section Five, Paragraph 5.4, and the Minimum Property Standards set forth in Section Six, Paragraph 6.10 of this Agreement);

(v) the final draw request has been made and the draw on the City Loan has been disbursed for the Project including retainage;

(vi) delivery to the City of evidence satisfactory to the City, reflecting the full payment of, and executed final, unconditional lien waivers from (or the liens have been bonded around) all contractors, subcontractors and others with respect to the construction of the Project;

(vii) delivery of Certificates of Occupancy (or their equivalent) issued by all appropriate Governmental Authorities for all portions of the improvements located at the Project;

(viii) the information necessary for the City to complete the Final Wage Compliance Report has been submitted by Owner and the City has completed the report and submitted it to GLO; and

(ix) A letter from the Architect or other qualified professional indicating that the Project is in compliance with all Accessibility Requirements.

Property shall mean all of the property described in the Deed of Trust that is collectively referred to therein as Property.

Property Condition Assessment shall mean a physical inspection of the Project to assess any physical deficiencies and defects of the Project and any material deferred maintenance of the Project's systems, components, or equipment as observed during the field observer's walk-through survey.

Property Management Agreement shall mean the agreement between Owner and the Property Manager, in form acceptable to the Director, outlining the services to be performed by the Property Manager in relation to the Project. The Property Management Agreement shall be collaterally assigned to the City pursuant to the Assignment of Property Management Agreement in form attached hereto as an Attachment or other form approved by the City Attorney.

Property Manager shall mean the person or firm charged with the day to day management of the Project in accordance with the terms of the Property Management Agreement.

Reserve(s) or Replacement Reserve shall mean an escrowed reserve account established for the purpose of funding the replacement of furniture, fixtures and equipment used in connection with the Project and for repair of capitalized improvements, in accordance with Section One, Paragraph O, Section Six, Paragraph 6.24 and the Final Budget.

Restrictive Covenants shall mean the covenants embodied in the Restrictive Covenants to be executed by Owner, which shall be substantially in the form attached hereto as **ATTACHMENT A** to this Agreement, which covenants require Owner and its successors and assigns, to comply with certain occupancy and use restrictions for the duration of the Affordability Period, and which shall be superior to any liens evidencing or securing the Senior Loan and all other liens and encumbrances in accordance with the Declaration of Subordination.

Senior Lender shall mean Capital One, National Association, or other lender approved by the Director.

Senior Loan shall mean the loan in an original principal amount not to exceed the amount of $15,845,898.00 during construction and not to exceed the amount of $5,651,000.00 after conversion (unless otherwise approved by the Director) made by Senior Lender to Owner, secured by the Project, and subordinate to the Restrictive Covenants pursuant to the Declaration of Subordination. Prior to Closing, any increase to the Senior Loan amount that does not exceed 25% of the original amount may be approved in writing by the Director. Subject to the Director's consent, the Senior Loan may be refinanced, provided that the principal balance of the new loan shall not exceed the outstanding principal balance of the loan being repaid, proposed capital improvements, reserves, loan fees, plus reasonable and customary closing costs, or otherwise in accordance with Section 19.6 of this Agreement, as applicable.

Senior Loan Documents shall mean all documents evidencing, securing, or guaranteeing the Senior Loan, including without limitation, the Senior Mortgage.

Senior Mortgage shall mean the deed of trust executed in connection with and securing the Senior Loan

State shall mean the State of Texas.

Subcontractor shall mean any person, firm, or corporation who has a direct contract with the Contractor to perform any portion of the Work at the Project.

Tax Credit Investor shall mean Red Stone Equity – Fund 73 Limited Partnership, a Delaware limited partnership, together with its successors and assigns.

Tax Credits means the Low Income Housing Tax Credits issued to Owner by the Texas Department of Housing and Community Affairs pursuant to Section 42 of the Internal Revenue Code.

UFAS shall mean the Uniform Federal Accessibility Standards as set forth under Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. §794 et seq.) and the regulations promulgated in connection therewith.

Work as used in this Agreement shall mean all labor necessary to complete the construction, replacement, repair and any Environmental Mitigation work on the Project required by this Agreement, the Construction Contract or HUD, and all the materials and equipment incorporated or to be incorporated into the Project during the course of such construction, replacement and repair work.

APPENDICES TO LOAN AGREEMENT

APPENDIX 1	Applicable Law
APPENDIX 2	Insurance Requirements and Release and Indemnity Provisions for the Approved Construction Contract and the Other Construction and Supply Contracts
APPENDIX 3	Construction Contract Requirements, including bidding procedures if applicable
APPENDIX 4	Survey Requirements
APPENDIX 5	Monitoring Forms including Compliance Forms for Complying with Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. Sec. 1701u)
APPENDIX 6	Lobbying Certificate (to be delivered on or before the execution of this Agreement)
APPENDIX 7	"Debarment Form"-- Certification regarding Debarment, Suspension, and Other Responsibility Matters (to be delivered on or before the execution of this Agreement)
APPENDIX 8	Reserved
APPENDIX 9	City's MWSBE, Section 3 and Labor Standards Requirements
APPENDIX 10	Property Condition Assessment requirements (if any)
APPENDIX 11	Multifamily Relocation Requirements, including related forms
APPENDIX 12	Reserved
APPENDIX 13	GLO Lien Waiver Form
APPENDIX 14	Minimum Property Standards
APPENDIX 15	City Workforce Protection Measures

EXHIBITS TO LOAN AGREEMENT

EXHIBIT A	Legal Description of the "Land"
EXHIBIT B	Commitments for "Other Financings"
EXHIBIT C	Preliminary Construction Budget
EXHIBIT D	Scope of Work
EXHIBIT E	Construction Schedule.

ATTACHMENTS TO LOAN AGREEMENT

A. City's Restrictive Covenants

B. Borrowers' Note

C. Owner's Deed of Trust

D. Financing Statements

E. Collateral Note

F. Collateral Assignment (Owner Loan)

G. Construction Completion Guaranty

H. Declaration of Subordination

I. Intercreditor Agreement

J. Assignment of Construction Project Management Agreement (if required under Agreement)

K. Assignment of Property Management Agreement

L. Assignment of Architect's Contract, Plans and Specifications, and Consent

M. Assignment of Construction Contract

N. Environmental Indemnity Agreement

O. Form of the Performance Bond, Maintenance Bond, and Payment Bond

P. Owner Loan Agreement

APPENDIX 1

NONEXCLUSIVE LIST OF APPLICABLE LAWS, RULES, AND REGULATIONS

GENERALLY

The Acts and Regulations specified in the Texas General Land Office ("GLO") Contract No. 19-147-001-B489 ("2019 Subrecipient Agreement");

The Acts and Regulations specified in the Texas General Land Office ("GLO") Contract No. 21-134-000-C788 ("2021 Subrecipient Agreement") On the date HUD approves Action Plan Amendment 8 (as such plan is described in the 2021 Subrecipient Agreement), the City's 2019 Subrecipient Agreement shall automatically terminate and the 2021 Subrecipient Agreement will become effective to govern this Agreement from that date forward;

Continuing Appropriations Act, 2018 and Supplemental Appropriations for Disaster Relief Requirements Act, 2017 (Public Law 115-56);

The Further Additional Supplemental Appropriations for Disaster Relief Requirements Act, 2018 (Public Law 115-123);

The Housing and Community Development Act of 1974 (12 U.S.C. § 5301 et seq.);

The United States Housing Act of 1937, as amended, 42 U.S.C. § 1437(f)(o)(13) (2016) and related provisions governing Public Housing Authority project-based assistance, and implementing regulations at 24 C.F.R. Part 983 (2016);

Cash Management Improvement Act regulations (31 C.F.R. Part 205);

Community Development Block Grants (24 C.F.R. Part 570);

Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 C.F.R. Part 200);

GLO Housing Guidelines;

State of Texas Plan for Disaster Recovery: Hurricane Harvey Round 1, as amended from time to time and posted on the GLO website (https://recovery.texas.gov/action-plans/hurricane-harvey/index.html); and

City of Houston, Housing and Community Development Department – City of Houston Build it Forward Housing Recovery Program: Harvey Multifamily Program Guidelines, as may be amended from time to time (available at https://recovery.houstontx.gov/hud-requirements-reports/#guidelines).

Guidance Documents: Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards (2 C.F.R. Part 200); the Federal Registers; Hurricane Harvey Disaster Recovery Housing Guidelines issued by GLO – Community Development and

Revitalization, as amended (available at https://recovery.texas.gov/local-government/hud-requirements-reports/housing-guidelines/index.html); CDBG-DR Project Implementation Manual, as posted on the GLO website (https://recovery.texas.gov/files/hud-requirements-reports/implementation-manual/ch.-1---introduction.pdf).

CIVIL RIGHTS

Title VI of the Civil Rights Act of 1964, (42 U.S.C. § 200d et seq.); 24 C.F.R. Part 1, "Nondiscrimination in Federally Assisted Programs of the Department of Housing and Urban Development – Effectuation of Title VI of the Civil Rights Act of 1964;"

Title VII of the Civil Rights Act of 1964, as amended by the Equal Employment Opportunity Act of 1972 (42 U.S.C. § 2000e et seq.);

Title VIII of the Civil Rights Act of 1968, "The Fair Housing Act of 1968" (42 U.S.C. 3601 et seq.), as amended, 24 C.F.R. §§ 100.201 and 100.205;

Executive Order 11063, as amended by Executive Order 12259, and 24 C.F.R. Part 107, "Nondiscrimination and Equal Opportunity in Housing under Executive Order 11063." (The failure or refusal of Grantee to comply with the requirements of Executive Order 11063 or 24 C.F.R. Part 107 shall be a proper basis for the imposition of sanctions specified in 24 C.F.R. § 107.60);

The Age Discrimination Act of 1975 (42 U.S.C. 6101 et seq.);

Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794.) and "Nondiscrimination Based on Handicap in Federally-Assisted Programs and Activities of the Department of Housing and Urban Development", 24 C.F.R. Part 8; and

The Architectural Barriers Act of 1968 (42 U.S.C. 4151 et seq.), including the use of a telecommunications device for deaf persons (TDDs) or equally effective communication system.

LABOR STANDARDS

The Davis-Bacon Act, as amended (40 U.S.C. 276a – 276a-5): 29 C.F.R. Part 5; 24 C.F.R. Part 70; 24 C.F.R. § 570.603;

The Copeland "Anti-Kickback" Act (18 U.S.C. 874): 41 C.F.R. Part 3; 24 C.F.R. Part 135;

Sections 103 and 107 of the Contract Work Hours and Safety Standards Act (40 U.S.C. §327A and 330 and re-codified at 40 U.S.C. §§ 3701-3708);

Labor Standards Provisions applicable to Contracts Covering Federally Financed and Assisted Construction (Also Labor Standards Provisions Applicable to Non-Construction Contracts subject to the Contract Work Hours and Safety Standards Act) (29 C.F.R. Part 5);

Federal Executive Order 11246, as amended; and

Department of Labor Regulations at 29 C.F.R. Parts 1, 3, 5, 6 and 7.

EMPLOYMENT OPPORTUNITIES

Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u): 24 C.F.R. §§ 135.3(a)(2) and (a)(3);

The Vietnam Era Veterans' Readjustment Assistance Act of 1974 (38 U.S.C. § 4212);

Title IX of the Education Amendments of 1972 (20 U.S.C. §§ 1681-1688); and

Federal Executive Order 11246, as amended.

GRANT AND AUDIT STANDARDS

Single Audit Act Amendments of 1996, 31 U.S.C. § 7501;

Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards (2 C.F.R. Part 200);

Uniform Grant and Contract Management Act (Texas Government Code Chapter 783) and the Uniform Grant Management Standards issued by Governor's Office of Budget and Planning; and

Title 1 Texas Administrative Code § 5.167(c).

LEAD-BASED PAINT

Section 302 of the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. 4831 (b)).

HISTORIC PROPERTIES

The National Historic Preservation Act of 1966 as amended (16 U.S.C. 470 et seq.), particularly sections 106 and 110 (16 U.S.C. 470 and 470h-2), except as provided in §58.17 for Section 17 projects;

Executive Order 11593, Protection and Enhancement of the Cultural Environment, May 13, 1971 (36 Fed. Reg. 8921), 3 C.F.R. 1971-1975 Comp., p. 559, particularly section 2(c);

Federal historic preservation regulations as follows: 36 C.F.R. Part 800 with respect to HUD programs;

The Reservoir Salvage Act of 1960 as amended by the Archeological and Historic Preservation Act of 1974 (16 U.S.C. 469 et seq.), particularly section 3 (16 U.S.C. 469a-1).

ENVIRONMENTAL LAW AND AUTHORITIES

Environmental Review Procedures for Recipients assuming HUD Environmental Responsibilities (24 C.F.R. Part 58, as amended);

National Environmental Policy Act of 1969, as amended (42 U.S.C. §§ 4321-4347); and

Council for Environmental Quality Regulations for Implementing NEPA (40 C.F.R. Parts 1500-1508).

FLOODPLAIN MANAGEMENT AND WETLAND PROTECTION

Executive Order 11988, Floodplain Management, May 24, 1977 (42 Fed. Reg. 26951), 3 C.F.R., 1977 Comp., p. 117, as interpreted in HUD regulations at 24 C.F.R. Part 55, particularly Section 2(a) of the Order (For an explanation of the relationship between the decision-making process in 24 C.F.R. Part 55 and this Part, see § 55.10.); and

Executive Order 11990, Protection of Wetlands, May 24, 1977 (42 Fed. Reg. 26961), 3 C.F.R., 1977 Comp., p. 171 particularly Sections 2 and 5.

COASTAL ZONE MANAGEMENT

The Coastal Zone Management Act of 1972 (16 U.S.C. 1451 et seq.), as amended, particularly sections 307(c) and (d) (16 U.S.C. 1456(c) and (d)).

SOLE SOURCE AQUIFERS

The Safe Drinking Water Act of 1974 (42 U.S.C. 201, 300(f) et seq., and 21 U.S.C. 349) as amended; particularly section 1424(3)(42 U.S.C. 300h-3(e); and

Sole Source Aquifers (Environmental Protection Agency-40 C.F.R. Part 149.).

ENDANGERED SPECIES

The Endangered Species Act of 1973 (16 U.S.C. 1531 et seq.) as amended, particularly section 7 (16 U.S.C. 1536).

WILD AND SCENIC RIVERS

The Wild and Scenic Rivers Act of 1968 (16 U.S.C. § 1271 et seq.) as amended, particularly sections 7(b) and (c) (16 U.S.C. §§ 1278(b) and (c).

AIR QUALITY

The Clean Air Act (42 U.S.C. § 7401 et seq.) as amended, particularly sections 176(c) and (d) (42 U.S.C. § 7506(c) and (d); and

Determining Conformity of Federal Actions to State or Federal Implementation Plans (Environmental Protection Agency-40 C.F.R. Parts 6, 51, and 93).

FARMLAND PROTECTION

Farmland Protection Policy Act of 1981 (7 U.S.C. § 4201 et seq.) particularly sections 1540(b) and 1541 (7 U.S.C. 4201(b) and 4202);

Farmland Protection Policy (Department of Agriculture-7 C.F.R. Part 658);

HUD ENVIRONMENTAL STANDARDS

Applicable criteria and standards specified in HUD environmental regulations (24 C.F.R. Parts 50, 51) (other than the runway clear zone and clear zone notification requirement in 24 C.F.R. 51.303(a)(3), as modified by waivers at 83 Fed. Reg. 5844; and

HUD Notice 79-33, Policy Guidance to Address the Problems Posed by Toxic Chemicals and Radioactive Materials, September 10, 1979).

ENVIRONMENTAL JUSTICE

Executive Order 12898 of February 11, 1994 --- Federal Actions to address Environmental Justice in Minority Populations and Low-Income Populations, (59 Fed. Reg. 7629), 3 C.F.R., 1994 Comp. p. 859; and

Environmental Review Procedures for Entities Assuming HUD Environmental Responsibilities (24 C.F.R. Part 58).

SUSPENSION AND DEBARMENT

Use of debarred, suspended, or ineligible contractors or subrecipients (24 C.F.R. § 570.609);

General HUD Program Requirements; Waivers (24 C.F.R. Part 5);

Suspension and Debarment (2 C.F.R. Parts 180 and 2424); and

Nonprocurement Suspension and Debarment (2 C.F.R. § 200.213).

ACQUISITION/RELOCATION

The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 U.S.C. 4601 et seq.), 24 C.F.R. Part 42; 24 C.F.R. § 570.606; 49 C.F.R. § 24 (URA), as modified by waivers at 83 Fed. Reg. 5844;

Housing and Community Development Act of 1974, as amended by 24 C.F.R. § 42 and as modified by waivers at 83 Fed. Reg. 5844; and

The Protecting Tenants at Foreclosure Act of 2009.

City of Houston Housing and Community Development Department's Residential Anti-Displacement Policy, as the same may be amended (available at https://recovery.texas.gov/files/housing-guidelines-requirements-reports/residential-anti-displacement-and-relocation-assistance-plan.pdf)

FAITH-BASED ACTIVITIES

Executive Order 13279 of December 12, 2002 – Equal Protection of the Laws for Faith-Based and Community Organizations, (67 Fed. Reg. 77141).

CONSTRUCTION AND INSPECTION

Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. § 794 et seq.) and regulations and guidelines promulgated thereunder, including without limitation 24 C.F.R. Part 8;

Fair Housing Act and regulations and guidelines promulgated thereunder, including without limitation 24 C.F.R. Part 100;

24 C.F.R. §§ 982-401 (Section 8 Housing Quality Standards for Existing Housing);

The requirements of 24 C.F.R. § 570.614, which applies the standards of the Architectural Barriers Act (42 U.S.C. §§ 4151-4157) and the Americans with Disabilities Act (42 U.S.C. §§ 155, 201, 218 and 225) to CDBG-funded activities;

Green Building Standards at 83 Fed. Reg. 5844;

Texas Architectural Barriers Act, Article 9102, Tex. Civ. Stat. Ann. (1994) and the regulations and guidelines promulgated thereunder;

Chapter 10, Subsection 60 of the Texas Administrative Code and the regulations and guidelines promulgated thereunder; and

City of Houston's Minimum Property Standards, as amended from time to time.

APPRAISAL

49 C.F.R. § 24.2(a)(3) and 49 C.F.R. § 24.103.

BROADBAND REQUIREMENTS

Any new construction or substantial rehabilitation, as defined by 24 C.F.R. § 5.100, of a building with more than four (4) rental units must include installation of broadband infrastructure. For the purposes of this program, broadband service can either be hardwired or wireless, but it must be provided and 25 Mbps down and 3 Mbps up.

OTHER REQUIREMENTS

Chapter 552, Texas Government Code, the Texas Public Information Act, unless a valid exception exists, and Chapter 2306 of the Texas Government Code.

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APPENDIX 2

INSURANCE REQUIREMENTS FOR THE APPROVED CONSTRUCTION CONTRACT AND THE OTHER CONSTRUCTION AND SUPPLY CONTRACT

I. GENERAL INSURANCE REQUIREMENTS

A. **COVERAGES**. With no intent to limit Owner's liability under the indemnification provisions set forth above, Owner covenants to provide and maintain (or where applicable, ensure its Contractor provides and maintains) in full force and effect for the periods stated below (or if no period is stated for the longer of any statutory period or the construction phase of this project), at least the following insurance and available limits of liability:

REQUIRED COVERAGES

(Coverage)	(Limit of Liability)
1. Workers' Compensation:* Including All States Insurance, United States Longshoremen and Harbor Workers Compensation Act	Statutory Limits for Workers' Compensation
*See Additional Insurance Requirements Below	
2. Employer's Liability	Bodily Injury by Accident $1,000,000 (each accident) Bodily Injury by Disease $1,000,000 (policy limit) Bodily Injury by Disease $1,000,000 (each employee)
3. Commercial General Liability: Including Owner's and Contractor's Protective Liability or Owner's Interest, Broad Form Property Damage, Contractual Liability, Bodily Injury, Personal Injury and Products and Completed Operations (for a period of one-year following completion of the Work under this Agreement)	Combined single limit of $1,000,000 each occurrence, subject to general aggregate $2,000,000; Productions and Completed Operations, $1,000,000 aggregate
4. Owner's and Contractor's Protective Liability *or* Owner's Interest	100% of Contract Price, including change orders
5. Flood Hazard Insurance **	
**See Additional Insurance Requirements Below	
6. Automobile Liability Insurance	$1,000,000 combined single limit each occurrence
7. Excess Coverage	$1,000,000 each occurrence/combined aggregate in excess of the limits specified for Employer's Liability Commercial General Liability and Automobile Liability

8.	Property & Casualty Coverage "All Causes of Loss" Builders Risk Form	100% of Contract Price, including change orders

OPTIONAL COVERAGES

1.	Pollution Legal Liability	$1,000,000 per occurrence/aggregate
2.	Coverage for tools, equipment, etc., not included in cost of the Work	Value of items covered
3.	Equipment floater policy to cover equipment in transit, at warehouse job site or elsewhere until Work is turned over to the City	Value of Equipment
4.	Increased Excess Coverage	In addition to specified coverage, as appropriate for Project
5.	Other insurance	As appropriate for Project

If any of the above insurance is written as "claims made" coverage and the City is required to be carried as an additional insured, then Owner's insurance shall include a two (2)-year extended discovery period after the last date that Owner provides any Work under this Agreement.

"Aggregate" amounts of coverage, for purposes of this Agreement, are agreed to be the amounts of coverage available during a fixed twelve (12)-month policy period.

B. **POLICY REQUIREMENTS**

1. **Form of Policies:** The insurance may be in one or more policies of insurance, the form of which is subject to reasonable approval by the Director. It is agreed, however, that nothing the Director does or fails to do with regard to the insurance policies shall relieve Owner from its duties to provide the required coverage hereunder and Director's actions or inactions will never be construed as waiving City rights hereunder.

2. **Issuers of Policies:** The issuer of any policy must have a Certificate of Authority from the State Department of Insurance to conduct insurance business in Texas or a rating of at least **B+** and a financial size of **Class VI** or better according to the most current Edition Key Rating Guide, Property Casualty United States. Each issuer must be responsible and reputable and must be subject to approval by the Director in his/her sole discretion as to conformance with these requirements.

3. **Insured Parties:** Each policy, except those for Workers' Compensation and Professional Liability, must name the City (and its officers, agents and employees) as additional insured parties on the original policy and all renewals or replacements during the term of this Agreement. The City's status as an additional insured under the Owner's insurance does not extend to instances of sole negligence of the City unmixed with any fault of the Owner or general contractor.

4. **Deductibles:** Owner shall assume and bear any claims or losses to the extent of any deductible amounts and waives any claim it may ever have for the same against the City, its officers, agents and employees.

5. **Cancellation:** Each policy must expressly state that it may not be cancelled, or materially modified, or non-renewed unless thirty (30) days advance notice of cancellation is given in writing to the City by the insurance company.

6. **Subrogation:** Each policy must contain an endorsement to the effect that the issuer waives any claim or right in the nature of subrogation to recover against the City, its officers, agents or employees.

7. **Endorsement of Primary Insurance:** Each policy must contain an endorsement that such policy is primary insurance to any other insurance available to the Additional Insured with respect to claims arising hereunder.

8. **Liability for Premium:** The Owner shall be solely responsible for payment of all insurance premium requirements hereunder and the City shall not be obligated to pay any premiums.

C. **PROOF OF INSURANCE.** Owner shall provide proof of insurance as indicated below.

1. Prior to commencing any Work under this Agreement, Owner shall furnish the Director with Certificates of Insurance, along with an affidavit from the Owner confirming that the Certificate accurately reflects the insurance coverage that will be available during the term of the Agreement. If requested in writing by the Director, the Owner shall furnish the City with certified copies of Owner's actual insurance policies. Failure of Owner to provide certified copies, as requested, may be deemed, in the Director's and/or City Attorney's discretion, to constitute a breach of this Agreement.

2. Notwithstanding the proof of insurance requirements set forth above, it is the intention of the parties hereto that Owner, continuously and without interruption, maintain in force the required insurance coverages set forth above. Failure of the Owner to comply with this requirement shall constitute a default of Owner under this Agreement. Owner agrees that the City shall never be argued to have waived or be estopped to assert its rights to terminate this Agreement because of any acts of omissions by the City regarding its review of insurance documents provided by the Owner, its general contractor, or any agents, employees or assigns.

II. ADDITIONAL INSURANCE REQUIREMENTS:

A. **WORKMAN'S COMPENSATION**. Owner agrees to comply with the Worker's Compensation insurance requirements set forth below.

1. **Workers' Compensation Insurance Coverage.** Owner shall, in addition to meeting the obligations set forth in Article I, Required Coverages, maintain throughout the term of the Agreement Workers' Compensation as required by statute and Owner shall specifically comply with all requirements set forth in this Section. The definitions set out below shall apply only for the purposes of this Section:

Definitions:

Certificate of coverage (Certificate): A copy of a certificate of insurance, a certificate of authority to self-insure issued by the commission (included in original definition under Rule 110.110 but excluded from this Agreement), or a coverage agreement (TWCC-81, TWCC-82, TWCC-83 or TWCC-84), showing statutory Workers' Compensation insurance coverage for the Owner's, Subcontractor's, or Supplier's employees providing service on a Project, for the duration of the Project.

Duration of the Project: Includes the time from the beginning of the Work on the Project until the Owner's Work on the Project has been completed and accepted by the City.

Persons providing services on the Project (Subcontractor in Texas Labor Code § 406.096): Includes all persons or entities performing all or part of the services the Owner has undertaken to perform on the Project, regardless of whether that person contracted directly with the Owner and regardless of whether that person has employees. This includes, without limitation, independent contractors, subcontractors, leasing companies, motor carriers, owner-operators, employees of any such entity, or employees of any entity which furnishes persons to provide services on the Project. "Services" include, without limitation, providing, hauling or delivering equipment or materials, or providing labor, transportation, or other service related to a Project. "Services" does not include activities unrelated to the Project, such as food/beverage vendors, office supply deliveries and delivery of portable toilets.

2. The Owner shall provide coverage, based on proper reporting of classification codes and payroll amounts and filing of any coverage agreements, which meets the statutory requirements of Texas Labor Code, Section 401.011 (44) for all employees of the Owner providing services on the Project, for the duration of the Project.

3. The Owner must provide a certificate of coverage to the City prior to receiving funds under the Agreement.

4. If the coverage period shown on the Owner's current certificate of coverage ends during the duration of the Project, the Owner must file a new certificate of coverage with the City showing that coverage has been extended.

5. The Owner shall obtain from each person providing services on a Project and provide to the City:

(i) a certificate of coverage, prior to that person beginning Work on the Project, so the City will have on file certificates of coverage showing coverage for all persons providing services on the Project; and

(ii) no later than seven (7) days after receipt by the Owner, a new certificate of coverage showing extension of coverage, if the coverage period shown on the current certificate of coverage ends during the duration of the Project.

6. The Owner shall retain all required certificates of coverage for the duration of the Project and for one (1) year thereafter.

7. The Owner shall notify the City in writing by certified mail or personal delivery, within ten (10) days after the Owner knew or should have known, of any change that materially affects the provision of coverage of any person providing services on the Project.

8. The Owner shall post on each Project site a notice, in the text, form and manner prescribed by the Texas Workers' Compensation Commission, informing all persons providing services on the Project that they are required to be covered and stating how a person may verify coverage and report lack of coverage.

9. The Owner shall contractually require each person with whom it contracts to provide services on a Project to:

(i) provide coverage, based on proper reporting of classification codes and payroll amounts and filing of any coverage agreements, which meets the statutory requirements of Texas Labor Code, Section 401.011(44) for all of its employees providing services on the Project, for the duration of the Project;

(ii) provide to the Owner, prior to that person beginning Work on the Project, a certificate of coverage showing that coverage is being provided for all employees of the person providing services on the Project, for the duration of the Project;

(iii) provide to the Owner, prior to the end of the coverage period, a new certificate of coverage, if the coverage period shown on the current certificate of coverage ends during the duration of the Project;

(iv) obtain from each other person with whom it contracts and provide to the Owner: (1) a certificate of coverage, prior to the other person beginning Work on the project; and (2) a new certificate of coverage showing extension of coverage, prior to the end of the coverage period, if the coverage period shown on the current certificate of coverage ends during the duration of the Project;

(v) retain all required certificates of coverage on file for the duration of the Project and for one (1) year thereafter;

(vi) notify the City in writing by certified mail or personal delivery, within ten (10) days after the person knew or should have known, of any change that materially affects the provisions of coverage of any person providing services on the Project; and

(vii) contractually require each person with whom it contracts, to perform as required under this Subparagraph 5.1 A-G, with the certificates of coverage to be provided to the persons for whom they are providing services.

10. By signing this Agreement or providing or causing to be provided a certificate of coverage, the Owner is representing to the City that all employees of the Owner who will provide services on the Project will be covered by Workers' Compensation coverage for the duration of the Project, that the coverage will be based on proper reporting of classification codes and payroll amounts, and that all coverage agreements will be filed with the appropriate insurance carrier. Owner shall not be allowed to self-insure Workers' Compensation. Providing false or misleading information may subject the Owner to administrative penalties, criminal penalties, civil penalties, or other civil actions.

11. The Owner's failure to comply with any of these provisions is a breach of contract by the Owner which entitles the City to declare the Agreement void if the Owner does not remedy the breach within ten (10) days after receipt of notice of breach from the City.

B. FLOOD AND HAZARD INSURANCE REQUIREMENTS. Owner must comply with the flood hazard insurance requirements set forth below.

1. Flood hazard insurance is required for projects located in a Special Flood Area (or 100-year floodplain). The Owner shall apply for flood insurance on all insurable structures built under this Agreement, if applicable. A copy of the completed application must be provided to the City before commencing construction on the Project. The Owner shall obtain flood hazard insurance as soon as possible and submit a copy of the policy to the City, if applicable. The Owner also has a statutory responsibility to inform any transferee who receives or purchases the project of any applicable requirement to obtain and maintain flood insurance, and that the transferring owner may be liable if he or she fails to do so. These requirements are enumerated at https://www.govinfo.gov/content/pkg/USCODE-2010-title42/pdf/USCODE-2010-title42-chap68-subchapIII-sec5154a.pdf.

APPENDIX 2 cont'd

RELEASE AND INDEMNITY PROVISIONS IN CONSTRUCTION CONTRACT

I. RELEASE

OWNER, ITS PREDECESSORS, SUCCESSORS AND ASSIGNS (THE FOREGOING ARE COLLECTIVELY REFERRED TO IN THIS SECTION AS "OWNER") HEREBY RELEASE, RELINQUISH AND DISCHARGE THE CITY, ITS PREDECESSORS, SUCCESSORS, ASSIGNS, LEGAL REPRESENTATIVES AND ITS FORMER, PRESENT AND FUTURE AGENTS, EMPLOYEES AND OFFICERS (THE FOREGOING ARE COLLECTIVELY REFERRED TO IN THIS ARTICLE AS "CITY") FROM ANY LIABILITY AS A RESULT OF THE SOLE AND/OR CONCURRENT NEGLIGENCE OF THE CITY FOR ANY INJURY, INCLUDING DEATH OR DAMAGE TO PERSONS OR PROPERTY, WHERE SUCH DAMAGE IS SUSTAINED IN CONNECTION WITH THIS AGREEMENT.

II. INDEMNIFICATION

OWNER COVENANTS AND WARRANTS THAT IT WILL PROTECT, DEFEND, AND HOLD THE CITY HARMLESS FROM ANY AND ALL THIRD PARTY CLAIMS, DEMANDS, AND LIABILITY, INCLUDING DEFENSE COSTS, RELATING IN ANY WAY TO DAMAGES, CLAIMS OR FINES ARISING BY REASON OF OR IN CONNECTION WITH OWNER'S ACTUAL OR ALLEGED NEGLIGENCE OR OTHER ACTIONABLE PERFORMANCE OR OMISSION OF THE OWNER IN CONNECTION WITH OR DURING THE PERFORMANCE OF THE DUTIES UNDER THIS AGREEMENT. ALSO, DURING THE PERFORMANCE OF THE WORK AND UP TO A PERIOD OF FIVE (5) YEARS AFTER THE DATE OF FINAL ACCEPTANCE OF THE WORK, OWNER FURTHER EXPRESSLY COVENANTS AND AGREES TO PROTECT, DEFEND, INDEMNIFY, AND HOLD HARMLESS THE CITY FROM ALL CLAIMS, ALLEGATIONS, FINES, DEMANDS, AND DAMAGES RELATING IN ANY WAY TO THE ACTUAL OR ALLEGED JOINT AND/OR CONCURRENT NEGLIGENCE OF THE CITY AND OWNER, WHETHER OWNER IS IMMUNE FROM LIABILITY OR NOT.

IT IS THE EXPRESSED INTENTION OF THE PARTIES HERETO THAT THE INDEMNITY PROVIDED HEREIN IS AN AGREEMENT BY THE OWNER TO INDEMNIFY AND PROTECT THE CITY FROM THE CITY'S OWN NEGLIGENCE WHERE SAID NEGLIGENCE IS AN ALLEGED OR ACTUAL CONCURRING PROXIMATE CAUSE OF ANY ALLEGED THIRD-PARTY HARM.

THE INDEMNITY PROVISION PROVIDED HEREIN SHALL HAVE NO APPLICATION TO ANY CLAIM OR DEMAND WHERE BODILY INJURY, DEATH, OR DAMAGE RESULTS ONLY FROM THE SOLE NEGLIGENCE OF THE CITY UNMIXED WITH ANY FAULT OF THE OWNER. NOTWITHSTANDING ANYTHING HEREIN TO THE CONTRARY, THE LIABILITY OF THE OWNER UNDER THIS INDEMNITY PROVISION SHALL NOT EXCEED $1,000,000.00 PER OCCURRENCE.

APPENDIX 3

CONSTRUCTION CONTRACT REQUIREMENTS

1. ***Davis-Bacon***. Compliance with the federal labor standards provisions of the Davis-Bacon Act, as amended (40 U.S.C. §§ 276a, et seq.); compliance with the Davis-Bacon Act shall be verified through on-site inspections by representatives of the City or at the City's option, the Approved Inspectors. Each Construction Contract should include as an attachment HUD 4010 Federal Labor Provisions and HUD Handbook 1344 –Davis Bacon Act. In addition, each Construction Contract must require compliance with CDBG Regulations at 24 C.F.R. 570.603 and Department of Labor regulations at 29 C.F.R. Parts 1, 3, 5, 6 and 7.

2. ***Release and Indemnity Provisions In Contracts***. Inclusion of a release and indemnity in favor of the City in substantially the same text as set forth in these Appendices (when the terms "Owner"/"Agreement" are used below, they encompass the terms "Contractor"/ "Contract" and "Subcontractor"/"Subcontract" "Supplier/Supply Contract" where applicable).

3. ***Insurance***. Inclusion of the requirement that the contractor, subcontractor, or supplier maintain insurance described in these Appendices (although the Appendices contain these insurance requirements as of the Effective Date of this Agreement, the version of insurance requirements in effect for the City's General Conditions of Construction Contract at the date of Closing of the City's Loan shall supersede the requirements set forth in the Appendices).

4. ***MWSBE Requirements***. Owner shall require written contracts and supply agreements with all MWSBE contractors and suppliers and such contracts and supply agreements shall comply with Section One, Paragraph K of this Agreement.

5. ***Disputes***. Subject to the requirements of Section 4 above, all disputes concerning the quantity, quality and completion or sufficiency of work performed or materials supplied pursuant to the Approved Construction Contract shall be submitted to the Director for resolution,

and the Director may order the parties to mediation, at his option, to attempt to resolve the dispute in accordance with Section 18, Paragraph 18.18 of this Agreement. The Director may declare a default under the City Loan if any dispute referred to mediation is not resolved within sixty (60) days after submission to non-binding mediation. The Approved Construction Contract and each subcontract will include a requirement that the Director shall have the authority to require any disputes thereunder be submitted to nonbinding mediation, but nothing shall require the City to participate in such mediation. Neither the decision of the Director nor the issuance of a Certificate of Completion shall be construed to release the Borrower, Owner or any surety from liability under any bond, warranty or guaranty to be provided under this Agreement.

6. ***Compliance With Minimum Property And Rehabilitation Standards***. The Approved Construction Contract shall provide that the entire Project be constructed or brought up to the standards required by the City's Minimum Property Standards and (b) all applicable local codes, construction standards, ordinances, and zoning ordinances (including without limitation, the City's Building, Housing and Fire Codes). All newly constructed and reconstructed housing units must meet the current requirements of the Model Energy Code (http://www.energycodes.gov/implement/pdfs/modelcode.pdf).

7. ***Bidding Requirements (if applicable)***.

(a) The Contractor shall send an invitation to bid to construction and repair businesses that are listed in the City's Office of Business Opportunity ("OBO"). The Owner also may solicit invitations to bid from other sources.

(b) The Contractor shall solicit at least 3 bids for all Work.

(c) The Contractor shall provide a bid package to all prospective bidders. The Contractor may charge bidders the cost of copying the bid package. The bid package shall contain

the Approved Final Plans, Specifications, and Drawings and shall contain the Construction Contract Requirements set forth as an exhibit to this Agreement.

(d) The Contractor shall select the lowest responsible bidder for award of the contract.

(e) The Contractor shall give the selected bidder written notice of the award. The notice shall state that the award is conditioned upon the bidder's compliance with this Agreement, including, without limitation, compliance with the MWSBE provisions.

8. ***Audit Rights***. Each Construction Contract and subcontract shall contain provisions granting GLO and the City the right to review, audit and monitor any construction contracts and subcontracts.

9. ***Cost-Plus Contracts Prohibited.*** Neither Borrower nor Owner nor Owner's contractors or any subcontractors will enter into contract types prohibited by the U.S. Department of Housing and Urban Development and the regulations at 2 CFR Part 200. Specifically, as required by the GLO, no party will enter into a cost-plus or cost-plus percentage of cost contract in connection with work at the Development.

10. ***Penalties***. Each Construction Contract and subcontract shall include a clause that failure to adequately perform under the contract may result in penalties including the possibility of debarment from future GLO or City work.

APPENDIX 4

SURVEY REQUIREMENTS

(1) Prepared by a licensed Texas surveyor;

(2) in form and content satisfactory to the Director;

(3) in accordance with the Accuracy Standards for ALTA/ACSM Land Title Surveys as adopted by ALTA, American Congress on Surveying & Mapping and National Society of Professional Surveyors, or the Texas Surveyors' Association;

(4) in form necessary for the title company issuing title insurance to amend the survey exception to read "shortages in area";

(5) containing a certificate which includes a statement as to whether any portion of the land is located within a flood plain, flood hazard or flood prone area;

(6) certified to the title company and the City and their respective successors and assigns;

(7) including, a metes and bounds description of the real property comprising the land,

(8) with the surveyor's seal affixed; and

(9) with a certification for the Survey in the form set forth below or such other form acceptable to the Director:

The undersigned hereby certifies to the City of Houston, _____ (Owner), and _____ (Title Company) that this survey: (i) was made on the ground as per the field notes shown thereon and correctly shows the boundary lines and dimensions and the area of the land indicated thereon and each individual parcel thereof indicated thereon; (ii) correctly shows the location of all buildings, structures, and other improvements and visible items on the subject

property; (iii) correctly shows the location and dimension of all alleys, streets, roads, rights-of-way, easements, and other matters of record of which the undersigned has been advised by the title commitment issued by Title Company, Commitment No. _____ affecting the subject property according to the legal description in such recorded easements and other recorded matters; (iv) correctly shows the location of all streets and roads providing access to the subject property, and that such streets and roads that provide such access have been dedicated for public use in Book _____, Page _____, Plat Records of _____ County, _____, and are built and are being maintained by _____; there are no encroachments or overhangs on adjoining premises, streets, or alleys by any of said buildings, structures, or other improvements, rights of way, party walls, or boundary conflicts and there are no visible encroachments or overhangs on the subject property by buildings, structures, or other improvements situated on adjoining premises; the distance to the nearest intersecting street or road is as shown hereon; there is physical ingress and egress to the subject property by paved, dedicated public streets maintained by the city or county in which the subject property is located; and there is no visible use of ingress-egress across the subject tract by an adjoining property; and (v) was performed in accordance with the standards of a Category 1A survey under the Manual of Practice for Land Surveying in Texas.

*SURVEYED BY:*_____

SEAL

_____

Date of Survey

Reg. Professional Land Surveyor No. _____

Note: This copy of this plat is not valid unless an original signature through an original seal appears on its face.

For projects that are not located in a 100-year or 500-year flood zone:

FLOOD PLAIN NOTE: This tract is not within an identified (shaded) special flood hazard area (including the 100-year flood), but is within zone X, areas determined to be outside 500 year flood-plain, as identified by the Federal Emergency Management Agency, National Flood Insurance Program, Flood Insurance Rate Map for _____ County, _____, and incorporated Areas Map No. _____ dated _____.

The above statement is for information only and this surveyor assumes no liability for the correctness of the cited map(s). In addition, the above statement does not represent this surveyor's opinion of the probability of flooding.

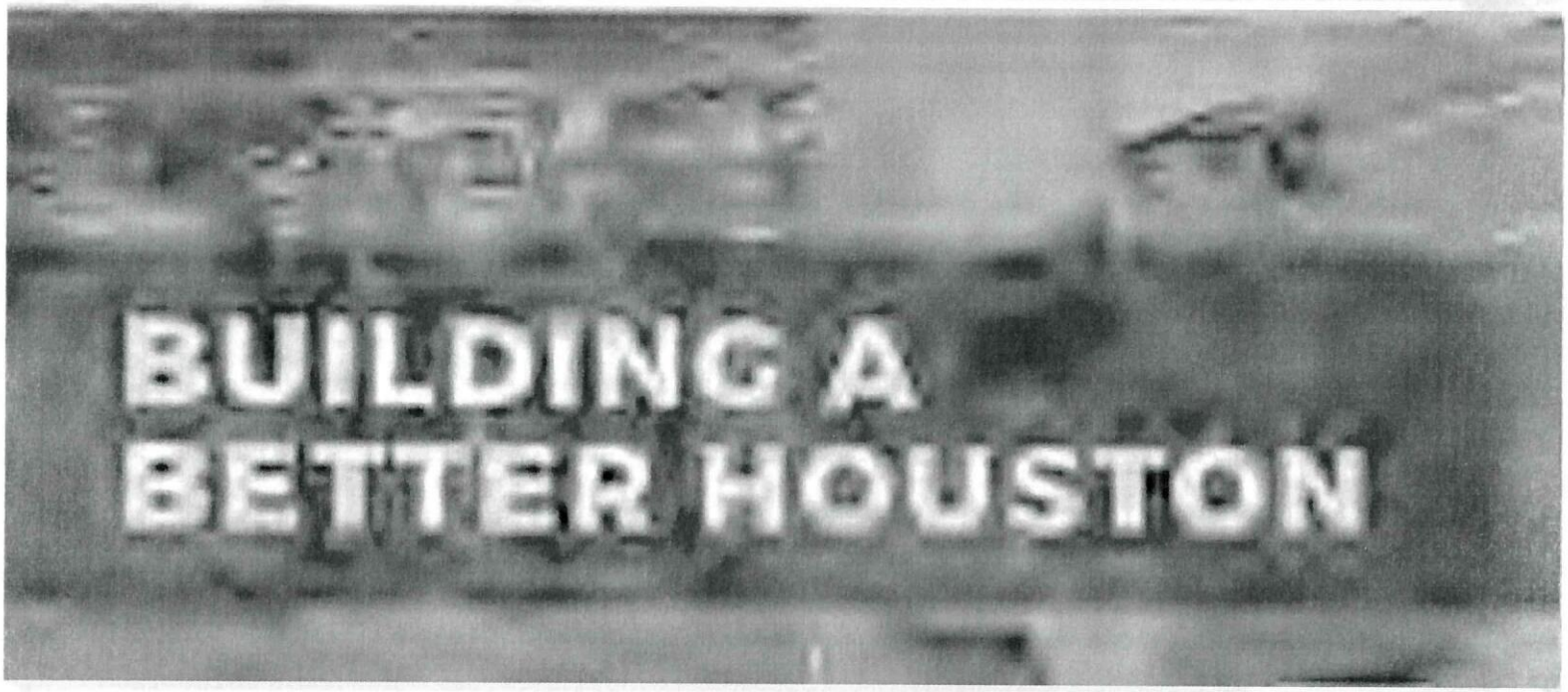
For projects that are located within a flood zone:

FLOOD PLAIN NOTE: This tract is within flood zone _____, as identified by the Federal Emergency Management Agency, National Flood Insurance Program, Flood Insurance Rate Map for _____ County, _____, and incorporated Areas Map No. _____ dated _____. The above statement is for information only and this surveyor assumes no liability for the correctness of the cited map(s). In addition, the above statement does not represent this surveyor's opinion of the probability of flooding.

Appendix 5:

Compliance Forms





2100 Travis Street | 9th floor
Houston, TX 77002 | 832.394.6160

www.houstontx.gov/housing

@HoustonHCDD

CITY OF HOUSTON
HOUSING AND
COMMUNITY
DEVELOPMENT

CONTACT INFORMATION

City of Houston - HCDD 2100 Travis Street, 9th Floor Houston, TX 77002		
CONTRACT COMPLIANCE SECTION MWSBE/Section 3/Community Involvement		
Division Manager	Chrystal Boyce	(832) 394-6130 Chrystal.Boyce@houstontx.gov
Administrative Coordinator	Lakesha Tates	(832) 394-6345 Lakesha.Tates@houstontx.gov
MWSBE Coordinator	Taylisha Clark	(834) 394-6326 Taylisha.Clark@houstontx.gov
MWSBE Contract Administrator	Eva Alcala	(832) 394-6118 Eva.Alcala@houstontx.gov
MWSBE Contract Administrator	Aldwin Foster-Rettig	(832) 394-6202 Aldwin.Foster-Rettig@houstontx.gov
Section 3 Lead Contract Administrator	Tiffany Wyatt	(832) 394-6379 Tiffany.Wyatt@houstontx.gov
Section 3 Contract Administrator	Desmond Calloway	(832) 393-9110 Desmond.Calloway@houstontx.gov
Section 3 Coordinator	Patricia Holcombe	(832) 394-6321 Patricia.Holcombe@houstontx.gov
Community Involvement Coordinator	Karen Franklin	(832) 394-6160 Karen.Franklin@houstontx.gov

COMPLIANCE FORMS

Instructions: All compliance forms must be completed and/or signed by a duly authorized member of the firm. The Prime Contractor, Subcontractor, and Suppliers must upload the following forms in **LCPTracker** by the deadlines provided below. Read each form to verify if it's applicable to your firm and follow the instructions written on each form.

The following form(s) are to be submitted ***before construction*** commences.		
Compliance Section(s): MWSBE/Section 3	**Form/Documents**	**Due**
All sections	Executed contract agreement, purchase order, and/or invoice	Within 5 business days of executed contract agreement
All sections	Compliance Cover Sheet	Within 5 business days of executed contract agreement
All sections	Request for Contractor/Subcontractor Clearance Form/SAM Verification	**Before** execution of contract agreement
All sections	Start of Work Notice	Upon commencement of work
All sections	Termination of Work Notice	Upon completion of work
MWSBE/ Section 3	Section 3/MWSBE Utilization Plan	Within 5 business days ofexecuted contract agreement, monthly, and/or when changes occur
Section 3	Contractor's Section 3 Compliance Certification	Within 5 business days of executed contract agreement
Section 3	First Source Hiring Agreement	Within 5 business days of executed contract agreement
Section 3	Permanent Employee List	Within 5 business days of executed contract agreement
Section 3	Workforce Analysis Form	Within 5 business days of executed contract agreement
Section 3	Internal Capacity Affidavit	Within 5 business days of executed contract agreement or when internal capacity is reached
Section 3	Monthly Verification of Internal Capacity Status	Between 1st and 5th day of the month capturing previous month activity
Section 3	Section 3 Monthly Activity Report	Between 1st and 5th day of the month capturing previous month activity
Section 3	Section 3 New Hire Form	Between 1st and 5th day of the month capturing previous month activity
Section 3	Confirmation of Subcontractor Amount	Within 5 business days of executed contract agreement
Section 3	E-BID Announcement	Submit at least 14 business days from need to contract
Section 3	Employment Opportunity Announcement (EOA)	Submit at least 14 business days prior need to hire
Section 3	Bid Tabulation	Submit no later than 5 business days after final selection is made
Section 3	Template - Section 3 Signage (GC)	Signage must be posted on site prior to start of work

Compliance Cover Sheet

Return with Compliance Documents (Complete all fields)

Project Name:		
Name of Prime Contractor/Sub/Supplier:		I/We have a written contract or purchase order with:
Services to be provided:		NAICS code [Hint: To look up a code, please visit http://www.census.gov/eos/www/naics/]
Company Address:		Pre-existing LCP Tracker User ID:
EIN or SS Number:	DUNS Number: (N/A if not applicable)	Contract Amount: $
Compliance Contact Person/Title:		Email:
Phone Number:		Fax Number:
*Owner's Ethnicity/Racial Background:		Gender:
☐ MBE ☐ WBE ☐ SBE ☐ Section 3		

Instructions:

This form must be completed by all Prime contractors, Subcontractors, and Suppliers upon execution of a contract agreement, purchase order and/or invoice.

**For contracts applicable to Section 3, Suppliers that do not perform labor should NOT complete this form.*

The Prime Contractor is responsible for collecting this form from Subcontractors and Suppliers to complete setup and access to LCP Tracker.

**HUD's ethnicity categories are: White American, Black American, Native American, Hispanic American, Asian/Pacific American and Hasidic Jewish.*

***REQUIRED BY ALL SECTIONS**

Request for Prime Contractor/Subcontractor Clearance

No contract can be executed with a Prime Contractor, Subcontractor or Supplier until their eligibility has been verified by HCDD.

Date	
Project Name	
Project Address	
Prime Contractor/Sub/Supplier	
EIN or SS Number	
Address/Zip Code	
Phone Number	
Check the applicable entity	☐Sole Proprietorship ☐Corporation ☐Partnership ☐Other

List Principal(s) below:

Instructions:

To ensure eligibility, a search must be conducted of the (1) Company Name, (2) Principal Owner(s) and (3) the Employer Identification Number (EIN) through www.sam.gov/SAM .

The Prime Contractor verifies the eligibility of all Subcontractors and Suppliers. Search results and the Request for Clearance form MUST be uploaded in LCP Tracker for each Subcontractor and Supplier.

*REQUIRED BY ALL SECTIONS

Prime Contractor Information

Project Name	
Project Address	
Prime Contractor/Sub Name	
Prime Contractor/Sub Address	
Start of Work Date	

Prime Contractor Authorization

Name of Authorized Officer	
Signature	
Title	

Instructions:

This form must be completed by the Prime Contractor/Subcontractor and serves as notice of commencement of work to HCDD.

*REQUIRED BY ALL SECTIONS

Termination of Work Notice

Prime Contractor Information

Project Name	
Project Address	
Prime Contractor/Sub Name	
Prime Contractor/Sub Address	
Termination of Work Date	

Prime Contractor Authorization

Name of Authorized Officer	
Signature	
Title	

Instructions:

This form must be completed by the Prime Contractor/Subcontractor and serves as notice to HCDD that work has been completed.

*REQUIRED BY ALL SECTIONS

Section 3 Utilization Plan

A Prime Contractor **must** submit an **initial** Utilization Plan when selected and then **once every month and/or when there are changes to utilization and/or contract amounts**. All Subcontractors, and Owner/Developer are also required to submit a Utilization Plan **once every month and/or when there are changes to utilization and/or contract amounts**. Section 3 requires an Owner/Developer(s), Prime Contractor & Subcontractor to award 10% of the construction budget to Section 3 Business Concerns when "NEW" contracting opportunities arise. This requirement by Section 3 **excludes** Suppliers. The 10% hard cost goal is calculated based on the total contract amount financed with HUD funds for construction related activities. The 3% soft cost goal is applicable when "New" opportunities arise for non-construction related activities. The 3% is calculated based on the soft cost budget, not the total contract amount. This form **MUST** be completed by **ALL** Subcontractors working on projects at all tier levels.

Reminder: THIS FORM MUST BE DATED BETWEEN THE 1ST AND 5TH OF EACH MONTH.

1A: DD/MM/YYYY:	1B: Project Name:	1C: Contract Number:	1D: Contractor Amount:	1E: Contact Person:	1F: Prime/Subcontractor Name:	1G: Compliance Contact Name:	1H: Compliance Contact Telephone Number:
2A: Required 10% Hard Cost Goal:	2B: Achieved 10% Hard Cost Goal	2C: 10% Hard Cost Goal Met	2D: Soft Cost Budget (N/A if not applicable)	2E: Required 3% Soft Cost Goal	2F: Achieved 3% Soft Cost Goal	2G: 3% Soft Cost Goal Met	

NAICS Code (6digits)	Subcontractor	Section 3 Certified (Select drop down Yes or No)	Gender (Select drop down Male or Female)	*Ethnicity (Refer options below)	Description of Service	EIN or SSN	Contract Amount	% of Contract	Hard Cost, Soft Cost or Supplier (select the correct choice)	Address & Phone Number
		No	Female	White American						
		No	Female	Hasidic Jewish						
		No	Female	Hasidic Jewish						
		No	Female	Hasidic Jewish						
		No	Female	Hasidic Jewish						
		No	Female	Hasidic Jewish						
		No	Female	Hasidic Jewish						
		No	Female	Hasidic Jewish						
		No	Female	Hasidic Jewish						
		No	Female	Hasidic Jewish						
		No	Female	Hasidic Jewish						

HUD's ethnicity categories are: White American, Black American, Native American, Hispanic American, Asian/Pacific American and Hasidic Jewish



MWSBE Utilization Plan

A Prime Contractor **must** submit an **initial** Utilization Plan when selected and then **once every month and/or when there are changes to utilization and/or contract amounts**. All Subcontractors, Suppliers and Owner/Developers are also required to submit a Utilization Plan **once every month and/or when there are changes to utilization and/or contract amounts**. This form **MUST** be completed by **ALL** Subcontractors and Suppliers working on MWSBE projects at all tier levels.

Reminder: THIS FORM MUST BE DATED BETWEEN THE 1ST AND 5TH OF EACH MONTH.

1A. DD/MM/YYYY:	1B. Project Name:	1C. Contract Number:	1D. Contractor Amount:	1E. Prime/Sub Contractor Name:	1F. Compliance Contact Name:	1G. Compliance Contact Telephone Number:

NAICS Code (6digits)	Subcontractor/Supplier	MWSBE (select drop down Yes-No)	Section 3 Certified (circle the correct choice)	*Ethnicity (Refer options below)	Description of Service	EIN or SS#	Contract Amount	% of Contract	Hard Cost, Soft Cost or Supplier (select the correct choice)	Address & Phone Number & Email
		No	No	Hasidic Jewish						
		No	No	Hasidic Jewish						
		No	No	Hasidic Jewish						
		No	No	Hasidic Jewish						
		No	No	Hasidic Jewish						
		No	No	Hasidic Jewish						
		No	No	Hasidic Jewish						
		No	No	Hasidic Jewish						
		No	No	Hasidic Jewish						
		No	No	Hasidic Jewish						
		No	No	Hasidic Jewish						
		No	No	Hasidic Jewish						
		No	No	Hasidic Jewish						
		No	No	Hasidic Jewish						
		No	No	Hasidic Jewish						
		No	No	Hasidic Jewish						
		No	No	Hasidic Jewish						

HUD's ethnicity categories are: White American, Black American, Native American, Hispanic American, Asian/Pacific American and Hasidic Jewish.
Note: Actual dollar amounts are assumed if the date is in the past, otherwise numbers reflect projected dollar amounts

Contractor's Section 3 Compliance Certification

The undersigned makes this affidavit with full knowledge that its contents will be used in the expenditure of funds provided by the United States Government. Under penalty of perjury I hereby state:

1. I am the_____of_____.
   (owner, partner, officer, representative, agent) (Company Name)

2. My company adheres to Section 3 of the Housing and Urban Development (HUD) Act of 1968, as amended, 12 U.S.C. 1701u which requires, to the greatest extent feasible, that a "good faith effort" given to identifying small businesses located within the boundaries of the Section 3 service area, making them aware of contracting opportunities, encouraging their participation and actually awarding contracts to Section 3 business concerns through the assistance of the City of Houston and their referral system.

3. An attempt will be made to undertake outreach activities intended to encourage participation by Section 3 residents in training and employment opportunities, to include but not be limited to utilizing the referral established by the City of Houston, the Texas Employment Commission, and Houston Works.

4. My company also acknowledges and affirms the required steps stipulated in the Code of Federal regulations 24 CFR Part **§135.38 for** any **"New"** services, i.e. employment labor, services materials, or subcontracting. Any violation of this requirement will present a negative impact on the performance rating of the recipient, developer, and contractor subcontractor.

§ 135.38 Section 3 clause

All section 3 covered contracts shall include the following clause (referred to as the section 3 clause):

A. The work to be performed under this contract is subject to the requirements of section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (section 3). The purpose of section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing.

B. The parties to this contract agree to comply with HUD's regulations in 24 CFR part 135, which implement section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from complying with the part 135 regulations.

C. The contractor agrees to send to each labor organization or representative of workers with which the contractor has a collective bargaining agreement or other understanding, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this section 3 clause and will post copies of the notice in conspicuous places at the work site where both employees and new applicants can see. The notice shall describe the section 3 preference, set forth minimum number and job titles subject to hire, availability of apprenticeship and training positions, the required qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.

D. The contractor agrees to include this section 3 clause in every subcontract subject to compliance with regulations in 24 CFR part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the

subcontractor has been found in violation of the regulations in 24 CFR part 135.

E. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the contractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 135.

F. Noncompliance with HUD's regulations in 24 CFR part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts. G. With respect to work performed in connection with section 3 covered Indian housing assistance, section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e) also applies to the work to be performed under this contract. Section 7(b) requires that to the greatest extent feasible (i) preference and opportunities for training and employment shall be given to Indians, and (ii) preference in the award of contracts and subcontracts shall be given to Indian organizations and Indian-owned Economic Enterprises. Parties to this contract that are subject to the provisions of section 3 and section 7(b) agree to comply with section 3 to the maximum extent feasible, but not in derogation of compliance with section 7(b).

Affiant's Signature:_____Address: _____

Affiant's Title:_____Telephone: _____

Affiant's Company Name:_____

_____ Subscribed and

sworn to under oath before me this _____day of_____, 20____

_____
Notary Public Signature

My Commission Expires: _____

Notary Stamp

First Source Hiring Agreement

This agreement is entered this_____day of ,20 by and between the City of Houston and, hereinafter referred to as the "City", and hereinafter referred to the "Contractor", in connection with work to be performed in relation to the City's HUD-assisted project entitled, hereinafter referred to as the "project".

Whereas, HUD has promulgated certain regulations to implement Section 3 of the Housing and Urban Development (HUD) Act of 1968 (12 U.S.C. 1701u) (Section 3), which regulations were published in the Federal Register June 30, 1994 at page 33865, herbinafter referred to as the "Section 3 regulations"; and

Whereas, the purpose of Section 3 regulations is to ensure that employment and other economic opportunities generated by Section 3 covered assistance shall, to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, be directed to low-and very low-income persons, and to business concerns, which provide economic opportunities to such persons.

Whereas, HUD has set forth numerical employment, and contracting goals to be achieved by all Community Development recipients of Section 3 covered assistance and by other recipients of such assistance in which HUD's share exceeds $200,000 per project and by those Contractors whose share of such projects exceeds $100,000; and

Whereas, the numerical goal so established by HUD applicable to the Project is set forth below; and

Whereas, recipients of Section 3-covered assistance and their contractors can demonstrate compliance with the Section 3 regulations by committing to employ Section 3 eligible persons as the applicable percentage of the aggregate number of new hires during the time period involved in the Section 3-covered project; and

Whereas, the City and the Contractor are desirous of being in compliance with the Section 3 regulations as they relate to the Project;

Now Therefore, the City and the Contractor agree as follows:

1. The Contractor and any of its subcontractors shall supply the City with a list of all full-time employees currently employed, indicating which, if any, of said employees were hired within the past three years and were also low or very low-income persons when so hired;
2. The Contractor and any of its subcontractors shall provide a listing of any and all positions for which new hires are expected to be required as a result of the Project;
3. The Contractor and any of its contractors will, to the greatest extent feasible, endeavor to hire 30% percent of the new hires generated by the Project from the following list of Section 3-eligible groups, in the order of priority listed:
    a. Section 3 residents of service area or neighborhood;
    b. Youth build participants;
    c. Homeless projects; Homeless persons; and
    d. Other Section 3 residents.
4. The Contractor and any of its subcontractors will be encouraged to make new hires from the list of Section 3-eligible groups in Paragraph 3 above for any and all other projects assisted with Federal funding, whether or not such project is subject to the Section 3 regulations;

5. The Contractor and any of its subcontractors shall accept referrals of Section 3-eligible persons from the City.

Provided, however, that nothing in this agreement is to be construed requiring any party hereto, or its subcontractors, to hire any person or persons who are unqualified to or incapable of carrying out the work required of any such new hires.

Witness our hands and seals on the date first written above:

The City of Houston
Department of Housing & Community Development

by_____
Section 3 Coordinator

Contractors Name:

by_____
its Owner/President/Vice President

***SECTION 3 ONLY**

Permanent Employee List

Project Name:_____ Total Amount of Contract _____

Name of Contractor:_____ Address:_____

Name of Contact Person:_____ Date:_____

Employee Names	Job Title	Certified Section 3 Resident		Monthly Salary or Hourly Rate
		Yes	No	

I certify the above-named individuals are permanent employees of this firm. I understand that falsifying information is perjury and subject to legal ramifications.

_____ _____ _____

Print Name / Title Signature Date

SECTION 3 ONLY

Section 3 Prime Contractor/Subcontractor Workforce Analysis Form

ESTIMATED PROJECT WORK FORCE BREAKDOWN

	Job Category	Estimated Number of Positions Needed for Project	Number of Positions Occupied by Permanent Employees	Number of Positions Not Occupied	Number of Positions to be Filled w/ Section 3 Residents
Non-Construction	Officer Supervisor				
	Professionals				
	Technical				
	Office Clerical				
	Service Workers				
	Other:				
Construction	Journeymen:				
	Apprentices:				
	Laborers				
	Trainees				
	Other:				

EMPLOYMENT CERTIFICATION (make additional copies of this form if necessary)

The Company hereby certifies that the above table represents the appropriate number of employee's positions required in the execution of project and represents the number of Section 3 service area residents that the company proposes to employ. The Company certifies that it will make a good faith effort to employ the number of lower income employees stated utilizing such community-based organizations and service agencies as the Texas Employment Commission and Houston Works.

Company: _____ Title: _____

By: _____ Date: _____

Affidavit:

The undersigned makes this affidavit with full knowledge of the content described in the Section 3 Program regulations at 24 CFR Part 135. Each recipient of Section 3 covered financial assistance, and its contractors or subcontractors are required to comply with the requirements of Section 3 for ***new*** employment, training, or contracting opportunities that are created during the expenditure of covered funding. This requirement applies to matters which include:

1. All construction projects for which the amount of City (HUD-sourced) assistance to the project or program exceeds $200,000.
2. All Contractor Subcontractor situations where the individual contract or subcontract exceeds $100,000 from the City with HUD-sourced funds.

This affidavit is to document the contractor has sufficient internal capacity to execute the entire scope of work awarded without the need to subcontract and to acknowledge by the undersigned if subcontracts are required, they may be subject to additional requirements under the Section 3 program.
Under penalty of perjury I hereby state:

I,_____ am the_____ of_____ .
(Print Name) (Owner, partner, officer, representative, agent) (Company Name)

which has executed a contract with_____ to perform _____
(Other Contract Party) (Description of Work)

_____ on the project known as _____
(Description of Work - Continued) (Name of Project)

and represent that the contract covered by this affidavit has met the conditions, including those described above and hereby authorize and request any person, firm or corporation to furnish any information requested by the Housing and Community Development Department in verification of the recitals comprising this_____ day of_____, 20_____ .

_____
Company Name Representative Signature Title

STATE OF TEXAS §
§
COUNTY OF_____ §

_____ being duly sworn, deposes and says that he/she is the
_____ (Print Name)
(Owner, partner, officer, representative, agent)

of_____ and that the answers to the foregoing questions and all statements therein contained are true
(Company Name)
and correct.

Notary Stamp

Subscribed and sworn to before me this_____ day of _____, 20____ .

_____ My Commission Expires: _____
Notary Public Signature

Only submit form if Prime/Subcontractor does not have a need for lower-tier subs or new hires for the duration of the project.

[redacted]

This form is to be completed and submitted by the 5th of each month by every Subcontractor claiming Internal Capacity, for the duration of their contract. Always report for the previous month; (E.g., Form due on July 5th, will be reporting activity of June).

Reporting Month:	Project Name
Subcontractor	Contracted With

By signing below, I hereby verify that my company has remained in the qualifying Internal Capacity parameters stated below:

- No Lower-Tier Subcontracts have been awarded, and or
- No New Hires (employees placed on payroll) have been hired to work specifically on the project stated above.

By signing below, I also verify that I understand that in the event my company has the need for lower-tier subcontracts and or new hires, I will immediately alert the General Contractor and will follow the below Section 3 Procurement Processes. I also understand that my company can no longer claim Internal Capacity and will be required to comply with all Section 3 requirements that are now applicable.

Section 3 Procurement Process for Lower-Tier Subcontractors

1. Subcontractor will submit **Ebid Announcement** that lists scope of work, contact information and a bid due date (minimum is two weeks). Subcontractors should submit Ebid directly to General Contractor.
    a. Ebid will be forwarded to HCDD and will then be sent to all Section 3 Businesses.
2. Subcontractor will review all bids received and will award contract based on the Section 3 procurement guidelines, depending if bids are construction or non-construction:
    a. 10% of construction contract must be awarded to Section 3 Business.
    b. 3% of soft cost (non-construction) budget must be awarded to Section 3 Business.
3. Subcontractor will submit a **Bid Tabulation** after all bids have been received. The bid tabulation should indicate which awarded contracts were to a Section 3 Business.
4. Subcontractor will submit a **Utilization Plan** that lists all Lower-Tier Subcontractors, Professional Services and Suppliers being utilized. The template is provided on page 46 of the Section 3 Contractor Orientation Guide.

Section 3 Procurement Process for New Hires

1. Subcontractor will submit an Employment Opportunity Announcement (EOA) that lists position details, applicant qualifications, contact information and application deadline. EOA will be submitted directly to the General Contractor.
    a. EOA will be forwarded to HCDD and will then be sent to all Certified Section 3 Residents.
2. Subcontractor will hold interviews and determine how the 30% New Hire Goal will be met.
    a. For example, if 10 new hires are needed, at least 3 must be either:
        i. Currently certified as a Section 3 Resident
        ii. Qualifies as a Section 3 Resident (required to complete Section 3 Resident Application)
3. Subcontractor will notify the General Contractor of hiring results and will submit the following:
    a. Statement indicating how the 30% New Hire Goal was met, list of new hire names and Section 3 Resident status.
    b. Section 3 Resident Applications for new hires that must be certified in order to meet the 30% New Hire Goal.
4. Subcontractor will start submitting monthly reporting and any other additional documents needed for the duration of their contract.

Print Name	Title/Company	Signature	Date

***SECTION 3 ONLY**

Section 3 Monthly Activity Report (PART I)

Contractor Name	Project Name
Contractor Address	Contract Amount
Contact Person	Reporting Month
Phone Number / Email	Date of Submission

Employment and Training

A	B				C		D			
	New Hires ☐ No New Hires				Employees		Trainees ☐ No Trainees			
Job Category	Section 3 New Hires*		Non-Section 3 New Hires		Section 3 Employees*	Non-Section 3 Employees	Section 3 Trainees* Previously Reported That Worked This Month		New Section 3 Trainees* Reporting for the First Time	
	# of New Hires	Hours Worked	# of New Hires	Hours Worked	Hours Worked	Hours Worked	# of Trainees	Hours Worked	# of Trainees	Hours Worked
Professional										
Technician										
Office Clerical										
Trade:										
Trade:										
Trade:										
Trade:										
Other:										
Other:										
TOTAL										

NOTES:

1. This form **MUST** be submitted by **ALL** contractors (with a contract in excess of $100,000) no later than the **5th** of each month.
2. Reporting **MUST** always reflect previous months activity.
3. New Hires are reported under Column "B" for the first month following their date of hire. Thereafter, New Hires are reported under Column "C".
4. All New Hires **MUST** be listed on the Section 3 and Non-Section 3 New Hire Form.
5. This form is **NOT** required by Prime and Subcontractors claiming, "Internal Capacity".

Section 3 and Non-Section 3 New Hire Form (PART II)

Form Instructions

Contractor Name:					Reporting Month/Year:				
A. First Name	B. Last Name	C. Racial/ Ethnic Code	D. Hire Date	E. Hourly Rate	F. Section 3 Status	G. Trade Work	H. Hours Worked	I. Hours Trained	J. Payroll Classification

A. First name of Section 3 Resident
B. Last name of Section 3 Resident
C. Racial/ethnic code: 1 – White American, 2 – Black American, 3 – Native American, 4 – Hispanic American, 5 – Asian Pacific American, 6 – Hasidic Jew
D. Hire date of Section 3 Resident
E. Hourly rate of Section 3 Resident
F. Indicate Section 3 status by entering either: New Hire, Employee or Trainee
G. Trade work performed by Section Resident
H. Hours worked during reporting month by Section 3 New Hire or Section 3 Employee
I. Hours trained during reporting month by Section 3 Trainee
J. Indicate payroll classification: Full Time, Part Time, FT - Temporary, PT- Temporary, FT-Seasonal, PT-Seasonal, Internship

Project Name: _____

Subcontractor Name: _____

Executed Contract With: _____

Original Contract Amount:

Start of Work Date: _____

Contract Amount at Start of Work: _____

Please complete one (1) of the following that applies:

A.

Contract Amount Has Remained Less Than $100,000

If the contract amount is below $100,000 prior to the start of work date, the Subcontractor is not required to comply with Section 3 due established minimum threshold. Sign below and submit form.

I, hereby, confirm that the above Subcontractor 's contract amount has stayed below the $100,000 threshold by the start of work date stated above.

Print Name	Title/Company	Signature	Date

B.

Contract Amount Has Increased to Equal to or Greater Than $100,000

If the contract amount is now in excess of $100,000, the Subcontractor is required to comply with the Section 3 federal regulations and the HCDD's Section 3 policy and procedures set forth in the Section 3 Contractor Orientation Guide.

I, hereby, acknowledge that the above Subcontractor's met the minimum threshold and I understand that the Subcontractor is now required to comply with the Section 3 requirements set forth in the Section 3 Contractor Orientation Guide.

Print Name	Title/Company	Signature	Date

Section 3 EBID Announcement

Date: **BID DUE BY:**

To: Section 3 Contractors, Labor Force, and Materials Vendors

Project Name: _____

Address, City, State, Zip: _____

From: _____

Summary of Work: _____

_____

*This project is (**name of project**)* _____, *As a General Contractor/Subcontractor, we are hiring Section 3 companies/residents that can perform the following scope of work:*

*(**description and minimum qualifications**)* _____

_____

If interested, please contact me as soon as possible to schedule an appointment to look at the scope of services. This project is funded through a federal grant: therefore, we encourage all qualified Section 3 Business Concerns/Residents to respond to this E-Bid for employment and Contracting Opportunities.

Contact Information:

Please email this form to _____, *Should you have any questions contact: (Name and Phone Number).* _____

Bidder Information: _____

_____

☐ Yes, I will be bidding on the project ☐ No, I will not be bidding on this project

Contract Name: _____

Company: _____

Phone number: _____

Address: _____

Email: _____

Trade/Specialty: _____

HCDD contractors are committed to "ensure employment and economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible and consistent with existing federal, state and local laws and regulations, be directed to low and very low-income persons." If your company is interested in certifying as a Section 3 Business Concern complete the application process here: https://hcddsection3.gob2g.com/

This form must be completed and submitted to HCDD Section 3 and MWSBE Compliance Coordinators for all contracting opportunities.



Section 3 Employment Opportunity Announcement (EOA) for procuring Labor for Section 3 Residents

DATE: _____ **APPLICATION DEADLINE:** _____

TO : *Section 3 Residents*

PROJECT: _____

FROM: _____

POSITION NEEDED/DESCRIPTION: _____

CONTACT INFORMATION: _____

_____

Section 3 Residents: Include this cover sheet with your application

☐ Yes, I am interested in this position ☐ No, I am not interested in this position

Contact Name: _____

Address: _____

Phone: _____ Email: _____

Job: _____

Job Skills: _____

_____

Federal Labor Standard Provisions including the Davis Bacon and Related Act may be applicable to the construction of this project.

If you know someone interested to become a certified Section 3 Resident the guidelines and application are available here: https://www.houstontx.gov/housing/compliance.html#sec3

The Housing and Community Development Department (HCDD) Section 3 Program is committed to ensure that employment and economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible and consistent with existing federal, state and local laws and regulations, be directed to low-and very low-income persons.

Sample Bid Tabulation

Date:

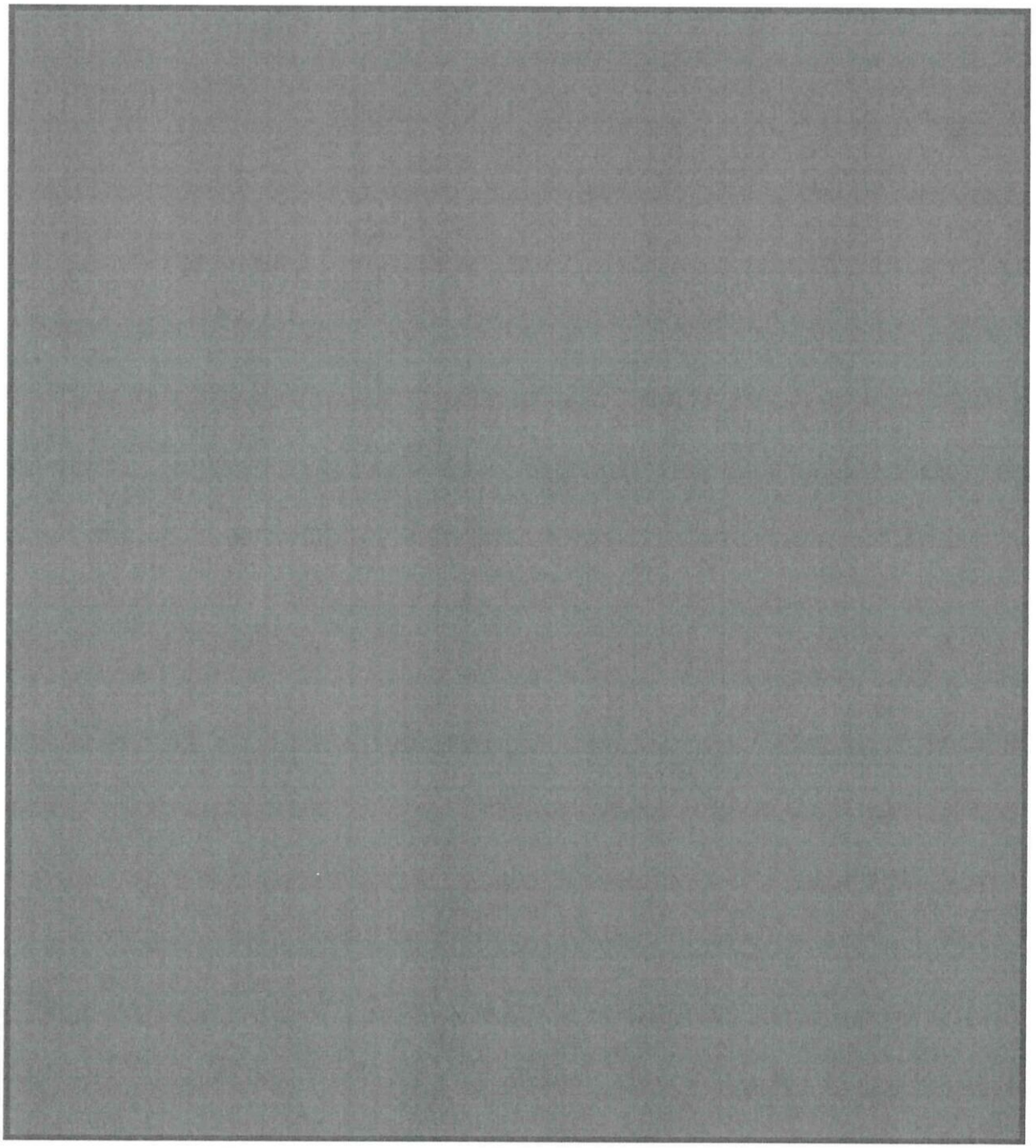
COST CODE:

Projected Budget

SUBCONTRACTORS	BID AMOUNT		COST BREAKDOWN
			per unit per square foot
			per unit per square foot
			per unit per square foot
			per unit per square foot

Labor	$ -	**PM:**	
Material	$ -		
TOTAL:	$ -	**SPM:**	
CONTRACT:		**VP:**	
P.O.:			

Signage Template



SUPPLEMENTAL COMPLIANCE FORMS, TEMPLATES AND REFERENCE MATERIAL

In addition to the forms listed on the previous pages, Prime Contractor, Subcontractor and Suppliers are **required** where applicable, to submit supplemental compliance forms during and upon completion of the construction. The supplemental forms, templates and reference material are available for download in LCP Tracker. For your convenience, a **sample** of available forms and documents in LCP Tracker are attached:

Compliance Section: MWSBE/ Section 3	Form	Deadline
All sections	Work on Hold Notice	Refer to instructions
All sections	System for Award Management Instructions	N/A
All sections	Statement of Information for SAM Results	N/A
MWSBE	MWBE Utilization Schedule	Submitted **with** "Initial" Utilization Plan, and/or when Prime fails to meet MWBE participation goals.
MWSBE	Mediation Arbitration Language	Included in certified firms executed contract agreement and/or purchase order(s)



Work on Hold Notice

Prime Contractor Information

Project Name	
Project Address	
Prime/Sub Contractor Name	
Prime/Sub Contractor Address	
Exact or estimated date range that work is scheduled to be on hold	

Prime Contractor Authorization

Name of Authorized Officer	
Signature	
Title	

Instructions:

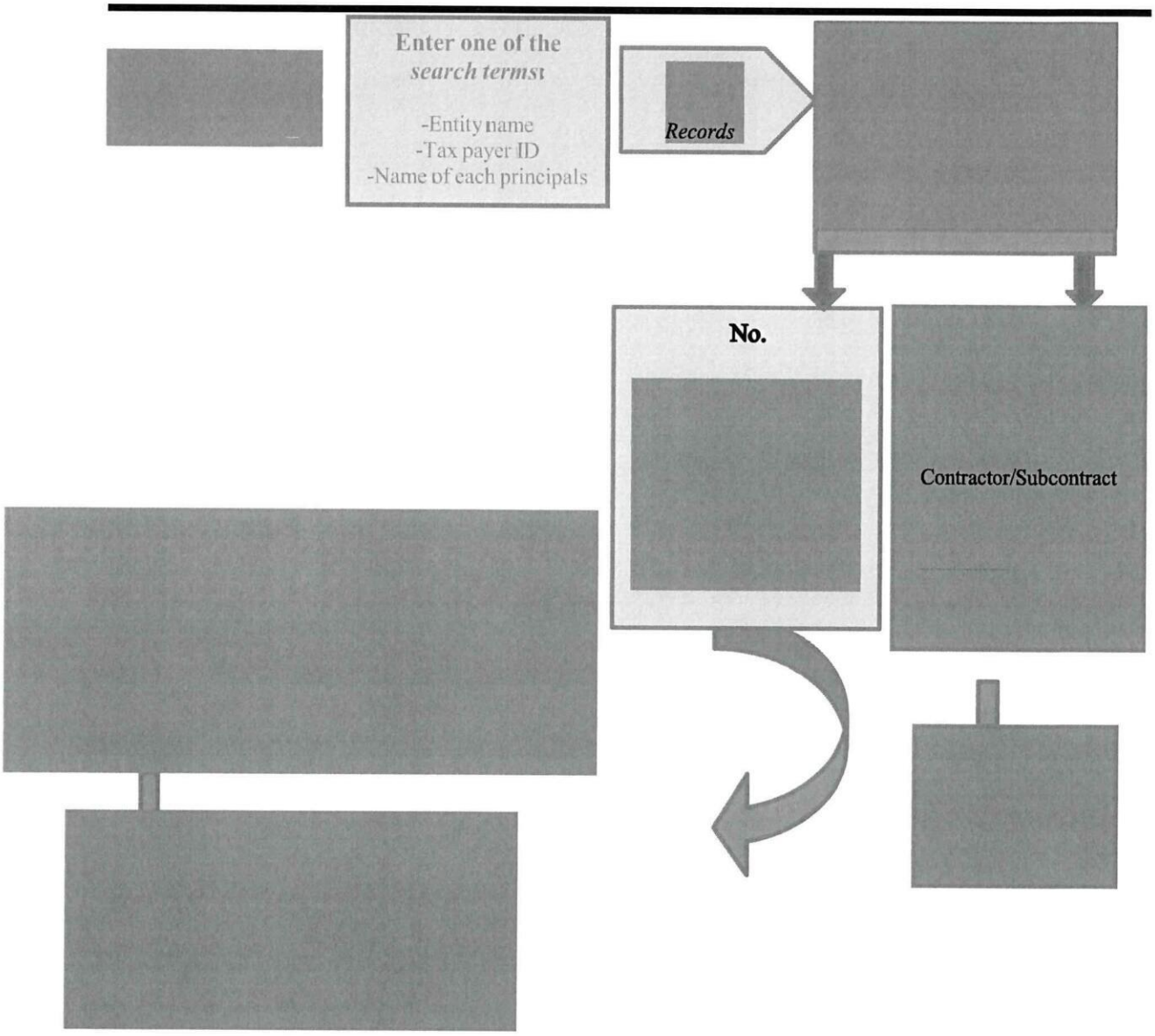
This form MUST be completed by the Prime Contractor and Subcontractor(s) who generate certified payroll reports and will not be working at the project site for more than 4 consecutive weeks. When work resumes, continue to number payrolls in sequential order from the last certified payroll report number. This form must be uploaded into LCP Tracker.

*REQUIRED BY ALL SECTIONS

[redacted]

System for Award Management's

Instructions how to process a Request for Contractor Clearance





MWSBE Utilization Schedule

Status as of:	(enter date)
Project Name:	(enter project name)
Project Number	(enter project number)
Company Name	(enter construction Company name)

Month	Total	Sub 1 (Enter Name)	Sub 2 (Enter Name)	Sub 3 (Enter Name)
(enter NTP date)	$0	$0	$0	$0
(enter NTP date + 1 month)	$0	$0	$0	$0
(enter NTP date + 2 months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
(continue adding months)	$0	$0	$0	$0
$	**$0**	**$0**	**$0**	**$0**
%	**0.00%**	**0.00%**	**0.00%**	**0.00%**

Contract Amount: $1,000,000
Goal % 24.00%
Goal $ $240,000

***Note: Actual dollar amounts are assumed if the date is in the past, otherwise numbers reflect projected dollar amounts.

CITY OF HOUSTON CERTIFIED MWSBE SUBCONTRACTING AGREEMENT TERMS

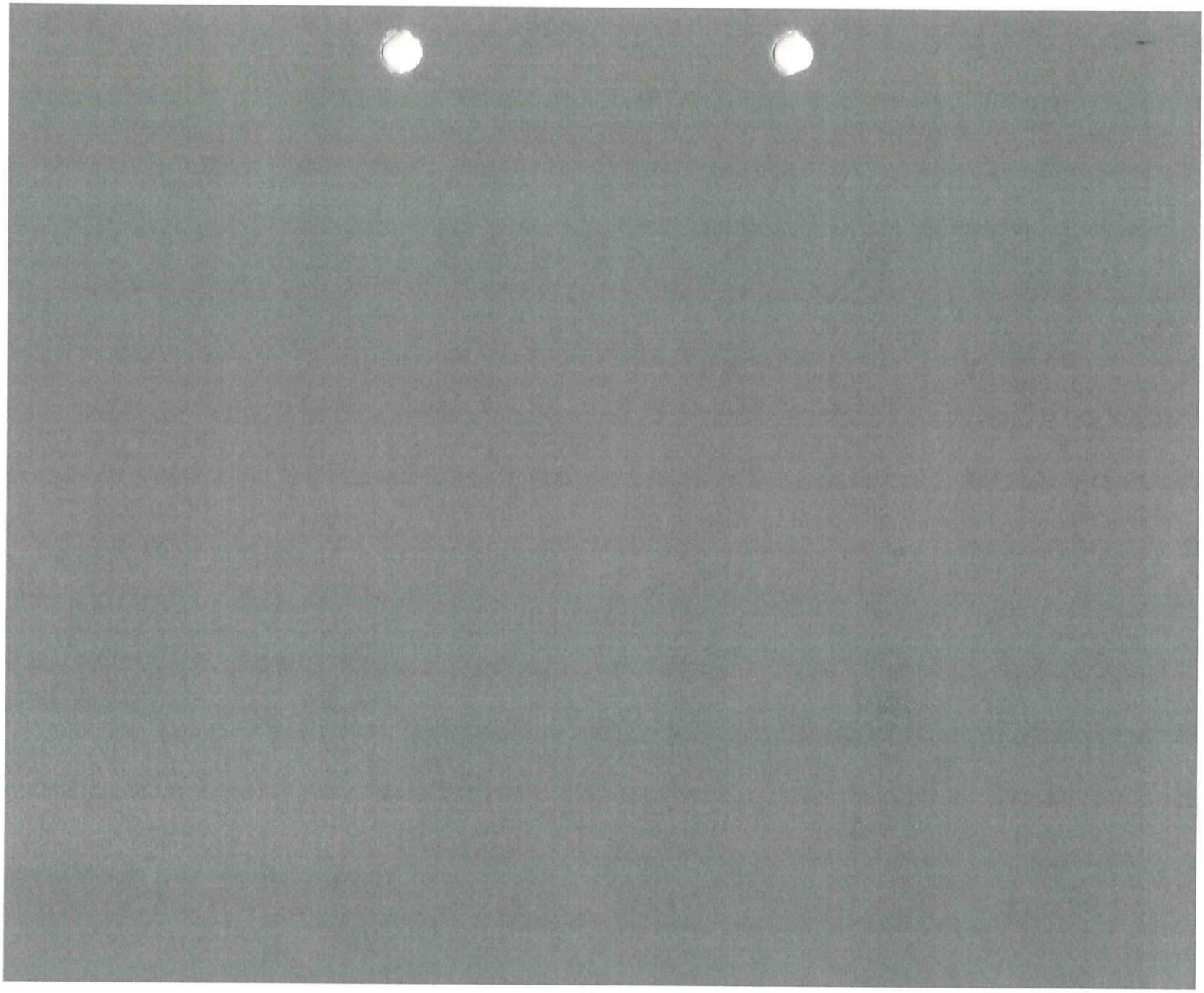
Contractor shall ensure that all subcontracting agreements with M/WSBE Subcontractors and suppliers are clearly labeled "**THIS CONTRACT IS SUBJECT TO MEDIATION**" contain the following terms:

1. _____(M/WSBE Subcontractor/Supplier) shall not delegate or subcontract more than 50% of the work under this subcontracting agreement to any other Subcontractor or supplier without the express written consent of the City of Houston's Office of Business Opportunity.

2. _____(M/WSBE Subcontractor/Supplier) shall permit representatives of the City of Houston, at all reasonable times, to perform 1) audits of the books and records of the Subcontractor, and 2) inspections of all places where work is to be undertaken in connection with this subcontracting agreement. Subcontractor shall keep such books and records available for such purpose for at least four (4) years after the end of its performance under this subcontract. Nothing in this provision shall affect the time for bringing a cause of action or the applicable statute of limitations.

3. Within five (5) business days of execution of this subcontracting agreement, Contractor (prime contractor) and Subcontractor shall designate in writing to the Office of Business Opportunity an agent for receiving any notice required or permitted to be given pursuant to Chapter 15 of the Houston City Code of Ordinances, along with the street and mailing address and phone number of such agent.

These provisions apply to goal-oriented and regulated contracts as defined in City Code of Ordinances, Chapter 15, Article 5.

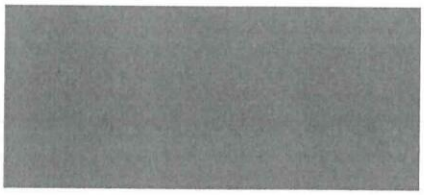


2100 Travis Street / 9th floor
Houston, TX 77002 / 832.394.6160

www.houstontx.gov/housing







CONTACT INFORMATION

City of Houston - HCDD 2100 Travis Street, 9th Floor Houston, TX 77002		
LABOR STANDARDS DAVIS-BACON COMPLIANCE SECTION		
Division Manager	Pirooz Farhoomand	(832) 394-6157; pirooz.farhoomand@houstontx.gov
Contract Compliance Supervisor	Maribel Rodriguez	(832) 394-6265; maribel.rodriguez@houstontx.gov
Sr. Contract Compliance Officer	Tiffany Boyce	(832) 394-6347; tiffany.boyce@houstontx.gov
Sr. Contract Compliance Officer	Luther Alaniz	(832) 394-5208; luther.alaniz@houstontx.gov

COMPLIANCE FORMS

Instructions: All compliance forms must be signed by a duly authorized member of the firm. The Prime Contractor and Subcontractors shall submit the following forms by the deadline provided below. Read each form to verify if it's applicable to your firm and follow the instructions written on each form.

The following form(s) are to be submitted ***before construction*** commences.	
Form	**Deadline**
Compliance Cover Sheet	Prior to Start of Work date.
SAMs Verification/Request for Contractor/Subcontractor Clearance	Prior to Start of Work date.
Start of Work Notice	Upon commencement of construction work
Termination of Work Notice	Upon completion of work
Certificate of Appointing Officer	Prior to Start of Work date.

SUPPLEMENTAL COMPLIANCE FORMS, TEMPLATES AND REFERENCE MATERIAL

In addition to the forms listed on the previous page, contractor(s)/subcontractor(s) are **required**, where applicable, to submit supplemental compliance forms during and upon completion of the construction.
The supplemental forms, templates and reference material are available for download in LCPTracker. For your convenience, a sample of available forms and documents in LCPTracker are itemized below:

Form	**Deadline**
Work on Hold Notice	Refer to form for instructions
System for Award Management Instructions	N/A
Statement of Information for SAM Results	N/A
Payroll Deduction Authorization	Refer to form for instructions
Employee Verification of Multiple Job Classifications	Refer to form for instructions
Request for additional Classification & Rate	Refer to form for instructions
Template-Employee Rights Posters (English and Spanish Version)	N/A
Apprentice Information Sheet	N/A

Compliance Cover Sheet

Return with Compliance Documents [**Please complete all fields**]

Project Name	
Name of Contractor/Subcontractor/Supplier	I/We have a written contract or purchase order with:
Services to be provided:	NAICS code [Hint: To look up a code, please visit http://www.census.gov/eos/www/naics/]:
Company Address:	Pre-existing LCP Tracker User ID:
Tax ID Number	Contract Amount
Contact Person/Title	Email:
Phone Number	Fax Number:
*Owner's Ethnicity/Racial Background:	Gender:
☐ MBE ☐ WBE ☐ SBE ☐ Section 3	

Instructions:
This form must be completed by all contractors and suppliers upon execution of a contract agreement and/or purchase order.

The Prime Contractor is responsible for collecting this form to complete contractor setup and access to LCP Tracker.

*HUD's ethnicity categories are: White American, Black American, Native American, Hispanic American, Asian/Pacific American and Hasidic Jewish.

Request for Contractor/Subcontractor Clearance

No contract can be executed with a Prime Contractor, Subcontractor or Supplier until their eligibility has been verified.

Date _____

Project Name _____

Project Address _____

Contractor/Subcontractor _____

Federal ID Number _____

Address/Zip Code _____

Phone Number _____

Check the applicable entity

- ☐ Sole Proprietorship
- ☐ Partnership
- ☐ Corporation
- ☐ Other:

List Principals below: _____

_____

_____

_____

Approved by HCDD: Date:_____ Print: _____

Instructions:
The Prime Contractor must submit this form with bid proposals for approval by HCDD.

To ensure eligibility, a search must be conducted of the (1) Company Name, (2) Principal Owner(s) and (3) the Employer Identification Number through www.sams.gov/SAM .

The Prime Contractor verify all subcontractors. Search results and the Request for Clearance form must be uploaded in LCPTracker for each contractor.

Start of Work Notice

Contractor Information

Project Name	
Project Address	
Sub/Contractor Name	
Sub/Contractor Address	
Start of Work Date	

Contractor Authorization

Name of Authorized Officer	
Signature	
Title	

Instructions:

This form must be completed by the Prime Contractor/Subcontractor(s) as notice of commencement.

Termination of Work Notice

Contractor Information

Project Name	
Project Address	
Sub/Contractor Name	
Sub/Contractor Address	
Termination of Work Date	

Contractor Authorization

Name of Authorized Officer	
Signature	
Title	

Instructions:

This form must be completed by the Prime Contractor/Subcontractor(s) as notice that work has been completed.

Certificate of Appointing Officer

or Employee to Supervise Payment of Employees

Project Name: _____

Subcontractor Name: _____

(I/We) hereby certify that **(I am/we are) (the prime contractor/a subcontractor)** who will perform _____*(insert scope of work)* in connection with construction of the above-mentioned Project, and that **(I/(we)** have appointed

_____and whose signature appears as_____and/or
(Identifying Signature of Appointee)

_____and whose signature appears as _____
(Identifying Signature of Appointee)

to supervise the payment of (my/our) employees beginning_____*(insert month and year)*; that he/she is/are in a position to have full knowledge of the facts set forth in the payroll documents and in the statement of compliance required by the so-called Kick-Back Statue which he/she is to execute with **(my/our)** full authority and approval until a new certificate appointing another person for the purposes herein above stated.

ATTEST
Print Name _____
Signature: _____
Title: _____

Instructions:

The Certificate of Appointee Officer (CAO) must be executed by an authorized officer of a corporation, by a member of a partnership, or the sole owner. Only a member of the entity can be assigned as an appointee. Submit a new CAO when a new appointee is added.

Complete the CAO before construction starts. Upload the executed CAO(s) in LCPTracker.

Work on Hold Notice

Contractor Information

Project Name	
Project Address	
Sub/Contractor Name	
Sub/Contractor Address	
Exact or estimated date range that work is scheduled to be on hold	

Contractor Authorization

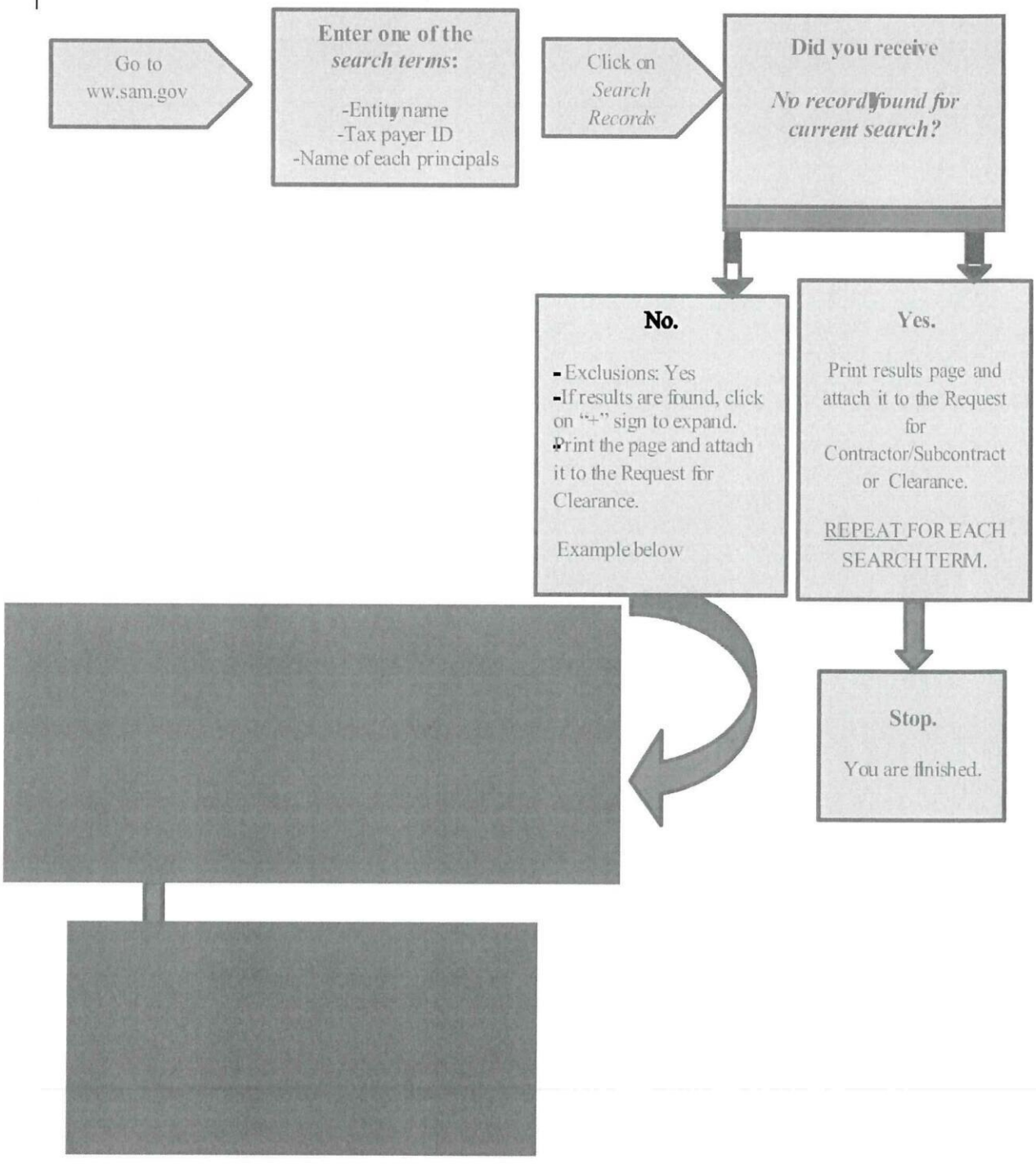
Name of Authorized Officer	
Signature	
Title	

Instructions:
This form must be completed by the Prime Contractor and Subcontractor(s) who generate certified payroll reports and will not be working at the project site for more than 4 consecutive weeks. When work resumes, continue to number payrolls in sequential order from the last certified payroll report number. The form must be uploaded into LCPTracker.

[redacted]

System for Award Management's

Instructions how to process a Request for Contractor Clearance



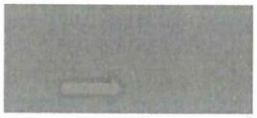
Statement Of Information for SAM.gov Results

This requested information is necessary because of a possible similarity between your name or the name of your firm and that of some other person. The form is used by the Compliance Division to verify a contractor/subcontractor eligibility requirement, when a possible common name appears on the results during search on the SAM.gov database.

INDIVIDUAL INFORMATION *(Please Print)*		
First Name	Full Middle Name	Last Name
Date of Birth (Month and Year Only)		
*HCDD reserves the right to request the complete DOB and SS#, **ONLY** upon request and if other information collected below is not sufficient.*		
RESIDENCES DURING THE PAST 10 YEARS (if more space is needed, add an additional page) *(City, State minimum required)*		
Street Address	City, State	From (Year) to (Year)
Street Address	City, State	From (Year) to (Year)
ADDRESSES OCCUPATIONS DURING THE PAST 10 YEARS (if more space is needed, add an additional page) *(City, State minimum required)*		
Street Address	City, State	From (Year) to (Year)
Street Address	City, State	From (Year) to (Year)

ENTITY INFORMATION *(Please Print)*
State where entity was originally established/registered
Year entity was established/registered
THE PAST 10 YEARS WHERE ENTITY PERFORMED WORK (if more space is needed, add an additional page)
City, State
City, State
City, State
SIGNATURE REQUIRED
Print Name Signature Date

FOR HCDD ONLY		
Individual Information	Does Not Match Results ☐	Match ☐
Entity Information	Does Not Match Results ☐	Match ☐
Print Name Signature Date		



Payroll Deduction Authorization

Project Name: _____

Employee Name: _____

Contractor/Subcontractor Name: _____

Effective Date of Deduction(s)
(i.e. payperiod) _____

I authorize my employer to deduct from my paycheck a total amount of $_____ **or** a fixed percentage of _____ % from my total gross earned the entire week.

Payment of	Deduction Amount	One Time Only	Weekly	Bi-Weekly	Monthly	Other
Loans						
Retirement (401K)						
Uniforms						
Insurance Premiums						
Union Dues						
Child Support *(provide court order)*						
Other: *(insert type of deduction)*						

Employee's Signature:_____

Instructions: This form must be completed contractors/subcontractors when a deduction, other than taxes, is deducted from an employee's gross earning. You can enter a fixed percentage or amount to submit the form once. Submit a revised form when there's a change to a deduction or for new deductions. All deductions are subject to verification upon request.

Upload the completed form in LCPTracker.

Employee Verification of Multiple Job Classifications

Date: _____

Project Name: _____

Employee Name: _____

Contractor/Subcontractor Name: _____

The undersigned hereby certifies that he/she has engaged in the following work classifications, found in the chart below, during:

payroll #_____ week beginning:____/____/____ and ending:____/____/____
(Date) (Date)

1. WORK CLASSIFICATION	Instructions: Insert days/dates for the given workweek in row below and hours worked in lower rows. 2. 7-day work week							3. TOTAL HOURS	4. RATE OF PAY	5. GROSS PAY
TOTALS										

Employee's Signature:_____

Instructions: This form is **not** a time sheet. This form must be submitted by contractors/subcontractors that report an employee on a certified payroll report under two (2) or more job classifications (aka dual classification). Submit a form for each certified payroll report where dual classification is used.

Upload the form in LCPTracker.

Request of Additional Classification & Rate

Date: _____

Project Name: _____

Contractor/Subcontractor Name: _____

Start of Work date: _____

Proposed Trade Job Classification: _____

Proposed Hourly Rate (Specific amount): _____

The undersign hereby certifies that he/she proposes the above classification and hourly rate needed for work not included within the scope of classifications listed in U.S. Department of Labor wage determination.

_____
(Signature)

_____
(Print Name)

_____
(Title)

Attached the following [Notice: The request will not be processed until all supporting documents are received.]:

☐ Explanation of the job function and how it relates to the scope of work

☐ Picture of equipment and/or tools of the trade

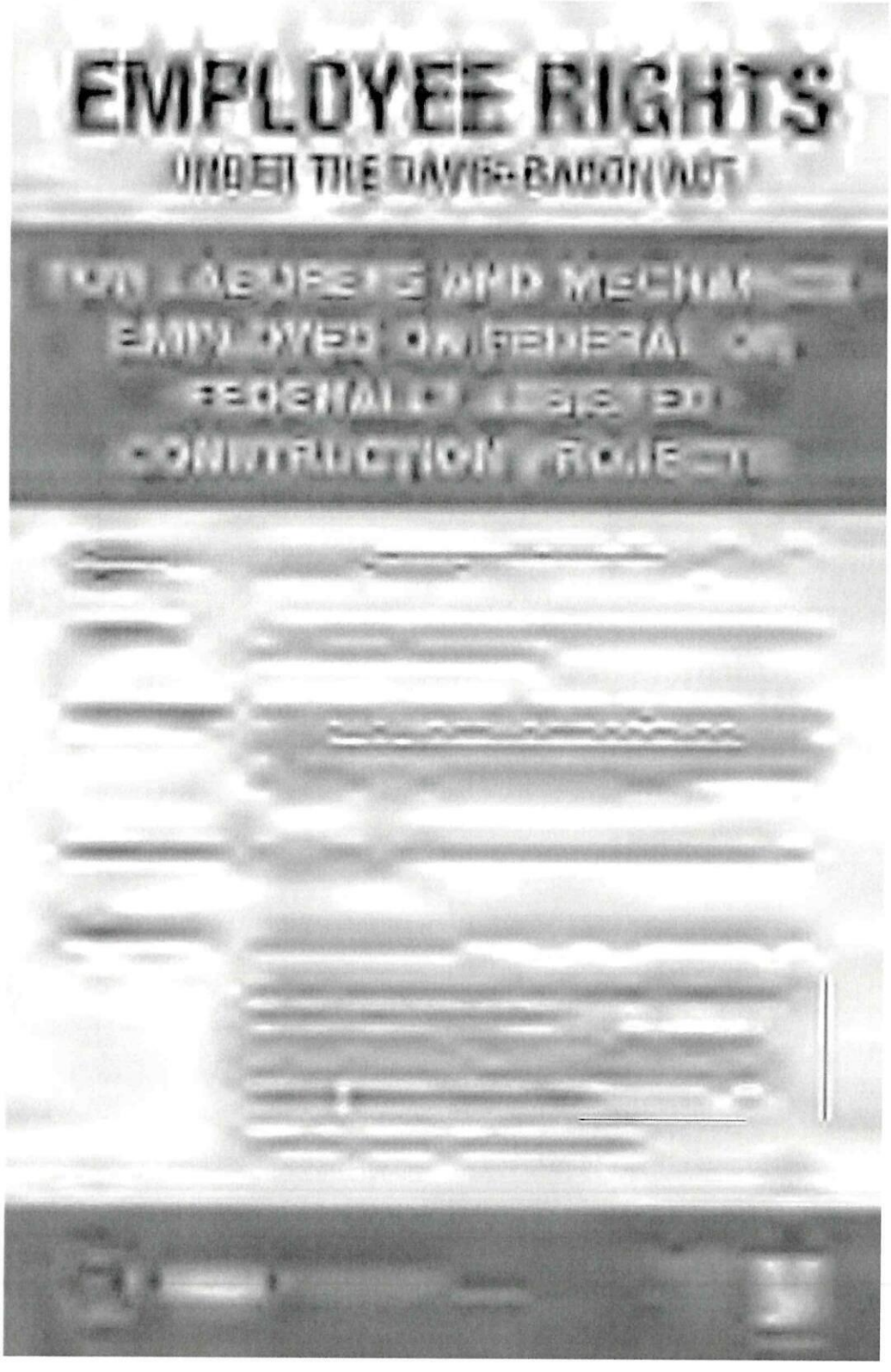
Instructions:

Submit this form with all supporting documents when a classification is needed that is not on the issued General Wage Determination(s). You may, also, submit when you're seeking DOL to confirm the use of a job classification for a specific scope of work.

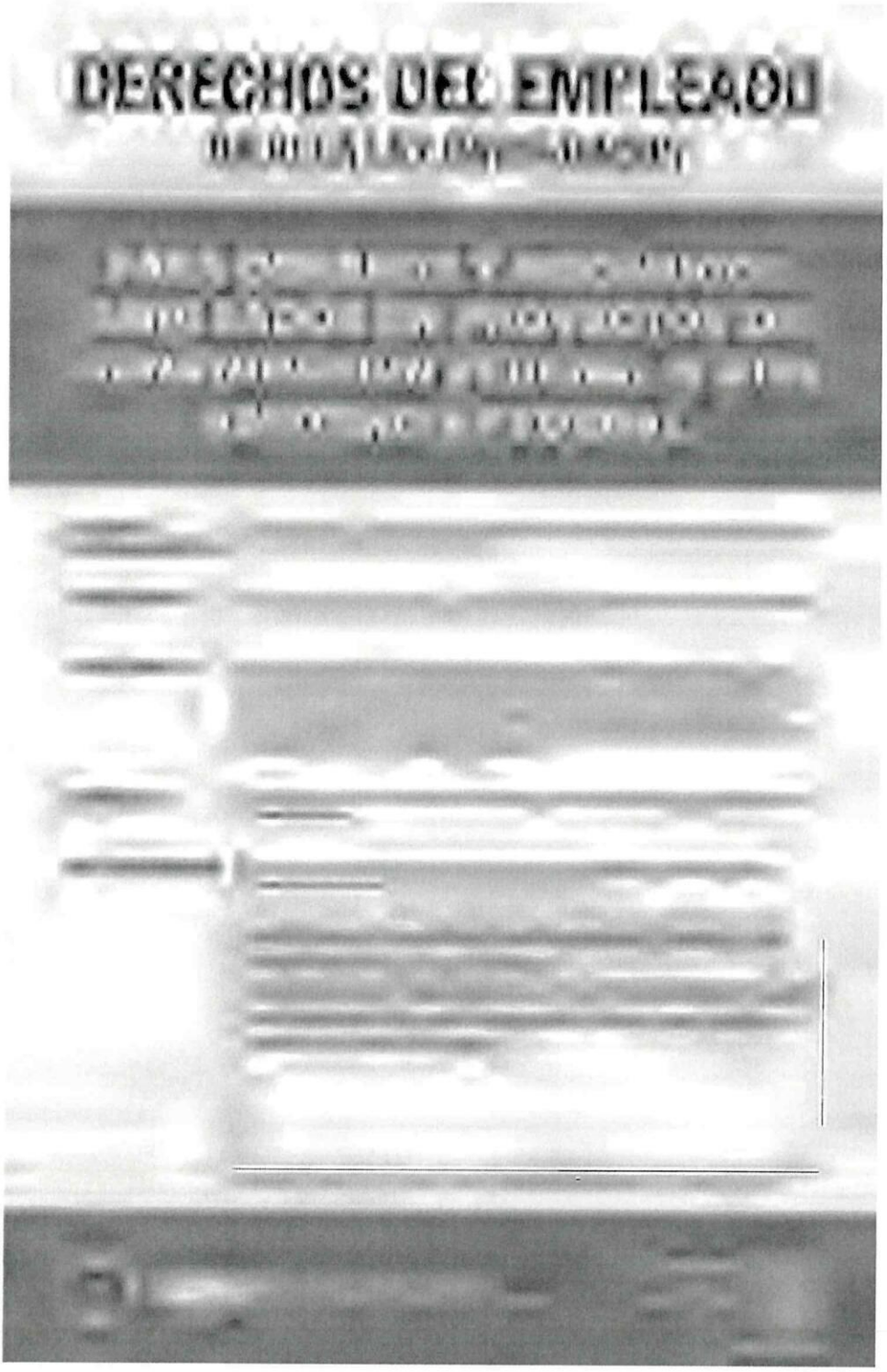
Please allow up to 30-45 days for the request to be processed by the U.S. Department of Labor (DOL). The certified payroll reports are subject to *DOL's approval, conditional approval or denial*. In the meantime, submit certified payroll reports under a laborer classification with the proposed rate(s). All certified payroll reports are subject revision pending DOL decision.

Email the request to your assigned HCDD staff member for processing.

Employee Rights Posters (English Version)



Employee Rights Posters (Spanish Version)



Apprentice Information

Apprentice Trainee Wage Rate Information			
Name of Trainee:	_____	Current Level:	_____
Classification:	_____		
Ratio:	_____Journeyman to_____Apprentice		
%Wage Rate:	_____%	Base Rate:	$_____

Amount of Fringe Benefits Applied (i.e. medical, dental, 401K, etc. per hour)	
Fringe Benefit	**$$ / Rate Per Hour**
Medical	
Dental	
Vacation	
Sick	
Holiday	
Other: (Itemize)	

Supporting Documents			
Document Type	**Description**	**Due Date**	**Check if attached**
ENTIRE Standards of Apprenticeship Policy	By-laws; program guidelines; identifies ratios, scale, fringes; appendix	One time submission to setup apprentice(s)	☐
Apprenticeship Certification issued by DOL	DOL signed 90-day good standing certificate for each apprentice; identifies the date apprentice began program	Every 90 days from the date issued	☐
Timesheet	7-day work week	Only submit if apprentices already began working on the project.	☐

Instructions: Enter the apprenticeship data in the employee's (apprentice) setup tab to expedite approval process. Upload this form in LCPTracker.

APPENDIX 6

CERTIFICATION REGARDING LOBBYING

The undersigned certifies, to the best of his or her knowledge and belief, that:

(1) No Federally appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement and the extension, continuation, renewal, amendment or modification of any Federal contract, grant, loan or cooperative agreement.

(2) If any funds, other than Federally appropriated funds, have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress or an employee of a Member of Congress in connection with this Federal contract, grant, loan or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying", in accordance with its instructions.

(3) This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certificate is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000.00 and not more than $100,000.00 for each such failure.

Owner or Contractor

_____
Date

By:_____
Name: _____
Title: _____

APPENDIX 7

CERTIFICATION REGARDING

DEBARMENT, SUSPENSION, AND OTHER RESPONSIBILITY MATTERS

The undersigned certifies to the best of its knowledge and belief that it and its principals:

(a) Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transactions by any Federal, State or local department or agency;

(b) Have not within a three (3) year period preceding this proposal been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State or local) transaction or contract under a public transaction: violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;

(c) Are not presently indicted for or otherwise criminally or civilly charged by a government entity (Federal, State or local) with commission of any of the offenses enumerated in Paragraph (b) of this certification; and

(d) Have not within a three (3) year period preceding this application/proposal had one or more public transactions (Federal, State or local) terminated for cause or default.

I understand that a false statement on this certification may be grounds for rejection of this proposal or termination of the award. In addition, under 18 USC Sec. 1001, a false statement may result in a fine of up to $10,000.00 or imprisonment for up to five (5) years, or both.

_____
Type Name & Title of Authorized Representative

_____
Signature of Authorized Representative

_____
Date

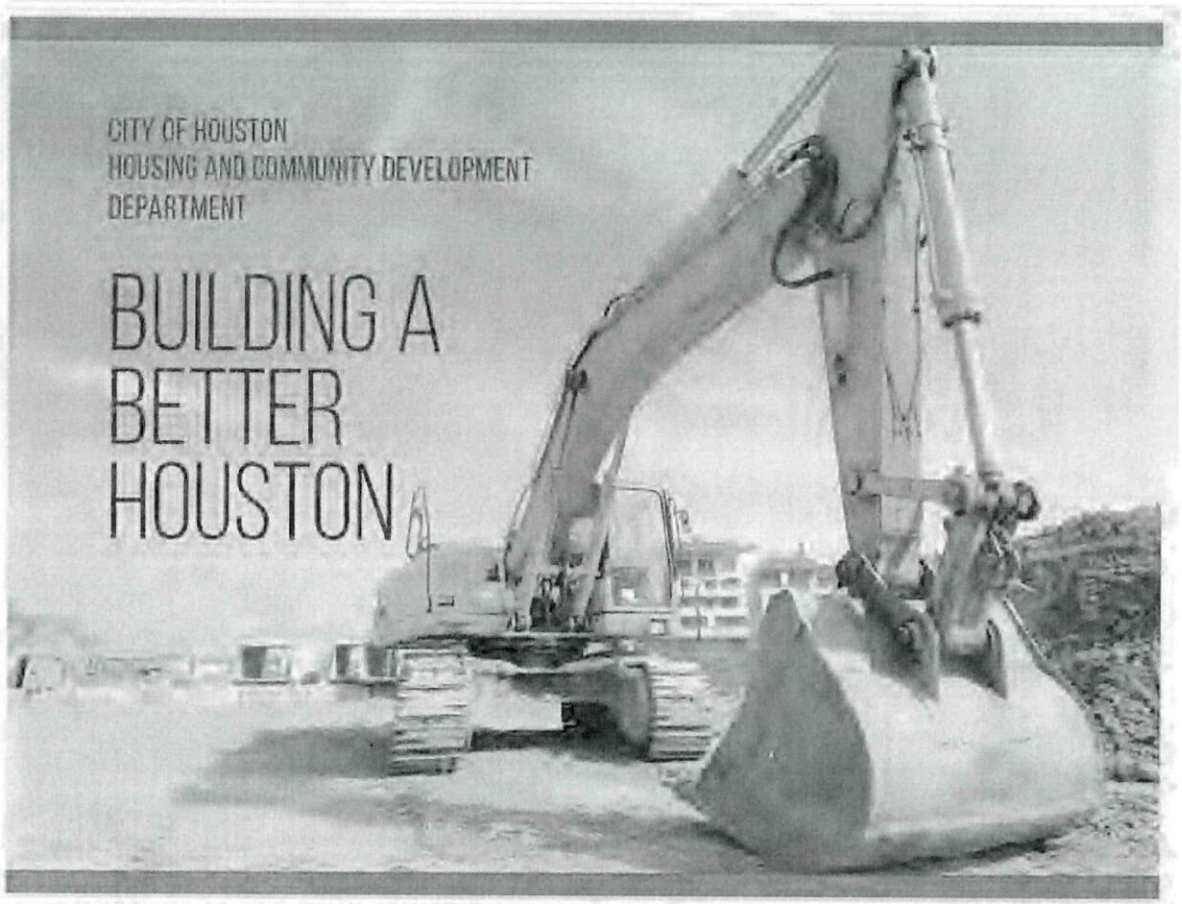
I am unable to certify to the above statements. My explanation is attached.

Appendix 8:

Reserved

Appendix 9:

City's MWSBE, Section 3 and Labor Standards Requirements



FEDERAL LABOR STANDARDS PROVISIONS
MINORITY, WOMEN AND SMALL BUSINESS ENTERPRISES
SECTION 3 REGULATION

CITY OF HOUSTON
HOUSING AND
COMMUNITY
DEVELOPMENT

www.houstontx.gov/housing

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SECTION 3 REGULATION **18**

FEDERAL LABOR STANDARDS PROVISIONS (HUD-4010)

Federal Labor Standards Provisions

U.S. Department of Housing and Urban Development
Office of Labor Relations

Applicability

The Project or Program to which the construction work covered by this contract pertains is being assisted by the United States of America and the following Federal Labor Standards Provisions are included in this Contract pursuant to the provisions applicable to such Federal assistance.

A. 1. **(i) Minimum Wages.** All laborers and mechanics employed or working upon the site of the work will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account (except such payroll deductions as are permitted by regulations issued by the Secretary of Labor under the Copeland Act (29 CFR Part 3), the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in the wage determination of the Secretary of Labor which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the contractor and such laborers and mechanics. Contributions made or costs reasonably anticipated for bona fide fringe benefits under Section 1(b)(2) of the Davis-Bacon Act on behalf of laborers or mechanics are considered wages paid to such laborers or mechanics, subject to the provisions of 29 CFR 5.5(a)(1)(iv); also, regular contributions made or costs incurred for more than a weekly period (but not less often than quarterly) under plans, funds, or programs, which cover the particular weekly period, are deemed to be constructively made or incurred during such weekly period.

Such laborers and mechanics shall be paid the appropriate wage rate and fringe benefits on the wage determination for the classification of work actually performed, without regard to skill, except as provided in 29 CFR 5.5(a)(4). Laborers or mechanics performing work in more than one classification may be compensated at the rate specified for each classification for the time actually worked therein: Provided, That the employer's payroll records accurately set forth the time spent in each classification in which work is performed. The wage determination (including any additional classification and wage rates conformed under 29 CFR 5.5(a)(1)(ii) and the Davis-Bacon poster (WH-1321) shall be posted at all times by the contractor and its subcontractors at the site of the work in a prominent and accessible place where it can be easily seen by the workers.

(ii) (a) Any class of laborers or mechanics which is not listed in the wage determination and which is to be employed under the contract shall be classified in conformance with the wage determination. HUD shall approve an additional classification and wage rate and fringe benefits therefor only when the following criteria have been met:

(1) The work to be performed by the classification requested is not performed by a classification in the wage determination; and

(2) The classification is utilized in the area by the construction industry; and

(3) The proposed wage rate, including any bona fide fringe benefits, bears a reasonable relationship to the wage rates contained in the wage determination.

(b) If the contractor and the laborers and mechanics to be employed in the classification (if known), or their representatives, and HUD or its designee agree on the classification and wage rate (including the amount designated for fringe benefits where appropriate), a report of the action taken shall be sent by HUD or its designee to the Administrator of the Wage and Hour Division, Employment Standards Administration, U.S. Department of Labor, Washington, D.C. 20210. The Administrator, or an authorized representative, will approve, modify, or disapprove every additional classification action within 30 days of receipt and so advise HUD or its designee or will notify HUD or its designee within the 30-day period that additional time is necessary. (Approved by the Office of Management and Budget under OMB control number 1215-0140.)

(c) In the event the contractor, the laborers or mechanics to be employed in the classification or their representatives, and HUD or its designee do not agree on the proposed classification and wage rate (including the amount designated for fringe benefits, where appropriate), HUD or its designee shall refer the questions, including the views of all interested parties and the recommendation of HUD or its designee, to the Administrator for determination. The Administrator, or an authorized representative, will issue a determination within 30 days of receipt and so advise HUD or its designee or will notify HUD or its designee within the 30-day period that additional time is necessary. (Approved by the Office of Management and Budget under OMB Control Number 1215-0140.)

(d) The wage rate (including fringe benefits where appropriate) determined pursuant to subparagraphs (1)(ii)(b) or (c) of this paragraph, shall be paid to all workers performing work in the classification under this contract from the first day on which work is performed in the classification.

(iii) Whenever the minimum wage rate prescribed in the contract for a class of laborers or mechanics includes a fringe benefit which is not expressed as an hourly rate, the contractor shall either pay the benefit as stated in the wage determination or shall pay another bona fide fringe benefit or an hourly cash equivalent thereof.

(iv) If the contractor does not make payments to a trustee or other third person, the contractor may consider as part

of the wages of any laborer or mechanic the amount of any costs reasonably anticipated in providing bona fide fringe benefits under a plan or program, Provided, That the Secretary of Labor has found, upon the written request of the contractor, that the applicable standards of the Davis-Bacon Act have been met. The Secretary of Labor may require the contractor to set aside in a separate account assets for the meeting of obligations under the plan or program. (Approved by the Office of Management and Budget under OMB Control Number 1215-0140.)

2. **Withholding.** HUD or its designee shall upon its own action or upon written request of an authorized representative of the Department of Labor withhold or cause to be withheld from the contractor under this contract or any other Federal contract with the same prime contractor, or any other Federally-assisted contract subject to Davis-Bacon prevailing wage requirements, which is held by the same prime contractor so much of the accrued payments or advances as may be considered necessary to pay laborers and mechanics, including apprentices, trainees and helpers, employed by the contractor or any subcontractor the full amount of wages required by the contract In the event of failure to pay any laborer or mechanic, including any apprentice, trainee or helper, employed or working on the site of the work, all or part of the wages required by the contract, HUD or its designee may, after written notice to the contractor, sponsor, applicant, or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds until such violations have ceased. HUD or its designee may, after written notice to the contractor, disburse such amounts withheld for and on account of the contractor or subcontractor to the respective employees to whom they are due. The Comptroller General shall make such disbursements in the case of direct Davis-Bacon Act contracts.

3. **(i) Payrolls and basic records.** Payrolls and basic records relating thereto shall be maintained by the contractor during the course of the work preserved for a period of three years thereafter for all laborers and mechanics working at the site of the work. Such records shall contain the name, address, and social security number of each such worker, his or her correct classification, hourly rates of wages paid (including rates of contributions or costs anticipated for bona fide fringe benefits or cash equivalents thereof of the types described in Section 1(b)(2)(B) of the Davis-bacon Act), daily and weekly number of hours worked, deductions made and actual wages paid. Whenever the Secretary of Labor has found under 29 CFR 5.5 (a)(1)(IV) that the wages of any laborer or mechanic include the amount of any costs reasonably anticipated in providing benefits under a plan or program described in Section 1(b)(2)(B) of the Davis-Bacon Act, the contractor shall maintain records which show that the commitment to provide such benefits is enforceable, that the plan or program is financially responsible, and that the plan or program has been communicated in writing to the laborers or mechanics affected, and records which show the costs anticipated or the actual cost incurred in providing such benefits. Contractors employing apprentices or trainees under approved programs shall maintain written evidence of the registration of apprenticeship programs and certification of trainee programs, the registration of the apprentices and trainees, and the ratios and wage rates prescribed in the applicable programs. (Approved by the Office of Management and Budget under OMB Control Numbers 1215-0140 and 1215-0017.)

(ii) (a) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to HUD or its designee if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant sponsor, or owner, as the case may be, for transmission to HUD or its designee. The payrolls submitted shall set out accurately and completely all of the information required to be maintained under 29 CFR 5.5(a)(3)(i) except that full social security numbers and home addresses shall not be included on weekly transmittals. Instead the payrolls shall only need to include an individually identifying number for each employee (e.g., the last four digits of the employee's social security number). The required weekly payroll information may be submitted in any form desired. Optional Form WH-347 is available for this purpose from the Wage and Hour Division Web site at http://www.dol.gov/esa/whd/forms/wh347instr.htm or its successor site. The prime contractor is responsible for the submission of copies of payrolls by all subcontractors. Contractors and subcontractors shall maintain the full social security number and current address of each covered worker, and shall provide them upon request to HUD or its designee if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant sponsor, or owner, as the case may be, for transmission to HUD or its designee, the contractor, or the Wage and Hour Division of the Department of Labor for purposes of an investigation or audit of compliance with prevailing wage requirements. It is not a violation of this subparagraph for a prime contractor to require a subcontractor to provide addresses and social security numbers to the prime contractor for its own records, without weekly submission to HUD or its designee. (Approved by the Office of Management and Budget under OMB Control Number 1215-0149.)

(b) Each payroll submitted shall be accompanied by a "Statement of Compliance," signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract and shall certify the following:

(1) That the payroll for the payroll period contains the information required to be provided under 29 CFR 5.5 (a)(3)(ii), the appropriate information is being maintained under 29 CFR 5.5(a)(3)(i), and that such information is correct and complete;

(2) That each laborer or mechanic (including each helper, apprentice, and trainee) employed on the contract during the payroll period has been paid the full weekly wages earned, without rebate, either directly or indirectly, and that no deductions have been made either directly or indirectly from the full wages earned, other than permissible deductions as set forth in 29 CFR Part 3.

(3) That each laborer or mechanic has been paid not less than the applicable wage rates and fringe benefits or cash equivalents for the classification of work performed, as specified in the applicable wage determination incorporated into the contract.

(c) The weekly submission of a properly executed certification set forth on the reverse side of Optional Form WH-347 shall satisfy the requirement for submission of the "Statement of Compliance" required by subparagraph A.3.(ii)(b).

(d) The falsification of any of the above certifications may subject the contractor or subcontractor to civil or criminal prosecution under Section 1001 of Title 18 and Section 231 of Title 31 of the United States Code.

(iii) The contractor or subcontractor shall make the records required under subparagraph A.3.(i) available for inspection, copying, or transcription by authorized representatives of HUD or its designee or the Department of Labor, and shall permit such representatives to interview employees during working hours on the job. If the contractor or subcontractor fails to submit the required records or to make them available, HUD or its designee may, after written notice to the contractor, sponsor, applicant or owner, take such action as may be necessary to cause the suspension of any further payment, advance, or guarantee of funds. Furthermore, failure to submit the required records upon request or to make such records available may be grounds for debarment action pursuant to 29 CFR 5.12.

4. Apprentices and Trainees.

(i) **Apprentices.** Apprentices will be permitted to work at less than the predetermined rate for the work they performed when they are employed pursuant to and individually registered in a bona fide apprenticeship program registered with the U.S. Department of Labor, Employment and Training Administration, Office of Apprenticeship Training, Employer and Labor Services, or with a State Apprenticeship Agency recognized by the Office, or if a person is employed in his or her first 90 days of probationary employment as an apprentice in such an apprenticeship program, who is not individually registered in the program, but who has been certified by the Office of Apprenticeship Training, Employer and Labor Services or a State Apprenticeship Agency (where appropriate) to be eligible for probationary employment as an apprentice. The allowable ratio of apprentices to journeymen on the job site in any craft classification shall not be greater than the ratio permitted to the contractor as to the entire work force under the registered program. Any worker listed on a payroll at an apprentice wage rate, who is not registered or otherwise employed as stated above, shall be paid not less than the applicable wage rate on the wage determination for the classification of work actually performed. In addition, any apprentice performing work on the job site in excess of the ratio permitted under the registered program shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. Where a contractor is performing construction on a project in a locality other than that in which its program is registered, the ratios and wage rates (expressed in percentages of the journeyman's hourly rate) specified in the contractor's or subcontractor's registered program shall be observed. Every apprentice must be paid at not less than the rate specified in the registered program for the apprentice's level of progress, expressed as a percentage of the journeymen hourly rate specified in the applicable wage determination. Apprentices shall be paid fringe benefits in accordance with the provisions of the apprenticeship program. If the apprenticeship program does not specify fringe benefits, apprentices must be paid the full amount of fringe benefits listed on the wage determination for the applicable classification. If the Administrator determines that a different practice prevails for the applicable apprentice classification, fringes shall be paid in accordance with that determination. In the event the Office of Apprenticeship Training, Employer and Labor Services, or a State Apprenticeship Agency recognized by the Office, withdraws approval of an apprenticeship program, the contractor will no longer be permitted to utilize apprentices at less than the applicable predetermined rate for the work performed until an acceptable program is approved.

(ii) **Trainees.** Except as provided in 29 CFR 5.16, trainees will not be permitted to work at less than the predetermined rate for the work performed unless they are employed pursuant to and individually registered in a program which has received prior approval, evidenced by formal certification by the U.S. Department of Labor, Employment and Training Administration. The ratio of trainees to journeymen on the job site shall not be greater than permitted under the plan approved by the Employment and Training Administration. Every trainee must be paid at not less than the rate specified in the approved program for the trainee's level of progress, expressed as a percentage of the journeyman hourly rate specified in the applicable wage determination. Trainees shall be paid fringe benefits in accordance with the provisions of the trainee program. If the trainee program does not mention fringe benefits, trainees shall be paid the full amount of fringe benefits listed on the wage determination unless the Administrator of the Wage and Hour Division determines that there is an apprenticeship program associated with the corresponding journeyman wage rate on the wage determination which provides for less than full fringe benefits for apprentices. Any employee listed on the payroll at a trainee rate who is not registered and participating in a training plan approved by

the Employment and Training Administration shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. In addition, any trainee performing work on the job site in excess of the ratio permitted under the registered program shall be paid not less than the applicable wage rate on the wage determination for the work actually performed. In the event the Employment and Training Administration withdraws approval of a training program, the contractor will no longer be permitted to utilize trainees at less than the applicable predetermined rate for the work performed until an acceptable program is approved.

(iii) Equal employment opportunity. The utilization of apprentices, trainees and journeymen under 29 CFR Part 5 shall be in conformity with the equal employment opportunity requirements of Executive Order 11246, as amended, and 29 CFR Part 30.

5. **Compliance with Copeland Act requirements.** The contractor shall comply with the requirements of 29 CFR Part 3 which are incorporated by reference in this contract.

6. **Subcontracts.** The contractor or subcontractor will insert in any subcontracts the clauses contained in subparagraphs 1 through 11 in this paragraph A and such other clauses as HUD or its designee may by appropriate instructions require, and a copy of the applicable prevailing wage decision, and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime contractor shall be responsible for the compliance by any subcontractor or lower tier subcontractor with all the contract clauses in this paragraph.

7. **Contract termination; debarment.** A breach of the contract clauses in 29 CFR 5.5 may be grounds for termination of the contract and for debarment as a contractor and a subcontractor as provided in 29 CFR 5.12.

8. **Compliance with Davis-Bacon and Related Act Requirements.** All rulings and interpretations of the Davis-Bacon and Related Acts contained in 29 CFR Parts 1, 3, and 5 are herein incorporated by reference in this contract.

9. **Disputes concerning labor standards.** Disputes arising out of the labor standards provisions of this contract shall not be subject to the general disputes clause of this contract. Such disputes shall be resolved in accordance with the procedures of the Department of Labor set forth in 29 CFR Parts 5, 6, and 7. Disputes within the meaning of this clause include disputes between the contractor (or any of its subcontractors) and HUD or its designee, the U.S. Department of Labor, or the employees or their representatives.

10. **(i) Certification of Eligibility.** By entering into this contract the contractor certifies that neither it (nor he or she) nor any person or firm who has an interest in the contractor's firm is a person or firm ineligible to be awarded Government contracts by virtue of Section 3(a) of the Davis-Bacon Act or 29 CFR 5.12(a)(1) or to be awarded HUD contracts or participate in HUD programs pursuant to 24 CFR Part 24.

(ii) No part of this contract shall be subcontracted to any person or firm ineligible for award of a Government contract by virtue of Section 3(a) of the Davis-Bacon Act or 29 CFR 5.12(a)(1) or to be awarded HUD contracts or participate in HUD programs pursuant to 24 CFR Part 24.

(iii) The penalty for making false statements is prescribed in the U.S. Criminal Code, 18 U.S.C. 1001. Additionally, U.S. Criminal Code, Section 1 01 0, Title 18, U.S.C., "Federal Housing Administration transactions", provides in part: "Whoever, for the purpose of ... influencing in any way the action of such Administration ... makes, utters or publishes any statement knowing the same to be false ... shall be fined not more than $5,000 or imprisoned not more than two years, or both."

11. **Complaints, Proceedings, or Testimony by Employees.** No laborer or mechanic to whom the wage, salary, or other labor standards provisions of this Contract are applicable shall be discharged or in any other manner discriminated against by the Contractor or any subcontractor because such employee has filed any complaint or instituted or caused to be instituted any proceeding or has testified or is about to testify in any proceeding under or relating to the labor standards applicable under this Contract to his employer.

B. **Contract Work Hours and Safety Standards Act.** The provisions of this paragraph B are applicable where the amount of the prime contract exceeds $100,000. As used in this paragraph, the terms "laborers" and "mechanics" include watchmen and guards.

(1) **Overtime requirements.** No contractor or subcontractor contracting for any part of the contract work which may require or involve the employment of laborers or mechanics shall require or permit any such laborer or mechanic in any workweek in which the individual is employed on such work to work in excess of 40 hours in such workweek unless such laborer or mechanic receives compensation at a rate not less than one and one-half times the basic rate of pay for all hours worked in excess of 40 hours in such workweek.

(2) **Violation; liability for unpaid wages; liquidated damages.** In the event of any violation of the clause set forth in subparagraph (1) of this paragraph, the contractor and any subcontractor responsible therefor shall be liable for the unpaid wages. In addition, such contractor and subcontractor shall be liable to the United States (in the case of work done under contract for the District of Columbia or a territory, to such District or to such territory), for liquidated damages. Such liquidated damages shall be computed with respect to each individual laborer or mechanic, including watchmen and guards, employed in violation of the clause set forth in subparagraph (1) of this paragraph, in the sum of $25 for each calendar day on which such individual was required or permitted to work in excess of the standard workweek of 40 hours without payment of the overtime wages required by the clause set forth in sub paragraph (1) of this paragraph.

(3) **Withholding for unpaid wages and liquidated damages.** HUD or its designee shall upon its own action or upon written request of an authorized representative of the Department of Labor withhold or cause to be withheld, from any moneys payable on account of work performed by the contractor or subcontractor under any such contract or any other Federal contract with the same prime contract, or any other Federally-assisted contract subject to the Contract Work Hours and Safety Standards Act which is held by the same prime contractor such sums as may be determined to be necessary to satisfy any liabilities of such contractor or subcontractor for unpaid wages and liquidated damages as provided in the clause set forth in subparagraph (2) of this paragraph.

(4) **Subcontracts.** The contractor or subcontractor shall insert in any subcontracts the clauses set forth in subparagraph (1) through (4) of this paragraph and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime contractor shall be responsible for compliance by any subcontractor or lower tier subcontractor with the clauses set forth in subparagraphs (1) through (4) of this paragraph.

C. Health and Safety. The provisions of this paragraph C are applicable where the amount of the prime contract exceeds $100,000.

(1) No laborer or mechanic shall be required to work in surroundings or under working conditions which are unsanitary, hazardous, or dangerous to his health and safety as determined under construction safety and health standards promulgated by the Secretary of Labor by regulation.

(2) The Contractor shall comply with all regulations issued by the Secretary of Labor pursuant to Title 29 Part 1926 and failure to comply may result in imposition of sanctions pursuant to the Contract Work Hours and Safety Standards Act, (Public Law 91-54, 83 Stat 96). 40 USC 3701 et seq.

(3) The contractor shall include the provisions of this paragraph in every subcontract so that such provisions will be binding on each subcontractor. The contractor shall take such action with respect to any subcontractor as the Secretary of Housing and Urban Development or the Secretary of Labor shall direct as a means of enforcing such provisions.

CITY OF HOUSTON'S CODE OF ORDIANCE ARTICLE V. MINORITY, WOMEN, AND SMALL BUSINESS ENTERPRISES

Sec. 15-81. - Declaration of policy.

(a) It is the policy of the city to stimulate the growth of local minority, women and small business enterprises by encouraging the full participation of these business enterprises in various phases of city contracting, as set forth in this article. The purposes and objectives of this article are:

(1) To promote equal opportunity for participation amongst local minority, women and small business enterprises in all phases of city contracting;

(2) To increase the utilization of such local firms in providing certain goods and services;

(3) To provide opportunities to broaden and enhance local firms' ranges of capacities; and

(4) To increase opportunities for such local firms to serve as contractors, in addition to acting as subcontractors to others, there applicable, in an effort to remedy discriminatory practices and eliminate statistical disparities in city contracting.

(b) This article is intended to be remedial in nature and to continue only until its purposes and objectives are achieved. At least every five years the city shall make its best efforts to initiate a review of its minority and women business enterprise program, the results of which shall be provided to city council, who shall determine, upon its receipt of recommendations and the consideration of other relevant information from the OBO director, whether there is strong statistical and anecdotal evidence of discrimination against minority and women business enterprises in city contracting warranting the continuation of a race and gender conscious minority and women business enterprise program.

(Ord. No. 2013-428, § 10(Exh. A), 5-8-2013, eff. 7-1-2013)

Sec. 15-82. - Definitions.

The following words and phrases, when used in this article and in article VI of this chapter, shall have the meanings provided in this section, unless the context clearly indicates another meaning. For the purpose of these definitions, the singular shall also include the plural, and the plural shall also include the singular.

Bidder means any person or legal entity which submits a bid or proposal to provide labor, goods or services to the city by contract for profit.

Commercially useful function means a discrete task or group of tasks, the responsibility for performance of which shall be discharged by the MWSBE by using its own forces or by actively supervising on-site the execution of the tasks by another entity for whose work the MWSBE is responsible. In determining whether a MWSBE is performing a commercially useful function, factors including but not limited to the following shall be considered: (1) whether it has the skill and expertise to perform the work for which it is being utilized and possesses all the necessary licenses; (2) whether it is in the business of performing, managing or supervising the work for which it has been certified and is being utilized; and (3) whether it is performing a real and actual service that is a distinct and verifiable element of the work called for in a contract. MWSBEs shall be responsible for performing more than fifty percent of the task or group of tasks being counted toward the applicable participation goal unless subcontracting such task or group of tasks in excess of fifty percent has been expressly authorized via a waiver by the OBO director.

Contractor means any person or legal entity providing goods, labor, or services to the city by contract for profit.

Established business enterprise means a MWSBE or any business applying for certification as a MWSBE that, by virtue of its size meets or exceeds the standards promulgated by the U.S. Small Business

Administration for that category of business, as determined by the procedures described in section 15-87(a) of this Code.

Goal-oriented contract means any contract, agreement or other undertaking anticipated for construction work in excess of $1,000,000.00 and for the supply of goods or nonpersonal or nonprofessional services in excess of $100,000.00:

a. For which competitive bids are required by law;

b. Which is not within the scope of the disadvantaged business enterprise programs of the United States Environmental Protection Agency or the United States Department of Transportation or any other federal or state agency having jurisdiction; and

c. That the initiating city department, in consultation with the OBO director, determines has significant subcontracting potential in fields in which there are adequate numbers of known MWSBEs to compete for and perform the subcontract service(s).

Good faith efforts shall refer to steps taken to achieve a MWSBE goal or other requirements which, by their scope, intensity and usefulness demonstrate a bidder's responsiveness to fulfill the business opportunity objective prior to the award of a contract and a contractor's responsibility to put forth measures to meet or exceed a MWSBE goal throughout the duration of the contract.

Joint venture means an association of a MWSBE and one or more other firms to carry out a single, for-profit business enterprise, for which the parties combine their property, capital, efforts, skills and knowledge, and in which the MWSBE is responsible for a distinct, clearly defined portion of the work of the contract and whose share in the capital contribution, control, management, risks, and profits of the joint venture are commensurate with its ownership interest.

Local firm, local MWSBE, or *locally based when describing a firm or entity seeking certification* means a sole proprietorship, partnership, corporation or any other business entity with a significant business presence in the Houston-Sugar Land-Baytown metropolitan statistical area, as defined by the Office of Management and Budget within the Executive Office of the President of the United States. A significant business presence includes the requirement that a MWSBE have an established place of business in the Houston-Sugar Land-Baytown metropolitan statistical area at which one or more of its employees is regularly based and that such place of business has a substantial role in the MWSBE's performance of a commercially useful function.

MWSBE means, collectively, MBEs, WBEs, and SBEs.

Minority business enterprise or *MBE* means a business which is:

a. A sole proprietorship in which the owner is a minority person who owns, controls and manages the business; or

b. A corporation in which at least 51 percent of the stock or of the assets of such corporation is owned, controlled and managed by one or more minority persons; or

c. A partnership in which at least 51 percent of the assets of such partnership is owned, controlled and managed by one or more minority persons; or

d. Any other business or professional entity in which at least 51 percent of the assets in such business or professional entity is owned, controlled and managed by one or more minority persons; or

e. Any entity in which at least 51 percent of the assets of such entity is owned, controlled and managed by one or more minority persons and one or more women and such minority person; or

f. A business which has been certified as an MBE by the office of business opportunity under any other recognized MBE program.

Minority person means a citizen or legal resident alien of the United States who is:

a. Black American, which includes persons having origins in any of the black racial groups of Africa;

b. Hispanic American, which includes persons of Mexican, Puerto Rican, Cuban, Central or South American, or other Spanish or Portuguese culture or origin, regardless of race;

c. Asian-Pacific American, which includes persons having origins from Japan, China, Taiwan, Korea, Burma (Myanmar), Vietnam, Laos, Cambodia (Kampuchea), Thailand, Malaysia, Indonesia, the Philippines, Brunei, Samoa, Guam, the U.S. Trust Territories of the Pacific Islands (Republic of Palau), the Commonwealth of the Northern Marianas Islands, Macao, Fiji, Tonga, Kiribati, Juvalu, Nauru, the Federated States of Micronesia, or Hong Kong, or the region generally known as the Far East;

d. Native American, which includes persons having origins in any of the original peoples of North America, American Indian, Eskimo, Aleut, Native Hawaiian; or

e. Subcontinent Asian American, which includes persons whose origins are from India, Pakistan, Bangladesh, Bhutan, the Maldives Islands, Nepal, or Sri Lanka.

Origin or descent can be regarded as the ancestry, nationality group, lineage or country in which the person or persons' parents or ancestors were born before their arrival in the United States.

Owned, controlled and managed means that the one or more minority persons or women who own the requisite interests in or assets of a business applying for minority or women business enterprise certification possesses equivalent incidents of such ownership, including an equivalent interest in profit and loss, and has contributed an equivalent percentage of capital and equipment to the business. Contributions of capital and equipment must be real and substantial. In instances where expertise is relied upon to demonstrate ownership, control, and management, it must be shown that the expertise is: (1) in a specialized field; (2) in an area critical to the firm's operation and performance of a commercially useful function; (3) critical to the firm's continued success; and (4) documented in the records of the firm, including but not limited to documentation showing the particular expertise and its value to the firm. Additionally, the individual whose expertise is relied upon must have a significant financial investment in the business. Ownership shall be measured as though not subject to the community property interest of a spouse, if both spouses certify in writing that the nonparticipating spouse relinquishes control over his or her community property interest in the subject business (but by doing so is not required to transfer to his or her spouse his or her community property ownership interest or to characterize the property as the separate property of the spouse). The one or more minority person or woman owners shall have recognized, ultimate control over all day-to-day business decisions affecting the MBE or WBE and shall hold a title commensurate with such control. Such ultimate control shall be known to and at least tacitly acknowledged in day-to-day operations by employees of the business.

Regulated contract means any contract, agreement or other undertaking:

a. For which competitive bids are not required by law;

b. That is not covered by the MBE/WBE programs of the United States Environmental Protection Agency or the United States Department of Transportation or any other federal or state agency having jurisdiction; and

c. That the recommending city department has determined, in consultation with the director of the office of business opportunity either:

   1. Has significant subcontracting potential in fields in which there are sufficient known MWSBEs to perform the particular subcontract service(s); or

   2. Is of a type for which there are sufficient known MWSBEs which have represented their ability to perform the prime contract service to afford effective competition for the prime contract.

Small business enterprise or *SBE* means a firm whose gross revenues or number of employees, averaged over the past three years, inclusive of any affiliates as defined by 13 CFR Section 121.103, does not exceed the size standards defined in Section 3 of the Federal Small Business Act and applicable Small Business Administration regulations related to the size standards found in 13 CFR Part 121. The term shall also include a certified minority/women business enterprise defined in this Code.

Subcontractor means any business providing goods, labor or services to a contractor if such goods, labor or services are procured or used in fulfillment of the contractor's obligations arising from a contract with the City of Houston.

Woman means a person who is a citizen or legal resident alien of the United States and who is of the female gender.

Women business enterprise or *WBE* means a business which is:

a. A sole proprietorship in which the owner is a woman who owns, controls and manages the business; or

b. A corporation in which at least 51 percent of the stock or assets of such corporation is owned, controlled and managed by one or more women; or

c. A partnership in which at least 51 percent of the assets of such partnership is owned, controlled and managed by one or more women; or

d. Any other business or professional entity in which at least 51 percent of the assets in such business or professional entity is owned, controlled and managed by one or more women; or

e. Any entity in which at least 51 percent of the assets of such entity is owned, controlled and managed by one or more minority persons and one or more women; or

f. A business which has been certified as a WBE by the office of business opportunity under any other recognized WBE program.

(Ord. No. 2013-428, § 10(Exh. A), 5-8-2013, eff. 7-1-2013)

Sec. 15-83. - Program elements.

(a) Based upon a review of annual awards and purchases by affected city departments, the office of business opportunity shall each year submit a progress report to the city council. The report shall include two percentage figures that are intended to as closely as possible represent the ratio of the prior year's measured utilization and availability of local MWSBEs to do business in:

(1) The supply of goods and nonpersonal or nonprofessional services; and

(2) The performance of personal or professional services;

to the prior year's total local business community utilization and availability to do business in each of the two named fields of city contracting.

In addition, the report shall include percentage figures that are intended to as closely as possible represent the ratio of the prior year's measured utilization and availability of local MWSBEs to do business in construction to the prior year's total local business community utilization and availability to do business in city construction contracting. The report may also include figures and other evidence of factors prescribed in Part 26, Title 49 of the Code of Federal Regulations in the year the report is made that may affect the aforementioned ratio of utilization and availability.

(b) Based upon the measured utilization and availability and any other relevant factors prescribed in Part 26, Title 49 of the Code of Federal Regulations and identified in the report submitted pursuant to subsection (a) above, city council shall from time to time set annual city-wide percentage goals for city contracting with MWSBEs in each of the two named categories described in subsection (a)(1) and (2) above and for contracting with MWSBEs in the construction category. The adjustment, if any, in the percentage goals shall be made during the first quarter of the fiscal year.

(c) It is the responsibility of each city department to determine which contracts initiated by it are goal-oriented contracts and which are regulated contracts. If the determination is made that a contract is a goal-oriented contract or a regulated contract, the initiating department shall review the contract and shall determine, by reference to the MWSBE register, the number of certified MWSBEs in each of the two named categories described in subsection (a)(1) and (2), above, and for construction, the number of certified MWSBEs in the construction category. The initiating department director or his or her designee shall determine whether the contract is one to which MWSBE provisions should be applied.

(1) These provisions are not required to be applied in the following circumstances:

a. A public or administrative emergency exists which requires the goods or services to be provided with unusual immediacy;

b. The service or goods requested are of such a specialized, technical or unique nature as to require the city department to be able to select its contractor without application of MWSBE provisions (such as contracts for expert witnesses, certain financial advisors or technical consultants);

c. If application of MWSBE provisions would impose an unwarranted economic burden or risk on the city or unduly delay acquisition of the goods or services, or would otherwise not be in the best interest of the city; or

d. If the possible MWSBE participation level based on MWSBE availability would produce negligible MWSBE participation.

If one of the above-listed conditions is determined to exist, the department director shall certify that determination in writing prior to the award of the contract, specifying the conditions which lead to the determination, and submit the determination to the OBO director for review and approval.

(2) If the contract does not fall within one of the above-listed exceptions, based upon its overall review, the initiating department shall assign an appropriate MWSBE participation level, if any, for the contract (whether goal-oriented or regulated) considering the local availability of certified MWSBEs in the contract field.

The intention of this article is to provide administrative flexibility in the application of MWSBE provisions of this Code and in the percentage participation level on a contract-by-contract basis so as not to limit access to city contracting by nonminority-owned, nonwomen-owned or established business enterprises to a greater degree than necessary to meet the city-wide annual goal and the policies and objectives of this article.

(d) The bidding documents and the contract documents for goal-oriented contracts for which a MWSBE participation level has been established shall contain a provision detailing the purposes and objectives of the city's MWSBE ordinance and shall incorporate by reference this article and the then-current motion or ordinance establishing MWSBE annual goals. Regulated contracts which are determined to have significant subcontracting potential for which a MWSBE participation level has been established shall contain contractual provisions (and proposal provisions if submitted for proposals or for bids) requiring the contractor to meet or exceed the determined MWSBE participation level for that contract, or to establish that it has made good-faith efforts to do so, and that notwithstanding such efforts, was unable to meet or exceed the determined participation levels. The OBO director shall establish procedures defining good-faith efforts. These procedures will be reviewed and approved by the mayor and the city attorney.

(Ord. No. 2013-428, § 10(Exh. A), 5-8-2013, eff. 7-1-2013)

Sec. 15-84. - Office of business opportunity.

(a) Applications for certification as a MWSBE and any addenda thereto shall be made on a form promulgated by the OBO director, and the requirements for certification shall be consistent with the applicable requirements set forth in subsection (b) below.

(b) The office of business opportunity has responsibility for:

(1) Establishing procedures for the implementation of this article, and reviewing and approving procedures established by city departments, such procedures to be narrowly designed to attain the purposes and objectives specified herein without unduly limiting nonminority-owned or nonwoman-owned or established business enterprises. Such procedures shall be reviewed and approved by the mayor and by the city attorney prior to implementation;

(2) Certifying businesses as minority, small or women business enterprises and maintaining and distributing to affected city departments a current register, updated monthly, of such business (including a separate listing of such businesses whose applications for certification are pending) specifying the categories of city contracting represented by the certified MWSBEs;

(3) Developing educational programs for and otherwise assisting (without offering favoritism in relation to the competitive bidding system) MWSBEs to compete effectively for city contracts;

(4) Making recommendations to the mayor, city council and city departments to further the policies and objectives of this article, including but not limited to assisting city departments in setting contract-specific MWSBE goals;

(5) Reviewing documentation from potential contractors and from contractors concerning good-faith efforts made to meet or exceed the participation level for contracts. The final recommendation to city council for award or for acceptance of work shall be the city department's, although the office of business opportunity may take exception;

(6) Compiling a report of the progress of city departments, by department, in attaining the city-wide goals set by city council. This report shall be based upon MWSBE contractor and subcontractor information, to be specified by the office of business opportunity. Upon completion, the report is to be submitted quarterly to city council members, the mayor and all affected city department directors for their information;

(7) Receiving and reviewing complaints and suggestions concerning the MWSBE program from contractors, MWSBEs and city departments; and

(8) Without limiting the authority of the office of business opportunity to establish procedures that are consistent with the terms of this article, the office of business opportunity is specifically directed to promulgate and implement procedures as follows:

a. Grievance procedures for any person aggrieved by any decision of the office of business opportunity under this article. The procedures shall include notice and a hearing before an impartial hearing officer who shall be appointed by the mayor;

b. Mediation procedures for the resolution of disputes between contractors or bidders and MWSBE participants or potential participants with respect to any aspect of compliance with this article, including, without limitation, any assertion that a contractor, subcontractor, or MWSBE has failed to make good faith efforts to comply with this article;

c. Procedures to implement and enforce any sanctions provided under this article;

d. Procedures to ensure performance of work by MWSBEs, which procedures shall include: (i) a requirement that no more than 50 percent of their work may be subcontracted, without a specific waiver from the office of business opportunity for cause; (ii) a requirement that the minority person, small business or woman owner of a MWSBE have the necessary experience, expertise, credentials and regulatory authority to conduct the type of business for which the business is certified; (iii) a requirement that bidders and contractors make good faith efforts to meet or exceed contract MWSBE goals; and (iv) a requirement that MWSBEs accurately represent all material information required for certification and truly perform a commercially useful function;

e. Procedures for counting participation by MWSBEs as prime contractors, subcontractors, suppliers and joint venturers on city contracts, which procedures shall ensure that all work performed by MWSBEs is included in the computation of the progress made toward meeting the annual city-wide goals;

f. Procedures to ensure that this article is limited in its application to the certification of locally based MWSBEs;

g. Procedures to coordinate the operation of this article with other local MWSBE programs, which may include reliance upon certification procedures of other entities that are determined to be reliable and equivalent to this article;

h. Procedures to ensure access to necessary records of prime contractors and subcontractors on city contracts; and

i. Procedures for handling theft of services (wage theft) complaints of employees of city contractors and subcontractors.

(c) MWSBE certification shall be valid for a period of three years from the date of certification; provided, however, all applicants certified as MWSBEs shall be subject to review on an annual basis pursuant to procedures established by the OBO director to ensure compliance with all applicable provisions of this article.

(d) Applications for renewal of MWSBE certification shall be evaluated under the same criteria and subject to the same manner of review as original applications.

(e) All procedures established under this section shall be reviewed and approved by the city attorney prior to implementation. A copy of all procedures hereunder shall be maintained in the office of business opportunity for inspection, and copies may be purchased at the fees prescribed by law.

(Ord. No. 2013-428, § 10(Exh. A), 5-8-2013, eff. 7-1-2013)

Sec. 15-84.1. - Responsibilities of city departments; department utilization plan.

(a) Each department director shall be accountable for the oversight and implementation of the following activities:

(1) Informing MWSBE organizations or associations of the department's procurement procedures and future procurement opportunities;

(2) Ensuring that department bid solicitations and requests for proposals are sent to MWSBEs in a timely manner;

(3) Referring MWSBEs to technical assistance services available from the office of business opportunity and other organizations that provide such services;

(4) Reviewing each request for waiver or modification of participation goals prior to its submission to the office of business opportunity for approval;

(5) Monitoring the department's procurement activities to ensure compliance with and progress towards the city-wide participation goals; and

(6) Providing the OBO director with the departmental utilization plan prescribed in subsection (b) of this section and any other documentation requested by the office of business opportunity necessary in evaluating a department's progress in achieving city-wide participation goals.

(b) Each department that has procured goods and services in excess of three million dollars during the fiscal year ending on June 30 th of the preceding calendar year shall be required to submit a departmental utilization plan for the following fiscal year commencing on July 1 st . Departmental utilizations plans shall be submitted on or before June 15, 2014, and not later than June 15 th of each calendar year thereafter.

(c) Each department director shall be responsible for creating, submitting, and implementing an annual departmental utilization plan that shall include, at a minimum, the following:

(1) The department's forecast of anticipated projects and contract specific goals for the upcoming fiscal year;

(2) A detailed, written explanation for any departmental goal that is not consistent with the overall city-wide goals for MWSBE participation;

(3) A list of the names and titles of department personnel responsible for the implementation of the departmental utilization plan;

(4) The methods and relevant activities proposed for achieving the department's participation goals; and

(5) Any other information the department director deems relevant or necessary.

(d) Upon review by the OBO director, all departmental utilization plans shall be submitted to the mayor and city council for final approval.

(e) A departmental utilization plan may be amended to reflect changes in the department's projected procurements, expenditures, or other relevant circumstances and resulting changes in the department's participation goals. Such amendments shall be submitted to the OBO director for review and shall be submitted to city council for final approval not less than 30 days prior to the proposed date of implementation.

(f) Each department director shall be accountable for setting and making reasonable efforts to meet the participation goals stated its departmental utilization plan. Departments shall, at minimum, engage in outreach activities that encourage eligible businesses to apply for certification as MWSBEs and encourage MWSBEs to participate in all facets of the procurement process and compete for city contracts, including contracts awarded by negotiated acquisition and emergency and sole source contracts.

(Ord. No. 2013-428, § 10(Exh. A), 5-8-2013, eff. 7-1-2013)

Sec. 15-85. - Filing of plan.

Before execution of any contract or issuance of any purchase order for which a MWSBE goal has been established, a bidder or potential contractor shall submit a plan setting forth how it intends to meet the contract MWSBE goal or documentation demonstrating its proof of good faith efforts to meet the contract MWSBE goal. After execution of a contract or receipt of a purchase order, the contractor shall comply with the submitted plan, unless it has received approval from the OBO director for a deviation therefrom. Approval shall not be unreasonably withheld. While it is not a requirement that a contractor meet its goal, it is required that the contractor objectively demonstrate to the office of business opportunity that it has made good faith efforts to meet the goal. To this end, the contractor shall maintain records as prescribed by the office of business opportunity demonstrating its efforts at compliance. The contractor shall be required to submit to the office of business opportunity reports of its efforts under this article in such form or manner as shall be prescribed by the OBO director.

(Ord. No. 2013-428, § 10(Exh. A), 5-8-2013, eff. 7-1-2013)

Sec. 15-86. - Sanctions.

(a) The OBO director is authorized to suspend any contractor who has failed to make good faith efforts to meet any goal established under this article from engaging in any contract with the city for a period up to, but not to exceed, five years. The OBO director is also authorized to suspend any MWSBE who has failed to make good faith efforts to meet all requirements necessary for participation as a MWSBE from engaging in any contract affected by this article for a period up to, but not to exceed, five years.

(b) In accordance with section 15-84 of this Code, the office of business opportunity shall establish procedures for the imposition of sanctions and shall ensure that no sanction is imposed without notice of the grounds being given and an opportunity for a hearing consistent with the procedures set forth in sections 15-22, 15-23, and 15-24 of this Code. Any procedure established shall be consistent with state law.

(Ord. No. 2013-428, § 10(Exh. A), 5-8-2013, eff. 7-1-2013)

Sec. 15-87. - Determination of established business enterprise status.

(a) Based upon a review of data submitted by MWSBEs or MWSBE applicants and any other information available from its files or the files of any other governmental entity, the office of business opportunity shall determine the size of each MWSBE or MWSBE applicant by determining the average of the gross receipts for the prior three years and the average number of employees for the 12 calendar months immediately preceding the review, as applicable. The calculation of size shall be based solely upon the size standards and methods of calculation identified by the U.S. Small Business Administration (SBA) including, without limitation those set forth in 13 C.F.R. part 121, subpart A, secs. 121.101 through 121.107, and sec. 121.201, any amendment or successor thereto, or any other document defining such size standards or the calculation thereof that has been fully and finally adopted by the SBA. The review shall be applicable to business entities applying for initial certification as a MWSBE or to certified MWSBEs, provided that such review may not be initiated until the applicant or certified MWSBE has established a business history of sufficient length to allow calculation of size based on the three year financial or 12 month employee data, as applicable.

(b) Following the review described in this section, each certified MWSBE or MWSBE applicant shall be re-evaluated under this section on an annual basis based upon the size standards and methods of calculation

identified by the SBA and procedures established by the OBO director to ensure compliance with all applicable provisions of this article.

(c) All MWSBEs and MWSBE applicants shall, upon written request of the OBO director, provide to the office of business opportunity copies of any and all documents, including without limitation financial statements and tax records, requested by the director in connection with the review authorized in subsection (a) of this section, not later than 20 business days following the date of mailing of the request. Failure to timely and completely comply with any such request will authorize the imposition of sanctions under section 15-86 of this Code, or denial of certification in the case of a MWSBE applicant.

(d) Following the review authorized by subsection (a) of this section, the office of business opportunity shall classify each MWSBE or MWSBE applicant whose size meets or exceeds the size standard identified by the SBA for that class of enterprise as an established business enterprise. The classification shall be effective as of the date of mailing of the notice provided in section 15-88 of this Code.

(Ord. No. 2013-428, § 10(Exh. A), 5-8-2013, eff. 7-1-2013)

Sec. 15-88. - Notice, appeal and waiver.

(a) Immediately upon classification of a certified MWSBE or MWSBE applicant as an established business enterprise pursuant to section 15-87 of this Code, the office of business opportunity shall notify the business so classified of the action by United States certified mail, return receipt requested, addressed to the last known address of the business and deemed given when placed in a United States mail depository.

(b) Each notice shall inform the affected MWSBE or MWSBE applicant of the following matters: (1) That the MWSBE or MWSBE applicant has been classified as an established business enterprise;

(2) That the classification is effective as of the date of mailing of the notice;

(3) That the MWSBE or MWSBE applicant may appeal the classification or seek a waiver of the classification pursuant to the procedures established under this section;

(4) That the provisions of section 15-89 of this chapter shall become enforceable with respect to any certified MWSBE one year following the notice of classification, unless the decision is reversed or a waiver is granted and the classification is withdrawn prior to the expiration of the one-year period; and

(5) That any MWSBE applicant deemed ineligible for certification based upon its classification as an established business enterprise shall remain ineligible for certification unless and until any withdrawal of the classification as an established business enterprise is granted pursuant to an appeal or a request for waiver conducted under this section.

(c) In order to appeal a classification as an established business enterprise, a MWSBE or MWSBE applicant must submit to the OBO director a written notice of appeal no later than 60 days following the date of mailing of the notice of classification. The sole basis for an appeal shall be that the office of business opportunity has incorrectly calculated the size of the business according to SBA standards based upon incorrect information or error in computation. The notice of appeal shall be accompanied by any documentation necessary to demonstrate the asserted error. If the OBO director finds that an error or errors were made in calculating the size of the business and that any such error resulted in an incorrect classification as an established business enterprise, the classification shall be withdrawn and the business promptly notified of the withdrawal. If the OBO director finds that no error was made, or that any error would not materially alter the classification, he shall notify the business that the classification is not altered, by certified mail, return receipt requested. The business may within ten days of the date of mailing of the notice submit to the OBO director a written request for a hearing, which hearing shall be conducted under the procedures set forth in subsections (e) through (g) of this section.

(d) In order to seek a waiver of a classification as an established business enterprise, a MWSBE or MWSBE applicant must submit to the OBO director a written request for a hearing no later than 60 days following the date of mailing of the notice of classification. The written request shall include documentary evidence, including but not limited to financial statements and tax records, relevant to the following criteria:

(1) Profitability of the enterprise;

(2) Sales of the enterprise, including a demonstration that 55 percent or more of the enterprise's sales, within the period utilized by the office of business opportunity in its classification determination, are not related to city contracts;

(3) Ability of the MWSBE or MWSBE applicant to obtain bonding, if the enterprise acts as a prime contractor or in a category in which obtaining bonding is required; and

(4) Positive comparison of the enterprise's business and financial profile with those of non-MWSBE firms in the same business category based on an objective industry standard.

(e) The OBO director shall notify the affected MWSBE or MWSBE applicant of the place and time of a hearing before the OBO director or his designee to consider an appeal requested under subsection (c) of this section, or a request for waiver of the classification under subsection (d) of this section, or both, as applicable, by United States certified mail, return receipt requested. The hearing shall be set not later than 30 days following receipt of the request, provided that the OBO director or his designee may in his discretion extend such date by a reasonable period for good and sufficient cause shown. Hearings for businesses that have both appealed under subsection (c) of this section and requested a waiver under subsection (d) of this section may be consolidated in a single hearing at the discretion of the OBO director or his designee.

(f) The OBO director shall promulgate written procedures for the conduct of hearings. The OBO director or his designee shall hear each appeal or request for waiver and shall consider only the criteria set forth under subsections (c) and (d)(1) through (d)(4) of this section, as applicable, in determining whether to withdraw the classification of the affected business as an established business enterprise. The OBO director shall develop objective standards for evaluating each factor set forth under subsections (d)(1) through (d)(4) based upon recognized industry or governmental practices or standards. The burden shall be on the business to demonstrate by clear, convincing and cogent evidence either that a material error in classification was made or that the granting of a waiver is justified by at least two of the criteria set forth in subsections (d)(1) through (d)(4) of this section.

(g) Notwithstanding any provision of this Code or of the rules or regulations of the office of business opportunity to the contrary, including any provision for mediation of a decision of the OBO director, the decision of the OBO director or his designee regarding appeal or waiver shall be final.

(Ord. No. 2013-428, § 10(Exh. A), 5-8-2013, eff. 7-1-2013)

Sec. 15-89. - Effect of classification; re-application.

(a) Upon the expiration of one year following the notice of classification as an established business enterprise referenced in section 15-88(a) of this Code, and in the absence of any withdrawal of such classification by the OBO director, each certified MWSBE so classified shall be ineligible for future participation in any city contract as a MWSBE and its certification shall be withdrawn. No application for re-certification shall be granted absent the prior determination of the OBO director that the applicant does not meet or exceed the SBA size standards referenced in section 15-87(a) of this Code. Certified businesses whose evaluation results in classification as an established business enterprise shall timely file any re-certification application due prior to expiration of the one year extension of program eligibility referenced in this section, but the application shall not be granted unless and until the classification is withdrawn or waived.

(b) Notwithstanding any provision of this Code or the rules or regulations of the office of business opportunity to the contrary, including any provision for mediation of a decision of the OBO director, any initial applicant for MWSBE certification who meets the criteria for an established business enterprise at the time of its application and is so classified shall be denied certification on that basis alone and shall have no recourse for the denial except through challenging the classification in the manner set forth in section 15-88 of this chapter. Any and all other matters pertaining to the eligibility of the applicant shall be abated and shall only be reinstated if the classification as an established business enterprise is withdrawn.

(c) The office of business opportunity may continue to assist established business enterprises following ineligibility as follows:

(1) Such businesses, if formerly certified by the city, may continue to be listed in any listing of MWSBE firms in a separate category of established MWSBE firms for the information of other private or public entities; and

(2) Such businesses, if formerly certified by the city, may receive information, counseling and referrals to other agencies supporting business enterprises from the office of business opportunity after their classification as established business enterprises.

(d) No sooner than one year following the date of program ineligibility provided in subsection (a) of this section or the denial of certification provided in subsection (b) of this section, any established business enterprise may apply for reinstatement as a fully eligible, certified MWSBE or reinstatement of an application for certification abated under subsection (b) of this section, as applicable, upon demonstrating the existence of one or more of the following conditions:

(1) That the subsequent history from the date of initial classification as an established business enterprise demonstrates that a size calculation as of the date of application for reinstatement would place the business below the SBA size standards for that category of business;

(2) That the established business enterprise has successfully obtained an SBA size determination from a federal agency authorized to make such a determination, or has prevailed in an SBA size protest under 13 CFR § 121.1001, et seq., as amended, including any judicial review thereof, establishing that the business does not meet or exceed the applicable SBA size standard;

(3) That the SBA size standards have been revised in such a manner that the subject business no longer meets or exceeds the size standard for its category based upon the most recent three-year average for receipts or 12 month average for employees, as applicable; or

(4) That the criteria listed in section 15-88(d) of this Code demonstrate the need to grant a waiver and withdraw the classification of the business as an established business enterprise.

(e) Applications for reinstatement shall be on a form prescribed by the OBO director and shall be accompanied by relevant documentary evidence supporting the ground or grounds for reinstatement asserted, as requested by the OBO director.

(f) Within 30 days following receipt of a completed application for reinstatement, the OBO director shall grant the application or deny the application and set the matter for hearing within 30 days of the date of mailing notice of such denial.

(g) The burden on the business applying for reinstatement shall be to demonstrate the existence of one or more of the conditions set forth in subsections d(1) through d(4) of this section by clear, convincing and cogent evidence, to be evaluated by the director under hearing procedures consistent with the nature of the application and, to the extent applicable, with the provisions of subsections (c), (d), (e) and (f) of section 15-88 of this Code. In addition, a business seeking reinstatement under subsection (b)(4) of this section that has previously sought a waiver of classification as an established business enterprise pursuant to section 15-88(d) of this chapter must present evidence of a material and substantial change in circumstances not shown at the preceding hearing, and the OBO director or his designee shall disregard evidence that is repetitious or cumulative of the prior hearing on the matter.

(h) The decision of the OBO director or his designee following a hearing on reinstatement shall be final, and any applicant denied reinstatement is to be notified in writing of the decision within ten days following the hearing. No business denied reinstatement may subsequently apply for reinstatement until the expiration of one year from the date of the denial.

(Ord. No. 2013-428, § 10 (Exh. A), 5-8-2013, eff. 7-1-2013)

Document 00808

REQUIREMENTS FOR THE CITY OF HOUSTON PROGRAM FOR MINORITY, WOMEN, AND SMALL BUSINESS ENTERPRISES (MWSBE) AND PERSONS WITH DISABILITIES ENTERPRISES (PDBE)

CONSTRUCTION CONTRACTS

I. GENERAL

A. CITY AUTHORITIES

1. The "OBO Director" is the City of Houston's Office of Business Opportunity Director, or his or her designee.

   City of Houston
   611 Walker Street, 7th Floor
   Houston, Texas 77002

2. The "Contracting Department" for this Project is the City of Houston Department specified in Document 00520 – Agreement.

3. The "Project Manager" for this Project is specified in Document 00550, Contract Approval Notification.

II. REOCCURRING REPORTS THAT MUST BE SUBMITTED DURING THE COURSE OF THE CONTRACT:

A. MWSBE MONTHLY REPORT PROCESS

The Contractor shall complete the MWSBE Monthly Utilization Report in the Contract Compliance and Monitoring System (available at https://houston.mwdbe.com/).

B. The Contractor shall comply with further, applicable instructions regarding reporting and compliance as provided in Sections III.E and III.I below.

III. BUSINESS ENTERPRISE PROGRAM REQUIREMENTS:

A. PURPOSE

This Document facilitates implementation of City of Houston, Tex. Code of Ordinances Chapter 15, Article V, § 15-81 *et seq.*, relating to MWSBE contract participation, and Code of Ordinances Chapter 15, Article VI, § 15-90 *et seq.*,

relating to PDBE contract participation (collectively, the "Business Enterprise Program or "MWSBE"). City of Houston, Tex. Ordinance 2013-0428, May 8, 2013.

B. POLICY

It is the policy of the City to encourage the full participation of Minority and Women-owned Business Enterprises, Small Business Enterprises, and Persons with Disabilities Business Enterprises in all phases of its procurement activities and to afford them a full and fair opportunity to compete for City contracts at all levels.

C. POLICY ELEMENTS

1. The Contractor agrees to ensure that MWSBE firms have a full and fair opportunity to participate in the performance of City contracts. In this regard the Contractor shall make all reasonable Good Faith Efforts to meet the Contract Goals for this Contract.

2. The Contractor and any Subcontractor shall not discriminate on the basis of race, color, religion, national origin, or sex in the performance of City contracts.

3. Contractor's performance in meeting the Participation Plan Percentage will be monitored during the construction phase of the Contract by the Office of Business Opportunity ("OBO") and the Contracting Department (the "Department").

D. PERCENTAGE GOALS

The MWSBE goals and PDBE goals, if any, for the Work are specified in Document 00800 – Supplementary Conditions Goals.

E. CONTRACTOR RESPONSIBILITIES

1. **Prior to Award:**
The Bidder shall submit MWSBE documents in accordance with the requirements of Document 00410 – Bid Form Part A.

a. In accordance with the Code of Ordinances and the OBO Good Faith Efforts Policy (Attachment A), the Department shall approve an Apparent Low Bidder's MWSBE Participation Plan, Document 00470 (the "Bidder's Plan" or "Plan"), within three business days of the Bid Opening only if the Department representative determines that Bidder's Plan meets the advertised Contract Goal and is administratively complete.

b. If the Department cannot approve the Bidder's Plan, it shall forward the Plan to OBO, who shall review the Bidder's Plan, and if applicable, the Bidder's Document 00471 (Record of Good Faith Efforts) and Document 00472 (Pre-Award Deviation Request) and determine whether the Bidder has made Good Faith Efforts to meet the Contract Goals within 10 business days of the Bid Opening.

c. If OBO determines that the Bidder has failed to provide a valid participation plan or make Good Faith Efforts or if the Bidder fails to provide documents and associated information required by this Document 00808 or reasonably requested in writing by OBO, OBO may declare the Bidder to be non-responsible.

d. If OBO determines that the Bidder has made Good Faith Efforts, OBO may approve the Bidder's Contract Goal Deviation request. Thereafter, the Bidder/Contractor shall be bound by the Plan, as approved or modified by OBO.

e. The Contractor shall:

(1) ensure that all MWSBE firms listed in the Plan are certified by the Office of Business Opportunity prior to bid date. Qualified, non-certified firms may obtain priority consideration for certification if no more than two firms are certified with the same capability as the non-certified firm.

(2) execute written contracts with all certified Subcontractors and Suppliers. All such contracts must be executed and sent to OBO and Contracting Department within 30 days after the date of the Notice to Proceed and must include provisions set forth in Articles 3 and 5 of Document 00700, General Conditions; and

(3) designate an MWSBE liaison officer who will administer the Contractor's MWSBE program and who shall document and maintain records of Good Faith Efforts to subcontract with MWSBE Subcontractors and Suppliers.

2. After Award:

a. The Contractor shall submit MWSBE Monthly Utilization Reports, as requested in Article II above.

b. The Contractor shall complete and submit to OBO a deviation request if the Contractor reasonably believes that it will not achieve the Business Enterprise Program Participation Plan Percentage documented in the Plan. The Contractors shall also submit to OBO, with a copy to the Contracting Department, a Record of Post-Award Good Faith Efforts (Document 00571) for each Certified Firm that the Contractor does not use in accordance with the Approved Plan before the Contractor uses another firm to perform the work.

c. The Contractor shall conform to the Plan unless OBO approves a

deviation request. OBO shall approve or reject a request for deviation within five business days of receipt of the request.

d. OBO shall approve a deviation request if:

(1) for a reason beyond the Contractor's control, the Contractor is unable to use the certified MWSBE firm in the Plan to perform the specified work. In such cases, the Contractor shall use and document Good Faith Efforts to find a similarly qualified, certified MWSBE firm to perform such specified work; or

(2) the Contractor reasonably believes that, due to a change of scope, execution of the work in accordance with the directions from the Contracting Department is unlikely to meet the terms of the Plan. In such cases, the Contractor shall use and document Good Faith efforts to achieve a reasonable amount of MWSBE participation on the remaining work on the Contract.

(3) OBO shall not unreasonably withhold approval of a deviation request.

e. After the Date of Substantial Completion, OBO shall evaluate the Contractor's Good Faith Efforts towards meeting the Plan, as it may be amended.

f. If the Contractor fails to conform to the Plan and fails to submit a Post-Award Deviation Request or provide documents and associated information required by the Good Faith Efforts Policy or reasonably requested in writing by OBO, OBO may impose sanctions in accordance with Article VI of this Document 00808.

F. ELIGIBILITY OF MWSBE FIRMS FOR SUBCONTRACTING

1. To ensure that the City's Business Enterprise Program benefits only those firms that are owned and controlled by a minority person(s), a woman (women), a person(s) with a disability, or a small business enterprise, the Office of Business Opportunity will certify the eligibility of MWSBE and PDBE Contractors, Subcontractors, and Suppliers. Contact the OBO Certification Division at 832-393-0600 for information regarding certification.

2. Firms must be certified by OBO at the time of bid in order to be counted towards meeting MWSBE goals. OBO maintains a Certified Minority, Women and Small Business Enterprises and Persons with Disabilities Business Enterprises Directory on the City's website. This Directory also lists federally-designated Disadvantaged Business Enterprises (DBEs).

G. DETERMINATION OF MWSBE PARTICIPATION

MWSBE participation shall be counted toward meeting the Contract Goals in

response to the following:

1. Contractor may count toward its Contract Goals only those MWSBE Subcontractors/ Suppliers performing a Commercially Usefully Function.
   a. **COMMERCIALLY USEFUL FUNCTION** means a discrete task or group of tasks, the responsibility for performance of which shall be discharged by the MWSBE firm by using its own forces or by actively supervising on-site the execution of the tasks by another entity for whose work the MWSBE firm is responsible. In determining whether a certified firm is performing a commercially useful function, factors including but not limited to the following shall be considered: (1) whether the firm has the skill and expertise to perform the work for which it is being utilized and possesses all necessary licenses; (2) whether the firm is in the business of performing, managing, or supervising the work for which it has been certified and is being utilized; and (3) whether it is performing a real and actual service that is a distinct and verifiable element of the work called for in a contract. Without limiting the generality of the foregoing, a MWSBE will not be considered to be performing a commercially useful function, if it subcontracts more than 50 percent of a contract being counted toward the applicable Contract Goals, unless such subcontracting in excess of 50 percent has been expressly approved by OBO either pre-bid or post award.
   b. OBO shall approve a Plan Deviation Request if the Contractor demonstrates that the industry standard for the type of work involved is to subcontract over 50 percent of the work.

2. Once a firm is certified as a MWSBE firm, the total dollar value of the subcontract awarded to the MWSBE firm is counted toward the Contract Goals, counting only the work in which the MWSBE has performed a Commercially Useful Function. The use of one MWSBE certified firm to meet multiple goals (e.g. MBE, WBE, SBE goals) on a contract is prohibited, unless expressly approved by OBO. Safety and Participation goals do not count as a single goal concerning MWSBE/DBE requirements.

3. The dollar value of the work performed by a certified Prime Contractor may not be counted toward the MWSBE goal unless the certified Prime Contractor is a part of a joint venture. When the Contractor or Subcontractor is in a joint venture with one or more MWSBE firms, OBO shall determine the percent of participation resulting from such joint venture to be counted toward the Contract Goals. The City may count towards the Contractor's MWSBE contract goal that portion of the total value of the contract amount paid to an MWSBE joint venturer equal

to the distinct, clearly defined portion of the contract work performed by the MWSBE.

4. A MWSBE Supplier's participation will be counted towards the MWSBE goals if all of the following criteria are met. The MWSBE Supplier must:
(a) negotiate price;
(b) determine quality and quantity;
(c) order the materials;
(d) show that the invoice is in the certified firm's name;
(e) pay for the material itself;
(f) control delivery; and
(g) be certified to provide the supplies in the appropriate NAICS code.

If the listed criteria above are not met, only the entire amount of fees or commissions charged for assistance in the procurement of the supplies and materials, or fees or transportation charges for the delivery of supplies or materials required on a job site will be counted towards the MWSBE goal. To be counted, proof must be provided of the fees paid and the fees must be reasonable and not excessive as compared with fees customarily allowed for similar services. MWSBE Supplier participation may account for no more than 50% of the MWSBE participation plan.

5. The OBO Policy and Procedures Manual, as amended from time to time, shall apply to the Contract for other determinations regarding counting MWSBE participation not explicitly provided for in the Contract.

H. CONTRACTOR COMPLIANCE

To ensure compliance with MWSBE requirements, OBO and the Department will monitor Contractor's efforts regarding MWSBE Subcontractors/Suppliers during the performance of this Contract. This may be accomplished through the following: job site visits; reviewing of records and reports; and interviews of randomly selected personnel.

I. RECORDS AND REPORTS

1. In accordance with II.A of this Document, the Contractor shall submit an initial report outlining MWSBE participation 40 days after the Notice to Proceed date, and on or before the 15th day of each month thereafter until all MWSBE subcontracting or material supply activity is completed. Each report shall cover the preceding month's activity. The Contractor shall use the MWSBE Contract Compliance and Monitoring System (B2G Now) to meet this requirement.

2. Contractor shall maintain the following records for review upon request by OBO or the Department:

a. Copies of executed Subcontractor agreements and purchase orders;
b. Documentation of payments and other transactions with MWSBE Subcontractors/ Suppliers; and
c. Appropriate explanations of any changes or replacements of MWSBE Subcontractors/Suppliers. All replacement MWSBE Subcontractors/Suppliers must be certified by OBO.
d. Any other records required by OBO or Contracting Department.

3. If a Participation Plan Percentage is not being met, the monthly report shall include a narrative description of the progress being made in MWSBE participation. If sufficient MWSBE Subcontractors or Suppliers to meet the Participation Plan Percentage are being utilized, they should be identified by name and the dollar amount paid to date for work performed or materials furnished by each MWSBE during the monthly period. Reports are required when no activity has occurred in a monthly period.

4. Contractor shall retain all such records for a period of four years following completion of the Work and shall be available at reasonable times and places for inspection by authorized representatives of the City including the City Controller.

IV. SANCTIONS:

A. SUSPENSION PERIOD AND WAIVER

Pursuant to Section 15-86 of the Code of Ordinances, OBO is authorized to suspend any Contractor who has failed to make Good Faith Efforts for a period of up to, but not to exceed, five years.

B. GUIDELINES FOR IMPOSITION OF SANCTIONS

1. **General:**
   a. OBO shall not impose any sanction except upon evidence of specific conduct on the part of a MWSBE or Contractor that is inconsistent with, or in direct contravention of, specific applicable requirements for Good Faith Efforts.
   b. Imposition and enforcement of suspensions shall be consistent with applicable state law.

2. **Severity of Sanctions:**
   a. In determining the length of any suspension, OBO shall consider the following factors:
      (1) Whether the failure to comply with applicable requirements involved intentional conduct or, alternatively,

may be reasonably concluded to have resulted from a misunderstanding on the part of the Contractor or MWSBE of the duties imposed on them by Article V of Chapter 15 of the Code of Ordinances and these procedures;

(2) The number of specific incidences of failure by Contractor or MWSBE to comply;

(3) Whether the Contractor or MWSBE has been previously suspended;

(4) Whether the Contractor or MWSBE has failed or refused to provide OBO with any information requested by OBO's Director or required to be submitted to OBO's Director pursuant to law or these procedures;

(5) Whether the Contractor or MWSBE has materially misrepresented any applicable facts in any filing or communication to OBO; and

(6) Whether any subsequent restructuring of the subject business or other action has been undertaken to cure the deficiencies in meeting applicable requirements.

b. Suspensions may be for any length of time not to exceed five years. Suspensions in excess of one year shall be reserved for cases involving intentional or fraudulent misrepresentation or concealment of material facts, multiple acts in contravention of applicable requirements, cases where the Contractor or MWSBE has been previously suspended, or other similarly egregious conduct.

C. APPEALS

A decision to implement a suspension may be taken after notice and an opportunity for an informal conciliation conference with OBO and a hearing by the Contract Compliance Commission. Commission members shall not have participated in the actions or investigations giving rise to the suspension hearing.

D. NOTICE

1. Prior to imposing any suspension, OBO shall deliver written notice to the Contractor or MWSBE setting forth the grounds for the proposed suspension and setting a date, time, and place to appear for an informal conciliation conference with OBO, in addition to information regarding the appearance before the Contract Compliance Commission for a hearing on the matter.

2. Any notice required or permitted to be given hereunder to any Contractor or MWSBE may be given either by personal delivery or by certified United States mail, postage prepaid, return receipt requested, addressed to their

most recent address as specified in the records of the Office of Business Opportunity or in the Contract if no address is on file with the Office of Business Opportunity.

E. HEARING PROCEDURES

Proceedings before the Contract Compliance Commission shall be conducted in accordance with Section 15-23 of the Code of Ordinances. If the Commission, in a written decision, finds that a suspension is supported by the evidence presented, the Commission shall submit its recommendation to the Mayor and City Council.

ATTACHMENT A

City of Houston
Office of Business Opportunity
Good Faith Efforts Policy

General Policy.

Good Faith Efforts are steps taken to achieve an Contract Goal or other requirements which, by their scope, intensity and usefulness demonstrates the bidder's responsiveness to fulfill the business opportunity objective prior to the award of a contract, as well as the contractor's responsibility to put forth measures to meet or exceed the Contract Goal throughout the duration of the contract.

Good Faith Efforts are required to be made and demonstrated by an apparent successful bidder on goal oriented contracts or proposer on a regulated contract prior to award of a contract. Good Faith Efforts are required on professional services and construction contracts and on procurement of goods and non-professional service contracts with goals. If a bidder, when submitting a participation plan at the time of bid or proposal submission, anticipates it cannot or will not meet the Contract Goal prior to the award, the bidder must demonstrate to Office of Business Opportunity ("OBO") it has made Good Faith Efforts to meet the Contract Goal, to be eligible for the contract award.

Good Faith Efforts shall be evaluated on a case-by-case basis in making a determination whether a bidder or contractor is in compliance with this policy. The efforts employed by a bidder or contractor should be those that one could reasonably expect a bidder or contractor to take if the bidder were actively and aggressively attempting to obtain MWSBE participation sufficient to meet the Contract Goal. Efforts taken that are mere formalities or other perfunctory acts shall not be considered Good Faith Efforts to meet Contract Goals.

The factors provided herein are representative of the types of actions OBO will consider in determining whether the bidder or contractor made Good Faith Efforts to obtain MWSBE participation to meet the Contract Goal. The factors prescribed below are not intended to be a mandatory checklist, nor is it intended to be exhaustive or exclusive. OBO may consider other factors or types of efforts that may be relevant in appropriate cases.

If a contractor fails to submit Good Faith Efforts documentation as provided in this Policy, it waives the right to appeal OBO decisions related to this Policy. OBO will review all the efforts made by the contractor, including the quality and quantity of those efforts.

Pre–Award.

A bidder must submit a participation plan (Document 00470) to OBO at the time the bidder

submits the bid. If the participation by certified MWSBE subcontractors documented on the participation plan ("participation") is less than the Contract Goal, a bidder should submit a Record of Good Faith Efforts (Document 00471) with the bid. A bidder should also submit a request for a deviation (Document 00472) if the bidder, having used Good Faith Efforts, reasonably believes that it cannot meet the Contract Goal or a commercially useful deviation.

In making a determination that the bidder has made a good faith effort to meet the Contract Goals, OBO shall consider specific documentation[1] concerning the steps taken to obtain MWSBE participation, with a consideration of, by way of illustration and not limitation, whether the bidder demonstrated a genuine effort to comply with the following factors.

1. Attended any pre-bid or pre-proposal meetings scheduled by the City Department;

2. Followed up with MWSBEs that attended the pre-bid or pre-proposal meetings to discuss subcontracting and supplier opportunities and contacted MWSBEs listed in the City's online directory;

3. Conducted outreach with minority and women focused organizations and associations far in advance of solicitation due date (no less than 10 business days);

4. Identified and designated portions of the work to be performed by MWSBEs to increase the likelihood of meeting the Contract Goals (including where appropriate breaking down the contract into reasonably sized subcontracts to ensure participation);

5. Advertised subcontracting opportunities in news media focused towards minority and women persons far in advance of solicitation due date;

6. Provided MWSBEs with a point of contact that was knowledgeable about the project and possessed decision-making authority to answer questions from interested MWSBEs;

7. Provided a reasonable number of MWSBEs certified with timely written notices via email, mail, and/or fax and/or with documented contact regarding the subcontracting/supplier opportunities. A "reasonable number of MWSBEs" shall be based on the number of MWSBEs available in the directory;

8. Solicited the MWSBEs within a reasonable amount of time (no less than seven business days) before bid submission, as well as followed up with the MWSBEs solicited to determine if they were interested in submitting a bid or proposal or participating on a team.

[1] A list of common supporting documentation that may allow Contractors to support their good faith efforts can be found on the Office of Business Opportunity website at www.houstontx.gov/obo.

9. Provided interested MWSBEs certified to perform the solicited work with prompt access to the plans, specifications, scope of work and requirements of the contract;

10. Negotiated in good faith with interested MWSBEs, and not rejecting MWSBEs as unqualified without sound reasons based on a thorough investigation of their capabilities;

11. Entered into a formal contract, or signing enforceable letters of intent with MWSBEs;

12. Provided an explanation to any MWSBE whose bid or price quotation is rejected, unless another MWSBE is accepted for the same work, as follows:
    a. Where price competitiveness is not the reason for rejection, a written rejection notice including the reason for rejection will be sent to the rejected MWSBE firm;
    b. Where price competitiveness is the reason for rejection, a meeting must be held with the price-rejected MWSBE, if requested, to discuss the rejection;

13. Made efforts to assist interested MWSBEs in obtaining bonding, lines of credit, insurance required for the contract, and documenting MWSBE denied by bona fide surety agents;

14. Ensured that the conditions and requirements for subcontracts are commensurate with industry standards and would not cause an economic hardship on MWSBEs, such as unnecessary insurance or coupling bid bonds with retainage;

15. Incorporated efforts not attempted earlier or on previous bids that appear more likely to lead to attaining the Contract Goal. Past performance on similar contracts with similar scopes will also be taken in consideration when determining Good Faith Efforts. A bidder that continues to make same efforts without any significant change in the level of participation may not be making Good Faith Efforts.

Post–Award.

The contractor must sign the approved participation plan (Document 00470 or Document 00570) prior to starting work on the Project. A contractor should submit a request for deviation (Document 00572) from OBO if the contractor, having made Good Faith Efforts, reasonably believes that it will not achieve the Participation Plan Percentage documented in the approved participation plan. Unless OBO approves a deviation, a contractor must submit to OBO a Participation Summary (Document 00660) prior to City Council's consideration of any close-out, term extension, or change order. If participation is less than anticipated in the approved

participation plan, the contractor must submit a Record of Good Faith Efforts (Document 00571) along with the Participation Summary. A contractor that fails to submit a deviation request and Good Faith Efforts documentation waives the right to appeal OBO decisions related to this Policy.

If the contractor is awarded the contract and fails to achieve the established Participation Plan Percentage, the contractor must demonstrate to OBO its efforts to meet the Participation Plan Percentage and failure to do so based on circumstances that the contractor could not reasonably control. In determining whether the contractor made Good Faith Efforts to ensure full participation and achievement of the Participation Plan Percentage, OBO shall consider the following factors:

1. Whether the contractor designated an MWSBE liaison officer to administer the Contractor's MWSBE programs and to be responsible for maintenance of records of Good Faith Efforts.

2. Whether the contractor furnished prompt MWSBE Utilization Reports in a timely and accurate manner through the online Contract Monitoring System or via hard copy.

3. Whether the contractor responded to efforts to resolve disputes with MWSBEs, and genuinely attempted to resolve these issues.

4. Whether the contractor disclosed payment discrepancies timely and within the monthly reporting period;

5. Whether the contractor complied with the participation plan, unless the contractor received a deviation from the OBO Director and whether upon approval, the contractor made Good Faith Efforts to replace a removed MWSBE with another certified firm;

6. Whether the contractor furnished prompt written responses to written inquiries from the Director or any employee of OBO regarding the MWSBE's performance or information germane to the MWSBE's certification;

7. Whether the contractor ensured that at all times during the performance of any contract or subcontract the MWSBE firm is engaging in a commercially useful function as that term is defined in Chapter 15 of the City of Houston Code of Ordinances;

8. Whether the contractor provided the OBO information, or other material, that was factually accurate and free of material misrepresentation; and

9. Whether the contractor furnished prompt responses to requests for information, books and records needed to verify compliance from the department administering the Contract, the City Attorney and the City Controller;

10. Whether the contractor attended all meetings and mediation hearings as requested by the Director or his/her designee; and

11. How the contractor may be affected by change orders, with consideration given to the size of the change orders.

Change Orders.

The requirement to make Good Faith Efforts to achieve the approved Participation Plan Percentage is applicable to change orders. Contractors should make Good Faith Efforts to ensure that the Participation Plan Percentage remains substantially the same after the issuance of change orders. If a contractor cannot maintain substantially the same level of participation provided in the latest approved Participation Plan (Document 00470 or Document 00570) due to a change order, the contractor shall submit to the OBO Director and Contracting Department a Document 00571 (Post-Award Record of Good Faith Efforts) and Document 00572 (Post-Award Plan Deviation Request) in a timely manner that does not cause disruption to the project. In addition to other relevant factors, in evaluating whether Good Faith Efforts were made by the contractor to meet the Participation Plan Percentage despite change orders, the OBO Director shall consider the contractor's efforts to timely and efficiently deliver the project.

END OF DOCUMENT

SECTION 3 REGULATION

APPENDIX TO PART 135

AUTHORITY: 12 U.S.C. 1701u; 42 U.S.C. 3535(d).

SOURCE: 59 FR 33880, June 30, 1994, unless otherwise noted.

EFFECTIVE DATE NOTE: At 59 FR 33880, June 30, 1994, part 135 was revised effective August 1, 1994 through June 30, 1995. At 60 FR 28325, May 31, 1995, the effective period was ex- tended until the final rule implementing changes made to section 3 of the Housing and Urban Development Act of 1968 by the Housing and Community Development Act of 1992 is published and becomes effective.

Subpart A—General Provisions

§ 135.1 Purpose.

(a) *Section 3.* The purpose of section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) (section 3) is to ensure that employment and other economic opportunities generated by certain HUD financial assistance shall, to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, be directed to low- and very low- income persons, particularly those who are recipients of government assistance for housing, and to business concerns which provide economic opportunities to low- and very low- income per- sons.

(b) *Part 135.* The purpose of this part is to establish the standards and procedures to be followed to ensure that the objectives of section 3 are met.

§ 135.2 Effective date of regulation.

The regulations of this part will re- main in effect until the date the final rule adopting the regulations of this part with or without changes is published and becomes effective, at which point the final rule will remain in effect.

[60 FR 28326, May 31, 1995]

§ 135.3 Applicability.

(a) *Section 3 covered assistance.* Section 3 applies to the following HUD assistance (section 3 covered assistance):

(1) *Public and Indian housing assistance.* Section 3 applies to training, employment, contracting and other economic opportunities arising from the

expenditure of the following public and Indian housing assistance:

(i) Development assistance provided pursuant to section 5 of the U.S. Housing Act of 1937 (1937 Act);

(ii) Operating assistance provided pursuant to section 9 of the 1937 Act; and

(iii) Modernization assistance pro- vided pursuant to section 14 of the 1937 Act;

(2) *Housing and community development assistance.* Section 3 applies to training, employment, contracting and other economic opportunities arising in connection with the expenditure of housing assistance (including section 8 assistance, and including other housing assistance not administered by the Assistant Secretary of Housing) and com- munity development assistance that is used for the following projects;

(i) Housing rehabilitation (including reduction and abatement of lead-based paint hazards, but excluding routine maintenance, repair and replacement);

(ii) Housing construction; and

(iii) Other public construction.

(3) *Thresholds*—(i) *No thresholds for section 3 covered public and Indian housing assistance.* The requirements of this part apply to section 3 covered assistance provided to recipients, notwithstanding the amount of the assistance provided to the recipient. The requirements of this part apply to all contractors and subcontractors performing work in connection with projects and activities funded by public and Indian housing assistance covered by section 3, regardless of the amount of the con tractor subcontract.

(ii) *Thresholds for section 3 covered housing and community development assistance*—(A) *Recipient thresholds.* The requirements of this part apply to recipients of other housing and community development program assistance for a section 3 covered project(s) for which the amount of the assistance ex- ceeds $200,000.

(B) *Contractor and subcontractor thresholds.* The requirements of this part apply to contractors and sub- contractors performing work on sec- tion 3 covered project(s) for which the amount of the assistance exceeds $200,000; and the contract or sub- contract exceeds $100,000.

(C) *Threshold met for recipients, but not contractors or subcontractors.* If a recipient receives section 3 covered housing or community development assistance in excess of $200,000, but no contract exceeds $100,000, the section 3 preference requirements only apply to the recipient.

(b) *Applicability of section 3 to entire project or activity funded with section 3 assistance.* The requirements of this part apply to the entire project or activity that is funded with section 3 covered assistance, regardless of whether the section 3 activity is fully or partially funded with section 3 covered assistance.

(c) *Applicability to Indian housing authorities and Indian tribes.* Indian housing authorities and tribes that receive HUD assistance described in paragraph (a) of this section shall comply with the procedures and requirements of this part to the maximum extent con- sistent with, but not in derogation of, compliance with section 7(b) of the In- dian Self-Determination and Education Assistance Act (25 U.S.C. 450e(b)). (See 24 CFR part 905.)

(d) *Other HUD assistance and other Federal assistance.* Recipients, contractors and subcontractors that receive HUD assistance, not listed in para- graph (a) of this section, or other Federal assistance, are encouraged to pro- vide, to the greatest extent feasible, training, employment, and contracting opportunities generated by the expenditure of this assistance to low- and very low-income persons, and business concerns owned by low- and very low- income persons, or which employ low- and very low-income persons.

§ 135.5 Definitions.

The terms *Department, HUD, Indian housing authority (IHA), Public housing agency (PHA),* and *Secretary* are defined in 24 CFR part 5.

Annual Contributions Contract (ACC) means the contract under the U.S. Housing Act of 1937 (1937 Act) between HUD and the PHA, or between HUD and the IHA, that contains the terms and conditions under which HUD assists the PHA or the IHA in providing decent, safe, and sanitary housing for low income families. The ACC must be in a form prescribed by HUD under which HUD agrees to provide assistance in the development, modernization and/or operation of a low income housing project under the 1937 Act, and the PHA or IHA agrees to develop, modernize and operate the project in compliance with all provisions of the ACC and the 1937 Act, and all HUD regulations and implementing requirements and procedures. (The ACC is not a form of procurement contract.)

Applicant means any entity which makes an application for section 3 covered assistance, and includes, but is not limited to, any State, unit of local government, public housing agency, Indian housing authority, Indian tribe, or other public body, public or private nonprofit organization, private agency or institution, mortgagor, developer, limited dividend sponsor, builder, property manager, community housing development organization (CHDO), resident management corporation, resident council, or cooperative association.

Assistant Secretary means the Assist- ant Secretary for Fair Housing and Equal Opportunity.

Business concern means a business entity formed in accordance with State law, and which is licensed under State, county or municipal law to engage in the type of business activity for which it was formed.

Business concern that provides economic opportunities for low- and very low-income persons. See definition of "section 3 business concern" in this section.

Contract. See the definition of "section 3 covered contract" in this section.

Contractor means any entity which contracts to perform work generated by the expenditure of section 3 covered assistance, or for work in connection with a section 3 covered project.

Employment opportunities generated by section 3 covered assistance means all employment opportunities generated by the expenditure of section 3 covered public and Indian housing assistance (i.e., operating assistance, development assistance and modernization assistance, as described in § 135.3(a)(1)). With respect to section 3 covered housing and community development assistance, this term means all employment opportunities arising in connection.

with section 3 covered projects (as de- scribed in § 135.3(a)(2)), including management and administrative jobs connected with the section 3 covered project. Management and administrative jobs include architectural, engineering or related professional services required to prepare plans, drawings, specifications, or work write-ups; and jobs directly related to administrative support of these activities, e.g., construction manager, relocation specialist, payroll clerk, etc.

Housing authority (HA) means, collectively, public housing agency and Indian housing authority.

Housing and community development assistance means any financial assistance provided or otherwise made avail- able through a HUD housing or com- munity development program through any grant, loan, loan guarantee, cooperative agreement, or contract, and includes community development funds in the form of community development block grants, and loans guaranteed under section 108 of the Housing and Community Development Act of 1974, as amended. Housing and community development assistance does not include financial assistance provided through a contract of insurance or guaranty.

Housing development means low-in- come housing owned, developed, or operated by public housing agencies or Indian housing authorities in accordance with HUD's public and Indian housing program regulations codified in 24 CFR Chapter IX.

HUD Youthbuild programs mean pro- grams that receive assistance under subtitle D of Title IV of the National Affordable Housing Act, as amended by the Housing and Community Development Act of 1992 (42 U.S.C. 12899), and provide disadvantaged youth with opportunities for employment, education, leadership development, and training in the construction or rehabilitation of housing for homeless individuals and members of low- and very low-income families.

Indian tribes shall have the meaning given this term in 24 CFR part 571.

JTPA means the Job Training Partnership Act (29 U.S.C. 1579(a)).

Low-income person. See the definition of "section 3 resident'' in this section.

Metropolitan area means a metropolitan statistical area (MSA), as established by the Office of Management and Budget.

Neighborhood area means:

(1) For HUD housing programs, a geo- graphical location within the jurisdiction of a unit of general local government (but not the entire jurisdiction) designated in ordinances, or other local documents as a neighborhood, village, or similar geographical designation.

(2) For HUD community development programs, see the definition, if pro- vided, in the regulations for the applicable community development pro- gram, or the definition for this term in 24 CFR 570.204(c)(1).

New hires mean full-time employees for permanent, temporary or seasonal employment opportunities.

Nonmetropolitan county means any county outside of a metropolitan area.

Other HUD programs means HUD programs, other than HUD public and Indian housing programs, that provide housing and community development assistance for "section 3 covered projects,'' as defined in this section.

Public housing resident has the meaning given this term in 24 CFR part 963. *Recipient* means any entity which receives section 3 covered assistance, directly from HUD or from another recipient and includes, but is not limited to, any State, unit of local government, PHA, IHA, Indian tribe, or other public body, public or private nonprofit organization, private agency or institution, mortgagor, developer, limited dividend sponsor, builder, property manager, community housing development organization, resident management corporation, resident council, or cooperative association. Recipient also includes any successor, assignee or transferee of any such entity, but does not include any ultimate beneficiary under the HUD program to which section 3 applies and does not include con-tractors.

Section 3 means section 3 of the Housing and Urban Development Act of 1968, as amended (12 U.S.C. 1701u).

Section 3 business concern means a business concern, as defined in this section—

(1) That is 51 percent or more owned by section 3residents; or

(2) Whose permanent, full-time employees include persons, at least 30 per- cent of whom are currently section 3 residents, or within three years of the date of first employment with the business concern were section 3 residents; or

(3) That provides evidence of a commitment to subcontract in excess of 25 percent of the dollar award of all sub- contracts to be awarded to business concerns that meet the qualifications set forth in paragraphs (1) or (2) in this definition of ''section 3 business concern.''

Section 3 clause means the contract provisions set forth in § 135.38.

Section 3 covered activity means any activity which is funded by section 3 covered assistance public and Indian housing assistance.

Section 3 covered assistance means:

(1) Public and Indian housing development assistance provided pursuant to section 5 of the 1937 Act;

(2) Public and Indian housing operating assistance provided pursuant to section 9 of the 1937 Act;

(3) Public and Indian housing modernization assistance provided pursuant to section 14 of the 1937 Act;

(4) Assistance provided under any HUD housing or community development program that is expended for work arising in connection with:

(i) Housing rehabilitation (including reduction and abatement of lead-based paint hazards, but excluding routine maintenance, repair and replacement);

(ii) Housing construction; or

(iii) Other public construction project (which includes other buildings or improvements, regardless of owner- ship).

Section 3 covered contract means a contract or subcontract (including a professional service contract) awarded by a recipient or contractor for work generated by the expenditure of section 3 covered assistance, or for work arising in connection with a section 3 covered project. ''Section 3 covered con- tracts'' do not include contracts awarded under HUD's procurement program, which are governed by the Federal Acquisition Regulation System (see 48 CFR, Chapter 1). ''Section 3 covered contracts'' also do not include con- tracts for the purchase of supplies and materials. However, whenever a contract for materials includes the installation of the materials, the contract constitutes a section 3 covered con- tract. For example, a contract for the purchase and installation of a furnace would be a section 3 covered contract because the contract is for work (i.e., the installation of the furnace) and thus is covered by section 3.

Section 3 covered project means the construction, reconstruction, conversion or rehabilitation of housing (including reduction and abatement of lead-based paint hazards), other public construction which includes buildings or improvements (regardless of owner-ship) assisted with housing or community development assistance.

Section 3 joint venture. See § 135.40.

Section 3 resident means: (1) A public housing resident; or

(2) An individual who resides in the metropolitan area or nonmetropolitan county in which the section 3 covered assistance is expended, and who is:

(i) *A low-income person,* as this term is defined in section 3(b)(2) of the 1937 Act (42 U.S.C. 1437a(b)(2)). Section 3(b)(2) of the 1937 Act defines this term to mean families (including single per- sons) whose incomes do not exceed 80 per centum of the median income for the area, as determined by the Secretary, with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 80 per centum of the median for the area on the basis of the Secretary's findings that such variations are necessary because of prevailing levels of construction costs or unusually high or low-income families; or

(ii) *A very low-income person,* as this term is defined in section 3(b)(2) of the 1937 Act (42 U.S.C. 1437a(b)(2)). Section 3(b)(2) of the 1937 Act (42 U.S.C. 1437a(b)(2)) defines this term to mean families (including single persons) whose incomes do not exceed 50 per centum of the median family income for the area, as determined by the Secretary with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 50 per centum of the median for the area on the basis of the Secretary's findings that

such variations are necessary because of unusually high or low family in- comes.

(3) A person seeking the training and employment preference provided by section 3 bears the responsibility of providing evidence (if requested) that the person is eligible for the preference.

Section 8 assistance means assistance provided under section 8 of the 1937 Act (42 U.S.C. 1437f) pursuant to 24 CFR part 882, subpart G.

Service area means the geographical area in which the persons benefitting from the section 3 covered project re- side. The service area shall not extend beyond the unit of general local government in which the section 3 covered assistance is expended. In HUD's Indian housing programs, the service area, for IHAs established by an Indian tribe as a result of the exercise of the tribe's sovereign power, is limited to the area of tribal jurisdiction.

Subcontractor means any entity (other than a person who is an employee of the contractor) which has a contract with a contractor to under- take a portion of the contractor's obligation for the performance of work generated by the expenditure of section 3 covered assistance, or arising in connection with a section 3 covered project.

Very low-income person. See the definition of "section 3 resident" in this section.

Youthbuild programs. See the definition of "HUD Youthbuild programs" in this section.

[59 FR 33880, June 30, 1994, as amended at 61 FR 5206, Feb. 9, 1996]

§ 135.7 Delegation of authority.

Except as may be otherwise provided in this part, the functions and responsibilities of the Secretary under section 3, and described in this part, are delegated to the Assistant Secretary for Fair Housing and Equal Opportunity. The Assistant Secretary is further authorized to redelegate functions and responsibilities to other employees of HUD; *provided however,* that the authority to issue rules and regulations under this part, which authority is delegated to the Assistant Secretary, may not be redelegated by the Assistant Secretary.

§ 135.9 Requirements applicable to HUD NOFAs for section 3 covered programs.

(a) Certification of compliance with part 135. All notices of funding availability (NOFAs) issued by HUD that announce the availability of funding covered by section 3 shall include a provision in the NOFA that notifies applicants that section 3 and the regulations in part

135 are applicable to funding awards made under the NOFA. Additionally the NOFA shall require as an application submission requirement (which may be specified in the NOFA or application kit) a certification by the applicant that the applicant will comply with the regulations in part 135. (For PHAs, this requirement will be met where a PHA Resolution in Support of the Application is submitted.) With respect to application evaluation, HUD will accept an applicant's certification unless there is evidence substantially challenging the certification.

(b) *Statement of purpose in NOFAs.*

(1) For competitively awarded assistance in which the grants are for activities administered by an HA, and those activities are anticipated to generate significant training, employment or contracting opportunities, the NOFA must include a statement that one of the purposes of the assistance is to give to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, job training, employment, contracting and other economic opportunities to section 3 residents and section 3 business concerns.

(2) For competitively awarded assistance involving housing rehabilitation, construction or other public construction, where the amount awarded to the applicant may exceed $200,000, the NOFA must include a statement that one of the purposes of the assistance is to give, to the greatest extent feasible, and consistent with existing Federal, State and local laws and regulations, job training, employment, contracting and other economic opportunities to section 3 residents and section 3 business concerns.

(c) *Section 3 as NOFA evaluation criteria.* Where not otherwise precluded by statute, in the evaluation of applications for the award of assistance, consideration shall be given to the extent to which an applicant has demonstrated that it will train and employ section 3 residents and contract with section 3 business concerns for economic opportunities generated in connection with the assisted project or activity. The evaluation criteria to be utilized, and the rating points to be as- signed, will be specified in the NOFA.

§ 135.11 Other laws governing train- ing, employment, and contracting.

Other laws and requirements that are applicable or may be applicable to the economic opportunities generated from the expenditure of section 3 covered assistance include, but are not necessarily limited to those listed in this section.

(a) *Procurement standards for States and local governments (24 CFR 85.36)*—(1) *General.* Nothing in this part 135 pre- scribes specific methods of procurement. However, neither section 3 nor the requirements of this part 135 supersede the general requirement of 24 CFR 85.36(c) that all procurement trans- actions be conducted in a competitive manner. Consistent with 24 CFR 85.36(c)(2), section 3 is a Federal statute that expressly encourages, to the maximum extent feasible, a geographic preference in the evaluation of bids or proposals.

(2) *Flexible Subsidy Program.* Multi- family project mortgagors in the Flexible Subsidy Program are not required to utilize the methods of procurement in 24 CFR 85.36(d), and are not per- mitted to utilize methods of procurement that would result in their award of a contract to a business concern that submits a bid higher than the lowest responsive bid. A multifamily project mortgagor, however, must ensure that, to the greatest extent feasible, the procurement practices it selects provide preference to section 3 business concerns.

(b) *Procurement standards for other recipients (OMB Circular No. A–110).* Nothing in this part prescribes specific methods of procurement for grants and other agreements with institutions of higher education, hospitals, and other nonprofit organizations. Consistent with the requirements set forth in OMB Circular No. A–110, section 3 is a Federal statute that expressly encourages a geographic preference in the evaluation of bids or proposals.

(a) *Federal labor standards provisions.* Certain construction contracts are subject to compliance with the requirement to pay prevailing wages deter- mined under Davis-Bacon Act (40 U.S.C. 276a—276a–7) and implementing U.S. Department of Labor regulations in 29 CFR part 5. Additionally, certain HUD-assisted rehabilitation and maintenance activities on public and Indian housing developments are subject to compliance with the requirement to pay prevailing wage rates, as deter- mined or adopted by HUD, to laborers and mechanics employed in this work. Apprentices and trainees may be utilized on this work only to the extent permitted under either Department of Labor regulations at 29 CFR part 5 or for work subject to HUD-determined prevailing wage rates, HUD policies and guidelines. These requirements include adherence to the wage rates and ratios of apprentices or trainees to journeymen set out in "approved apprenticeship and training programs," as described in paragraph (d) of this section.

(b) *Approved apprenticeship and trainee programs.* Certain apprenticeship and trainee programs have been approved by various Federal agencies. Approved apprenticeship and trainee programs include: an apprenticeship program approved by the Bureau of Apprenticeship and Training of the Department of Labor, or a State Apprenticeship Agency, or an on-the-job training program approved by the Bureau of Apprentice- ship and Training, in accordance with the regulations at 29 CFR part 5; or a training program approved by HUD in accordance with HUD policies and guidelines, as applicable. Participation in an approved apprenticeship program does not, in and of itself, demonstrate compliance with the regulations of this part.

(c) *Compliance with Executive Order 11246.* Certain contractors covered by this part are subject to compliance with Executive Order 11246, as amended

by Executive Order 12086, and the Department of Labor regulations issued pursuant thereto (41 CFR chapter 60) which provide that no person shall be discriminated against on the basis of race, color, religion, sex, or national origin in all phases of employment during the performance of Federal or Federally assisted construction contracts.

Subpart B—Economic Opportunities for Section 3 Residents and Section 3 Business Concerns

§ 135.30 Numerical goals for meeting the greatest extent feasible requirement.

(a) General. (1) Recipients and covered contractor may demonstrate compliance with the "greatest extent feasible" requirement of section 3 by meeting the numerical goals set forth in this section for providing training, employment, and contracting opportunities to section 3 residents and section 3 business concerns.

(2) The goals established in this section apply to the entire amount of section 3 covered assistance awarded to a recipient in any Federal Fiscal Year (FY), commencing with the first FY following the effective date of this rule.

(3) For recipients that do not engage in training, or hiring, but award con- tracts to contractors that will engage in training, hiring, and subcontracting, recipients must ensure that, to the greatest extent feasible, contractors will provide training, employment, and contracting opportunities to section 3 residents and section 3 business concerns.

(4) The numerical goals established in this section represent minimum numerical targets.

b. *Training and employment.* The numerical goals set forth in paragraph (b) of this section apply to new hires. The numerical goals reflect the aggregate hires. Efforts to employ section 3 residents, to the greatest extent feasible, should be made at all job levels.

(1) *Numerical goals for section 3 covered public and Indian housing programs.* Recipients of section 3 covered public and Indian housing assistance (as described in § 135.5) and their contractors and

subcontractors may demonstrate compliance with this part by committing to employ section 3 residents as:

(i) 10 percent of the aggregate number of new hires for the one year period beginning in FY 1995;

(ii) 20 percent of the aggregate number of new hires for the one period beginning in FY 1996;

(iii) 30 percent of the aggregate number of new hires for one year period be- ginning in FY 1997 and continuing thereafter.

(2) *Numerical goals for other HUD programs covered by section 3.* (i) Recipients of section 3 covered housing assistance provided under other HUD programs, and their contractors and subcontractors (unless the contract or sub- contract awards do not meet the threshold specified in § 135.3(a)(3)) may demonstrate compliance with this part by committing to employ section 3 residents as 10 percent of the aggregate number of new hires for each year over the duration of the section 3 project;

(ii) Where a managing general partner or management agent is affiliated, in a given metropolitan area, with recipients of section 3 covered housing assistance, for an aggregate of 500 or more units in any fiscal year, the man- aging partner or management agent may demonstrate compliance with this part by committing to employ section 3 residents as:

(A) 10 percent of the aggregate number of new hires for the one year period beginning in FY 1995;

(B) 20 percent of the aggregate number of new hires for the one year period beginning in FY 1996;

(C) 30 percent of the aggregate number of new hires for the one year period beginning in FY 1997, and continuing thereafter.

(3) Recipients of section 3 covered community development assistance, and their contractors and subcontractors (unless the contract or sub- contract awards do not meet the threshold specified in § 135.3(a)(3)) may demonstrate compliance with the requirements of this part by committing to employ section 3 residents as:

(i) 10 percent of the aggregate number of new hires for the one year period beginning in FY 1995;

(ii) 20 percent of the aggregate number of new hires for the one year period beginning in FY 1996; and
(iii) 30 percent of the aggregate number of new hires for the one year period beginning in FY 1997 and continuing thereafter.

(c) Contracts. Numerical goals set forth in paragraph (c) of this section apply to contracts awarded in connection with all section 3 covered projects and section 3 covered activities. Each recipient and contractor and subcontractor (unless the contract or sub- contract awards do not meet the threshold specified in § 135.3(a)(3)) may demonstrate compliance with the requirements of this part by committing to award to section 3 business concerns:

(1) At least 10 percent of the total dollar amount of all section 3 covered contracts for building trades work for maintenance, repair, modernization or development of public or Indian housing, or for building trades work arising in connection with housing rehabilitation, housing construction and other public construction; and
(2) At least three (3) percent of the total dollar amount of all other section 3 covered contracts.

(d) *Safe harbor and compliance determinations.*
(1) In the absence of evidence to the contrary, a recipient that meets the minimum numerical goals set forth in this section will be considered to have complied with the section 3 preference requirements.
(2) In evaluating compliance under subpart D of this part, a recipient that has not met the numerical goals set forth in this section has the burden of demonstrating why it was not feasible to meet the numerical goals set forth in this section. Such justification may include impediments encountered de- spite actions taken. A recipient or contractor also can indicate other economic opportunities, such as those listed in § 135.40, which were provided in its efforts to comply with section 3 and the requirements of this part.

§ 135.32 Responsibilities of the recipient.

Each recipient has the responsibility to comply with section 3 in its own operations, and ensure compliance in the operations of its contractors and sub-contractors. This responsibility includes but may not be necessarily limited to:

(a) Implementing procedures de- signed to notify section 3 residents about training and employment opportunities generated by section 3 covered assistance and section 3 business concerns about contracting opportunities generated by section 3 covered assistance;

(b) Notifying potential contractors for section 3 covered projects of the requirements of this part, and incorporating the section 3 clause set forth in § 135.38 in all solicitations and con- tracts.

(c) Facilitating the training and employment of section 3 residents and the award of contracts to section 3 business concerns by undertaking activities such as described in the Appendix to this part, as appropriate, to reach the goals set forth in § 135.30. Recipients, at their own discretion, may establish reasonable numerical goals for the training and employment of section 3 residents and contract award to section 3 business concerns that exceed those specified in § 135.30;

(d) Assisting and actively cooperating with the Assistant Secretary in obtaining the compliance of contractors and subcontractors with the requirements of this part, and refraining from entering into any contract with any contractor where the recipient has notice or knowledge that the con- tractor has been found in violation of the regulations in 24 CFR part 135.

(e) Documenting actions taken to comply with the requirements of this part, the results of actions taken and impediments, if any.

(f) A State or county which distributes funds for section 3 covered assistance to units of local governments, to the greatest extent feasible, must at- tempt to reach the numerical goals set forth in 135.30 regardless of the number of local governments receiving funds from the section 3 covered assistance which meet the thresholds for applicability set forth at 135.3. The State or county must inform units of local government to whom funds are distributed of the requirements of this part; assist

local governments and their contractors in meeting the requirements and objectives of this part; and monitor the performance of local governments with respect to the objectives and requirements of this part.

§ 135.34 Preference for section 3 residents in training and employment opportunities.

(a) *Order of providing preference.* Recipients, contractors and subcontractors shall direct their efforts to pro- vide, to the greatest extent feasible, training and employment opportunities generated from the expenditure of section 3 covered assistance to section 3 residents in the order of priority pro- vided in paragraph (a) of this section.

(1) *Public and Indian housing pro- grams.* In public and Indian housing programs, efforts shall be directed to provide training and employment opportunities to section 3 residents in the following order of priority:

(i) Residents of the housing development or developments for which the section 3 covered assistance is ex- pended (category 1 residents);

(ii) Residents of other housing developments managed by the HA that is ex- pending the section 3 covered housing assistance (category 2 residents);

(iii) Participants in HUD Youthbuild programs being carried out in the metropolitan area (or nonmetropolitan county) in which the section 3 covered assistance is expended (category 3 residents);

(iv) Other section 3 residents.

(2) *Housing and community development programs.* In housing and community development programs, priority consideration shall be given, where feasible, to:

(i) Section 3 residents residing in the service area or neighborhood in which the section 3 covered project is located (collectively, referred to as category 1 residents); and

(ii) Participants in HUD Youthbuild programs (category 2 residents).

(iii) Where the section 3 project is assisted under the Stewart

B. McKinney Homeless Assistance Act (42 U.S.C. 11301 *et seq.*), homeless persons residing in the service area or neighborhood in which the section 3 covered project is located shall be given the highest priority;

(iv) Other section 3 residents.

(3) Recipients of housing assistance programs administered by the Assist- ant Secretary for Housing may, at their own discretion, provide preference to residents of the housing development receiving the section 3 covered assistance within the service area or neighborhood where the section 3 covered project is located.

(4) Recipients of community development programs may, at their own discretion, provide priority to recipients of government assistance for housing, including recipients of certificates or vouchers under the Section 8 housing assistance program, within the service area or neighborhood where the section 3 covered project is located.

(b) *Eligibility for preference.* A section 3 resident seeking the preference in training and employment provided by this part shall certify, or submit evidence to the recipient contractor or subcontractor, if requested, that the person is a section 3 resident, as de- fined in §135.5. (An example of evidence of eligibility for the preference is evidence of receipt of public assistance, or evidence of participation in a public assistance program.)

(c) *Eligibility for employment.* Nothing in this part shall be construed to re- quire the employment of a section 3 resident who does not meet the qualifications of the position to be filled.

§ 135.36 Preference for section 3 business concerns in contracting opportunities.

(a) *Order of providing preference.* Recipients, contractors and subcontractors shall direct their efforts to award section 3 covered contracts, to the greatest extent feasible, to section 3 business concerns in the order of priority provided in paragraph (a) of this section.

(1) *Public and Indian housing pro- grams.* In public and Indian housing programs, efforts shall be directed to award contracts to section 3 business concerns in the following order of priority:

(i) Business concerns that are 51 per- cent or more owned by residents of the housing development or developments

for which the section 3 covered assistance is expended, or whose full-time, permanent workforce includes 30 per- cent of these persons as employees (category 1 businesses);

(ii) Business concerns that are 51 per- cent or more owned by residents of other housing developments or developments managed by the HA that is ex- pending the section 3 covered assistance, or whose full-time, permanent workforce includes 30 percent of these persons as employees (category 2 businesses); or

(iii) HUD Youthbuild programs being carried out in the metropolitan area (or nonmetropolitan county) in which the section 3 covered assistance is ex- pended (category 3 businesses).

(iv) Business concerns that are 51 percent or more owned by section 3 residents, or whose permanent, full- time workforce includes no less than 30 percent section 3 residents (category 4 businesses), or that subcontract in excess of 25 percent of the total amount of subcontracts to business concerns identified in paragraphs (a)(1)(i) and (a)(1)(ii) of this section.

(2) *Housing and community development programs.* In housing and community development programs, priority consideration shall be given, where feasible, to:

(i) Section 3 business concerns that provide economic opportunities for section 3 residents in the service area or neighborhood in which the section 3 covered project is located (category 1 businesses); and

(ii) Applicants (as this term is de- fined in 42 U.S.C. 12899) selected to carry out HUD Youthbuild programs (category 2 businesses);

(iii) Other section 3 business concerns.

(b) *Eligibility for preference.* A business concern seeking to qualify for a section 3 contracting preference shall certify or submit evidence, if requested, that the business concern is a section 3 business concern as defined in §135.5.

(c) *Ability to complete contract.* A section 3 business concern seeking a contract or a subcontract shall submit evidence to the recipient, contractor, or subcontractor (as applicable), if re- quested, sufficient to demonstrate to the satisfaction of the party awarding the contract that the business concern is responsible and has the ability to perform successfully under the terms and conditions of the proposed con- tract. (The ability to perform success- fully under the terms and conditions of the proposed contract is required of all contractors and subcontractors subject to the procurement standards of 24 CFR 85.36 (see 24 CFR 85.36(b)(8)).) This regulation requires consideration of, among other factors, the potential contractor's record in complying with public policy requirements. Section 3 compliance is a matter properly considered as part of this determination.

§ 135.38 Section 3 clause.

All section 3 covered contracts shall include the following clause (referred to as the section 3 clause):

A. The work to be performed under this contract is subject to the requirements of section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (section 3). The purpose of section 3 is to ensure that employment and other economic opportunities generated by HUD assistance or HUD-assisted projects covered by section 3, shall, to the greatest extent feasible, be directed to low- and very low-income persons, particularly persons who are recipients of HUD assistance for housing.

B. The parties to this contract agree to comply with HUD's regulations in 24 CFR part 135, which implement section 3. As evidenced by their execution of this contract, the parties to this contract certify that they are under no contractual or other impediment that would prevent them from com- plying with the part 135 regulations.

C. The contractor agrees to send to each labor organization or representative of workers with which the contractor has a collective bargaining agreement or other under- standing, if any, a notice advising the labor organization or workers' representative of the contractor's commitments under this section 3 clause, and will post copies of the notice in conspicuous places at the work site where both employees and applicants for training and employment positions can see the notice. The notice shall describe the section 3 preference, shall set forth minimum number and job titles subject to hire, avail- ability of apprenticeship and training positions, the qualifications for each; and the name and location of the person(s) taking applications for each of the positions; and the anticipated date the work shall begin.

D. The contractor agrees to include this section 3 clause in every subcontract subject to compliance with regulations in 24 CFR

part 135, and agrees to take appropriate action, as provided in an applicable provision of the subcontract or in this section 3 clause, upon a finding that the subcontractor is in violation of the regulations in 24 CFR part 135. The contractor will not subcontract with any subcontractor where the contractor has notice or knowledge that the subcontractor has been found in violation of the regulations in 24 CFR part 135.

E. The contractor will certify that any vacant employment positions, including training positions, that are filled (1) after the con- tractor is selected but before the contract is executed, and (2) with persons other than those to whom the regulations of 24 CFR part 135 require employment opportunities to be directed, were not filled to circumvent the contractor's obligations under 24 CFR part 135.

F. Noncompliance with HUD's regulations in 24 CFR part 135 may result in sanctions, termination of this contract for default, and debarment or suspension from future HUD assisted contracts.

G. With respect to work performed in connection with section 3 covered Indian housing assistance, section 7(b) of the Indian Self-Determination and Education Assistance Act (25 U.S.C. 450e) also applies to the work to be performed under this contract. Section 7(b) requires that to the greatest ex- tent feasible (i) preference and opportunities for training and employment shall be given to Indians, and (ii) preference in the award of contracts and subcontracts shall be given to Indian organizations and Indian-owned Economic Enterprises. Parties to this contract that are subject to the provisions of section 3 and section 7(b) agree to comply with section 3 to the maximum extent feasible, but not in derogation of compliance with section 7(b).

§ 135.40 Providing other economic opportunities.

(a) *General.* In accordance with the findings of the Congress, as stated in section 3, that other economic opportunities offer an effective means of empowering low-income persons, a recipient is encouraged to undertake efforts to provide to low-income persons economic opportunities other than training, employment, and contract awards, in connection with section 3 covered assistance.

(b) *Other training and employment related opportunities.* Other economic opportunities to train and employ section 3 residents include, but need not be limited to, use of "upward mobility", "bridge" and trainee positions to fill vacancies; hiring section 3 residents in management and maintenance positions within other housing developments; and hiring section 3 residents in part-time positions.

(c) *Other business related economic opportunities.* (l) A recipient or contractor may provide economic opportunities to establish, stabilize or expand section 3 business concerns, including microenterprises. Such opportunities include, but are not limited to the formation of section 3 joint ventures, financial sup- port for affiliating with franchise development, use of labor only contracts for building trades, purchase of sup- plies and materials from housing authority resident-owned businesses, purchase of materials and supplies from PHA resident-owned businesses and use of procedures under 24 CFR part 963 regarding HA contracts to HA resident- owned businesses. A recipient or con- tractor may employ these methods directly or may provide incentives to non-section 3 businesses to utilize such methods to provide other economic opportunities to low-income persons.

(2) A *section 3 joint venture* means an association of business concerns, one of which qualifies as a section 3 business concern, formed by written joint venture agreement to engage in and carry out a specific business venture for which purpose the business concerns combine their efforts, resources, and skills for joint profit, but not necessarily on a continuing or permanent basis for conducting business generally, and for which the section 3 business concern:

(i) Is responsible for a clearly defined portion of the work to be performed and holds management responsibilities in the joint venture; and

(ii) Performs at least 25 percent of the work and is contractually entitled to compensation proportionate to its work.

Subpart C [Reserved]

Subpart D—Complaint and Compliance Review

§ 135.70 General.

(a) *Purpose.* The purpose of this sub- part is to establish the procedures for handling complaints alleging non- compliance with the regulations of this

part, and the procedures governing the Assistant Secretary's review of a recipient's or contractor's compliance with the regulations in this part.

(b) *Definitions.* For purposes of this subpart:

(1) *Complaint* means an allegation of noncompliance with regulations of this part made in the form described in § 135.76(d).

(2) *Complainant* means the party which files a complaint with the Assistant Secretary alleging that a recipient or contractor has failed or re- fused to comply with the regulations in this part.

(3) *Noncompliance with section 3* means failure by a recipient or contractor to comply with the requirements of this part.

(4) *Respondent* means the recipient or contractor against which a complaint of noncompliance has been filed. The term ''recipient'' shall have the meaning set forth in § 135.7, which includes PHA and IHA.

§ 135.72 Cooperation in achieving compliance.

(a) The Assistant Secretary recognizes that the success of ensuring that section 3 residents and section 3 business concerns have the opportunity to apply for jobs and to bid for contracts generated by covered HUD financial assistance depends upon the cooperation and assistance of HUD recipients and their contractors and subcontractors. All recipients shall cooperate fully and promptly with the Assistant Secretary in section 3 compliance reviews, in investigations of allegations of non- compliance made under § 135.76, and with the distribution and collection of data and information that the Assist- ant Secretary may require in connection with achieving the economic objectives of section 3.

(b) The recipient shall refrain from entering into a contract with any con- tractor after notification to the recipient by HUD that the contractor has been found in violation of the regulations in this part. The provisions of 24 CFR part 24 apply to the employment, engagement of services, awarding of contracts or funding of any contractors or subcontractors during any period of debarment, suspension or otherwise in- eligible status.

§ 135.74 Section 3 compliance review procedures.

(a) *Compliance reviews by Assistant Secretary.* The Assistant Secretary shall periodically conduct section 3 compliance reviews of selected recipients and contractors to determine whether these recipients are in compliance with the regulations in this part.

(b) *Form of compliance review.* A section 3 compliance review shall consist of a comprehensive analysis and evaluation of the recipient's or contractor's compliance with the requirements and obligations imposed by the regulations of this part, including an analysis of the extent to which section 3 residents have been hired and section 3 business concerns have been awarded contracts as a result of the methods undertaken by the recipient to achieve the employment, contracting and other economic objectives of section 3.

(c) *Where compliance review reveals noncompliance with section 3 by recipient or contractor.* Where the section 3 compliance review reveals that a recipient or contractor has not complied with section 3, the Assistant Secretary shall notify the recipient or contractor of its specific deficiencies in compliance with the regulations of this part, and shall advise the recipient or contractor of the means by which these deficiencies may be corrected. HUD shall conduct a follow-up review with the recipient or contractor to ensure that action is being taken to correct the deficiencies.

(d) *Continuing noncompliance by recipient or contractor.* A continuing failure or refusal by the recipient or con- tractor to comply with the regulations in this part may result in the application of sanctions specified in the con- tract through which HUD assistance is provided, or the application of sanctions specified in the regulations governing the HUD program under which HUD financial assistance is provided. HUD will notify the recipient of any continuing failure or refusal by the contractor to comply with the regulations in this part for possible action under any procurement contract between the recipient and the contractor.

Debarment, suspension and limited denial of participation pursuant to HUD's regulations in 24 CFR part 24, where appropriate, may be applied to the recipient or the contractor.

(e) *Conducting compliance review before the award of assistance.* Section 3 compliance reviews may be conducted be- fore the award of contracts, and especially where the Assistant Secretary has reasonable grounds to believe that the recipient or contractor will be un- able or unwilling to comply with the regulations in this part.

(f) *Consideration of complaints during compliance review.* Complaints alleging noncompliance with section 3, as pro- vided in § 135.76, may also be considered during any compliance review con- ducted to determine the recipient's conformance with regulations in this part.

§ 135.76 Filing and processing com- plaints.

(a) *Who may file a complaint.* The following individuals and business concerns may, personally or through an authorized representative, file with the Assistant Secretary a complaint alleging noncompliance with section 3:

(1) Any section 3 resident on behalf of himself or herself, or as a representative of persons similarly situated, seeking employment, training or other economic opportunities generated from the expenditure of section 3 covered assistance with a recipient or contractor, or by a representative who is not a section 3 resident but who represents one or more section 3 residents;

(2) Any section 3 business concern on behalf of itself, or as a representative of other section 3 business concerns similarly situated, seeking contract opportunities generated from the expenditure of section 3 covered assistance from a recipient or contractor, or by an individual representative of section 3 business concerns.

(b) *Where to file a complaint.* A complaint must be filed with the Assistant Secretary for Fair Housing and Equal Opportunity, Department of Housing and Urban Development, Washington, DC, 20410.

(c) *Time of filing.* (1) A complaint must be received not later than 180 days from the date of the action or omission upon which the complaint is based, unless the time for filing is ex- tended by the Assistant Secretary for good cause shown.

(2) Where a complaint alleges non- compliance with section 3 and the regulations of this part that is continuing, as manifested in a number of incidents of noncompliance, the complaint will be timely if filed within 180 days of the last alleged occurrence of noncompliance.

(3) Where a complaint contains in- complete information, the Assistant Secretary shall request the needed in- formation from the complainant. In the event this information is not furnished to the Assistant Secretary with- in sixty (60) days of the date of the re- quest, the complaint may be closed.

(d) *Contents of complaint*—(1) *Written complaints.* Each complaint must be in writing, signed by the complainant, and include:

(i) The complainant's name and ad- dress;

(ii) The name and address of the respondent;

(iii) A description of the acts or omissions by the respondent that is sufficient to inform the Assistant Secretary of the nature and date of the alleged noncompliance.

(iv) A complainant may provide in- formation to be contained in a com- plaint by telephone to HUD or any HUD Field Office, and HUD will reduce the information provided by telephone to writing on the prescribed complaint form and send the form to the complainant for signature.

(2) *Amendment of complaint.* Com- plaints may be reasonably and fairly amended at any time. Such amendments may include, but are not limited to, amendments to cure, technical defects or omissions, including failure to sign or affirm a complaint, to clarify or amplify the allegations in a com- plaint, or to join additional or substitute respondents. Except for the purposes of notifying respondents, amended complaints will be considered as having been made as of the original filing date.

(e) Resolution of complaint by recipient. (1) Within ten (10) days of timely filing of a complaint that contains complete

information (in accordance with para- graphs (c) and (d) of this section), the Assistant Secretary shall determine whether the complainant alleges an action or omission by a recipient or the recipient's contractor that if proven qualifies as noncompliance with section 3. If a determination is made that there is an allegation of noncompliance with section 3, the complaint shall be sent to the recipient for resolution.

(2) If the recipient believes that the complaint lacks merit, the recipient must notify the Assistant Secretary in writing of this recommendation with supporting reasons, within 30 days of the date of receipt of the complaint. The determination that a complaint lacks merit is reserved to the Assistant Secretary.

(3) If the recipient determines that there is merit to the complaint, the recipient will have sixty (60) days from the date of receipt of the complaint to resolve the matter with the complain- ant. At the expiration of the 60-day period, the recipient must notify the Assistant Secretary in writing whether a resolution of the complaint has been reached. If resolution has been reached, the notification must be signed by both the recipient and the complainant, and must summarize the terms of the resolution reached between the two parties.

(4) Any request for an extension of the 60-day period by the recipient must be submitted in writing to the Assist- ant Secretary, and must include a statement explaining the need for the extension.

(5) If the recipient is unable to re- solve the complaint within the 60-day period (or more if extended by the Assistant Secretary), the complaint shall be referred to the Assistant Secretary for handling.

(f) *Informal resolution of complaint by Assistant Secretary*—(1) *Dismissal of complaint.* Upon receipt of the recipient's written recommendation that there is no merit to the complaint, or upon failure of the recipient and complainant to reach resolution, the Assistant Secretary shall review the complaint to determine whether it presents a valid allegation of noncompliance with section 3. The Assistant Secretary may conduct further investigation if deemed necessary. Where the complaint fails to present a valid allegation of noncompliance with section 3, the Assistant Secretary will dismiss the complaint without further action. The Assistant Secretary shall notify the complainant of the dismissal of the complaint and the reasons for the dismissal.

(2) *Informal resolution.* Where the allegations in a complaint on their face, or as amplified by the statements of the complainant, present a valid allegation of noncompliance with section 3, the Assistant Secretary will attempt, through informal methods, to obtain a voluntary and just resolution of the complaint. Where attempts to resolve the complaint informally fail, the Assistant Secretary will impose a resolution on the recipient and complainant. Any resolution imposed by the Assist- ant Secretary will be in accordance with requirements and procedures concerning the imposition of sanctions or resolutions as set forth in the regulations governing the HUD program under which the section 3 covered assistance was provided.

(3) *Effective date of informal resolution.* The imposed resolution will become effective and binding at the expiration of 15 days following notification to recipient and complainant by certified mail of the imposed resolution, unless either party appeals the resolution before the expiration of the 15 days. Any appeal shall be in writing to the Secretary and shall include the basis for the appeal.

(g) *Sanctions.* Sanctions that may be imposed on recipients that fail to com- ply with the regulations of this part include debarment, suspension and limited denial of participation in HUD pro- grams.

(h) *Investigation of complaint.* The Assistant Secretary reserves the right to investigate a complaint directly when, in the Assistant Secretary's discretion, the investigation would further the purposes of section 3 and this part.

(i) *Intimidatory or retaliatory acts prohibited.* No recipient or other person shall intimidate, threaten, coerce, or discriminate against any person or business because the person or business has made a complaint, testified, assisted or participated in any manner in an investigation, proceeding, or hearing under this part. The identity of

complainants shall be kept confidential except to the extent necessary to carry out the purposes of this part, including the conduct of any investigation, hearing or judicial proceeding arising thereunder.

(j) *Judicial relief.* Nothing in this sub- part D precludes a section 3 resident or section 3 business concerning from exercising the right, which may other- wise be available, to seek redress directly through judicial procedures.

(Approved by the Office of Management and Budget under control number 2529–0043)

Subpart E—Reporting and Recordkeeping

§ 135.90 Reporting.

Each recipient which receives directly from HUD financial assistance that is subject to the requirements of this part shall submit to the Assistant Secretary an annual report in such form and with such information as the Assistant Secretary may request, for the purpose of determining the effectiveness of section 3. Where the pro- gram providing the section 3 covered assistance requires submission of an annual performance report, the section

3 report will be submitted with that annual performance report. If the pro- gram providing the section 3 covered assistance does not require an annual performance report, the section 3 re- port is to be submitted by January 10 of each year or within 10 days of project completion, whichever is earlier. All reports submitted to HUD in accordance with the requirements of this part will be made available to the public.

(Approved by the Office of Management and Budget under control number 2529–0043)

§ 135.92 Recordkeeping and access to records.

HUD shall have access to all records, reports, and other documents or items of the recipient that are maintained to demonstrate compliance with the requirements of this part, or that are maintained in accordance with the regulations governing the specific HUD program under which section 3 covered assistance is provided or otherwise made available to the recipient or con- tractor.

APPENDIX TO PART 135

I. Examples of Efforts To Offer Training and Employment Opportunities to Section 3 Residents

(1) Entering into "first source" hiring agreements with organizations representing Section 3 residents.

(2) Sponsoring a HUD-certified "Step-Up" employment and training program for section 3 residents.

(3) Establishing training programs, which are consistent with the requirements of the Department of Labor, for public and Indian housing residents and other section 3 residents in the building trades.

(4) Advertising the training and employment positions by distributing flyers (which identify the positions to be filled, the qualifications required, and where to obtain additional information about the application process) to every occupied dwelling unit in the housing development or developments where category 1 or category 2 persons (as these terms are defined in § 135.34) reside.

(5) Advertising the training and employment positions by posting flyers (which identify the positions to be filled, the qualifications required, and where to obtain additional information about the application process) in the common areas or other prominent areas of the housing development or developments. For HAs, post such advertising in the housing development or developments where category 1 or category 2 per- sons reside; for all other recipients, post such advertising in the housing development or developments and transitional housing in the neighborhood or service area of the section 3 covered project.

(6) Contacting resident councils, resident management corporations, or other resident organizations, where they exist, in the housing development or developments where category 1 or category 2 persons reside, and community organizations in HUD-assisted neighborhoods, to request the assistance of these organizations in notifying residents of the training and employment positions to be filled.

(7) Sponsoring (scheduling, advertising, financing or providing in-kind services) a job informational meeting to be conducted by an HA or contractor representative or representatives at a location in the housing development or developments where category 1 or category 2 persons reside or in the neighborhood or service area of the section 3 covered project.

(8) Arranging assistance in conducting job interviews and completing job applications for residents of the housing development or developments where category 1 or category 2

persons reside and in the neighborhood or service area in which a section 3 project is located.

(9) Arranging for a location in the housing development or developments where category 1 persons reside, or the neighborhood or service area of the project, where job applications may be delivered to and collected by a recipient or contractor representative or representatives.

(10) Conducting job interviews at the housing development or developments where category 1 or category 2 persons reside, or at a location within the neighborhood or service area of the section 3 covered project.

(11) Contacting agencies administering HUD Youthbuild programs, and requesting their assistance in recruiting HUD Youthbuild program participants for the HA's or contractor's training and employment positions.

(12) Consulting with State and local agencies administering training programs funded through JTPA or JOBS, probation and parole agencies, unemployment compensation pro- grams, community organizations and other officials or organizations to assist with recruiting Section 3 residents for the HA's or contractor's training and employment positions.

(13) Advertising the jobs to be filled through the local media, such as community television networks, newspapers of general circulation, and radio advertising.

(14) Employing a job coordinator, or contracting with a business concern that is licensed in the field of job placement (preferably one of the section 3 business concerns identified in part 135), that will undertake, on behalf of the HA, other recipient or con- tractor, the efforts to match eligible and qualified section 3 residents with the training and employment positions that the HA or contractor intends to fill.

(15) For an HA, employing section 3 residents directly on either a permanent or a temporary basis to perform work generated by section 3 assistance. (This type of employment is referred to as ''force account labor'' in HUD's Indian housing regulations. See 24 CFR 905.102, and § 905.201(a)(6).)

(16) Where there are more qualified section 3 residents than there are positions to be filled, maintaining a file of eligible qualified section 3 residents for future employment positions.

(17) Undertaking job counseling, education and related programs in association with local educational institutions.

(18) Undertaking such continued job training efforts as may be necessary to ensure the continued employment of section 3 residents previously hired for employment opportunities.

(19) After selection of bidders but prior to execution of contracts, incorporating into the contract a negotiated provision for a specific number of public housing or other section 3 residents to be trained or employed on the section 3 covered assistance.

(20) Coordinating plans and implementation of economic development (e.g., job training and preparation, business development assistance for residents) with the planning for housing and community development.

II. Examples of Efforts To Award Contracts to Section 3 Business Concerns

(1) Utilizing procurement procedures for section 3 business concerns similar to those provided in 24 CFR part 905 for business concerns owned by Native Americans (see section III of this Appendix).

(2) In determining the responsibility of potential contractors, consider their record of section 3 compliance as evidenced by past actions and their current plans for the pending contract.

(3) Contacting business assistance agencies, minority contractors associations and community organizations to inform them of contracting opportunities and requesting their assistance in identifying section 3 businesses which may solicit bids or proposals for contracts for work in connection with section 3 covered assistance.

(4) Advertising contracting opportunities by posting notices, which provide general information about the work to be contracted and where to obtain additional information, in the common areas or other prominent areas of the housing development or developments owned and managed by the HA.

(5) For HAs, contacting resident councils, resident management corporations, or other resident organizations, where they exist, and requesting their assistance in identifying category 1 and category 2 business concerns.

(6) Providing written notice to all known section 3 business concerns of the contracting opportunities. This notice should be in sufficient time to allow the section 3 business concerns to respond to the bid invitations or request for proposals.

(7) Following up with section 3 business concerns that have expressed interest in the contracting opportunities by contacting them to provide additional information on the contracting opportunities.

(8) Coordinating pre-bid meetings at which section 3 business concerns could be informed of upcoming contracting and subcontracting opportunities.

(9) Carrying out workshops on contracting procedures and specific contract opportunities in a timely manner so that section 3 business concerns can take advantage of upcoming contracting opportunities, with such information being made available in languages other than English where appropriate.

(10) Advising section 3 business concerns as to where they may seek assistance to overcome limitations such as inability to obtain bonding, lines of credit, financing, or insurance.

(11) Arranging solicitations, times for the presentation of bids, quantities, specifications, and delivery schedules in ways to facilitate the participation of section 3 business concerns.

(12) Where appropriate, breaking out contract work items into economically feasible units to facilitate participation by section 3 business concerns.

(13) Contacting agencies administering HUD Youthbuild programs, and notifying these agencies of the contracting opportunities.

(14) Advertising the contracting opportunities through trade association papers and newsletters, and through the local media, such as community television networks, newspapers of general circulation, and radio advertising.

(15) Developing a list of eligible section 3 business concerns.

(16) For HAs, participating in the "Contracting with Resident-Owned Businesses" program provided under 24 CFR part 963.

(17) Establishing or sponsoring programs designed to assist residents of public or Indian housing in the creation and development of resident-owned businesses.

(18) Establishing numerical goals (number of awards and dollar amount of contracts) for award of contracts to section 3 business concerns.

(19) Supporting businesses which provide economic opportunities to low income persons by linking them to the support services available through the Small Business Administration (SBA), the Department of Commerce and comparable agencies at the State and local levels.

(20) Encouraging financial institutions, in carrying out their responsibilities under the Community Reinvestment Act, to provide no or low interest loans for providing working capital and other financial business needs.

(21) Actively supporting joint ventures with section 3 business concerns.

(22) Actively supporting the development or maintenance of business incubators which assist Section 3 business concerns.

III. Examples of Procurement Procedures That Provide for Preference for Section 3 Business Concerns

This Section III provides specific procedures that may be followed by recipients and contractors (collectively, referred to as the "contracting party") for implementing the section 3 contracting preference for each of the competitive procurement methods authorized in 24 CFR 85.36(d).

(1) *Small Purchase Procedures.* For section 3 covered contracts aggregating no more than $25,000, the methods set forth in this para- graph (1) or the more formal procedures set forth in paragraphs (2) and (3) of this Section III may be utilized.

(i) *Solicitation.* (A) Quotations may be solicited by telephone, letter or other informal procedure provided that the manner of solicitation provides for participation by a reason- able number of competitive sources. At the time of solicitation, the parties must be in- formed of:

—the section 3 covered contract to be awarded with sufficient specificity;

—the time within which quotations must be submitted; and

—the information that must be submitted with each quotation.

(B) If the method described in paragraph (i)(A) is utilized, there must be an attempt to obtain quotations from a minimum of three qualified sources in order to promote competition. Fewer than three quotations are acceptable when the contracting party has attempted, but has been unable, to obtain a sufficient number of competitive quotations. In unusual circumstances, the contracting party may accept the sole quotation received in response to a solicitation provided the price is reasonable. In all cases, the contracting party shall document the circumstances when it has been unable to obtain at least three quotations.

(ii) *Award.* (A) Where the section 3 covered contract is to be awarded based upon the lowest price, the contract shall be awarded to the qualified section 3 business concern with the lowest responsive quotation, if it is reasonable and no more than 10 percent higher than the quotation of the lowest responsive quotation from any qualified source. If no responsive quotation by a qualified section 3 business concern is within 10 percent of the lowest responsive quotation from any qualified source, the award shall be made to the source with the lowest quotation.

(B) Where the section 3 covered contract is to be awarded based on factors other than price, a request for quotations shall be issued by developing the particulars of the solicitation, including a rating system for the assignment of points to evaluate the merits of each quotation. The solicitation shall identify all factors to be considered, including price or cost. The rating system shall pro- vide for a range of 15 to 25 percent of the total number of available rating points to be set aside for the provision of preference for section 3 business concerns. The purchase order shall be awarded to the responsible firm whose quotation is the most advantageous, considering price and all other factors specified in the rating system.

(2) *Procurement by sealed bids (Invitations for Bids).* Preference in the award of section 3 covered contracts that are awarded under a sealed bid (IFB) process may be provided as follows:

(i) Bids shall be solicited from all businesses (section 3 business concerns, and non-section 3 business concerns). An award shall be made to the qualified section 3 business concern with the highest priority ranking and with the lowest responsive bid if that bid—

(A) is within the maximum total contract price established in the contracting party's budget for the specific project for which bids are being taken, and

(B) is not more than ''X'' higher than the total bid price of the lowest responsive bid from any responsible bidder. ''X'' is determined as follows:

	x=lesser
When the lowest responsive bid is less than $100,000	10% of that bid or $9,000.
When the lowest responsive bid is:	
At least $100,000, but less than $200,000	9% of that bid, or $16,000.
At least $200,000, but less than $300,000	8% of that bid, or $21,000.
At least $300,000, but less than $400,000	7% of that bid, or $24,000.
At least $400,000, but less than $500,000	6% of that bid, or $25,000.
At least $500,000, but less than $1 million	5% of that bid, or $40,000.
At least $1 million, but less than $2 million	4% of that bid, or $60,000.
At least $2 million, but less than $4 million	3% of that bid, or $80,000.
At least $4 million, but less than $7 million	2% of that bid, or $105,000.
$7 million or more	1½% of the lowest responsive bid, with no dollar limit.

(ii) If no responsive bid by a section 3 business concern meets the requirements of paragraph (2)(i) of this section, the contract shall be awarded to a responsible bidder with the lowest responsive bid.

(3) Procurement under the competitive proposals method of procurement (Request for Proposals (RFP)). (i) For contracts and sub- contracts awarded under the competitive proposals method of procurement (24 CFR 85.36(d)(3)), a Request for Proposals (RFP) shall identify all evaluation factors (and their relative importance) to be used to rate proposals.

(ii) One of the evaluation factors shall address both the preference for section 3 business concerns and the acceptability of the strategy for meeting the greatest extent feasible requirement (section 3 strategy), as dis- closed in proposals submitted by all business concerns (section 3 and non-section 3 business concerns). This factor shall provide for a range of 15 to 25 percent of the total number of available points to be set aside for the evaluation of these two components.

(iii) The component of this evaluation factor designed to address the preference for section 3 business concerns must establish a preference for these business concerns in the order of priority ranking as described in 24 CFR 135.36.

(iv) With respect to the second component (the acceptability of the section 3 strategy), the RFP shall require the disclosure of the contractor's section 3 strategy to comply with the section 3 training and employment preference, or contracting preference, or both, if applicable. A determination of the contractor's responsibility will include the submission of an acceptable section 3 strategy. The contract award shall be made to the responsible firm (either section 3 or non-section 3 business concern) whose proposal is determined most advantageous, considering price and all other factors specified in the RFP.

PART 146—NONDISCRIMINATION ON THE BASIS OF AGE IN HUD PROGRAMS OR ACTIVITIES RE- CEIVING FEDERAL FINANCIAL ASSISTANCE

Subpart A—General

Sec.

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146.33 Complaints.
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146.37 Investigation.
146.39 Enforcement procedures.
146.41 Prohibition against intimidation or retaliation.

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Texas Administrative Code

TITLE 10	COMMUNITY DEVELOPMENT
PART 1	TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CHAPTER 11	QUALIFIED ALLOCATION PLAN (QAP)
SUBCHAPTER D	UNDERWRITING AND LOAN POLICY
RULE §11.306	Scope and Cost Review Guidelines

(a) General Provisions. The objective of the Scope and Cost Review Report (SCR) required for Rehabilitation Developments (excluding Reconstruction) and Adaptive Reuse Developments is to provide a self-contained report that provides a comprehensive description and evaluation of the current conditions of the Development and identifies a scope of work for the proposed repairs, replacements and improvements to an existing multifamily property or identifies a scope of work for the conversion of a non-multifamily property to multifamily use. The SCR author must evaluate the sufficiency of the Applicant's scope of work and provide an independent review of the Applicant's proposed costs. The report must be in sufficient detail for the Underwriter to fully understand all current conditions, scope of work and cost estimates. It is the responsibility of the Applicant to ensure that the scope of work and cost estimates submitted in the Application is provided to the author. The SCR must include a copy of the Development Cost Schedule submitted in the Application. The report must also include the following statement, "any person signing this Report acknowledges that the Department may publish the full report on the Department's website, release the report in response to a request for public information and make other use of the report as authorized by law."

(b) For Rehabilitation Developments, the SCR must include analysis in conformity with the ASTM "Standard Guide for Property Condition Assessments. Baseline Property Condition Assessment Process (ASTM Standard Designation: E 2018)" except as provided for in subsections (f) and (g) of this section.

(c) The SCR must include good quality color photographs of the subject Real Estate (front, rear, and side elevations, on-site amenities, interior of the structure). Photographs should be properly labeled. Photographs of the neighborhood, street scenes, and comparables should must be included.

(d) The SCR must also include discussion and analysis of:

(1) Description of Current Conditions. For both Rehabilitation and Adaptive Reuse, the SCR must contain a detailed description with good quality photographs of the current conditions of all major systems and components of the Development regardless of whether the system or component will be removed, repaired or replaced. For historic structures, the SCR must contain a description with photographs of each aspect of the building(s) that qualifies it as historic and must include a narrative explaining how the scope of work relates to maintaining the historic designation of the Development. Replacement or relocation of systems and components must be described;

(2) Description of Scope of Work. The SCR must provide a narrative of the consolidated scope of work either as a stand-alone section of the report or included with the description of the current conditions for each major system and components. Any New Construction must be described. Plans or drawings (that are in addition to any plans or drawings otherwise required by rule) and that relate to any part of the scope of work should be included, if available;

(3) Useful Life Estimates. For each system and component of the property the SCR must estimate its remaining useful life, citing the basis or the source from which such estimate is derived;

(4) Code Compliance. The SCR must document any known violations of any applicable federal, state, or local codes. In developing the cost estimates specified herein, it is the responsibility of the Applicant to ensure that

the SCR adequately considers any and all applicable federal, state, and local laws and regulations which are applicable and govern any work. For Applications requesting Direct Loan funding from the Department, the SCR author must include a comparison between the local building code and the International Existing Building Code of the International Code Council.;

(5) Program Rules. The SCR must assess the extent to which any systems or components must be modified, repaired, or replaced in order to comply with any specific requirements of the housing program under which the Development is proposed to be financed, the Department's Uniform Physical Condition Standards, and any scoring criteria including amenities for which the Applicant may claim points; for Direct Loan Developments this includes, but is not limited to the requirements in the Lead-Based Paint Poisoning Prevention Act (42 USC §§4821-4846), the Residential Lead-Based Paint Hazard Reduction Act of 1992 (42 USC §§4851-4856), and implementing regulations, Title X of the 1992 Housing and Community Development Act at 24 CFR Part 35 (including subparts A, B, J, K, and R), and the Lead: Renovation, Repair, and Painting Program Final Rule and Response to Children with Environmental Intervention Blood Lead Levels (40 CFR Part 745);

(6) Accessibility Requirements. The SCR report must include an analysis of compliance with the Department's accessibility requirements pursuant to Chapter 1, Subchapter B and §11.101(b)(8) of this title (relating to Site and Development Requirements and Restrictions) and identify the specific items in the scope of work and costs needed to ensure that the Development will meet these requirements upon Rehabilitation (including conversion and Adaptive Reuse);

(7) Reconciliation of Scope of Work and Costs. The SCR report must include the Department's Scope and Cost Review Supplement (SCR Supplement) with the signature of the SCR author. The SCR Supplement must reconcile the scope of work and costs of the immediate physical needs identified by the SCR author with the Applicant's scope of work and costs. The costs presented on the SCR Supplement must be consistent with both the scope of work and immediate costs identified in the body of the SCR report and the Applicant's scope of work and costs as presented in the Application. Variations between the costs listed on the SCR Supplement and the costs listed in the body of the SCR report or on the Applicant's Development Cost Schedule must be reconciled in a narrative analysis from the SCR provider. The consolidated scope of work and costs shown on the SCR Supplement will be used by the Underwriter in the analysis to the extent adequately supported in the report; and

(8) Cost Estimates. The Development Cost Schedule and SCR Supplement must include all costs identified below:

(A) Immediately Necessary Repairs and Replacement. For all Rehabilitation developments, and Adaptive Reuse developments if applicable, immediately necessary repair and replacement should be identified for systems or components which are expected to have a remaining useful life of less than one year, which are found to be in violation of any applicable codes, which must be modified, repaired or replaced in order to satisfy program rules, or which are otherwise in a state of deferred maintenance or pose health and safety hazards. The SCR must provide a separate estimate of the costs associated with the repair, replacement, or maintenance of each system or component which is identified as being an immediate need, citing the basis or the source from which such cost estimate is derived.

(B) Proposed Repair, Replacement, or New Construction. If the development plan calls for additional scope of work above and beyond the immediate repair and replacement items described in subparagraph (A) of this paragraph, the additional scope of work must be evaluated and either the nature or source of obsolescence to be cured or improvement to the operations of the Property discussed. The SCR must provide a separate estimate of the costs associated with the additional scope of work, citing the basis or the source from which such cost estimate is derived.

(C) Reconciliation of Costs. The combined costs described in subparagraphs (A) and (B) of this paragraph should be consistent with the costs presented on the Applicant's Development Cost Schedule and the SCR Supplement.

(D) Expected Repair and Replacement Over Time. The term during which the SCR should estimate the cost of expected repair and replacement over time must equal the lesser of 30 years or the longest term of any land use or regulatory restrictions which are, or will be, associated with the provision of housing on the Property. The SCR must estimate the periodic costs which are expected to arise for repairing or replacing each system or component or the property, based on the estimated remaining useful life of such system or component as described in paragraph (1) of this subsection adjusted for completion of repair and replacement immediately necessary and proposed as described in subparagraphs (A) and (B) of this paragraph. The SCR must include a separate table of the estimated long term costs which identifies in each line the individual component of the property being examined, and in each column the year during the term in which the costs are estimated to be incurred for a period and no less than 30 years. The estimated costs for future years should be given in both present dollar values and anticipated future dollar values assuming a reasonable inflation factor of not less than 2.5% per annum.

(e) Any costs not identified and discussed in sufficient detail in the SCR as part of subsection (d)(6), (d)(8)(A) and (d)(8)(B) of this section will not be included in the underwritten Total Development Cost in the Report.

(f) If a copy of such standards or a sample report have been provided for the Department's review, if such standards are widely used, and if all other criteria and requirements described in this section are satisfied, the Department will also accept copies of reports commissioned or required by the primary lender for a proposed transaction, which have been prepared in accordance with:

(1) Fannie Mae's criteria for Physical Needs Assessments;

(2) Federal Housing Administration's criteria for Project Capital Needs Assessments;

(3) Freddie Mac's guidelines for Engineering and Property Condition Reports;

(4) USDA guidelines for Capital Needs Assessment.

(g) The Department may consider for acceptance reports prepared according to other standards which are not specifically named in subsection (g) of this section, if a copy of such standards or a sample report have been provided for the Department's review, if such standards are widely used, and if all other criteria and requirements described in this section are satisfied.

(h) The SCR shall be conducted by a Third Party at the expense of the Applicant, and addressed to Texas Department of Housing and Community Affairs as the client. Copies of reports provided to the Department which were commissioned by other financial institutions should address Texas Department of Housing and Community Affairs as a co-recipient of the report, or letters from both the provider and the recipient of the report should be submitted extending reliance on the report to Texas Department of Housing and Community Affairs.

(i) The SCR report must include a statement that the individual and/or company preparing the SCR report will not materially benefit from the Development in any other way than receiving a fee for performing the SCR. Because of the Department's heavy reliance on the independent cost information, the provider must not be a Related Party to or an Affiliate of any other Development Team member. The SCR report must contain a statement indicating the report preparer has read and understood the requirements of this section.

Source Note: The provisions of this §11.306 adopted to be effective December 29, 2019, 44 TexReg 7889

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APPENDIX 11
MULTIFAMILY RELOCATION REQUIREMENTS, INCLUDING RELATED FORMS

Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970

Regulation

Per HUD, activities and projects assisted by CDBG-DR are subject to the Uniform Relocation Assistance (URA), a federal law which provides important protections and assistance for people affected by the acquisition, rehabilitation, or demolition of real property for federally funded projects.

The URA was enacted by Congress to ensure people whose real property is acquired, or who move as a direct result of projects receiving federal funds, are treated fairly and equitably and receive assistance in moving from the property they occupy.

Activities and projects assisted by CDBG-DR are subject to the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, (42 U.S.C. 4601 *et seq.*) ("URA") and section 104(d) of the HCD Act (42 U.S.C. 5304(d)) (Section 104(d)). The implementing regulations for the URA are at 49 CFR part 24. The regulations for Section 104(d) are at 24 CFR part 42, subpart C. Programs and projects must adhere to

- **49 CFR Part 24** is the government-wide regulation that implements the URA.
- **HUD Handbook 1378** provides HUD policy and guidance on implementing the URA and 49 CFR Part 24 for HUD funded programs and projects.
- Housing and Community Development (HCDD) Policies and Procedures.

CDBG-DR Waiver(s)

One-for-One Replacement Housing, Relocation, and Real Property Acquisition Requirements. Activities and projects undertaken with CDBG–DR funds are subject to the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, (42 U.S.C. 4601 et seq.) (''URA'') and section 104(d) of the HCD Act (42 U.S.C. 5304(d)) (section 104(d)). The implementing regulations for the URA are at 49 CFR part 24. The regulations for section 104(d) are at 24 CFR part 42, subpart C. For the purpose of promoting the availability of decent, safe, and sanitary housing, HUD is waiving the following URA and section 104(d) requirements with respect to the use of CDBG–DR funds.

The relocation assistance requirements at Section 104(d)(2)(A) of the Housing and Community Development Act and 24 CFR 42.350 are waived to the extent that they differ from the requirements of the URA and implementing regulations at 49 CFR Part 24, as modified by the notice for activities related to disaster recovery. Without this waiver, disparities exist in relocation assistance associated with activities typically funded by HUD and FEMA (e.g., buyouts and relocation). Both FEMA and CDBG funds are subject to the requirements of the URA; however, CDBG funds are subject to Section 104(d), while FEMA funds are not. The URA provides that a displaced person is eligible to receive a rental assistance payment that covers a period of 42 months. By contrast, Section 104(d) allows a lower-income displaced person to choose between the URA rental assistance payment and a rental assistance payment calculated over a period of 60 months. This waiver of the Section 104(d) requirements assures uniform and equitable treatment by setting the URA and its implementing regulations as the sole standard for relocation assistance under the federal register notice.

The HCDD's Residential Anti-displacement and Relocation Assistance Plan (RARAP) will be adhere to when direct or indirect permanent displacement of tenants occur. The following steps are required by subrecipients and developers to minimize the direct and indirect displacement of persons from their homes: Plan construction activities to allow tenants to remain in their units as long as possible, by rehabilitating empty units or buildings first; where feasible, give priority to rehabilitation of housing, as opposed to demolition, to avoid displacement; adopt policies to identify and mitigate displacement resulting from intensive public investment in neighborhoods; adopt tax assessment policies, such as deferred tax payment plans, to reduce impact of increasing property tax assessments on lower income owner-occupants or tenants in revitalizing areas; or target only those properties deemed essential to the need or success of the project.

Monitoring
If Relocation is triggered, periodic monitoring reviews will be conducted to inspect tenant files.

Record Keeping
If Relocation is triggered, relocation tenant files must be made available for periodic monitoring reviews. Tenant files and other related records must be maintained for a 3-years after construction completion.

Forms
All HUD approved forms and templates are provided by HCDD's URA section.

Exhibit 1

Stage	RELOCATION (URA) FOR MULTIFAMILY PROJECTS		
	Project Name Address Houston, TX 770		Project Contact Information
1	Assurance Letter		Submitted fully executed by owner with Application.
1	Relocation Plan		Submitted with Application. Refer to example online at HCDD.
1	Blank Notices		Submitted with Application. Refer to example online at HCDD.
1	Budget		Submitted with Application. Refer to example online at HCDD.
1	Rent Roll		Submitted with Application
1	Site Map		Submitted with Application
1	Notice to Real Property Owner/Seller voluntary acquisition/Right to withdrawal		If Applicable - Submitted with Application. Refer to example online at HCDD.
1	Deed - if property already owned		If Applicable - Submitted with Application
1	General Information Notice Residential TENANT Not Displaced (GIN)		Mailed to Tenant as soon as feasible. Submitted upon request from HCDD-Appendix 2, Handbook 1378. Refer to example online at HCDD.
1	General Information Notice Residential TENANT To Be Displaced (GIN)		Mailed to Tenant as soon as feasible. Submitted upon request from HCDD-Appendix 3, Handbook 1378. Refer to example online at HCDD.
1	Tenant Acknowledgement of GIN Notices		Applicant must have proof tenant received all Notices. (mailed certified, return receipt or hand delivered with tenant signature) Submitted upon request from HCDD.
2	Site Occupant Record-Residential. All Tenants		Used for Interviewing Tenants. Modified Income Certification form. Submitted to HCDD prior to move of tenant. Refer to example online at HCDD.
2	Income Verification		Submitted to HCDD prior to move of tenant.
2	Tenant Status Report w/ Rent Roll Tenants requiring relocation		Initial Tenant list as of City Council approval date (ION). Include Rent Roll dated as of City Council approval date. (per 1-4, T)Handbook 1378. Refer to example online at HCDD.
2	Notice of Non Displacement		If Applicable-Delivered to Tenant within 10 business days from City Council approval date. Refer to example online at HCDD.
2	Notice of Eligibility		If Applicable-Delivered to Tenant within 10 business days from City Council approval date. Refer to example online at HCDD.
2	Tenant Acknowledgement of Eligibility Determination Notices		Applicant must have proof tenant received all Notices. (mailed certified, return receipt or hand delivered with tenant signature) Submitted upon request from HCDD.
3	Temporary Relocation 90 Day Notice		Delivered to Tenant within 10 business days from City Council approval date, but not before eligibility determination. Refer to example online at HCDD.
3	Tenant Acknowledgement		Applicant must have proof tenant received all Notices. (mailed certified, return receipt or hand delivered with tenant signature) Submitted upon request from HCDD.
4	Temporary Relocation 30 Day Notice		30 Days Prior to move. Must include rent amount, apt. #, and moving date. Refer to example online at HCDD.

4	Tenant Acknowledgement		Applicant must have proof tenant received all Notices. (mailed certified, return receipt or hand delivered with tenant signature) Submitted upon request from HCDD.
4	Transfer 30 Day Notice		30 Days Prior to move. Must include rent amount, apt. #, and moving date. Refer to example online at HCDD.
4	Tenant Acknowledgement		Applicant must have proof tenant received all Notices. (mailed certified, return receipt or hand delivered with tenant signature) Submitted upon request from HCDD.
1-6	Move In Notices w/ updated Rent Roll		If Applicable. Refer to example online at HCDD.
1-6	Skip/Abandonment Notice/Breach of Lease		If Applicable. Must submit tenant's Final Account Statement. Refer to example online at HCDD.
1-6	Eviction/Court Orders		If Applicable. Must submit tenant's Final Account Statement and copy of Court Order.
1-6	Tenant Status Report w/ Rent Roll		Monthly report beginning at ION. Submitted by the 10th of each month.
6	Relocation Compliance Review		Prior to Retainage being paid. Reviews usually begins after first moves.
6	Evidence Relocation Exp. Paid		Prior to Retainage being paid. Must include: Moving Contract, Detailed Invoice, and Check (front and back).

Use this checklist to assemble and evaluate information pertaining to temporary relocation of tenants in rehabilitation projects only (Uniform Relocation Act and related regulations)

Exhibit 2

EXAMPLE/SAMPLE

RELOCATION PLAN

1. Cover Sheet must include:
   - Name of Project
   - Address of Project
   - Name of Owner/Entity
2. Table of Contents:
   - A. Property Summary
     1. Current Demographics
     2. Displaced Persons
   - B. Relocation Destination
   - C. Temporary Relocation Benefits
     1. Tenant Notices
     2. Moving Assistance
     3. Utility Transfers
   - D. Tenant Relocation Benefits
     1. Tenant Notices
     2. Covered Costs
     3. Advisory Services
   - E. Relocation Services
     1. Transportation
     2. Communication
     3. Delinquent Utility Bills
   - F. Relocation Recordkeeping and Notices
     1. Relocation Plan Assurance Letter (sign and dated)
     2. Site Map
     3. Potential Transition of Tenants/Tenant Transition Schedule
     4. Tenant Packet (Include Blank Notices with submission of Plan)
        - General Information Notice
        - Non Displacement Notice and/or
        - Notice of Eligibility
        - Temporary Relocation 90 Day Notice
        - Temporary Relocation 30 Day Notice
        - Transfer Notice 30 Day Notice
     5. Construction Schedule

Project Relocation Specialist Contact Information

Owner Contact Information

A. Project Summary

1. Current Demographics

The property is located in the section of the City of Houston, Texas, specifically at the intersection of ( ) streets. Harris County Key Map page ( ). The project contains a total of acres or approximately ( ) square feet. The shape of the property is generally rectangular with approximately ( ) feet of frontage on the ( ) line of ( ) and ( ) feet on the ( ) line of (). Accessibility to the property is via () Road from the () to () or (). The property is located within the City Limits of Houston and has public water and electric and natural respectively to the site. Telephone service is provided by (). The property is/is not deed restricted as to use and the City of Houston does not subscribe to zoning ordinances. The property was constructed in (); the project has a total of () buildings, () residential and () ancillary (office/community building and laundry). The residential buildings are a mixture of () stories and/or (). There are a total of () units. There are () floor plans which vary from one another by bedroom count and number of bathrooms. This Relocation Plan has been developed due to renovations of the property which is scheduled to start ().

(INSERT CURRENT UNIT MIX TABLE HERE)

Parking is (covered/not covered), the parking and drive are () paved. There are a total of () parking spaces, there are () spaces designated 504 accessible. Project amenities include: () currently () % are/are not restricted by ().

2. Displace Persons

The renovation of the property is expected to take approximately () months and it is "NOT" anticipated that there will be any "displaced persons" who by definition are persons that must move from the property permanently. If it is determined that there are, the plan will be amended to address the special requirements particular to the tenants. These tenants would be given the Notice of Eligibility for Relocation Assistance (see example in Section F) which would inform them of their rights under URA.

B. RELOCATION DESTINATION

There have not been any new leases executed in the last () months in order to have units available to move tenants into. The Relocation Specialist will track the vacant units each month during renovation and submit tracking documentation to HCDD. A tenant transition plan will be

mapped out and submitted to HCDD. This plan will show which tenants will be moved and the new rehabbed units they will be moved to. (See Section F, 3)

If there are no available units onsite the tenant will be provided temporary housing in the development listed below. (Property name) will assure that all temporary housing provided is decent, safe, and sanitary on a non discriminating basis for families or individuals who may be moved offsite.

If it becomes necessary to house tenants in temporary units other than a subsidized housing complex, attempts will be made to find single family units. Rents paid by (your property name) will represent the difference in the tenants current TTP and any additional rent that the tenant must pay. In addition, all relocations off site will be within a five mile radius unless it is in response to a request to a "reasonable accommodation".

(INSERT TABLE WHICH LISTS "DEVELOPMENTS AVAILABLE FOR RELOCATION HERE-Include name and address of property, contact information)

C. TEMPORARY RELOCATION OF TENANTS

1. Tenant Notice

In preparation for the relocations, () will conduct group meetings to notify the tenants of the plans for the complex. In addition to these group meetings, the tenants will also receive written notices of the overall renovation plans and notice of the plans for their relocation. Tenants will be notified that they should not move on their own or contact a mover because they would risk being held responsible for these cost and/or forfeit relocation benefits.

Each tenant will be given a packet of information that is included in Section F of this plan and it includes items mandated via URA. Every attempt will be made to keep the tenants informed and to answer any questions that they may have.

2. Moving Assistance

Moving services will be made available to the tenants. Each resident will be given the option of receiving packing assistance. If a resident prefers to pack their own personal possessions, they will be provided packing supplies. All residents will be provided written notices of their scheduled moving date and time in their 30 day notice. (See Section F, 4)

3. Utility Transfers

A letter will be sent to the utility providers of the property. It will explain the plans for the property renovation and for them to anticipate numerous requests for transfers within a short period of time. The tenant will be responsible for scheduling the transfer of their utilities and are expected to notify the relocation specialist of the date and time the transfer is scheduled. If there are any problems with any transfers the property will have the utilities turned on in the

properties name and the tenant will be given 10 days to resolve the issues with the utility company.

D. TENANT RELOCATION BENEFITS

1. **Tenant Notice**
   Tenants will be given notice of what charges and deposits will be covered in the relocation and they will have to sign it and indicate that they understand that there are no other costs that will be covered.

2. **Covered Cost**
   (Your property name) will pay for packing and moving costs that are scheduled by the relocation specialist. (Your property name) will also cover the cost of deposits or transfer fees for the utilities, any increase in rent of the off site temporary housing, if applicable; and telephone/cable at both the temporary unit and the return to the newly renovated unit. These costs will be paid directly to the providing agency and attached to the tenants unit and head of household. These costs will not be paid on behalf of anyone that moves prior to the coordination efforts of the Relocation Specialist or due to Eviction for Cause.

3. **Advisory Services**
   (Your property name) will contact and interview each person who is affected by the project to discuss his/her needs, preferences, concerns, and to answer questions. (Your property name) will use the Site Occupant Record (Exhibit 8of HCDD Relocation Policy) to record interview of each household. (Your property name) will also provide information about the project and any benefits the tenant may be eligible for; as applicable to the tenants' circumstances (49CFR 24.205(c)).

E. RELOCATION SERVICES

1. **Transportation**
   Relocation of the tenants will be done in phases; the Relocation Specialist will be able to provide the necessary supportive services that may required. If off site housing is used and there is a need, transportation will be provided to the tenant via taxi companies to tour the proposed unit.

2. **Communication**
   Each tenant will be given written information outlining the process and will be given group and individual access to the Relocation Specialist. The tenants that may require special assistance due to a disability will be identified and will be provided assistance in a non-discriminatory manner.

3. **Delinquent Utility Bills**

If the tenants do not have the financial resources to pay delinquent utility bills that would hinder services being transferred to their temporary unit, the property will have the services temporarily placed under the property name. The tenant would have 10 business days after move-in, to resolve the issue with the respective utility company.

F. RELOCATION RECORDKEEPING AND NOTICES

NOTE: Blank Notices submitted in this section.

RELOCATION PLAN ASSURANCES

I certify that this relocation plan contains accurate information and has been prepared in accordance with 49 CFR Part 24, Uniform Relocation Assistance (URA) and Real Property Acquisition Final Rule and Notice. I further assure that:

1. Relocation staff knows and will follow URA requirements;
2. Relocation staff who will implement this plan are familiar with its contents and the requirements;
3. Sufficient funds have been appropriated, reserved, set aside or otherwise committed to cover the anticipated relocation cost;
4. Families and individuals will have full opportunity to occupy comparable, decent, safe, and sanitary housing;
5. Relocation payments will be made promptly by the borrower and to the full extent for which tenants are eligible;
6. The project activities have been planned in a manner that will minimize hardships to tenants;
7. All tenants will be given a reasonable period of time to move and no one will be required to move unless a comparable replacement unit is available or provided for;
8. Relocation assistance and advisory services will be provided in accordance with the needs of the tenant.

Print Name

Title

Signature

Date

SITE MAP PAGE

Exhibit 3

RELOCATION PLAN ASSURANCES

CDBG/HOME Multifamily Projects

I certify that this relocation plan contains accurate information and has been prepared in accordance with 49 CFR Part 24, Uniform Relocation Assistance (URA) and Real Property Acquisition Final Rule and Notice. I further assure that:

1. Relocation staff knows and will follow URA requirements;
2. Relocation staff who will implement this plan are familiar with its contents and the requirements;
3. Sufficient funds have been appropriated, reserved, set aside or otherwise committed to cover the anticipated relocation cost;
4. Families and individuals will have full opportunity to occupy comparable, decent, safe, and sanitary housing;
5. Relocation payments will be made promptly by the borrower and to the full extent for which tenants are eligible;
6. The project activities have been planned in a manner that will minimize hardships to tenants;
7. All tenants will be given a reasonable period of time to move and no one will be required to move unless a comparable replacement unit is available or provided for;
8. Relocation assistance and advisory services will be provided in accordance with the needs of the tenant.

_____

Print Name

_____

Title

_____

Signature

Exhibit 3

_____

Date

Exhibit 4

Relocation Budget for (Project Name), (Date)

TYPE OF UNIT	Total Number of Units	PACKING & MOVING Cost per Unit	URA Cost per Unit*	Sub-total cost packing & moving per type of unit	Subtotal URA Cost
			0.00	0.00	0.00
			0.00	0.00	0.00
			0.00	0.00	0.00
			0.00	0.00	0.00

TOTAL UNITS	0
TOTAL COST PACKING & MOVING	0.00
TOTAL URA COST	0.00
MISCELLANEOUS COST 10%**	
TOTAL RELOCATION BUDGET	0.00

CHECK YOUR MATH

* URA Cost include transfer fees, non refundable deposits and increased rent for off-site temporary units. Refundable deposits are no longer an eligible cost under the URA.

**Miscellaneous Cost include mail cost and any unforeseen cost of relocation.

Exhibit 5

NOTICE TO REAL PROPERTY OWNER/SELLER

Date:_____

Owner(s)/Seller(s):_____

Buyers(s):_____

Address of Property Under Consideration:_____

Dear Owner(s)/Seller(s):

Property believed to be owned by you is being considered for purchase, as referenced above. Because Federal funds may be used in the purchase of your property, we are required to disclose the following information by the U. S. Department of Housing and Urban Development (HUD) in accordance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act as amended (URA), Section 24.101 (b)(2):

1. The proposed sale is voluntary. In the event negotiations fail to result in an agreement, the property will not be acquired by either voluntary purchase or eminent domain.

2. The fair market value of the property is estimated to be $_____. However, since this transaction is voluntary, current or future negotiations may result in a different price that may be the same, higher or lower than this amount.

An owner-occupant who sells his or her property under these terms does not qualify as a displaced person for relocation payments. Additionally, any person who occupies the property for the purpose of obtaining assistance under the URA does not qualify as a displaced person. However, tenant-occupants displaced as a result of voluntary acquisition may be entitled to URA relocation assistance and must be informed in writing as soon as feasible.

In accordance with HUD requirements, if the information proved above is disclosed after an option to purchase or contract has been executed between the Buyer(s) and the seller(s), the Seller(s) must be provided the opportunity to withdraw from the agreement.

Any title deficiencies, liens, or encumbrances on the property must be cleared prior to any closing. Generally, this is a cost that is borne by the Seller(s) of the property; however payment of these costs may be negotiated between the Buyer(s) and Seller(s). **No federal funds can be used to pay these costs.**

Should you have any questions, please feel free to contact:_____
(Name of Contact Person)

_____at_____
(Name of City/County/State/Organization/Lender) (Telephone Number)

Receipt acknowledged this_____day of_____, 2010

_____ _____
Seller(s) (Seller(s)

Exhibit 6

NOTICE TO REAL PROPERTY OWNER/SELLER

Date:_____

Owner(s)/Seller(s):_____

Buyers(s):_____

Address of Property Under Consideration:_____

Dear Owner(s)/Seller(s):

Property owned by you has been contracted for purchase, as referenced above. Because Federal funds may be used in the purchase of your property, we are required to disclose the following information by the U. S. Department of Housing and Urban Development (HUD) in accordance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act as amended (URA), Section 24.101 (b)(2):

1. The proposed sale is <u>voluntary</u>. In the event negotiations fail to result in an agreement, the property will not be acquired by either voluntary purchase or eminent domain.

2. The fair market value of the property is estimated to be $_____. However, since this transaction is voluntary, current or future negotiations may result in a different price that may be the same, higher or lower than this amount.

An owner-occupant who sells his or her property under these terms does not qualify as a displaced person for relocation payments. Additionally, any person who occupies the property for the purpose of obtaining assistance under the URA does not qualify as a displaced person. However, tenant-occupants displaced as a result of voluntary acquisition may be entitled to URA relocation assistance and must be informed in writing as soon as feasible.

In accordance with HUD requirements, if the information proved above is disclosed after an option to purchase or contract has been executed between the Buyer(s) and the seller(s), the Seller(s) must be provided the opportunity to withdraw from the agreement.

Any title deficiencies, liens, or encumbrances on the property must be cleared <u>prior to</u> any closing. Generally, this is a cost that is borne by the Seller(s) of the property; however payment of these costs may be negotiated between the Buyer(s) and Seller(s). **<u>No federal funds can be used to pay these costs.</u>**

Should you have any questions, please feel free to contact:_____
(Name of Contact Person)

_____ at _____
(Name of City/County/State/Organization/Lender) (Telephone Number)

Receipt acknowledged this_____day of_____, <u>2010</u>

_____ _____
Seller(s) (Seller(s)

Exhibit 7

MOVE-IN NOTICE

(GUIDEFORM NOTICE TO PROSPECTIVE TENANT)

Grantee or Agency Letterhead

(date)

Dear _____,

On (date), (property owner) submitted an application to the City of Houston, Housing and Community Development Department for financial assistance under a program funded by the Department of Housing and Urban Development (HUD). The proposed project involves (acquisition) (rehabilitation) (demolition) and/or (conversion) of the property located at (address).

Because Federal funds are planned for use in this project, the Uniform Relocation Assistance and Real property Acquisition Policies Act of 1970, as amended (URA) (and/or section 104(d) of the Housing and Community Development Act of 1974, as amended) may apply to persons in occupancy at the time the application was submitted for HUD funding. However, if you choose to occupy this property subsequent to the application for federal financial assistance, as a new tenant you will not be eligible for relocation payments or assistance under the URA (and/or section 104(d)).

This notice is to inform you of the following information before you enter into any lease agreement and/or occupy the property located at the above address:

- You may be displaced by the project.
- You may be required to relocate temporarily.
- You may be subject to rent increase.
- You will not be entitled to any payments or assistance provided under the URA (and/or section 104(d)). If you have to move or your rent is increased as a result of the above project, you will not be reimbursed for any such rent increase or for any costs or expenses you may incur in connection with a move as a result of the projects.

Please read this notification carefully prior to signing a rental agreement and moving into the project. If you should have any questions about this notice, please contact (Grantee or Agency) at (address and telephone number). Once you have read and understood this notice, please sign the statement below if you still desire to lease the unit.

Sincerely,

(Name and title)

_____

Exhibit 7

I have read the above information and understand the conditions under which I am moving into the project.

Print Name of Tenant(s)

Signature(s)

Address and Unit Number

Date

Note:

This is a guideform. It should be revised to reflect the project circumstances.

Site Occupant Record - Residential

Project Name: _____
Project #: _____
Relocation Case #: _____
Acquisition Parcel #: _____

LOCALITY/AGENCY

Date of Initial Interview: _____ Interviewer: _____

NAME OF OCCUPANT _____
ADDRESS _____
TELEPHONE NUMBER _____ CENSUS TRACT _____

CHECK: ☐ FAMILY ☐ INDIVIDUAL
☐ OWNER ☐ TENANT

IS THIS ADDRESS LOCATED IN A HUD DESIGNATED RENEWAL COMMUNITY OR EMPOWERMENT ZONE? ☐ YES ☐ NO

DATE OCCUPANT FIRST OCCUPIED THIS DWELLING _____

DATE OF GENERAL INFORMATION NOTICE _____
EFFECTIVE DATE OF NOTICE OF ELIGIBILITY FOR RELOCATION ASSISTANCE _____
DATE PRIVACY ACT STATEMENT EXECUTED _____
(INCLUDE COPY OF NOTICES AND SIGNED PRIVACY ACT STATEMENT IN CASE FILE)

RACIAL/ETHNIC CLASSIFICATION

(CHECK ALL THAT APPLY)
☐ AMERICAN INDIAN OR ALASKAN NATIVE
☐ ASIAN
☐ BLACK OR AFRICAN AMERICAN
☐ HISPANIC OR LATINO
☐ NATIVE HAWAIIAN OR OTHER PACIFIC ISLANDER
☐ WHITE
☐ AMERICAN INDIAN OR ALASKAN NATIVE AND WHITE
☐ ASIAN AND WHITE
☐ BLACK OR AFRICAN AMERICAN AND WHITE
☐ AMERICAN INDIAN OR ALASKAN NATIVE AND BLACK OR AFRICAN AMERICAN
☐ OTHER MULTI-RACIAL

HOUSING COSTS AND CHARACTERISTICS OF DISPLACEMENT DWELLING

TENANT:
MONTHLY CONTRACT RENT $ _____
AVERAGE MONTHLY UTILITY COSTS $ _____
MONTHLY HOUSING COSTS $ _____

OWNER:
MONTHLY MORTGAGE PAYMENT (P&I) $ _____
AVERAGE MONTHLY UTILITY COSTS $ _____
REAL PROPERTY TAXES $ _____
MONTHLY HOUSING COSTS $ _____

NO. OF ROOMS _____ NO. OF BEDROOMS _____
UNIT IS: ☐ HOUSEKEEPING ☐ NONHOUSEKEEPING

APPENDIX 11

SURNAME, GIVEN NAME(S)/SSN(S)	RELA-TION-SHIP	SEX	AGE	OCCUPATION	SOURCE OF INCOME				GROSS MONTHLY INCOME	NAME OF EMPLOYER AND TELEPHONE NUMBER
					EMP.	WELF.	PENS.	OTHER (IDENTIFY)		
									$	
				TOTAL GROSS MONTHLY INCOME: $						

SPECIAL CHARACTERISTICS OF HOUSEHOLD (E.G., DISABLED, ELDERLY, ETC.)	REHOUSING PREFERENCES: ☐ PURCHASE ☐ RENT ☐ SUBSIDIZED HOUSING ☐ NONE LOCATION/NEIGHBORHOOD CONSIDERATIONS: _____ _____ PETS, GARAGE, ETC.: _____ _____	REHOUSING REQUIREMENTS: NO. OF ROOMS _____ NO. OF BEDROOMS _____ MAX. MONTHLY HOUSING COSTS $ _____ MAX. PURCHASE PRICE $ _____

APPENDIX 11

HOUSING REFERRALS

Date	Address (Include Apt No.)	Census Track	Type of Unit			Size of Unit		Mo Rent + Est Avg Mo Utility Costs/Sales Price	Unit Inspd	Unit Avail Date	Low Income Or Minority Area?	Action on Referral (If refused, indicate why. Also indicate whether unit is representative comparable used as basis for pmt limit.)
			Rent	Sales	Subsidized	# of Rms	# of Bdrms					

REPLACEMENT DWELLING UNIT

DATE OF MOVE _____ ADDRESS _____ CENSUS TRACT _____

IS THIS ADDRESS LOCATED IN A HUD DESIGNATED RENEWAL COMMUNITY OR EMPOWERMENT ZONE? ☐ YES ☐ NO

MONTHLY HOUSING COST (MHC)

☐ RENTAL ☐ PURCHASE

MONTHLY RENT $ _____ MORTGAGE PAYMENT (P&I) $ _____

EST. AVERAGE MONTHLY UTILITY COSTS $ _____ REAL ESTATE TAXES $ _____

EST. UTILITY COSTS $ _____

TOTAL MHC $ _____ TOTAL MHC $ _____

SALES PRICE $ _____

☐ D. S. & S ☐ NOT D. S. & S

DATE OF INSPECTION _____

DATE OF REINSPECTION _____

NO. OF ROOMS _____

NO. OF BEDROOMS _____

(Include copy of Inspection Report in case file.)

RELOCATION PAYMENT(S)

TYPE	MOV.EXP.	RHP
	☐ ACTUAL	☐ RENTAL
	☐ FIXED	☐ DOWNPMT
		☐ 180-DAY HO
AMOUNT	$ _____	$ _____

DATE CLAIM FILED _____ _____

DATE CLAIM PAID _____ _____

(Include copy of Claim Forms in Case File)

IS UNIT IN AREA OF LOW-INCOME OR MINORITY CONCENTRATION?

☐ YES ☐ NO

IS UNIT SUBSIDIZED?

☐ YES ☐ NO

_____

(Identify)

TEMPORARY HOUSING

DATE _____ REASON _____

_____

ADDRESS _____ RENTAL $ _____

DATE OF MOVE TO PERMANENT DWELLING _____

OUT-OF-POCKET EXPENSES PAID:

MOVING EXPENSES $ _____

INCREASED HOUSING COSTS $ _____

APPEAL FILED: ☐ YES ☐ NO

IF YES, INDICATE TYPE:

☐ PAYMENT(S)

☐ HOUSING

☐ OTHER _____

(Include copy of Appeal in Case File)

APPENDIX 11

Exhibit 9

INSTRUCTION FOR FILLING OUT AND UPDATING THE TENANT STATUS REPORT

1. R
   un a Rent Roll on the date City Council approves project contract. This is your Initiation of Negotiations (ION) date. Import information for columns, Move In Date, Resident Name, Unit #, Size/Type. This is the list of residents you must track during the renovation period.
2. Update spreadsheet information monthly and submit to HCDD by the 10th of each month with all documentation pertaining to tenants for that month. Such as, copies of Notices addressed to tenants w/ receipts, move out checklists, final account statements, evictions (court order), transfers, temporary relocations, final moves w/ leases, etc.
3. If you need to **add columns or rows** to include any of these headings or to add new tenant names to a vacant units please do so.
4. **Please do not remove any previous monthly information**. If column does not pertain to your project please type N/A.
5. Please note if tenant is a: Move In, Skip, Lease Ended-gave notice, Lease Ended-no reason given, or Eviction, in the Reason for Move Out (Comment) column.

Please contact your Relationship Manager at 713-868-8300 or Elizabeth Spinnenweber at 713-868-8426 if you have any questions. Thank you.

Exhibit 9

TENANT STATUS REPORT
as of :_____-
Project Name and Address
Contact Information

Move In Date	Resident Name	Unit #	Size-Type	General Info Ltr Date	90 Day Notice Date	Temporary Relocation 30 Day Notice Date	Site Occupant Record/Income Verified Date	Move Out Date	Reason for move out. (Comments)	Unit # Temporary Relocation/ Transferred to	Size-Type	Unit # final move	Movers Cost

APPENDIX 11

Exhibit 10

GUIDEFORM GENERAL INFORMATION NOTICE
RESIDENTIAL TENANT NOT DISPLACED

Grantee or Agency Letterhead

(date)

Dear _____:

(City, County, State, Public Housing Authority (PHA), other) _____, is interested in rehabilitating the property you currently occupy at (address) _____ for a proposed project which may receive funding assistance from the U.S. Department of Housing and Urban Development (HUD) under the _____ program.

The purpose of this notice is to inform you that you will not be displaced in connection with the proposed project.

If the project application is approved and federal financial assistance provided, you may be required to move temporarily so that the rehabilitation can be completed. If you must move temporarily, suitable housing will be made available to you and you will be reimbursed for all reasonable out of pocket expenses, including moving costs and any increase in housing costs. You will need to continue to pay your rent and comply with all other lease terms and conditions.

Upon completion of the rehabilitation, you will be able to lease and occupy your present apartment or another suitable, decent, safe and sanitary apartment in the same building/complex under reasonable terms and conditions. *

If federal financial assistance is provided for the proposed project, you will be protected by a federal law known as the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA). One of the URA protections for persons temporarily relocated is that such relocations shall not extend beyond one year. If the temporary relocation lasts more than one year, you will be contacted and offered all permanent relocation assistance as a displaced person under the URA. This assistance would be in addition to any assistance you may receive in connection with temporary relocation and will not be reduced by the amount of any temporary relocation assistance previously provided. You will also have the right to appeal the agency's determination, if you feel that your application for assistance was not properly considered.

(NOTE: Pursuant to Public Law 105-117, aliens not lawfully present in the United States are not eligible for relocation assistance, unless such ineligibility would result in exceptional hardship to a qualifying spouse, parent, or child. All persons seeking relocation assistance will be required to certify that they are a United States citizen or national, or an alien lawfully present in the United States.)

Exhibit 10

We urge you not to move at this time. If you choose to move, you will not be provided relocation assistance.

Please remember:

- **This is <u>not</u> a notice to vacate the premises.**
- **This is <u>not</u> a notice of relocation eligibility.**

You will be contacted soon so that we can provide you with more information about the proposed project. If the project is approved, we will make every effort to accommodate your needs. In the meantime, if you have any questions about our plans, please contact:
(name)_____, (title)_____,
(address)_____, (phone)_____.

Sincerely,

(name and title)_____

Enclosure

NOTES.

1. The case file must indicate the manner in which this notice was delivered (e.g., personally served or certified mail, return receipt requested) and the date of delivery. (See Paragraph 2-3 I of Handbook 1378.)
2. This is a guideform. It should be revised to reflect the circumstances.

* *Based on the applicable HUD program regulations, if "reasonable terms and conditions," are defined, one of the following statements or other language may also be required in this Notice:*

a. *Under HOME at 24 CFR 92.353(c)(2)(C)(1):* "Your new lease will be for a term of not less than one year at a monthly rent will remain the same or, if increased, your new monthly rent and estimated average utility costs will not exceed: 1) If you are low income, the total tenant payment as defined by HUD *(under 24 CFR 5.628), or (2)* 30% of the monthly gross household income, if you are not low income."

b. *Under CDBG at 24 CFR 570.606(b)(2)(D)(1):* "Your monthly rent will remain the same or, if increased, your new rent and estimated average utility costs will not exceed 30% of the household's average monthly gross income."

c. *Under Section 221 Mortgage Insurance Programs under 24 CFR 221.795(i):* "Your monthly rent and estimated average utility costs will not exceed the amount approved by HUD."

Exhibit 11

GUIDEFORM GENERAL INFORMATION NOTICE
RESIDENTIAL TENANT TO BE DISPLACED

Grantee or Agency Letterhead

(date)

Dear _____:

_____(City, County, State, Public Housing Authority (PHA), other)_____, is interested in _____(acquiring, rehabilitating, demolishing)_____ the property you currently occupy at ____(address)___ for a proposed project which may receive funding assistance from the U.S. Department of Housing and Urban Development (HUD) under the _____ program.

The purpose of this notice is to inform you that you may be displaced as a result of the proposed project. This notice also serves to inform you of your potential rights as a displaced person under a federal law known as the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA). You may be eligible for relocation assistance and payments under the URA, if the proposed project receives HUD funding and if you are displaced as a result of acquisition, rehabilitation or demolition for the project.

- **This is not a notice to vacate the premises.**
- **This is not a notice of relocation eligibility.**

If you are determined to be eligible for relocation assistance in the future, you may be eligible for: 1) Relocation advisory services including help to you find another place to live; 2) At least 90 days advance written notice of the date you will be required to move; 3) Payment for your moving expenses; and 4) Replacement housing payments to enable you to rent, or if you prefer to purchase, a comparable replacement home. You will also have the right to appeal the agency's determination, if you feel that your application for assistance was not properly considered. The enclosed HUD brochure, "Relocation Assistance To Tenants Displaced From Their Homes" provides an explanation of this assistance and other helpful information.

(NOTE: Pursuant to Public Law 105-117, aliens not lawfully present in the United States are not eligible for relocation assistance, unless such ineligibility would result in exceptional hardship to a qualifying spouse, parent, or child. All persons seeking relocation assistance will be required to certify that they are a United States citizen or national, or an alien lawfully present in the United States.)

Please be advised that you should continue to pay your rent and meet any other obligations as specified in your lease agreement. Failure to do so may be cause for eviction. If you choose to move or if you are evicted prior to receiving a formal notice of

relocation eligibility you will not be eligible to receive relocation assistance. It is important for you to contact us before making any moving plans.

Again, this is not a notice to vacate the premises and does not establish your eligibility for relocation payments or assistance at this time. If you are determined to be displaced and are required to vacate the premises in the future, you will be informed in writing. In the event the proposed project does not proceed or if you are determined not to be displaced, you will also be notified in writing.

If you have any questions about this notice or the proposed project, please contact (name)_____, (title)_____, (address)_____, (phone)_____.

Sincerely,

(name and title)_____

Enclosure

NOTES

1. The case file must indicate the manner in which this notice was delivered (e.g., personally served or certified mail, return receipt requested) and the date of delivery. (See Paragraph 2-3 I of Handbook 1378.)
2. This is a guideform. It should be revised to reflect the circumstances.
3. Optional paragraphs for displaced residents of public housing projects (may be modified based on the PHA's resident return policy):

> "Even though you will be provided all of the assistance the URA requires for a permanent move, the Authority believes that every resident displaced from the site should have the right to reapply for occupancy once this project is complete. For this reason, after project completion, every resident who receives assistance as a "displaced person" will be contacted and offered an opportunity to reapply for occupancy in the newly-revitalized community. Furthermore, because you will be a former occupant who was "displaced" from the site, you will also receive a priority preference to return.
>
> In the event the number of those who request to return and qualify for housing exceeds the number of units available, rating and ranking criteria will be used to identify those who will be offered a unit at the site until all available units are filled. If you do return, the Authority may help defray the costs of the return move. If you have Replacement Housing Payments not yet spent or obligated, you may be asked to forfeit these payments as a condition for returning to public housing, since this assistance will no longer be necessary to meet your housing needs. Such assistance, if not forfeited, must be considered as income and may affect your eligibility and rent."

Exhibit 12

GUIDEFORM NOTICE OF NONDISPLACEMENT
TO RESIDENTIAL TENANT
Grantee or Agency Letterhead

(date)

Dear _____:

On ___(date)___, the ____(City, County, State, Public Housing Authority (PHA), other)_, notified you of proposed plans to rehabilitate the property you currently occupy at (address)_____ for a project which could receive funding assistance from the U.S. Department of Housing and Urban Development (HUD) under the _____ program. On ____(date)_____, the project was approved and will receive federal funding. Repairs will begin soon.

- **This is a notice of nondisplacement.** You will not be required to move permanently as result of the rehabilitation.

This notice guarantees you the following:

1. Upon completion of the rehabilitation, you will be able to lease and occupy your present apartment or another suitable, decent, safe and sanitary apartment in the same building/complex under reasonable terms and conditions. *
2. If you must move temporarily so that the rehabilitation can be completed, you will be reimbursed for all of your extra expenses, including the cost of moving to and from temporary housing and any increased interim housing costs. The temporary unit will be decent, safe and sanitary, and all other conditions of the temporary move will be reasonable.

Since you will have the opportunity to occupy a newly rehabilitated apartment, I urge you not to move. (If you do elect to move for your own reasons, you will not receive any relocation assistance.) We will make every effort to accommodate your needs. Because federal funding is involved in this project, you are protected by the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended. Of course, you must continue to comply with the terms and conditions of your lease.

If you have any questions, please contact *(name)*, at *(phone)*, *(address)*. This letter is important to you and should be retained.

Sincerely,

(name and title).

App. 4-1 [10/06] 1378 CHG-6 Appendix 4

NOTES.

1. The case file must indicate the manner in which this notice was delivered (e.g., personally served or certified mail, return receipt requested) and the date of delivery. (See Paragraph 2-3 I of Handbook 1378.)
2. This is a guideform. It should be revised to reflect the circumstances.

* *Based on the applicable HUD program regulations, if "reasonable terms and conditions," are defined, one of the following statements or other language may also be required in this Notice:*

a. *Under HOME at 24 CFR 92.353(c)(2)(C)(1):* "Your new lease will be for a term of not less than one year at a monthly rent will remain the same or, if increased, your new monthly rent and estimated average utility costs will not exceed: 1) if you are low income, the total tenant payment as defined by HUD *(under 24 CFR 5.628), or (2)* 30% of the monthly gross household income, if you are not low income."

b. *Under CDBG at 24 CFR 570.606(b)(2)(D)(1):* "Your monthly rent will remain the same or, if increased, your new rent and estimated average utility costs will not exceed 30% of the household's average monthly gross income."

c. *Under Section 221 Mortgage Insurance Programs at 24 CFR 221.795(1):* "Your monthly rent and estimated average utility costs will not exceed the amount approved by HUD."

[10/

Exhibit 13

GUIDEFORM NOTICE OF ELIGIBILITY FOR
URA RELOCATION ASSISTANCE
RESIDENTIAL TENANT

Grantee or Agency Letterhead

(date)

Dear _____:

On ___(date)___, the ____(City, County, State, Public Housing Authority (PHA), other)___, notified you of proposed plans to ___(acquire, rehabilitate, or demolish)____ the property you currently occupy at ____(address)_____ for a project which could receive funding assistance from the U.S. Department of Housing and Urban Development (HUD) under the _____ program. On ____(date)_____, the project was approved and will receive federal funding.

It has been determined that you will be displaced by the project. Since you are being displaced in connection with this federally funded project, you will be eligible for relocation assistance and payments under the Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA).

- **This is your Notice of Eligibility for relocation assistance**
- **The effective date of your eligibility is** _____. *(Insert date of Initiation of Negotiations, see 49 CFR 24.1(a)(15) or applicable HUD program regulations)*

(NOTE: Pursuant to Public Law 105-117, aliens not lawfully present in the United States are not eligible for relocation assistance, unless such ineligibility would result in exceptional hardship to a qualifying spouse, parent, or child. All persons seeking relocation assistance will be required to certify that they are a United States citizen or national, or an alien lawfully present in the United States.)

To carry out the project, it will be necessary for you to move. However, **you do not need to move now**. You will be provided written notice of the date by which you will be required to move. This date will be no less than 90 days from the date comparable replacement housing has been made available to you.

Enclosed is a brochure entitled, "Relocation Assistance to Tenants Displaced From Their Homes." Please read the brochure carefully. It explains your rights and provides additional information on eligibility for relocation payments and what you must do in order to receive these payments.

Exhibit 13

The relocation assistance to which you are entitled includes:

Relocation Advisory Services. Including counseling and other assistance to help you find another home and prepare to move.

Payment for Moving Expenses. You may choose: (1) a payment for your actual reasonable moving and related expenses, or (2) a fixed moving payment in the amount of $_____ based on the URA Fixed Residential Moving Cost Schedule, or (3) a combination of both.

Replacement Housing Payment. You may be eligible for a replacement housing payment to rent or buy a replacement home. The payment is based on several factors including: (1) the monthly rent and cost of utility services for a comparable replacement dwelling, (2) the monthly rent and cost of utility services for your present home, and (3) for low-income persons, 30 percent of your average monthly gross household income. This payment is calculated on the difference in the old and new housing costs for a one-month period and multiplied by 42.

Listed below are three comparable replacement dwellings that you may wish to consider for your replacement home. If you would like, we can arrange transportation for you to inspect these and other replacement dwellings.

	Address	Rent & Utility Costs	Contact Info
1.			
2.			
3.			

We believe that the dwelling located at ___*(address)*___ is the most representative of your present home. The monthly rent and the estimated average monthly cost of utilities for this dwelling is $_____ and it will be used to calculate your maximum replacement housing payment. Please contact us immediately if you believe this dwelling is not comparable to your current home. We can explain our basis for selecting this dwelling as most representative of your current home and discuss your concerns.

Based on the information you have provided about your income and the rent and utilities you now pay, you may be eligible for a maximum replacement housing payment of approximately $_____ (42 x $____), if you rent the dwelling identified above as the most comparable to your current home or rent another dwelling of equal cost.

Exhibit 13

Replacement housing payments are not adjusted to reflect future rent increases or changes in income. This is the maximum amount that you would be eligible to receive. If you rent a decent, safe and sanitary home where the monthly rent and average estimated utility costs are less than the comparable dwelling, your replacement housing payment will be based on the actual cost of the dwelling. We will not base your payment on any dwelling that is not a comparable replacement home. All replacement housing payments must be paid in installments. Your payment will be paid in _#_ installments.

Should you choose to purchase (rather than rent) a decent, safe and sanitary replacement home, you would be eligible for a downpayment assistance payment which is equal to your maximum replacement housing payment, $_____*. Let us know if you are interested in purchasing a replacement home and we will help you locate such housing.

Please note that all replacement housing must be inspected in order to ensure it is decent, safe and sanitary before any replacement housing payments are made.

If you have any questions about this letter and your eligibility for relocation assistance and payments, please contact _____*(name)*_____, _____*(title)*_____ at *(phone)*_____, _____*(address)*_____ before you make any moving plans. He/she will assist you with your move to a new home and help ensure that you preserve your eligibility for all relocation payments to which you may be entitled.

Remember, do not move or commit to the purchase or lease of a replacement home before we have a chance to further discuss your eligibility for relocation assistance. This letter is important to you and should be retained.

Sincerely,

_____(name & title)_____

Enclosure/s

NOTES.

* At the agency's discretion, a downpayment assistance payment that is less than $5,250 may be increased to any amount not to exceed $5,250. (See 49 CFR 24.402(c)(1))

1. The case file must indicate the manner in which this notice was delivered (e.g., personally served or certified mail, return receipt requested) and the date of delivery. (See Paragraph 2-3 I of Handbook 1378.)
2. This is a guideform. It should be revised to reflect the circumstances.
3. Optional paragraphs for displaced residents of public housing projects (may be modified based on the PHA's resident return policy):

Exhibit 13

"Even though you will be provided all of the assistance the URA requires for a permanent move, the Authority believes that every resident displaced from the site should have the right to reapply for occupancy once this project is complete. For this reason, after project completion, every resident who receives assistance as a "displaced person" will be contacted and offered an opportunity to reapply for occupancy in the newly-revitalized community. Furthermore, because you will be a former occupant who was "displaced" from the site, you will also receive a priority preference to return.

In the event the number of those who request to return and qualify for housing exceeds the number of units available, rating and ranking criteria will be used to identify those who will be offered a unit at the site until all available units are filled. If you do return, the Authority may help defray the costs of the return move. If you have Replacement Housing Payments not yet spent or obligated, you may be asked to forfeit these payments as a condition for returning to public housing, since this assistance will no longer be necessary to meet your housing needs. Such assistance, if not forfeited, must be considered as income and may affect your eligibility and rent."

Exhibit 14

Temporary Relocation 90 DAY NOTICE Guide-form

Property Name
Property Address

Date

Dear (resident),

On (GIN date), (property name) notified you of proposed plans to rehabilitate the property you currently occupy at (address). The project was approved and repairs/rehab will begin 90 days from this notice. We hope you are pleased and excited about the improvements that we will be making to the property to improve safety and attractiveness.

> **This is your notice that construction will start in 90 days. Do NOT move now. If you choose to move on your own, you will not be provided relocation assistance.**

On (date), (property name) will begin moving tenants to their temporary/permanent units if necessary. During this 90 day period (contact name, phone number) will be available to provide assistance and answer any questions you may have. **(Describe assistance provided here)**

Your temporary/permanent address will be:

Please transfer your utilities over to your temporary/permanent location on this date: _____.
We will help you to move to the new unit at a date to be mutually satisfactory.

Before moving you the (Property name) must (re)certify your income and lease.
Please call (contact name, phone number) or stop by the office to schedule an appointment to meet. Please bring these documents with you to this meeting. (List docs needed) At this time we will give you your new keys and sign your replacement lease.

We will remind you again about this information and let you know the exact date of your move in a (Temporary Relocation/Transfer) 30 Day Notice. **Please do not move now.**

If you have any questions about this 90 day notice or the relocation process, please call (contact name, phone number) or come to the leasing office. We appreciate your patience during construction. Thank you.

Sincerely,

_____

Date Delivered:
Delivered By:

Exhibit 14

(and/or)
Resident Signature:

NOTE:
This notice may be modified to reflect your projects' circumstances and may be combined with the Non Displacement Notice and/or Notice of Eligibility. If you choose to do this; Please include all information from this notice.

Exhibit 15

Temporary Relocation/Transfer 30 Day Notice

LETTERHEAD

30 DAY NOTICE TO MOVE

DATE

Dear (resident name and unit #)

By letter dated (date), (property name) notified you of the plans to rehabilitate (property name). And by letter dated (date) you received your Temporary Relocation 90 day notice of the upcoming move.

Your (new/temporary) unit is ready and located at (property address), apartment # (_). In order to prepare for your move boxes will be delivered on (date). Your new rent will be $_____.

Since your unit is ready, your move has been scheduled for (date after30 days). Please insure that all packing has been completed, and your utilities have been transferred. Please feel free to contact the Relocation Specialist (name) at (#) to sign your paperwork and obtain your keys.

Once again thank you for your cooperation.

(name)

(title)

Resident Signature

Date Received

Exhibit 16

HUD Handbook 1378 - Chapter 6 - Recordkeeping and Reports

Found at website www.hud.gov/relocation or request copy from

Housing and Community Development Department.

Exhibit 17

NOTICE TO VACATE FOR BREACH OF LEASE
Guide-form

_____ _____
(Date)

_____
(Name of all residents)

_____
(Street address and swelling unit number, if applicable)

_____
(City, State, Zip)

Re: Notice to vacate for breach of lease

TAA Lease Contract dated _____

between residents named above and _____

_____

(owner)

Dear Resident (s):

You have violated your lease contract as noted below:

Lease Paragraph or Rule Number: _____

Name of Resident, occupant or guest in violation (if known): _____

Nature of Violation (specific facts): _____

_____

On (date) you received a General Information Notice informing you of the planned renovations and telling you that in order to be eligible for relocation assistance you must comply with your lease terms and conditions.

This was a substantial breach of your TAA Lease Contract and has jeopardized any assistance you may have qualified for under the Uniform Relocation Act. We are there fore exercising our right under the lease to terminate your rights of occupancy and possession, effective immediately. You are still liable for rent and other charges you may owe under the lease. If you have not already moved out, demand for possession is hereby made and you are hereby given notice to vacate the premises on or before midnight, _____, _____, which is at least one day from the delivery of this notice as noted below (four days if the notice was mailed). Failure to move out by then will result in an eviction suit being filed and a hearing held before the Justice of the Peace. Delay or postponement of such action does not waive our rights.

_____ _____
DATE: notice was given by the method below SIGNATURE of the owner's representative

The notice was: *(check at least one)*

- ☐ hand delivered to any one of the residents named above;
- ☐ hand delivered to any person 16 or older residing in the dwelling;
- ☐ posted on the inside of the dwelling's main entry door (not the screen door) that has a keyless bolting device or keyless deadbolt on it;
- ☐ sent by regular mail;
- ☐ sent by certified mail, return receipt request; or
- ☐ sent by registered mail.

Appendix 12

Reserved

Appendix 13

GLO Lien Waiver Form

Texas General Land Office
Community Development and Revitalization
Form 11.25
Conditional Lien Waiver and Release on Interim Payment Affidavit – Contractor

Project Information	
Subrecipient or State Representative's Name:	**Contract and/or WO:**
Applicant Name and Address:	**Project #:**
Project Legal Description:	
Project Type (Rehabilitation, Reconstruction, etc.):	

Contractor Information	
Contractor Name and Address ("Contractor"):	**Phone:**
Contractor Requested Amount: $	

On receipt by the signer of this document, payment from the Subrecipient in the requested amount (listed above) will be made, payable to the aforementioned Contractor; subsequently, when the payment has been paid by the bank on which it is drawn, this document becomes effective to release any mechanic's lien right, any right arising from a payment bond that complies with a state or federal statute, any common law payment bond right, any claim for payment, and any rights under any similar ordinance, rule, or statute related to claim or payment rights for persons in the signer's position that the signer has on the project's legal description to fulfill the scope of the project.

This release covers the interim payment to the signer for all labor, services, equipment, or materials furnished to the property or to the Subrecipient as indicated in the attached statement(s) or interim payment request(s), except for unpaid retention, pending modifications and changes, or other items furnished.

Before any recipient of this document relies on this document, the recipient should verify evidence of payment to the signer.

Except as specified above, the signer warrants that the signer has already paid or will use the funds received from this interim payment to promptly pay in full all of the signer's laborers, subcontractors, materialmen, and suppliers for all work, materials, equipment, or services provided for or to the above-referenced project in regard to the attached statement(s) or interim payment request(s).

Contractor further understand that this Affidavit is being given pursuant to and in accordance with Sections 53.085 and 53.259 of the Texas Property Code and that the intentional, knowing, or reckless making of a false or misleading statement in this Affidavit constitutes an offense under said Section and is a Class A misdemeanor.

The General Land Office may recapture funds that exceed the maximum allowable rate as outlined in the Program's guidelines; that are not allowed under applicable laws, rules and regulations; or that are otherwise inconsistent with the Contract, including any unapproved expenditures.

The undersigned acknowledges that a failure to accurately certify full and final payment of all bills associated with this contract document will result in exclusion from participation in future contracts that utilize CDBG-DR funds.

Prior to payment, Form 11.11 will need to be submitted to the GLO along with Form SD-424D (Assurances – Construction Programs) and a complete insurance binder for the Subcontractor. The Subrecipient is responsible for ensuring the Contractor remains insured throughout the project and/or until their work is complete and satisfactorily agreed upon.

Certification of Contractor	
Printed Name of Contractor Company:	
Name of Authorized Representative:	**Title:**
Signature of Authorized Representative:	**Date:**

Notary's Acknowledgment
State of Texas **County of** Before me, a notary public, on this day personally appeared , known to me to be the person whose name is that subscribed to the foregoing document and, being by me first duly sworn, declared the statements therein contained are true and correct.
Signature of Notary
Notary Public State of Texas – Printed Name **NOTARY SEAL**
Date Notary's Commission Expires

Texas General Land Office
Community Development and Revitalization
Form 11.22
Conditional Lien Waiver and Release on Interim Payment Affidavit – Subcontractor

Project Information	
Subrecipient or State Representative's Name:	**Contract and/or WO:**
Applicant Name and Address:	**Project #:**
Project Legal Description:	
Project Type (Rehabilitation, Reconstruction, etc.):	

Subcontractor Information	
Subcontractor Name and Address ("Subcontractor"):	**Phone:**
Subcontractor Requested Amount: $	

On receipt by the signer of this document, payment from the Contractor in the requested amount (listed above) payable to the aforementioned Subcontractor will be paid; subsequently, when the payment has been paid by the bank on which it is drawn, this document becomes effective to release any mechanic's lien right, any right arising from a payment bond that complies with a state or federal statute, any common law payment bond right, any claim for payment, and any rights under any similar ordinance, rule, or statute related to claim or payment rights for persons in the signer's position that the signer has on the project's legal description to fulfill the scope of the project.

This release covers the interim payment to the signer for all labor, services, equipment, or materials furnished to the property or to the Contractor as indicated in the attached statement(s) or interim payment request(s), except for unpaid retention, pending modifications and changes, or other items furnished.

Before any recipient of this document relies on this document, the recipient should verify evidence of payment to the signer.

Except as specified above, the signer warrants that the signer has already paid or will use the funds received from this interim payment to promptly pay in full all of the signer's laborers, subcontractors, materialmen, and suppliers for all work, materials, equipment, or services provided for or to the above referenced project in regard to the attached statement(s) or interim payment request(s).

Subcontractor further understand that this Affidavit is being given pursuant to and in accordance with Sections 53.085 and 53.259 of the Texas Property Code and that the intentional, knowing, or reckless making of a false or misleading statement in this Affidavit constitutes an offense under said Section and is a Class A misdemeanor.

The undersigned acknowledges that a failure to accurately certify full and final payment of all bills associated with this contract document will result in exclusion from participation in future contracts that utilize CDBG-DR funds.

Prior to payment, Form 11.11 will need to be submitted to the GLO along with Form SD-424D (Assurances – Construction Programs) and a complete insurance binder for the Subcontractor. The Subrecipient is responsible for ensuring the Subcontractor remains insured through the project, and/or until their work is complete and satisfactorily agreed upon.

Certification of Subcontractor	
Printed Name of Subcontractor Company:	
Name of Authorized Representative:	**Title :**
Signature of Authorized Representative:	**Date :**

Notary's Acknowledgment
State of Texas **County of** Before me, a notary public, on this day personally appeared , known to me to be the person whose name is subscribed to the foregoing document and, being by me first duly sworn, declared that the statements therein contained are true and correct.
Signature of Notary
Notary Public State of Texas – Printed Name **NOTARY SEAL**
Date Notary's Commission Expires

APPENDIX 14
MINIMUM PROPERTY STANDARDS



CITY OF HOUSTON

HOUSING AND COMMUNITY DEVELOPMENT

Minimum Property Standards For New Construction, Reconstruction, Rehabilitation, & Maintenance of Multifamily Facilities

APPENDIX 14

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APPENDIX 14

INTRODUCTION

This document is intended to provide the Minimum Property Standards (MPS) for new construction, reconstruction, rehabilitation, and maintenance of multifamily housing facilities that receive federal assistance through the City of Houston Housing & Community Development Department as required by 24CFR §200.925. The primary objective of the Minimum Property Standards is to establish the criteria for the life, health and safety of the residents at the property.

Pursuant to 24CFR§92.251, housing that is constructed or rehabilitated with HOME or CDBG funds must meet all applicable local codes, ordinances, and rehabilitation standards, at the time of project completion. In the absence of a local code addressing new construction, reconstruction, or rehabilitation, HOME-assisted new construction or rehabilitation must meet, as applicable, International Building Code (IBC) or its appropriate sub code, and/or the Minimum Property Standards(MPS) in 24CFR§200.925 and §200.926. Housing must meet the accessibility requirements at 24CFR Part 8, which implements Section 504 of the Rehabilitation Act of 1973 (29U.S.C.§794) and covered multifamily dwellings, as defined at 24CFR§100.201, and must also meet the design and construction requirements at 24CFR §100.205, which implement the Fair Housing Act (42U.S.C.§3601-§3619).

The MPS supplement local building codes by requiring properties to meet minimum standards of workmanship, durability and performance of various components of the multifamily property during the period of affordability. These components would include doors, windows, gates, stairwells, wall coverings, kitchen cabinets, carpeting, etc. of the property that would be maintained in good and safe working condition that ensures the life, health and safety of the residents at the property.

To achieve this objective, the Housing & Community Development Department conducts an annual inspection of the property in accordance with the 24CFR§92.251(a) and all local codes, construction standards, and city ordinances. Findings identified during the inspection are required to be resolved by the property owner and management. All repairs, materials, and installations must be meet the aforementioned standards of quality and workmanship.

Director's signature	Date Director Signed
	5/5/2011

DEFINITIONS

A. **ACCESSORY BUILDING** — A subordinate building or structure that is devoted exclusively to the main use of the property and is located on the property.

B. **ADA**— Americans with Disabilities Act.

C. **BATHROOM** — A room with a toilet and a lavatory sink in or near that room, with or without a bathtub or shower.

D. **BUILDING AREA** — Any structure used or intended to be used for supporting or sheltering any use or occupancy.

E. **CERTIFIED PROFESSIONAL** —Is one who is knowledgeable and qualified in type of work being performed; one who shows either by experience or academic qualifications, to be able to meet the industry standards for the work being performed.

F. **DEBRIS** — Includes but is not limited to garbage, rubbish, refuse, or wrecked, decayed, dilapidated, or inoperative vehicles or machinery, and parts thereof.

G. **DWELLING** — A building or structure, or any part of it, occupied or capable of being lawfully occupied, in whole or in part, for the purpose of human habitation and includes a dwelling unit and a building that would be used for this purpose except for its state of disrepair.

H. **DWELLING UNIT** — A room or a suite of rooms operated as a housekeeping unit, used or intended to be used as a domicile by 1 or more persons and supporting general living conditions and includes cooking, eating, sleeping, and sanitary facilities.

I. **EGRESS** – A permanent and unobstructed means of exiting from the dwelling in an emergency escape or rescue situation.

J. **ENERGY STAR RATED** – Includes all systems, components, equipment, fixtures and appliances that meet strict energy efficiency performance criteria established, as a joint effort, by the federal Environmental Protection Agency, the U.S. Department of Energy and the U.S. Department of Housing and Urban Development and that carry the Energy Star label as evidence of meeting the energy efficiency performance criteria.

K. **FAIR HOUSING ACT (24CFR§100.25)** — Federal law that prohibits discrimination by direct providers of housing, such as landlords and real estate companies as well as other entities, such as municipalities, banks or other lending institutions and insurance companies whose discriminatory practices make housing unavailable to persons because of race or color, religion, sex, national origin, family status or disability.

L. **GRAFFITI** — Any unauthorized inscription, mark, word, figure, painting or other defacement that is written, marked, etched, scratched, sprayed, drawn, painted or engraved on or otherwise applied to any surface of public or private property to the extent that the graffiti was not authorized in advance by the owner or occupant of the property.

M. **GROUND COVER** — Suitable material applied to the ground to prevent erosion of the soil and includes concrete, flagstone, gravel, asphalt, grass or other form of landscaping.

N. **HABITABLE ROOM** — A room in a dwelling designed, lawfully used or capable of being lawfully used for living, sleeping, cooking or eating purposes. Bathrooms, toilet rooms, closets, halls, storage or utility spaces, and similar areas (rooms) are not considered habitable spaces (rooms).

O. **HANDRAIL** — A continuously graspable rail forming the top part of a balustrade or guard on stairs, landings, raised walkways and ramps adhered to a wall or a guard forming part of the stair, landing, walkway or ramp intended to provide guidance and support to the user and to arrest falls.

P. **MINIMUM PROPERTY STANDARDS (MPS)** — The standards for the maintenance and occupancy prescribed for a multifamily property. Using these standards as a baseline for monitoring, a housing inspector identifies the physical deficiencies of a property and dwelling unit that need to be repaired.

Q. **MULTIFAMILY DWELLING**— A building containing 3 or more dwelling units.

R. **NONHABITABLE FLOOR AREA** — Any room or space in a dwelling, or dwelling unit, other than a habitable room and includes a washroom, bathroom, toilet room, laundry, pantry, lobby, communicating corridor, stairway, closet, boiler room, garage, or space for service and maintenance of any building for public use and for access to and vertical travel between stories.

S. **NONRESIDENTIAL PROPERTY** — Land, a building or structure used or capable of being used for other than residential purposes.

T. **OCCUPANCY** — The use or intended use of a building or part of a building for the shelter or support of persons, animals or property as established by the Building Code and city ordinances.

U. **PEST**— Any mouse, rat, bed bug, flea, wasp, hornet or cockroach, but does not include and domesticated mouse or rat

V. **PROPERTY** — A building or structure or part of a building or structure and includes the lands and premises appurtenant thereto and all mobile homes, mobile buildings, mobile structures, outbuildings, fences, retaining walls and erections thereon whether heretofore or hereafter erected, and includes vacant property.

W. **REPAIR** — Includes the provision of facilities, the making of additions or alterations or the taking of any other action that may be required to ensure that a property conforms with the standards established in a by-law passed under this section. All repairs shall be made in a good workmanlike manner with materials that are suitable and sufficient for the purpose and free from defects. The requirement that repairs be made in a "good workmanlike manner" includes, ensuring the component repaired can perform its intended function and finishing the repair in a manner reasonably compatible in design and color with adjoining decorative finishing materials. Repairs shall be made with "materials that are suitable and sufficient for the purpose" includes a requirement for materials reasonably compatible in design and color with adjoining decorative finishing materials.

X. **RESIDENTIAL PROPERTY** — Land, a building or structure used, capable of being used, designed or intended for residential use.

Y. **RETAINING WALL** — A wall or similar structure built to hold back, confine, or sustain the pressure from a bank of earth, loose stone or fill material separating two grade levels

Z. **SANITARY FACILITIES** — A room or rooms containing 1 or more toilets, washbasins, bathtubs or showers or any combination thereof and includes a toilet room.

AA. **SECTION 504 of the REHABILITATION ACT of 1973 (24 CFR§8.22)** — Federal law prohibits discrimination on the basis of disability in any program or activity that receives financial assistance from any federal agency, including the U.S. Department of Housing and Urban Development (HUD) as well as in programs conducted by federal agencies including HUD. This regulation requires that new construction of multifamily projects be designed and constructed to be readily accessible to and usable by persons with disabilities. Both individual units and the common areas in the building must be accessible.

BB. **SEWAGE SYSTEM** — The City sanitary sewer system or a private sewage disposal system approved by the City.

CC. **SPECIFICATIONS** — Sometimes referred to as "written rehabilitation standards" or "specs," that identify the minimum acceptable grades and types of materials to be used and to provide the basis for how materials and equipment shall be installed.

DD. **STORY** — The portion of a building that is situated between the top of any floor and the top of the floor next above it; or that is situated between the top of the floor and the ceiling above the floor, if there is no floor above it

EE. **VEHICLE** — Includes a motor vehicle, trailer, traction engine, farm tractor, road-building machine, bicycle and any vehicle drawn, propelled or driven by any kind of power, including muscular power.

FF. **WORKMANSHIP** — refers to the quality of the work performed by a craftsman.

GG. **YARD** — the land within the boundary lines of the property and not occupied by the principal building;

City of Houston Housing and Community Development Department
Minimum Property Standard for
New Construction and Reconstruction of
Multifamily Rental Housing

OVERVIEW & APPLICABILITY

The standards contained in this document establish the minimum property standards for New Construction and Reconstruction under the City of Houston's (COH) Multifamily Rental Housing Program.

PURPOSE

This document serves as the minimum standard for City of Houston multifamily rental housing. The minimum standard ensures the property must be free of those foreseeable hazards and adverse conditions that may affect the life, health, and safety of the occupants, and those conditions which may impair the customary use of the property. Fire safety and the structural soundness of the dwelling must be insured as well. In addition to these standards all units must comply with the more restrictive of the following:

- COH Building Code and Code of Ordinances
- The International Building Code (IBC) 2006 adopted by the City of Houston or the latest adopted edition of the IBC and any applicable code required by the pertaining Municipality.
- The International Residential Code (IRC) 2000 adopted by the City of Houston or the latest adopted edition of the IRC and any applicable code required by the pertaining Municipality.
- The International Energy Conservation Code (IECC) 2006 adopted by the City of Houston or the latest adopted edition of the Model Energy Code (MEC) and any applicable code required.
- HUD 24 C.F.R Part 200.925a-c/296 Rules for Multifamily and Care-Type Housing
- HUD C.F.R Part 8 Section 504 of the Rehabilitation Act of 1973, ADA, UFAS, FHA, and TAS where applicable.
- The requirements from other governing entities such as Homeowners Associations, and Local and Federal regulations pertaining to zoning, traffic, drainage, flood plains and fire prevention (NFPA)

MINIMUM STANDARDS FOR PROPERTY EXTERIOR

GRADING & DRAINAGE OF PROPERTY

1. Entire property shall be graded and maintained so no stagnant water will accumulate or stand on the premises, within or around any building or structure located on the premises.
2. Ground areas around buildings shall be sloped away from walls to eliminate low areas where standing water may collect.
3. All rainwater shall be drained and conveyed from every roof so as not to cause dampness/ damage to walls, ceilings, or floors of any habitable rooms, bathroom, toilet room, laundry room, or any other type of room therein.
4. Nowhere on the property shall there be standing water that causes a public health hazard.

NON-DWELLING STRUCTURES

Every foundation, wall, roof, window, door, hatchway, and every other entryway of every non-dwelling structure shall be constructed in a way to prevent the structure from becoming a harborage for rodents, snakes, vermin, and insects, and shall be kept in a state of maintenance and repair.

STEPS, SIDEWALKS, DRIVEWAYS, PARKING LOTS & PAVING

1. All walkways, sidewalks and parking lots are to be designed to comply with all requirements of section 504 of the Rehabilitation Act of 1973 (24 CFR§8.22 & 23) and the Fair Housing Act (24 CFR§100.205).
2. A walkway shall be provided from the principal entrance of every building to a public street or parking lot area.
3. Parking lots are to be graded and drained to prevent ponding of water and to direct the flow of water away from the walls of all buildings.
4. Parking lots are to be provided with suitable markings to indicate parking spaces, fire lanes and the markings shall be maintained so as to be clearly visible.
5. Where parking spaces are adjacent to a building, property line, sidewalks or walking paths, parking stops or a 6" vertical curb shall be provided shall be properly anchored and secured, and properly aligned and positioned to each parking space.
6. Parking lots shall contain adequate lighting.

MISCELLANEOUS

1. Swimming pools, decorative fountains or retention ponds must be enclosed by a fence suitable to prevent unwanted activities or unsupervised children access to those areas. Entrance locations must have acceptable locking hardware.

APPENDIX 14

2. The entire property must be enclosed by a minimum 6' fence constructed of masonry, metal, chain link, wood, or wood composite. Fence structure must be secure enough to withstand wind and rain.

FOUNDATIONS, EXTERIOR WALLS, ROOFS, SOFFITS & FASCIA

1. Every building shall have a foundation acceptable for construction under the provisions of the local building codes, and shall be sound, reasonably plumb, as designed by registered structural engineer.
2. Every foundation, exterior wall, roof, soffit, fascia and all component parts shall be weather tight, watertight, rodent proof, and insect-proof and shall be kept in a state of maintenance and repair.

EXTERIOR WALL

1. All exterior wood surfaces of all non-dwelling structures shall be properly protected from the elements and from decay and rot by lead-free paint or other approved protective coatings.
2. All exterior walls must be of standard construction with a minimum 2x4's at 16 inches on center when appropriate. Insulation sheathing shall be installed on the exterior, covered with an approved exterior siding material.
3. All exterior surface material shall be protected from weather and the elements by lead-free paint or other protective coatings i.e., stain, in accordance with industry recognized standards. The exception to painting shall be all types of exterior materials acceptable to weathering without deterioration, i.e., siding.

WINDOWS & EXTERIOR DOORS

1. All windows and doors must be Energy Star rated.
2. Every habitable room shall have at least one (1) open air space. The minimum total window area, measured between stops, for every habitable room shall be as follows:
    a. 1/12 of the floor area if two or more separate windows exist, or;
    b. 1/10 of the floor area if only one window exists;
    c. A minimum of 12 square feet of window area is required in habitable rooms other than kitchens;
3. Every window sash shall be fully equipped with glass windowpanes, which are without cracks or holes, and all panes shall be secured with an adequate amount of putty. Said putty shall not be cracked, broken or missing.
4. Every window, door and frame shall be constructed and maintained in such relation to the adjacent wall construction, so as to exclude rain, as completely as possible and to the maximum extent feasible substantially exclude wind from entering the dwelling or structure, i.e., it must have adequate weather-stripping. Every window sash shall be in good condition and shall fit tightly within its frame.
5. Every window, other than a "fixed window", shall be capable of being easily opened and shall be held in position by window hardware in accordance with manufacturer's design.

6. Every front, rear and side door shall be not less than 3'0" in width and not less than 6' 6" in height, except where larger doors and doorways are required.
7. All exterior doors to the outside or to a common public hall shall be solid core and be equipped with security locks.
8. All windows shall have a security device/lock.
9. Every exterior and interior door, door hinge, and door latch and/or lock shall be installed in good working condition.

ROOF COVERING

All roofs must have a minimum 4" to 1'-0" roof pitch. Every roof of a building, and all its components, shall be weather-tight, free from leaks, prevent ponding of water, be free from unsecured or unsafe objects and materials, and have a 25 year minimum life on the materials.

VENTILATION

1. Every window opening to outdoor space, intended to provide for required ventilation, shall be supplied with screens covering the required ventilation area.
2. The material used for all such screens shall be not less than 16 mesh per inch and shall be properly installed to prevent the entrance of flies, mosquitoes or other insects. Half screens on windows may be allowed, provided, they are properly installed and prevent the entrance of flies, mosquitoes or other insects.
3. A kitchen or bathroom is acceptable without a window area, provided, there is a mechanical means of ventilation.

STAIRWAYS, BALCONY'S & HALLWAYS

1. Every interior and exterior stairway, every porch and every appurtenance thereto shall be so constructed as to be safe to use and capable of supporting the load that normal use may cause to be placed thereon.
2. Handrails are not required for interior stairs having not more than 2 risers and serving a single dwelling unit and exterior stairs having not more than 3 risers and serving a single dwelling unit.
3. Handrails are required for all exterior stairs and balconies.
4. All balconies and platforms, which are 30" or more above grade, shall have a protective railing not less than 36" in height above the balcony or platform level.
5. All multiple dwellings shall have a second exit stairway or approved fire escape available to all occupants from the second floor and above of all such structures.

ELECTRICAL & EXTERIOR LIGHTING

1. Public halls, buildings and stairways shall be lighted at all times with an artificial lighting system. The said system shall provide at least 2 foot candles of illumination on all parts thereof, at all times, by means of properly located electric light fixtures, provided, that such

artificial lighting may be omitted from sunrise to sunset where an adequate amount of natural light is provided. Whenever the occupancy of the building exceeds 100 persons, the artificial lighting system as required herein, shall be on an emergency circuit.

2. The required intensity of illumination shall apply to both natural and artificial lighting.

MINIMUM STANDARDS FOR PROPERTY INTERIOR

MINIMUM CEILING HEIGHT

1. All habitable rooms in a dwelling or dwelling unit shall have a minimum ceiling height of 7'-6".
2. All rooms, except kitchen and/or kitchenettes and baths, shall have a minimum width of 7'-0".
3. At least 1/2 of the floor area of every habitable room located above the 1st floor shall have a ceiling height of 7'-6", and the floor area of that part of any room where the ceiling height is less than 5' shall not be considered as part of the floor area in computing the total floor area of the room for the purpose of determining maximum floor area.

DWELLING ROOMS, FLOORS & DOORS

1. Minimum Room configurations and sizes shall be as follows:
    a. The minimum standard in a dwelling unit is as follows: One functional toilet with seat, lavatory, towel rack, ring or hook, and either a shower or a bathtub. Any additional baths in a unit, at minimum, must contain one functional toilet with seat, towel rack, ring or hook and a lavatory.
    b. Single bedrooms shall be at least 100 square feet in area with the room having a minimum dimension on one side of 8'-0". Bedrooms accessed off another bedroom shall not count as a separate room.
    c. Living rooms shall be at least 80 square feet in area.
    d. All bedrooms must have access to closets for storage of clothing.
2. Every occupant of every dwelling unit shall have unrestricted access to a toilet, to a bath, and to a kitchen sink and lavatory basin located within that dwelling unit. No dwelling or dwelling unit containing (2) or more sleeping rooms shall have such room arrangement that access to a bathroom or toilet room intended for use by the occupants can be had only by going through another sleeping room or bathroom or toilet room.
3. Every bathroom, toilet room, kitchen and utility room floor surface shall be constructed and maintained so as to be substantially impervious to water and so as to permit such floor to be easily kept in a clean and sanitary condition.
4. Floor covering in bathroom shall be vinyl type or tile and shall be free from defects. Floor finishes shall be slip resistant when wet and shall be sealed around their edges with silicone sealant. Any flooring material that permits water to seep into the subfloor is unacceptable.
5. Laminate, wood, vinyl, or other similar types of flooring is not acceptable in flats above the ground floor level (except for kitchens and bathrooms), due to potential noise disturbance to tenants below.

6. Dwelling units with 2 or more bedrooms shall have an additional storage area of at least 4 square feet per bedroom. This storage requirement does not necessarily have to be located in the bedrooms.
7. All bedrooms must have a functional door, which may be of hollow core material, which closes, and can be locked from the inside. The width must be at least 32".
8. All bathroom doors must be at least 24" wide by 6'-0" in height and have locking doorknobs from the inside of the bathroom or have other ways of locking the door (standard bathroom door knobs).

KITCHEN FACILITY (EXCEPT FOR SINGLE ROOM OCCUPANCY (SRO))

1. Every dwelling unit shall have a kitchen room or kitchenette equipped with the following:
   a. **Kitchen Sink** - an approved kitchen sink, properly connected to both hot and cold running water lines, properly functions under normal pressure, and maintained in working order.
   b. **Stove** - a stove (gas or electric), properly connected to the source of power, maintained in working order, and capable of supplying the service for which it is intended. Installation of overhead fans is required over the cooking area. (Stoves may not be required in some efficiency size apartments when approved by the Director.)
   c. **Refrigerator** - a refrigerator, properly connected to the source of power, maintained in working order, and capable of supplying the service for which it is intended.
2. **Work Space & Utilities** - if tenants are required to furnish their own appliances, the landlord shall furnish sufficient space and all required electrical connections, properly installed, to facilitate the use of said appliances.
3. Every dwelling unit in which meals are prepared shall have a sink that is installed in a counter having a backsplash and a drain board made of material impervious to water. The sink shall be connected to an adequate supply of potable running hot and cold water and be connected to the drainage system of the dwelling unit.
4. Sinks and faucets must meet minimum applicable standards. Sink and a backsplash shall be water and grease resistant.
5. Every dwelling unit shall have a work surface of at least 8 square feet, which shall be impervious to grease and water and a space sufficient to accommodate a cooking range or countertop cooking unit, beside or in the countertop and without placing the device in a doorway or a path of egress.
6. Cabinets, cupboards or pantry for the storage of food, dishes, and cooking utensils shall be provided.
7. Stove shall be either gas or electric and oven shall be clean and provided with shelves. Installation of overhead fans may require installation of a cabinet for attachment of the fan.
8. Each kitchen in a dwelling unit shall have an approved, connected and operating gas or electrical supply for cooking and refrigeration appliances.
9. GFCI (ground fault circuit interrupter) outlet receptacles will be required on all counter tops within 6'-0" of sink areas.

10. Minimum lighting in kitchens will consist of one lighting fixture in the kitchen cooking area and 1 lighting fixture in any adjoining eating/dining area.

11. The refrigerator/freezer shall have a minimum capacity of at least 18 cu ft (refrigerator) and 4 cu ft (freezer) (Smaller refrigerators may be allowed in some efficiency size apartments when approved by the Director.)

BATHROOM FACILITIES

1. Every dwelling unit shall contain a bathroom equipped with the following items:

   a. **A toilet** equipped with adequate running water connected to the water supply. The toilet shall be clean, secure, and free of defects, with a secure seat and the bowl shall fill at a reasonable rate. Toilet needs to be connected only to a cold water supply. No toilet or urinal shall be located within a habitable room.

   b. **A wash basin/sink** that shall be located in or adjacent to every room that contains a toilet or urinal. Fixtures shall be connected with an adequate supply of potable, hot and cold running water. The sink must have a proper drain with P-trap and be vented to the outside. A water resistant back splash shall be provided of a minimum height of 4" that is sealed around the edges with bathroom grade silicone sealant.

   c. **A bathtub/shower** may be in the same room as the toilet and lavatory or in a separate room. The bathtub shall be of a reasonable design so as not to give rise to a slipping hazard to those who use the shower. Bathtub and shower walls shall be covered to a height sufficient to protect the walls from water penetration. Bathtub shall be fitted securely and there shall be no leaks. All shower bases shall be adequately sealed and a curtain rod or door shall be provided of a sufficient standard to prevent water damage to the floor.

   d. **A toilet paper roll holder & towel bar** shall be provided within 12" of toilet or tub.

   e. **Medicine cabinet & mirror** Medicine cabinets that will limit access by children and a minimum 2'x2' mirror are required in all full baths.

   f. **Light fittings** shall be of a sealed type appropriate for bathrooms.

   g. **Ventilation** shall be provided.

2. Every toilet and every bath shall be contained in a room or within separate rooms, which affords privacy to a person within said room or rooms.

3. All bathrooms and toilet rooms shall be located within an area accessible from within the building.

4. Every communal bath shall be located within a room or rooms accessible to the occupants of each dwelling unit sharing such facilities, without going through a dwelling unit of another occupant and without going outside of the dwelling.

5. Toilets and bathrooms shall have doors with a privacy-type lock.

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PLUMBING

1. Every dwelling unit shall contain at least the minimum number and types of working plumbing fixtures, consisting of a water closet; a hand wash basin; and a bathtub or shower.
2. Every supplied facility, piece of equipment, or utility which is required under this section, shall be constructed and installed in safe, sanitary working condition, free from leaks, defects and obstructions.
3. Every dwelling and every building to which water is available under pressure through piping shall be provided with piping for hot and cold water connected to every kitchen fixture, every washbasin, bathtub, shower, sink and laundry area; and piping for cold water connected to every toilet and hose bib.
4. Water taps shall be free of defects with no leaks or drips and in good condition (i.e. no dripping) and easy to operate by children or people with finger mobility problems. The type of water tap to be fitted should have a ceramic disc washer and should be quarter turn or lever operated.
5. Every dwelling shall have supplied water-heating facilities which are properly installed, in working condition, and free of leaks; properly connected to any required hot water lines; and capable of heating water to be drawn for every bath as well as general usage.
6. Hot water storage associated with water heating facilities shall be not less than the following minimum capacities:
    a. One (1) dwelling unit -30 gallons
    b. Two (2) dwelling units - 40 gallons
    c. Three (3) or more dwelling units and rooming houses - 50 gallons or more
7. Sizes and/or number of water heaters shall be based upon the number of units served. No water heaters shall be allowed in sleeping rooms, bathrooms or closets, unless closet is dedicated for the purpose of housing plumbing and mechanical equipment. Water heaters in a utility room are acceptable. All water heaters shall be properly vented and sealed and shall be equipped with a pressure relief valve and drip leg.

VENTILATION

1. Every bathroom, toilet room, and kitchen shall comply with the light and ventilation requirements for habitable rooms contained above, except that no window shall be required in adequately ventilated bathrooms, toilet rooms or kitchens equipped with a ventilation system installed in good working condition and located to ensure its proper operation.
2. All bedrooms must have an egress window in addition to the door. Egress windows must be no more than 44" from the floor and permit at least 5.7 square feet of egress area. Windows must be operable, have locking mechanisms, and provide for ventilation. If there are living accommodations in a basement, an egress window is required.
3. All bathrooms must have an operational window, electric vent fan, or other acceptable method of ventilation.
4. Ceiling fans installed in general living areas shall be Energy Star rated and installed to manufacturer's requirements.

ELECTRICAL & LIGHTING

1. The capacity of the system of circuits and electrical outlets within a building shall be adequate for the intended use of all rooms, and adequate electrical outlets shall be installed to prevent the need for extension cords or other extensions being used as a permanent wiring system.
2. Every habitable room within such dwelling shall contain, at a minimum, 2 separate and remote wall type electric convenience outlets.
3. Habitable rooms over 120 square feet, shall contain, at a minimum, 3 separate and remote wall type electric convenience outlets. All newly installed outlets shall be grounded type outlets.
4. Temporary wiring or extension cords shall not be used as permanent wiring.
5. All receptacles in the kitchen, bathroom and lavatory, must be GFCI type (Ground Fault Circuit Interrupter) and outlets must be provided within 6 feet from any sink or lavatory.
6. Receptacle convenience outlets installed on the exterior of the structure or on open porches, breezeways, garages, utility rooms, etc. shall be of the GFCI type. All electric lighting fixtures installed on the exterior shall be of the type approved for exterior use.
7. All heavy duty appliances, i.e., window air conditioners, freezers, refrigerators, electric stoves, washers, electric dryers, microwaves, etc., shall be supplied with their own dedicated outlet(s) on separate circuits, as applicable.
8. Outlets are required to permit coverage of the entire room by an appliance with a 6 foot cord.
9. Every habitable room shall have at least 1 ceiling or wall type electric light fixture, controlled by a wall switch, or a wall type grounded electric convenience outlet controlled by a remote switch in the interior of the room next to the entrance.
10. Every toilet room, bathroom, laundry, and hallway (where applicable) shall contain at least 1 supplied ceiling or wall type electric light fixture, controlled by a wall switch, and at least 1 wall type grounded electric convenience outlet. Wall type convenience outlets used in bathrooms and kitchens shall be the GFCI type.
11. Light switches in an open staircase must be double switched at the top and bottom of the stairs. Living quarters will be electrically switched at entrances. Weather proof exterior lighting at the front and back doors must be provided, and these lights must be switched from the interior at the entrance.

HEATING & AIR CONDITIONING FACILITIES

1. Each dwelling unit shall be supplied with its own heating & air condition system that is properly installed, in safe and good working condition, and be capable of adequately heating and cooling all habitable rooms, bathrooms, and toilet rooms contained therein to a temperature of at least 72°F measured at a distance of 36" above floor level under ordinary winter and summer conditions. Heating & air conditioning system must be adequate for healthful and comfortable living conditions.
2. Air conditioning equipment shall be installed in accordance with the manufacturer's specifications.
3. Every central heating & air condition units shall be located and installed with the following:

a. Every heat duct, steam pipe and hot water pipe shall be free of leaks and shall function such that an adequate amount of heat is delivered where intended and in such a manner so as to afford protection against involvement of egress facilities or egress routes in the event of uncontrolled fires in the structure.

b. Every fuel burning heating unit or water heater shall be effectively vented in a safe manner to a chimney or duct leading to the exterior of the building. The chimney duct and vents shall be of such a design as to assure proper draft and shall be adequately supported.

c. Every steam or hot water boiler and every water heater shall be protected against overheating by appropriate temperature and pressure controls.

d. A thermostat that controls both heating and cooling should be located near the return air grill.

4. A/C condenser units shall be a minimum 14 SEER rating. All units shall be installed in a non-obstructed area and well supported on a level surface.

5. The condenser unit's refrigerant line (larger line) must be insulated, and have secured wiring and connections. An electric disconnect switch shall be installed for maintenance and repairs.

SMOKE DETECTORS

1. All residential structures shall have U.L. approved "hard wired" smoke detectors , properly installed in all bedrooms and in area adjacent to bedrooms in accordance with manufacturer's instructions .

2. When more than one smoke alarm is required in an individual dwelling unit the alarm devices shall be interconnected in such a manner that the actuation of one alarm will activate all of the alarms in the individual unit. The alarm shall be clearly audible in all bedrooms over background noise levels with all intervening doors closed.

ENERGY CONSERVATION

All structures shall comply with certain energy conservation measures (U.S. Department of Energy recommendations). These measures include, but are not necessarily limited to, the following:

1. Installation of insulation or the installation of additional insulation, especially in the attic/ceiling areas: The recommended level for ceiling insulation is to a resistance factor of R-30, wherever possible.
2. An air infiltration barrier, such as Tyvek or approved equal, shall be installed on all exterior walls. The minimum R factor is R-19 or R-13 plus R-5 foam. The installation of fan-fold foam or foam sheathing may be added to increase household R-ratings.
3. The installation of weather stripping at all exterior doors and windows is required. Doors shall be Energy Star rated. Door jams will be sealed and thresholds will be caulked.
4. Provide caulking around exterior doors and windows, at the foundation/sill plate union, and at other air-infiltration areas.
5. All heat ducts and hot water or steam heat distribution piping shall be insulated or otherwise protected from heat loss where such ducts or piping runs are located in unheated spaces.

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Similarly, distribution piping for general use hot water shall also be protected from heat loss where such piping is located in unheated spaces. All water distribution piping shall be protected from freezing.

City of Houston Housing and Community Development Department
Minimum Property Standard for
Rehabilitation Construction
for Multifamily Rental Housing

OVERVIEW

The standards contained in this document establish the minimum property standard for Rehabilitation Construction under the City of Houston's Multifamily Rental Housing Program.

PURPOSE

This document serves as the minimum standard for City of Houston multifamily rental housing rehabilitation projects. It is to provide guidance to achieving those **minimum standards in the areas of work which your project may address.** This document **does not mandate that all the outlined areas are undertaken as a part of your project.** This minimum standard is designed to ensure that the property is free of those foreseeable hazards and adverse conditions that may affect the life, health, and safety of the occupants, and those conditions which may impair the customary use of the property. Fire safety and the structural soundness of the dwelling must be insured as well. In addition to these standards all units must comply with the more restrictive of the following for any work undertaken:

- COH Building Code and Code of Ordinances
- The International Building Code (IBC) 2006 adopted by the City of Houston or the latest adopted edition of the IBC and any applicable code required by the pertaining Municipality.
- The International Residential Code (IRC) 2000 adopted by the City of Houston or the latest adopted edition of the IRC and any applicable code required by the pertaining Municipality.
- The International Energy Conservation Code (IECC) 2006 adopted by the City of Houston or the latest adopted edition of the Model Energy Code (MEC) and any applicable code required by the pertaining Municipality.
- The Lead Based Paint regulations as described in 24 CFR, Part 35 for units built before 1978.
- HUD 24 C.F.R Part 200.925a-c/296 Rules for Multifamily and Care-Type Housing
- HUD C.F.R Part 8 Section 504 of the Rehabilitation Act of 1973, ADA, UFAS, FHA, and TAS where applicable.
- The requirements from other governing entities such as Homeowners Associations and Local and Federal regulations pertaining to zoning, traffic, drainage, flood plains and fire prevention (NFPA)

MINIMUM STANDARDS FOR PROPERTY EXTERIOR

GRADING AND DRAINAGE OF PROPERTY

1. Entire property shall be graded and maintained so no stagnant water will accumulate or stand on the premises, within or around any building or structure located on the premises.
2. Ground areas around buildings shall be sloped away from walls to eliminate low areas where standing water may collect.
3. All rainwater shall be drained and conveyed from every roof so as not to cause dampness/ damage to walls, ceilings, or floors of any habitable rooms, bathroom, toilet room, laundry room, or any other type of room therein.
4. If present, all rainwater draining devices such as gutters and downspouts shall be kept in a state of maintenance and repair.

Nowhere on the property shall there be standing water that causes a public health hazard.

NON-DWELLING STRUCTURES

Every foundation, wall, roof, window, door, hatchway, and every other entryway of every non-dwelling structure shall be constructed in a way to prevent the structure from becoming a harborage for rodents, snakes, vermin, and insects.

STEPS, SIDEWALKS, DRIVEWAYS, PARKING LOTS & PAVING

1. All walkways, sidewalks and parking lots are to be designed and monitored in accordance with section 504 of the Rehabilitation Act of 1973 (24 CFR§8.22 & 23) and the Fair Housing Act (24 CFR§100.205).
2. A walkway shall be maintained from the principal entrance of every building to a public street or parking lot area.
3. Parking lots shall be appropriately sloped so as to prevent ponding of water and to direct the flow of water to the appropriate storm drainage infrastructure.
4. Paved parking lots shall have clearly visible and suitable markings to indicate parking spaces and fire lanes.
5. Parking stops or a 6" vertical curb shall be provided where parking spaces are adjacent to a building, property line, sidewalks or walking paths, shall be properly anchored and secured, and properly aligned and positioned to each parking space.
6. Parking lots shall contain adequate lighting.

MISCELLANEOUS

1. Swimming pools, decorative fountains or retention ponds must be enclosed by a fence suitable to prevent unwanted activities or unsupervised children access to those areas. Entrance locations must have acceptable locking hardware.

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2. The entire property must be maintained and enclosed by a minimum 6' fence constructed of masonry, wood, wood composite, chain link, or metal. Fence structure must be secure enough to withstand wind and rain.

FOUNDATIONS, EXTERIOR WALLS, ROOFS, SOFFITS & FASCIA

1. Every building shall have a foundation acceptable under the provisions of the local building codes and shall be sound, reasonably plumb, and adequate to carry the loads imposed on them. At the City's sole discretion, reports from certified/licensed professionals commenting on the condition/suitability of the foundations may be required.
2. Every foundation, exterior wall, roof, soffit, fascia and all component parts shall be maintained to be weather tight, watertight, rodent proof, and insect-proof.

EXTERIOR WALL SURFACES

1. All exterior wood surfaces of all non-dwelling structures shall be properly protected from the elements and from decay and rot by lead-free paint or other approved protective coatings. If units are constructed on or before 1978, treatment of all applicable surfaces shall be in full compliance with the Lead Base Paint regulations as found at 24 CFR Part 35, including all future amendments as published by HUD.
2. A lead-based paint analysis must be conducted on structures constructed prior to 1978. If testing reveals the existence of lead-based paint surfaces, they must be removed or covered as prescribed by HUD Lead-Based Paint regulations.
3. All exterior walls framing, exposed during the course of the rehabilitation must be of standard construction with a minimum 2x4's at 16 inches on center, when appropriate. Insulation sheathing shall be installed on the exterior, covered with an approved exterior siding material.
4. All exterior surface material shall be protected from weather and the elements by lead-free paint or other protective coatings i.e., stain, in accordance with industry recognized standards. The exception to painting shall be all types of exterior materials acceptable to weathering without deterioration, i.e., siding.
5. Every exposed ceiling or exterior wall of a residential building when opened or replaced during the course of alterations or renovations shall be insulated, in order to minimize heat loss, air infiltration and moisture condensation on the interior surfaces, in accordance with the local building codes.

WINDOWS & EXTERIOR DOORS

1. All windows and doors being replaced must be Energy Star rated.
2. Every habitable room shall have at least one (1) open air space. The minimum total window area, measured between stops, for every habitable room shall be as follows:
   a. 1/12 of the floor area if two or more separate windows exist, or;
   b. 1/10 of the floor area if only one window exists;
   c. A minimum of 12 square feet of window area is required in habitable rooms other than kitchens;

3. Every window sash shall be fully equipped with glass windowpanes, which are without cracks or holes, and all panes shall be secured with an adequate amount of putty. Said putty shall not be cracked, broken or missing.
4. Every window, door and frame shall be constructed and maintained in such relation to the adjacent wall construction, so as to exclude rain, as completely as possible and to the maximum extent feasible substantially exclude wind from entering the dwelling or structure, i.e., it must have adequate weather-stripping. Every window sash shall be in good condition and shall fit tightly within its frame.
5. Every window, other than a "fixed window", shall be capable of being easily opened and shall be held in position by window hardware in accordance with manufacturer's design.
6. Every front, rear and side door shall be not less than 2' 4" in width and not less than 6' 6" in height, except where larger doors and doorways are required to accommodate handicapped access.
7. All exterior doors to the outside or to a common public hall shall be solid core and be equipped with adequate security locks.
8. All windows shall have a security device/lock.
9. Every exterior and interior door, door hinge, and door latch and/or lock shall be in good working condition, function as originally intended, and when closed, shall fit well within its frame.

ROOF COVERING

1. All pitched roofs must have a minimum 4" to 1'-0" roof pitch.
2. Whenever feasible, in one to three story stick and brick construction, flat roofs over dwelling units should be eliminated in favor of pitched roofs.
3. Reconstruction of the roof should occur whenever the damaged area is wider than 9 feet on the stooped side and leaking cannot be prevented by installation of rolled roofing or rubberized roofing membrane.
4. Every roof of a building, and all its components, shall be weather-tight, free from leaks, prevent ponding of water, be free from unsecured or unsafe objects and materials, and have a 25 year minimum life on the materials.

VENTILATION

1. Every window opening to outdoor space, intended to provide for required ventilation, shall be supplied with screens covering the required ventilation area.
2. The material used for all such screens shall be not less than 16 mesh per inch and shall be properly installed, to prevent the entrance of flies, mosquitoes or other insects. Half screens on windows may be allowed, provided, they are properly installed and are bug and insect tight.
3. A kitchen or bathroom is acceptable without a window area, provided, there is a mechanical means of ventilation in working order.

STAIRWAYS, BALCONY'S & HALLWAYS

1. Every interior and exterior stairway, every porch, and every appurtenance thereto shall be so constructed as to be safe to use and capable of supporting the load that normal use may cause to be placed thereon.
2. Handrails are not required for interior stairs having not more than 2 risers and serving a single dwelling unit and exterior stairs having not more than 3 risers and serving a single dwelling unit.
3. All balconies and platforms, which are 30" or more above grade, shall have a protective railing not less than 36" in height above the balcony or platform level.
4. All multiple dwellings shall have a second exit stairway or approved fire escape available to all occupants from the second floor and above of all such structures.

ELECTRICAL & EXTERIOR LIGHTING

1. Public halls, buildings and stairways shall be lighted at all times with an artificial lighting system. The said system shall provide at least 2 foot candles of illumination on all parts thereof, at all times, by means of properly located electric light fixtures, provided, that such artificial lighting may be omitted from sunrise to sunset where an adequate amount of natural light is provided. Whenever the occupancy of the building exceeds 100 persons, the artificial lighting system as required herein, shall be on an emergency circuit.
2. The required intensity of illumination shall apply to both natural and artificial lighting.
3. All electric panel boxes shall be properly labeled and accessible from either the interior or exterior of the dwelling unit. The electrical switch boxes on the exterior must be capable of being locked, but must allow emergency access. If the unit's panel box is located on the exterior of the unit, it must be locked, but access by the tenant must be provided at all times to address tripped breakers.

PLUMBING - WATER SUPPLY

All dwelling units shall be connected to a municipal water supply..

MINIMUM STANDARDS FOR PROPERTY INTERIOR

MINIMUM CEILING HEIGHT

1. Wherever possible, all habitable room in a dwelling or dwelling unit shall have a minimum ceiling height of 7'-6".
2. All rooms, except kitchen and/or kitchenettes and baths, shall have a minimum width of 7'-0" unless such provision would require major additional reconstruction.
3. At least 1/2 of the floor area of every habitable room located above the 1st floor shall have a ceiling height of 7'-6", and the floor area of that part of any room where the ceiling height is less than 5' shall not be considered as part of the floor area in computing the total floor area of the room for the purpose of determining maximum floor area.

DWELLING ROOMS, FLOORS & DOORS

1. If the project includes redesigning floor plans Minimum Room configurations and sizes shall be as follows:
   a. single bedrooms shall be at least 100 square feet in area with the room having a minimum dimension on one side of 8'-0".
   b. Bedrooms accessed solely through another bedroom shall not count as a separate room.
   c. Living rooms shall be at least 80 square feet in area. Rooms of less than 50 square feet cannot be used as living rooms or bedrooms.
   d. All bedrooms must have access to closets for storage of clothing. On existing housing, closets in adjoining hall areas are acceptable.
2. Every occupant of every dwelling unit shall have unrestricted access to a toilet, to a bath, and to a kitchen sink and lavatory basin located within that dwelling unit. No dwelling or dwelling unit containing 2 or more sleeping rooms shall have such room arrangement that access to a bathroom or toilet room intended for use by the occupants can be had only by going through another sleeping room or bathroom or toilet room.
3. Every bathroom, toilet room, kitchen and utility room floor surface shall be constructed and maintained so as to be substantially impervious to water and so as to permit such floor to be easily kept in a clean and sanitary condition.
4. Carpeting in bathrooms is generally not considered an appropriate floor material.
5. Laminate, wood, vinyl, or other similar types of flooring is not acceptable in flats above the ground floor level (except for kitchens and bathrooms), due to potential noise disturbance to tenants below.
6. Floor covering in bathroom shall be vinyl type or tile and shall be free from defects. Floor finishes shall be slip resistant when wet and shall be sealed around their edges with silicone sealant. Any flooring material that permits water to seep into the subfloor is unacceptable.
7. When possible, dwelling units with 2 or more bedrooms shall have a storage floor area of at least 4 square feet per bedroom. This storage requirement does not necessarily have to be located in the bedrooms.

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8. All bedrooms must have a functional door, which may be of hollow core material, which closes, and can be locked from the inside. The width must be at least 32".

9. All bathroom doors must be at least 24" wide by 6'-0" in height and have locking doorknobs from the inside of the bathroom or have other ways of locking the door (standard bathroom door knobs).

KITCHEN FACILITY (EXCEPT FOR SINGLE ROOM OCCUPANCY (SRO))

1. Every dwelling unit, shall have a kitchen room or kitchenette equipped with the following:
   a. **Kitchen Sink** - an approved kitchen sink, properly connected to both hot and cold running water lines, under pressure, and maintained in working order.
   b. **Stove** - a stove (gas or electric), properly connected to the source of power, maintained in working order, and capable of supplying the service for which it is intended. Installation of overhead fans is required over the cooking area. (Stoves may not be required in some efficiency size apartments when approved by the Director.) .
   c. **Refrigerator** - a refrigerator, properly connected to the source of power, maintained in working order, and capable of supplying the service for which it is intended.
   d. **Work Space & Utilities** - if tenants are required to furnish their own appliances, the landlord shall furnish sufficient space and all required electrical connections, properly installed, to facilitate the use of said appliances.
2. Every room in which meals are prepared in a dwelling unit shall have a sink that is installed in a counter having a backsplash and a drain board made of material impervious to water. The sink shall be connected to an adequate supply of potable running hot and cold water and be connected to the drainage system of the dwelling unit.
3. Sinks and faucets must meet minimum applicable standards. Sink and backsplash shall be water and grease resistant. P-traps and other drain components under the sink shall be metal and or PVC material.
4. Every dwelling unit in which meals are prepared shall have a work surface of at least 8 square feet, which shall be impervious to grease and water.
5. All counter tops showing evidence of wear, water damage, uplifting of surface material, etc. must be replaced. Replacement counter tops may include prefabricated laminated counter tops when walls are sufficiently square. When walls are not square and constructed of plaster materials, counter tops must be built in place, using acceptable materials and designed appropriately for functional use. Granite may be used when cost is not substantially greater than other commonly used materials.
6. Every reasonable effort shall be made to provide cabinets, cupboards or pantry for the storage of food, dishes, and cooking utensils.
7. When a cabinet's level of wear makes it unsanitary or nonfunctional, it shall be replaced.
8. Stove shall be either gas or electric and oven shall be clean and provided with shelves. Installation of overhead fans may require installation of a cabinet for attachment of the fan.
9. Each kitchen in a dwelling unit shall have an approved, connected and operating gas or electrical supply for cooking and refrigeration appliances.

10. GFCI (ground fault circuit interrupter) outlet receptacles will be required on all counter tops within 6'-0" of sink areas.
11. Minimum lighting in kitchens will consist of 1 lighting fixture in the kitchen cooking area and one lighting fixture in an adjoining eating/dining area.
12. Every reasonable effort shall be made to provide space in the kitchen sufficient to accommodate a refrigerator/freezer having a minimum capacity of at least 18 cubic feet (refrigerator) and 4 cubic feet (freezer) without impeding accessibility to other areas of the kitchen.

BATHROOM FACILITIES

1. Every dwelling unit shall contain a bathroom equipped with the following items:
   a. **A toilet** equipped with adequate running water connected to the water supply. The toilet shall be clean, secure, free of defects, with a secure seat, and the bowl shall fill at a reasonable rate. Toilet needs to be connected only to a cold water supply. No toilet or urinal shall be located within a habitable room.
   b. **A wash basin/sink** that shall be located in or adjacent to every room that contains a toilet or urinal. Fixtures shall be connected with an adequate supply of potable, hot and cold running water and must have hot and cold water knobs and must be in good functioning condition. The sink must have a proper drain with P-trap and be vented to the outside. A water resistant back splash shall be provided of a minimum height of 4" that is sealed around the edges with bathroom grade silicone sealant.
   c. **A bathtub/shower** may be in the same room as the toilet and lavatory or in a separate room. The bathtub shall be of a reasonable design so as not to give rise to a slipping hazard to those who use the shower. Bathtub and shower walls shall be covered to a height sufficient to protect the walls from water penetration. Bathtub shall be fitted securely and there shall be no leaks. All shower bases shall be adequately sealed and a curtain rod or door shall be provided of a sufficient standard to prevent water damage to the floor.
   d. **A toilet roll holder & towel bar** shall be provided within 12" of toilet or tub.
   e. **Medicine cabinet & mirror** Medicine cabinets that will limit access by children and a minimum 2'x2' mirror are required in all full baths.
   f. **Light fittings** shall be of a sealed type appropriate for bathrooms.
   g. **Ventilation** shall be provided.
2. Every toilet and every bath shall be contained in a room or within separate rooms, which affords privacy to a person within said room or rooms.
3. All bathrooms and toilet rooms shall be located within an area accessible from within the building.
4. Every communal bath shall be located within a room or rooms accessible to the occupants of each dwelling unit sharing such facilities, without going through a dwelling unit of another occupant and without going outside of the dwelling.
5. Toilets and bathrooms shall have doors with a privacy-type lock and such doors, locks and hardware shall be operable.

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6. When there is decaying ceramic or plastic tile in bath or shower areas, the deteriorated area must be removed. Water proof sheetrock must be installed, and old or new tile reinstalled, grouted, and caulked. Backsplashes above sinks may also be required depending on the condition and layout of sinks and other plumbing.

PLUMBING

1. Every dwelling unit shall contain a minimum number and type of working plumbing fixtures, consisting of a water closet, a hand wash basin, and a bathtub or shower.
2. Every supplied facility, piece of equipment, or utility which is required under this section, shall be constructed or installed in safe, sanitary working condition, free from leaks, defects and obstructions.
3. Potable water supply piping, water discharge outlets, backflow prevention devices or similar equipment shall not be so located as to make possible their submergence in any contaminated or polluted liquid or substance.
4. Every dwelling and every building shall be provided with piping for hot and cold water connected to every kitchen fixture, every washbasin, bathtub, shower, sink and laundry area; and piping for cold water connected to every toilet and hose bib.
5. Water taps shall be free of defects with no leaks or drips and in good condition (i.e. no dripping) and easy to operate by children or people with finger mobility problems. Traditional screw machine head taps should be avoided. The type of water tap to be fitted should have a ceramic disc washer and should be quarter turn or lever operated.
6. Every dwelling shall be connected to adequate water-heating facilities which are properly connected to any required hot water lines; and capable of heating water to be drawn for every bath, as well as general usage.
7. Hot water storage associated with water heating facilities shall be not less than the following minimum capacities:
    a. One (1) dwelling unit - 30 gallons
    b. Two (2) dwelling units - 40 gallons
    c. Three (3) or more dwelling units and rooming houses - 50 gallons or more
    d. or the property must contain appropriately sized boilers.
8. No water heaters shall be allowed in sleeping rooms, bathrooms or closets, unless closet is dedicated for the purpose of housing plumbing and mechanical equipment. Water heaters in a utility room are acceptable. All water heaters shall be properly vented and sealed and shall be equipped with a pressure relief valve and drip leg.

VENTILATION

1. Every bathroom, toilet room, and kitchen shall comply with the light and ventilation requirements for habitable rooms contained above, except that no window shall be required in adequately ventilated bathrooms, toilet rooms or kitchens equipped with a ventilation system installed and located to ensure its proper operation.
2. Every habitable room shall have at least 1 window or skylight which can easily be opened, or be equipped with such other acceptable device to adequately ventilate the room.

3. All bedrooms must have an egress window in addition to the door. Egress windows must be no more than 44" from the floor and permit at least 5.7 square feet of egress area. Windows must be operable, have locking mechanisms, and provide for ventilation. If there are living accommodations in a basement, an egress window is required.
4. All bathrooms must have an operational window, a functional electric vent fan, or other acceptable method of ventilation.
5. Ceiling fans installed in general living areas shall be Energy Star rated and installed to manufacturer's requirements.

ELECTRICAL & LIGHTING

1. The capacity of the system of circuits and electrical outlets within a building shall be adequate for the intended use of all rooms, and adequate electrical outlets shall be installed to prevent the need for extension cords or other extensions being used as a permanent wiring system.
2. Every habitable room within such dwelling shall contain at a minimum, 2 separate and remote wall type electric convenience outlets.
3. Habitable rooms over 120 square feet, shall contain, at a minimum, 3 separate and remote wall type electric convenience outlets. All newly installed outlets shall be grounded type outlets.
4. Temporary wiring or extension cords shall not be used as permanent wiring.
5. All receptacles in the kitchen, bathroom and lavatory, must be GFCI type (Ground Fault Circuit Interrupter) outlets and must be provided within 6'-0" from any sink or lavatory.
6. Receptacle convenience outlets installed on the exterior of the structure or on open porches, breezeways, garages, utility rooms, etc. shall be of the GFCI type. All electric lighting fixtures installed on the exterior shall be of the type approved for exterior use.
7. All heavy duty appliances, i.e., window air conditioners, freezers, refrigerators, electric stoves, washers, electric dryers, microwaves, etc., shall be supplied with their own dedicated outlet(s) on separate circuits, as applicable.
8. Outlets are required to permit coverage of the entire room by an appliance with a 6 foot cord. Use of extension cords is discouraged and additional outlets should be provided whenever possible to avoid their use.
9. Every habitable room shall have at least 1 ceiling or wall type electric light fixture, controlled by a wall switch, or a wall type grounded electric convenience outlet controlled by a remote switch preferably in the interior of the room next to the entrance.
10. Every toilet room, bathroom, laundry, furnace room, and hallway (where applicable) shall contain at least 1 supplied ceiling or wall type electric light fixture, controlled by a wall switch, and at least 1 wall type grounded electric convenience outlet. Wall type convenience outlets used in bathrooms and kitchens shall be the GFCI type.
11. Light switches in an open staircase, must be double switched at the top and bottom of the stairs. Living quarters should be electrically switched at entrances, unless impractical.

12. Exterior lighting at the front and back doors must be provided. These lights must be weather proof and switched from the interior at the entrance. All old pendant type lighting fixtures shall be removed and replaced with properly installed non-pendant type fixtures

13. All broken and/or missing switch plates and/or receptacle plates shall be replaced.

14. All outlets and fixtures shall be properly installed and connected to the source of electric power in a proper manner

15. If a unit does not have a central air-conditioning system and central air will not be installed, at a minimum a proper grounded outlet shall be installed under 1 window in each habitable room to allow the occupant(s) to install window air conditioning units.

16. Unit specific lights switched from the outside generally do not need to be moved, unless rewiring to be conducted in the house.

HEATING & AIR CONDITIONING FACILITIES

1. Each dwelling unit supplied with its own heating & air condition system, that system is to be properly installed, in safe and good working condition, and be capable of adequately heating and cooling all habitable rooms, bathrooms, and toilet rooms contained therein to a temperature of at least 72°F measured at a distance of 36" above floor level under ordinary winter and summer conditions. Heating & air conditioning system must be adequate for healthful and comfortable living conditions.

2. All existing heating systems, including but not limited to, chimneys and flues, cut-off valves and switches, limit controls, heat exchangers, burners, combustion and ventilation air, relief valves, drip legs and air, hot water, or steam delivery components (ducts, piping, etc.) that are not being replaced, shall be inspected by certified professionals to be in a safe and proper functioning condition at the time of inspection, by means of written project file documentation.

3. Any dwelling unit having as its only source of heat, space heaters or floor furnaces shall have such units removed and replaced with a proper central heating system.

4. Air conditioning equipment shall be installed in accordance with the manufacturer's specifications.

5. Every central heating & air condition unit shall be located and installed with the following:
   a. Every heat duct, steam pipe and hot water pipe shall be free of leaks and shall function such that an adequate amount of heat is delivered where intended and in such a manner so as to afford protection against involvement of egress facilities or egress routes in the event of uncontrolled fires in the structure;

   b. No fuel-burning furnace shall be located in any sleeping room or bathroom unless provided with adequate ducting for air supply from the exterior, and, the combustion chamber for such heating unit shall be sealed from the room in an airtight manner.

   c. Every fuel burning heating unit or water heater shall be effectively vented in a safe manner to a chimney or duct leading to the exterior of the building. The chimney duct and vents shall be of such a design as to assure proper draft, and shall be adequately supported.

   d. Every steam or hot water boiler and every water heater shall be protected against overheating by appropriate temperature and pressure limit controls.

e. A thermostat that controls both heating and cooling should be located near the return air grill.

6. A/C condenser units that will be replaced shall meet the minimum 14 SEER rating. All units shall be installed in a non-obstructed area, level and be well supported on a level surface.
7. The condenser unit's refrigerant line (larger line) must be insulated and have secured wiring and connections. An electric disconnect switch shall be installed for maintenance and repairs.

SMOKE DETECTORS

1. All residential structures shall have U.L. approved "hard wired" smoke detectors or battery operated smoke detectors, properly installed in all bedrooms and in area adjacent to bedrooms in accordance with manufacturer's instructions.
2. When more than one smoke alarm is required in an individual dwelling unit, the alarm devices shall be interconnected in such a manner that the actuation of one alarm will activate all of the alarms in the individual unit.
3. All smoke detectors shall be operable. The alarm shall be clearly audible in all bedrooms over background noise levels with all intervening doors closed.

ENERGY CONSERVATION

All structures shall comply with certain energy conservation measures (U.S. Department of Energy recommendations). These measures include, but are not necessarily limited to, the following:

1. Installation of insulation or the installation of additional insulation, especially in the attic/ceiling areas. The recommended level for ceiling insulation is to a resistance factor of R-30, wherever possible.
2. When siding is being replaced and/or interior wall finishes of exterior walls are being replaced on a dwelling, such exterior walls are to be provided with insulation and at the recommended resistance factor (r-value) of R-11, or that which is allowed by the stud cavity space. In addition, an air infiltration barrier, such as Tyvek or approved equal, shall be installed on all exterior walls. If new walls are being framed and insulated, the minimum R factor is R-19 or R-13 plus R-5 foam. The installation of fan-fold foam or foam sheathing may be added to increase household R-ratings.
3. The installation of weather stripping at all exterior doors, windows, ground-entry basement doors, etc. is required. Doors, when replaced, shall be Energy Star rated. Door jams will be sealed and thresholds will be caulked.
4. Provide caulking around exterior doors and windows, at the foundation/sill plate union, and at other air-infiltration areas.
5. All heat ducts and hot water or steam heat distribution piping shall be insulated or otherwise protected from heat loss where such ducts or piping runs are located in unheated spaces. Similarly, distribution piping for general use hot water shall also be protected from heat loss where such piping is located in unheated spaces. All water distribution piping shall be protected from freezing.
6. Replacement of single pane window units with thermal units or, the installation of combination storm windows if the single window units will not be replaced.

7. Any attic access passage ways in individual units should be addressed accordingly so as not to significantly reduce the efficiencies created by the other energy conservation measures being undertaken.

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ADDITIONAL REQUIREMENTS

APARTMENT UNIT & BUILDING AND PARKING TABULATION

The construction drawings shall include an Apartment Unit Tabulation that summarizes the building square footage for all types of apartment units and common areas. This would include the total number of living units per floor; unit descriptions (1 bedroom/1bath, etc.) and total square footage of each unit. Parking space tabulation shall include handicap spaces.

GENERAL NOTES

A statement shall be included in the general notes section of the drawings stating that all design and proposed renovation work for the project is in compliance with all applicable requirements for the project.

REHAB/RENOVATION DRAWINGS

All project designs and drawings for work requiring permits are to be performed by certified professionals. The type of work being performed will dictate the types of drawings that will be required. Please contact the City of Houston Planning Department or other certified professionals for details related to your individual project. One set of approved drawings shall be submitted to COH Housing & Community Development Department prior to the start of project and 1 set of "as-built" drawings at the end of the project.

Regardless of the types of drawings required, the following items are to be included in the set of working drawings:

1. A layout drawing of the entire apartment property, including all apartment buildings/units, common areas, laundry facilities, boiler rooms, access entryways, parking areas, wheel chair ramps, parking spaces, etc.;
1. The location(s) and nature of rehab work that will be performed;
3. Apartment Unit Tabulation that summarizes the building square footage for all types of apartment units and common areas. This would include the total number of living units per floor; unit descriptions (1 bedroom/1bath, etc.) and total square footage of each unit. See attachment 1 for a sample template.
4. Parking Space Tabulation showing the total number of parking spaces, including those spaces designated for handicap parking.
5. All ADA living units on the property, specifying those for individuals with mobility impairments and individuals with sensory impairments.

City of Houston Housing and Community Development Department
Minimum Property Standard for
Affordability Maintenance
for Multifamily Rental Housing

OVERVIEW

The standards contained in this document establish the minimum property habitability (MPS) standard for Affordability Maintenance for the City of Houston's Multifamily Rental Housing Program that receives assistance through federal funding from U.S. Department of Housing and Urban Development (HUD).

APPLICABILITY

This minimum standard applies to multifamily rental housing units that currently receive federal assistance or were acquired/developed/rehabilitated using federal assistance.

PURPOSE

This document serves as the minimum standard for City of Houston multifamily rental housing. As a result, the property must be free of those foreseeable hazards and adverse conditions that may affect the life, health, and safety of the occupants, fire safety, and the structural soundness of the dwelling or which may impair the customary use of the property. In addition to these standards all units must comply with the following:

- COH Building Code and Code of Ordinances
- The International Building Code (IBC) 2006 adopted by the City of Houston or the latest adopted edition of the IBC and any applicable code required by the pertaining Municipality.
- The International Residential Code (IRC) 2000 adopted by the City of Houston or the latest adopted edition of the IRC and any applicable code required by the pertaining Municipality.
- The International Energy Conservation Code (IECC) 2006 adopted by the City of Houston or the latest adopted edition of the Model Energy Code (MEC) and any applicable code required by the pertaining Municipality.
- The Lead Based Paint regulations as described in 24 CFR, Part 35 for units built before 1978.
- HUD 24 C.F.R Part 200.925a-c/296 Rules for Multifamily and Care-Type Housing

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- HUD C.F.R Part 8 Section 504 of the Rehabilitation Act of 1973, ADA, UFAS, FHA, and TAS where applicable.
- The requirements from other governing entities such as Homeowners Associations and Local and Federal regulations pertaining to zoning, traffic, drainage, flood plains and fire prevention (NFPA)

MINIMUM STANDARDS FOR EXTERIOR PROPERTY

TREES, BUSHES & LAWN

1. All lawns and any other part of a property shall be kept clean and free from accumulations of junk, rubbish, brush, refuse, litter, garbage and other debris, and any conditions that are health, fire or other hazards.
2. All lawns shall be provided with suitable ground cover to prevent instability and erosion of the soil. Holes or depressions of more than 6" in diameter should be filled to correct drainage problems and remove safety hazards.
3. All lawns, shrubs, hedges, trees and plants shall be planted and maintained in a manner that does not:
    a. obstruct the safety of the public;
    b. affect the safety of vehicular or pedestrian traffic;
    c. constitute an obstruction of view for vehicular traffic;
    d. wholly or partially conceal or interfere with the use of any hydrant or water valves;
    e. overhangs or encroach upon any pavement, sidewalk or travelled portion of any street or highway.
4. Trees or parts thereof that are dead, diseased, decayed or damaged, shall be removed or maintained in a condition that is not hazardous to persons expected to be on or about the property.
5. Trees that present a safety hazard because electrical wiring running through them must be trimmed. Trees that could damage the structural integrity of an adjoining building above or below the foundation shall be removed.
6. HVAC condenser units and electrical panels shall be free of shrubs, hedges, weeds, trees and plants that interfere with its operation and access for repairs and maintenance.

GARBAGE & DEBRIS

1. Property shall be kept free of garbage, rubbish, debris or accumulations of such materials that prevent access to or exit from the property in the case of emergency or other safety or health hazard.
2. Every apartment project shall be provided with sufficient trash receptacles to contain all garbage, debris or rubbish which accumulates on the property, and such materials shall be placed for collection in proper receptacles in compliance with applicable local ordinances, and not allowed to accumulate in a manner that would present a life, health and safety issue.
3. Trash receptacles shall be containers that are water-tight, equipped with a tight-fitting cover, rodent-and pest-proof, and shall be maintained in a clean condition without holes or spillage; and closed, or emptied, rinsed and cleaned when not in use, to prevent the escape of offensive odor or debris.
4. Where commercial or on site garbage containers are visible from a public street or land, or the property abuts residential properties, the area where the receptacles are stored shall be enclosed on all sides by wall or solid fence not less than 6' high. Such wall or fence shall contain an adequate door or gate to allow for the removal of garbage or refuse. They shall be

maintained in a manner that will not attract pests, create a health or other hazard, or obstruct an emergency route, recreation facility, parking area, driveway or walkway.

5. Every unenclosed porch, balcony, and every exterior or interior hallway, stairway and common area shall be kept free of garbage, debris, furniture or appliances, except furniture which is outdoor grade or made weather and water resistant may be placed for use on balconies or porches.
6. Bulk trash, including refrigerators, stoves, washers, dryers and other appliances; unlicensed automobiles and other vehicles; and improperly stored construction materials or firewood should be removed or appropriately stacked as prescribed by City of Houston ordinances.

GRADING & DRAINAGE OF PROPERTY

1. Property shall be graded and maintained so no stagnant water will accumulate or stand on the premises, or within or around any building or structure located on the premises or create unstable soil conditions or erosion.
2. Ground areas around buildings shall be sloped away from walls to eliminate low areas where standing water may collect.
3. All catch basins, storm drains, ditches and swales shall be maintained free from defects and obstructions.
4. Condensation from air conditioners shall not be permitted to discharge onto the exterior wall of a building, pedestrian walkways, sidewalk or street.

STORM GUTTERS & SPLASH BLOCKS

1. Gutters and downspouts shall be maintained watertight and free from leaks, in good working order, and free from any obstructions and hazards, and in a stable condition and shall be securely fastened to the structure.
2. Any above-ground discharge from a downpipe or pipe shall be directed to discharge and be contained on the property in a manner that is not likely to cause damage to any adjoining property or create a hazardous condition on any stairway, walkway, street or boulevard.
3. Gutters and downspouts shall be protected by a suitable finishing material. Deteriorated gutters that impede drainage or cause a safety hazard shall be reinstalled.

PEST CONTROL

The entire property shall at all times be kept free of rodents, vermin, insects and other pests and from conditions which may encourage infestation by pests.

FENCE MAINTENANCE

1. All fences and other enclosures around or on a property shall be maintained in a structurally sound condition and plumb, unless specifically designed to be other than vertical, with a uniform construction, in good repair and free from hazards.

2. Fences, barriers, retaining walls shall be kept free of posters and graffiti and shall be maintained in compliance with all City of Houston ordinances. Any part of a fence or enclosure that creates an illegal entry and access ways has to be repaired immediately.

VACANT BUILDINGS

1. The owner shall protect vacant or unoccupied buildings against the risk of fire, accident or intentional damage to the property, or such damage as may be caused to other properties, arising from the entry of unauthorized persons to the building, by effectively preventing entrance by unauthorized persons.
2. The owner shall protect buildings damaged by accident, storm, neglect or other causes or intentional damage, against further risk of further damage, accident or other danger, and shall effectively prevent entrance thereto by all unauthorized persons, by closing and securing opening(s) to the building(s) with boarding which completely covers the opening.
3. Any structure that is in a state of disrepair or collapse must be repaired or demolished, and any collection of building materials must be removed from the property. Such demolition does not reduce the number of units restricted under Loan Agreements.

NON-DWELLING STRUCTURES

1. Every accessory building shall be maintained with suitable and uniform materials, kept in good repair, free from hazards, and protected by paint, preservatives or other weather-resistant material.
2. All laundry rooms, recreation rooms and any other ancillary rooms, and the facilities, amenities and associated equipment for those rooms, shall be kept clean and maintained in a safe condition and in good repair.
3. All laundry rooms shall be provided with hot and cold running water and properly connected to the drainage system.
4. All laundry rooms shall have a trapped floor drain connected to the drainage system and capable of adequately draining the floor.

STEPS, SIDEWALKS, DRIVEWAYS, PARKING LOTS & PAVING

1. The surfaces of steps, sidewalks & driveways and similar areas of the yard shall be maintained in good repair so as to afford safe passage under normal use.
2. All sidewalks, service walks driveways & patios shall be kept in a state of maintenance and repair, free from obstructions, defects, uneven joints, tripping hazards, etc.
3. All areas used for vehicular traffic or the parking or storage of a vehicle shall be paved with asphalt or concrete or other environmentally safe and dust-free equivalent surface and shall be kept free from dirt, surface dust and refuse; maintained in good repair and free from cracks, holes and ruts.
4. Parking lots are to be properly maintained in a way to prevent ponding of water and to direct the flow of water away from the walls of all buildings.

5. Parking lots are to be provided with suitable markings to indicate parking spaces, and the markings shall be maintained so as to be clearly visible. Signs, decals, pavement markings should be clear, visible and distinctive.
6. Parking stops shall be installed where parking spaces are adjacent to a property line to protect fences and neighboring properties from physical damage and shall be properly anchored and secured and properly aligned and positioned to each parking space.
7. Handicap parking areas shall be maintained so that individuals with disabilities can approach, enter, and exit the areas easily.

MISCCELANEOUS

1. The water in swimming pools shall be kept clean and in a sanitary condition free from obnoxious odors and conditions likely to create a breeding environment for insects. Surrounding surface areas for walking and relaxing shall be kept clean of dirt, mold, mildew, etc.
2. Property and building signs and faces shall be maintained without any visible deterioration of the sign or its structure so that the information conveyed by the sign by color, form, graphic, illumination, symbol or writing is clearly legible.
3. Property and building signs and any fastening/supporting structures that are damaged, broken or excessively weathered or faded, or that have a worn, peeled or cracked finish, shall be removed or refinished and put in a good state of repair so that the signs are free from defects or faded lettering.
4. Every dwelling unit shall have a separate and secure mail box or mail receptacle that is maintained in good condition at all times. Identification information on the mail box should be clearly visible.
5. All antennas, satellite dishes, lightning rods and other similar structures and their supporting members shall be maintained in a safe condition and in good repair.
6. Elevators shall be maintained in a clean condition and certified to be in good working order.
7. All elevator parts and appendages, including lighting fixtures, lamps, elevator buttons, floor indicators and ventilation fans, shall be kept in good repair and operational.
8. Coolant lines of HVAC condenser units shall be insulated to insure optimum performance. Insulation shall not be torn or worn out and shall be tightly secured to the gas line.

BUILDING STRUCTURE

1. Every building structure on the property shall be maintained in structurally sound and safe condition.
2. Every part of a building or structure shall be maintained in good repair and in a structurally sound condition so as:
   a. To be capable of safely sustaining its own weight and any load to which, normally, it might be subjected;
   b. To be capable of safely accommodating all nominal structural movements without damage, decay or deterioration; and
   c. To prevent the entry of moisture that would contribute to damage, decay or deterioration.

FOUNDATION

1. The foundation walls and floors shall be maintained in good repair and structurally sound.
2. Foundation walls and crawl spaces and other supporting members of a building or structure shall be stable and not sinking and maintained in good repair and structurally sound.
3. Foundation cracks should be identified, particularly at window areas. All cracks must be filled with epoxy, cement, and rubbed with appropriate cement materials. All cracks exceeding ¼" wide must be investigated by a certified professional to determine the extent of repair work.
4. Areas of the foundation that are spalling (crumbling gravel or rock), have decaying concrete, have collapsed, or are in any other state of disrepair must be addressed to prevent further deterioration or damage to the buidlings.
5. Collapsed sections of foundations must be reconstructed as per the written recommendation of a certified professional.
6. Exposed foundation rebar should be cleaned and prepared and surface area patched thoroughly to avoid water penetration.

EXTERIOR WALL SURFACES

1. All exterior surfaces of buildings, structures, fences and retaining walls, including mobile structures and buildings shall be maintained and kept weather resistant so as to prevent their deterioration and entry of vermin and birds. Surfaces shall be free of dirt, mold, mildew, algae and water stains.
2. Exterior walls shall contain no holes or cavities, separation of siding materials, collapse of siding or deterioration of exterior siding materials or openings at the rafters and at the rim joist.
3. All exterior surfaces of buildings, structures, fences and retaining walls, including mobile structures and buildings, shall be repaired by the painting, restoring or repairing of the walls, coping or flashing or by the waterproofing of the joints and of the walls itself.
4. Markings, stains, graffiti, painted slogans, smoke damage or other markings or defacement appearing on any exterior surface shall be removed. If necessary, to maintain the exterior surface, the surface of these areas shall be restored and, resurfaced to the exterior finish of the building or structure.
5. All canopies, marquees, signs, awnings, screens, grilles, stairways, pipes, ducts, standpipes, air conditioners and all similar equipment, attachments and their supporting members shall be maintained in good repair, properly anchored and protected from the elements, so as to prevent decay and rust, by paint or other protective coating.

WINDOWS & EXTERIOR DOORS

1. Windows, skylights, exterior doors and frames and attic access doors shall be maintained in good repair and shall be of such construction so as to minimize drafts and heat losses through the infiltration of outside cold air.

2. All exterior openings for doors and windows shall be fitted with doors or windows that are maintained in a weather-tight condition to prevent drafts or leakage and protected by suitable materials to prevent the entry of rodents, vermin and insects.
3. Rotted or damaged doors, door frames, window frames, sashes and casings, weather-stripping, caulking, broken glass and missing or defective door and window hardware shall be repaired or replaced.
4. All exterior doors and the entrance door to a dwelling unit shall have hardware so as to be capable of being locked from the outside, and locked or otherwise secured from the interior of the space.
5. All windows in a dwelling unit that are capable of being opened shall be fitted and equipped with screens that are maintained in good repair and free from defects and missing components.
6. All exterior doors and windows capable of being opened shall be free from defective hardware and be capable of being locked or otherwise secured from inside the building.
7. Glazed doors, windows and other transparent surfaces shall be kept reasonably clean in order to permit unimpeded visibility and unrestricted passage.
8. Doors, passageways and exits shall be maintained free from hazardous conditions, obstructions and impediments.

STAIRWAYS, BALCONY'S & HALLWAYS

1. Interior and exterior stairs, landings, balconies, porches and any other means of access shall be maintained so as to be free of holes, cracks and other defects which may constitute possible accident hazards. Treads or risers that show excessive wear or are broken, warped or loose and all supporting structural members that are rotted, rusted or deteriorated shall be repaired or replaced. Treads that have become loose need to be securely anchored to stairwell.
2.
3. Handrails shall be installed and maintained in good repair on all exterior stairs which have more than 3 risers and on all interior stairs within dwelling units which have more than 2 risers.
4. Handrails on porches, balconies or raised floor surfaces shall be securely anchored to the floor and/or to the nearest exterior wall so as to not allow any horizontal movement of the handrail.
5. Wood balconies and walkways need to be maintained in good repair and in a structurally sound condition. Structural components that have deteriorated, rotted or are in disrepair shall be replaced to maintain the structural integrity.

ROOF COVERING

1. All structural components of a roof shall provide adequate support for all designed loads, and form a suitable base for the roof covering. It the roof is subjected to a load for which it may not be adequate, the roof shall be cleared of the load to prevent collapse or structural damage.

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2. A building roof, including the fascia board, soffit, cornice and flashing around the perimeter of a roof, should be inspected for deterioration and be maintained in a weather-tight condition and able to prevent the leakage of water into the building.
3. On structures over 50 years of age, the truss and support system of roofs must be inspected to ensure adequate construction. When deficiencies are identified, appropriate supports and truss systems must be reconstructed.

PLUMBING

1. The plumbing system in every building shall be maintained in good working order and free from leaks and defects.
2. All water pipes and appurtenances thereto shall be protected from freezing.
3. All clean-out drains shall be enclosed with insert covers that contain no holes.
4. Any sanitary sewage discharged from buildings on the property constitutes a life, health and safety danger to the residents and needs to immediately be repaired.

ELECTRICAL & EXTERIOR LIGHTING

1. The capacity of the electrical connection to a building and the system of circuits and electrical outlets distributing the electrical supply within the building shall be maintained at all times and free from unsafe conditions.
2. Electrical panel boxes must have cover plates and covers for all unused breakers.
3. Every stairway, exterior exit and entrance doorway, bathroom, toilet room, kitchen, hallways, laundry, furnace room and non-habitable work room in a suite, dwelling unit or building shall have a permanently installed lighting fixture that shall be maintained in good working order to provide safe passage.
4. Exterior flood lighting shall be maintained in a good state of repair without any damage to light fixture and its components. Wires shall be properly enclosed to avoid contact with water.
5. Outdoor receptacles must be maintained to be impervious to water intrusion and in a condition that permits easy access and not interfere with lawn maintenance.
6. All exterior electrical wires shall be enclosed in conduit. Conduit that is cracked, broken or is deteriorated shall be replaced.

MINIMUM STANDARDS FOR INTERIOR PROPERTY

WALLS, FLOORS, CEILINGS, DOORS & WINDOWS

1. Floors and floor coverings shall be maintained free from any trip or other hazardous condition and shall be kept in a clean and sanitary condition and free from holes, stains, rubbish and debris.
2. Any repair, replacement or painting required on walls & ceilings shall be such that the material used shall have a finish and facing similar to that of the original covering.
3. Floors of rooms in which plumbing fixtures are installed shall be maintained to be reasonably impervious to water and in a condition that permits easy cleaning.
4. Every wall and ceiling shall be maintained clean and free of holes, cracks and damaged and deteriorated surface material, and each repair shall be finished to reasonably match the existing walls or ceilings.
5. Previously finished walls and other surfaces in public areas of property shall be maintained in good repair and shall be renewed or refinished, when necessary, to maintain a similar appearance.
6. In bathrooms, water proof green rock, blue rock or other similar drywall material must be utilized. Interior walls with decayed sheetrock must be replaced by installing new sheetrock, taping cracks, texturing and repainting.
7. Interior doors, their frames, glass panels and hardware shall be maintained in good repair, and all doors shall be of a good fit in their frames.
8. All damaged or deteriorated door trim and baseboard must be removed and replaced.
9. All doors and hatches to the roof that provide access for the purpose of maintenance shall be kept free of obstructions and locked at all times.
10. All cracked or deteriorating ceilings require an inspection to determine the cause that generated the problem. Every effort should be made to correct the problem before the ceiling is repaired. Cracks must be filled and retextured, and the ceiling completely repainted when treated.
11. When there is decaying ceramic or plastic tile in bath or shower areas, the deteriorated area must be replaced with water proof sheetrock and new tile reinstalled, grouted, and caulked.

KITCHEN FACILITIES

1. All counter tops showing evidence of wear and tear, water damage, uplifting of surface material, etc. must be replaced. Replacement counter tops may include prefabricated laminated counter tops when walls are sufficiently square.
2. Sinks and worktops shall be sealed around edges with silicone sealant to be impervious to water and in a condition that permits easy cleaning.
3. All kitchen plumbing must be inspected to ensure that faucets and drain pipes work properly. All waste pipes and traps shall be free of defects with no leaks or drips.

4. Water taps shall be in good condition (i.e. no dripping) and easy to operate by children or people with finger mobility problems.
5. Any holes around waste pipes and traps shall be sealed so as to prevent the ingress of vermin and pests.
6. Waste disposal unit shall be maintained in operating condition. Electrical connection wires and drain lines should be properly sealed.
7. The refrigerator/freezer or refrigerator and freezer shall be clean and in good working order.
8. All stove gas rings or burners shall be clean and in operating condition. The oven shall be clean and properly working.
9. Kitchen cabinets must have properly functioning doors and/or drawers. Cabinet doors must be in good condition and properly open and close.

BATHROOM FACILITIES

1. The toilet shall be clean, secure, and free of defects, with a secure seat and the tank shall fill at a reasonable rate. All bathroom flooring must be inspected at the base of the toilets to ensure that leaking is not occurring. When leaking has occurred and sub floor has rotted, the sub floor must be removed and replaced.
2. Bathtub or shower and washbasin shall be in good condition and should show no signs of surface build-up, cracks or chips. They shall be sealed around the edges to prevent water intrusion.
3. Waste pipes and taps shall be free of defects with no leaks or drips.
4. Water taps shall be in good condition (i.e. no dripping) and easy to operate by children or people with finger mobility problems.

BEDROOM & LIVING ROOM REQUIREMENTS

1. All bedrooms must have a functional door that closes, which, preferably can be locked from the inside.
2. All switchable light fixtures and electrical outlets in the bedrooms shall be operating condition.

ELECTRICAL

1. The capacity of the system of circuits and electrical outlets within a building shall be adequate for the intended use of all rooms, and adequate electrical outlets shall be installed to prevent the need for extension cords or other extensions being used as a permanent wiring system.
2. All electrical fixtures, switches, receptacles and connections to them shall be maintained in a safe and complete condition and in good working order.
3. All electrical connections must be in enclosed metal or plastic electrical boxes. No hanging wires are permitted.

4. All light fixtures should be inspected to ensure that they are solidly hung and that the electrical connections have not been loosened. All electrical fixtures that evidence wear must be replaced with new fixtures.
5. All electrical outlets and switches must have tight cover plates. Any switches or outlets that are nonfunctional must be inspected by a certified professional to correct.
6. Smoke detectors must be fully operational and shall be clearly audible in all bedrooms over background noise levels with all intervening doors closed. Installation of smoke alarms should be in accordance with the recommendations of the manufacturer. Unacceptable smoke detectors must be removed, properly reinstalled in an acceptable location, and all affected wall or ceiling areas repaired to match surrounding.

MISCELLANEOUS

1. The heating and cooling system and all associated mechanical equipment shall be operated and maintained in good working order, free from unsafe conditions, and in accordance with the requirements of the local building code.
2. All systems of mechanical ventilation shall be maintained in good working order.
3. Every dwelling unit shall be kept free of infestation of pests.
4. Fire extinguishers should be located in the kitchen and be fully loaded and shall be maintained in good working order.
5. Boiler rooms shall be good working condition with drain lines at the temperature and pressure relief valves properly sized and terminated in an acceptable location.

APPENDIX 14

ADDITIONAL REQUIREMENTS BY THE CITY OF HOUSTON

HABITABILITY ORDINANCE 2009-1043

As per the City of Houston's Ordinance 2009-1043 for Habitability Inspections – All apartment communities with 3 or more units (Sec 10-151 of the Houston Code of Ordinances) are required to register with The City of Houston for Habitability Inspection purposes (Habitability Inspection Checklist). To obtain detailed information regarding the program, log on to www.houstonmultifamily.org. For more information, please contact the Habitability Inspections Section at 713-535-7900. See appendix II for Habitability Ordinance 2009-1043.

APARTMENT SECURITY ORDINANCE 2006-1124

As per the City of Houston's Ordinance 2006-1124 for Apartment Security – All apartment communities of ten or more units (Sec 28-282 City of Houston Code of Ordinances) are required to register the ownership of the apartment community with the Multifamily Administrative Unit of the Houston Police Department. To obtain detailed information regarding the program, log on to www.houstonmultifamily.org. For more information, please contact the Habitability Inspections Section at 713-535-7900.

CERTIFICATE OF OCCUPANCY RENEWAL

All properties are required to have a Certificate of Occupancy from the City of Houston Code Enforcement located at 3300 Main Street, Houston, TX 77002.

FIRE INSPECTION

All inspections related to City of Houston Fire Department are coordinated through the City of Houston Habitability Inspection.

Appendix I

APPENDIX 14

PROJECT SUMMARY:

Apartments:

Type	Description	Qty.	Area
A1	One Bedroom, 1 Bath	46	581 s.f.
B1	One Bedroom, 1 Bath	24	620 s.f.
C1	One Bedroom, 1 Bath	131	660 s.f.
C2	One Bedroom, 1 Bath (H.C.)	9	660 s.f.
Total One Bedroom Units		**210 Units**	**130,006 s.f.**
D1	Two Bedroom, 1 Bath	41	857 s.f.
D2	Two Bedroom, 1 Bath (H.C.)	3	857 s.f.
E1	Two Bedroom, 2 Bath	63	950 s.f.
E2	Two Bedroom, 2 Bath (H.C.)	5	950 s.f.
F1	Two Bedroom, Den, 2 Bath	2	1,007 s.f.
Total Two Bedroom Units		**114 Units**	**104,332 s.f.**
Apartments Total		**324 Units**	**234,328 s.f.**
Amenity Center			2,400 s.f.
Leasing Office			1,240 s.f.
Laundry, Boiler, Storage			2,500 s.f.
Project Total			**240,468 s.f.**

Parking:

Parking Required	
210 One Bedroom Units @ 1.333 cars/unit =	279.93 cars
114 Two Bedroom Units @ 1.667 cars/unit =	190.04 cars
Total Required	**469.97 cars**
Parking Provided	
Open Parking (secured)	293 cars
Carport Parking (secured)	150 cars
Total Secured Parking	**443 cars**
Amenity & Other Parking (non-secured)	27 cars
Total Parking Provided	**470 cars**

Total Parking Provided:	Van Accessible	HC Accessible	Standard	Total
Open Parking (secured)	6	11	425	442 cars
Amenity Center	1	0	27	28 cars
Total Parking Provided	7	11	452	470 cars

Appendix II

City of Houston, Texas, Ordinance No. 2009-1043

AN ORDINANCE AMENDING CHAPTER 10 OF THE CODE OF ORDINANCES, HOUSTON, TEXAS, RELATING TO THE HABITABILITY OF MULTI-FAMILY RENTAL BUILDINGS; CONTAINING FINDINGS AND OTHER PROVISIONS RELATING TO THE FOREGOING SUBJECT; PROVIDING FOR SEVERABILITY; CONTAINING A SAVINGS CLAUSE; AND DECLARING AN EMERGENCY.

* * * * *

WHEREAS, the 81st Texas Legislature (Regular Session) passed House Bill 1819 ("HB 1819"), which bill became law on June 19, 2009; and

WHEREAS, HB 1819 added Section 214.219 ("Section 214.219") to the Texas Local Government Code; and

WHEREAS, Section 214.219 requires a municipality with a population of 1.7 million or more to "adopt an ordinance to establish minimum habitability standards for multi-family rental buildings, including requiring maintenance of proper operating conditions" and to "establish a program for the inspection of multi-family rental buildings to determine if the buildings meet the minimum required habitability standards"; and

WHEREAS, HB 1819 requires a municipality subject to Section 214.219 to enact the said ordinance and to establish the said program not later than December 31, 2010; and

WHEREAS, the City is a municipality subject to Section 214.219; and

WHEREAS, the City Council finds that Article V and Divisions 3 and 4 of Article IX of Chapter 10 of the Code of Ordinances, City of Houston, Texas (the "Code of Ordinances") constitute habitability standards for multi-family rental buildings, which standards should be supplemented and strengthened as provided herein; **NOW, THEREFORE,**

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF HOUSTON, TEXAS:

Section 1. That the findings contained in the preamble of this Ordinance are determined to be true and correct and are adopted as a part of this Ordinance.

Section 2. That Chapter 10 of the Code of Ordinances, Houston, Texas, is amended by adding a new Article IV that reads as follows:

"ARTICLE IV. HOUSTON MULTI-FAMILY HABITABILITY CODE

Sec. 10-151. Title; purpose; conflict with other municipal laws.

This article is, and may be cited as, the 'Houston Multi-Family Habitability Code.' One purpose of this Habitability Code is to comply with Section 214.219 of the Texas Local Government Code. The provisions of this Habitability Code are cumulative of all other laws and regulations of the city, as well as all applicable state and federal laws and regulations. In the event of a conflict between this Habitability Code and another law or regulation of the city, the provisions of this Habitability Code shall control.

Sec. 10-152. Definitions.

In addition to definitions appearing elsewhere in this article, the following words and phrases when used in this article shall have the meanings ascribed to them in this section, except where the context clearly indicates a different meaning:

Building official means the building official and all persons designated in writing by the building official to act on his or her behalf to construe and to enforce this article.

Habitability refers to the character of a multi-family rental building free of any condition constituting a material risk to the physical safety or health of the building's ordinary tenants. A multi-family rental building substantially free of such conditions is *habitable*.

Multi-family rental building or *MFRB* means a building that has three or more units. Only for the purposes of the Inspection Program established by this article, *multi-family rental building* or *MFRB* includes all MFRBs and all accessory buildings (such as a boiler room, laundry room, club house, or garage) on the same tract.

Owner means the current owner (or, collectively, the current owners) of the real property on which a multi-family rental building is located. For the purposes of this article, records available for public view at an official website maintained by the appraisal district in which the MFRB is located are presumed to be accurate with regard to the ownership of real property, but the presumption of ownership may be rebutted by documents properly recorded in the real property records of the county in which the MFRB is located.

Tract means the parcel or parcels of real property on which a

multi-family rental building is located.

Unit means one or more rooms rented for use as a permanent residence under a lease to one or more tenants, except that none of the following shall constitute a *unit*:

(a) A room or rooms rented primarily for the purpose of receiving services regulated by a department or agency of the federal government or of the State of Texas (including, but not limited to, the Texas Department of State Health Services);

(b) A room or rooms owned or operated by a public or private college or university accredited by a recognized accrediting agency within the meaning of Section 61.003, Texas Education Code;

(c) An 'apartment' in a 'condominium' within the meaning of Chapter 81, Texas Property Code; or

(d) A 'unit' in a 'condominium' within the meaning of Chapter 82, Texas Property Code.

Sec. 10-153. Construction of this Habitability Code.

This article shall not be construed to alter the terms of any lease or other agreement between an owner and a tenant relating to an MFRB, except that no provision of any such lease or other agreement shall be construed to excuse compliance with this article or with any other law or regulation of the city. It is not the purpose of this article to prescribe legal rights or liabilities as between an owner and a tenant.

Sec. 10-154. MFRB Registration.

(a) The building official shall promulgate a form for the registration of MFRBs, which form shall require disclosure of:

(1) The physical address of the MFRB;

(2) The account number(s) assigned to the tract by the appraisal district in which the MFRB is located;

(3) The number of buildings on the tract;

(4) The number of units in each building on the tract;

(5) A brief description of the intended use of each building on the tract (residential building, boiler room, laundry room, club house, garage, etc.);

(6) The Project Number(s) appearing on the face of either the Certificate of Occupancy or the Life Safety Compliance Certificate issued by the city for each building on the tract; and

(7) The name, mailing address, physical address, telephone number, and e-mail address (if available) of at least one owner of the MFRB.

(b) The form promulgated by the building official shall provide a physical address and a mailing address for filing completed MFRB Registration Forms. In addition, the building official shall establish a means by which MFRB Registration Forms may be completed and filed electronically.

(c) An owner of an MFRB shall register the MFRB by completing and filing an MFRB Registration Form with the building official.

(d) An owner of an MFRB shall post a hard copy of the current, completed MFRB Registration Form in or on the MFRB.

(e) If an MFRB was not in existence on January 1, 2010, the owner of the MFRB shall register the MFRB by completing and filing the MFRB Registration Form with the building official no later than 30 days after the MFRB receives a Certificate of Occupancy.

(f) Registration of an MFRB as required by this section shall constitute:

(1) Registration of the MFRB under section 28-283 of the Code of Ordinances; and

(2) Compliance with sections 250.003 and 250.004 of the Texas Local Government Code.

(g) No later than 30 days after an owner of an MFRB knows or reasonably should know that a statement on the MFRB Registration Form was incomplete or inaccurate when filed, or has become incomplete or inaccurate since filed, the owner must complete and file an amended MFRB Registration Form.

Sec. 10-155. Habitability standards.

In addition to the habitability standards established by article V and by divisions 3 and 4 of article IX of chapter 10 of this Code:

(1) An owner of an MFRB violates this article if the MFRB does not comply with:

a. All applicable provisions of the Fire Code;

b. Sections L102 through L108 of appendix L of the Building Code (which provisions are part of the Building Code's 'Life Safety Appendix');

c. Sections 10-211 through 10-215 of this Code (which provisions pertain to the numbering of buildings);

d. Sections 43-18 through 43-20 and section 43-23 of this Code (which provisions pertain to swimming pools); and

e. Sections 92.153 through 92.162 of the Texas Property Code (which provisions pertain to security devices).

(2) An owner of an MFRB at all times must post in or on the MFRB:

a. A valid Certificate of Occupancy or a valid Life Safety Compliance Certificate; and

b. A 'NOTICE TO ALL RESIDENTS' legibly typed or printed in a font 28 points or larger, in both English and Spanish, the substance of which Notice is as follows: 'IF ANY CONDITION of this building CREATES A HAZARD to human safety or health, REPORT THE CONDITION to the building's manager or owner. You also may report the condition to the City of Houston by calling the City's Service Helpline at 311.'

(3) Any document required by this article to be posted in or on an MFRB must be posted either (a) as provided by the Building Code or (b) by posting an accurate copy of the document in a manner reasonably protected from weather and in a place conspicuous to ordinary tenants no more than five feet from each mailbox facility at which the United States Postal Service delivers mail to tenants or, if no such facility exists, in some

other place equally conspicuous to ordinary tenants of the MFRB.

Sec. 10-156. Powers and duties of building official.

(a) Except for applicable provisions of the Fire Code incorporated herein by reference, the building official has primary responsibility for the enforcement of this Habitability Code.

(b) With regard to MFRBs only, the terms 'director' and 'neighborhood protection official' as used in article V and in divisions 3 and 4 of article IX of chapter 10 of this Code refer to the building official.

(c) With regard to MFRBs only, the building official has powers and duties equal to and concurrent with the health officer for the enforcement of sections 43-18 through 43-20 and section 43-23 of this Code (which provisions pertain to swimming pools).

Sec. 10-157. MFRB Inspection Program.

(a) The building official shall inspect MFRBs pursuant to an inspection program (the 'Multi-Family Rental Building Inspection Program' or the 'MFRB Inspection Program'), as provided in this section.

(b) The building official shall promulgate a checklist (the 'Multi-Family Rental Building Checklist' or the 'MFRB Checklist') of criteria by which the building official shall determine the habitability of MFRBs.

(1) The MFRB Checklist shall have no force or effect until ninety days after copies of City of Houston Ordinance No. 2009-2009-1043[1] and the MFRB Checklist have been available for public view in the office of the city secretary and at a website maintained by the city.

(2) The building official may amend the MFRB Checklist; however, an amendment of the MFRB Checklist shall have no force or effect until ninety days after the MFRB Checklist has been available for public view in the office of the city secretary and at a website maintained by the city.

(c) No MFRB shall be inspected under the MFRB Inspection Program until at least forty-five days after the building official has mailed to

---

[1] The City Secretary shall insert the number of this Ordinance.

the owner a letter stating:

(1) The first day of thirty consecutive days during which the building may be inspected under the MFRB Inspection Program;

(2) The physical address of the office of the city secretary and the internet address of the website at which copies of the MFRB Checklist are available for public view;

(3) The amount of the fee (the 'MFRB Inspection Fee') to be paid to the city prior to the first day of the said thirty consecutive days during which the building may be inspected; and

(4) The mailing and physical addresses at which the MFRB Inspection Fee may be paid.

(d) The building official shall mail by first-class mail duplicate originals of the letter required by subsection (c) of this section to the owner of the MFRB at the respective addresses:

(1) Of the owner, according to MFRB Registration Form filed with the building official, or, if the MFRB has not been registered with the building official, according to records available for public view at an official website maintained by the appraisal district in which the MFRB is located; and

(2) Of the MFRB.

(e) No inspection of an MFRB under the MFRB Inspection Program shall be delayed solely because the owner did not receive or did not understand a letter prepared and sent as required by subsections (c) and (d) of this section.

(f) Notwithstanding anything to the contrary in this article, no employee of the city inspecting an MFRB under the MFRB Inspection Program shall enter a unit without the written permission of a person who has a legal right to occupy the unit.

Sec. 10-158. Fees.

For the inspection of an MFRB under the MFRB Inspection Program the owner shall pay to the city the MFRB Inspection Fee, which fee shall be in the amount of either $4.00 per unit or $100.00 (total), whichever amount is greater, plus an administrative fee in the amount of $10.00.

Sec. 10-159. Remedies.

An owner who violates, or whose MFRB is in violation of, any provision of this article shall be guilty of a misdemeanor punishable upon conviction by a fine of not less than $500 nor more than $2,000. Each violation, and each day that a violation continues, shall constitute and be punishable as a separate offense."

Section 3. That nothing in this Ordinance shall delay or otherwise hamper a timely inspection of a multi-family rental building ("MFRB") by the City in response and relating to credible complaints by tenants or other members of the public, such inspections ("reactive inspections"), although not part of the Multi-Family Residential Building Inspection Program ("MFRB Inspection Program") established by this Ordinance, being essential to the public welfare.

Section 4. That, except as otherwise provided by this Ordinance, an owner of an MFRB shall register the MFRB by filing a completed registration form (the "the MFRB Registration Form") with the building official no later than January 31, 2010.

Section 5. That the building official shall use appropriate public and non-public databases to compile a list (the "MFRB List") of the City's MFRBs in numerical order, according to the following priorities:

First, MFRBs not registered with the building official as required by this Ordinance;

Second, MFRBs whose owners have not obtained Certificates of Occupancy or Life Safety Compliance Certificates as required by the Building Code;

Third, MFRBs that were subjects of one or more citations issued during 2009 for violations of the Building Code; and

Fourth, all other MFRBs.

Within the four groups described immediately above, MFRBs shall be ordered in a manner reasonably consistent with their respective dates of construction, older MFRBs first. For the purposes of this Ordinance, the date of an MFRB's construction is the most recent of (a) the date of construction according to the registration required by this Ordinance, unless the building official reasonably concludes that such information is not reliable; or (b) the date of construction according to an official website maintained by the appraisal district in which the MFRB is located; or (c) the date on which the building official issued a Certificate of Occupancy or a Life Safety Compliance Certificate for the MFRB.

Section 6. That the MFRB List shall be available for public view in the office of the City Secretary and at a website maintained by the City at least forty-five days before the building official conducts an inspection pursuant to the MFRB Inspection Program. The office of the City Secretary and said website both shall provide a mailing address for the submission of additional buildings that members of the public believe should be included on the MFRB List. Any building so added to the MFRB List shall be assigned the next consecutive number. In addition:

(1) A newly constructed or rehabilitated multi-family rental building shall be added to the MFRB List four years after the date on which a Certificate of Occupancy is issued for the building;

(2) For the purposes of subsection (1) immediately above, a Life Safety Compliance Certificate is not a substitute for a Certificate of Occupancy;

(3) The building official may add a building to, or delete a building from, the MFRB List as long as the addition or deletion is consistent with the purposes and requirements of this Ordinance; and

(4) If the building official deletes a building from the MFRB List, the number to which the building had been assigned shall be marked "Deleted," and the building official shall make a reasonable effort to avoid reassigning numbers to buildings on the MFRB List.

Section 7. That the building official's enforcement of the MFRB Inspection Program shall include inspections conducted in the order the buildings appear on the MFRB List, except that, with regard to buildings to whose owners the building official properly has sent letters stating that the buildings will be inspected during the same thirty-day period, the building official may inspect the said buildings in any order during the said period.

Section 8. That, as soon as reasonably possible, the building official shall schedule for a reactive inspection any building added to the MFRB List after February 15, 2010, for which neither a Certificate of Occupancy nor a Life Safety Compliance Certificate has been issued.

Section 9. That, when all buildings on the MFRB List have been inspected under the MFRB Inspection Program, the building official shall reinspect the buildings in the order the buildings appear on the MFRB List, repeating the inspection cycle *ad infinitum*, except that the building official shall omit from the then-current reinspection cycle any building that during the preceding four years:

(1) Has been inspected at least once pursuant to the MFRB Inspection Program;

(2) Has not been the subject of a "notice of violation" within the meaning of the Building Code; and

(3) Has not been the subject of a citation alleging a violation of the Building Code or of Division 3 or Division 4 of Article IX of Chapter 10 of the Code of Ordinances.

Section 10. That, if any provision, section, subsection, sentence, clause, or phrase of this Ordinance, or the application of same to any person or set of circumstances, is for any reason held to be unconstitutional, void, or invalid, the validity of the remaining portions of this Ordinance or their application to other persons or sets of circumstances shall not

be affected thereby, it being the intent of the City Council in adopting this Ordinance that no portion hereof or provision or regulation contained herein shall become inoperative or fail by reason of any unconstitutionality, voidness, or invalidity of any other portion hereof, and all provisions of this Ordinance are declared to be severable for that purpose.

Section 11. That there exists a public emergency requiring that this Ordinance be passed finally on the date of its introduction as requested in writing by the Mayor; therefore, this Ordinance shall be passed finally on such date and shall take effect at 12:01 a.m. on the ninetieth day next following the date of its passage and approval by the Mayor.

PASSED AND APPROVED this 4th **day of** November, **2009.**

Bill White
Mayor of the City of Houston

Requested by Michael S. Marcotte, P.E., Director
Department of Public Works & Engineering

Prepared by Legal Dept. Tom Mason
First Assistant City Attorney

AYE	NO	
✓		MAYOR WHITE
••••	••••	COUNCIL MEMBERS
✓		LAWRENCE
✓		JOHNSON
✓		CLUTTERBUCK
✓		ADAMS
✓		SULLIVAN
✓		KHAN
✓		HOLM
	ABSENT	GONZALEZ
✓		RODRIGUEZ
	ABSENT	BROWN
✓		LOVELL
✓		NORIEGA
✓		GREEN
✓		JONES
CAPTION	ADOPTED	

CAPTION PUBLISHED IN DAILY COURT REVIEW
DATE: NOV 1 0 2009

Appendix 15
City Workforce Protection Measures

The City is committed to ensuring that the construction it finances protects workers on these projects by making sure they are safe, are compensated in accordance with applicable law and have access to pathways for sustainable careers in the construction industry. Contractors who work on developments financed under this NOFA will be required to implement certain policies designed to ensure every worker on the project is safe, receives appropriate pay, and has a path toward building a career in construction. All contractors of any tier that perform work on the development, unless otherwise specified, will be required to comply with the following workforce protection program and employment measures.

The City acknowledges many of these provisions may require additional costs. The department will consider award requests sufficient to cover additional costs associated with the new requirements. However, the City will still require the limitation of CDBG-DR awards to no greater than 50% of total development costs. The City reserves the right to revise the requirements of the workforce protection measures on an as-needed basis before and after issuance of CDBG-DR awards.

Pay or Play

In an effort to create a level playing field for competing contractors, the Pay or Play program (POP) mandates City Contractors to offer their employees a minimum level of health benefits or contribute a prescribed amount towards "Contractors Responsibility Fund" to defray the costs of providing health care to uninsured people in the Houston and Harris County area. This program applies to contracts for services in which the total expenditure by the City, including contingencies, amendments, supplemental terms and/or change orders equals or exceeds $100,000. This program also applies to subcontracts for services in which the total value of the subcontract, including contingencies, amendments, supplemental terms and/or change orders equal or exceeds $200,000.

All project contractors (of any tier) must comply with the City's Pay or Play policies with regard to every Section 3 worker and apprentice-level worker that they employ for work on the project. Prior to the commencement of a covered contract, the contractor will declare its intent to comply with the Program and will submit a plan for compliance. Contractors will report to the City regarding the identity of covered subcontracts and covered employees working under subcontracts in the form and manner prescribed by the Administer (060).

Pay

If the contractor elects to comply by paying, the contractor will pay to the City $1 for each regular hour of work performed by covered employees, including covered employees of covered subcontractors. All payments will be deposited into the City shall be deposited in the Contractor Responsibility Fund.

Play

If the contractor elects to comply by "playing", the contractor will provide documentary proof in a form acceptable to the Administrator that it provides the requisite level of health benefits provided with health benefits. A contractor must contribute no less than $150 per covered employee per month toward the total premium cost; and the covered employee may not contribute more than $150 per month toward the premium. A contractor is deemed to have complied with this provision with respect to a covered employee who is not provided health benefits if the employee refuses the benefits and the employee's contribution to the premium is no more than $40 per month. Program exceptions such as waivers and types of contracts that do not require participation can be found in Executive Order 1-7. For additional information regarding the City of Houston, Housing and Community Development Department compliance requirements you may visit: http://vvww.houstontx.gov/housinq/multifamilycompliance.html.

Workers' Compensation

The owner and general contractor will provide workers' compensation coverage provided with either project level policy or umbrella policy provided by the owner or GC HCDD will require that the owner and GC place signage onsite to properly inform workers of their benefits under this coverage. Developer must provide the Director of HCDD or his or her designee with evidence of worker's compensation coverage at the time of loan closing. Awardees will be subject to these terms which will be included within the loan agreement.

Safety Training and Hourly Base Wage Rate

The owner and general contractor will be required to ensure that (1) all individuals performing project work, regardless of job designation or employment status, have received OSHA 10 certification and (2) at least one (1) on-site supervisor with OSHA 30 certification is present on the job site at all times that work is being performed. In addition, any individual performing project work, regardless of job designation or employment status, will receive a minimum hourly wage of no less than the higher of (1) $15.00 per hour or (2) the Federal prevailing wage. The owner and general contractor will be required to provide disclosure of their safety record and written Health and Safety Plan at the time of contracting.

If the applicant elects to include their statement on safety training, they will be required to certify within the HCDD contract they will employ contractors with adequate OSHA training. HCDD will require the construction contract with the general contractor include this provision as an addendum. HCDD will test compliance during onsite visits and payment applications.

If the applicant elects to include their statement on an hourly base wage rate, they will be required to certify within the HCDD contract they will comply with the Hourly base rate requirement of $15.00 per hour for each worker. HCDD will require the construction contract with the general contractor include the Hourly Base Rate of $15.00 requirement along with the applicable DBRA wage scale as an addendum. HCDD will test compliance during construction. Awardees will be subject to these terms which will be included within the loan agreement.

Employment Training and Apprenticeships

HCDD expects project contractors to commit to the development of their craft workforce and invest in skills training linked to construction career paths. A minimum of 20% of all labor hours on each project must be performed by individuals enrolled in apprenticeship or craft training programs that are certified by the U.S. Department of Labor.

Owners will be required to certify within the HCDD contract they will employ contractors that adhere to the employment and apprenticeship policy. HCDD will require the construction contract with the general contractor include acknowledgement that 20% of all labor hours will be performed by apprentices enrolled in apprenticeship or craft training programs that are certified by the Department of Labor. HCDD will test compliance during construction. Awardees will be subject to these terms which will be included within the loan agreement.

The general contractor is required to participate in a survey in regards to Fair Chance Hiring Policies.

Section 3

Awardees must, to the greatest extent feasible, employ Section 3 Residents (as defined in Title 24 CFR Part 135) for 30 percent (30%) of the aggregate number of new hires for each year over the duration of the project. At a minimum, awardees must, to the greatest extent feasible, ensure that 20 percent (20%) of all project work hours are performed by Section 3 Residents. Awardees will be subject to these terms which will be included within the loan agreement.

Employment Classification

HCDD expects its awardees to hire responsible contractors who can reliably verify the proper employment classification of all individuals they engage to perform work on covered projects and provide verified reporting of wages owed and paid to employees and monthly certified payroll data to the City.

All Section 3 workers and apprentice-level workers must be directly employed by a project contractor. In addition, all self-employed workers will be subject to the same compensation standards and protections as other employees/contractors outlined in this policy.

Awardees will be subject to these terms which will be included within the loan agreement.

Davis Bacon and Related Acts (DBRA)/Labor Standards Provisions

All City financed developments require compliance with the Davis-Bacon Labor Standards no matter the use of HCDD's funds. Davis-Bacon and Related Acts require that prevailing wage rates be paid to all construction laborers regardless of job designation or employment status.

Compliance Plan

The Borrower and Owner will be required to submit a plan for implementing these measures. The plan is not required to have detailed procedure, but at minimum an acknowledgement that the applicant will inform general contractors that they and all subcontractors of any tier will be subject to these terms when solicited for the referenced development.

EXHIBIT A

Legal Description of the "Land"

Unrestricted Reserve "A", Block 1, of DIAN STREET VILLAS, a subdivision in Harris County, Texas, according to the map or plat thereof recorded under Film Code No. RP-2021-188712, of the Map Records of Harris County, Texas.

EXHIBIT B

Commitments for "Other Financings"

REDSTONE™
EQUITY PARTNERS

December 11, 2020

CSH Dian Street Villas, Ltd.
3701 Kirby Drive, Suite 860
Houston, TX 77098
c/o: Texas Inter-Faith Housing Corp.
Attn: Russ Michaels, Executive Director

Re: Dian Street Villas
Houston, TX

Dear Russ,

Red Stone Equity Partners, LLC ("Red Stone") is pleased to be given an opportunity to submit a proposal on the Dian Street Villas Apartments ("Project") located in Houston, Texas. This letter serves as an outline of the business terms regarding the acquisition of limited partnership interests in a to-be-formed Limited Partnership, (the "Partnership") that will own the Project. Red Stone or its designee (the "Limited Partner") will acquire a 99.99% limited partner interest (the "LP Interest") and a 0.001% special limited partner interest (the "SLP Interest") in the Partnership. This proposal contains an outline of suggested terms only, and it does not represent a commitment by Red Stone or create any obligation whatsoever on Red Stone's part to provide equity financing for the Project. It is for discussion purposes only, and the outlined terms have not received final approval by Red Stone's investment committee. Further, this proposal replaces and voids any and all previous financing proposals by Red Stone for the Project. Any commitment shall only be as set forth in a to-be-negotiated partnership agreement and will be subject to, among other things, (i) satisfactory transaction structure and documentation, (ii) satisfactory due diligence, including third party reports and (iii) other standard conditions for transactions of this type as described more fully in Paragraphs 14 and 15 below.

1. **Project Information.** The Partnership has been formed to acquire, own, develop and operate the Project, which is anticipated to be eligible to claim Low Income Housing Tax Credits ("Housing Credits") under Section 42 of the Internal Revenue Code. The Project will consist of a total of 108 residential units, with 96 residential units for rent to low-income families and 12 unrestricted residential units. The Project will consist of one residential building to be located in the City of Houston, Harris County, within the State of Texas. Within the Project, 96 of the units are expected to be Housing Credit compliant, with no additional units being designated as management units. The residential unit mix shall reflect the detail below and shall conform to any other set-asides as required by the Texas Department of Housing and Community Affairs (the "Agency"). The means for such conformance shall be reviewed and approved by Red Stone.

5800 Armada Drive, Suite 235, Carlsbad, CA 92008
TEL: 619-535-3903 WEB: www.rsequity.com
Boston ▪ Charlotte ▪ Chicago ▪ Cleveland ▪ Los Angeles ▪ New York ▪ San Diego

Unit Type	Number of Units	Income Restrictions*
0 bd/1 ba	4	30% AMI
1 bd/1 ba	4	30% AMI
2 bd/2 ba	1	30% AMI
3 bd/2 ba	1	30% AMI
0 bd/ 1 ba	17	50% AMI
1 bd/1 ba	16	50% AMI
2 bd/2 ba	4	50% AMI
3 bd/2 ba	2	50% AMI
0 bd/ 1 ba	19	60% AMI
1 bd/1 ba	20	60% AMI
2 bd/2 ba	5	60% AMI
3 bd/2 ba	3	60% AMI
0 bd/ 1 ba	5	Non-tax Credit (rent restricted to 15% over max 60% AMI rental level)
1 bd/1 ba	5	Non-tax Credit (rent restricted to 15% over max 60% AMI rental level)
2 bd/2 ba	2	Non-tax Credit (rent restricted to 15% over max 60% AMI rental level)

**A minimum 20% rental advantage to market rents based on Red Stone's market study will be imposed.*

The construction and lease-up schedule expected for the Project, and upon which the credit pricing and deal terms are contemplated herein, are as follows:

Closing Date	March 1, 2021
Completion Date	July 1, 2022
First Unit Leased	July 1, 2022
Last Unit Leased	December 31, 2022
Stabilized Operations	October 1, 2023

2. **Project Ownership**. CSH Dian Street Villas, Ltd., controlled by the Texas Interfaith Housing Corporation (the "General Partner") will be a taxable, single purpose, bankruptcy remote entity with a 0.009% ownership interest in the Partnership. Any change in the ownership of the General Partner shall be subject to Red Stone's consent. The anticipated ownership structure and other key participants in the Project are set forth below. All key participants are subject to the review and approval of Red Stone.

Entity	Name	Ownership Interest
General Partner*	CSH Dian Street Villas GP, LLC	0.009%
Limited Partner	RSEP Holding , LLC	99.99%
Special Limited Partner	Red Stone Equity Manager, LLC, or its designee	0.001%
Developers	Texas Interfaith Development, LLC & SuperUrban Realty Ventures, LLC	[redacted]
Guarantors[1]	The Developers, Jervon Harris and Texas Interfaith Housing Corporation	
General Contractor	Brownstone	
Property Manager	Texas Inter-Faith Management Corporation	
Partnership Accountant	TBD	

3. **Tax Credits.** The Project has received an allocation of 9% Housing Credits from the Agency for the year 2020 in an annual amount of $1,461,594. The total Housing Credits anticipated to be delivered to the Partnership is $14,615,940 (the "Projected Federal LIHTC").

The following schedule sets forth the assumed delivery of the Projected Federal LIHTC.

Year	Housing Credits
2022	$985,339
2023	$1,461,594
2024	$1,461,594

*If the General Partner is controlled by a 501(c)(3), the General Partner will either be a taxable subsidiary or qualified allocations will be required.

[1] The Guarantors will guarantee certain of the General Partner's obligations set forth in Paragraph 7 herein, will do so on a joint and several basis, and, like other key participants, are subject to the review and approval of Red Stone. Subject to Red Stone's consent, the Developers will only guarantee Construction Completion as set forth in Paragraph 7a. The extent of any financial obligations of the Developers under the guarantee after construction completion will be limited to the share of the total developer fee to the Developers per the development agreement. SuperUrban Realty Ventures, LLC and Jervon Harris may come off the guarantees after Stabilized Operations and permanent loan conversion. The Developers will not be included in the financial guarantees related to liquidity and net worth.

2025	$1,461,594
2026	$1,461,594
2027	$1,461,594
2028	$1,461,594
2029	$1,461,594
2030	$1,461,594
2031	$1,461,594
2032	$476,255

Any decision to delay the commencement date of the Housing Credit period beyond 2022 is subject to Red Stone's consent. In addition, any decision to commence the Housing Credit period prior to May 1, 2022 is subject to Red Stone's consent.

4. **Capital Contribution**. Red Stone will acquire its Limited Partner Interest in the Partnership for a total capital contribution of $13,737,610, subject to adjustment in Paragraph 5 below. This capital contribution is based on the following pricing:

Credit Type	Total amount	LP amount	Pricing Factor	Equity
Projected Federal LIHTC	$14,615,940	$14,614,480	$0.94	$13,737,610
			Total	$13,737,610

The above pricing assumes 100% of residential depreciation being taken over 30 years; 100% of depreciation on site improvements being taken over 1 year; and 100% of depreciation on personal property being taken over 1 year. The allocation of the depreciable line items is subject to Red Stone's review and approval.

Red Stone will fund its capital contribution pursuant to the following schedule:

A. 15.00% shall be paid upon the later of (a) the execution of the Partnership Agreement, (b) receipt and approval of all due diligence items on Red Stone's due diligence checklist, (c) receipt by the Partnership of commitment for a non-recourse permanent loan acceptable to Red Stone, (d) receipt of commitments of the additional financing sources described in Paragraph 11, and (e) closing and initial funding of the construction loan and the soft loans.

B. 5.94% (Installment Percentage Subject to Change Based on Final Underwriting. Amount / Percentage to be Equal to 20% Cash Development Fee Based on Final Underwriting) shall be paid upon the later of (a) satisfaction of the funding conditions described in (A) above; (b) receipt of 100% lien free construction completion as certified by the Project architect and general contractor, and by construction documents verified by Red Stone; (c) receipt of Final Certificate(s) of Occupancy; (d) Final unconditional lien releases, including general contractor, subcontractors, and suppliers; (e) receipt of the unaudited draft cost

certification from the Sponsor; (f) copies of all applicable insurance certificates; (g) updated title policy evidencing no liens have been filed that remain and / or have not been bonded over; (h) Evidence environmental issues have been managed or abated in accordance with all applicable regulations, and evidenced by post-abatement reports satisfactory, if applicable; (i) satisfaction of Radon testing, if the Project is not located in EPA Radon Map Zone 3; (j) satisfaction of the 10% carryover allocation requirements, if not provided at closing; (k) evidence of receipt of organizational clearance certificate for non-profit real estate tax exemption and filing of application for welfare tax exemption, and (l) July 1, 2022.

C. 76.56% (100% less A, B and D) upon the later of (a) satisfaction of the funding conditions described in (B) above, (b) receipt of the final cost certification from an independent certified public accountant, (d) repayment of the construction loan and funding of the Project's permanent mortgage (or such condition will be met concurrently with the payment of this installment), (e) satisfaction of all funding conditions required for the permanent mortgage, including without limitation, three consecutive months measured individually, immediately prior to perm-loan conversion, of a 1.16 to 1.00 Debt Service Coverage ratio ("DSC") and 90 days of 93% occupancy, with revenues equal to (i) the lesser of actual collected or maximum Housing Credit rents applicable at the time of the Stabilization test and (ii) the lesser of actual other income or underwritten other income. The greater of the actual or underwritten vacancy factor will be applied to both rental revenue and other income. Revenue shall not include non-recurring revenue nor tenant-based voucher income exceeding maximum Housing Credit rents. Throughout this period, the underwritten physical occupancy of the residential units is achieved and revenue equals or exceeds projected Effective Gross Income. Project expenses (including required reserve funding) will be the greater of actual or underwritten expenses; (e) calculations of the preliminary adjusters have been prepared; (f) 100% qualified occupancy, including units which have been qualified but may be physically vacant, (g) updated title policy evidencing no liens have been filed that remain uncured and / or have not been bonded over; (h) receipt of the as-built ALTA survey; (i) executed PILOT or property tax exemption, if applicable, and (j) October 1, 2023.

D. 2.50% upon the later of (a) satisfaction of the funding conditions described in (B) above, (b) achievement of Stabilized Operations, (c) receipt of IRS Form 8609s and a recorded extended use agreement, (d) receipt and review of an acceptable initial tenant file audit, (e) calculations of final adjusters have been prepared, and (f) January 1, 2024.

5. **Adjusters**.

A. Increase or Decrease in Housing Credits. In the event that actual Housing Credits as determined by the cost certification and 8609s exceeds Projected Federal LIHTC, Red Stone will pay an additional capital contribution equal to the product of (i) $0.94 multiplied by (ii) the difference between the actual Federal LIHTC and the Projected

Federal LIHTC. In the event that actual Housing Credits as determined by the cost certification and 8609s are less than Projected Federal LIHTC, Red Stone's capital contribution will be reduced by an amount equal to the product of (i) $0.94 multiplied by (ii) the difference between the Projected Federal LIHTC and the actual Federal LIHTC ("Adjustment Amount"). If the Adjustment Amount exceeds the total of all unfunded capital contributions, then the General Partner will make a payment (which payment shall be guaranteed by the Guarantors) to the Partnership equal to the amount of such excess, and the Partnership will immediately distribute such amount to Red Stone as a return of its capital contribution.

B. Timing of Housing Credit Delivery. In addition to the Adjustment Amount, Red Stone's capital contribution will be similarly reduced in the event that the actual delivery of Housing Credits is slower than the anticipated schedule set forth in Paragraph 3. The amount (the "Late Delivery Adjustment") of this reduction will equal the product of (i) $0.55 multiplied by (ii) the difference in the Projected Federal LIHTC and actual Housing Credits for such years are less than the amounts shown in Paragraph 3. Conversely, in the event that the actual delivery of Housing Credits exceeds the anticipated schedule set forth in Paragraph 3, Red Stone will pay an additional capital contribution (the "Early Delivery Adjustment") equal to the product of (i) $0.45 multiplied by (ii) the difference between actual Housing Credits and the Projected Federal LIHTC. Red Stone will pay such additional capital contribution at the funding of its final capital contribution installment.

Notwithstanding the above, in no event will the net additional Capital Contribution to be paid by Red Stone exceed $150,000, and Red Stone will pay such additional Capital Contribution at the funding of its final capital contribution. Such additional Capital Contribution will be used to pay any outstanding fees owed to Red Stone and then will be distributed in accordance with the provisions of Paragraph 10(B), below.

6. **Reserves**. The Partnership will fund the following reserves:

A. Operating Reserve. The Partnership will fund and maintain an Operating Reserve to be funded from the third Capital Contribution in an amount of $432,343 (equal to 6 months of operating expenses, debt service and replacement reserves (the "Original Balance"). Any release of funds from the Operating Reserve will be subject to Red Stone's consent. Pursuant to Paragraph 10(B), throughout the duration of the tax credit compliance period the Operating Reserve will be replenished up to $432,343 (the "Minimum Balance") from cash flow to the extent withdrawals are made. No withdrawals may be made from the Operating Reserve until the Maximum ODG Amount (as defined in Paragraph 7(B) below) is funded by the General Partner, as required pursuant to Paragraph 7(B)(ii) below. To the extent the balance of the Operating Reserve is less than the Minimum Balance at the expiration of the ODG Period as described in Paragraph 7(B)(ii) below, the General Partner shall cause the Operating Reserve to be replenished back to the Minimum Balance and the ODG Period shall be extended until such Operating Reserve has been replenished. The

Operating Reserve shall remain an asset of the Partnership and shall be subject to distribution in accordance with Paragraph 10(C) below, subject to the approval of any project lenders.

B. Replacement Reserve. The Project operating expenses will include the funding of a Replacement Reserve in the amount of $300 per unit or such other amount specified by the project lenders increasing by 3% per annum. Any release of funds from the Replacement Reserve will be subject to Red Stone's consent.

7. **Guarantees**. The Guarantors will guarantee the following obligations of the General Partner:

A. Construction Completion Guarantee. The Guarantors shall guarantee the General Partner's obligation of lien-free completion of the Project in accordance with the plans and specifications approved by Red Stone for the amount set forth in the approved project development budget. The Construction Completion Guarantee will provide that the Guarantors shall pay any amount in excess of the approved project development budget as well as any Project deficiency arising prior to Stabilized Operations (as defined in Paragraph 7(B) below). Payments made under this guaranty will not constitute loans to the Partnership or capital contributions and no Guarantors will have any right to receive any repayment on account of such payments. Payments made under this guaranty will constitute interest free, unsecured loans to the Partnership repayable from sale/refinance proceeds pursuant to Paragraph 10(C) below.

B. Operating Deficit Guarantee. The Guarantors will agree to advance to the Partnership any amounts required to fund operating deficits arising after the expiration of the Construction Completion Guarantee, if needed, as follows:

(i) The guarantee shall be unlimited until the Project achieves "Stabilized Operations". Stabilized Operations is to be defined as the later to occur of (i) construction loan payoff and conversion to approved non-recourse permanent financing; and (ii) rental income generated from the Project is sufficient to pay all operating expenses of the Project, including, without limitation, all actual or anticipated mandatory debt service; real estate taxes; insurance premiums; management fees; and replacement and operating reserve deposits and maintain a debt service coverage ratio of not less than 1.15 to 1.00 for 3 consecutive months after the achievement of completion, confirmation all units have been occupied by an income qualified tenant, and funding and commencement of amortization of the Project's permanent loan. To the extent applicable, if Project income is insufficient to enable the Project to attain the required debt service coverage necessary for the closing or conversion of all permanent loans, the Guarantors will agree to pay down the construction loan in an amount necessary to allow the Project to cause the closing or conversion of all permanent loans by the conversion date required by the lender(s). Payments made under this guarantee will not constitute loans to the Partnership or capital contributions and

no Guarantors will have any right to receive any repayment on account of such payments.

(ii) Following (i) above, for a period of 60 months following the achievement of Stabilized Operations (the "ODG Period"), the amount shall be limited to the greater of $432,343 or six (6) months of operating expenses, all mandatory debt service payments and replacement reserves based on the final closing projections (the "Maximum ODG Amount"), and will be released provided the Project maintains a minimum of 1.15 to 1.00 debt service coverage ratio over each of the last consecutive 12 months of the ODG Period. Any amounts so advanced, on a cumulative basis, will constitute interest-free loans (an "Operating Deficit Loan") repayable out of future available cash flow or out of available proceeds of a sale or refinancing described in Paragraph 10.

C. Repurchase Guarantee. The Guarantors will repurchase Red Stone's interest upon the occurrence of certain events described in the Partnership Agreement.

D. Housing Credit Shortfall and Recapture Guarantee. In addition to the Housing Credit and Timing Adjusters set forth in Paragraph 5, if the actual amount of Housing Credits for any year is less than Projected Federal LIHTC set forth in Paragraph 3, as adjusted by Paragraph 5, the Guarantors will guarantee payment to the Limited Partner of an amount equal to the shortfall, or recapture amount, plus all applicable fees, penalties or other costs incurred by the Partnership and/or Red Stone as a result of such shortfall or recapture. The Guarantors will pay, on an after-tax basis, the Limited Partner $1.00 for each dollar of Housing Credits lost, plus any related interest or penalties. Notwithstanding the foregoing, the Guarantors shall not be responsible for loss or recapture of Housing Credits attributable to changes to the Code after achievement of Stabilized Operations.

E. Environmental Indemnification. The Partnership and the Guarantors, jointly and severally, shall indemnify and hold harmless the Limited Partner from and against all claims, actions, causes of action, damages, costs, liability and expense incurred or suffered based upon a violation of environmental laws, or respecting the presence of environmental hazards.

F. Guarantors. The Guarantors will guarantee all of the General Partner's obligations including those set forth above. The Guarantors will maintain a minimum liquidity of $1,000,000 and a minimum net worth of $5,000,000. The Guarantors will provide Red Stone with annual financial statements evidencing compliance with the liquidity and net worth covenants above.

8. **Construction**. The General Partner will arrange for a fixed or guaranteed maximum price construction contract in the anticipated amount of $17,000,000 and a minimum hard cost

contingency of 5%. The General Partner shall cause lien-free completion to occur and shall provide either a payment and performance bond or letter of credit for 15% of the construction contract to secure the contractor's obligations. Red Stone may, in its sole discretion, engage a construction consultant to review plans and specifications and evaluate the construction progress by providing monthly reports. The cost of the construction consultant shall be borne by the Partnership. Red Stone will make best efforts to co-engage a construction consultant with the Construction Lender.

9. **Fees**. The following fees will be paid by the Partnership for services rendered in organizing, developing and managing the Partnership and the Project.

A. Developer Fee. The Developer will earn a developer fee of $2,940,311 or the maximum fee permitted by the State Agency and approved by Red Stone. The portion of the developer fee that will not be paid out of the Capital Contributions will be deferred and payable by the Partnership to the Developer as a distribution of net cash flow in accordance with Paragraph 10(B). The deferred amount is projected to be $83,181 and will accrue interest at the rate of 5% per annum, or such other interest rate acceptable to tax counsel, in effect as of the placed-in-service date of the project. The balance of the developer fee that is not projected to be permanently deferred is projected to be $2,857,130 ("Cash Development Fee") will be paid out of the Capital Contributions in amounts not to exceed the following (each stated as a percentage of Cash Development Fee):

Capital Contribution #	Cash Development Fee Amount or %
First Capital Contribution	30%
Second Capital Contribution	20%
Third Capital Contribution	38%
Fourth Capital Contribution	12%

The deferred amount will be payable out of available cash flow and will mature on the 15th anniversary of the placed-in-service date ("Maturity Date"). If the deferred portion of the developer fee has not been repaid upon the Maturity Date, the General Partner will be required to advance the Partnership the amount equal to the unpaid balance of the deferred amount.

B. Property Management Fee. The property management fee will not exceed a total of 5.5% of gross collected rents. In no event will the property management fee exceed what is usual and customary as determined by the Limited Partner. The appointment of, and terms of the property management agreement, are subject to the prior approval of Red Stone.

C. Asset Management Fee. The Partnership will pay Red Stone an annual asset management fee in an amount equal to $7,500 per annum. The asset management fee will be paid annually and such fee shall accrue beginning at initial closing, with the first payment due and payable on or before March 1, 2021, and each anniversary thereafter. The asset management fee will increase annually by 3%.

D. Partnership Management Fee. The Partnership will pay the General Partner an annual partnership management fee in an amount equal to $25,000, or such other amount as determined by and acceptable to tax counsel to Red Stone. The partnership management fee, which shall not be cumulative, will be paid annually commencing upon March 1, 2021.

E. Incentive Management Fee. An incentive management fee may be payable to the General Partner on an annual basis in an amount equal to 90% of net cash flow, or such other amount as determined by and acceptable to tax counsel to Red Stone.

10. **Distribution of Tax and Cash Benefits**.

A. Tax Benefits. Tax profits, tax losses, and tax credits arising prior to the sale or other disposition of the Project will be allocated 99.99% to the Limited Partner, .001% to the Special Limited Partner and .009% to the General Partner. The Limited Partner will have the right in its sole discretion to undertake a limited deficit restoration obligation at any time during the term of the Partnership.

B. Net Cash Flow Distributions. Distributions of net cash flow, as defined in the Partnership Agreement, but generally all cash receipts less cash expenditures (e.g., payment of debt service and property management fee), will be made as follows:

(i) to the Limited Partner in proportion to any phantom tax liability incurred by the Limited Partner (i.e., tax liability resulting from allocations of income where the Limited Partner has not received a cash distribution);

(ii) to the Limited Partner, to make any payment of any unpaid tax credit adjuster or any tax credit shortfall or other debts owed to the Limited Partner;

(iii) to the Limited Partner as payment of any unpaid Asset Management Fee;

(iv) to replenish the Operating Reserve account to the Minimum Balance;

(v) to the payment of any unpaid developer fee, until such fee has been paid in full;

(vi) 50% to the payment of any debts owed on the City of Houston CDBG loan;

(vii) to the payment of any debts owed to the General Partner;

(viii) 90% to the payment of any incentive management fee; and

(ix) the balance, .009% to the General Partner, .001% to the Special Limited Partner, and 99.99% to the Limited Partner, or such other amount determined by and acceptable to tax counsel.

C. Distributions upon Sale or Refinance. Net proceeds resulting from any sale or refinance will be distributed as follows:

(i) in accordance with subparagraphs 10B(i) through (iii) above;

(ii) to the Limited Partner in an amount equal to any projected exit taxes; and

(iii) in accordance with subparagraphs 10B(v) through (vi) above;

(iv) the balance, 90% to the General Partner, 9.999% to the Limited Partner, and 0.001% to the Special Limited Partner, or such other amount as determined by and acceptable to tax counsel.

11. **Debt Financing**. As a condition to funding the capital contribution described in Paragraph 4, the General Partner will deliver the loan commitments described below. The terms of these loans and/or financing sources are subject to Red Stone's consent and all loans will be made directly from the lenders to the Partnership.

A. Permanent Loan. The Partnership expects to receive non-recourse permanent loan commitments in the maximum amounts, and with the terms set forth below:

Name	Hard / Soft Debt	Amount	Interest Rate	Term (mos.)	Amort. (mos.)	% of cash flow
Perm Loan	Hard	$5,194,000	4.28%	180	420	100%
City of Houston CDBG	Soft	$11,000,000	1.00% - Compounding	480	N/A	50%

B. Construction Loan. In addition to the permanent financing sources described above, it is expected that the project will be financed with a first-lien position construction loan in the maximum amount of $16,000,000 with an approximate interest rate of 3.25% (plus a 100 bps underwriting cushion) and a term of no less than 30 months.

12. **Purchase Option and Right of First Refusal**. For a period of twenty-four (24) months following the expiration of the compliance period, the General Partner shall have an option to purchase the Project for a purchase price equal to the sum of the amount of indebtedness secured by the Project, which indebtedness may be assumed by the General Partner at its discretion, the amount of the federal, state, and local tax liability that the Limited Partner would incur as a result of the

sale and any amount of credits below the amount stated in Paragraph 3. If the General Partner, or an affiliate, is a not for profit entity, the purchase price shall be the amount required pursuant to Section 42(i) of the Code.

13. **Limited Partner Exit.** The Limited Partner will have the right, after the making of all required capital contributions, to transfer its interests in the Partnership to the General Partner as further described in the Partnership Agreement.

14. **Due Diligence, Opinions and Financial Projections**. The General Partner will satisfy all of Red Stone's due diligence requirements, including an acceptable local law opinion. The Limited Partner's tax counsel will provide the tax opinion. The Partnership will reimburse the Limited Partner an amount equal to $50,000 toward the costs and expenses incurred by the Limited Partner in conducting its due diligence review, the costs and expenses of Red Stone's counsel (including, without limitation, the costs of the preparation of the tax opinion), and for the costs of Red Stone's third party reports. If, however, closing has not occurred by the date ninety (90) days following the Closing Date identified in Section 1 above, the Partnership will reimburse the Limited Partner an additional amount equal to $20,000 for additional costs and expenses incurred by the Limited Partner. If closing has not occurred by the date one-hundred and fifty (150) days following the Closing Date identified in Section 1, Red Stone reserves the right to seek reimbursement by the Partnership for additional costs and expenses. Red Stone may deduct the amount owed it for reimbursement of costs and expenses from its first Capital Contribution and such amount will be payable to Red Stone in the event the General Partner elects not to close the transaction for any reason. The financial projections to be attached to the Partnership Agreement and that support the tax opinion will be prepared by Red Stone based on financial projections provided by the General Partner. The General Partner financial projections will include eligible basis calculations, sources and uses, and cash flow statements.

15. **Partnership Closing**. Final Partnership closing will be contingent upon Red Stone's receipt, review and approval in its sole discretion of all due diligence including the items set forth on its due diligence checklist to be delivered to the General Partner. Final Partnership closing also is contingent upon (i) a satisfactory site visit conducted by Red Stone to determine overall market feasibility, including an analysis of proforma rents and expenses, (ii) Red Stone's review and approval of all third party reports, and (iii) final approval of Red Stone's investor. Red Stone's agreement to acquire the LP Interest on the pricing, terms and conditions contained in this letter are further based on the assumption that the Partnership closing will occur on or before the Closing Date set forth in Paragraph 1. Terms and credit pricing herein shall be valid until the Closing Date. Red Stone will use reasonable efforts to keep the tax credit pricing and terms outlined in this letter constant though such date, but Red Stone reserves the right in its sole discretion to modify the tax credit pricing or other terms to be consistent with market conditions and any changes in tax law which may impact pricing and the economic return for the Limited Partner.

16. **Exclusivity**. Upon the execution of this Letter of Intent, the General Partner agrees to cease its efforts to obtain financing from other sources. This exclusive arrangement shall terminate should Red Stone notify the General Partner in writing that it does not intend to proceed with this investment any time prior to ratification by the Red Stone investment committee.

[Remainder of page left intentionally blank]

It is hereby acknowledged and understood that this proposal is not a commitment to invest, nor is it intended to be a letter of commitment, and Red Stone is not bound to any of the terms and conditions herein outlined. The terms of the financing set forth in this letter are not set until formally approved by Red Stone and the transaction documentation has been executed by Red Stone and the General Partner. Please confirm your acceptance of the terms described in this letter by signing the enclosed counterpart and returning to us within 14 calendar days of the date set forth on the first page of this letter. The terms of this letter are not binding until countersigned and accepted by an authorized officer of Red Stone.

Sincerely,

By: _____
Name: Andy Markenson
Title: Vice President

The undersigned approves and accepts the terms of this letter agreement and agrees to work with Red Stone.

CSH Dian Street Villas, Ltd., a Texas limited partnership

By: CSH Dian Street Villas GP, LLC, a Texas limited liability company, its general partner

By: Texas Inter-Faith Housing Corp, a 501(c)3 non-profit corporation, its sole member

By: _____

Russ Michaels, its Executive Director

Red Stone acknowledges and accepts the above signature of the General Partner within the terms of this commitment letter. This letter of intent was countersigned by Red Stone on the _____ day of _____, 202_.

By: _____
Title: _____
Date: _____

Capital One, National Association
c/o David J. Musial

P: 213-222-5208
capitalone.com

December 17, 2020

Russ Michaels
Texas Interfaith Housing Corporation
3701 Kirby Dr #860
Houston, TX 77098

Jervon Harris
SuperUrban Realty Ventures, LLC
5416 Palmer Street
Houston, TX 77004

CONFIDENTIAL

Re: Dian Street Villas, Houston, Texas

Dear Mr. Michaels & Mr. Harris:

Capital One, National Association (together with its affiliates, "Capital One") is pleased to provide you with its proposal as outlined in the attached summary of terms and conditions (this letter together with the exhibits attached hereto, the "Proposal") to provide financing for your proposed development, Dian Street Villas (the "Development").

This Proposal contains an outline of suggested terms only, and it does not represent a commitment by Capital One or create any obligation whatsoever on Capital One's part. It is for discussion purposes only, and the outlined terms have not received final approval by the appropriate Capital One lending authorities. This Proposal replaces and voids any and all previous financing proposals by Capital One for the Development.

Based on the information you have provided, the Development appears feasible, and Capital One is willing to begin due diligence on the following terms.

The proposed terms and conditions below (including capitalized terms in **bold**) are supplemented by those set forth in Exhibit A hereto.

BORROWER: A formed or to-be-formed limited partnership or limited liability company will act as the **Borrower**.

TYPE and PURPOSE of LOANS: The **Construction Loan** is a non-revolving multiple-draw loan advanced to finance a portion of the **Property Improvements** and to bridge the LIHTC equity pay-ins or other subordinated financing. Closing of the Construction Loan will be subject to satisfaction of the conditions set forth in Exhibit B.

Advances under the **Construction Loan** will be made no more frequently than monthly, with the funding based upon the percentage-of-completion for actual work-in-place as approved by Capital One and its construction consultant. Retainage will be withheld on each advance and the terms of the construction contract between the Borrower and the Development's general contractor (the "General Contractor") must be acceptable to Capital One. **Retainage Terms** and **Subcontractor Buyout Requirements** with the General Contractor to be approved by Capital One. Funds will be deposited into the Borrower's construction account

held by Capital One. If requested, funds may be wired from that account; however, scheduled wire charges may apply.

The **Permanent Loan** will be provided by the **Permanent Loan Lender**. Certain amounts outstanding under the Construction Loan will be repaid by Permanent Loan Lender, who will make a permanent loan in accordance with and subject to the conditions of the **Permanent Loan Take Out Commitment** at the end of the construction term (the "Conversion").

COLLATERAL; ETC.: First lien deed of trust/mortgage on the **Borrower**'s interest in real property and improvements (whether fee simple or leasehold). Assignments and/or first lien security interest in rents and leases, general partner/managing member's interest, low income housing tax credits, construction contract, architect's contract, management contract, development agreement, social service contract, FF&E and all accounts including escrow, reserve, and operating accounts.

The **Construction Loan** will become due upon sale of, or refinance of any debt incurred in respect of, the Development property or **Property Improvements.**

AFFORDABILITY RESTRICTIONS: The Development will be affordable to tenants under the **Affordability Restrictions** and may include any **Operating Subsidies** awarded to the **Borrower**.

AMOUNT OF LOAN: The maximum amount of the **Construction Loan** (during the construction phase) shall be the lesser of:

- The **Construction Loan** amount set forth on Exhibit A, and
- Up to 80% of the sum of the value of the Development property including the as completed and stabilized value including rent restrictions, inclusive of property tax abatement (if applicable) and the value of the tax credits at the lesser of appraised value or the accepted purchase price.

LOAN FEES: The **Construction Loan Origination Fee** on the full amount of the Construction Loan. All such fees are due at the closing of the Construction Loan and are nonrefundable.

CONSTRUCTION LOAN INTEREST RATE and PAYMENTS: Rates quoted are predicated on the assumption that all operating accounts, construction accounts, reserve accounts and any other deposit accounts of the Borrower and the Development, including escrow accounts, will be maintained with Capital One for the entire period that the Construction Loan is outstanding. If circumstances are such that this cannot be achieved, pricing may vary.

For the **Construction Loan**, the rate will be determined using **Construction Loan Spread** plus an **Index** which will re-price monthly. In no instance shall the **Index** be less than the **Index Floor**. Indicative loan pricing for today's date can be found in Exhibit A. Although the Index is currently based on LIBOR, a substitute Index will be selected and implemented in the loan documentation accordance with the recommendations of the Alternate Rate Reference Committee of the Federal Reserve Board and the Federal Reserve Board of New York. For underwriting purposes, the interest reserve will be sized assuming a **Construction Minimum Rate**.

During construction, interest only payments will be due monthly. Interest shall be calculated utilizing a 360-day basis for the actual number of days principal is outstanding.

CONSTRUCTION LOAN TERM and EXTENSION: The **Construction Loan Term** is inclusive of the **Construction Completion Date**, which shall not be extended more than 60 days due to

force majeure and, in any event, shall not be extended beyond the placed-in-service date. Construction shall commence no later than 30 days following the **Anticipated Closing Date**.

If the construction period is extended, there will be an **Extension Fee** based on the amount of the Construction Loan extended, including unfunded amounts that will remain available after extension. An **Extension Period** may be authorized subject to satisfaction of conditions including, but not limited to:

- compliance with all-placed-in service requirements
- lien-free completion
- adequate interest reserve
- all scheduled equity due at that point having been funded
- receipt of extension for all additional financing sources and permanent commitments, as necessary
- no event of default in any documents governing any credit facility, subordinate debt, grant, equity or other binding agreements governing the borrower, Development or guarantor
- **Extension Period Physical Occupancy**
- **Extension Debt Service Coverage Ratio**
- **Extension Fee** payment

Additional extension criteria may be added upon changes in the financing structure and/or receipt of the loan/equity documents for other lenders/financing partners. If the extension is exercised, the Borrower will pay any and all reasonable costs related to the extension, including cost for an updated appraisal, if required.

GUARANTIES: Capital One will have full recourse to the Borrower, as well as a payment and performance guaranty from (i) the general partner/managing member of the Borrower and (ii) each **Guarantor** listed on Exhibit A which shall be satisfactory to Capital One following due diligence (collectively, the "Guarantor Parties"). The Guarantor Parties may be subject to **Additional Covenants**. In addition, **Lien Free Completion Guaranties** will be required from the parties listed on Exhibit A.

The Borrower and the Guarantor Parties will jointly and severally provide environmental indemnification which shall survive the Conversion.

EQUITY: **Total LIHTC Contribution** will come from the sale of tax credits. Equity terms must be acceptable to Capital One and are subject to credit approval.

Except for certain costs approved by Capital One to be paid at closing of the Construction Loan from the proceeds of equity, the equity investor shall deposit the equity contribution amount in an account of Borrower held at and controlled by Capital One. The funds in that account will be disbursed by Capital One to: (i) pay for approved budgeted items and/or applied to the Construction Loan in accordance with the loan documents, and (ii) pay down and/or repay the Construction Loan after construction completion to the amount of the Permanent Loan less the amount of any Additional Sources, if applicable. Capital One will have no obligation to make an advance of the Construction Loan unless and until Capital One has disbursed any installment of equity proceeds then on deposit with Capital One (as will be more particularly provided for in the applicable loan documents).

ADDITIONAL SOURCES OF FINANCING: For all **Additional Sources** included in the financing structure during the Construction Loan Term, Capital One must receive a commitment in form and substance satisfactory to Capital One as a condition to closing, and all amounts owing to

the Additional Sources must remain subordinate on terms satisfactory to Capital One to the amounts outstanding under the Construction Loan until paid in full and terminated. There will be a **Servicing Fee** to administer the Additional Sources during construction. An intercreditor agreement may be required.

CASH DEVELOPER FEE: **Cash Developer Fee** payments will be subordinate to the Construction Loan and will be paid out in accordance with a schedule to be agreed during underwriting.

CONTINGENCIES: Capital One requires a minimum **Hard Cost Contingency** and **Soft Cost Contingency** within the budget. Should the applicable finance agencies not permit the such contingencies, then a portion of **Cash Developer Fee** will be escrowed at closing of the Construction Loan in the amount of such contingencies less what is included in the budget. The escrowed Cash Developer Fee will be released with the completion equity installment.

PAYMENT AND PERFORMANCE BONDS OR LETTERS OF CREDIT: The General Contractor will provide payment and performance bonds during construction, provided by a surety with at least an AM Best rating of "A" and acceptable to Capital One in its sole discretion. However, if the General Contractor is unable to provide bonds, or uses a surety company with a lower rating, Capital One is willing to consider a letter of credit in favor of Capital One for no less than 15% of the total amount stated under the construction contract from a highly-rated issuer acceptable to Capital One in its sole discretion.

THIRD PARTIES: Third party firms including, but not limited to, the General Contractor, property manager, consulting engineer, and environmental consultant are subject to Capital One's review and approval.

NET OPERATING INCOME: **Net Operating Income** will be treated as set forth on Exhibit A. All Net Operating Income will be held in a deposit account at Capital One.

EXPENSES and GOOD FAITH DEPOSIT: Underwriting, closing, and any other expenses must be reimbursed to Capital One whether or not the Construction Loan closes. Customary expenses include but are not limited to: appraisal, plan & cost review, flood search, legal fees or costs, insurance consultant review, and construction signage.

Please include the **Good Faith Deposit** when you return a countersigned copy of this Proposal to us. Within three weeks following the closing of the Construction Loan, the Good Faith Deposit (including any additional deposits) will be returned provided that Capital One has confirmed all third-party costs have been paid from the closing requisition. The Good Faith Deposit should not be included as a line item in the development budget. If for any reason the Construction Loan does not close, any third party or legal costs billed to Capital One will be deducted from the Good Faith Deposit (including any additional deposits) and any remaining portion will be refunded. Additional deposits may be required for continued underwriting and legal document drafting if incurred costs and current cost and fee estimates exceed the Good Faith Deposit prior to final credit approval and closing.

PATRIOT ACT DISCLOSURE: We hereby notify you that pursuant to the requirements of the USA PATRIOT Act, Title III of Pub. L. 107-56 (signed into law on October 26, 2001) (the "PATRIOT Act"), Capital One may be required to obtain, verify and record information that identifies the Borrower and each Guarantor Party, which information includes the name, address, tax identification number and other information regarding the Borrower and each Guarantor Party that will allow Capital One to identify the Borrower and each Guarantor Party

in accordance with the PATRIOT Act. This notice is given in accordance with the requirements of the PATRIOT Act.

ECOA NOTICE: The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contact); because all or part of the applicant's income derives from any public assistance program, or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The federal agency that administers compliance with this law concerning this Capital One is the Consumer Financial Protection Bureau, 1700 G Street NW, Washington DC 20552. If your application for business credit is denied, you have the right to a written statement of the specific reasons for the denial. To obtain the statement, please contact the office of Capital One listed at the top of this letter within 60 days from the date you are notified of our decision. We will send you a written statement of reasons for the denial within 30 days of receiving your request for the statement.

CONFIDENTIALITY: The contents of this Proposal may not be shared with any third party without Capital One's prior written consent, except for potential equity and subordinated debt investors, professional advisors, management and regulatory or other governmental bodies on a need-to-know basis. All persons who are informed of the contents of this Proposal also shall be informed that such contents are confidential and cannot be disclosed without Capital One's prior written consent.

WAIVER OF JURY TRIAL: THE PARTIES HERETO, TO THE EXTENT PERMITTED BY LAW, WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING ARISING OUT OF, IN CONNECTION WITH OR RELATING TO, THIS PROPOSAL, THE CONSTRUCTION LOAN, THE PERMANENT LOAN AND ANY OTHER TRANSACTION RELATED HERETO OR THERETO. THIS WAIVER APPLIES TO ANY ACTION, SUIT OR PROCEEDING WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE.

ACCEPTANCE; EXPIRATION: To accept this Proposal, the Proposal must be countersigned and returned to us along with the Good Faith Deposit within seven (7) business days of the date of the letter or the terms of this letter shall become null and void. Once accepted, if the closing of the Construction Loan does not occur by the Anticipated Closing Date, or either party notifies the other in writing that such party does not intend to close on substantially similar terms outlined in this Proposal, then this Proposal shall become null and void.

Notwithstanding the foregoing, the provisions of this letter set forth under the headings "Expenses and Good Faith Deposit", "Confidentiality" and "Waiver of Jury Trial" shall survive the termination or expiration of this Proposal and shall remain in full force and effect regardless of whether the Construction Loan closes.

It is hereby acknowledged and understood that this Proposal is not a commitment to lend, nor is it intended to be a letter of commitment, and Capital One is not bound to any of the terms and conditions herein outlined. The terms of the financing are not set until formally approved by Capital One and the financing documentation has been executed by Capital One, the Borrower and the other parties thereto.

[signature page follows]

It is my sincere pleasure to make this Proposal to you. I look forward to your acceptance and to our developing relationship. Please signify your understanding of the above by signing and returning a copy of this Proposal letter together with the Good Faith Deposit within seven (7) business days.

Sincerely,

David J. Musial
Senior Director
Capital One, National Association

Accepted and Agreed:

Texas Inter-Faith Housing Corporation

By: _____

Name: Russ Michaels

Title: Executive Director

Date: Dec 17, 2020

SuperUrban Realty Ventures, LLC

By: _____

Name:

Title: Sole Member/Manager

Date: Dec 17, 2020

EXHIBIT A

The terms and conditions set forth below supplement those set forth in the Proposal letter

Borrower	TBD
Property Improvements	The new construction of a 108-unit mixed-income housing development for families. The unit design includes a mix of studio, one, two, and three-bedroom units within one elevator-serviced midrise building.
Affordability Restrictions	• 10 units restricted to 30% of AMI • 39 units restricted to 50% of AMI • 47 units restricted to 60% of AMI • 12 units unrestricted *A minimum 20 discount to market is required
Operating Subsidies	N/A
Construction Loan	Up to $15,845,898
Construction Loan Origination Fee	100 bps
Construction Loan Spread	250 bps
Index	One Month LIBOR (currently – 15 bps), subject to replacement with a substitute Index in accordance with the terms hereof
Index Floor	75 bps
Construction Minimum Rate	Construction Loan Spread + (Greater of Index and Index Floor) + minimum 100 bps underwriting cushion.
Construction Loan Term	30 months
Construction Completion Date	16 months of the date of close
Retainage Terms	10% retainage will be withheld on all draws
Subcontractor Buyout Terms	50% of total trade costs under the general contract shall be documented by executed subcontracts by the closing, and an additional 30% of total trade costs shall be covered by executed letters of intent for subcontracts by the closing, which subcontracts shall be executed within 60 days of the closing, such that in aggregate 80%% of the trade costs are committed under executed subcontracts or letters of intent reasonably satisfactory to Capital One at closing.
Extension Fee	50 bps
Extension Period	4 months
Extension Debt Service Coverage Ratio	1.16x, for one month prior to maturity
Extension Period Physical Occupancy	93%, for one month prior to maturity
Permanent Loan Lender	Freddie Mac via Capital One (or any other lender determined by Borrower and acceptable to Capital One)
Permanent Loan	A loan by Permanent Loan Lender in an amount up to $5,149,000. The Permanent Loan amount is expected to be sized to a minimum Debt

	Service Coverage Ratio of 1.16x and a maximum Loan to Value of 85%. The term of the Permanent Loan is expected to be 15 years from Conversion based on a 35-year amortization schedule. The Permanent Loan interest rate will be locked prior to or at closing of the Construction Loan.
Permanent Loan Take Out Commitment	A forward take-out commitment in respect of the Permanent Loan by Permanent Loan Lender, which must be acceptable to Capital One and executed prior to closing of the Construction Loan. The commitment will be documented by means of a tri-party agreement between Capital One, the Borrower and the Permanent Loan Lender. This agreement will establish: • a firm commitment to finance the Development property, subject to achievement of satisfactory completion and any rental achievement goals that apply; • a fixed rate for the permanent financing; and • a commitment expiry not earlier than the Construction Loan maturity.
Guarantor 1	Texas Inter-Faith Housing Corporation
Guarantor 2	Texas Inter-Faith Development, LLC
Guarantor 3	SuperUrban Realty Ventures, LLC
Guarantor 4	Jervon Harris
Additional Covenants	minimum Liquidity of $1MM and Net Worth of $5MM
Lien Free Completion Guaranties	General partner/managing member of the Borrower, all Guarantors
Total LIHTC Contribution	$13,737,610
Additional Source 1 (Subordinate Debt)	City of Houston CDBG Loan, $11,000,000; $9,900,000 (90%) funded at close and/or prior to the Construction Loan, with a 10% retention hold back to construction completion. This loan has no required debt service payments during construction; upon stabilization, payments made from residual receipts subject to available cashflow.
Hard Cost Contingency Soft Cost Contingency	5% of total construction contract 5% of all soft costs (less Origination Fees, Interest Reserve, Developer Fee, and Capitalized Reserves)
Servicing Fee	N/A
Cash Developer Fee	Budgeted Developer Fee totals $2,941,010. Cash Developer Fee payments are subject to final underwriting and credit approval
Net Operating Income	During the construction phase, distributions of net operating income (income after expenses) are prohibited and the Borrower will report

	operations and will pay interest with any net operating income prior to utilization of the interest reserve.
Good Faith Deposit	$20,000
Anticipated Closing Date	3/1/2021. If the Anticipated Closing Date exceeds 120 days from the date of this Proposal, pricing and terms may be subject to change.

EXHIBIT B

CONDITIONS TO CONSTRUCTION LOAN CLOSING

The conditions to closing of the Construction Loan shall be customary for transactions of this nature and appropriate for this particular transaction, including but not limited to:

1. All agreements with respect to the organization of Borrower and the equity investors shall be in form and substance satisfactory to Capital One and all equity contributions to the Borrower required at closing shall have been funded to an account at Capital One.

2. No additional debt shall be secured by the Development property other than the Additional Sources.

3. All money funded for acquisition costs prior to Conversion must be the lower of the cost or the value of the land based on an appraisal approved by Capital One.

4. All due diligence and underwriting have been completed to the satisfaction of Capital One (including the approval of the credit officer and/or credit committee).

5. All representations and warranties under the financing documents shall be true and correct in all material respects and after giving effect to the closing, there shall be no default or event of default under the financing documents.

6. Delivery of the following items to Capital One:

    a. Financial statements, tax returns, operating statements, rent rolls or related documentation requested by Capital One for the Development, the Borrower and the Guarantors, as applicable.

    b. Executed loan documents and other documents executed in connection therewith which shall be mutually acceptable to Borrower and Capital One.

    c. A Phase I environmental survey dated within six months of the Anticipated Closing Date on which Capital One is entitled to rely. At the sole discretion of Capital One, additional environmental due diligence may be required, including but not limited to a Phase II environmental survey, asbestos and/or lead paint tests; provided that Capital One will consider using an updated version of existing Phase I if acceptable to Capital One's in-house environmental risk manager.

    d. Management agreement and management plan from an approved third-party management company reasonably acceptable to Capital One.

    e. Commitment for title insurance, issued by a title company acceptable to Capital One, covering the Property Improvements, together with the payment of premiums necessary for the title company to issue a mortgagee's policy of title insurance, with respect thereto, in the amount of the Construction Loan, together with all endorsements thereto as required Capital One.

    f. Evidence that the Property Improvements are not located in a flood prone area.

g. A market and feasibility study for the Property Improvements prepared by an approved market consultant.

h. Evidence that the Development will have adequate parking per zoning requirements.

i. Pro-forma operating statement for the Development.

j. Survey of the Development that includes any easements or licensing agreements in place.

k. Evidence of fire, hazard, flood (as applicable), builder's risk, workman's compensation, and all other insurance as will be required by the loan documents, each naming Capital One as loss payee or mortgagee.

l. Receipt and approval by Capital One of a final construction budget, a construction schedule and a draw schedule, together with a third-party plan and cost review performed by a third party acceptable to Capital One which shall, among other things, verify the adequacy of such construction budget. The cost breakdown should clearly indicate those line items to be funded by the equity contributions and the timing thereof.

m. A recent (within 30 days prior to closing) set of lien searches indicating that the Development and the Borrower are free and clear of all security interests (or will be at the time of closing).

n. The Borrower's partnership agreement or operating agreement, as applicable, and all amendments and modifications thereto, and copies of any notes, guarantees, and other instruments and agreements issued or executed pursuant thereto.

o. Certified copy of Borrower's and its general partner's or managing member's and each Guarantor's charter documents, certificates of good standing as of a recent date and evidence of corporate authorization to enter into the transaction contemplated by this Proposal and the loan documents in form and substance acceptable to Capital One.

p. Any deed containing reversionary rights or project specific covenants must be in form and substance acceptable to the Lender, including any Lender protections that are deemed necessary by the Lender.

q. If applicable, the purchase agreement or ground lease of the Development property and all landlord estoppel letters as may be required by Capital One. Any leasehold interest in the Development property subject to a ground lease shall be subordinate to the Construction Loan. Within the lease, Capital One shall require prohibition of lease termination or transfer of fee simple interest without the Capital One's consent, transferability to Capital One under same terms and assignment of the lease to a new party, and obligation from the landlord to send Capital One notice of any defaults under the lease and grant Capital One certain rights to cure.

r. Opinions of counsel with respect to the Borrower, the Guarantor Parties, and such other entities reasonably requested by Capital One, and covering such matters as Capital One shall deem reasonably necessary or desirable in connection with the transaction.

s. Current plans and specifications for the Development.

t. The contract between Borrower and the Development's architect, together with an agreement from such architect consenting to the assignment of the plans and specifications prepared by the architect to Capital One and providing for the subordination of all statutory and contractual liens and claims of the architect against the Development.

u. The general construction contract between Borrower and the General Contractor (which shall be a fixed price/stipulated sum or guaranteed maximum price contract consistent with the budget approved by Capital One), together with an agreement from the General Contractor consenting to the assignment of such contract to Capital One, and providing for the subordination of all statutory and contractual liens and claims of the General Contractor against the Development.

v. All management contracts, operating agreements, franchise agreements, or other contractual arrangements affecting the operation of the Development. Capital One reserves the right to require that all such contracts and agreements be conditionally assigned by Borrower to Capital One, and to further, at the option of Capital One, require that such assignments be acknowledged by the contracting third parties.

w. Evidence in the form of letters from the appropriate provider or from the project engineer, that public water, sanitary and storm sewer, electricity, gas, and other required utilities are available to the Development (as clearly identified in said letters) and in quantities sufficient for the successful operation of the Development. All utility lines must enter the Development through adjoining public streets or, if passing through adjoining private land, do so in accordance with recorded public or private easements satisfactory in form and content to Capital One.

x. Evidence that the Permanent **Loan Take Out Commitment** has been executed and would achieve the Debt Service Coverage Ratio as outlined in Appendix A.

y. Evidence that the Development and all planned improvements and intended uses will fully comply with all applicable deed restrictions, laws, regulations, and zoning requirements, and copies of all building and grading and demolition permits, operating permits, licenses, consents and approvals, which building and grading and demolition permits, operating permits, licenses, consents and approvals shall be conditionally assigned to Capital One.

z. Executed rental agreements by and allocating agency for any operating or rental subsidies including project-based vouchers, public housing assistance, veterans' assistance or any other underwritten revenue.

aa. Such other financial information and other documents as shall be required by the loan documents.

bb. All documentation and other information required by the policies and procedures of Capital One to comply with applicable "know your customer" and anti-money laundering rules and regulations, including, without limitation, the PATRIOT Act.

EXHIBIT C

Preliminary Construction Budget

The BROWN STONE Group

6517 Mapleridge
Houston, TX 77081
T: 713.432.7727
F: 713.432.0120

Final Budget	Dian Street Villas - 108 Units	
Description Of Work	Scheduled Value	Cost Per SQFT / Net Rentable
Division 2 -SITE	2,367,545.32	31.22
Division 3 - CONCRETE	2,206,205.00	29.09
Division 4 - MASONRY	604,200.00	7.97
Division 5 - METALS	160,474.00	2.12
Division 6 - CARPENTRY	2,469,790.36	32.57
Division 7 - ROOFING/ INSULATION	481,178.21	6.34
Division 8 - DOORS / WINDOWS	306,432.22	4.04
Division 9 - FINISHES	1,471,798.18	19.41
Division 10 - SPECIALTIES	270,046.64	3.56
Division 11 - APPLIANCES	220,802.00	2.91
Division 12 - FURNISHINGS	232,076.00	3.06
Division 13 - POOL	200,000.00	2.64
Division 14 - ELEVATOR / GRANITE	319,980.00	4.22
Division 15 - MECHANICAL	1,514,123.58	19.96
Division 16 - ELECTRICAL	1,324,559.61	17.47
Division 17 - CLUB	209,501.12	2.76
P&P Bond	-	-
Builders Risk	-	-
HC Budget	14,358,712.23	
GC 6%	861,522.73	11.36
Overhead 2%	287,174.24	3.79
Profit 6%	861,522.73	11.36
Contingency 4%	-	-
Total	16,368,931.95	215.84

Assumptions and Explanations		
Landscape Allowance	$	180,000.00
Building Signage Allowance	$	25,000.00
Monument Sign Allowance	$	15,000.00
Laundry by Others	$	-
Pool Allowance	$	200,000.00
Clubhouse/Garage Low Voltage - CCTV, ressident Access, Sound Allowance	$	26,000.00
ERRC communication Pathway Only	$	5,000.00
Total	$	451,000.00

Dian Street Villas-Shedule of Values	
Description Of Work	Scheduled Value
Division 2	
Excavation - Site Work	963,194.00
Site Utilities	1,121,564.78
Fencing	-
Site Furnishings	60,000.00
Irrigation/Landscaping	180,000.00
Division 3	
Concrete Pavement	452,508.25
Concrete Slabs	1,550,000.00
Sidewalks & Misc Concrete	85,000.00
Lightweight/Gypcrete	200,000.00
Division 4	
All Masonry/Dumpster Enc.	604,200.00
Division 5	
Stairs/Railings/Misc	160,474.00
Division 6	
Rough Framing	765,000.00
Lumber/Framing Hardware	1,100,672.00
Trusses	410,000.00
Division 7	
Roofing	235,178.21
Building Insulation	246,000.00
Division 8	
Exterior/Interior/Common Doors	189,182.01
Interior Trim Labor	85,000.00
Interior Trim	109,118.36
Club Doors/trim Labor and Material	71,397.35
Overhead Doors	7,500.00
Windows	97,161.68
Division 9	
Drywall	885,338.00
Vinyl Plank	222,084.00
Ceramic Tile (tubs/floors/splash)	174,376.18
Paint	250,000.00
Division 10	
Finish Hardware	222,653.26
Bldg Signage/Monument	40,000.00
Rough and Final Clean	41,276.84
Division 11	
Appliances	229,745.32
Division 12	
Cabinets	217,000.00
Window Coverings	15,076.00
Division 13	
Pool/Deck	200,000.00
Granite Counters	114,308.75
Division 14	
Elevators	222,000.00
Division 15	
Plumbing	836,083.58
Fire Sprinkler	270,000.00
HVAC	387,638.00
Division 16	
Electrical/Tel/Cable Rough/Dist	1,118,515.07
Fire Alarm/ CCTV/AV	109,466.61
Electrical Fixtures	110,000.00
HC Budget	14,358,712.23
GC 6%	861,522.73
Overhead 2%	287,174.24
Profit 6%	861,522.73
Total	16,368,931.95

EXHIBIT D

Scope of Work

Dian Street Villas

SCOPE OF WORK

Dian Street Villas will be a mixed income multifamily apartment development consisting of 108 units with 45 studio/efficiency (589 SF) units, 45 one bedroom (700 SF) units, 12 two bedroom (909 SF) units and 6 three bedroom (1125 SF) units in a single building with elevators. The construction will be 3-stories of wood frame construction over an elevated podium above surface parking. The building will have craftsman style elements to compliment the character of the neighborhood.

Units will be equipped with individual HVAC units and residential appliances including refrigerators, stove/oven and dishwashers. All units will have washer & dryer connections.

Common interior amenity areas will include a Leasing Office, Community Room, Learning Center, Fitness Center and Business Center. The Development will have an abundance of exterior amenities.

The building will be designed to NGBS Green Certification (Bronze) or equivalent.

Surface parking will be provided at a ratio that meets City of Houston parking standards with vehicular gates to secure resident parking.

The Development will meet the HCDD Flood Zone standards through Mitigation by elevating the buildings residential floor area out of the floorplain with elevated podium construction.

The Development will provide off-site improvements ("neighborhood & community enhancements") during the development of the project. The budget for the Development will include $150,000 for traffic calming & mitigation and/or other off-site neighborhood & community enhancements.

EXHIBIT E

Construction Schedule

STREET VILLAS

PROJECTED START: Week # 1 — 4/5/2021

No. of Units/Bldg.	0	33	42	33	108
Building Type					
Bldg. No.	Club	A	B	C	
DEMO	2	2	2	2	
PAD COMPLETE	6	6	6	8	
UTILITIES OFF-SITE	5	5	6	8	
UTILITIES ON-SITE	7	9	11	13	
SPREAD FOOTINGS	15	17	19	21	
1st FLOOR GARGE	18	20	25	28	
PAVING	25	27	29	31	
PODIUM	33	36	39	42	
START FRAME	37	39	41	43	
100% FRAME	40	42	44	46	
PLUMBING TOP OUT	41	43	45	47	
ROOFING	42	43	45	46	
CORNICE	43	44	45	47	
50% ELECTRICAL	44	46	48	50	
PRE-SHEETROCK	45	46	48	49	
50% HVAC	46	48	50	52	
FURRDOWNS	47	49	50	52	
100% HVAC	48	50	51	53	
100% ELECTRICAL	49	51	53	55	
SPECIAL PRE-WIRE	50	52	54	56	
INSULATION	51	53	55	57	
HANG SHEETROCK	52	54	56	58	
TAPE,BED, TEXTURE	53	55	57	59	
1ST TRIM	54	56	58	60	
WALL OUT ENAMEL	55	57	59	61	
FLOORING	56	58	60	62	
CABINETS	57	59	61	63	
COUNTERTOPS	58	60	62	64	
2ND TRIM	59	61	63	65	
MECH. TRIM	60	62	64	66	
ELECTRICAL TRIM	61	63	65	67	
PLUMBING TRIM	62	64	66	68	
MASONRY (STUCCO)	58	60	62	64	
EXTERIOR PAINT	59	61	63	65	
FLAT WORK	60	62	64	66	
LANDSCAPE	61	63	65	67	
CARPET & BLINDS	64	66	68	70	
CONSTRUCTION PUNCH	67	69	71	73	
MGMNT. PUNCH	70	72	74	76	
BUILDING / TURN OCCUPANCY	73	76	79	82	
	0	33	42	33	108
Bldg. No.	Club	A	B	C	

WEEK	DATE	Bldg No.	Units	Cuml Units	Rain Days
	Week end Friday				
1	04/01/21				
2	04/08/21				
3	04/15/21				
4	04/22/21				
5	04/29/21				
6	05/06/21				
7	05/13/21				
8	05/20/21				
9	05/27/21				
10	06/03/21				
11	06/10/21				
12	06/17/21				
13	06/24/21				
14	07/01/21				
15	07/08/21				
16	07/15/21				
17	07/22/21				
18	07/29/21				
19	08/05/21				
20	08/12/21				
21	08/19/21				
22	08/26/21				
23	09/02/21				
24	09/09/21				
25	09/16/21				
26	09/23/21				
27	09/30/21				
28	10/07/21				
29	10/14/21				
30	10/21/21				
31	10/28/21				
32	11/04/21				
33	11/11/21				
34	11/18/21				
35	11/25/21				
36	12/02/21				
37	12/09/21				
38	12/16/21				
39	12/23/21				
40	12/30/21				
41	01/06/22				
42	01/13/22				
43	01/20/22				
44	01/27/22				
45	02/03/22				
46	02/10/22				
47	02/17/22				
48	02/24/22				
49	03/03/22				
50	03/10/22				
51	03/17/22				
52	03/24/22				
53	03/31/22				
54	04/07/22				
55	04/14/22				
56	04/21/22				
57	04/28/22				
58	05/05/22				
59	05/12/22				
60	05/19/22				
61	05/26/22				
62	06/02/22				
63	06/09/22				
64	06/16/22				
65	06/23/22				
66	06/30/22				
67	07/07/22				
68	07/14/22				
69	07/21/22				
70	07/28/22				
71	08/04/22				
72	08/11/22				
73	08/18/22	Club			
74	08/25/22				
75	09/01/22				
76	09/08/22	A	33		
77	09/15/22				
78	09/22/22				
79	09/29/22	B	42		
80	10/06/22				
81	10/13/22				
82	10/20/22	C	33		
83	10/27/22				
84	11/03/22				
85	11/10/22				
86	11/17/22	Project Complete			
# Months	20		Total:	108	
Holiday Week					

Bldg Level Turn	
Bldg Complete	
Holiday Week	

Projected Task
Completed Task

ATTACHMENT A
TO LOAN AGREEMENT

RESTRICTIVE COVENANTS

RESTRICTIVE COVENANTS

THESE RESTRICTIVE COVENANTS ("Declaration") are executed this __ day of April, 2021 by **CSH DIAN STREET VILLAS, LTD.**, a Texas limited partnership ("Owner").

RECITALS

Owner has title to certain land described on **EXHIBIT A** attached hereto and incorporated herein by reference, together with any improvements situated thereon or to be constructed thereon, located at 1433 Dian Street, Houston, Harris County, Texas 77008 (said land and improvements being hereinafter collectively referred to as the "Property" or the "Project").

Pursuant to a certain Loan Agreement ("City Loan Agreement") by and between the City of Houston ("City"), Owner and Texas Inter-Faith Housing Corporation, a Texas 501(c)3 non-profit corporation ("Borrower") effective as of April ___, 2021, the Owner has agreed to comply with certain occupancy and rent restrictions on the Property for the Affordability Period (as defined herein), and, in consideration of the mutual benefits to the City, Owner and Borrower set out in the City Loan Agreement, Owner has agreed to execute this Declaration to further evidence its agreement to comply with such restrictions.

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.1 General. Capitalized terms used in this Declaration shall have, unless the context clearly requires otherwise, the meanings specified in this Article I. Certain additional terms may be defined elsewhere in this Declaration.

a. Affordability Period shall mean the forty (40) year period, which commences upon Project Completion, as defined in the City Loan Agreement, during which all Designated Units in the Project must remain affordable (in accordance with the provisions of Section 3.1 hereof) without regard to the term of the City Loan Agreement or transfer of ownership of the Project (the "City Affordability Requirements"). The Affordability Period includes a twenty (20) year HUD required affordability period as set forth in 83 Fed. Reg. 5844 and 83 Fed. Reg. 40314 (the "HUD Affordability Requirements"), in addition to a supplemental twenty (20) year affordability period required by the City. While the Owner's obligation to comply with the HUD Affordability Requirements and related obligations shall end at the close of the initial twenty (20) year affordability period, the Owner shall be required to comply with the City Affordability Requirements for the forty (40) years, as maybe extended, in accordance with this Declaration.

b. City is defined in the preamble to this Declaration.

c. City Loan shall mean the loan made by the City to Borrower in the original principal amount of $11,000,000.00 the proceeds of which were utilized by Borrower to make the Owner Loan to Owner.

d. City Loan Agreement shall mean that certain loan agreement by and between the City, Owner, and Borrower, which governs the City Loan.

e. City Loan Documents shall mean all of the documents executed by Borrower and Owner that govern, secure, and/or evidence the City Loan, including without limitation, the City Loan Agreement and this Declaration.

f. Designated Unit(s) shall mean those units in the Project which have been designated by the Owner and approved by the Director as subject to all occupancy, rent and affordability requirements contained in the City Loan Agreement and this Declaration. The Designated Units for the Project covered by this Agreement shall consist of fifty-six (56) Project units, as more particularly described in Article III hereof, and which may "float" within the Project.

g. Director shall mean the Director of the City's Housing and Community Development Department or any other person that the Director may designate to monitor compliance with this Declaration.

h. Float means that the location of the Designated Units may vary within the Project. The income eligible tenants must occupy the Designated Units. If at any time during the Affordability Period the income of the tenant household increases above the threshold eligible area median income level for which the Designated Unit has been designated, then Owner must substitute said unit with the next available comparable unit and house a household whose income is consistent with the area median income for the Designated Unit in which the tenant household became over-income.

i. GLO means the General Land Office of the State of Texas.

j. HUD shall mean the United States Department of Housing and Urban Development.

k. Income and/or Family Income or any similar term, including without limitation, annual income, adjusted income, monthly income and monthly adjusted income shall have the meanings assigned to such terms in 24 CFR Part 5.

l. LMI Persons shall mean households whose annual incomes do not exceed eighty (80%) percent of the area median income, as determined by HUD with adjustments for family size.

m. Owner is defined in the preamble to this Declaration.

n. Owner Loan means the loan made by Borrower to Owner with the proceeds of the City Loan for the purposes set forth in the City Loan Agreement.

o. Owner Loan Documents shall mean all of the documents executed by Owner that govern, secure, and/or evidence the Owner Loan.

p. Project shall mean the land described in **EXHIBIT A** together with all buildings and other improvements located thereon. Project shall also include all personal property of the Owner located on, incorporated into, or used in connection with the land and improvements, including

without limitation, all appliances, air conditioning, heating, ventilation, plumbing and electrical fixtures and equipment.

q. Regulations mean all federal regulations applicable to the Project, including, without limitation, any federal or state regulations related to any loans or grants made pursuant to or in connection with the CDBG-DR HUD Community Development Block Grant Disaster Recovery program, as amended from time to time as administered by the GLO.

Section 1.2 Generic Terms. Unless the context clearly indicates otherwise, where appropriate the singular shall include the plural, and the masculine shall include the feminine or neuter and vice versa, to the extent necessary to give the terms defined in this Article I and/or the terms otherwise used in this Declaration their proper meanings.

ARTICLE II

USE AND OCCUPANCY OF THE PROPERTY

Section 2.1 Use and Occupancy of the Property. During the Affordability Period, Owner will maintain the Designated Units located at the Property as multi-family rental housing for qualified LMI Persons and will rent or hold available for rental fifty-six (56) Designated Units on a continuous basis.

a. During the Affordability Period, Owner will make continuously available for occupancy each and every Designated Unit in the Project as provided in Section 3.1 below.

b. The determination of whether the income of a family or individual occupying or seeking to occupy a Designated Unit exceeds the applicable income limit shall be made prior to admission of such family or individual to occupancy in a Designated Unit. Thereafter, such determinations shall be made at least annually on the basis of an examination or reexamination of the current income of the family or individual.

ARTICLE III

RENT

Section 3.1 Designated Units; Compliance With Affordability Requirements.

a. The Director has determined that the number of Designated Units for the Project covered by this Agreement shall consist of fifty-six (56) units, being at least fifty-one percent (51%) of the one hundred eight (108) total residential units in the Project, the location of which may float during the Affordability Period.

b. With respect to the Designated Units, Owner shall comply with the following affordability requirements:

(1) Each of the Designated Units shall be rented or be available for rent only to the City's LMI Persons, being those households whose gross income does not exceed eighty percent (80%) of the Area Median Income ("AMI"), as determined by HUD.

(2) Designated Units shall be rent restricted based upon the following criteria:

a. ten percent (10%) or six (6) of the Designated Units shall be restricted to households at rents that do not exceed thirty percent (30%) of AMI.

b. twenty percent (20%) or eleven (11) of the Designated Units shall be restricted to households at rents that do not exceed fifty percent (50%) of AMI.

c. forty percent (40%) or thirty-nine (39) of the Designated Units shall be restricted to households at rents that do not exceed sixty percent (60%) of AMI.

(3) The rental amount for each Designated Unit shall not exceed the applicable maximum rental limitations published annually by HUD for the low-income housing tax credit program, adjusted for household and unit size, and applicable to the City, as such rental limitation is further described at 26 U.S.C. §§ 42(g)(2)(A) and (B).

(4) The location of the Designated Units shall "float" within the Project. No later than ninety (90) days prior to the initiation of rental activities at the Project, Owner shall contact the Director to establish a procedure for identifying the initial Designated Units to be occupied by qualified tenants and a procedure for identifying the floating Designated Units on a periodic basis thereafter.

c. The Owner will not refuse to lease a Designated Unit to a recipient of federal housing assistance or to the holder of a document evidencing participation in a tenant-based assistance program because of the status of the prospective tenant as a holder of such certificate of participation, rental voucher, or comparable tenant-based assistance document (unless such rental is in conflict with other applicable federal or state requirements.

ARTICLE IV

ADMINISTRATION

Section 4.1 Tenant Lease Requirements. The Owner shall enter into a lease agreement (in the form approved by the Director) with each new or renewal tenant ("Tenant") of the Project's Designated Units. The term of each lease shall not be less than one (1) year unless the Owner and the Tenant mutually agree otherwise. No lease of any Designated Unit may contain any of the following provisions:

a. An agreement by the Tenant to be sued, to admit guilt or to a judgment in favor of the Owner in a lawsuit brought in connection with the lease;

b. An agreement by the Tenant that the Owner may take, hold, or sell personal property of household members without notice to the Tenant and a court decision on the rights of the parties. This provision does not apply to an agreement by the Tenant concerning disposition of personal property remaining in a housing unit in the Project after the Tenant has moved out of a unit. The Owner may dispose of this personal property in accordance with applicable state law;

c. An agreement by the Tenant not to hold the Owner or the Owner's agents legally responsible for any action or failure to act, whether intentional or negligent;

d. An agreement of the Tenant that the Owner may institute a lawsuit without notice to the Tenant;

e. An agreement by Tenant that the Owner may evict the Tenant or household members without instituting a civil court proceeding in which the Tenant has the opportunity to present a defense, or prior to a court decision regarding the rights of the parties;

f. An agreement by the Tenant to waive any right to a trial by jury;

g. An agreement by the Tenant to waive the Tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease; or

h. An agreement by the Tenant to pay attorney's fees or other legal costs even if the Tenant wins in a court proceeding by the Owner against the Tenant. The Tenant, however, may be obligated to pay costs if the Tenant loses.

Section 4.2 Limitations on Termination of Leases. Owner shall not terminate any tenancy or refuse to renew the lease of any Tenant in the Project except for one of the following reasons: (a) violation of the terms and conditions of the lease; (b) violation of applicable federal, state or local law; (c) if the Project is a transitional housing facility, for completion of the transitional housing tenancy period established by mutual agreement of the Owner and the City; or (d) other good cause. Any termination or refusal to renew must be preceded by the Owner providing the affected Tenant with not less than thirty (30) days prior written notice specifying the grounds for such termination or refusal to renew.

Section 4.3 [reserved]

Section 4.4 Annual Reevaluation of Rents. For purposes of monitoring compliance with the affordability requirements of Section 3.1 above, Owner shall, prior to the occupancy of any Tenant in a Designated Unit and thereafter annually, submit to the City for approval, the rents proposed by the Owner for the coming year as well as the monthly allowances proposed by the Owner for the coming year for utilities and services to be paid by the Tenant. In connection with the Owner's annual submittal of proposed rents, the Owner shall re-examine the income of each Tenant household living in a Designated Unit. The maximum monthly rent must be recalculated by the Owner in accordance with the requirements of Section 3.1 above and reviewed and approved by the City. Any increase in rents for Designated Units is subject to the provisions of the leases in any event, and the Owner must provide Tenants not less than thirty (30) days prior written notice before implementing any increase in rents.

Section 4.5 Maintenance of Project. Owner must maintain the Project in compliance with (i) the City's Minimum Property Standards as defined in the City Loan Agreement and (ii) all applicable, local codes, rehabilitation standards, ordinances and zoning ordinances (including without limitation, the City's Building, Housing and Fire Codes).

Section 4.6 Maintenance of Documents. All tenant lists, applications, leases, waiting lists, income examinations and reexaminations relating to the Property shall at all times be kept separate and identifiable from any other business of Owner which is unrelated to the Property,

and shall be maintained in a reasonable condition for proper audit and subject to examination and photocopying during business hours by representatives of the City, GLO or other federal agency.

Section 4.7 Compliance Review. The City or its designee will monitor Owner's compliance with the requirements of this Declaration. In conducting its compliance review the City will rely primarily on information obtained from Owner's records and reports, findings from on-site monitoring and audit reports.

Section 4.8 Releases. Upon the expiration of the Affordability Period as provided in Section 1.1(a) hereof, Owner shall request that the City execute such documents as may be required to evidence release of the Property from the covenants and restrictions set forth in this Declaration and the other Loan Documents.

ARTICLE V

REPRESENTATIONS AND WARRANTIES OF OWNER

Section 5.1 Representations and Warranties. Owner represents and warrants to the City that:

a. Valid Execution. Owner has validly executed this Declaration and the same constitutes the binding obligation of Owner. Owner has full power, authority and capacity:

(i) to enter into this Declaration;

(ii) to carry out Owner's obligations as described in this Declaration; and

(iii) to assume responsibility for compliance with all applicable local, state and federal rules and regulations, including, without limitation, the Regulations.

b. No Conflict or Contractual Violation. To the best of Owner's knowledge, the making of this Declaration and Owner's obligations hereunder:

(i) will not violate any contractual covenants or restrictions (A) between Owner and any third party or (B) affecting the Property;

(ii) will not conflict with any of the instruments that create or establish Owner's authority;

(iii) will not conflict with any applicable public or private restrictions;

(iv) do not require any consent or approval of any individual or entity which has not already been obtained; and

(v) are not threatened with invalidity or unenforceability by any action, proceeding or investigation pending or threatened, by or against (A) Owner without regard to capacity, (B) any person with whom Owner may be jointly or severally liable, or (C) the Property or any part thereof.

c. No Litigation. No litigation or proceedings are pending or, to the best of Owner's knowledge, threatened against Owner which if adversely determined could individually or in the aggregate have an adverse effect on title to or the use and enjoyment or value of the Property, or any portion thereof, or which could in any way interfere with the consummation of this Declaration.

d. No Bankruptcy. There is not pending or, to Owner's best knowledge, threatened against Owner any case or proceeding or other action in bankruptcy, whether voluntary or otherwise, any assignment for the benefit of creditors, or any petition seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief for Owner under any federal, state or other statute, law or regulation relating to bankruptcy, insolvency or relief for debtors.

Section 5.2 **INDEMNIFICATION. OWNER AGREES TO INDEMNIFY AND HOLD HARMLESS THE CITY, GLO AND HUD FROM AND AGAINST ALL LIABILITIES, LOSSES, CLAIMS, DAMAGES, JUDGMENTS, COSTS AND EXPENSES (INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES) INCURRED BY THE CITY, GLO OR HUD AS A RESULT OF ANY MATERIAL INACCURACY IN ANY OF THE REPRESENTATIONS AND WARRANTIES CONTAINED IN SECTION 5.1.**

ARTICLE VI

ENFORCEMENT AND REMEDIES

Section 6.1 Remedies of the City.

a. A default under this Declaration or the City Loan Agreement that occurs and is continuing beyond the notice and cure period set forth in the City Loan Agreement, or a "Default" under and as defined in the City Loan Agreement, shall constitute a default under the City Loan and the Owner Loan and shall entitle the City to exercise all of its rights and remedies under the City Loan Documents and the Owner Loan Documents which were collaterally assigned to the City. Subject to the terms of the City Loan Documents and the Owner Loan Documents, the City may pursue collection on the Owner Loan as part of the collateral for the City Loan. The rights set forth in this Section 6.1 are in addition to any rights the City may have under the City Loan Documents, at law or in equity. In the event of a default hereunder that is continuing beyond all applicable notice and cure periods, Owner shall have the cure rights provided it under Section 10.1.2 of the Loan Agreement.

b. This Declaration shall be enforceable by actions at law or in equity including, without limitation, actions for specific performance by the City of Houston, its successors and assigns and/or one or more third-party beneficiaries. For the purpose of this Restrictive Covenant, a third-party beneficiary shall be any member of a Low-Income Family meeting the eligibility requirements for a Designated Unit under Section 3.1 of this Declaration.

c. Each right, power and remedy of the City provided for in this Declaration now or hereafter existing at law or in equity or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for in this Declaration or now or hereafter existing at law or in equity or by statute or otherwise and the exercise or beginning of the exercise by the City of any one or more of the rights, powers or remedies provided for in this Declaration or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by the City of any or all such other rights, powers or remedies.

d. Owner shall be fully and personally liable and subject to legal action to the full extent of the losses of the City caused by (a) misappropriation of insurance proceeds; (b) misappropriation of proceeds from condemnation or a conveyance in lieu of condemnation; (c) misappropriation of tenant security deposits or other refundable deposits of tenants; (d) misappropriation of rents and other payments received from leases; (e) waste or damage to the Project as a result of the intentional misconduct or gross negligence of Owner; (f) for all obligations and indemnities of Owner and Borrower under the City Loan Documents relating to hazardous or toxic substances or compliance with environmental laws; and (g) for fraud or material intentional misrepresentation by Owner.

ARTICLE VII

MISCELLANEOUS

Section 7.1 Amendments. This Declaration may not be amended, modified or rescinded except pursuant to written instrument executed by Owner and approved by the City.

Section 7.2 Notices. All notices required or permitted to be given under this Declaration must be in writing and will be deemed to have been duly given if delivered personally or three (3) business days after mailed postage prepaid, by registered or certified United States mail, return receipt requested, addressed to the parties at the following addresses:

If mailed or delivered to the City:

CITY OF HOUSTON
Housing & Community
Development Department
2100 Travis Street, 9th Floor
Houston, TX 77002
Attention: Director

If mailed or delivered to Owner:

CSH DIAN STREET VILLAS, LTD.
3701 Kirby Drive, Suite 860
Houston, TX 77098
Attention: Russ Michael Schmidtberger ("Russ Michaels")

With a copy to:

Red Stone Equity – Fund 73 Limited Partnership
c/o Red Stone Equity Partners, LLC
1100 Superior Avenue, Suite 1640
Cleveland, OH 44114
Attention: General Counsel

with a copy to:

Nixon Peabody LLP
Exchange Place
53 State Street
Boston, MA 02109
Attention: Roger W. Holmes

Any party may change its address for notice purposes by giving notice to the other parties in accordance with this Section 7.2.

Section 7.3 Governing Law and Venue. This Declaration shall be construed and interpreted in accordance with the laws of the City, the State of Texas, the laws of the federal government of the United States, and all rules and regulations of any regulatory body or officer having jurisdiction. Venue shall be proper for any dispute with respect to this Declaration in the United States District Court for the Southern District of Texas or the state circuit court sitting in Harris County, Texas.

Section 7.4 Severability. This Declaration is intended to be performed in accordance with, and only to the extent permitted by, all applicable laws, ordinances, rules and regulations. If any provision of this Declaration or the application thereof to any person or circumstance shall be held invalid or unenforceable, the remainder of this Declaration and the application of such provision to other persons or circumstances shall not be affected thereby, but rather shall be enforced to the greatest extent permitted by law.

Section 7.5 Binding Effect; Covenants Running with the Land. During the Affordability Period, this Declaration and the covenants, reservations and restrictions contained herein shall be deemed covenants running with the land for the benefit of the City and its successors and shall pass to and be binding upon Owner's assigns and successors in title to the Property, or if the Property shall not include title to land, but shall include a leasehold interest in land, this Declaration and the covenants, reservations, et al., shall bind the leasehold interest as well as the Property and shall pass to and be binding upon all heirs, assigns and successors to such interest; provided, however, that upon expiration of the Affordability Period this Declaration and said covenants, reservations and restrictions shall expire. During the Affordability Period, each and every contract, deed or other instrument hereafter executed covering or conveying the Property or any portion thereof 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. If a portion or portions of the Property are conveyed, all of such covenants, reservations and restrictions shall run to each portion of the Property. Owner, at its cost and expense, shall cause this Declaration to be duly recorded or filed and re-recorded or refiled in such places, and shall pay or cause to be paid all recording, filing or other taxes, fees and charges, and shall comply with all such statutes and regulations as may be required by law, in the opinion of qualified counsel, in order to establish, preserve and protect the ability of the City to enforce this Declaration.

Section 7.6 Counterparts. This Declaration and any amendments hereto may be executed in several counterparts, each of which shall be deemed to be an original copy.

Section 7.7 Section Titles. Section titles and the table of contents are for descriptive purposes only and shall not control or limit the meaning of this Declaration as set forth in the text.

[Signatures on next page]

IN WITNESS WHEREOF, the undersigned have executed this Declaration to be effective as of the date first set forth above.

OWNER:

CSH DIAN STREET VILLAS, LTD.,
a Texas limited partnership

By: CSH Dian Street Villas GP, LLC, a Texas limited liability company, its general partner

By: Texas Inter-Faith Housing Corporation, a Texas 501(c)3 non-profit corporation, its sole member

By: _____
Name: Russ Michael Schmidtberger ("Russ Michaels")
Title: Executive Director

STATE OF TEXAS

COUNTY OF HARRIS

The foregoing instrument was acknowledged before me this ____ day of April, 2021 by Russ Michael Schmidtberger ("Russ Michaels"), the executive director of Texas Inter-Faith Housing Corporation, a Texas 501(c)3 non-profit corporation, the sole member of CSH Dian Street Villas GP, LLC, a Texas limited liability company, the general partner of CSH Dian Street Villas, LTD., a Texas limited partnership, on behalf of said limited partnership.

_____
NOTARY PUBLIC - THE STATE OF TEXAS

_____
Printed Name of Notary

My commission expires:_____.

ATTACHMENTS:
EXHIBIT "A" Property Description

EXHIBIT A

Property Description

Unrestricted Reserve "A", Block 1, of DIAN STREET VILLAS, a subdivision in Harris County, Texas, according to the map or plat thereof recorded under Film Code No. RP-2021-188712, of the Map Records of Harris County, Texas.

ATTACHMENT B
TO LOAN AGREEMENT

NOTE

NOTE

$11,000,000.00 April __, 2021

I. PROMISE TO REPAY.

FOR VALUE RECEIVED, TEXAS INTER-FAITH HOUSING CORPORATION, a Texas 501(c)3 non-profit corporation ("Maker"), hereby agrees and promises to pay to the order of **THE CITY OF HOUSTON, TEXAS**, a home-rule city organized under the laws of the State of Texas ("Payee"), at City Hall Annex, 900 Bagby, City of Houston, Harris County, Texas 77002 or at any other place as the holder hereof may from time to time in writing designate, on the Maturity Date, in coin or currency, which at the time of payment shall constitute legal tender of the United States of America, the principal sum of ELEVEN MILLION AND NO/100 DOLLARS ($11,000,000.00), or so much thereof as may be advanced, together with interest on the principal balance from time to time remaining unpaid at the rates set forth below.

The loan ("Loan") evidenced by this Note is subject to the terms and conditions of that one certain Loan Agreement ("Loan Agreement") between Maker, Payee and CSH DIAN STREET VILLAS, LTD., a Texas limited partnership ("Owner") of even date herewith. All capitalized terms used herein that are not defined herein shall have the same meaning as given in the Loan Agreement.

The proceeds of the Loan will be used to fund a loan from Maker to Owner ("Owner Loan") for the costs for the acquisition, construction, repair, renovation and/or rehabilitation of certain improvements located on the property located at 1433 Dian Street, Houston, Harris County, Texas 77008 ("Project") which houses or is to house low- or moderate-income persons. Funding for the City Loan is being provided to the City pursuant to 2017 Community Development Block Grant Disaster Recovery program funds awarded by the United States Department of Housing and Urban Development through the Texas General Land Office ("GLO") and is subject to the terms and conditions of a contract between GLO and the City. The Loan is a community development activity undertaken by the City and authorized under Chapter 373 or Chapter 374 of the Texas Local Government Code.

II. TERM.

The term of the Loan shall commence on the date on which Loan Documents (as defined in the Loan Agreement) are executed (the "Closing Date") and shall mature upon the last day of the Affordability Period (as defined in the Loan Agreement) (the "Maturity Date"). This Note is secured by and entitled to the benefits of a Collateral Assignment of Note and Liens of even date herewith executed by Maker to the City covering the Owner Loan and the Owner Loan Documents, including the Deed of Trust executed by Owner to Tom McCasland, Trustee, covering fee ownership interest in the Project, together with the buildings and other improvements now or hereafter erected thereon and the personal property attached to or used in connection therewith.

III. PAYMENTS.

No payment of principal or interest shall accrue or be payable under this Note during the Approved Construction Period except in the event of (i) a Default (as hereinafter defined) during the Term of this Note or (ii) the sale or refinancing of the Property during the Term of the Note that is not permitted under the Loan Documents. Upon the expiration of the Affordability Period (as defined in the Loan Agreement), if no Default has occurred which remains uncured, the amount of the deferred principal and interest shall be deemed paid. The Maturity Date is the date of expiration of the Affordability Period. Upon the maturity of this Note, if no Default has occurred which remains uncured, the amount of any remaining deferred principal shall be deemed paid upon the Maturity Date. Upon the event of a Default, at the option of the City, the outstanding deferred principal balance shall be immediately due and payable, without notice or opportunity to cure. Interest will not be charged on the deferred principal and interest unless there is a Default.

Notwithstanding the forgoing, after the expiration of the Approved Construction Period until the Maturity Date, interest shall accrue at the rate of one percent (1.0%) per annum on the outstanding principal balance and Maker shall pay an annual installment equal to the lesser of (i) one percent (1%) annually on the outstanding balance of the Loan plus accrued unpaid interest, if any, or (ii) fifty percent (50%) of Net Cash Flow. The annual interest payment or non-payment of such interest shall be accompanied by evidence acceptable to the Director documenting available Net Cash Flow or lack of available Net Cash Flow. Upon the expiration of the Affordability Period (as defined in the Loan Agreement), if no Default has occurred which remains uncured, the amount of the deferred principal and interest shall be deemed paid. The Maturity Date is the date of expiration of the Affordability Period.

For purposes of this provision Net Cash Flow is defined as follows:

> *Net Cash Flow* shall mean all income and revenues actually received by Owner from the lease of the Project Units and other improvements, and all other income and revenues actually received by Owner in connection with the Project, excluding and deducting therefrom all (1) Operating Expenses, including any debt service payments related to the Senior Loan (but not any subordinate loans); (2) security, pet or cleaning deposits, if any; (3) payments from the Replacement Reserve or from Operating Reserves; (4) payments or reimbursements from insurers or other third parties and used or to be used for restoration, repair or remodeling of any of the Project Units or other improvements; (5) capital contributions, grants, proceeds of any permitted sale, transfer, exchange, refinancing or other disposition or encumbrance of all or a portion of the Project; (6) condemnation proceeds and awards in place of them; (7) tax reduction or abatement proceeds (8) City Loan proceeds; (9) deposits made to operating reserves and to the replacement operating reserves; (10) payments of the deferred developer fee; (11) costs of residential services; (12) social services fees; 13) any tax credit adjustments, any asset management fees due to either the Tax Credit Investor or a limited partner to the extent such fee is authorized under the Approved Final Operating Budget and loans from the limited partner of Owner related to the Project (to the extent that repayment of such loan (a) is not secured by the Project and (b) is made for the purposes of covering assumed tax liability, tax credit shortfalls and operating deficits under the Approved Final Operating Budget for the applicable year and not for the purposes of facilitating distributions to the partners of Owner).

IV. DEFAULT; ACCELERATION.

If a Default exists, the entire debt represented by this Note, consisting of the outstanding principal balance and all accrued interest thereon, shall, at the option of the holder hereof, become immediately due and payable, and except as provided in the other Loan Documents, without notice, presentment for payment, demand, notice of nonpayment, notice of intention to accelerate, acceleration, or other notices of any type which are specifically waived, time being of the essence hereof. Payee's rights under this paragraph shall be in addition to any other rights or remedies it may have under any of the Loan Documents, at law or in equity, to enforce Maker's obligations under the Loan Documents. During the continuance of any Default, interest shall accrue on the outstanding balance of this Note at a rate equal to the lower of the highest rate permitted by applicable law or ten percent (10%) per annum ("Default Rate"). This Note shall be non-recourse to the Maker. For purposes of this Note, the term "Default" shall mean a default in payment of the Note or a default under the terms of this Note, the Deed of Trust, the Loan Agreement, or any of the other Loan Documents that continues beyond the expiration of all applicable notice and cure periods.

V. PREPAYMENT/MODIFICATION.

THIS NOTE MAY NOT BE PREPAID OR MODIFIED WITHOUT THE PRIOR WRITTEN CONSENT OF THE PAYEE, WHICH CONSENT MAY BE WITHHELD OR GRANTED IN THE SOLE DISCRETION OF THE PAYEE.

VI. APPLICATION OF PAYMENTS.

Each payment made on this Note shall be credited first to accrued, unpaid interest and the remainder to principal.

VII. WAIVER.

Maker hereby waives presentment for payment, protest and demand, notice of protest, demand and dishonor, and non-payment of this Note, and except as otherwise specified in any of the Loan Documents, waives notice of acceleration, and notice of intent to accelerate, and hereby consents that the holder hereof may extend the time of payment or otherwise modify the terms of payment of any part or the whole of the debt evidenced by this Note, at the request of any other person liable hereon, and such consent shall not alter nor diminish the liability of any person. The failure to exercise any remedy available to Payee shall not be deemed to be a waiver of any rights or remedies of Payee under this Note or under any of the other Loan Documents, or at law or in equity. No extension of the time for the payment of this Note or any installment due hereunder, made by agreement with any person now or hereafter liable for the payment of this Note, shall operate to release, discharge, modify, change or affect the original liability of Maker under this Note, either in whole or in part, unless Payee specifically, unequivocally and expressly agrees otherwise in writing. This Note may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change or modification is sought.

VIII. COSTS OF COLLECTION; ATTORNEYS' FEES.

Maker agrees to pay all costs of collection, including reasonable attorneys' fees, if the principal of this Note or any payment on the principal or interest hereon is not paid at the respective maturity and to pay all reasonable costs including, attorneys' fees and court costs, if it becomes necessary to protect the security hereof, whether suit be brought or not, after Default hereunder by Maker.

IX. USURY LIMITATIONS.

No provision of the Loan Agreement, this Note, or any instrument securing payment of or relating to the indebtedness, shall require the payment or permit the collection of interest in excess of the maximum rate allowed by applicable law ("Maximum Rate"). If any excess of interest in such respect is herein or in any other instrument provided for, or shall be adjudicated to be so provided for herein or in any other instrument, the provisions of this paragraph shall govern and neither Maker nor any guarantor or endorser of this Note nor their respective heirs, personal representatives, successors, or assigns shall be obligated to pay such interest to the extent it is in excess of the Maximum Rate. Any fees or other sums that under applicable law are deemed to constitute interest shall be or other sums so deemed interest shall be amortized, prorated, allocated and spread in equal parts over the full stated term of the loan evidenced hereby.

If the maturity of this Note is accelerated for any reason before the Maturity Date, or in the event of any prepayment by Maker, or in any other event, earned interest may never exceed the Maximum Rate, computed from the date of disbursement of the loan evidenced hereby until payment, and any unearned interest otherwise payable hereunder that is in excess of the Maximum Rate shall be cancelled automatically as of the date of the acceleration, prepayment, or other event, and if previously paid, shall at the option of the holder of this Note be either refunded to Maker or credited on the principal of this Note, provided that, if the holder elects to credit the unearned interest on the principal of this Note, and such unearned interest exceeds the principal balance, the excess shall be refunded to Maker. Any interest computation under this Note and the Loan Agreement shall be at not more than the Maximum Rate upon the portion of the face amount hereof representing principal that remains unpaid from time to time, it being the intention of the parties hereto to conform strictly to the laws applicable to the loan evidenced by this Note and the Loan Agreement, and should it be held that interest payable under this Note and the Loan

Agreement is in excess of the Maximum Rate, the interest chargeable hereunder shall be reduced to the maximum amount permitted by law.

X. LATE PAYMENTS

If a payment is not received within ten (10) days of the due date, a late payment fee of five percent (5%) of the payment amount will be charged, except that no late payment fee shall be assessed on deferred interest payments.

XI. GOVERNING LAW AND VENUE

This Note is made in the State of Texas and shall be governed by and construed in accordance with the internal laws of the State of Texas, without regard to conflicts of laws principles. Venue for any disputes relating in any way to this Note shall lie exclusively in Harris County, Texas.

XII. SUCCESSORS

This Note shall be binding upon the parties hereto and their respective successors and assigns.

XIII. JURY WAIVER

MAKER AND PAYEE ACKNOWLEDGE THAT THE RIGHT TO TRIAL BY JURY IS A CONSTITUTIONAL ONE, BUT THAT IT MAY BE WAIVED, EACH PARTY, AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF THEIR CHOICE, KNOWINGLY AND VOLUNTARILY, AND FOR THEIR MUTUAL BENEFIT, WAIVES ANY RIGHT TO TRIAL BY JURY IN THE EVENT OF LITIGATION REGARDING THE PERFORMANCE OR ENFORCEMENT OF, OR IN ANY WAY RELATED TO, THIS NOTE OR THE INDEBTEDNESS.

XIV. ENTIRE AGREEMENT

THIS WRITTEN LOAN AGREEMENT (AS DEFINED BY SECTION 26.02 OF THE TEXAS BUSINESS AND COMMERCE CODE) AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

XV. RECOURSE

This Note shall be non-recourse to its Maker.

If at any time any payment received by Payee hereunder shall be deemed by a court of competent jurisdiction to have been a voidable preference or fraudulent conveyance under any Debtor Relief Law (as defined below), then the obligation to make such payment shall survive any cancellation or satisfaction of this Note or return thereof to Payee and shall not be discharged or satisfied with any prior payment thereof or cancellation of this Note, but shall remain a valid and binding obligation enforceable in accordance with the terms and provisions hereof, and such payment shall be immediately due and payable upon demand. For purposes of this Note, "**Debtor Relief Law**" shall mean Title 11 of the United States Code, as now or hereafter in effect, or any other applicable law, domestic or foreign, as now or hereafter in effect, relating to bankruptcy, insolvency, liquidation, receivership, reorganization, arrangement or composition, extension or adjustment of debts or similar laws affecting the rights of creditors.

[EXECUTED ON THE FOLLOWING PAGE]

Signature Page to
Promissory Note

EXECUTED to be effective as of the date first written above.

MAKER:

TEXAS INTER-FAITH HOUSING CORPORATION,
a Texas 501(c)3 non-profit corporation

By: _____
Name: Russ Michael Schmidtberger
("Russ Michaels")
Title: Executive Director

ATTACHMENT C
TO LOAN AGREEMENT

DEED OF TRUST, SECURITY AGREEMENT
AND FINANCING STATEMENT

When recorded, return to:

THE CITY OF HOUSTON
P. O. Box 1562
Houston, TX 77251-1562
Attention: Director, Housing and Community Development Department

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

DEED OF TRUST, SECURITY AGREEMENT AND FINANCING STATEMENT

From

CSH DIAN STREET VILLAS, LTD.,
a Texas limited partnership
as Grantor

to

Tom McCasland,
as Trustee

for the benefit of

TEXAS INTER-FAITH HOUSING CORPORATION,
a Texas 501(c)3 non-profit corporation
as Beneficiary

DEED OF TRUST, SECURITY AGREEMENT AND FINANCING STATEMENT

THE STATE OF TEXAS §

COUNTY OF HARRIS §

That in consideration of certain indebtedness hereinafter described, justly owing by **CSH DIAN STREET VILLAS, LTD.**, a Texas limited partnership ("**Grantor**"), to **TEXAS INTER-FAITH HOUSING CORPORATION**, a Texas 501(c)3 non-profit corporation ("**Beneficiary**") and in consideration of the sum of Ten and No/100 Dollars ($10.00) and other valuable consideration paid to the Grantor, the receipt and sufficiency of which are hereby acknowledged, Grantor has GRANTED, ASSIGNED, TRANSFERRED and CONVEYED, and does hereby GRANT, ASSIGN, TRANSFER and CONVEY unto Tom McCasland, as trustee ("**Trustee**"), all of the following described property is collectively referred to herein as the "**Property**":

A. All of Grantor's right, title and interest, whether now or hereafter arising, in and to the real property situated in Harris County, Texas, described in **EXHIBIT A** hereto, together with all right, title and interest now and/or hereafter owned by Grantor, its successors and assigns, in the whole or any part of the above described real property and/or any street or road adjacent and/or contiguous to the above described real property ("**Land**").

B. All of Grantor's right, title and interest, whether now or hereafter arising, in and to all buildings and other improvements now or hereafter placed on the Land, as well as all appurtenances, betterments and additions thereto ("**Improvements**"); all and singular the rights, privileges, hereditaments and appurtenances in anywise incident or appurtenant to the Land and Improvements; and the rents, revenue, profits and income from the Land and Improvements.

C. All of Grantor's right, title and interest, whether now or hereafter arising, in and to any and all plumbing, electrical, heating, cooling and other equipment and all building materials and other goods of every type, kind and character that are now or hereafter situated upon the Land and which (i) are intended to be incorporated into the Improvements or (ii) are now, or hereafter become, fixtures attached to the Land or the Improvements; any and all other goods of every type, kind and character, including without limitation, all appliances, furniture, fixtures, inventory and equipment now owned or hereafter acquired by Grantor that are now or hereafter situated upon the Land (whether or not situated within or attached to the Improvements) and that facilitate the use and occupancy of the Improvements for the purpose for which they were or are to be constructed; all plans and specifications for the Improvements, all rights of Grantor under all existing and future leases, construction, maintenance and other contracts covering or relating to the Land or the Improvements, all tenants deposits made pursuant to or in connection with such leases, all rights of ingress and egress, easements, water and wastewater rights, and to the extent assignable, all licenses, permits, franchises, certificates, accounts, instruments, chattel paper, documents, agreements, contracts, including without limitation any agreements with the United States Department of Housing and Urban Development (to the extent assignable), and general intangibles, and all rights of Grantor in and to any development rights relating to the Land or the Improvements (including, without limitation, trade names and symbols used in connection therewith and any deposits with utility companies) and all other rights and privileges obtained in connection with, relating to or associated with the Land or the Improvements (collectively, the "**Personalty**") and all proceeds of the Personalty.

D. To the extent the assignment thereof is enforceable under applicable law, all of Grantor's right, title and interest, whether now or hereafter arising, in and to any tax refunds, including interest thereon, tax rebates, ad valorem tax credits, and tax abatements, and the right to receive the same, which may be payable or available with respect to the Property but excluding any Housing Tax Credits available pursuant to Section 42 of the Internal Revenue Code of 1986, as amended.

E. All of Grantor's right, title and interest in the proceeds (including conversion to cash or liquidation claims) of (A) insurance relating to the Property and (B) all awards made for the taking by eminent

domain (or by any proceeding or purchase in lieu thereof) of the Property, including awards resulting from a change of any streets (whether as to grade, access, or otherwise) and for severance damages.

F. All of Grantor's right, title and interest, if any, in and to all substances in, on, or under the Land which are now, or may become in the future, intrinsically valuable, that is, valuable in themselves, and which now or may be in the future enjoyed through extraction or removal from the property, including without limitation, oil, gas, and all other hydrocarbons, coal, lignite, carbon dioxide and all other nonhydrocarbon gases, uranium and all other radioactive substances, and gold, silver, copper, iron and all other metallic substances or ores (collectively, "**Minerals**").

G. All funds of Grantor that may be deposited with Beneficiary at any time and from time to time for any purpose, which funds shall be deemed to be part of the Personalty for purposes hereof. In the event of a conflict between the terms and conditions of this Deed of Trust and the instrument under which Beneficiary holds any funds of Grantor, the terms and conditions of the latter instrument shall prevail.

TO HAVE AND TO HOLD the Property unto the Trustee and the assigns of the Trustee, and Grantor does hereby bind Grantor and the successors and assigns of Grantor, to WARRANT AND FOREVER DEFEND all and singular the Property and title thereto unto the Trustee and unto the assigns of the Trustee, against every person or party whomsoever claiming or to claim the same, or any part thereof, subject, however, to the permitted encumbrances set forth on **EXHIBIT B** attached hereto, the Extended Use Agreement (as hereinafter defined) and the liens securing the Senior Note (as described below) (collectively, the "**Permitted Encumbrances**").

I.

SECURITY FOR PERFORMANCE OF OBLIGATIONS

This conveyance is made in trust, however, to secure the performance of all covenants and agreements contained in this Deed of Trust, Security Agreement and Financing Statement ("**Deed of Trust**") and that one certain Loan Agreement (the "**Loan Agreement**") executed or to be executed between Grantor and Beneficiary (which incorporates the terms of a certain other Loan Agreement between Grantor, Beneficiary and the City of Houston, Texas, a home-rule city organized under the laws of the State of Texas ("**City Loan Agreement**") relating to the Property) and the full and prompt payment when due (by lapse of time or otherwise), of the following indebtedness (the "**Indebtedness**"):

A. Loan. All sums, including principal, interest and attorneys' fees, called for in that certain promissory note (the "**Note**") executed by Grantor payable to the order of Beneficiary, in the principal amount of ELEVEN MILLION AND NO/100 DOLLARS ($11,000,000.00), which Note evidences that certain loan from Beneficiary to Grantor of the amount set forth in the Note (the "**Loan**"), and which Note bears interest at the rates therein stated and provides for acceleration of maturity should a Default (as defined in the Loan Agreement) occur.

B. Other Sums. All other sums owing by Grantor to Beneficiary or other holder(s) of any part of the Indebtedness or becoming due under the Loan Agreement or under the City Loan Agreement. (This Deed of Trust and all other instruments now or hereafter evidencing, governing or securing any part of the Indebtedness are hereinafter collectively referred to as the "**Loan Documents**").

C. Other Obligations. This Deed of Trust also secures Grantor's performance under certain Restrictive Covenants with respect to the Property executed by Grantor in connection with the City Loan Agreement.

II.

PAYMENT OF THE INDEBTEDNESS; DEFAULT; ENFORCEMENT OF TRUST

A. Payments. If the Indebtedness is fully paid and if all of Grantor's covenants and agreements herein and in the Loan Agreement (including the incorporated provisions of the City Loan Agreement and the other Loan Documents are fully kept and performed, and if no Default then exists, then this conveyance shall thereupon become of no further force and effect and shall be released by Beneficiary or other holder(s) of the Indebtedness upon the written request and at the expense of Grantor, provided, however, this Deed of Trust will remain in place and outstanding until the expiration of the Proceeds Sharing Period which expires upon the expiration date of the Affordability Period under the Loan Agreement (as same may be extended).

B. Enforcement. But if any Default (as defined in the Loan Agreement) exists, the whole of the Indebtedness shall at the option of Beneficiary, without notice to Grantor or any other person, which notice is hereby waived, become immediately due and payable and thereupon, or at any time thereafter that the Indebtedness or any part thereof remains unpaid, it shall be the duty of the Trustee, or the Substitute Trustee, as hereinafter defined, at the request of Beneficiary, or the holder(s) of the Indebtedness, which request shall be presumed, to enforce this Trust and to sell as an entirety, or in parcels, by one sale or by several sales, held at one time or at different times, as the Trustee acting may elect (all rights to a marshaling of Grantor's assets, including Property, or to a sale in inverse order of alienation, being hereby expressly waived by Grantor), the Property in the county in which the Property, or a part of the Property to be sold, is situated (the "**County**") at such area at the courthouse designated by the Commissioner's Court of the County as the area where sales are to take place, or if no area is designated, at the door of the County Courthouse, each sale to be made on the first Tuesday of a calendar month between the hours of 10:00 A.M. and 4:00 P.M. to the highest bidder for cash at public auction, after both posting or causing to be posted written or printed notice of the time (including the earliest time at which the sale will occur), place, and term of sale at the door of the Courthouse of the County and filing or causing to be filed a copy of the notice in the Office of the County Clerk of the County, for at least twenty-one (21) days preceding the day of sale, and to execute and to deliver to the purchaser(s) at each such sale proper conveyance(s) of the property interest sold, with general warranty of title binding upon Grantor and the successors and assigns of Grantor; or Beneficiary or other holder(s) of the Indebtedness may foreclose or cause to be foreclosed the Lien of this Deed of Trust, in whole or in part, through judicial foreclosure or in any manner as may at any time be authorized under the statutes of the State of Texas. In addition, the holder(s) of the Indebtedness to which the power is related shall, at least twenty-one (21) days preceding the date of sale, serve written notice of the proposed sale by certified mail on each person obligated to pay the Indebtedness according to the records of the holder(s). Service of the notice shall be completed upon deposit of the notice, enclosed in a postpaid wrapper, properly addressed to each debtor at the most recent address as shown by the records of the holder(s) of the Indebtedness, in a post office or official depository under the care and custody of the United States Postal Service. The Affidavit of any person having knowledge of the facts to the effect that service was completed shall be prima facie evidence of the fact of service. No notice of the sale or sales other than that herein provided for need be given to Grantor or any other person or party, and any other notice is hereby waived. Beneficiary or other holder(s) of the Indebtedness shall have the right to become the purchaser at any sale to the same extent as any other party, being the highest bidder, and in lieu of paying cash may credit the amount of the bid upon the Indebtedness up to the full amount of the Indebtedness then unpaid.

C. Proceeds. The Trustee acting shall apply the proceeds arising from each sale pursuant to Section II(B) above, first, to pay all reasonable expenses of the sale actually incurred, second, to reimburse Beneficiary for any reasonable expenses incurred by Beneficiary in protecting, administering or operating the Property after the occurrence of the applicable Default and prior to the foreclosure sale and third, to the payment of the Indebtedness (including all principal, interest and reasonable attorneys' fees owing as part of the Indebtedness). The proceeds of each sale paid to Beneficiary may be applied by Beneficiary on the Indebtedness in any order and manner as Beneficiary may elect. Any surplus funds from the foreclosure sale or sales hereunder shall be paid to Grantor or the person(s) lawfully entitled thereto.

III.

UNMATURED INDEBTEDNESS

If any Default exists, Beneficiary or other holder(s) thereof shall, in addition to any remedies available to Beneficiary at law or in equity, have the option to proceed with foreclosure in satisfaction of such item or items, either through the courts or by directing the Trustee, or the Substitute Trustee, as hereinafter provided for, to proceed as if under a foreclosure, conducting the sale as herein provided and without declaring the whole debt due, and if a sale is made because of such Default, the sale may be made subject to the unmatured part of the Indebtedness, but as to the unmatured part of the Indebtedness, this Deed of Trust shall remain in full force and effect just as though no sale had been made under the provisions of this paragraph. Several sales may be made hereunder without exhausting the right of sale for any unmatured part of the Indebtedness, it being the purpose hereof to provide for a foreclosure and sale of the Property, in whole or in part, for any matured portion of the Indebtedness without exhausting the power of foreclosure and the power to sell the Property, in whole or in part, for any other part of the Indebtedness subsequently maturing.

IV.

SUBSTITUTE TRUSTEE

In case of the resignation of the Trustee, or the inability (through death or otherwise), refusal or failure of the Trustee to act, or at the option of Beneficiary or the holder(s) of the Indebtedness for any other reason (which reason need not be stated), a substitute trustee ("**Substitute Trustee**") may be named, constituted and appointed by Beneficiary or the holder(s) of the Indebtedness, without other formality than an appointment and designation in writing; the appointment and designation shall be full evidence of the right and authority to make the same and of all facts therein recited; and this conveyance shall vest in the Substitute Trustee the title, power and duties herein conferred on the Trustee originally named herein and the conveyance of the Substitute Trustee to the purchaser(s) at any sale shall be equally valid and effective. The right to appoint a Substitute Trustee shall exist as often and whenever from any of said causes, the Trustee, original or Substitute, resigns, or cannot, will not, or does not act, or Beneficiary or the holder(s) of a majority of the Indebtedness desire to appoint a new Trustee. No bond shall ever be required of the Trustee, original or Substitute. The recitals in any conveyance made by the Trustee, original or Substitute, shall be accepted and construed in court and elsewhere as prima facie evidence and proof of the facts recited and no other proof shall be required as to the request by Beneficiary or the holder(s) of a majority of the Indebtedness to the Trustee to enforce this Trust, or as to the notice of or holding of the sale, or as to any particulars thereof, or as to the resignation of the Trustee, original or Substitute, or as to the inability, refusal or failure of the Trustee, original or Substitute, to act or as to the election of Beneficiary or the holder(s) of a majority of the Indebtedness to appoint a new Trustee, or as to appointment of a Substitute Trustee, and all prerequisites of the sale shall be presumed to have been performed; and each sale made under the powers herein granted shall be a perpetual bar against Grantor and the successors and assigns of Grantor.

V.

REPRESENTATIONS, WARRANTIES, COVENANTS AND AGREEMENTS OF GRANTOR

For the purpose of better securing to Beneficiary the payment of the Indebtedness, Grantor represents, warrants and covenants to Beneficiary as follows:

A. Title, Authority, and Performance under Leases. At the time of the execution and delivery of this Deed of Trust, Grantor is the sole and lawful owner of the Land in fee simple, and Grantor has the authority to execute this Deed of Trust. The Property is free from all encumbrances and charges whatsoever except for the liens securing the Senior Note and the Permitted Encumbrances. No assignments or pledges are currently in effect with respect to any leases of or rentals or income from the

Property except for assignments and/or pledges to Beneficiary and those expressly stated in **EXHIBIT B** and those securing the Senior Note, and until the Indebtedness is fully paid, at which time this Deed of Trust will be released. Grantor shall not make any additional assignment or pledge thereof without Beneficiary's prior written consent.

B. Tax and Insurance Escrow. Unless Grantor is already required to maintain an escrow account with the Senior Lender upon written request by Beneficiary, Grantor agrees to deposit with Beneficiary on a monthly basis, or at other intervals as specified, a sum that shall be sufficient to pay taxes, assessments, charges, and insurance premiums as they become due, all as reasonably estimated by Beneficiary, which sum shall be held by Beneficiary (or by a banking institution selected by Beneficiary whose funds are insured by a federal agency or instrumentality) in trust to pay taxes, assessments, charges and premiums, but which shall not bear interest and may be commingled with other funds. If at any time the funds so held by (or on behalf of) Beneficiary are insufficient to pay any tax, assessment, charge or insurance premium, Grantor shall, upon receipt of notice, deposit with Beneficiary (or such banking institution), all additional funds as are necessary to remove the deficiency. If the Indebtedness is for any reason declared immediately due and payable, funds held by (or on behalf of) Beneficiary for payment of taxes, assessments, charges or premiums as herein provided may, at Beneficiary's election, be applied on the Indebtedness in any manner as Beneficiary so elects. In the event that Grantor is escrowing with Senior Lender (as defined below) a sum for payment of taxes, assessments, charges and insurance premiums and such amount is sufficient to fully discharge such taxes, assessments, charges and insurance premiums, Beneficiary agrees not to require an additional escrow deposit under this paragraph. In the event that Beneficiary does not require the escrow deposits described in the paragraph, Grantor shall provide Beneficiary with written evidence that (i) all applicable taxes and assessments have been paid at least thirty (30) days prior to delinquency and (ii) all insurance premiums have been paid thirty (30) days before the renewal date of the applicable policies. Grantor shall duly pay and discharge, or cause to be paid and discharged, all taxes, assessments, charges, and insurance premiums before they become past due.

C. Insurance. Grantor shall, prior to or concurrently with the execution of this Deed of Trust, deliver to Beneficiary all of the following insurance policies together with evidence of such other insurance coverage as required pursuant to the Loan Agreement, accompanied by paid premium receipts evidencing payment in full of the required premiums for at least the first full year of coverage:

(i) fire insurance with extended coverage and standard Beneficiary and replacement cost endorsement for the full insurable value of the insurable portion of the Property, but in no event for an amount less than the amount of the Note (90% shall be acceptable co-insurance rates for fire insurance); and

(ii) public liability insurance in the amount of $1,000,000.00 per occurrence and $2,000,000.00 in the aggregate for a twelve (12) month policy period. Each renewal policy shall be delivered to Beneficiary not less than thirty (30) days before the termination of the prior policy and with each policy there shall be delivered to Beneficiary a receipt showing payment of the premium therefor.

Upon request, Grantor shall also carry additional insurance or additional reasonable amounts of insurance covering Grantor or the Property as Beneficiary shall reasonably require, insuring against such other insurable hazards which at the time are commonly insured against for property similar to the Property located in the region where the Property is located.

If the Property or any part thereof has been or at any time during the term of this Deed of Trust or any extension or renewal thereof is designated as a flood-prone or flood-risk area pursuant to the Flood Disaster Protection Act of 1973 or the National Flood Insurance Reform Act of 1994, as each have been or may be amended, or any successor law, Grantor shall obtain flood insurance in such total amounts as Beneficiary may from time to time require and shall otherwise comply with the requirements of the National Flood Insurance Program as set forth in the Flood Disaster Protection Act of 1973 or the National Flood Insurance Reform Act of 1994, or any successor law.

All insurance required under this Deed of Trust and the Loan Agreement shall be fully paid for, non-assessable, and such policies shall contain such provisions, endorsements, and expiration dates as Beneficiary shall reasonably require. Such policies shall be issued by insurance companies authorized and licensed to transact business in the State of Texas with ratings acceptable to Beneficiary in its sole and absolute discretion and shall name Beneficiary as an additional insured.

D. Operations. Grantor will abstain from and not permit the commission of waste in or about the Property, will maintain the Property in good operating condition and repair at all times, ordinary wear and tear and insured casualty excepted, will not remove or demolish the buildings or other improvements now or hereafter constituting a part of the Property, or alter the design or structural character of any buildings or improvements unless Beneficiary shall first consent thereto in writing, which consent shall be granted or denied in Beneficiary's reasonable discretion, and will comply with all laws, ordinances, regulations, covenants, conditions and restrictions affecting the Property or the use thereof, which consent shall not be unreasonably withheld, delayed or conditioned. Grantor will not seek or acquiesce in a zoning reclassification of all or any portion of the Property or grant or consent to any easement, dedication, plat, or restriction (or allow any easement to become enforceable by prescription), or any amendment or modification thereof, covering all or any portion of the Property, without Beneficiary's prior written consent. Grantor will not, without the prior written consent of Beneficiary, permit any drilling or exploration for or extraction, removal, or production of, any Minerals from the surface or subsurface of the Land regardless of the depth thereof or the method of mining or extraction thereof.

E. Obligations Under Other Loan Documents. Grantor hereby agrees to comply with and perform all of its obligations under the other Loan Documents and agrees to be bound by the representations, warranties and covenants made by Grantor contained in the Loan Documents. All of representations, warranties and covenants contained in the other Loan Documents are hereby fully incorporated herein.

F. Casualty and Condemnation Proceeds. Subject to the terms of the Loan Agreement, the Senior Loan Documents (as defined in the City Loan Agreement), and the Intercreditor Agreement (as defined below), in the event of any fire or other casualty to the Property or eminent domain proceedings resulting in condemnation of the Property or any part thereof, Grantor shall have the right to rebuild the Property, and to use all available insurance or condemnation proceeds therefor, provided that (a) such proceeds are sufficient to keep the Indebtedness in balance and rebuild the affected portion of the Property in a manner that provides adequate security to Beneficiary for repayment of the Indebtedness or if such proceeds are insufficient then Grantor shall have funded any deficiency, (b) Beneficiary shall have the right to approve plans and specifications for any major rebuilding and the right to approve disbursements of insurance or condemnation proceeds for rebuilding under a construction escrow or similar arrangement, and (c) no Default then exists under the Loan Documents that will not be cured by rebuilding the affected portion of the Property. If the casualty or condemnation affects only part of the Property and total rebuilding is infeasible, then proceeds may be used for partial rebuilding and partial repayment of the Indebtedness in a manner that provides adequate security to Beneficiary for repayment of the remaining balance of the Indebtedness.

G. Failure to Pay. All taxes and any assessments that are due and payable as of the date of this Deed of Trust affecting the Property shall be paid and discharged in full prior to execution and delivery of this Deed of Trust, or as they subsequently become due and payable and prior to delinquency. If Grantor fails to pay any tax, assessment, charge or insurance premium required by the terms and conditions of this Deed of Trust, Beneficiary may, at its option, pay the same, or if Grantor fails to perform any of Grantor's covenants or agreements set forth in this Deed of Trust in accordance with the terms hereof, Beneficiary may, at its option, correct or cause to be corrected the same and pay any sums in connection therewith as Beneficiary shall determine to be necessary or advisable, and all taxes, assessments, charges, insurance premiums and sums paid by Beneficiary in connection with such matters (collectively, whether one or more, an "**Assessment**") shall be immediately repayable by Grantor to Beneficiary, together with interest on each amount at the default rate provided in the Note from the date the sum is paid by Beneficiary, until the same is refunded to Beneficiary and all such amounts and interest thereon, shall be secured hereby as part of the Indebtedness. Notwithstanding the foregoing or anything to the contrary set forth in the Loan Documents, Grantor shall have the right to object and protest to ad valorem taxes on the Property in good

faith and with due diligence provided that (i) no Default exists under this Deed of Trust or any of the other Loan Documents, (ii) Grantor gives Beneficiary prior written notice of its intent to contest an Assessment; (iii) Grantor demonstrates to Beneficiary's reasonable satisfaction that (A) the Property will not be sold to satisfy the Assessment prior to the final determination of the legal proceedings, (B) Grantor has taken such actions as are required or permitted to accomplish a stay of any such sale, and (C) Grantor has either (1) furnished a bond or surety (satisfactory to Beneficiary in form and amount) sufficient to prevent a sale of the Property or (2) at Beneficiary's option, deposited one hundred fifty percent (150%) of the full amount necessary to pay any unpaid portion of any Assessment with Beneficiary; and (iv) such proceeding shall be permitted under any other instrument to which Grantor or the Property is subject (whether superior or inferior to this Deed of Trust).

H. Title Litigation. Subject to title insurance coverage, in case of any litigation involving the title to any part of the Property, or the validity of this Deed of Trust, Beneficiary may be represented in the litigation through attorneys of its own selection and Grantor shall, upon demand, promptly reimburse Beneficiary for all court costs and reasonable attorneys' fees incurred by Beneficiary in defending and/or protecting its rights in any litigation.

I. Default. Subject to applicable notice and cure provisions and the other terms of this Deed of Trust and the other Loan Documents, if a Default (as defined in the Loan Agreement) occurs and is continuing, the whole of the Indebtedness, at the option of Beneficiary, shall become immediately due and payable, without further notice or demand.

J. Tenancy at Sufferance. Following any sale of the Property, or any part thereof, under the provisions of this Deed of Trust, and to the extent permissible under applicable law, Grantor shall be obligated to immediately vacate the premises and prior to such vacation shall be a tenant at sufferance of the purchaser of the Property sold and shall be subject to eviction in an action of forcible detainer; provided, the provisions of this Subparagraph J shall be subject to any agreements made in writing by Beneficiary with reference to any existing and/or future leases; provided, further, to the extent permitted under applicable law, the purchaser at any foreclosure sale shall have the option to affirm any then existing leases or tenancies or otherwise to succeed to the rights of Grantor thereunder.

K. Subrogation. To the extent that any of the Indebtedness represents funds utilized to satisfy any outstanding Indebtedness or obligations secured by liens, rights, or claims against the Property or any part thereof, Beneficiary shall be subrogated to any and all liens, rights, superior titles and equities owned or claimed by the holder of any outstanding indebtedness or obligation so satisfied, however remote, regardless of whether the liens, rights, superior titles and equities are assigned to Beneficiary or released by the holder(s) thereof.

L. Homestead Disclaimer. Grantor represents and covenants that the Property forms no part of any property owned, used, or claimed by Grantor as a business or residential homestead, or as exempt from forced sale under the laws of the State of Texas and disclaims and renounces all and every such claim thereto.

M. Additional Transfers and Encumbrances. Subject to the terms and conditions of the Loan Agreement and the City Loan Agreement, Beneficiary shall have the right to declare the Indebtedness secured hereby immediately due and payable in the event the Grantor sells, transfers, assigns, or conveys its interest, whether voluntarily or involuntarily, in the Property, or any part thereof, without the prior written consent of Beneficiary, such consent not to be unreasonably withheld, delayed or conditioned, or in the event any junior or subordinate mortgage, lien, deed of trust, or other encumbrance is placed upon the Property without the prior written consent of Beneficiary, provided the foregoing shall not prohibit the removal of worn or obsolete Personalty that is replaced with new items of the same or similar quality, or prohibit transfers that are permitted under the Loan Agreement or the City Loan Agreement. If Beneficiary consents to the sale, transfer, assignment, or conveyance of Grantor's interest in the Property, or any part thereof, and waives in writing its right to accelerate the Indebtedness secured hereby as provided in this Subparagraph M, Beneficiary may require that the transferee assume all the obligations of Grantor under this Deed of Trust, the Loan Agreement and the Note in a form reasonably acceptable to Beneficiary and

its legal counsel. For purposes of this Subparagraph M, "transfer" of the Property includes any direct or indirect transfer of any beneficial ownership in Grantor (except as allowed by the City Loan Agreement) or the general partner or managing member of Grantor except to the extent that such transfer is permitted hereunder, under the Loan Agreement or under of the City Loan Agreement after satisfaction of all requirements for such transfer including the consent of the City of Houston (the "**City**"), if required for such transfer.

Notwithstanding anything to the contrary contained in this Deed of Trust or the other Loan Documents, the removal and/or replacement of Grantor's general partner for cause in accordance with Grantor's partnership agreement shall not require the consent of the Beneficiary or the Trustee, shall not constitute a default or Default under this Deed of Trust or the Loan Documents or accelerate or give the Beneficiary the right to accelerate the maturity of the Loan. The consent of the Beneficiary and the City shall be required for the appointment of a new general partner, but if the Grantor's Tax Credit Investor (as defined in the City Loan Agreement) exercises its right to remove the Grantor's general partner for cause, Beneficiary will not unreasonably withhold its consent to the substitute general partner; provided however, the consent of neither the Trustee nor the Beneficiary shall be required if the substitute general partner is an affiliate of Tax Credit Investor. The substitute general partner shall assume all of the rights and obligations of the removed general partner of Grantor hereunder.

N. No Reliance on Beneficiary. Grantor is experienced in the ownership and operation of properties similar to the Property, and Beneficiary is relying solely upon Grantor's expertise and business plan in connection with the construction of the Improvements and ownership and operation of the Property. Grantor is not relying on Beneficiary's expertise or business acumen in connection with the Property or in connection with the construction of the Improvements.

O. No Litigation. Except as disclosed in writing to Beneficiary, there are no (i) causes of action, suits, or legal proceedings, at law or in equity, before any Governmental Authority (as defined in the City Loan Agreement) or arbitrator pending or threatened against or affecting Grantor, any guarantor, or involving the Property, (ii) outstanding or unpaid judgments against the Grantor or the Property, or (iii) defaults by Grantor with respect to any order, writ, injunction, decree, or demand of any Governmental Authority or arbitrator.

P. Payment for Labor and Materials. Grantor will timely pay all bills for labor, materials, and specifically fabricated materials incurred in connection with the Property (which shall be deemed an Assessment on the Property) and never permit to exist in respect of the Property or any part thereof any unbonded lien or security interest, even though inferior to the liens and security interests hereof, for any such bill, and in any event never permit to be created or exist in respect of the Property or any part thereof any other or additional lien or security interest on a parity with, superior, or inferior to any of the liens or security interests hereof, except for the Permitted Encumbrances and the liens securing the Senior Note. In the event that Grantor becomes aware that such lien has been recorded against the Property, Grantor shall have such lien released within thirty (30) days. If Grantor fails to pay or bond around any bills for labor, materials, and specifically fabricated materials incurred in connection with the Property, Beneficiary shall have the rights set forth in Section V.G for Grantor's failure to pay any Assessment , as well as the other rights and remedies provided under this Deed of Trust. .

Q. Tax on Deed of Trust. At any time any law shall be enacted imposing or authorizing the imposition of any tax upon this Deed of Trust, or upon any rights, titles, liens, or security interests created hereby, or upon the Indebtedness or any part thereof, Grantor will pay when due all such taxes, provided that if such law as enacted makes it unlawful for Grantor to pay such tax, Grantor shall not pay nor be obligated to pay such tax.

R. ERISA. If and to the extent that Grantor is obligated under any plan governed by or subject to the Employee Retirement Income Security Act, as amended ("**ERISA**"), Grantor shall fully discharge and satisfy all of its obligations and funding requirements under such plan, ERISA and the Internal Revenue Code, as amended ("**IRC**"). Furthermore, Grantor shall comply in all material respects with any and all

applicable provisions of ERISA and the IRC and will not incur or permit to exist any unfunded liabilities to the Pension Benefit Guaranty Corporation or to such plan under ERISA or the IRC.

S. Disclosures. If at any time Grantor shall become aware of the existence or occurrence of any financial or economic conditions or natural disasters which are likely to have a material adverse effect on the Property or Grantor's financial condition, Grantor shall promptly notify Beneficiary of the existence or occurrence thereof and of Grantor's opinion as to what effect such may have on the Property or Grantor. Grantor shall also give prompt notice to Beneficiary of (i) any litigation or dispute, threatened or pending against or affecting Grantor, the Property or any guarantor which is likely to have a material adverse effect on the Property or the financial condition or business of any of the aforementioned parties, (ii) any Default, (iii) any default by Grantor continuing beyond all applicable notice and cure periods, or any acceleration of any indebtedness owed by Grantor under any contract to which Grantor is a party, and (iv) any change in the character of Grantor's business as it exists on the date hereof or in Grantor's principals or key employees that will materially and adversely affect Grantor's ability to carry out its obligations under this Deed of Trust and the other Loan Documents.

VI.

CAPTIONS

The captions contained in this Deed of Trust are for convenience only and shall not be taken into account in determining the meaning of any provision of this Deed of Trust.

VII.

ASSIGNMENT OF LEASES

As further security for the payment of the Indebtedness, and subject to the rights of senior lienholders including, without limitation, Senior Lender, Grantor hereby assigns to Beneficiary, its successors and assigns, all leases, whether now in existence or hereafter created, covering all or any portion of the Property together with all rents to become due under each such lease, subject, however, to any prior assignment in connection with senior indebtedness. For so long as no Default exists, Grantor may collect the rents, but not more than one (1) month in advance, in the ordinary course of business, unless otherwise provided by the express terms of the leases and approved by Beneficiary. In the event of any Default and at any and all times during the continuance thereof, in addition to all other rights and remedies of Beneficiary, Beneficiary shall have the exclusive right and power (but not the obligation) to enter upon and take possession of the Property or any part thereof, to rent or re-rent the same, either in the name of Beneficiary or Grantor, to receive all rents, revenues, profits, or other income from the Property and to apply all amounts received first, to the costs and expenses incurred by Beneficiary in protecting and operating the Property and next, to the payment of the Indebtedness in any manner and in any order of priority as Beneficiary shall determine. This action by Beneficiary shall not operate as a waiver of the Default, or as an affirmance of any lease or of the rights of any tenant of title to that part of the Property covered by the lease or held by the tenant, should the Property, or any part thereof, be acquired by Beneficiary or other purchaser at a foreclosure sale. The right of Beneficiary to receive all rents, revenues, profits, or other income from the Property during the continuance of any Default shall be applicable whether Beneficiary has entered upon or taken possession of the Property, or has otherwise attempted to exercise its rights hereunder and if any rents, revenues, profits, or other income are paid to or received by Grantor, Grantor shall immediately pay the same to Beneficiary, without the necessity of any request or demand therefor. Grantor agrees at any time and from time to time until the Indebtedness is paid in full (or deemed paid in full) to execute and to deliver any additional assignments of leases and/or rents, security agreements and other instruments as Beneficiary shall from time to time reasonably require, provided such instruments do not increase Grantor's obligations or decrease Grantor's rights under the Loan Documents and the City Loan Documents. The substance, form, execution and delivery of additional assignments of leases and/or rents, security agreements and other instruments shall be reasonably satisfactory to Beneficiary.

VIII.

PERSONALTY

This Deed of Trust covers and includes, without limitation, Grantor's interest in the Personalty hereinabove described.

IX.

USE OF PERSONALTY

Grantor represents that all Personalty is property for business use and is not consumer goods. Grantor further covenants that there are and shall be no conditional sales contracts that cover any of the Personalty.

X.

SECURITY INTEREST IN PERSONALTY

Without limiting any of the provisions of this Deed of Trust, Grantor, as referred to in this paragraph as "**Debtor**," expressly does the following:

A. Grant. Debtor hereby grants unto Beneficiary and its successors and assigns, described herein as Secured Party, and referred to in this Section X as "**Secured Party**", a security interest in Debtor's interest in the Personalty (subject to the Permitted Encumbrances and the security interests and rights granted to Senior Lender).

B. UCC Remedies. Debtor agrees, in addition to any other remedies granted in this Deed of Trust to Secured Party or the Trustee, that Secured Party may, during the existence of any Default, proceed under Chapter 9 of the Texas Uniform Commercial Code (the "**UCC**") as to all or any part of the Personalty and shall have and may exercise with respect to the Personalty all the rights, remedies and powers of a Secured Party under the UCC, including, without limitation, the right and power to sell at public or private sale or sales, or otherwise to dispose of, to lease, or to utilize the Personalty and any part or parts thereof, in any manner authorized or permitted under the UCC after default by a debtor and to apply the proceeds thereof toward payment of any reasonable costs, expenses and attorneys' fees and legal expenses thereby incurred by Secured Party and toward the payment of Debtor's obligations, including the Note and all other Indebtedness described in this Deed of Trust in any order or manner as Secured Party may elect. Among the rights of Secured Party during the existence of a Default, and without limitation, Secured Party shall have the right to take possession of the Personalty and to enter upon any premises where same may be situated for this purpose without being deemed guilty of trespass and without liability for damages thereby occasioned and to take any action deemed necessary or appropriate or desirable by Secured Party, at its option and in its discretion, to repair, refurbish or otherwise prepare the Personalty for sale, lease, or other use or disposition as herein authorized. Debtor agrees that if any notice of sale required under the UCC is mailed, postage prepaid, to Debtor at the address shown herein at least ten (10) days before the time of the sale or disposition, the notice shall be deemed reasonable and shall fully satisfy any requirement for giving of the notice.

If a Default exists, and to the extent it may lawfully do so and without limiting any rights and/or privileges herein granted to Secured Party, Debtor agrees that Secured Party and/or the above Trustee and any Substitute Trustee, may dispose of any or all of the Personalty at the same time and place and after giving the same notice provided for in this Deed of Trust in connection with a nonjudicial foreclosure sale under the terms and conditions set forth in this Deed of Trust. In this connection, Debtor agrees that the sale may be conducted by the Trustee or the Substitute Trustee; that the sale of the Land and Improvements described in this Deed of Trust and the Personalty or any part thereof, may be sold separately and/or together; and that if the Land and Improvements described herein and the Personalty or any part thereof, are sold together, the Secured Party will not be obligated to allocate the consideration received as between the Land and Improvements and the Personalty.

C. Possession. Debtor hereby grants to Secured Party the right, at its option during the existence of a Default to transfer at any time to itself or to its nominee the Personalty, or any part thereof and to receive the monies, income, proceeds or benefits attributable or accruing thereto and to hold the same as security for Debtor's obligations or to apply it on the principal and interest or other amounts owing on any of Debtor's obligations, whether or not then due, in any order or manner as Secured Party may elect. All rights with respect to marshalling of assets of Debtor, including with respect to the Personalty, or to a sale in inverse order of alienation, are hereby waived.

D. Authority. Debtor hereby covenants, stipulates and agrees that all recitals in any instrument of assignment or any other instrument executed by Secured Party incident to the sale, transfer, assignment, lease or other disposition or utilization of the Personalty or any part thereof hereunder shall be prima facie evidence of the matters stated therein and all prerequisites of the sale or other action taken by Secured Party or of any fact, condition or thing incident thereto shall be rebuttably presumed to have been performed or to have occurred.

E. Assembly and Expenses. Debtor hereby covenants and agrees that Secured Party, during the existence of a Default, may require Debtor to assemble the Personalty and to make it available to Secured Party at a place to be designated by Secured Party that is reasonably convenient to both parties. All reasonable expenses of retaking, holding, preparing for sale, lease, or other use or disposition, selling, leasing or otherwise using or disposing of the Personalty and the like that are incurred or paid by Secured Party as authorized or permitted hereunder, including also all attorneys' fees, legal expenses and costs, shall be added to the Indebtedness and Debtor shall be liable therefor.

F. Financing Statement. A carbon, photographic, or other reproduction of this Deed of Trust may be filed as a Financing Statement under the UCC between Debtor and Secured Party whose addresses are set forth below. Except for the security interest granted hereby in the Personalty, the security interests and rights in the Personalty granted to Senior Lender, the security interest granted to the Subordinate Lender or otherwise expressly stated in **EXHIBIT B** hereto, Debtor is owner and holder of the Personalty free of any adverse claim, security interest or encumbrance, and Debtor will defend the Personalty against all claims and demands of any person at any time claiming the same or any interest therein. Debtor has not heretofore signed any financing statement and no financing statement signed by Debtor is now on file in any public office except those statements, true and correct copies of which have been delivered to the Secured Party or in connection with the Senior Note (as defined below). So long as any amount remains unpaid on any Indebtedness described in this Deed of Trust, Debtor will not execute and there will not be filed in any public office any financing statement or statements affecting the Personalty other than financing statements in favor of the Senior Lender or Secured Party hereunder, unless the prior written specific consent and approval of Secured Party shall have first been obtained, such consent and approval not to be unreasonably withheld. Debtor authorizes Secured Party to file, in jurisdiction where this authorization will be given effect, a financing statement signed only by Secured Party covering the Personalty and at the request of Secured Party, Debtor will join Secured Party in executing one or more financing statements, pursuant to the UCC in form satisfactory to Secured Party and will pay the cost of filing the same or filing or recording this Deed of Trust as a financing statement, in all public offices at any time and from time to time whenever filing or recording of any financing statement or of this Deed of Trust is deemed by Secured Party to be necessary or desirable.

XI.

ADDRESSES

The addresses of Grantor and Beneficiary, are as follows:

Grantor: CSH Dian Street Villas, LTD.
3701 Kirby Drive, Suite 860
Houston, TX 77098
Attention: Russ Michael Schmidtberger ("Russ Michaels")

With a copy to:

Red Stone Equity – Fund 73 Limited Partnership
c/o Red Stone Equity Partners, LLC
1100 Superior Avenue, Suite 1640
Cleveland, OH 44114
Attention: General Counsel

Beneficiary: Texas Inter-Faith Housing Corporation
3701 Kirby Drive, Suite 860
Houston, TX 77098
Attention: Russ Michael Schmidtberger ("Russ Michaels")

With a copy to:

City of Houston
c/o Housing and Community Development Department
2100 Travis, 9th Floor
Houston, TX 77002
Attention: Director

Trustee: THE CITY OF HOUSTON
P. O. Box 1562
Houston, TX 77251-1562
Attention: Director, Housing and Community Development Department

Each party shall have the right to designate from time to time another address within the continental United States for purposes of this Deed of Trust by written notice to the other party. Notwithstanding the foregoing agreement to provide courtesy copies, such copies shall be a courtesy only and failure to provide such copies shall have no effect on the validity of a notice properly given to Grantor.

Notices under this Deed of Trust shall be effective in the case of utilization of the U.S. Postal Service, upon the earlier of (i) three business days after deposit of such notice in the mail, return receipt requested or (ii) hand or overnight delivery. Notices sent by overnight courier services shall be effective one day after deposit with such service. All other notices shall be effective upon delivery. Notwithstanding the foregoing, any foreclosure notices shall be effective upon deposit with the U.S. Postal Service.

XII.

RESTRICTIVE COVENANTS

Grantor has executed and filed of record or will execute and file of record a certain Restrictive Covenants dated of even date hereof (the "**Restrictive Covenants**") covering the Property. The Restrictive Covenants shall remain in full force and effect until expiration or termination in accordance with the provisions thereof and no invalidity, release or termination of this Deed of Trust shall operate to invalidate, release or terminate the Restrictive Covenants. The Restrictive Covenants shall not be deemed a "Loan Document" as such term is used herein or in any of the other Loan Documents.

XIII.

ENVIRONMENTAL MATTERS

A. Compliance with Laws. Grantor hereby represents, warrants, covenants and agrees to and with Beneficiary that:

(i) Grantor will not and will not permit any tenant or occupant of the Property to, generate, store, handle or otherwise deal with hazardous or toxic substances in, on, about or under the Property; and

(ii) Grantor has not at any time engaged in or permitted, nor, to the best of Grantor's knowledge after reasonable and prudent inquiry, which has consisted of the Phase I report previously delivered to Beneficiary, has any current or former tenant, occupant or owner of the Property, or any portion thereof, engaged in or permitted any generation, storage, handling, dumping, discharge, disposal, spillage or leakage of any hazardous or toxic substances, at, on, or about the Property that would violate applicable environmental regulations, or any portion thereof, except as disclosed on the Phase I report previously delivered to Beneficiary.

Notwithstanding the foregoing, Grantor shall be permitted to have such chemicals, materials and supplies on the Property which are normally used in connection with the prudent operation, use, maintenance and ownership of a multi-family unit apartment complex and which are used in compliance with environmental laws.

B. Indemnification. **GRANTOR HEREBY AGREES TO INDEMNIFY, PROTECT, DEFEND (WITH COUNSEL REASONABLY APPROVED BY BENEFICIARY) AND TO HOLD BENEFICIARY, ITS AGENTS, MEMBERS, OFFICERS, REPRESENTATIVES AND ITS EMPLOYEES FREE AND HARMLESS FROM AND AGAINST ANY AND ALL CLAIMS, ACTIONS, ADMINISTRATIVE PROCEEDINGS, JUDGMENTS, DAMAGES, PUNITIVE DAMAGES, PENALTIES, FINES, COSTS, LIABILITIES (INCLUDING SUMS PAID IN SETTLEMENT OF CLAIMS), INTEREST OR LOSSES, INCLUDING REASONABLE ATTORNEYS', CONSULTANTS' AND EXPERTS' FEES AND EXPENSES, OF ANY KIND OR NATURE (COLLECTIVELY, THE "COSTS") THAT ARISE DIRECTLY OR INDIRECTLY, FROM OR IN CONNECTION WITH THE PRESENCE, SUSPECTED PRESENCE, RELEASE OR SUSPECTED RELEASE (A "RELEASE") OF ANY HAZARDOUS OR TOXIC SUBSTANCE, FROM, ON, ABOUT, UNDER OR WITHIN THE PROPERTY, OR ANY PORTION THEREOF WHICH OCCURS DURING OR PRIOR TO SUCH TIME AS GRANTOR OWNS THE PROPERTY. NOTWITHSTANDING THE FOREGOING TO THE CONTRARY, GRANTOR'S LIABILITY HEREUNDER, SUBJECT TO THE DE MINIMIS PROVISIONS OF ARTICLE XIII(A)(ii) ABOVE, SHALL NOT INCLUDE ANY LOSS ARISING OUT OF THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF BENEFICIARY OR ANY EMPLOYEE, AGENT OR REPRESENTATIVE OF BENEFICIARY OR RELEASE OF HAZARDOUS OR TOXIC SUBSTANCES BY BENEFICIARY OR ANY EMPLOYEE, AGENT OR REPRESENTATIVE OF BENEFICIARY AFTER BENEFICIARY HAS TAKEN POSSESSION OF THE PROPERTY.**

C. Remediation. If any investigation or monitoring of site conditions, or any cleanup, containment, restoration, removal or other remedial work (collectively, the "**Remedial Work**") is required under any applicable federal, state or local law or regulation, by any judicial order, or by any governmental entity, or in order to comply with any agreements affecting the Property because of, or in connection with any release of hazardous or toxic substances, Grantor shall perform, or cause to be performed, the Remedial Work in compliance with such law, regulation, order or agreement. All Remedial Work shall be performed by one or more contractors selected by Grantor and approved in advance, in writing, by Beneficiary and under the supervision of a consulting engineer selected by Grantor and approved in advance, in writing, by Beneficiary. All costs of any Remedial Work shall be paid by Grantor, including, without limitation, the reasonable charges of contractor(s) and/or the consulting engineer and Beneficiary's reasonable attorneys' fees and costs incurred in connection with the monitoring or review of any Remedial Work. If Grantor shall fail to timely commence or cause to be timely commenced, or fail to diligently prosecute to completion, any Remedial Work, then Beneficiary may, but shall not be required to, cause such Remedial Work to be performed and all costs and expenses thereof, or incurred in connection therewith, shall be "**Costs**" within the meaning of Subparagraph B above. All costs shall be due and payable

upon demand therefor by Beneficiary, together with interest thereon at the Default Rate provided in the Note from the date such costs are paid by Beneficiary, until the same are refunded to Beneficiary and all such costs and the interest thereon shall be secured hereby.

D. Survival. Notwithstanding anything to the contrary contained herein, or in the Note or Loan Agreement, the obligations of Grantor under this Paragraph XIII shall survive any assumption of the Indebtedness by a successor to Grantor (whether or not the assumption has been approved or disapproved, or whether or not Grantor was released from liability on the Indebtedness), foreclosure of this Deed of Trust (or transfer of the Property in lieu of foreclosure) and release or termination of this Deed of Trust.

XIV.

MISCELLANEOUS

A. No Waiver. No delay by Beneficiary in exercising any right, option or remedy hereunder, or otherwise afforded by law, shall operate as a waiver thereof or preclude the exercise thereof during the continuance of any Default.

B. Cumulative Remedy. All rights and remedies of Beneficiary under this Deed of Trust and any and all other instruments evidencing or securing the Indebtedness, are cumulative and concurrent and may be exercised singularly, successively, or concurrently.

C. No Release. The granting to Grantor or to any other person or party of any extension(s) of time for payment of all or any part of the Indebtedness or the performance of any covenant or agreement contained herein, or the taking of other or additional security for the payment of the whole or any part of the Indebtedness, or the releasing of any part of the security at any time held in connection with the Indebtedness, shall not in any way release Grantor or any other person or party obligated for the payment of the Indebtedness, or release or impair this Deed of Trust or any other security held in connection with the Indebtedness, except to the extent of the person, party or property expressly released in writing by Beneficiary.

D. Severability. If any provision in this Deed of Trust is invalid or unenforceable in whole or in part, this Deed of Trust shall in all other respects remain in full force and effect.

E. Successors and Assigns. All of the provisions hereof shall apply to, inure to the benefit of, and be binding upon Beneficiary and Grantor and their respective successors and assigns (provided the foregoing shall not be construed as consent to any transfer by Grantor of the Property that is not permitted under the Loan Documents).

F. Further Assurances and Corrections. From time to time, at the request of Beneficiary, Grantor will (i) promptly correct any defect, error, or omission which may be discovered in the contents of this Deed of Trust or in any other Loan Document or in the execution or acknowledgment thereof; (ii) execute, acknowledge, deliver, record and/or file such further instruments (including, without limitation, further deeds of trust, security agreements, financing statements, continuation statements and assignments of rents or leases) and perform such further acts and provide such further assurances as may be necessary, desirable, or proper, in Beneficiary's reasonable opinion, to carry out more effectively the purposes of this Deed of Trust and the Loan Documents and to subject to the liens and security interests hereof and thereof any property intended by the terms hereof or thereof to be covered hereby or thereby, including without limitation, any renewals, additions, substitutions, replacements, or appurtenances to the Property; (iii) execute, acknowledge, deliver, procure, file, and/or record any document or instrument (including without limitation, any financing statement) deemed advisable by Beneficiary to protect the liens and the security interests herein granted against the rights or interests of third persons; and (iv) pay all reasonable costs connected with any of the foregoing.

G. Choice of Law. This Deed of Trust shall be performable and enforced in Harris County, Texas, and shall be construed in accordance with the laws of the State of Texas from time to time in effect except to the extent preempted by the United States federal law. Venue shall be appropriate in Harris County, as applicable.

H. Usury. In no event shall any provision of this Deed of Trust, the Note, the Loan Agreement or any other instrument evidencing or securing the Indebtedness ever obligate Grantor to pay interest on the Note secured hereby at a rate greater than that permitted by law, or obligate Grantor to pay any taxes, assessments, charges, insurance premiums, or other amounts to the extent that the payments constitute interest under applicable law and when added to the interest payable on the Note secured hereby, would be held to constitute the payment by Grantor of interest at a rate greater than that permitted by law; and this provision shall control over any provision to the contrary.

It is expressly stipulated and agreed to be the intent of Grantor and Beneficiary at all times to comply strictly with the applicable Texas law governing the maximum rate or amount of interest payable on the Note or the Indebtedness or applicable United States federal law to the extent that it permits Beneficiary to contract for, charge, take, reserve or receive a greater amount of interest than under Texas law ("**Highest Lawful Rate**"). If the applicable law is ever judicially interpreted so as to render usurious any amount (i) contracted for, charged, taken, reserved or received pursuant to the Note, any of the other Loan Documents or any other communication or writing by or between Grantor and Beneficiary related to the transaction or transactions that are the subject matter of the Loan Documents, (ii) contracted for, charged or received by reason of Beneficiary's exercise of the option to accelerate the maturity of the Note and/or the Indebtedness, or (iii) Grantor will have paid or Beneficiary will have received by reason of any voluntary prepayment by Grantor of the Note and/or the Indebtedness, then it is Grantor's and Beneficiary's express intent that all amounts charged in excess of the Highest Lawful Rate shall be automatically cancelled, ab initio, and all amounts in excess of the Highest Lawful Rate theretofore collected by Beneficiary shall be credited on the principal balance of the Note and/or the Indebtedness (or, if the Note and all Indebtedness have been or would thereby be paid in full, refunded to Grantor), and the provisions of the Note and the other Loan Documents immediately be deemed reformed and the amounts thereafter collectible hereunder and thereunder reduced, without the necessity of the execution of any new document, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder and thereunder. Grantor hereby agrees that as a condition precedent to any claim seeking usury penalties against Beneficiary, Grantor will provide written notice to Beneficiary, advising Beneficiary in reasonable detail of the nature and amount of the violation, and Beneficiary shall have sixty (60) days after receipt of such notice in which to correct such usury violation, if any, by either refunding such excess interest to Grantor, or crediting such excess interest against the Note and/or the Indebtedness then owing by Grantor to Beneficiary. All sums contracted for, charged or received by Beneficiary for the use, forbearance or detention of any debt evidenced by the Note and/or the Indebtedness shall, to the extent permitted by applicable law, be amortized or spread, using the actuarial method, throughout the stated term of the Note and/or the Indebtedness (including any and all renewal and extension periods) until payment in full so that the rate or amount of interest on account of the Note and/or the Indebtedness does not exceed the Highest Lawful Rate from time to time in effect and applicable to the Note and/or the Indebtedness for so long as debt is outstanding. In no event shall the provisions of Chapter 346 of the Texas Finance Code (which regulates certain revolving credit loan accounts and revolving triparty accounts) apply to the Note and/or the Indebtedness. Notwithstanding anything to the contrary contained herein or in any of the other Loan Documents, it is not the intention of Beneficiary to accelerate the maturity of any interest that has not accrued at the time of such acceleration or to collect unearned interest at the time of such acceleration.

I. Covenants Run with the Land. All obligations contained in this Deed of Trust and the other Loan Documents are intended by Grantor, Beneficiary and Trustee to be, and shall be construed as, covenants running with the Property until the lien of this Deed of Trust has been fully released by Beneficiary.

J. **JURY WAIVER. GRANTOR AND BENEFICIARY ACKNOWLEDGE THAT THE RIGHT TO TRIAL BY JURY IS A CONSTITUTIONAL ONE, BUT THAT IT MAY BE WAIVED, EACH PARTY, AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF**

THEIR CHOICE, KNOWINGLY AND VOLUNTARILY, AND FOR THEIR MUTUAL BENEFIT, WAIVES ANY RIGHT TO TRIAL BY JURY IN THE EVENT OF LITIGATION REGARDING THE PERFORMANCE OR ENFORCEMENT OF, OR IN ANY WAY RELATED TO, THIS NOTE, THE INDEBTEDNESS OR THIS DEED OF TRUST.

K. Entire Agreement. **THIS DEED OF TRUST, TOGETHER WITH THE NOTE AND LOAN AGREEMENT, THE OTHER LOAN DOCUMENTS, AND THE RESTRICTIVE COVENANTS CONSTITUTE A WRITTEN LOAN AGREEMENT AS DEFINED IN SECTION 26.02 OF THE TEXAS BUSINESS AND COMMERCE CODE. THIS WRITTEN LOAN AGREEMENT CONSTITUTES THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.**

L. Subordination. It is the intent of Beneficiary and Grantor that the indebtedness evidenced by the Note shall be subordinate in right of payment to the prior payment in full of the indebtedness evidenced by the Senior Note (as defined in the City Loan Agreement) to be issued by Grantor and payable to Senior Lender (as defined in the City Loan Agreement), or order, to the extent and in the manner provided in the certain the Intercreditor Agreement (defined in the City Loan Agreement) of even date herewith and upon closing the Permanent Senior Loan, the Freddie Mac Subordination Agreement (as defined in the Loan Agreement). This Deed of Trust and all of the other Loan Documents (excluding the Restrictive Covenants) are and shall be subject and subordinate in all respects to the liens, terms, covenants and conditions of the Senior Mortgage (as defined in the City Loan Agreement) to the extent set forth in the Intercreditor Agreement and Freddie Mac Subordination Agreement, respectively (collectively, "Senior Loan Subordination"). The rights and remedies of the Beneficiary and each subsequent holder of the Note and this Deed of Trust are subject to the restrictions and limitations set forth in the Senior Loan Subordination. Each subsequent holder of this Deed of Trust shall be deemed, by virtue of such holder's acquisition of the Note, to have agreed to perform and observe all of the terms, covenants and conditions to be performed or observed by Beneficiary under the Senior Loan Subordination.

M. Extended Low Income Housing Commitment. Pursuant to the terms of that Collateral Assignment of Note and Liens dated of even date herewith executed by Beneficiary for the benefit of the City (the **"Collateral Assignment"**), the City agreed that the liens securing the City Loan and evidenced by this Deed of Trust and collaterally assigned to the City pursuant to the Collateral Assignment shall be subordinate to any extended low income housing commitment (as such term is defined in Section 42(h)(6)(B) of the Internal Revenue Code)(the "**Extended Use Agreement**") recorded against the Land; provided that such Extended Use Agreement, by terms, must terminate upon foreclosure under this Deed of Trust or upon a transfer of the Land by instrument in lieu of foreclosure, in accordance with Section 42(h)(6)(E) of the Internal Revenue Code. The City's Restrictive Covenants shall not be subordinate to any extended low income housing commitment as such term is defined in the Extended Use Agreement.

[Signatures on following page]

Signature Page
Deed of Trust, Security Agreement and Financing Statement

IN WITNESS WHEREOF, Grantor has executed this Deed of Trust, Security Agreement and Financing Statement on the date set forth in the acknowledgments below but to be effective as of April ___, 2021.

CSH DIAN STREET VILLAS, LTD.,
a Texas limited partnership

By: CSH Dian Street Villas GP, LLC, a Texas limited liability company, its general partner

By: Texas Inter-Faith Housing Corporation, a Texas 501(c)3 non-profit corporation, its sole member

By: _____
Name: Russ Michael Schmidtberger ("Russ Michaels")
Title: Executive Director

STATE OF TEXAS

COUNTY OF HARRIS

The foregoing instrument was acknowledged before me this ____ day of April, 2021 by Russ Michael Schmidtberger ("Russ Michaels"), the executive director of Texas Inter-Faith Housing Corporation, a Texas 501(c)3 non-profit corporation, the sole member of CSH Dian Street Villas GP, LLC, a Texas limited liability company, the general partner of CSH Dian Street Villas, LTD., a Texas limited partnership, on behalf of said limited partnership.

_____
NOTARY PUBLIC - THE STATE OF TEXAS

_____
Printed Name of Notary

My commission expires: _____

ATTACHMENTS:
EXHIBIT "A" Land
EXHIBIT "B" Permitted Encumbrances

EXHIBIT A

PROPERTY DESCRIPTION

Unrestricted Reserve "A", Block 1, of DIAN STREET VILLAS, a subdivision in Harris County, Texas, according to the map or plat thereof recorded under Film Code No. RP-2021-188712, of the Map Records of Harris County, Texas.

EXHIBIT B

PERMITTED ENCUMBRANCES

1. The following restrictive covenants of record itemized below, but the Company insures that any such restrictive covenants have not been violated so as to affect, and that future violation thereof will not affect, the validity or priority of the Insured Mortgage:

Any covenants, conditions or restrictions indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, or national origin are hereby deleted to the extent such covenants, conditions or restrictions violate 42 USC 3604 {c}. Volume 3870, Page 120, and Volume 3870, Page 125, Deed Records, Harris County, Texas; Film Code No. 694903, Map and/or Plat Records, Harris County, Texas; and Restrictive Covenants executed of even date herein and recorded in the Clerk's Official Public Records, Harris County, Texas.

2. Shortages in area.

3. Standby fees, taxes and assessments by any taxing authority for the year 2021, and subsequent years; but not those taxes or assessments for prior years because of an exemption granted to a previous owner of the property under Section 11.13, Texas Tax Code, or because of improvements not assessed for a previous tax year. Company insures that standby fees, taxes and assessments by any taxing authority for the year 2021 are not yet due and payable."

~~4. Liens and leases that affect the Title, but that are subordinate to the lien of the Insured Mortgage.~~

5. The following specific exceptions as to superior liens, easements, outstanding mineral and royalty interests, etc.:

a. Deed of Trust, dated of even date herein and recorded under County Clerk's Official Public Records of Harris County, Texas, executed by CSH DIAN STREET VILLAS, LTD. to TBD, Trustee(s), securing the payment of one Note of even date therewith in the principal amount of $15,845,989.00, payable to the order of Capital One, National Association.

b. The following matters reflected on the plat and dedication recorded under Film Code No. 694603, of the Map and/or Plat Records of Harris County, Texas:

i. 10' building set back line along the north property line and the eastern property line

ii. 15 X 15 Visibility Triangle in the northeast corner of the property

c. Intentionally deleted.

d. Mineral and/or royalty interest:
Recorded: December 3, 1959 in Volume 3870, Page 120 and Volume 3870, Page 125 of the Deed Records of
Harris County, Texas.
Title to said interest has not been investigated subsequent to the date of the aforesaid instrument.

e. All leases, grants, exceptions or reservations of coal, lignite, oil, gas and other

minerals, together with all rights, privileges, and immunities relating thereto, appearing in the Public Records whether listed in Schedule B or not. There may be leases, grants, exceptions or reservations of mineral interest that are not listed.

f. UCC-1 Financing Statement naming CSH Dian Street Villas, Ltd., as debtor and the Texas Inter-Faith Housing Corporation, as secured party, recorded of the Official Records of Harris County, Texas.
Company insures the Insured against loss, if any, sustained by the Insured under the terms of the Policy if this item is not subordinate to the lien of the Insured Mortgage.

g. UCC-3 Financing Statement naming Texas Inter-Faith Corporation, as Assignor and the City of Houston, as Assignee, recorded in Clerk's Official Records of Harris County, Texas. Company insures the Insured against loss, if any, sustained by the Insured under the terms of the Policy if this item is not subordinate to the lien of the Insured Mortgage.

h. UCC-1 Financing Statement naming Texas Inter-Faith Corporation, as debtor and the City of Houston, as secured party, recorded in the Clerk's Official Records of Harris County, Texas. Company insures the Insured against loss, if any, sustained by the Insured under the terms of the Policy if this item is not subordinate to the lien of the Insured Mortgage.

i. Declaration of Subordination of Senior Lender, between Capital One, N.A., the Senior Lender, and Texas Inter-Faith Housing Corporation, as Borrower, CSH Dian Street Villas, Ltd., as Owner, and the City of Houston, recorded in Clerk's Official Records of Harris County, Texas. Company insures the Insured against loss, if any, sustained by the Insured under the terms of the Policy if this item is not subordinate to the lien of the Insured Mortgage.

j. Intercreditor Agreement, between Capital One, National Association, the Senior Lender, and Texas Inter-Faith Housing Corporation, as Borrower, CSH Dian Street Villas, Ltd., as Owner, and the City of Houston, recorded in Clerk's Official Records of Harris County, Texas. Company insures the Insured against loss, if any, sustained by the Insured under the terms of the Policy if this item is not subordinate to the lien of the Insured Mortgage.

k. Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated of even date herein, from CSH DIAN STREET VILLAS, LTD., a Texas limited partnership, to Trustee, in favor of CAPITAL ONE, NATIONAL ASSOCIATION, a national banking association, recorded County Clerk's
Official Public Records of Harris County, Texas.

Which Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing was assigned by Assignment of Security Instrument from CAPITAL ONE, NATIONAL ASSOCIATION, a national banking association (as assignor), to FEDERAL HOME LOAN MORTGAGE CORPORATION (as
assignee), recorded under County Clerk's Official Public Records of Harris County, Texas.
Company insures the Insured against loss, if any, sustained by the Insured under the terms of the Policy if
this item is not subordinate to the lien of the Insured Mortgage.

l. Any and all liens arising by reason of unpaid bills or claims for work performed or materials furnished in connection with improvements placed, or to be placed, upon

the subject land. However, the Company does insure the Insured against loss, if any, sustained by the Insured under this Policy if such liens have been filed with the County Clerk of Harris County, Texas, prior to the date hereof.

Pending disbursement of the full proceeds of the loan secured by the lien instrument set forth under Schedule A hereof, this policy insures only to the extent of the amount actually disbursed, but increases as each disbursement is made in good faith and without knowledge of any defects in, or objections to, the title up to the face amount of the policy. Nothing contained in this paragraph shall be construed as limiting any exception under Schedule B, or any printed provision of this policy.

m. Section 13 of the Conditions of this Policy is hereby deleted.

ATTACHMENT D
TO LOAN AGREEMENT

FINANCING STATEMENTS

[redacted]

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER [optional]

B. E-MAIL CONTACT AT FILER (optional)

C. SEND ACKNOWLEDGMENT TO: (Name and Address)

Amy M. Glassman, Esq.
Ballard Spahr LLP
1909 K Street, NW, 12th Floor
Washington, DC 20006-1157

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S NAME – Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); If any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here ☐ and provide the Individual Debtor Information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

1a. ORGANIZATION'S NAME: **CSH DIAN STREET VILLAS, LTD.**

OR

1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITONAL NAME(S)/INITIAL(S)	SUFFIX

1c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY
3701 Kirby Drive, Suite 860	Houston	TX	77098	USA

2. DEBTOR'S NAME – Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); If any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here ☐ and provide the Individual Debtor Information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

2a. ORGANIZATION'S NAME

OR

2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITONAL NAME(S)/INITIAL(S)	SUFFIX

2c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

3a. ORGANIZATION'S NAME: **CITY OF HOUSTON**

OR

3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITONAL NAME(S)/INITIAL(S)	SUFFIX

3c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY
c/o Housing and Community Development Department, 2100 Travis, 9th Floor	Houston	TX	77002	USA

4. COLLATERAL: This financing statement covers the following collateral:

All assets of Debtor, including, without limitation, all items of personal property described in Exhibit B to this Financing Statement, including easements, equipment, fixtures, personal property, rents, agreements, awards and insurance proceeds located on or related to the real property described in Exhibit A to this Financing Statement.

5. Check only if applicable and check only one box: Collateral is ☐ held in a Trust (see UCC1Ad, item 17 and instructions) ☐ being administered by a Decedent's Personal Representative

6. ☐ Check only if applicable and check only one box:
☐ Public-Finance Transaction ☐ Manufactured-Home Transaction ☐ A Debtor is a Transmitting Utility

6b. Check only if applicable and check only one box:
☐ Agricultural Lien ☐ Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable): ☐ Lessee/Lessor ☐ Consignee/Consignor ☐ Seller/Buyer ☐ Bailee/Bailor ☐ Licensee/Licensor

8. OPTIONAL FILER REFERENCE DATA: Harris County Recorder of Deeds

FILING OFFICE COPY – UCC FINANCING STATEMENT (FORM UCC1 (Rev. 04/20/11)

UCC FINANCING STATEMENT ADDENDUM

FOLLOW INSTRUCTIONS

NAME OF FIRST DEBTOR: Same as line 1a or 1b on Financing Statement, if line 1b was left blank because individual Debtor name did not fit, check here ☐

9a. ORGANIZATION'S NAME

OR **CSH DIAN STREET VILLAS, LTD.**

9b INDIVIDUAL'S SURNAME

FIRST PERSONAL NAME

ADDITIONAL NAME(S)INITIAL(S) | SUFFIX

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

10. DEBTOR'S NAME: Provide (10a or 10b) only one additional Debtor name or Debtor name that did not fit in line 1b or 2b of the Financing Statement (Form UCC1) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name) and enter the mailing address in line 10c

10a. ORGANIZATION'S NAME

OR

10b. INDIVIDUAL'S SURNAME

INDIVIDUAL'S FIRST PERSONAL NAME

INDIVIDUAL'S ADDITIONAL NAME(S)INITIAL(S) | SUFFIX

10c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

11. ☐ ADDITIONAL SECURED PARTY'S NAME or ☒ ASSIGNOR SECURED PARTY'S NAME: Provide only one name (11a or 11b)

11a. ORGANIZATION'S NAME

OR **TEXAS INTER-FAITH HOUSING CORPORATION**

11b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITONAL NAME(S)INITIAL(S)	SUFFIX

11c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY
3701 Kirby Drive, Suite 860	Houston	TX	77098	USA

12. ADDITIONAL SPACE FOR ITEM 4 (Collateral):

13. ☒ This FINANCING STATEMENT is to be filed (for record) (or recorded) in the REAL ESTATE RECORDS (if applicable)

14. This FINANCING STATEMENT: ☐ covers timber to be out ☐ covers as-extracted collateral ☒ is filed as a fixture filing

15. Name and address of a RECORD OWNER of real estate described in Item 16 (if Debtor does not have a record interest

16. Description of real estate:

See property described attached hereto as Exhibit "A".

17. MISCELLANEOUS:

EXHIBIT "A"
TO
UCC-1 FINANCING STATEMENT

DEBTOR: **CSH DIAN STREET VILLAS, LTD.**
SECURED PARTY: **TEXAS INTER-FAITH HOUSING CORPORATION**

Unrestricted Reserve "A", Block 1, of DIAN STREET VILLAS, a subdivision in Harris County, Texas, according to the map or plat thereof recorded under Film Code No. RP-2021-188712, of the Map Records of Harris County, Texas.

EXHIBIT "B"
TO
UCC-1 FINANCING STATEMENT

DEBTOR: **CSH DIAN STREET VILLAS, LTD.**
SECURED PARTY: **CITY OF HOUSTON BY ASSIGNMENT FROM TEXAS INTER-FAITH HOUSING CORPORATION**

All of Debtor's right, title and interest, whether now or hereafter arising, in and to all of the following property ("Property"):

A. The real property situated in Ford Bend County, Texas, described in **EXHIBIT A** hereto, together with all right, title and interest now and/or hereafter owned by Debtor, its successors and assigns, in the whole or any part of the above described real property and/or any street or road adjacent and/or contiguous to the above described real property ("**Land**").

B. All of Debtor's right, title and interest, whether now or hereafter arising, in and to all buildings and other improvements now or hereafter placed on the Land, as well as all appurtenances, betterments and additions thereto ("**Improvements**"); all and singular the rights, privileges, hereditaments and appurtenances in anywise incident or appurtenant to the Land and Improvements; and the rents, revenue, profits and income from the Land and Improvements.

C. All of Debtor's right, title and interest, whether now or hereafter arising, in and to any and all plumbing, electrical, heating, cooling and other equipment and all building materials and other goods of every type, kind and character that are now or hereafter situated upon the Land and which (i) are intended to be incorporated into the Improvements or (ii) are now, or hereafter become, fixtures attached to the Land or the Improvements; any and all other goods of every type, kind and character, including without limitation, all appliances, furniture, fixtures, inventory and equipment now owned or hereafter acquired by Debtor that are now or hereafter situated upon the Land (whether or not situated within or attached to the Improvements) and that facilitate the use and occupancy of the Improvements for the purpose for which they were or are to be constructed; all plans and specifications for the Improvements, all rights of Debtor under all existing and future leases, construction, maintenance and other contracts covering or relating to the Land or the Improvements, all tenants deposits made pursuant to or in connection with such leases, all rights of ingress and egress, easements, water and wastewater rights, and to the extent assignable, all licenses, permits, franchises, certificates, accounts, instruments, chattel paper, documents, agreements, contracts, including without limitation any agreements with the United States Department of Housing and Urban Development (to the extent assignable), and general intangibles, and all rights of Debtor in and to any development rights relating to the Land or the Improvements (including, without limitation, trade names and symbols used in connection therewith and any deposits with utility companies) and all other rights and privileges obtained in connection with, relating to or associated with the Land or the Improvements (collectively, the "**Personalty**") and all proceeds of the Personalty.

D. To the extent the assignment thereof is enforceable under applicable law, all of Debtor's right, title and interest, whether now or hereafter arising, in and to any tax refunds, including interest thereon, tax rebates, ad valorem tax credits, and tax abatements, and the right to receive the same, which may be payable or available with respect to the Property but excluding any Housing Tax Credits available pursuant to Section 42 of the Internal Revenue Code of 1986, as amended.

E. All of Debtor's right, title and interest in the proceeds (including conversion to cash or liquidation claims) of (A) insurance relating to the Property and (B) all awards made for the taking by eminent domain (or by any proceeding or purchase in lieu thereof) of the Property, including awards

resulting from a change of any streets (whether as to grade, access, or otherwise) and for severance damages.

F. All of Debtor's right, title and interest, if any, in and to all substances in, on, or under the Land which are now, or may become in the future, intrinsically valuable, that is, valuable in themselves, and which now or may be in the future enjoyed through extraction or removal from the property, including without limitation, oil, gas, and all other hydrocarbons, coal, lignite, carbon dioxide and all other nonhydrocarbon gases, uranium and all other radioactive substances, and gold, silver, copper, iron and all other metallic substances or ores (collectively, "**Minerals**").

G. All funds of Debtor that may be deposited with Secured Party at any time and from time to time for any purpose, which funds shall be deemed to be part of the Personalty for purposes hereof. In the event of a conflict between the terms and conditions of this instrument and the instrument under which Secured Party holds any funds of Debtor, the terms and conditions of the latter instrument shall prevail.

[redacted]

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER [optional]

B. E-MAIL CONTACT AT FILER (optional)

C. SEND ACKNOWLEDGMENT TO: (Name and Address)

Amy M. Glassman, Esq.
Ballard Spahr LLP
1909 K Street, NW, 12th Floor
Washington, DC 20006-1157

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S NAME – Provide only one Debtor name (1a or 1b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); If any part of the Individual Debtor's name will not fit in line 1b, leave all of item 1 blank, check here ☐ and provide the Individual Debtor Information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

1a. ORGANIZATION'S
CSH DIAN STREET VILLAS, LTD.

OR

1b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITONAL NAME(S)/INITIAL(S)	SUFFIX

1c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY
3701 Kirby Drive, Suite 860	Houston	Texas	77098	USA

2. DEBTOR'S NAME – Provide only one Debtor name (2a or 2b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name); If any part of the Individual Debtor's name will not fit in line 2b, leave all of item 2 blank, check here ☐ and provide the Individual Debtor Information in item 10 of the Financing Statement Addendum (Form UCC1Ad)

2a. ORGANIZATION'S NAME

OR

2b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITONAL NAME(S)/INITIAL(S)	SUFFIX

2c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR SECURED PARTY): Provide only one Secured Party name (3a or 3b)

3a. ORGANIZATION'S NAME
TEXAS INTER-FAITH HOUSING CORPORATION

OR

3b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITONAL NAME(S)/INITIAL(S)	SUFFIX

3c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY
3701 Kirby Drive, Suite 860	Houston	TX	77098	USA

4. COLLATERAL: This financing statement covers the following collateral:

All assets of Debtor, including, without limitation, all items of personal property described in Exhibit B to this Financing Statement, including easements, equipment, fixtures, personal property, rents, agreements, awards and insurance proceeds located on or related to the real property described in Exhibit A to this Financing Statement.

5. Check only if applicable and check only one box: Collateral is ☐ held in a Trust (see UCC1Ad, item 17 and instructions) ☐ being administered by a Decedent's Personal Representative

6. ☐ Check only if applicable and check only one box:
☐ Public-Finance Transaction ☐ Manufactured-Home Transaction ☐ A Debtor is a Transmitting Utility

6b. Check only if applicable and check only one box:
☐ Agricultural Lien ☐ Non-UCC Filing

7. ALTERNATIVE DESIGNATION (if applicable): ☐ Lessee/Lessor ☐ Consignee/Consignor ☐ Seller/Buyer ☐ Bailee/Bailor ☐ Licensee/Licensor

8. OPTIONAL FILER REFERENCE DATA: Dian Street Villas

FILING OFFICE COPY – UCC FINANCING STATEMENT (FORM UCC1 (Rev. 04/20/11)

EXHIBIT "A"
TO
UCC-1 FINANCING STATEMENT

DEBTOR:	**CSH DIAN STREET VILLAS, LTD.**
SECURED PARTY:	**CITY OF HOUSTON BY ASSIGNMENT FROM TEXAS INTER-FAITH HOUSING CORPORATION**

Unrestricted Reserve "A", Block 1, of DIAN STREET VILLAS, a subdivision in Harris County, Texas, according to the map or plat thereof recorded under Film Code No. RP-2021-188712, of the Map Records of Harris County, Texas.

EXHIBIT "B"
TO
UCC-1 FINANCING STATEMENT

DEBTOR: **CSH DIAN STREET VILLAS, LTD.**
SECURED PARTY: **TEXAS INTER-FAITH HOUSING CORPORATION**

All of Debtor's right, title and interest, whether now or hereafter arising, in and to all of the following property ("Property"):

A. The real property situated in Harris County, Texas, described in **EXHIBIT A** hereto, together with all right, title and interest now and/or hereafter owned by Debtor, its successors and assigns, in the whole or any part of the above described real property and/or any street or road adjacent and/or contiguous to the above described real property ("**Land**").

B. All of Debtor's right, title and interest, whether now or hereafter arising, in and to all buildings and other improvements now or hereafter placed on the Land, as well as all appurtenances, betterments and additions thereto ("**Improvements**"); all and singular the rights, privileges, hereditaments and appurtenances in anywise incident or appurtenant to the Land and Improvements; and the rents, revenue, profits and income from the Land and Improvements.

C. All of Debtor's right, title and interest, whether now or hereafter arising, in and to any and all plumbing, electrical, heating, cooling and other equipment and all building materials and other goods of every type, kind and character that are now or hereafter situated upon the Land and which (i) are intended to be incorporated into the Improvements or (ii) are now, or hereafter become, fixtures attached to the Land or the Improvements; any and all other goods of every type, kind and character, including without limitation, all appliances, furniture, fixtures, inventory and equipment now owned or hereafter acquired by Debtor that are now or hereafter situated upon the Land (whether or not situated within or attached to the Improvements) and that facilitate the use and occupancy of the Improvements for the purpose for which they were or are to be constructed; all plans and specifications for the Improvements, all rights of Debtor under all existing and future leases, construction, maintenance and other contracts covering or relating to the Land or the Improvements, all tenants deposits made pursuant to or in connection with such leases, all rights of ingress and egress, easements, water and wastewater rights, and to the extent assignable, all licenses, permits, franchises, certificates, accounts, instruments, chattel paper, documents, agreements, contracts, including without limitation any agreements with the United States Department of Housing and Urban Development (to the extent assignable), and general intangibles, and all rights of Debtor in and to any development rights relating to the Land or the Improvements (including, without limitation, trade names and symbols used in connection therewith and any deposits with utility companies) and all other rights and privileges obtained in connection with, relating to or associated with the Land or the Improvements (collectively, the "**Personalty**") and all proceeds of the Personalty.

D. To the extent the assignment thereof is enforceable under applicable law, all of Debtor's right, title and interest, whether now or hereafter arising, in and to any tax refunds, including interest thereon, tax rebates, ad valorem tax credits, and tax abatements, and the right to receive the same, which may be payable or available with respect to the Property but excluding any Housing Tax Credits available pursuant to Section 42 of the Internal Revenue Code of 1986, as amended.

E. All of Debtor's right, title and interest in the proceeds (including conversion to cash or liquidation claims) of (A) insurance relating to the Property and (B) all awards made for the taking by eminent domain (or by any proceeding or purchase in lieu thereof) of the Property, including awards resulting from a change of any streets (whether as to grade, access, or otherwise) and for severance damages.

F. All of Debtor's right, title and interest, if any, in and to all substances in, on, or under the Land which are now, or may become in the future, intrinsically valuable, that is, valuable in themselves, and which now or may be in the future enjoyed through extraction or removal from the property, including without limitation, oil, gas, and all other hydrocarbons, coal, lignite, carbon dioxide and all other nonhydrocarbon gases, uranium and all other radioactive substances, and gold, silver, copper, iron and all other metallic substances or ores (collectively, "**Minerals**").

G. All funds of Debtor that may be deposited with Secured Party at any time and from time to time for any purpose, which funds shall be deemed to be part of the Personalty for purposes hereof. In the event of a conflict between the terms and conditions of this instrument and the instrument under which Secured Party holds any funds of Debtor, the terms and conditions of the latter instrument shall prevail.

[redacted]

UCC FINANCING STATEMENT AMENDMENT

FOLLOW INSTRUCTIONS

A. NAME & PHONE OF CONTACT AT FILER (optional)

B. E-MAIL CONTACT AT FILER (optional)

C. SEND ACKNOWLEDGMENT TO: (Name and Address)

Amy Glassman, Esq.
Ballard Spahr LLP
1909 K St, NW, 12 Floor
Washington, DC 20006

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1a. INITIAL FINANCING STATEMENT FILE NUMBER

1b. ☐ This FINANCING STATEMENT AMENDMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS
Filer: attach Amendment Addendum (Form UCC3Ad) and provide Debtor's name in item 13

2. ☐ TERMINATION: Effectiveness of the Financing Statement identified above is terminated with respect to the security interest(s) of Secured Party authorizing this Termination Statement

3. ☑ ASSIGNMENT (full or partial): Provide name of Assignee in item 7a or 7b, and address of Assignee in item 7c and name of Assignor in item 9
For partial assignment, complete items 7 and 9 and also indicate affected collateral in item 8

4. ☐ CONTINUATION: Effectiveness of the Financing Statement identified above with respect to the security interest(s) of Secured Party authorizing this Continuation Statement is continued for the additional period provided by applicable law

5. ☐ PARTY INFORMATION CHANGE:

Check one of these two boxes:

This Change affects ☐ Debtor or ☐ Secured Party of record

AND Check one of these three boxes to:

☐ CHANGE name and/or address: Complete item 6a or 6b; and item 7a or 7b and item 7c

☐ ADD name: Complete item 7a or 7b, and item 7c

☐ DELETE name: Give record name to be deleted in item 6a or 6b

6. CURRENT RECORD INFORMATION: Complete for Party Information Change - provide only one name (6a or 6b)

6a. ORGANIZATION'S NAME

OR

6b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX

7. CHANGED OR ADDED INFORMATION: Complete for Assignment or Party Information Change - provide only one name (7a or 7b) (use exact, full name; do not omit, modify, or abbreviate any part of the Debtor's name)

7a. ORGANIZATION'S NAME
City of Houston, Director of Housing and Community Development

OR

7b. INDIVIDUAL'S SURNAME

INDIVIDUAL'S FIRST PERSONAL NAME

INDIVIDUAL'S ADDITIONAL NAME(S)/INITIAL(S) | SUFFIX

7c. MAILING ADDRESS	CITY	STATE	POSTAL CODE	COUNTRY
2100 Travis Street, 9th Floor	**Houston**	**TX**	**77002**	

8. ☐ COLLATERAL CHANGE: Also check one of these four boxes: ☐ ADD collateral ☐ DELETE collateral ☐ RESTATE covered collateral ☐ ASSIGN collateral

Indicate collateral:

9. NAME OF SECURED PARTY OF RECORD AUTHORIZING THIS AMENDMENT: Provide only one name (9a or 9b) (name of Assignor, if this is an Assignment)
If this is an Amendment authorized by a DEBTOR, check here ☐ and provide name of authorizing Debtor

9a. ORGANIZATION'S NAME
TEXAS INTER-FAITH HOUSING CORPORATION

OR

9b. INDIVIDUAL'S SURNAME	FIRST PERSONAL NAME	ADDITIONAL NAME(S)/INITIAL(S)	SUFFIX

10. OPTIONAL FILER REFERENCE DATA:
Dian Street Villas

ATTACHMENT E
TO LOAN AGREEMENT

COLLATERAL NOTE

NOTE

$11,000,000.00 April __, 2021

I. PROMISE TO REPAY.

FOR VALUE RECEIVED, CSH DIAN STREET VILLAS, LTD., a Texas limited partnership ("Maker"), hereby agrees and promises to pay to the order of **TEXAS INTER-FAITH HOUSING CORPORATION,** a Texas 501(c)3 non-profit corporation ("Payee"), at 3701 Kirby Drive, Suite 860, Houston, Texas 77098, or at any other place as the holder hereof may from time to time in writing designate, on the times hereinafter provided, in coin or currency, which at the time of payment shall constitute legal tender of the United States of America, the principal sum of ELEVEN MILLION AND NO/100 DOLLARS ($11,000,000.00)or so much thereof as may be advanced, together with interest thereon at the rate of one percent (1.0%) per annum, as further delineated below.

The loan ("Loan") evidenced by this Note is subject to the terms and conditions of that one certain Loan Agreement (Borrower/Owner) ("Owner Loan Agreement") between Maker and Payee of even date herewith which incorporates the terms and conditions of a Loan Agreement between the City of Houston ("City"), Maker and Payee dated of even date herewith ("City Loan Agreement"). All capitalized terms used but not defined in this Note have the same meanings as assigned to such terms in the Owner Loan Agreement.

II. TERM.

The term of the Loan shall commence on the date of this Note ("Closing Date") and shall mature upon the date which is forty (40) years after Project Completion as defined in the City Loan Agreement (the "Maturity Date"). This Note is secured by and entitled to the benefits of a Deed of Trust, Security Agreement and Financing Statement of even date herewith ("Deed of Trust") executed by Maker to Tom McCasland, Trustee, covering fee ownership interest in the Property (as defined in the Deed of Trust).

III. PAYMENTS.

The unpaid principal balance of the Note together with accrued interest thereon shall be due and payable on the Maturity Date. Upon the event of a Default, the Payee may declare the outstanding deferred principal balance to be immediately due and payable, without notice or opportunity to cure subject to the requirements stated in the Loan Documents (as defined in the City Loan Agreement) or other legal requirements. Until Project Completion, no interest will accrue on the Loan.

Following the Project Completion until the Maturity Date, interest shall accrue at the rate of one percent (1.0%) per annum on the outstanding principal balance of this Note and Maker shall pay an annual installment equal to the lesser of (i) one percent (1%) annually on the outstanding balance of the loan, plus accrued unpaid interest, if any, or (ii) fifty percent (50%) of Net Cash Flow. The annual interest payment or non-payment of such interest shall be accompanied by evidence acceptable to the Director documenting available Net Cash Flow or lack of available Net Cash Flow.

For purposes of this provision Net Cash Flow is defined as follows:

> Net Cash Flow shall mean all income and revenues actually received by Owner from the lease of the Project Units and other improvements, and all other income and revenues actually received by Owner in connection with the Project, excluding and deducting therefrom all (1) Operating Expenses, including any debt service payments related to the Senior Loan (but not any subordinate loans); (2) security, pet or cleaning deposits, if any; (3) payments from the Replacement Reserve or from Operating Reserves; (4) payments or reimbursements from insurers or other third parties and used or to be used for restoration, repair or remodeling of any of the Project Units or other improvements; (5)

capital contributions, grants, proceeds of any permitted sale, transfer, exchange, refinancing or other disposition or encumbrance of all or a portion of the Project; (6) condemnation proceeds and awards in place of them; (7) tax reduction or abatement proceeds (8) City Loan proceeds; (9) deposits made to operating reserves and to the replacement operating reserves; (10) payments of the deferred developer fee; (11) costs of residential services; (12) social services fees; 13) any tax credit adjustments, any asset management fees due to either the Tax Credit Investor or a limited partner to the extent such fee is authorized under the Approved Final Operating Budget and loans from the limited partner of Owner related to the Project (to the extent that repayment of such loan (a) is not secured by the Project and (b) is made for the purposes of covering assumed tax liability, tax credit shortfalls and operating deficits under the Approved Final Operating Budget for the applicable year and not for the purposes of facilitating distributions to the partners of Owner).

IV. DEFAULT; ACCELERATION.

If a Default exists the entire debt represented by this Note, consisting of the outstanding principal balance and all accrued interest thereon, shall, at the option of the holder hereof, become immediately due and payable, and except as otherwise provided herein or in any of the other Loan Documents, without notice, presentment for payment, demand, notice of nonpayment, notice of intention to accelerate, acceleration, or other notices of any type which are specifically waived. Time being of the essence hereof. Payee's rights under this paragraph shall be in addition to any other rights or remedies it may have under the Owner Loan Agreement and the other loan documents evidencing, governing and/or securing the Loan ("Loan Documents"), at law or in equity, to enforce Maker's obligations under the Loan Documents. At Payee's option during the continuance of any Default, interest shall accrue on the outstanding balance of this Note at a rate equal to the lower of ten percent (10%) per annum or the highest annual rate permitted by applicable law ("Default Rate"). For purposes of this Note, the term "Default" shall mean a default in payment of the Note or under the terms of this Note, the Deed of Trust, the Owner Loan Agreement, the City Loan Agreement or any other Loan Document that continues past the expiration of all applicable notice and cure periods. Should the terms of this paragraph IV conflict with the Intercreditor Agreement, the Intercreditor Agreement shall control in all respects.

V. PREPAYMENT/MODIFICATION.

THIS NOTE MAY NOT BE PREPAID OR MODIFIED WITHOUT THE PRIOR WRITTEN CONSENT OF THE PAYEE, WHICH CONSENT MAY BE WITHHELD OR GRANTED IN THE SOLE DISCRETION OF THE PAYEE.

VI. APPLICATION OF PAYMENTS.

Each payment made on this Note shall be credited first to accrued, unpaid interest and the remainder to principal.

VII. WAIVER.

Maker hereby waives presentment for payment, protest and demand, notice of protest, demand and dishonor, and non-payment of this Note, and except as otherwise specified in any of the other Loan Documents, waives notice of acceleration, and notice of intent to accelerate, and hereby consents that the holder hereof may extend the time of payment or otherwise modify the terms of payment of any part or the whole of the debt evidenced by this Note, at the request of any other person liable hereon, and such consent shall not alter nor diminish the liability of any person. The failure to exercise any remedy available to Payee shall not be deemed to be a waiver of any rights or remedies of Payee under this Note or under any of the other Loan Documents, or at law or in equity. No extension of the time for the payment of this Note or any installment due hereunder, made by agreement with any person now or hereafter liable for the payment of

this Note, shall operate to release, discharge, modify, change or affect the original liability of Maker under this Note, either in whole or in part, unless Payee specifically, unequivocally and expressly agrees otherwise in writing. This Note may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, change or modification is sought.

VIII. COSTS OF COLLECTION; ATTORNEYS' FEES.

Maker agrees to pay all costs of collection, including reasonable attorneys' fees, if the principal of this Note or any payment on the principal or interest hereon is not paid at the respective maturity and to pay all reasonable costs including, attorneys' fees and court costs, if it becomes necessary to protect the security hereof, whether suit be brought or not, after default hereunder by Maker.

IX. USURY LIMITATIONS.

No provision of the Owner Loan Agreement, this Note, or any instrument securing payment of or relating to the indebtedness, shall require the payment or permit the collection of interest in excess of the Default Rate. If any excess of interest in such respect is herein or in any other instrument provided for, or shall be adjudicated to be so provided for herein or in any other instrument, the provisions of this paragraph shall govern and neither Maker nor any guarantor or endorser of this Note nor their respective heirs, personal representatives, successors, or assigns shall be obligated to pay such interest to the extent it is in excess of the Default Rate. Any fees or other sums that under applicable law are deemed to constitute interest shall be or other sums so deemed interest shall be amortized, prorated, allocated and spread in equal parts over the full stated term of the loan evidenced hereby.

If the maturity of this Note is accelerated for any reason before the due date stated, or in the event of any prepayment by Maker, or in any other event, earned interest may never exceed the Default Rate, computed from the date of disbursement of the loan evidenced hereby until payment, and any unearned interest otherwise payable hereunder that is in excess of the Default Rate shall be cancelled automatically as of the date of the acceleration, prepayment, or other event, and if previously paid, shall at the option of the holder of this Note be either refunded to Maker or credited on the principal of this Note, provided that, if the holder elects to credit the unearned interest on the principal of this Note, and such unearned interest exceeds the principal balance, the excess shall be refunded to Maker. Any interest computation under this Note and the Owner Loan Agreement shall be at not more than the Default Rate upon the portion of the face amount hereof representing principal that remains unpaid from time to time, it being the intention of the parties hereto to conform strictly to the laws applicable to the loan evidenced by this Note and the Owner Loan Agreement, and should it be held that interest payable under this Note and the Owner Loan Agreement is in excess of the Default Rate, the interest chargeable hereunder shall be reduced to the maximum amount permitted by law.

X. RESERVED

XI. GOVERNING LAW

This Note is made in the State of Texas and shall be governed by and construed in accordance with the internal laws of the State of Texas, without regard to conflicts of laws principles.

XII. SUCCESSORS

This Note shall be binding upon the parties hereto and their respective successors and assigns.

XIII. JURY WAIVER

MAKER AND PAYEE ACKNOWLEDGE THAT THE RIGHT TO TRIAL BY JURY IS A CONSTITUTIONAL ONE, BUT THAT IT MAY BE WAIVED, EACH PARTY, AFTER CONSULTING (OR

HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF THEIR CHOICE, KNOWINGLY AND VOLUNTARILY, AND FOR THEIR MUTUAL BENEFIT, WAIVES ANY RIGHT TO TRIAL BY JURY IN THE EVENT OF LITIGATION REGARDING THE PERFORMANCE OR ENFORCEMENT OF, OR IN ANY WAY RELATED TO, THIS NOTE OR THE INDEBTEDNESS.

XIV. ENTIRE AGREEMENT

THIS WRITTEN LOAN AGREEMENT (AS DEFINED BY SECTION 26.02 OF THE TEXAS BUSINESS AND COMMERCE CODE) AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

XV. BANKRUPTCY PREFERENCES

If at any time any payment received by Payee hereunder shall be deemed by a court of competent jurisdiction to have been a voidable preference or fraudulent conveyance under any Debtor Relief Law (as defined below), then the obligation to make such payment shall survive any cancellation or satisfaction of this Note or return thereof to Payee and shall not be discharged or satisfied with any prior payment thereof or cancellation of this Note, but shall remain a valid and binding obligation enforceable in accordance with the terms and provisions hereof, and such payment shall be immediately due and payable upon demand. For purposes of this Note, "**Debtor Relief Law**" shall mean Title 11 of the United States Code, as now or hereafter in effect, or any other applicable law, domestic or foreign, as now or hereafter in effect, relating to bankruptcy, insolvency, liquidation, receivership, reorganization, arrangement or composition, extension or adjustment of debts or similar laws affecting the rights of creditors.

XVI. Non-Recourse: This Note is non-recourse to Maker.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK; SIGNATURE PAGE FOLLOWS]

EXECUTED to be effective as of the date first stated above.

MAKER:

CSH DIAN STREET VILLAS, LTD.,
a Texas limited partnership

By: CSH Dian Street Villas GP, LLC, a Texas limited liability company, its general partner

By: Texas Inter-Faith Housing Corporation, a Texas 501(c)3 non-profit corporation
its sole member

By: _____
Name: Russ Michael Schmidtberger
("Russ Michaels")
Title: Executive Director

FOR VALUE RECEIVED, PAY TO THE ORDER OF THE CITY OF HOUSTON, as collateral in accordance with the Collateral Assignment of Notes and Liens dated of even date with this Note between Payee and the City of Houston.

TEXAS INTER-FAITH HOUSING CORPORATION,
a Texas 501(c)3 non-profit corporation

By: _____
Name: Russ Michael Schmidtberger
("Russ Michaels")
Title: Executive Director

ATTACHMENT F
TO LOAN AGREEMENT

COLLATERAL ASSIGNMENT OF NOTE AND LIENS

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

COLLATERAL ASSIGNMENT OF NOTE AND LIENS

THE STATE OF TEXAS §
§ KNOW ALL MEN BY THESE PRESENTS:
COUNTY OF HARRIS §

Effective as of April ___, 2021, TEXAS INTER-FAITH HOUSING CORPORATION, a Texas 501(c)3 non-profit corporation ("**Assignor**"), has collaterally TRANSFERRED AND ASSIGNED and by these presents does hereby collaterally TRANSFER AND ASSIGN unto CITY OF HOUSTON ("**Assignee**") a security interest (the "**Security Interest**") in all right, title and interest of Assignor in and to (a) the Promissory Note listed on Exhibit A attached hereto (the "**Collateral Note**"), (b) that Deed of Trust, Security Agreement and Financing Statement dated of even date herewith executed by CSH DIAN STREET VILLAS, LTD., a Texas limited partnership ("**Owner**"), for the benefit of Assignor (the "**Deed of Trust**"), and all documents and instruments securing, governing or evidencing the loan evidenced by the Collateral Note (collectively, the "**Collateral Loan Documents**"), and (c) all of the liens and security interests granted to Assignor in the Collateral Loan Documents or otherwise securing the Collateral Note (collectively, the "**Collateral Liens**"); and, further, Assignor hereby collaterally TRANSFERS AND ASSIGNS unto Assignee a security interest in all of the rights, privileges, securities, equities, powers, benefits, claims, priorities, demands, titles, or interests now owned or held by Assignor in and to the Collateral Note, the Collateral Loan Documents, and the Collateral Liens.

This Collateral Assignment is made to secure performance of Assignor's obligations under and pursuant to that certain Loan Agreement (the "**Loan Agreement**") dated of even date herewith between Assignor, Assignee and Owner, including, without limitation, all renewals, replacements, rearrangements, substitutions, restatements, and extensions now or hereafter executed in connection therewith.

Assignor represents and warrants to Assignee that (A) Assignor is the sole legal and equitable owner and holder of the Collateral Note and the indebtedness evidenced thereby, (B) Assignor has not assigned, mortgaged, pledged, hypothecated or otherwise transferred its right, title or interest in and to the Collateral Note, any indebtedness evidenced thereby, the Collateral Loan Documents or any of the Collateral Liens to any party other than Assignee, (C) the Collateral Note is in all respects current and in good standing and is not overdue or subject to any credits or offsets, (D) neither the maker of the Collateral Note, nor any surety or guarantor of the Collateral Note, has raised any counterclaim, defense, allowance, adjustments, dispute, objection, or complaint regarding their respective liability on any of the Collateral Note or under any Collateral Loan Document, (E) the Collateral Note and the Collateral Loan Documents have not been amended, altered, or modified since the date of the execution thereof, (F) no default, or event which with notice, lapse of time, or both would constitute a default, under the Collateral Note or the Collateral Loan Documents has occurred, and (G) Assignor has the full right and authority to sell, assign, pledge, mortgage, hypothecate, transfer and grant a security interest in the Collateral Note, the Collateral Loan Documents, and the Collateral Liens.

When a Default exists under and as defined in the Loan Agreement, Assignee shall, in addition to the rights and remedies provided for (i) in the Loan Agreement, (ii) in the Loan Documents (as defined in the Loan Agreement), (iii) in the Collateral Note, (iv) any of the Collateral Loan Documents, and (v) at law or in equity, have the right to sell the Collateral Note in any manner afforded to Assignee under the laws of the State of Texas including the exercise of all rights of a secured creditor under the UCC as defined below.

The proceeds of the sale shall be applied toward the payment of all sums due and unpaid pursuant to the Loan Agreement.

The requirement of notice to Assignor of the time and place of any public sale of the Collateral Note, or of the time after which any private sale or any other intended disposition thereof is to be made, shall be met if such notice is mailed, postage prepaid, to Assignor at the following address:

If mailed/delivered:

Texas Inter-Faith Housing Corporation
3701 Kirby Drive, Suite 860
Houston, Texas 77098
Attention: Russ Michael Schmidtberger ("Russ Michaels")

With a copy to sent simultaneously to:

CSH Dian Street Villas, LTD.
3701 Kirby Drive, Suite 860
Houston, Texas 77098
Attention: Russ Michael Schmidtberger ("Russ Michaels")

or such other address provided to Assignee by Assignor in writing, at least thirty (30) days before the date of any public sale or at least thirty (30) days before the time after which any private sale or disposition is to be made, unless a longer period of time is required pursuant to the Uniform Commercial Code as adopted in the State of Texas (the "**UCC**"), in which case, applicable provisions of the UCC shall control.

Assignor authorizes Assignee to give notice to the maker of the Collateral Note of the existence of this Collateral Assignment and to instruct such maker, when a Default exists under the Loan Agreement, or under this Collateral Assignment, to direct all payments due and payable under the Collateral Note to Assignee.

Assignor retains the right to collect and receive any and all sums becoming due upon the Collateral Note, unless and until a Default exists under the Loan Agreement. Assignor shall not agree to amend, alter, or modify the Collateral Note or the Collateral Loan Documents or accept prepayment of the Collateral Note without the prior written consent of the Assignee, which may be granted or denied in Assignee's sole discretion.

This Collateral Assignment shall in no manner impair or affect any of the other liens granted by Assignor to Assignee, and no security hereafter taken therefor shall in any manner impair or affect the security hereby given, it being agreed that all such present and future security shall be cumulative security and that Assignee may foreclose under any of such security, as Assignee may elect, without waiving the other.

This Collateral Assignment shall expire and be of no further effect once the Affordability Period (as defined in the Loan Agreement) requirements of the Loan Agreement have expired in the event Assignee has not previously executed a written release of this Collateral Assignment.

By accepting delivery of this Collateral Assignment, Assignee agrees that the Collateral Liens, including those evidenced by the Deed of Trust, are and shall be subordinate to any extended low income housing commitment (as such term is defined in Section 42(h)(6)(B) of the Internal Revenue Code, as amended (the "**Extended Use Agreement**") recorded against the Land (as defined in the Deed of Trust); provided that such Extended Use Agreement, by its terms, must terminate upon foreclosure under this Deed of Trust or upon a transfer of the Land by instrument in lieu of foreclosure, in accordance with Section 42(h)(6)(E) of the Internal Revenue Code. The Restrictive Covenants dated of even date hereof executed

by Owner for the benefit of the City shall not be subordinate to any extended low income housing commitment as such term is defined in the Extended Use Agreement.

THIS COLLATERAL ASSIGNMENT CONSTITUTES THE ENTIRE AGREEMENT WITH RESPECT TO THE SUBJECT HEREOF AND SHALL SUPERSEDE ANY PRIOR AGREEMENT BETWEEN THE PARTIES, WHETHER WRITTEN OR ORAL, RELATING TO THE SUBJECT HEREOF. FURTHERMORE, IN THIS REGARD, THIS AGREEMENT AND THE OTHER WRITTEN LOAN DOCUMENTS REPRESENT, COLLECTIVELY, THE FINAL AGREEMENT AMONG THE PARTIES THERETO AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENT OF SUCH PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

[Remainder of page intentionally left blank; signature page follows]

EXECUTED to be effective as of the date first set forth above.

TEXAS INTER-FAITH HOUSING CORPORATION,
a Texas 501(c)3 non-profit corporation

By: _____
Name: Russ Michael Schmidtberger
("Russ Michaels")
Title: Executive Director

STATE OF TEXAS §
§
COUNTY OF HARRIS §

The foregoing instrument was acknowledged before me on the ____ day of April ___, 2021, by Russ Michael Schmidtberger ("Russ Michaels"), the Executive Director of TEXAS INTER-FAITH HOUSING CORPORATION, a Texas 501(c)3 non-profit corporation, on behalf of said non-profit corporation.

_____
Notary Public, State of Texas

_____
Printed Name of Notary
My commission expires: _____

EXHIBIT A

Collateral Note

Promissory Note dated as of April ___, 2021, executed by CSH DIAN STREET VILLAS, LTD., a Texas limited partnership ("Borrower), payable to the order of TEXAS INTER-FAITH HOUSING CORPORATION, a Texas 501(c)3 non-profit corporation ("Lender"), in the original principal amount of $11,000,000.00 which is secured by, among other things, a Deed of Trust, Security Agreement and Financing Statement, executed by Borrower to Tom McCasland, Trustee, for the benefit of Lender covering the real property more particularly described in the following legal description.

Unrestricted Reserve "A", Block 1, of DIAN STREET VILLAS, a subdivision in Harris County, Texas, according to the map or plat thereof recorded under Film Code No. RP-2021-188712, of the Map Records of Harris County, Texas.

ATTACHMENT G
TO LOAN AGREEMENT

CONSTRUCTION COMPLETION GUARANTY

CONSTRUCTION COMPLETION GUARANTY

This Construction Completion Guaranty ("**Guaranty**") is made by the undersigned (whether one or more, collectively, jointly and severally, hereinafter referred to as "**Guarantor**"), in favor of **THE CITY OF HOUSTON, TEXAS**, a home-rule city organized under the laws of the State of Texas ("**City**"), and is a guarantee of certain obligations of **TEXAS INTER-FAITH HOUSING CORPORATION**, a Texas 501(c)3 non-profit corporation ("**Borrower**"), and **CSH DIAN STREET VILLAS, LTD.**, a Texas limited partnership ("**Owner**"), (Borrower and Owner sometimes herein collectively referred to as "**Third Parties**").

R E C I T A L S:

WHEREAS, Third Parties have requested that the City enter into a certain Loan Agreement ("**Agreement**") of substantially even date herewith, by and between Borrower, Owner and the City, pursuant to which the City is being requested to lend to Borrower an amount not to exceed ELEVEN MILLION AND NO/100 DOLLARS ($11,000,000.00) ("**Loan**") to pay for eligible costs in connection with the acquisition and construction of an apartment complex comprised of one hundred and eight (108) housing units (collectively, the "**Improvements**") upon certain real property owned by Owner and located in Harris County, Texas ("**Premises**") (the Premises and the Improvements are hereinafter referred collectively to from time to time as, the "**Project**");

WHEREAS, Borrower's obligations to the City are evidenced by a certain Note executed by Borrower ("**Note**") of even date herewith and are secured, in part, by a certain Collateral Assignment of Note and Liens executed by Borrower assigning Borrower's right, title and interest in and to a loan made by Borrower to Owner in the maximum principal amount of the Loan, together with a Deed of Trust, Security Agreement and Financing Statement ("**Deed of Trust**") covering the Project, and all of the other documents evidencing, securing, guaranteeing or governing the Loan, are sometimes referred to collectively as the "**Loan Documents**"); and

WHEREAS, the City is unwilling to enter into the Agreement and to make the Loan unless Guarantor delivers this Guaranty to the City.

NOW, THEREFORE, in consideration of the foregoing and in order to induce the City to enter into the Agreement and to make the Loan to Borrower subject to the terms and conditions of the Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and further acknowledging that the City intends to rely on the guaranty of Guarantor hereunder, the Guarantor hereby agrees as follows:

1. **DEFINITIONS AND INTERPRETATIONS**. As used herein, the following capitalized terms shall have the following meanings:

"**Borrower**" shall mean Borrower and its successors and assigns.

"**Completion Date**" shall mean the date on which the Director executes the Certificate of Completion (as defined in the Agreement) and that the Guaranteed Obligations have been satisfied in full.

"**Guarantor**" shall mean and refer to each and all of the undersigned parties signing this Guaranty as Guarantor; and the liability of said parties for the performance of the covenants, duties and obligations of Guarantor hereunder shall be joint and several.

"**Owner**" shall mean Owner and its successors and assigns.

"**Third Parties**" shall mean Third Parties and their respective successors and assigns.

Capitalized words and phrases that are used herein and not defined herein shall have the meaning ascribed to them in the Agreement. Any defined term used in the plural shall refer to all members of the relevant class, and any defined term used in the singular shall refer to any of the members of the relevant class. Any defined term used herein that is a document, instrument, drawing, survey, map, plan, technical description or other writing, and any other reference herein to a writing, shall include the original of such

writing and any and all amendments, supplements, modifications, renewals, extensions, restatements, reinstatements, rearrangements, enlargements, or replacements of or to the same from time to time.

2. **OBLIGATIONS GUARANTEED**. In consideration of the City entering into the Agreement and agreeing to make the Loan, and upon the terms and provisions hereof, Guarantor hereby irrevocably, jointly and severally, absolutely and unconditionally warrants and guarantees to the City the payment and performance of the following (the "**Guaranteed Obligations**"), when due, whether by their terms, by acceleration, or otherwise: (a) that Third Parties shall cause construction of the Project to be completed on or before (i) the Completion Date, which shall be twenty-four (24) months after the Closing of the Loan (as defined in the Agreement) (subject to extensions for Force Majeure) or (ii) the expiration date of the GLO Contract (as defined in the Agreement and construction shall be commenced within two (2) months after Closing, with time being of the essence for both deadlines; (b) that Third Parties shall cause the Project to be constructed and completed in accordance with the Loan Documents and all requirements of any governmental authority without material deviation unless approved by the City, in writing, or specifically permitted by applicable provisions of the Agreement; (c) that Third Parties shall cause the Project to be constructed and completed free and clear of all liens (except for liens which have been bonded as provided in the Loan Documents), other than those in favor of the Borrower (as collaterally assigned to City), Senior Lender, or as otherwise specifically permitted under the terms of the Agreement or the Deed of Trust; (d) that Owner shall strictly comply with the environmental covenants, representations and warranties contained in the Deed of Trust and (e) that Third Parties shall cause all costs of constructing the Project to be paid when due, including without limitation, all costs in excess of those set forth in the Approved Final Project Budget (as defined in the Agreement) whether resulting from: (i) change orders; (ii) delays in obtaining any approvals from any governmental authority that are required for the construction, use, or occupancy of the Project (collectively, the "**Approvals**"); or (iii) otherwise. Guarantor further guarantees the payment and performance of the Guaranteed Obligations whether or not the same arise during or after the time that Owner is the owner of the Premises, whether subsequent owners of the Premises acquire the Premises by voluntary or involuntary means, by foreclosure or deed in lieu of foreclosure, or otherwise and notwithstanding that other persons or entities may be the subsequent owners of the Premises.

3. **CONSIDERATION**. Guarantor acknowledges that Guarantor has made this Guaranty to induce the City to make advances to Borrower of the Loan and that the City is making such advances to Borrower in reliance upon this Guaranty and would not make such advances without the appropriate execution and delivery of this Guaranty.

Guarantor represents and warrants to the City that Guarantor has a financial interest in Third Parties and will receive substantial economic benefit by reason of the City extending the Loan to Borrower, provided, however, that Guarantor's liability hereunder shall not be affected or impaired by such Guarantor's disposition or loss of its financial interest in Third Parties or by reason of the City's refusal in accordance with the terms of the Loan Documents to make Loan advances to Borrower.

4. **OBLIGATIONS OF GUARANTOR UPON DEFAULT**. If a Default exists that is a failure by any party to pay or to perform any part of the Guaranteed Obligations when due, Guarantor shall, within ten (10) business days after written demand of the City to Guarantor (a) cure such failure to pay and/or commence to perform diligently, continuously and in good faith the applicable part of the Guaranteed Obligations and complete same in the time frames required under the Loan Documents; (b) diligently procure completion of the Project at Guarantor's sole cost and expense and in the time frames required under the Loan Documents; (c) fully pay and discharge all claims, including for labor performed and material and services furnished in connection with the construction of the Project, subject to the provisions of the Loan Documents, including the right thereunder to contest and/or bond such claims; and (d) pay the City (x) all reasonable attorneys' fees and other costs the City incurs in enforcing the performance or the payment of the Guaranteed Obligations, with interest at the Default Rate (as defined in the Note), and/or (y) any and all sums the City has advanced to satisfy portions of the Guaranteed Obligations pursuant to the Agreement. The City agrees that : (i) in the event that and so long as Guarantor is not in default of the terms, conditions, provisions, and obligations hereunder beyond all applicable notice, cure, and grace periods; (ii) in the event that and so long as Guarantor is timely paying or performing the Guaranteed Obligations as required herein based on the written request of the City and without the requirement of any legal proceeding to enforce the same; and (iii) after Guarantor commences and diligently and continuously continues, in good faith, to pay or perform the applicable portion of the Guaranteed Obligations after written

request of the City and Guarantor has provided the City with evidence satisfactory to the City that such Guaranteed Obligations are being timely performed, lien-free (or bonded around) and in strict accordance with the Loan Documents, there is no further uncured Default by Third Parties under the Agreement or the other Loan Documents or uncured failure by Guarantor in payment or performance of the Guaranteed Obligations hereunder, the City shall continue to advance any Loan funds then available pursuant to the provisions of the Agreement as if no Default had occurred and shall not institute foreclosure proceedings under the Deed of Trust or charge interest at the rate under the Note during the period after which Guarantor first pays or performs the applicable portion of the Guaranteed Obligations (which portion is sufficient to the City to evidence that the Guaranteed Obligations will be timely completed in strict accordance with the Loan Documents) after written request of the City and prior to the date that one of the conditions described in items (i), (ii), and (iii) is no longer met. It is expressly understood and agreed that the City may institute such foreclosure proceedings and/or charge interest at the Default Rate under the Note, notwithstanding Guarantor's compliance and timely performance hereunder, should any Default exist that is not cured promptly after: (a) receipt by Guarantor of notice thereof, or (b) a demand by the City to Guarantor pursuant to this Section 4. **ANYTHING IN THIS GUARANTY TO THE CONTRARY NOTWITHSTANDING, GUARANTOR FURTHER AGREES TO INDEMNIFY AND HOLD HARMLESS THE CITY AGAINST ANY LOSS, DAMAGE, COST OR EXPENSE (INCLUDING WITHOUT LIMITATION, REASONABLE ATTORNEYS' FEES AND COSTS) THAT THE CITY MAY SUFFER OR INCUR BY REASON OF THE BREACH OR FAILURE OF GUARANTOR'S UNDERTAKINGS AND AGREEMENTS PURSUANT TO THIS GUARANTY.**

5. **TERMINATION**. The obligations of Guarantor hereunder shall terminate on the Completion Date as defined herein.

6. **CONTINUING GUARANTY**. This is a continuing Guaranty, and shall apply to and cover all of the Guaranteed Obligations and all renewals and extensions thereof until the termination date of Guarantor's obligations hereunder as established pursuant to Section 5 hereof

7. **INDEPENDENT OBLIGATION; BANKRUPTCY OF BORROWER OR OWNER**. The obligations of Guarantor hereunder are independent of the obligations of Third Parties, or any other person; and the City may enforce any of the City's rights hereunder independently of any other right or remedy that the City may at any time hold with respect to the Guaranteed Obligations or any security or other guaranty therefor. Without limiting the generality of the foregoing, the City may bring a separate action against Guarantor without first proceeding against Third Parties, any other guarantor or any other person, or any security held by the City, and regardless of whether Third Parties or any other guarantor or any other Person is joined in any such action. The City's rights hereunder shall not be exhausted by any action taken by the City until all Guaranteed Obligations have been fully paid and performed or until the obligations of Guarantor hereunder terminate pursuant to Section 5 hereof.

The liability of Guarantor hereunder shall be reinstated and revived, and the rights of the City shall continue, with respect to any amount at any time paid on account of the Guaranteed Obligations that shall thereafter be required to be restored or returned by the City upon the bankruptcy, insolvency, or reorganization of Third Parties, any other guarantor or any other person liable for the Guaranteed Obligations, or otherwise, all as though such amount had not been paid. In any bankruptcy or other proceeding in which the filing of claims is required by law, Guarantor shall file all claims which Guarantor may have against Borrower and/or Owner relating to any indebtedness of Borrower and/or Owner to Guarantor and shall assign to the City all rights of Guarantor thereunder. If Guarantor does not file any such claim, the City, as attorney-in-fact for Guarantor, is hereby authorized to do so in the name of Guarantor or, in the City's sole discretion, to assign the claim to a nominee and to cause proof of claim to be filed in the name of the City's nominee. The foregoing power of attorney is coupled with an interest and cannot be revoked. The City or its nominee shall have the right, in its reasonable discretion, to accept or reject any plan proposed in such proceeding and to take any other action which a party filing a claim is entitled to do. In all such cases, whether in administration, bankruptcy or otherwise, the person or persons authorized to pay such claim shall pay to the City the amount payable on such claim and, to the full extent necessary for that purpose, Guarantor hereby assigns to the City all of Guarantor's rights to any such payments or distributions; provided, however, Guarantor's obligations hereunder shall not be satisfied except to the extent that the City receives cash by reason of any such payment or distribution. If the City receives anything hereunder other than cash, the same shall be held as collateral for amounts due under

this Guaranty. If all or any portion of the Guaranteed Obligations are paid or performed, the Guaranteed Obligations shall continue and shall remain in full force and effect in the event that all or any part of such payment or performance is avoided or recovered directly or indirectly from the City as a preference, fraudulent transfer or otherwise under the Bankruptcy Code or other similar laws, irrespective of (a) any notice of revocation given by Guarantor prior to such avoidance or recovery, or (b) full payment and performance of all of the indebtedness and obligations evidenced and secured by the Loan Documents.

8. **WAIVER**. Guarantor hereby waives: (a) any defense based upon any legal disability or other defense of Borrower, any other guarantor or other person, or by reason of the cessation or limitation of the liability of Borrower or Owner from any cause other than full payment and performance of those obligations of Borrower or Owner which are guaranteed hereunder; (b) any defense based upon any lack of authority of the officers, directors, partners, managers, members or agents acting or purporting to act on behalf of Borrower, Owner or any principal of Borrower or Owner or any defect in the formation of Borrower or Owner or any principal of Borrower or Owner; (c) any defense based upon the application by Borrower of the proceeds of the Loan for purposes other than the purposes represented by Borrower to the City or intended or understood by the City or Guarantor; (d) any and all rights and defenses arising out of an election of remedies by the City, even though that election of remedies has destroyed Guarantor's rights of subrogation or reimbursement against the principal; (e) any defense based upon the City's failure to disclose to Guarantor any information concerning Borrower's financial condition or any other circumstances bearing on Borrower's ability to pay and perform its obligations under the Note or any of the other Loan Documents or upon the failure of any other principals of Borrower to guaranty the Loan; (f) any defense based upon any statute or rule of law which provides that the obligation of a surety must be neither larger in amount nor in any other respects more burdensome than that of a principal; (g) any defense based upon the City's election, in any proceeding instituted under the Federal Bankruptcy Code, of the application of Section 1111(b)(2) of the Federal Bankruptcy Code or any successor statute; (h) any defense based upon any borrowing or any grant of a security interest under Section 364 of the Federal Bankruptcy Code; (i) any right of subrogation, any right to enforce any remedy which the City may have against Borrower or Owner and any right to participate in, or benefit from, any security for the Note or the other Loan Documents now or hereafter held by the City; (j) presentment, demand, protest and notice of any kind including notice of acceptance of this Guaranty; (k) the benefit of any statute of limitations affecting the liability of Guarantor hereunder or the enforcement hereof; (l) any right to require the City to institute suit or exhaust remedies against Borrower or others liable for any of such indebtedness, to enforce the City's rights against any collateral which shall have been given to secure the Loan, to enforce the City's rights against any other guarantors of such indebtedness, to join Borrower or any others liable on such indebtedness in any action seeking to enforce this Guaranty, to resort to any other means of obtaining payment of such indebtedness; (m) notices of disbursement of Loan proceeds, acceptance hereof, proof of non-payment, default under any Loan Document, notices and demands of any kind (it being Guarantor's and the City's intent that Guarantor shall not be considered a "debtor" in accordance with Section 9.102 of the Texas Business and Commerce Code, as now existing or hereafter amended); (n) the invalidity, illegality or unenforceability of all or any portion of the indebtedness guaranteed hereby or any of the Loan Documents for any reason whatsoever, including that interest on such indebtedness violates applicable usury laws, that Borrower or others liable for all or a portion thereof have valid defenses, claims or offsets to all or a portion of such indebtedness, or that the Note or other Loan Documents have been forged or otherwise are irregular or not genuine or authentic (it being agreed that Guarantor shall remain liable under this Guaranty regardless of whether Borrower or any other person shall be found not liable for repayment of all or a portion of such indebtedness); (o) notice of any advances made or credit extended to Borrower on the faith of this Guaranty and of the execution and delivery by Third Parties of any documents evidencing, securing, or pertaining to the Guaranteed Obligations; (p) notice of, and the right to consent to, the City's assignment of the benefits of this Guaranty; and (q) any and all benefits that might otherwise be available to Guarantor under applicable law. Guarantor further waives any and all rights and defenses that Guarantor may have because Borrower's debt is secured by real property; this means, among other things, that: (1) the City may collect from Guarantor without first foreclosing on any real or personal property collateral pledged by Borrower or Owner; (2) if the City forecloses on any real property collateral pledged by Borrower or Owner, then (A) the amount of the debt may be reduced only by the price for which that collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale price, and (B) the City may collect from Guarantor even if the City, by foreclosing on the real property collateral, has destroyed any right Guarantor may have to collect from Borrower or Owner. The foregoing sentence is an unconditional and irrevocable waiver of any rights and defenses Guarantor may have because Borrower's debt is secured by real property. These

rights and defenses being waived by Guarantor include, but are not limited to, any rights or defenses based upon deficiency limitation, anti-deficiency, redemption or other similar rights. Without limiting the generality of the foregoing or any other provision hereof, Guarantor further expressly waives to the extent permitted by law any and all rights and defenses, including without limitation, any rights of subrogation, reimbursement, indemnification and contribution, and which might otherwise be available to Guarantor under Texas Property Code §§ 51.003, 51.004 and 51.005 or otherwise.

In addition, Guarantor agrees that the performance of any act or any payment which tolls any statute of limitations applicable to the Loan Documents shall similarly operate to toll the statute of limitations applicable to Guarantor's liability hereunder. Finally, Guarantor waives any rights and defenses it may have under Section 17.001 of the Texas Civil Practice & Remedies Code, Rule 31 of the Texas Rules of Civil Procedure, and Chapter 34 of the Texas Business & Commerce Code.

9. **GUARANTY UNIMPAIRED BY SUBSEQUENT EVENTS**. Except as otherwise provided herein, Guarantor hereby expressly waives the right to receive notice of, to consent to, or receive any additional consideration on account of any of the following, and Guarantor hereby agrees that its obligations under this Guaranty shall not be released, diminished, impaired, reduced, or otherwise affected by the occurrence of any of the following events (or the fact that any of such events have occurred):

(a) The amendment, renewal, extension, restatement, or assignment of any part or all of the Guaranteed Obligations or any of the plans and specifications, the Loan Documents, or other documents evidencing, securing, or pertaining thereto, or any other forbearance or agreement by the City to accept a deferred payment or performance of any Guaranteed Obligations; and

(b) The cancellation of any part of the Guaranteed Obligations or the release of Borrower, Guarantor, or any other Person from liability for all or any part of the Guaranteed Obligations; it being acknowledged and agreed by Guarantor that Guarantor may be required to pay or perform the Guaranteed Obligations in full without the assistance or support of any other party, and no Guarantor has been induced to enter into this Guaranty on the basis of any contemplation, belief, understanding, or agreement that any other party shall at all times be liable to pay or perform the Guaranteed Obligations or that the City shall look to other parties to pay or perform the Guaranteed Obligations.

10. **AUTHORITY TO MODIFY GUARANTEED OBLIGATIONS**. Guarantor authorizes the City at any time and from time to time without notice and without affecting the liability of Guarantor hereunder, to: (a) alter the terms of all or any part of the Guaranteed Obligations and any security and guaranties therefor, including without limitation modification of times for payment and rates of interest; (b) accept new or additional instruments, documents, agreements, security, or guaranties in connection with all or any part of the Guaranteed Obligations; (c) accept partial payments on the Guaranteed Obligations; (d) waive, release, reconvey, terminate, abandon, subordinate, exchange, substitute, transfer, compound, compromise, liquidate, and enforce all or any part of the Guaranteed Obligations and any security or guaranties therefor, and apply any such security and direct the order or manner of sale thereof (and bid and purchase at any such sale), as the City, in the City's sole discretion, may determine; (e) release Borrower or Owner, any Guarantor, and/or any other Person from any personal liability with respect to all or any part of the Guaranteed Obligations; and (f) assign this Guaranty in whole or in part to a person or entity that becomes the holder or owner of the Note.

11. **SUBORDINATION**. Guarantor subordinates all present and future indebtedness owing by Borrower and Owner or, during the existence of a Default, by any other guarantor of the Loan, to Guarantor to the obligations at any time owing by Borrower and Owner to the City under the Note and the other Loan Documents. Guarantor assigns all such indebtedness to the City as security for this Guaranty, the Note and the other Loan Documents. Guarantor agrees to make no claim for such indebtedness until all obligations of Borrower or Owner under the Note and the other Loan Documents have been fully discharged. Guarantor further agrees not to assign all or any part of such indebtedness unless the City is given prior notice and such assignment is expressly made subject to the terms of this Guaranty. If the City so requests, (a) all instruments evidencing such indebtedness shall be duly endorsed and delivered to the City, (b) all security for such indebtedness shall be duly assigned and delivered to the City, (c) such

indebtedness shall be enforced, collected and held by Guarantor as trustee for the City and shall be paid over to the City on account of the Loan but without reducing or affecting in any manner the liability of Guarantor under the other provisions of this Guaranty, and (d) Guarantor shall execute, file and record such documents and instruments and take such other action as the City deems necessary or appropriate to perfect, preserve and enforce the City's rights in and to such indebtedness and any security therefor. If Guarantor fails to take such action, the City, as attorney in fact for Guarantor, is hereby authorized to do so in the name of Guarantor. The foregoing power of attorney is coupled with an interest and cannot be revoked.

12. **MISCELLANEOUS PROVISIONS**.

(a) Costs of Enforcement. If the City incurs any reasonable attorney's fees or costs in enforcing or defending any provisions of this Guaranty and is the prevailing party with respect to the same or incurs any costs in collecting any amounts due hereunder, with or without the hiring of an attorney or the filing of any legal action or proceeding, Guarantor shall pay to the City, promptly upon demand, all such costs and the amount of all reasonable attorneys' fees incurred. Guarantor also agrees to pay interest at the Default Rate on the amount of any other payment it is required to make hereunder that it fails to make when due.

(b) Binding Effect. This Guaranty and all the terms, provisions, and conditions hereof shall be binding upon Guarantor and Guarantor's heirs, legal representatives, successors, and assigns, and this Guaranty shall inure to the benefit of the City and its successors and assigns and all subsequent holders of the Guaranteed Obligations.

(c) Governing Law. This Guaranty shall be governed by, and construed in accordance with, the laws of the State of Texas.

(d) No Waiver. Any failure by the City to insist, or any election by the City not to insist, upon strict performance by Guarantor of any of the terms, provisions, or conditions of this Guaranty shall not be deemed to be a waiver of the same or of any other terms, provisions, or conditions thereof; and the City shall have the right at any time or times thereafter to insist upon strict performance by Guarantor of any and all of such terms, provisions, and conditions.

(e) Counterparts. This Guaranty may be executed by the parties hereto separately in any number of counterparts, each of which shall be an original and all of which collectively shall constitute one and the same agreement.

(f) Nature of Guaranty. The obligations, covenants, agreements and duties of the Guarantor under this Guaranty, shall be irrevocable, joint and several with each other Guarantor, shall be irrevocable, absolute and unconditional, shall remain in full force and effect until the earlier of the Completion Date or full satisfaction of Guarantor's obligations under this Guaranty Agreement, and shall in no way be affected or impaired by reason of the happening from time to time of any other event.

(g) No Remedy Exclusive. No remedy conferred upon or reserved to the City herein is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Guaranty or any instrument executed by any Guarantor to secure this Guaranty or in connection herewith, or now or hereafter existing at law or in equity.

(h) **Jury Waiver. GUARANTOR ACKNOWLEDGES THAT THE RIGHT TO TRIAL BY JURY IS A CONSTITUTIONAL ONE, BUT THAT IT MAY BE WAIVED, GUARANTOR, AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF ITS CHOICE, KNOWINGLY AND VOLUNTARILY, AND FOR ITS BENEFIT, WAIVES ANY RIGHT TO TRIAL BY JURY IN THE EVENT OF LITIGATION REGARDING THE**

PERFORMANCE OR ENFORCEMENT OF, OR IN ANY WAY RELATED TO, THIS GUARANTY OR THE GUARANTEED OBLIGATIONS.

(j) Notice. All Notices sent under this Guaranty shall be delivered in the manner set forth in the Agreement for delivery of notice.

This Guaranty shall be binding upon the successors and assigns of the undersigned. The parties agree that each party may sign and deliver this Guaranty electronically or by electronic means and that an electronic signature will be as good, binding, and effective as an original or manual signature.

Remainder of page intentionally left blank.

Executed to be effective as of the ____ day of _____, 2021.

GUARANTOR:

TEXAS INTER-FAITH HOUSING CORPORATION, a Texas 501(c)3 non-profit corporation

By: _____
Name: Russ Michael Schmidtberger
("Russ Michaels")
Title: Executive Director

ATTACHMENT H
TO LOAN AGREEMENT

DECLARATION OF SUBORDINATION OF SENIOR LENDER

DECLARATION OF SUBORDINATION OF SENIOR LENDER

STATE OF TEXAS §
§
COUNTY OF HARRIS §

WHEREAS, CAPITAL ONE, NATIONAL ASSOCIATION ("Senior Lender"), has made a loan to **CSH DIAN STREET VILLAS, LTD.**, a Texas limited partnership ("Owner"), in the principal amount not to exceed FIFTEEN MILLION EIGHT HUNDRED FORTY-FIVE THOUSAND EIGHT HUNDRED NINETY-EIGHT AND NO/100 DOLLARS ($15,845,898.00) (the "Construction Senior Loan," together with the Permitted Refinancing as defined herein, the "Senior Loan") for the purpose of financing a portion of the costs to construct multifamily affordable housing located at 1433 Dian Street, Houston, Harris County, Texas 77008, as more particularly described in Exhibit A attached hereto and incorporated herein ("Property"). The Construction Senior Loan is evidenced by a certain promissory note, executed by Owner, of even date herewith (together with any note executed in connection with the Permitted Refinancing, the "Senior Lien Note"), and secured by a certain Multifamily Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing, executed by Owner, covering the Property, and which has been or will be recorded in the Official Public Records of Real Property of Harris County, Texas (together with any deed of trust securing the Permitted Refinancing, the "Senior DOT," together with all documents evidencing, securing, guaranteeing or otherwise pertaining to the Senior Loan, collectively, the "Senior Lien Loan Documents");

WHEREAS, upon expiration of the term of the Construction Senior Loan, it is anticipated that the Construction Senior Loan will be repaid and the Borrower will enter into a permanent loan in an amount not to exceed $5,651,000.00 made by Senior Lender as the permanent loan lender (the "Permanent Senior Loan"), and intended to be sold to Federal Home Loan Mortgage Corporation, in accordance with the terms of that certain Forward Commitment Agreement by and between Senior Lender and Borrower dated on or about the date hereof (the "Term Sheet"). The repayment of the Construction Senior Loan and entering into the Permanent Senior Loan (the "Permitted Refinancing") shall be permitted provided that the terms and conditions of the Permanent Senior Loan do not materially vary from the Term Sheet and any additional material terms not set forth in the Term Sheet are reasonably acceptable to the Director and further provided

that the City, Texas Inter-Faith Housing Corporation and Senior Lender enter into the form of Subordination Agreement (Government Entity) attached to the Term Sheet ("Freddie Mac Subordination Agreement") dated as of closing the Permanent Senior Loan.

WHEREAS, THE CITY OF HOUSTON ("City") has made a loan to TEXAS INTER-FAITH HOUSING CORPORATION, a Texas 501(c)3 non-profit corporation ("Borrower"), in the principal amount of ELEVEN MILLION AND NO/100 DOLLARS ($11,000,000.00), which loan is subordinate to the Senior Loan ("Subordinate Loan") for the purpose of financing a portion of the costs to acquire and/or construct the improvements to the Property, as evidenced by a certain promissory note, executed by Borrower, of even date herewith, and secured by a certain Collateral Assignment of Note and Liens executed by Borrower collaterally assigning to City, Borrower's right, title and interest in and to a loan made by Borrower to Owner in the maximum principal amount of the Subordinate Loan, together with a Deed of Trust, Security Agreement and Financing Statement, covering the Property, and which has been or will be recorded in the Official Public Records of Real Property of Harris County, Texas (such deed of trust together with all documents evidencing, securing, guaranteeing or otherwise pertaining to the Subordinate Loan, collectively, the "Subordinate Lien Loan Documents");

WHEREAS, the Property is encumbered (or will be encumbered) by that certain Restrictive Covenants executed (or to be executed) by Owner for the benefit of the City (together with all renewals, modifications, consolidations, replacements and extensions thereof, collectively, the "LURA")

NOW, THEREFORE, for and in consideration of the City's loan to Borrower evidenced by the Subordinate Loan, of the mutual promises, covenants and agreements contained herein, and in satisfaction of certain requirements set forth in that certain Loan Agreement between the City, Borrower and Owner, effective as of _____, 2021 (the "Loan Agreement"), Senior Lender agrees, covenants, represents and warrants for the benefit of the City and its successors and assigns as follows:

I. The documents evidencing, securing, guaranteeing or otherwise pertaining to the Senior Loan, including, without limitation, any express or implied vendor's lien retained in connection with the transfer of the Property to Owner or other equitable lien (collectively, the "Senior Lien Loan Documents" and the liens created thereby, the "Senior Liens") are now and shall at all times during the "Affordability Period" (as defined in the LURA) be

subject, subordinate and inferior to the lien, operation and effect of the LURA, SAVE AND EXCEPT the repayment of any part of the Subordinate Loan that is triggered by the default of any provision of the LURA, with the same effect as if the LURA had been executed, delivered and recorded prior to the execution, delivery and recordation of the Senior Lien Loan Documents, regardless of the order of recordation of the Senior Lien Loan Documents and the LURA.

II. So long as the Affordability Period has not expired, the LURA shall at all times be an exception and encumbrance to the lien on the Property delivered to Senior Lender pursuant to the Senior DOT. The Affordability Period may not be extended without the prior written consent of the Senior Lender, which consent shall not be unreasonably withheld.

III. Notwithstanding anything contained in this Declaration, the Subordinate Lien Loan Documents, that certain Intercreditor Agreement dated of even date herewith by and between the City, Borrower, Owner, and Senior Lender (the "Intercreditor Agreement") or the Senior Lien Loan Documents to the contrary, (i) in no event shall the LURA be deemed a "Subordinate Lien Loan Document", (ii) during the Affordability Period, the LURA shall at all times be prior and superior to the Senior Liens and any and all other provisions of the Senior Lien Loan Documents, SAVE AND EXCEPT the repayment of any part of the Subordinate Loan that is triggered by the default of any provision of the LURA, and (iii) in the event that there is a conflict in the terms and provisions of (a) this Declaration, (b) the Senior Lien Loan Documents, (c) the Subordinate Lien Loan Documents and/or (d) the Intercreditor Agreement, the terms and provisions of this Declaration shall control. Notwithstanding the foregoing during the term of the Permanent Senior Loan, if there is any conflict or inconsistency between the terms of the Freddie Mac Subordination Agreement and the terms of this Declaration, then the terms of the Freddie Mac Subordination Agreement will control.

IV. All notices, demands, certificates, or other communications hereunder shall be in writing and shall be deemed sufficiently given or served for all purposes when delivered personally, when sent by certified or registered mail, postage prepaid, return receipt

requested or by private courier service, in each case, with the proper address as indicated below; provided that any such notices, demands, certificates, or other communications shall be deemed effective only upon receipt. Each party may, by written notice given to the other parties, designate any other address or addresses to which notices, certificates or other communications to them shall be sent as contemplated by this Declaration. Until otherwise so provided by the respective parties, all notices, certificates and communications to each of them shall be addressed as follows:

SENIOR LENDER:

Capital One, National Association
299 Park Avenue, 14th Floor
New York, New York 10171
Attention: David J. Musial

BORROWER:

Texas Inter-Faith Housing Corporation
3701 Kirby Drive, Suite 860
Houston, TX 77098
Attention: Russ Michael Schmidtberger ("Russ Michaels")

OWNER:

CSH Dian Street Villas, LTD.
3701 Kirby Drive, Suite 860
Houston, TX 77098
Attention: Russ Michael Schmidtberger ("Russ Michaels")

CITY:

CITY OF HOUSTON
c/o Department of Housing and Community Development
2100 Travis St, 9th Floor
Houston, TX 77002
Attention: Director

With copy to:

CITY OF HOUSTON LEGAL DEPARTMENT
900 Bagby, 4th Floor
Houston, TX 77002
Attention: City Attorney

V. Whenever in this Declaration any party hereto is named or referred to, the successors and assigns of such party shall be deemed to be included and all rights, benefits, covenants,

promises, and agreements in this Declaration by or on behalf of the respective parties hereto shall bind and inure to the benefit of the respective successors and assigns of such parties, whether so expressed or not.

VI. This Declaration shall be performable and enforced in Harris County, Texas, and shall be construed in accordance with the laws of the State of Texas, without regard to the conflicts of laws rules of the State of Texas. Venue shall be appropriate in Harris County, as applicable.

VII. No amendment or waiver of any provision of this Declaration shall be effective unless the same shall be (a) in writing and signed by the party or parties against whom it is to be enforced and (b) approved in writing by the Mayor of the City of Houston and countersigned by the Controller of the City, and any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. The obligations set forth herein constitute covenants running with the Property and shall be binding upon Senior Lender, its successors and assigns.

VIII. Notwithstanding anything contained herein to the contrary, neither this Declaration, nor the City's acceptance hereof, nor shall it be construed to, foreclose or waive the application of all lawful requirements under the applicable laws of the State of Texas for the approval or issuance of future agreements, permits or licenses by the City.

IX. In case any one or more of the provisions contained in this Declaration shall be invalid, illegal, or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions contained herein shall not in any way be affected and/or impaired thereby.

X. Any provision of this Declaration which contemplates (i) the payment of money by the City, which payment would require the appropriation of funds over and above any sums appropriated prior to the Effective Date of this Declaration in connection with this Declaration (and the transactions contemplated herein), or (ii) any other future action, decision, agreement, waiver or approval which by its nature must be approved by the City Council, including without limitation, the issuance of permits or licenses, shall be subject to

the approval of any subsequent City Councils to which such matter is presented and to the appropriation by such City Council of the required funds, in the exercise of its legislative discretion.

XI. The parties have executed this Declaration in multiple originals, each having full force and effect, as of the date of this Declaration. Facsimile or electronically transmitted signatures shall be deemed originals for all purposes hereunder.

XII. This Declaration shall remain in full force and effect until payment in full of the Senior Loan (including any refinancing thereof).

[SIGNATURE PAGES FOLLOW]

SIGNATURE PAGE

Declaration of Subordination of Senior Lender

IN WITNESS WHEREOF, the parties hereto have caused this Declaration to be duly executed by their respective officers thereunto duly authorized, as of _____ day of _____, 2021.

SENIOR LENDER:

CAPITAL ONE, NATIONAL ASSOCIATION

By: _____
Name: David J. Musial
Title: Senior Director

ACKNOWLEDGEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California
County of _____)

On _____ before me,
(insert name and title of the officer)

personally appeared _____,

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ **(Seal)**

BORROWER:

TEXAS INTER-FAITH HOUSING CORPORATION,
a Texas 501(c)3 non-profit corporation

By: _____
Name: Russ Michael Schmidtberger
("Russ Michaels")
Title: Executive Director

STATE OF TEXAS

COUNTY OF HARRIS

The foregoing instrument was acknowledged before me on the ____ day of April ___, 2021, by Russ Michael Schmidtberger ("Russ Michaels"), the Executive Director of TEXAS INTER-FAITH HOUSING CORPORATION, a Texas 501(c)3 non-profit corporation, on behalf of said non-profit corporation.

_____
NOTARY PUBLIC - THE STATE OF TEXAS

_____
Printed Name of Notary

My commission expires:_____.

OWNER:

CSH DIAN STREET VILLAS, LTD.,
a Texas limited partnership

By: CSH Dian Street Villas GP, LLC, a Texas limited liability company, its general partner

By: Texas Inter-Faith Housing Corporation, a Texas 501(c)3 non-profit corporation, its sole member

By: _____
Name: Russ Michael Schmidtberger ("Russ Michaels")
Title: Executive Director

STATE OF TEXAS §
§
COUNTY OF HARRIS §

The foregoing instrument was acknowledged before me this ____ day of April, 2021 by Russ Michael Schmidtberger ("Russ Michaels"), the executive director of Texas Inter-Faith Housing Corporation, a Texas 501(c)3 non-profit corporation, the sole member of CSH Dian Street Villas GP, LLC, a Texas limited liability company, the general partner of CSH Dian Street Villas, LTD., a Texas limited partnership, on behalf of said limited partnership.

_____
NOTARY PUBLIC, State of Texas

_____
Printed Name of Notary

My commission expires:_____.

CITY:

THE CITY OF HOUSTON, TEXAS

_____
Tom McCasland, Director
Housing and Community Development
Department

STATE OF TEXAS §
§
COUNTY OF HARRIS §

The foregoing instrument was acknowledged before me on the ____ day of April, 2021, by Tom McCasland, Director, Housing and Community Development Department of the City of Houston, State of Texas.

_____
Notary Public, State of Texas

_____
Printed Name of Notary

My commission expires:_____

EXHIBIT A

Unrestricted Reserve "A", Block 1, of DIAN STREET VILLAS, a subdivision in Harris County, Texas, according to the map or plat thereof recorded under Film Code No. RP-2021-188712, of the Map Records of Harris County, Texas.

ATTACHMENT I
TO LOAN AGREEMENT

INTERCREDITOR AGREEMENT

INTERCREDITOR AGREEMENT

STATE OF TEXAS §
§
COUNTY OF HARRIS §

WHEREAS, CAPITAL ONE, NATIONAL ASSOCIATION, a national banking association ("Senior Lender") has made a loan to **CSH DIAN STREET VILLAS, LTD.**, a Texas limited partnership ("Owner") in the principal amount not to exceed FIFTEEN MILLION EIGHT HUNDRED FORTY-FIVE THOUSAND EIGHT HUNDRED NINETY-EIGHT NO/100 DOLLARS ($15,845,898.00) (the "Senior Loan") for the purpose of financing a portion of the costs to construct affordable senior housing located at 1433 Dian Street, Houston, Harris County, Texas 77008, as more particularly described in **Exhibit A** attached hereto and incorporated herein ("Property"), as evidenced by a certain promissory note, executed by Owner, of even date herewith (the "Senior Lien Note"), and secured by a certain Multifamily Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing executed by Owner, covering the Property, and which has been or will be recorded in the Real Property Records of Harris County, Texas (the "Senior DOT," together with all documents evidencing, securing, guaranteeing or otherwise pertaining to the Senior Loan, collectively, the "Senior Lien Loan Documents");

WHEREAS, in accordance with the terms of the Loan Agreement dated on or about even date herewith ("Subordinate City Loan Agreement"), **THE CITY OF HOUSTON** ("City") has made a loan ("City Loan") to **TEXAS INTER-FAITH HOUSING CORPORATION**, a Texas 501(c)3 non-profit corporation ("Borrower") in the original principal amount of ELEVEN MILLION AND NO/100 DOLLARS ($11,000,000.00), and which Borrower will then lend the proceeds of the City Loan to Owner ("Subordinate Owner Loan"; collectively with the City Loan, the "Subordinate Loans") for the purpose of financing a portion of the costs to acquire and/or construct the improvements to the Property, and secured by a certain Deed of Trust, Security Agreement and Financing Statement, covering the Property, and which has been or will be recorded in the Official Public Records of Real Property of Harris County, Texas ("Subordinate DOT"). The Subordinate Owner Loan and all notes, documents, or instruments securing or evidencing the Subordinate Owner Loan, including the Subordinate DOT securing the Subordinate Owner Loan, have been collaterally assigned to the City pursuant to a Collateral Assignment of Note and Liens dated on or

about even date herewith from the Borrower to the City ("Subordinate Collateral Assignment"). The Subordinate DOT, the Subordinate Collateral Assignment, and all documents evidencing, securing, guaranteeing or evidencing the Subordinate Loans, including without limitation the Subordinate City Loan Agreement, are collectively referred to herein as the "Subordinate Lien Loan Documents");

WHEREAS, the Property is encumbered (or will be encumbered) by that certain Restrictive Covenants executed (or to be executed) by Owner for the benefit of the City (together with all renewals, modifications, consolidations, replacements and extensions thereof, collectively, the "LURA").

WHEREAS, pursuant to the Subordinate City Loan Agreement, the City has required that Borrower and Owner, as a condition to Borrower's right to receive the City Loan, obtain Senior Lender's consent and agreement to the terms and conditions thereof.

NOW, THEREFORE, for and in consideration of the City's extension of credit to Borrower evidenced by the City Loan, of the mutual promises, covenants and agreements contained herein, and in satisfaction of certain requirements set forth in the Subordinate City Loan Agreement, Senior Lender, Borrower, Owner and the City hereby agree, covenant, represent and warrant as follows:

Article I. Consents by Senior Lender and Terms of Subordination.

Section 1.01 Senior Lender hereby consents to the execution, delivery, and performance of the Subordinate Lien Loan Documents and the LURA, and the recording of the Subordinate DOT, any other Subordinate Lien Loan Documents (to the extent applicable) and the LURA in the Official Public Records of Real Property of Harris County, Texas.

Section 1.02 Senior Lender and City agree that: (i) the indebtedness evidenced by the Subordinate Lien Loan Documents is and shall be subordinated in right of payment, to the extent and in the manner provided in this Agreement to the prior payment in full of the indebtedness evidenced by the Senior Lien Loan Documents including, without limitation in any bankruptcy proceeding, and (ii) the Subordinate DOT and the other Subordinate Lien Loan Documents are and shall be subject and subordinate in all respects to the liens, terms, covenants and conditions of the Senior DOT and the other Senior Lien Loan Documents and subject to the limitations contained herein to all advances heretofore made or which may hereafter be made pursuant to the Senior DOT and the other Senior Lien Loan Documents (including but not limited to, all sums advanced for the purposes of (1) protecting or further securing the lien of the Senior

DOT, curing defaults by the Owner under the Senior Lien Loan Documents or for any other purpose expressly permitted by the Senior DOT, or (2) constructing, renovating, repairing, furnishing or equipping the Property). The subordination provided for in this Agreement shall apply, notwithstanding the availability of other collateral to Senior Lender or the actual date and time of execution, delivery, recordation, filing or perfection of the Senior DOT or the Subordinate DOT and except as specifically agreed herein, Senior Lender's exercise of rights and remedies under the Senior Lien Loan Documents shall not be unrestricted by virtue of this Agreement and any such exercise shall not be affected by any delay, forbearance, failure, neglect or refusal of Senior Lender in enforcing such Senior Loan Documents.

Article II. Representations.

Section 2.01 By Senior Lender. Senior Lender hereby represents and warrants to the City that, as of the date hereof:

(a) None of the Senior Lien Loan Documents have been altered or amended from and after the date of execution.

(b) The Senior DOT secures only the indebtedness evidenced by the Senior Lien Note and obligations arising under the Senior Lien Loan Documents relating to the Property and the Senior Lien Note.

(c) [RESERVED].

(d) Senior Lender has all necessary power and authority to execute, deliver, and perform its obligations under this Agreement.

(e) All action on the part of Senior Lender that is required for the authorization, execution, delivery, and performance of this Agreement has been duly and effectively taken.

(f) This Agreement has been duly executed and delivered by Senior Lender and constitutes the legal, valid, and binding obligations of Senior Lender, enforceable against Senior Lender in accordance with the terms hereof, except as such enforceability (i) may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws affecting the enforcement of creditors' rights and remedies generally, and (ii) is subject to general principles of equity.

(g) As of the date hereof, Senior Lender has no actual knowledge of a Default or an Event of Default (as such terms are used in the Senior Lien Loan Documents) existing under the Senior Lien Loan Documents.

Section 2.02 By Borrower and Owner. Borrower and Owner each represents and warrants to Senior Lender and the City that:

(a) Each of Borrower and Owner has all necessary power and authority to execute, deliver, and perform its obligations under this Agreement.

(b) All action on the part of Borrower and Owner that is required for the authorization, execution, delivery, and performance of this Agreement has been duly and effectively taken.

(c) This Agreement has been duly executed and delivered by Borrower and Owner and constitutes the legal, valid, and binding obligation of Borrower and Owner, enforceable against Borrower and Owner in accordance with the terms hereof, except as such enforceability (i) may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other laws affecting the enforcement of creditors' rights and remedies generally, and (ii) is subject to general principles of equity.

(d) As of the date hereof, no Default or Event of Default (as such terms are used in the Senior Lien Loan Documents), or any facts or circumstances which with the passage of time or giving of notice or both could result in the occurrence of a Default or an Event of Default (as such terms are used in the Senior Lien Loan Documents), exist under the Senior Lien Loan Documents, the Subordinate Lien Loan Documents or the LURA.

Article III. Agreements by Borrower and Owner. Borrower and Owner agree that Senior Lender and the City may share information that each may acquire with respect to Borrower, Owner, or the Property and consent to the transfer of such information, whether financial or otherwise, between them, without having to obtain Borrower's and/or Owner's consent. The Subordinate Lien Loan Documents are now and shall at

all times be subject, subordinate and inferior to the lien, operation, and effect of the Senior Lien Loan Documents.

Article IV. Agreements by Senior Lender. Senior Lender agrees that so long as the Subordinate Loans are outstanding:

Section 4.01 The City, the Owner, and/or and Borrower may from time-to-time enter into modifications, renewals, extensions, and replacements of the Subordinate Loans and the Subordinate Lien Loan Documents without the further consent of Senior Lender so long as such agreements recite that they are, and shall be at all times, subject to the terms of this Agreement and so long as those agreements do not (a) increase the amount of the Subordinate Loans, (b) increase the amount of the periodic installments due under the Subordinate Loans, (c) increase the interest rate or shorten the maturity date or (d) otherwise amend the Subordinate Loans in a manner that creates a material adverse effect upon the Senior Lender under the Senior Lien Loan Documents. Unless and until all of the Senior Loan is fully paid and satisfied and the obligations of Senior Lender to make any further loans or advances to the Owner under the Senior Lien Loan Documents have ceased and terminated, the City will not (and will not permit Borrower or Owner to) without the consent of Senior Lender, take any additional collateral for the Subordinate Loans; provided, however, the preceding shall not alter or limit the rights of the City under Section 4.06.

Section 4.02 Senior Lender shall not make any further advances to Borrower which are secured by the Senior DOT, except as provided for in the Senior Lien Loan Documents relating to the construction, development, operation and/or protection, preservation, and maintenance of the Property, including repairs, taxes, insurance, and legal fees and other expenses of collection or defense of Senior Lender's lien or the security therefor.

Section 4.03 Any provision in the Senior DOT that purports to secure "other indebtedness" that is unrelated to the Senior Lien Note, the Senior Lien Loan Documents, and the Property shall be ineffective as against the City, and the Subordinate DOT and other Subordinate Lien Loan Documents shall have priority over any such "other indebtedness."

Section 4.04 Senior Lender shall not amend the Senior Lien Loan Documents without the City's prior written consent (which consent shall not be unreasonably withheld, conditioned or delayed) if such amendment will have the effect of (i) increasing the principal amount of the Senior Loan or any amounts

payable by Borrower to Senior Lender except as otherwise provided under Section 4.02, (ii) increasing the rate of interest or changing the method of calculation of interest thereon, (iii) except as a result of extension of the construction term maturity as provided in Senior Lien Loan Documents, amending the amortization or term thereof, (iv) except as specifically contemplated by the terms of the Senior Lien Loan Documents, increasing or decreasing the monthly payments or escrows for taxes, insurance, and other reserves, or (v) except for change orders and reallocations permitted by the terms of the Senior Lien Loan Documents, amending the construction budget, plans, or construction contracts relating to construction of the improvements on the Property. Subject to this Section 4.04, Senior Lender may otherwise amend the Senior Lien Loan Documents without the City's prior written consent.

Section 4.05 In the event of any casualty or condemnation resulting in insurance or condemnation proceeds being paid to Senior Lender for application to the payment of obligations secured by the Senior DOT, unless the proceeds are used for repair or restoration in accordance with the Senior Lien Loan Documents, then Senior Lender will remit all proceeds in excess of the portion thereof applied to the repayment of the Senior Loan to the City, to be distributed in accordance with the provisions of the Subordinate Lien Loan Documents

Section 4.06 If a default shall occur under or with respect to a Subordinate Loan, and is continuing, the City and/or the Borrower (as applicable) each agrees that, unless and until the City and/or Borrower has given the Senior Lender at least 60 days' prior written notice, they will not (i) commence foreclosure proceedings with respect to the Property or any other collateral described in the Subordinate Lien Loan Documents; (ii) bring suit for collection of the Subordinate Loans (or either of them), but nothing herein shall preclude filing of a proof of claim in the case of a bankruptcy filing; (iii) attempt to collect rents; or (iv) appoint or seek the appointment of a receiver or exercising any other possessory rights or remedies thereunder; provided further, however, the City and/or Borrower (as applicable) shall be entitled to exercise and enforce all other rights and remedies available to the City under the Subordinate Lien Loan Documents and/or under applicable laws. Notwithstanding the foregoing Borrower's rights hereunder shall be limited by Article XVII of the Note between Borrower and Owner.

Section 4.07 Subject to the foregoing in Section 4.05, Section 4.06 and Section 5.02 below, the exercise by the City and/or the Borrower of any of their rights in and to any and all collateral for the

Subordinate Loans, including, without limitation, any Remedies Exercise (defined below), shall not constitute a default under the Senior Lien Loan Documents. A "Remedies Exercise" shall mean (i) a foreclosure sale of the Property to the City and/or the Borrower, or any of their affiliates, or a third party, (ii) a conveyance to the City and/or the Borrower, or any of their affiliates pursuant to a deed-in-lieu of foreclosure, or (iii) a sale of the Property by the City and/or the Borrower, or any of their affiliates, if the City and/or the Borrower, or any of their affiliates is the purchaser at a foreclosure sale or obtains the Property through a deed-in-lieu of foreclosure.

Section 4.08 Any Remedies Exercise in the Property shall be subject to the Senior Lien Loan Documents. Any purchaser of any part of the Property pursuant to a Remedies Exercise shall take such portion of the Property subject to the Senior Lien Loan Documents without objection by Senior Lender and without payment of any assumption fee.

Article V. Defaults, Notice, and Cure Rights. The parties agree that:

Section 5.01 The occurrence of a Default or an Event of Default (as such terms are used in the Senior Lien Loan Documents) under the Senior Lien Loan Documents shall constitute a Default or an Event of Default (as such terms are used in the Subordinate Lien Loan Documents) under the Subordinate Lien Loan Documents.

Section 5.02 The occurrence of a Default or an Event of Default (as such terms are used in the Subordinate Lien Loan Documents) under the Subordinate Lien Loan Documents shall not, in and of itself, constitute a Default or an Event of Default (as such terms are used in the Senior Lien Loan Documents) under the Senior Lien Loan Documents.

Section 5.03 Senior Lender shall provide the City with copies of all written notices which are sent to Owner relating to defaults or exercise of remedies by Senior Lender under the Senior Lien Loan Documents (including notices of default and notices of intention to exercise remedies under the Senior Lien Loan Documents), simultaneously with the sending of such notices to Owner.

Section 5.04 The City shall have the right, but not the obligation, to cure any monetary default by Owner under the Senior Lien Loan Documents at any time on or before the later to occur of (i) the thirtieth (30th) day following receipt by the City of written notice of a monetary default under the Senior Lien Loan Documents or (ii) five (5) calendar days following the expiration of any grace, notice, or cure

period available to Owner for any monetary default under the Senior Lien Loan Documents ("Monetary Cure Period"). The City shall have the right, but not the obligation, to cure any non-monetary default by Owner under the Senior Lien Loan Documents at any time on or before the later to occur of (i) the sixtieth (60th) day following receipt by the City of written notice of a non-monetary default under the Senior Lien Loan documents or (ii) five (5) calendar days following the expiration of any grace, notice, or cure period available to Owner for any non-monetary default under the Senior Lien Loan Documents ("Non-Monetary Cure Period").

Section 5.05 Senior Lender shall not accelerate the Senior Loan, or exercise any remedies under the Senior Lien Loan Documents, unless the City fails to cure such defaults prior to the expiration of the Monetary Cure Period or the Non-Monetary Cure Period, as the case may be, and if any portion of the Senior Loan has previously been or is thereafter accelerated, then Senior Lender shall reinstate the Senior Loan in accordance with its original terms, upon the cure of the defaults under the Senior Lien Loan Documents within the Monetary Cure Period or the Non-Monetary Cure Period, as the case may be.

Section 5.06 The City and the Borrower (as applicable) shall provide Senior Lender with copies of any notices of intention to exercise any remedies under the Subordinate Lien Loan Documents, simultaneously with the sending of such notices to Borrower.

Section 5.07 The City shall have the right, but not the obligation, in lieu of curing any default under the Senior Lien Loan Documents, to purchase the Senior Loan, by paying the amounts required under the Senior Lien Loan Documents (other than prepayment fees) including, without limitation the outstanding principal amount thereof, plus all accrued and unpaid interest thereon, together with reasonable expenses incurred by the Senior Lien Lender in connection therewith (including reasonable attorneys' fees), in exchange for assignments, on forms approved by the Senior Lender, of the Senior Lien Loan Documents (including, without limitation, to the extent permitted by applicable law or regulation, the original title insurance policies for the Senior DOT and the original Senior Lien Note, all endorsed to the City or its designee), without recourse or warranty and pursuant to which the City shall release the Senior Lender from all claims and other liabilities of the City relating to the Senior Loan as required by the Senior Lender.

Article VI. Escrow Accounts. Pursuant to the Senior Lien Loan Documents, Senior Lender may require Owner to escrow amounts for the payment of taxes and insurance with respect to the Property ("Escrow Accounts"). If Senior Lender requires such Escrow Accounts, then Senior Lender agrees to use such amounts to pay such taxes and insurance as they become due and will not apply such amounts to the Senior Loan except after foreclosure of the Senior Loan. If the Senior Lender does not require Owner to maintain Escrow Accounts, the City may require (but shall not be obligated to do so) Owner and/or Borrower to maintain Escrow Accounts and to pledge such Escrow Accounts to the City.

Article VII. Conditions Precedent; Effective Date. This Agreement shall not become effective until the date (such date being the "Effective Date") when all of the following conditions precedent have been satisfied or waived:

(a) This Agreement shall have been duly executed by each of the parties hereto; and

(b) Borrower and Owner each have executed all of the Subordinate Lien Loan Documents in addition to the Subordinate Loan Agreements.

Article VIII. Controlling Agreements; LURA. In the event of any conflict between the terms and conditions of this Agreement and the terms and provisions of the Senior Lien Loan Documents or the Subordinate Lien Loan Documents, then the terms and provisions of this Agreement shall control. Notwithstanding anything contained in this Agreement or the Senior Lien Loan Documents to the contrary, (i) in no event shall the LURA be deemed a Subordinate Lien Loan Document, (ii) the LURA shall at all times be prior and superior to the lien securing the Senior Loan and any and all other provisions of the Senior Lien Loan Documents (SAVE AND EXCEPT the repayment of any part of the Subordinate Loan that is triggered by the default under the LURA) and (iii) in the event that there is a conflict in the terms and provisions of (x) this Agreement, (y) the Senior Lien Loan Documents, or (z) that certain Declaration of Subordination of Senior Lender, executed by Senior Lender for the benefit of the City, of even date herewith ("Declaration of Subordination"), the terms and provisions of the Declaration of Subordination shall control. Notwithstanding anything contained in this Agreement, in no event shall the LURA be deemed a Subordinate Lien Loan Document.

Article IX. No Third-Party Beneficiary. Nothing in this Agreement, express or implied, is intended or shall be construed to confer upon, or to give to, any party other than the parties hereto and their respective

successors and assigns, any right, remedy or claim under or by reason of this Agreement or any covenant, condition, or stipulation thereto; and the covenants, stipulations, and agreements contained in this Agreement are and shall be for the sole and exclusive benefit of the parties hereto and their respective successors and assigns.

Article X. City Council Approval.

Section 10.01 This Agreement shall not be effective until the Subordinate City Loan Agreement has been approval by the City of Houston City Council ("City Council") and is signed by the Mayor of the City of Houston ("Mayor") and countersigned by the Controller of the City ("Controller") and the remaining Subordinate Lien Loan Documents are signed by the Director of the Housing and Community Development Department of the City. Notwithstanding anything in this Agreement to the contrary, the cure of the Defaults or Events of Default under the Senior Lien Loan Documents and/or the purchase of Senior Lien Note by the City are all subject to City Council approval.

Section 10.02 Notwithstanding anything contained herein to the contrary, this Agreement does not, nor shall it be construed to, foreclose or waive the application of all lawful requirements under the applicable laws of the State of Texas for the approval or issuance of future agreements, permits or licenses by the City.

Section 10.03 Any provision of this Agreement which contemplates (i) the payment of money by the City, which payment would require the appropriation of funds over and above any sums appropriated prior to the Effective Date of this Agreement in connection with this Agreement (and the transactions contemplated herein), or (ii) any other future action, decision, agreement, waiver or approval which by its nature must be approved by the City Council, including without limitation, the issuance of permits or licenses, shall be subject to the approval of any subsequent City Councils to which such matter is presented and to the appropriation by such City Council of the required funds, in the exercise of its legislative discretion.

Article XI. Miscellaneous.

Section 11.01 Notices. All notices, demands, certificates, or other communications hereunder shall be in writing and shall be deemed sufficiently given or served for all purposes when delivered personally, when sent by certified or registered mail, postage prepaid, return receipt requested or by private

courier service, in each case, with the proper address as indicated below; provided that any such notices, demands, certificates, or other communications shall be deemed effective only upon receipt. Each party may, by written notice given to the other parties, designate any other address or addresses to which notices, certificates or other communications to them shall be sent as contemplated by this Agreement. Until otherwise so provided by the respective parties, all notices, certificates and communications to each of them shall be addressed as follows:

SENIOR LENDER:

Capital One, National Association
299 Park Avenue, 14th Floor
New York, New York 10171
Attention: David J. Musial

CITY:

City of Houston
c/o Department of Housing and Community Development
2100 Travis, 9th floor
Houston, TX 77002
Attention: Director

With copy to:

City of Houston Legal Department
900 Bagby, 4th Floor
Houston, TX 77002
Attention: City Attorney

BORROWER:

Texas Inter-Faith Housing Corporation
3701 Kirby Drive, Suite 860
Houston, TX 77098
Attention: Russ Michael Schmidtberger ("Russ Michaels")

OWNER:

CSH Dian Street Villas, LTD.
3701 Kirby Drive, Suite 860
Houston, TX 77098
Attention: Russ Michael Schmidtberger ("Russ Michaels")

Section 11.02 Successors and Assigns. Whenever in this Agreement any party hereto is named or referred to, the successors and assigns of such party shall be deemed to be included and all rights, benefits, covenants, promises, and agreements in this Agreement by or on behalf of the respective parties

hereto shall bind and inure to the benefit of the respective successors and assigns of such parties, whether so expressed or not.

Section 11.03 Counterparts. The parties have executed this Agreement in multiple originals, each having full force and effect, as of the date of this Agreement. Facsimile or electronically transmitted signatures shall be deemed originals for all purposes hereunder.

Section 11.04 Governing Law. This Agreement shall be performable and enforced in Harris County, Texas, and shall be construed in accordance with the laws of the State of Texas, without regard to the conflicts of laws rules of the State of Texas. Venue shall be exclusively in Harris County, Texas.

Section 11.05 Amendments. No amendment or waiver of any provision of this Agreement shall be effective unless the same shall be in writing and signed by the party or parties against whom it is to be enforced, and any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No delay on the part of Senior Lender or the City in the exercise of any right, power, or remedy shall operate as a waiver thereof, nor shall any single or partial waiver by either Senior Lender or the City of any right, power, or remedy preclude any further exercise thereof, or the exercise of any other right, power or remedy.

Section 11.06 Survival. This Agreement shall remain in full force and effect until payment in full of the Senior Loan; provided, however, for so long as the Freddie Mac Subordination Agreement (as defined below) is in effect, in the event of a conflict between the terms and provisions of the Freddie Mac Subordination Agreement and this Agreement, the Freddie Mac Subordination Agreement shall control.

Section 11.07 Entirety. This Agreement, including the documents referred to herein, embodies the entire agreement and understanding of the parties hereto and supersedes all prior agreements and understandings of the parties hereto relating to the subject matter herein contained; notwithstanding the foregoing, however, nothing in this Agreement shall supersede or override the provisions, covenants and terms contained in the Senior Declaration of Subordination.

Section 11.08 Severability. In case any one or more of the provisions contained in this Agreement shall be invalid, illegal, or unenforceable in any respect, the validity, legality, and enforceability of the remaining provisions contained herein shall not in any way be affected and/or impaired thereby.

Section 11.09 Funding. Senior Lender (subject to the terms and conditions of the Senior Lien Loan Documents), City (subject to the terms and conditions of the Subordinate Lien Loan Documents), Borrower and Owner, agree that the advances and funding for the acquisition of the Property and the construction of the apartment complex shall occur in the order set forth in **Exhibit B** attached hereto. The purpose of this Section and **Exhibit B** is to designate funding order and not to create funding obligations between Senior Lender and City. The obligations of the City and the Senior Lender to fund are subject to the terms and conditions of their respective Loan Agreements.

Section 11.10 Permanent Lender. Upon the expiration of the construction term of the Senior Loan, it is anticipated that the Senior Loan will be repaid and the Borrower will enter into a permanent loan in an amount not to exceed $5,651,000.00 made by Capital One, National Association, as the permanent loan lender (the "Permanent Senior Loan"), and intended to be sold to Federal Home Loan Mortgage Corporation, in accordance with the terms of that certain Forward Commitment Agreement by and between Capital One, National Association and Borrower dated on or about the date hereof (the "Term Sheet"). The repayment of the Senior Loan and entering into the Permanent Senior Loan and loan documents evidencing, governing and/or securing the Permanent Senior Loan (the "Permanent Loan Documents") shall be permitted provided that the terms and conditions of the Permanent Senior Loan do not materially vary from the Term Sheet and any additional material terms not set forth in the Term Sheet are reasonably acceptable to the Director and further provided that the parties named therein enter into the form of Subordination Agreement (Government Entity) attached to the Term Sheet in substantially the form attached hereto as **Exhibit C** ("Freddie Mac Subordination Agreement") dated as of closing the Permanent Senior Loan. Upon the conversion, (a) Capital One, National Association's interest as Senior Lender shall automatically and without need of any act, declaration, consent or signature be assigned to, vest in and inure to the benefit of the Permanent Senior Lender and each and every reference to Senior Lender in this Agreement shall mean the Permanent Senior Lender and each right, title, interest, authority and obligation of Senior Lender hereunder shall be held by and exercisable by Permanent Senior Lender as Senior Lender, (b) each and every reference herein to the Senior Lien Loan Documents (and each of them) and to any power, right or remedy of Senior Lender thereunder shall mean and refer to the "Permanent Loan

Documents" and to the power, right or remedy of Permanent Lender thereunder, and (c) each and every reference herein to the Senior Loan shall mean and refer to the "Permanent Senior Loan"

[SIGNATURE PAGE FOLLOWS]

Signature Page

Intercreditor Agreement

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective officers thereunto duly authorized, as of the date of the countersignature by the Controller of the City of Houston, as set forth below.

SENIOR LENDER:

CAPITAL ONE, NATIONAL ASSOCIATION

By: _____
Name: David J. Musial
Title: Senior Director

ACKNOWLEDGEMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California
County of _____)

On _____before me,
(insert name and title of the officer)

personally appeared _____,

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ **(Seal)**

BORROWER:

TEXAS INTER-FAITH HOUSING CORPORATION,
a Texas 501(c)3 non-profit corporation

By: _____
Name: Russ Michael Schmidtberger
("Russ Michaels")
Title: Executive Director

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on the ___ day of _____, 20__, by Russ Michael Schmidtberger ("Russ Michaels"), the Executive Director of **TEXAS INTER-FAITH HOUSING CORPORATION**, a Texas 501(c)3 non-profit corporation, on behalf of said non-profit corporation.

_____
NOTARY PUBLIC - STATE OF TEXAS

_____
Printed Name of Notary

My Commission Expires:_____

OWNER:

CSH DIAN STREET VILLAS, LTD.,
a Texas limited partnership

By: CSH Dian Street Villas GP, LLC, a Texas limited liability company, its general partner

By: Texas Inter-Faith Housing Corporation, a Texas 501(c)3 non-profit corporation, its sole member

By: _____
Name: Russ Michael Schmidtberger ("Russ Michaels")
Title: Executive Director

STATE OF TEXAS §
§
COUNTY OF HARRIS §

The foregoing instrument was acknowledged before me this _____ day of _____, 20__ by Russ Michael Schmidtberger ("Russ Michaels"), the Executive Director of TEXAS INTER-FAITH HOUSING CORPORATION, a Texas 501(c)3 non-profit corporation, the Sole Member of CSH DIAN STREET VILLAS GP, LLC, a Texas limited liability company, the General Partner of CSH DIAN STREET VILLAS, LTD., a Texas limited partnership, on behalf of said limited partnership.

_____
NOTARY PUBLIC - THE STATE OF TEXAS

_____
Printed Name of Notary

My commission expires:_____.

CITY:

SEAL/ATTEST:

CITY OF HOUSTON, TEXAS

_____
Pat Jefferson Daniel, City Secretary

_____
Sylvester Turner, Mayor

APPROVED:

COUNTERSIGNED:

_____
Tom McCasland, Director
Housing and Community Development Department

_____
_____, Controller

APPROVED AS TO FORM:

COUNTERSIGNATURE DATE:

_____
Senior Assistant City Attorney
LD# _____

_____

STATE OF TEXAS §
§
COUNTY OF HARRIS §

The foregoing instrument was acknowledged before me on the ____ day of _____, 20__, by _____ for Sylvester Turner, Mayor of the CITY OF HOUSTON, a municipal corporation, on behalf of said corporation.

_____
NOTARY PUBLIC - STATE OF TEXAS

_____
Printed Name of Notary

My commission expires: _____

EXHIBIT A

LEGAL DESCRIPTION

Unrestricted Reserve "A", Block 1, of DIAN STREET VILLAS, a subdivision in Harris County, Texas, according to the map or plat thereof recorded under Film Code No. RP-2021-188712, of the Map Records of Harris County, Texas.

EXHIBIT B

FUNDING SEQUENCE

Senior Lender (subject to the terms and conditions of the Senior Lien Loan Documents, City (subject to the terms and conditions of the Subordinate Lien Loan Documents, Borrower and Owner agree that the advances and funding for the acquisition of the Property and the construction of the apartment complex shall occur as follows:

1) At closing, City shall first advance the City Loan (net of City required retainage) for land acquisition and closing costs.

2) Those proceeds of the City Funded Loan not used at closing (if any) shall be advanced based on draw requests made and approved in accordance with the City Loan Agreement and each advance when made shall be deposited in separate blocked interest-bearing account of the Owner located at the Senior Lender and shall be utilized to fund those items covered by the draw requests approved by the City.

3) Equity contributions from the Owner will be made upon achievement of certain development milestones in accordance with the Amended and Restated Partnership Agreement of Owner. (referred to herein as the "Capital Contributions") to pay budgeted closing and development costs and to pay the Senior Loan, all as provided for in the Senior Lien Loan Documents.

4) Following the use of all then available proceeds of the City Loan and Capital Contributions for budgeted items, subject to the terms of the Senior Lien Loan Documents, the Senior Lender will advance under the Senior Loan for monthly draw requests until its loan is fully advanced (net of required retainage).

5) Any remaining retainage shall be released after Project Completion as provided for in the Senior Lien Loan Documents and in the Subordinate Lien Loan Documents.

The purpose of this Section is to designate funding order and not to create funding obligations between Senior Lender and City. The obligations of the City and the Senior Lender to fund are subject to the terms and conditions of their respective Loan Agreements.

EXHIBIT C

FREDDIE MAC SUBORDINATION AGREEMENT

Prepared by, and after recording
return to:
Cassin & Cassin LLP
711 Third Avenue, 20th Floor
New York, New York 10017
Attn: Recording Department

SUBORDINATION AGREEMENT

GOVERNMENTAL ENTITY

(Revised 6-15-2020)

Freddie Mac Loan Number: _____
Property Name: _____

SUBORDINATION AGREEMENT

GOVERNMENTAL ENTITY

(Revised 6-15-2020)

THIS SUBORDINATION AGREEMENT ("**Agreement**") is entered into this ___ day of _____, 20__, by and between (i) **CAPITAL ONE, NATIONAL ASSOCIATION**, a national banking association ("**Senior Lender**") and (ii) **CITY OF HOUSTON, TEXAS**, a home-rule city organized under the laws of the State of Texas ("**City**") and **TEXAS INTER-FAITH HOUSING CORPORATION**, a Texas 501(c)3 non-profit corporation ("**Sponsor**") (City and Sponsor are hereinafter collectively referred to as "**Subordinate Lender**").

RECITALS

A. **CSH DIAN STREET VILLAS, LTD.**, a Texas limited partnership (**"Borrower"**) is the owner of certain land located in Harris County, Texas, described in Exhibit A ("**Land**"). The Land is improved with a multifamily rental housing project ("**Improvements**").

B. Senior Lender has made or is making a loan to Borrower in the original principal amount of $ _____ ("**Senior Loan**") upon the terms and conditions of a Multifamily Loan and Security Agreement dated as of _____ between Senior Lender and Borrower ("**Senior Loan Agreement**") in connection with the Mortgaged Property. The Senior Loan is secured by a Multifamily Deed of Trust, Assignment Of Leases And Rents, Security Agreement and Fixture Filing dated as of the date of the Senior Loan Agreement ("**Senior Mortgage**") encumbering the Land, the Improvements and related personal and other property described and defined in the Senior Mortgage as the "**Mortgaged Property**."

C. Pursuant to a Loan Agreement dated [as of] _____ between City, Sponsor, and Borrower ("**City Loan Agreement**"), City has made or is making a loan to Sponsor in the original principal amount of $_____ ("**City Loan**").

D. Pursuant to the City Loan Agreement, Sponsor shall loan the proceeds of the City Loan to Borrower.

E. Pursuant to a Loan Agreement dated [as of] _____ between Sponsor and Borrower ("**Subordinate Loan Agreement**"), Sponsor has made or is making a loan to Borrower in the original principal amount of $_____ ("**Subordinate Loan**").

The Subordinate Loan is or will be secured by a Deed of Trust, Security Agreement and Financing Statement dated [as of] _____ ("**Subordinate Mortgage**") encumbering all or a portion of the Mortgaged Property.

F. Sponsor has collaterally assigned the Subordinate Loan Documents to City to secure Sponsor's obligations to City under the City Loan Agreement pursuant to a Collateral Assignment of Note and Liens dated [as of] _____ ("**Collateral Assignment**").

G. The Senior Mortgage [is] [will be] recorded in **[DESCRIBE APPLICABLE RECORDING OFFICE]** ("**Recording Office**") at **[INSERT RECORDING INFORMATION IF KNOWN]**. The Subordinate Mortgage [is] [will be] recorded in the Recording Office at **[INSERT RECORDING INFORMATION IF KNOWN] [INCLUDE IF SUBORDINATE MORTGAGE IS NOT ALREADY OF RECORD:** following the recording of the Senior Mortgage**]**.

H. The execution and delivery of this Agreement is a condition of Senior Lender's **[CHOOSE ONE:** making of the Senior Loan **OR** consenting to Subordinate Lender's making of the Subordinate Loan and Borrower's granting of the Subordinate Mortgage**]**.

AGREEMENT

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is acknowledged, the parties agree as follows:

1. **Definitions.** The following terms, when used in this Agreement (including, as appropriate, when used in the above recitals), will have the following meanings:

The terms "**Condemnation**," "**Imposition Deposits**," "**Impositions**," "**Leases**," "**Rents**" and "**Restoration**," as well as any term used in this Agreement and not otherwise defined in this Agreement, will have the meanings given to those terms in the Senior Loan Agreement.

"**Bankruptcy Proceeding**" means any bankruptcy, reorganization, insolvency, composition, restructuring, dissolution, liquidation, receivership, assignment for the benefit of creditors, or custodianship action or proceeding under any federal or state law with respect to Borrower, any guarantor of any of the Senior Indebtedness, any of their respective properties, or any of their respective partners, members, officers, directors, or shareholders.

"**Borrower**" means all persons or entities identified as "Borrower" in the first Recital of this Agreement, together with their successors and assigns, and any other person or entity who acquires title to the Mortgaged Property after the date of this Agreement; provided that the term "Borrower" will not include Senior Lender if Senior Lender acquires title to the Mortgaged Property.

"**Casualty**" means the occurrence of damage to or loss of all or any portion of the Mortgaged Property by fire or other casualty.

"**Enforcement Action**" means any of the following actions taken by or at the direction of Subordinate Lender: the acceleration of all or any part of the Subordinate Indebtedness, the advertising of or commencement of any foreclosure or trustee's sale proceedings, the exercise of any power of sale, the acceptance of a deed or assignment in lieu of foreclosure or sale, the collecting of Rents, the obtaining of or seeking of the appointment of a receiver, the seeking of default interest, the taking of possession or control of any of the Mortgaged Property, the commencement of any suit or other legal, administrative, or arbitration proceeding based upon the Subordinate Note or any other of the Subordinate Loan Documents, the exercising of any banker's lien or rights of set-off or recoupment, or the exercise of any other remedial action against Borrower, any other party liable for any of the Subordinate Indebtedness or obligated under any of the Subordinate Loan Documents, or the Mortgaged Property.

"**Enforcement Action Notice**" means a Notice given from Subordinate Lender to Senior Lender following one or more Subordinate Mortgage Default(s) and the expiration of any applicable notice or cure periods, setting forth in reasonable detail the Subordinate Mortgage Default(s) and the Enforcement Actions proposed to be taken by Subordinate Lender.

"**Lien**" means any lien, encumbrance, estate or other interest, recorded against or secured by the Mortgaged Property.

"**Loss Proceeds**" means all monies received or to be received under any insurance policy, from any condemning authority, or from any other source, as a result of any Condemnation or Casualty.

"**Notice**" means all notices, requests, demands, consents, approvals or other communication pursuant to this Agreement provided in accordance with the provisions of Section 10.

"**Regulatory Agreement**" means the Restrictive Covenants between Borrower and City dated [as of] _____, _____ and [recorded] [to be recorded] [at] **[INSERT RECORDING INFORMATION IF AVAILABLE]** in the Recording Office of _____, County, **[NAME OF STATE OR COMMONWEALTH]**.

"**Senior Indebtedness**" means the "Indebtedness" as defined in the Senior Loan Agreement.

"**Senior Lender**" means the "Lender" as defined in the Senior Mortgage. When any other person or entity becomes the legal holder of the Senior Note, such other person or entity will automatically become Senior Lender.

"**Senior Loan Documents**" means the "Loan Documents" as defined in the Senior Loan Agreement, as such documents may be amended.

"**Senior Mortgage Default**" means any act, failure to act, event, condition, or occurrence which constitutes, or which with the giving of Notice or the passage of time, or both, would constitute, an "Event of Default" as defined in the Senior Loan Agreement.

"**Senior Note**" means the promissory note or other evidence of the Senior Indebtedness and any replacement of the Senior Note.

"**Subordinate Indebtedness**" means all sums evidenced or secured or guaranteed by, or otherwise due and payable by Borrower to Sponsor pursuant to, the Subordinate Loan Documents.

"**Subordinate Lender**" means the person or entity named as such in the first paragraph of this Agreement and any other person or entity who becomes the legal holder of the Subordinate Note after the date of this Agreement.

"**Subordinate Loan Documents**" means the Subordinate Mortgage, the Subordinate Note, the Subordinate Loan Agreement, the Regulatory Agreement and all other documents at any time evidencing, securing, guaranteeing, or otherwise delivered in connection with the Subordinate Indebtedness, as such documents may be amended.

"**Subordinate Mortgage Default**" means any act, failure to act, event, condition, or occurrence which allows (but for any contrary provision of this Agreement), Subordinate Lender to take an Enforcement Action.

"**Subordinate Note**" means the Note dated _____ issued by Borrower to Sponsor, as collaterally assigned by Sponsor to the City pursuant to the Collateral Assignment.

[PROVISION FOR SOFT DEBT]

"**Surplus Cash**" means, with respect to any period, any revenues of Borrower remaining after paying, or setting aside funds for paying, all the following:

(a) All sums due or currently required to be paid under the Senior Loan Documents, including any reserves and Imposition Deposits.

(b) All reasonable operating expenses of the Mortgaged Property, including real estate taxes, insurance premiums, utilities, building maintenance, painting and repairs, management fees, payroll, administrative expenses, legal expenses and audit expenses (excluding any developer fees payable with respect to the Mortgaged Property).

2. Subordinate Lender's Representations and Warranties.

(a) Subordinate Lender represents and warrants that each of the following is true as of the date of this Agreement:

(i) Subordinate Lender is now the owner and holder of the Subordinate Loan Documents.

(ii) No Subordinate Mortgage Default has occurred and is continuing.

(iii) The current unpaid principal balance of the Subordinate Indebtedness is $_____.

(iv) No scheduled payments under the Subordinate Note have been prepaid.

(b) Without the prior written consent of Senior Lender, Subordinate Lender will not do any of the following:

(i) Pledge, assign, transfer, convey, or sell any interest in the Subordinate Indebtedness or any of the Subordinate Loan Documents.

(ii) Take any action which has the effect of increasing the Subordinate Indebtedness, except to cure a Senior Mortgage Default as contemplated under Section 5(a) of this Agreement.

(iii) Accept any prepayment of the Subordinate Indebtedness.

3. Terms of Subordination.

(a) Agreement to Subordinate. The Subordinate Indebtedness is and will at all times continue to be subject and subordinate in right of payment to the prior payment in full of the Senior Indebtedness. Each of the Subordinate Loan Documents is, and will at all times remain, subject and subordinate in all respects to the liens, terms, covenants, conditions, operations, and effects of each of the Senior Loan Documents.

(b) Subordination of Subrogation Rights. If Subordinate Lender, by indemnification, subrogation or otherwise, acquires any Lien on any of the Mortgaged Property, then that Lien will be fully subject and subordinate to the receipt by Senior Lender of payment in full of the Senior Indebtedness, and to the Senior Loan Documents, to the same extent as the Subordinate Indebtedness and the Subordinate Loan Documents are subordinate pursuant to this Agreement.

(c) Payments Before Senior Loan Default [; Soft Subordinate Debt]. Until the occurrence of a Senior Mortgage Default, Subordinate Lender will be entitled to retain for its own account all payments of the principal of and interest on the Subordinate Indebtedness pursuant to the Subordinate Loan Documents; provided that Subordinate Lender expressly agrees that it will not accept any such payment

that is made more than 10 days in advance of its due date **[PROVISION FOR SOFT DEBT:** and provided further that Subordinate Lender will not accept any payment in an amount that exceeds 75% of then available Surplus Cash**]**.

(d) Payments After Senior Loan Default or Bankruptcy.

(i) Immediately upon Subordinate Lender's receipt of Notice or actual knowledge of a Senior Mortgage Default, Subordinate Lender will not accept any payments of the Subordinate Indebtedness, and the provisions of Section 3(d) of this Agreement will apply.

(ii) If Subordinate Lender receives any of the following, whether voluntarily or by action of law, after a Senior Mortgage Default of which Subordinate Lender has actual knowledge (or is deemed to have actual knowledge as provided in Section 4(c)) or has been given Notice, such will be received and held in trust for Senior Lender:

(A) Any payment, property, or asset of any kind or in any form in connection with the Subordinate Indebtedness.

(B) Any proceeds from any Enforcement Action.

(C) Any payment, property, or asset in or in connection with any Bankruptcy Proceeding.

(iii) Subordinate Lender will promptly remit, in kind and properly endorsed as necessary, all such payments, properties, and assets described in Section 3(d)(ii) to Senior Lender. Senior Lender will apply any payment, asset, or property so received from Subordinate Lender to the Senior Indebtedness in such order, amount (with respect to any asset or property other than immediately available funds), and manner as Senior Lender determines in its sole and absolute discretion.

(e) Bankruptcy. Without the prior written consent of Senior Lender, Subordinate Lender will not commence, or join with any other creditor in commencing, any Bankruptcy Proceeding. In the event of a Bankruptcy Proceeding, Subordinate Lender will not vote affirmatively in favor of any plan of reorganization or liquidation unless Senior Lender has also voted affirmatively in favor of such plan.

(f) Priority of Regulatory Agreement. Senior Lender and Subordinate Lender hereby agree that, notwithstanding anything to the contrary set forth elsewhere herein, the Subordinate Lender will be entitled to seek specific performance to enforce covenants and agreements of the Borrower relating to maintenance, tenant lease provisions, income, rent or affordability restrictions contained in the Regulatory Agreement and, following a

foreclosure under the Senior Mortgage, or the acceptance by Senior Lender of a deed to the Mortgaged Property in lieu of such a foreclosure (each, a "Foreclosure Action"), the Regulatory Agreement shall survive and the successor owner of the Mortgaged Property shall acquire the Mortgaged Property subject to all of the terms and conditions of the Regulatory Agreement, except as otherwise expressly provided below:

1. No successor owner shall be obligated under the Regulatory Agreement to make any payment under, or to otherwise comply with, any of the other Subordinate Loan Documents;
2. The Foreclosure Action and the transfer of the Mortgaged Property pursuant to the Foreclosure Action will not violate the limitations on transfers in the Regulatory Agreement or require the approval of the Subordinate Lender. Neither the successor owner initially acquiring title to the Mortgaged Property as a result of a Foreclosure Action, nor its immediate successor in interest, shall be subject to any of the limitations upon creation of indebtedness nor creation of any lien securing indebtedness set forth in the Regulatory Agreement; provided that any subsequent mortgagee or lienholder with respect to such indebtedness shall agree that in the event of foreclosure or deed in lieu of foreclosure, the transferee under such foreclosure agrees that it will take subject to the Regulatory Agreement; and provided further that all other subsequent encumbrances shall be subject to Subordinate Lender's approval under the Regulatory Agreement. Any sale, assignment or transfer of the Mortgaged Property following a transfer pursuant to a Foreclosure Action shall be subject to Subordinate Lender's rights under the Regulatory Agreement to approve such transfer, except that Subordinate Lender agrees that its decision to approve any such sale, assignment or other transfer will be based solely upon whether the proposed transferee is qualified to manage and operate affordable housing projects similar to the Mortgaged Property, and the Subordinate Lender will not unreasonably withhold, delay or condition its consent to any such proposed transfer;

3. No successor owner would be obligated to pay, or otherwise have any liability for or in connection with, any claim by Subordinate Lender for liquidated damages, for indemnification or for damages in connection with any breach of any term or provision of the Regulatory Agreement first occurring prior to the date upon which such successor owner acquired title to the Mortgaged Property;

4. No successor owner shall be required to cure any default under the Regulatory Agreement first occurring prior to the date upon which such successor owner acquired title to the Mortgaged Property, except that each successor owner shall be required to cure continuing

defaults under the Regulatory Agreement related to the Mortgaged Property; provided further, however, that each such successor owner shall have 120 days after the date upon which it acquires title to the Mortgaged Property to cure such continuing defaults, or, if any such continuing default is not reasonably susceptible to a cure by such owner within such period, to commence curing such default (and in such latter case, such owner shall thereafter continuously and diligently pursue the cure of such default to completion);

5. All reserve requirements imposed by the Regulatory Agreement shall, after any Foreclosure Action, be deemed satisfied so long as comparable reserves are established and held by the applicable successor owner's lenders; and

6. The Subordinate Lender, after a Foreclosure Action, shall not unreasonably withhold, delay or condition any consent or approval contemplated by the Regulatory Agreement.

4. Default Under Subordinate Loan Documents.

(a) Notice of Subordinate Loan Default and Cure Rights.

(i) Subordinate Lender will deliver to Senior Lender a copy of each Notice delivered by Subordinate Lender pursuant to the Subordinate Loan Documents within 5 Business Days of sending such Notice to Borrower. Neither giving nor failing to give a Notice to Senior Lender pursuant to this Section 4(a) will affect the validity of any Notice given by Subordinate Lender to Borrower.

(ii) For a period of 90 days following delivery to Senior Lender of an Enforcement Action Notice, Senior Lender will have the right, but not the obligation, to cure any Subordinate Mortgage Default. However, if such Subordinate Mortgage Default is a non-monetary default and is not capable of being cured within such 90-day period and Senior Lender has commenced and is diligently pursuing such cure to completion, Senior Lender will have such additional period of time as may be required to cure such Subordinate Mortgage Default or until such time, if ever, as Senior Lender takes either of the following actions:

(A) Discontinues its pursuit of any cure.

(B) Delivers to Subordinate Lender Senior Lender's written consent to the Enforcement Action described in the Enforcement Action Notice.

(iii) Senior Lender will not be subrogated to the rights of Subordinate Lender under the Subordinate Loan Documents as a result of Senior Lender having cured any Subordinate Mortgage Default.

(iv) Subordinate Lender acknowledges that all amounts advanced or expended by Senior Lender in accordance with the Senior Loan Documents or to cure a Subordinate Mortgage Default will be added to and become a part of the Senior Indebtedness and will be secured by the lien of the Senior Mortgage.

(b) Subordinate Lender's Exercise of Remedies After Notice to Senior Lender.

(i) In the event of a Subordinate Mortgage Default, Subordinate Lender will not commence any Enforcement Action until 90 days after Subordinate Lender has delivered to Senior Lender an Enforcement Action Notice. During such 90-day period or such longer period as provided in Section 4(a), Subordinate Lender will be entitled to seek specific performance to enforce covenants and agreements of Borrower relating to income, rent, or affordability restrictions contained in the Regulatory Agreement, subject to Senior Lender's right to cure a Subordinate Mortgage Default set forth in Section 4(a).

(ii) Subordinate Lender may not commence any other Enforcement Action, including any foreclosure action under the Subordinate Loan Documents, until the earlier of:

(A) The expiration of such 90-day period or such longer period as provided in Section 4(a).

(B) The delivery by Senior Lender to Subordinate Lender of Senior Lender's written consent to such Enforcement Action by Subordinate Lender.

(iii) Subordinate Lender acknowledges that Senior Lender may grant or refuse consent to Subordinate Lender's Enforcement Action in Senior Lender's sole and absolute discretion. At the expiration of such 90-day period or such longer period as provided in Section 4(a) and, subject to Senior Lender's right to cure set forth in Section 4(a), Subordinate Lender may commence any Enforcement Action.

(iv) Senior Lender may pursue all rights and remedies available to it under the Senior Loan Documents, at law, or in equity, regardless of any Enforcement Action Notice or Enforcement Action by Subordinate Lender. No action or failure to act on the part of Senior Lender in the event of a Subordinate Mortgage Default or commencement of an Enforcement Action will constitute a waiver on the part of Senior Lender of any provision of the Senior Loan Documents or this Agreement.

(c) Cross Default. Subordinate Lender acknowledges that a Subordinate Mortgage Default constitutes a Senior Mortgage Default. Accordingly, upon the occurrence of a Subordinate Mortgage Default, Subordinate Lender will be deemed to have actual knowledge of a Senior Mortgage Default. If Subordinate Lender notifies Senior Lender in writing that any Subordinate Loan Default of which Senior Lender has received Notice has been cured or waived, as determined by Subordinate Lender in its sole discretion, then provided that Senior Lender has not conducted a sale of the Mortgaged Property pursuant to its rights under the Senior Loan Documents, any Senior Loan Default under the Senior Loan Documents arising solely from such Subordinate Loan Default will be deemed cured, and the Senior Loan will be reinstated.

5. Default Under Senior Loan Documents.

(a) Notice of Senior Loan Default and Cure Rights.

(i) Senior Lender will deliver to Subordinate Lender a copy of any Notice sent by Senior Lender to Borrower of a Senior Mortgage Default within 5 Business Days of sending such Notice to Borrower. Failure of Senior Lender to send Notice to Subordinate Lender will not prevent the exercise of Senior Lender's rights and remedies under the Senior Loan Documents.

(ii) Subordinate Lender will have the right, but not the obligation, to cure any monetary Senior Mortgage Default within 30 days following the date of such Notice. During such 30-day period Senior Lender will be entitled to continue to pursue its remedies under the Senior Loan Documents.

(iii) Subordinate Lender may, within 90 days after the date of the Notice, cure a non-monetary Senior Mortgage Default if during such 90-day period, Subordinate Lender keeps current all payments required under the Senior Loan Documents. If such a non-monetary Senior Mortgage Default creates an unacceptable level of risk relative to the Mortgaged Property, or Senior Lender's secured position relative to the Mortgaged Property, as determined by Senior Lender in its sole discretion, then during such 90-day period Senior Lender may exercise all available rights and remedies to protect and preserve the Mortgaged Property and the Rents, revenues and other proceeds from the Mortgaged Property.

(iv) All amounts paid by Subordinate Lender to Senior Lender to cure a Senior Mortgage Default will be deemed to have been advanced by Subordinate Lender pursuant to, and will be secured by the lien of, the Subordinate Mortgage. Notwithstanding anything in this Section 5(a) to the contrary, Subordinate Lender's right to cure any Senior Mortgage Default will terminate immediately upon the occurrence of any Bankruptcy Proceeding.

(b) Release of Mortgaged Property.

(i) Subordinate Lender consents to and authorizes any future release by Senior Lender of all or any portion of the Mortgaged Property from the lien, operation, and effect of the Senior Loan Documents. Subordinate Lender waives to the fullest extent permitted by law, all equitable or other rights it may have in connection with the release of all or any portion of the Mortgaged Property, including any right to require Senior Lender to do any of the following:

(A) To conduct a separate sale of any portion of the Mortgaged Property.

(B) To exhaust its remedies against all or any portion of the Mortgaged Property or any combination of portions of the Mortgaged Property or any other collateral for the Senior Indebtedness.

(C) To proceed against Borrower, any other party that may be liable for any of the Senior Indebtedness (including any general partner of Borrower if Borrower is a partnership), all or any portion of the Mortgaged Property or combination of portions of the Mortgaged Property or any other collateral, before proceeding against all or such portions or combination of portions of the Mortgaged Property as Senior Lender determines. **[ADD FOR CALIFORNIA TRANSACTIONS:** Subordinate Lender waives to the fullest extent permitted by law any and all benefits under California Civil Code Sections 2845, 2849 and 2850.**]**

(ii) Subordinate Lender consents to and authorizes, at the option of Senior Lender, the sale, either separately or together, of all or any portion of the Mortgaged Property. Subordinate Lender acknowledges that without Notice to Subordinate Lender and without affecting any of the provisions of this Agreement, Senior Lender may do any of the following:

(A) Extend the time for or waive any payment or performance under the Senior Loan Documents.

(B) Modify or amend in any respect any provision of the Senior Loan Documents.

(C) Modify, exchange, surrender, release, and otherwise deal with any additional collateral for the Senior Indebtedness.

6. **Conflicts.** If there is any conflict or inconsistency between the terms of the Subordinate Loan Documents and the terms of this Agreement, then the terms of this Agreement will

control. Borrower acknowledges that the terms and provisions of this Agreement will not, and will not be deemed to do any of the following:

(a) Extend Borrower's time to cure any Senior Loan Default or Subordinate Loan Default.

(b) Give Borrower the right to receive notice of any Senior Loan Default or Subordinate Loan Default, other than that, if any, provided, respectively under the Senior Loan Documents of the Subordinate Loan Documents.

(c) Create any other right or benefit for Borrower as against Senior Lender or Subordinate Lender.

7. Rights and Obligations of Subordinate Lender Under the Subordinate Loan Documents and of Senior Lender under the Senior Loan Documents.

(a) Insurance.

(i) All requirements pertaining to insurance under the Subordinate Loan Documents (including requirements relating to amounts and types of coverages, deductibles and special endorsements) will be deemed satisfied if Borrower complies with the insurance requirements under the Senior Loan Documents and of Senior Lender.

(ii) All original policies of insurance required pursuant to the Senior Loan Documents will be held by Senior Lender.

(iii) Nothing in this Section 7(a) will preclude Subordinate Lender from requiring that it be named as a mortgagee and loss payee, as its interest may appear, under all policies of property damage insurance maintained by Borrower with respect to the Mortgaged Property, provided such action does not affect the priority of payment of Loss Proceeds, or that Subordinate Lender be named as an additional insured under all policies of liability insurance maintained by Borrower with respect to the Mortgaged Property.

(b) Condemnation or Casualty.

In the event of a Condemnation or a Casualty, the following provisions will apply:

(i) The rights of Subordinate Lender (under the Subordinate Loan Documents or otherwise) to participate in any proceeding or action relating to a Condemnation or a Casualty, or to participate or join in any settlement of, or to adjust, any claims resulting from a Condemnation or a Casualty, will be and remain subordinate in all respects to Senior Lender's rights under the Senior Loan Documents, and Subordinate Lender will be bound by any

settlement or adjustment of a claim resulting from a Condemnation or a Casualty made by Senior Lender.

(ii) All Loss Proceeds will be applied either to payment of the costs and expenses of Restoration or to payment on account of the Senior Indebtedness, as and in the manner determined by Senior Lender in its sole discretion; provided however, Senior Lender agrees to consult with Subordinate Lender in determining the application of Casualty proceeds. In the event of any disagreement between Senior Lender and Subordinate Lender over the application of Casualty proceeds, the decision of Senior Lender, in its sole discretion, will prevail.

(iii) If Senior Lender holds Loss Proceeds, or monitors the disbursement of Loss Proceeds, Subordinate Lender will not do so. Nothing contained in this Agreement will be deemed to require Senior Lender to act for or on behalf of Subordinate Lender in connection with any Restoration or to hold or monitor any Loss Proceeds in trust for or otherwise on behalf of Subordinate Lender, and all or any Loss Proceeds may be commingled with any funds of Senior Lender.

(iv) If Senior Lender elects to apply Loss Proceeds to payment on account of the Senior Indebtedness, and if the application of such Loss Proceeds results in the payment in full of the entire Senior Indebtedness, any remaining Loss Proceeds held by Senior Lender will be paid to Subordinate Lender unless another party has asserted a claim to the remaining Loss Proceeds.

(c) Modification of Subordinate Loan Documents. Subordinate Lender agrees that, until the principal of, interest on and all other amounts payable under the Senior Loan Documents have been paid in full, it will not, without the prior written consent of Senior Lender, increase the amount of the Subordinate Loan, increase the required payments due under the Subordinate Loan, decrease the term of the Subordinate Loan, increase the interest rate on the Subordinate Loan, or otherwise amend the Subordinate Loan terms in a manner that creates an adverse effect upon Senior Lender under the Senior Loan Documents. If Subordinate Lender either (i) amends the Subordinate Loan Documents in the manner set forth above or (ii) assigns the Subordinate Loan without Senior Lender's consent then such amendment or assignment will be void ab initio and of no effect whatsoever.

(d) Modification of Senior Loan Documents. Senior Lender may amend, waive, postpone, extend, renew, replace, reduce or otherwise modify any provisions of the Senior Loan Documents without the necessity of obtaining the consent of or providing Notice to Subordinate Lender, and without affecting any of the provisions of this Agreement. Notwithstanding the foregoing, Senior Lender may not modify any provision of the Senior Loan Documents that increases the Senior Indebtedness, except for increases in the Senior Indebtedness that result from

advances made by Senior Lender to protect the security or lien priority of Senior Lender under the Senior Loan Documents or to cure defaults under the Subordinate Loan Documents.

(e) Commercial or Retail Leases. If requested, Subordinate Lender will enter into attornment and non-disturbance agreements with all tenants under commercial or retail Leases, if any, to whom Senior Lender has granted attornment and non-disturbance, on the same terms and conditions given by Senior Lender.

(f) Consent Rights. Whenever the Subordinate Loan Documents give Subordinate Lender approval or consent rights with respect to any matter, and a right of approval or consent for the same or substantially the same matter is also granted to Senior Lender pursuant to the Senior Loan Documents or otherwise, Senior Lender's approval or consent or failure to approve or consent will be binding on Subordinate Lender. None of the other provisions of Section 7 are intended to be in any way in limitation of the provisions of this Section 7(f).

(g) Escrows. Except as provided in this Section 7(g), and regardless of any contrary provision in the Subordinate Loan Documents, Subordinate Lender will not collect any escrows for any cost or expense related to the Mortgaged Property or for any portion of the Subordinate Indebtedness. However, if Senior Lender is not collecting escrow payments for one or more Impositions, Subordinate Lender may collect escrow payments for such Impositions; provided that all payments so collected by Subordinate Lender will be held in trust by Subordinate Lender to be applied only to the payment of such Impositions.

(h) Certification. Within 10 days after request by Senior Lender, Subordinate Lender will furnish Senior Lender with a statement, duly acknowledged and certified setting forth the then-current amount and terms of the Subordinate Indebtedness, confirming that there exists no default under the Subordinate Loan Documents (or describing any default that does exist), and certifying to such other information with respect to the Subordinate Indebtedness as Senior Lender may request.

8. **Refinancing.** Subordinate Lender agrees that its agreement to subordinate under this Agreement will extend to any new mortgage debt which is for the purpose of refinancing all or any part of the Senior Indebtedness (including reasonable and necessary costs associated with the closing and/or the refinancing, and any reasonable increase in proceeds for rehabilitation in the context of a preservation transaction). All terms and covenants of this Agreement will inure to the benefit of any holder of any such refinanced debt, and all references to the Senior Loan Documents and Senior Lender will mean, respectively, the refinance loan documents and the holder of such refinanced debt.

9. **Governmental Powers.** Nothing in this Agreement is intended, nor will it be construed, to in any way limit the exercise by Subordinate Lender of its governmental powers (including police, regulatory and taxing powers) with respect to Borrower or the

Mortgaged Property to the same extent as if it were not a party to this Agreement or the transactions contemplated by this Agreement.

10. Notices.

(a) Any Notice required or permitted to be given pursuant to this Agreement will be in writing and will be deemed to have been duly and sufficiently given if (i) personally delivered with proof of delivery (any Notice so delivered will be deemed to have been received at the time so delivered), or (ii) sent by a national overnight courier service (such as FedEx) designating earliest available delivery (any Notice so delivered will be deemed to have been received on the next Business Day following receipt by the courier), or (iii) sent by United States registered or certified mail, return receipt requested, postage prepaid, at a post office regularly maintained by the United States Postal Service (any Notice so sent will be deemed to have been received on the date of delivery as confirmed by the return receipt), addressed to the respective parties as follows:

Notices intended for Senior Lender will be addressed to:

[Name]
[Address]
Attention:

Notices intended for Subordinate Lender will be addressed to:

[Name]
[Address]
Attention:

(b) Any party, by Notice given pursuant to this Section 10, may change the person or persons and/or address or addresses, or designate an additional person or persons or an additional address or addresses, for its Notices, but Notice of a change of address will only be effective upon receipt. Neither party will refuse or reject delivery of any Notice given in accordance with this Section 10.

11. Miscellaneous Provisions.

(a) Assignments/Successors. This Agreement will be binding upon and will inure to the benefit of the respective legal successors and permitted assigns of the parties to this Agreement. No other party will be entitled to any benefits under this Agreement, whether as a third-party beneficiary or otherwise. This Agreement may be assigned at any time by Senior Lender to any subsequent holder of the Senior Note.

(b) No Partnership or Joint Venture. Nothing in this Agreement or in any of the Senior Loan Documents or Subordinate Loan Documents will be deemed to constitute Senior Lender as a joint venturer or partner of Subordinate Lender.

(c) Further Assurances. Upon Notice from Senior Lender, Subordinate Lender will execute and deliver such additional instruments and documents, and will take such actions, as are required by Senior Lender to further evidence or implement the provisions and intent of this Agreement.

(d) Amendment. This Agreement may be amended, changed, modified, altered or terminated only by a written instrument signed by the parties to this Agreement or their successors or assigns.

(e) Governing Law. This Agreement will be governed by the laws of the State in which the Land is located.

(f) Severable Provisions. If any one or more of the provisions contained in this Agreement, or any application of any such provisions, is invalid, illegal, or unenforceable in any respect, the validity, legality, enforceability, and application of the remaining provisions contained in this Agreement will not in any way be affected or impaired.

(g) Term. The term of this Agreement will commence on the date of this Agreement and will continue until the earliest to occur of the following events:

(i) The payment of all the Senior Indebtedness; provided that this Agreement will be reinstated in the event any payment on account of the Senior Indebtedness is avoided, set aside, rescinded or repaid by Senior Lender.

(ii) The payment of all the Subordinate Indebtedness other than by reason of payments which Subordinate Lender is obligated to remit to Senior Lender pursuant to this Agreement.

(iii) The acquisition by Senior Lender or by a third-party purchaser of title to the Mortgaged Property pursuant to a foreclosure of, deed in lieu of foreclosure, or trustee's sale or other exercise of a power of sale or similar disposition under the Senior Mortgage.

(iv) With the prior written consent of Senior Lender, without limiting the provisions of Section 4(b)(iv), the acquisition by Subordinate Lender of title to the Mortgaged Property subject to the Senior Mortgage pursuant to a foreclosure, or a deed in lieu of foreclosure, of (or the exercise of a power of sale under) the Subordinate Mortgage.

(h) Counterparts. This Agreement may be executed in two or more counterparts, each of which will be deemed an original but all of which together will constitute one and the same instrument.

(i) Entire Agreement. This Agreement represents the entire understanding and agreement between the parties regarding the matters addressed in this Agreement, and will supersede and cancel any prior agreements regarding such matters.

(j) Authority. Each person executing this Agreement on behalf of a party to this Agreement represents and warrants that such person is duly and validly authorized to do so on behalf of such party with full right and authority to execute this Agreement and to bind such party with respect to all of its obligations under this Agreement.

(k) No Waiver. No failure or delay on the part of any party to this Agreement in exercising any right, power, or remedy under this Agreement will operate as a waiver of such right, power, or remedy, nor will any single or partial exercise of any such right, power or remedy preclude any other or further exercise of such right, power, or remedy or the exercise of any other right, power or remedy under this Agreement.

(l) Remedies. Each party to this Agreement acknowledges that if any party fails to comply with its obligations under this Agreement, the other parties will have all rights available at law and in equity, including the right to obtain specific performance of the obligations of such defaulting party and injunctive relief.

[SIGNATURE AND ACKNOWLEDGMENT PAGES FOLLOW]

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the day and year first above written.

SENIOR LENDER:

[NAME OF SELLER/SERVICER]

By: _____
Name: _____
Title: _____

[Notary Block for recordation]

SUBORDINATE LENDER:

[GOVERNMENTAL ENTITY]

By: _____
Name: _____
Title: _____

[Notary Block for recordation]

CONSENT OF BORROWER

Borrower acknowledges receipt of a copy of this Subordination Agreement, dated _____, 20__, by and between **[NAME OF SELLER/SERVICER] and [NAME OF GOVERNMENTAL ENTITY]** and consents to the agreement of the parties set forth in this Agreement.

[NAME OF BORROWER]

By: _____

Name: _____

Title: _____

Date: _____

[Notary Block for recordation]

EXHIBIT A

LEGAL DESCRIPTION

ATTACHMENT J
TO LOAN AGREEMENT

ASSIGNMENT OF PROJECT MANAGEMENT AGREEMENT AND CONSENT

[RESERVED]

ATTACHMENT K
TO LOAN AGREEMENT

ASSIGNMENT OF PROPERTY MANAGEMENT AGREEMENT

ASSIGNMENT OF PROPERTY MANAGEMENT AGREEMENT

THIS ASSIGNMENT OF PROPERTY MANAGEMENT AGREEMENT (this **"Assignment"**) is made as of April ___, 2021 by and among **CSH DIAN STREET VILLAS, LTD.**, a Texas limited partnership ("**Owner**"), **TEXAS INTER-FAITH HOUSING CORPORATION,** a Texas 501(c)3 non-profit corporation ("**Borrower**") and **TEXAS INTER-FAITH MANAGEMENT CORPORATION,** a Texas 501(c)3 non-profit corporation, having an address at 3701 Kirby Drive, Suite 860, Houston, Texas 77098 ("**Manager**").

RECITALS

A. Owner is the owner of the real property located at 1433 Dian Street, Houston, Harris County, Texas 77008 ("**Project**") and is making certain improvements to the Project.

B. Manager is the property manager of the Project pursuant to that certain Property Management Agreement dated as of March 17, 2021, between Owner and Manager (as from time to time amended in accordance with the terms thereof and hereof, the "**Management Agreement**").

C. Owner has requested that the City of Houston, Texas ("**City**") make a $11,000,000.00 (**"Loan**") to Borrower to be used by Borrower to make a loan to Owner to provide funds for the construction of the Project.

D. The Loan will be (i) advanced pursuant to the terms of a certain Loan Agreement dated as of the date hereof between City, Borrower and Owner (as the same may be amended from time to time, the "**Loan Agreement**"); and (ii) secured by a Collateral Assignment of Note and Liens ("**Collateral Assignment**") executed by Borrower assigning Borrower's right, title and interest in and to a loan made by Borrower to Owner, in the principal amount of the $11,000,000.00, together with a Deed of Trust, Security Agreement and Financing Statement ("**Deed of Trust**") covering the Project.

E. City has required, as a condition to making the Loan and as additional security for the obligations of Borrower under the Loan, (i) that Owner assign to City all of Owner's right, title and interest in and to the Management Agreement; (ii) that Owner and Manager subordinate, to the extent herein provided, their respective right, title and interest in and to the Management Agreement to the liens and security interests securing performance of the Loan; and (iii) that Owner and Manager agree to the terms, covenants and conditions contained herein.

NOW, THEREFORE, in consideration of the mutual promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. ***Terms***. Terms defined in the Loan Agreement have the same meanings when used herein unless otherwise defined herein or the context hereof otherwise requires.

2. ***Assignment***. Subject to the terms and conditions hereof, to further secure the performance of the obligations under the Loan Agreement and documents executed in connection with, governing, evidencing and/or securing the Loan ("**Loan Documents**"), Owner hereby collaterally grants, transfers and assigns to City all of Owner's right, title and interest in, to and under the Management Agreement together with all right, power and authority of Owner to alter, modify or change the terms of the Management Agreement or to surrender, cancel or terminate the same, and Manager consents to such assignment pursuant to and in accordance with the agreements set forth herein. So long as no Default exists under the Loan Agreement or any of the Loan Documents, Owner shall have the license to perform under and receive performance under the Management Agreement. Neither this Assignment nor any action taken by City under or pursuant to this Assignment shall be deemed to impose any obligation or liability upon City to Manager under or with respect to the Management Agreement or any covenants of Owner thereunder; except that from and after the date upon which City (a) agrees in writing to assume

performance of Owner's obligations under the terms of the Management Agreement, or (b) acquires title to the Project by foreclosure or otherwise, Manager shall be entitled to the management fees and other sums provided in the Management Agreement which are due and payable after acquisition of the Project by City so long as Manager is performing its duties thereunder.

3. ***Representations and Warranties***. Owner and Manager hereby represent and warrant to City that as of the date hereof (a) the only agreement affecting the management of the Project (as more particularly set forth in the Management Agreement) is the Management Agreement, (b) the Management Agreement constitutes the full agreement between Owner and Manager, and there are no amendments thereto, (c) the Management Agreement is in full force and effect, and (c) neither Owner nor Manager is in default under the Management Agreement, and no event has occurred which, with the giving of notice and/or the passage of time would constitute a default thereunder. Owner represents and warrants that but for this Assignment and the other Loan Documents and pursuant to the Senior Loan Documents (as defined by the Loan Agreement) if any, Owner has not transferred, assigned or encumbered, in whole or in part, the Management Agreement or any of Owner's rights or interests thereunder. Owner further represents, other than as provided in the immediately preceding sentence, that Owner has not performed any act or executed any instrument which might prevent or limit City from proceeding under any of the terms and conditions hereof.

4. ***Covenants***.

(a) Owner, at its sole cost and expense, shall fully perform every obligation under the Management Agreement by Owner to be performed, and shall enforce or secure the performance of every obligation of the Management Agreement by Manager to be performed for or on behalf of Owner (unless in Owner's good faith, prudent business judgment, it would not be in the best interest of the Project to do so and such obligation is not material). Owner shall not waive or release Manager from Manager's material obligations to be performed under the Management Agreement. Owner shall not enter into any agreement other than the Management Agreement for the management of the Project. Except pursuant to the Senior Loan Documents (if any), Owner will not transfer, assign or encumber, in whole or in part, the Management Agreement or any of Owner's rights or interests thereunder. Any violation of any of such covenants on the part of Owner without the prior written consent of City shall constitute a Default entitling City to exercise the remedies available to it hereunder and under the Loan Documents.

(b) Owner and Manager shall not modify or amend, in any material respect, or terminate, the Management Agreement without City's prior written consent (not to be unreasonably withheld); *provided*, however, that in the event City is given written notice of Owner's default and opportunity to cure in accordance with the first sentence of Section 5 below and such default is not cured by Owner or City within the applicable time period, Manager shall be permitted (subject to the third sentence of Section 7) to terminate the Management Agreement in accordance with the provisions thereof.

(c) Owner and Manager hereby agree that notwithstanding any provision to the contrary set forth herein or in the Management Agreement, Manager shall not receive any management fee in excess of five percent (5.0%) of gross annual income at any time.

(d) At Owner's sole cost and expense, Owner shall appear in and defend any action or proceeding connected with the Management Agreement and shall pay all necessary costs and expenses of City, including reasonable attorneys' fees, in any such action or proceeding in which City may appear.

5. ***Default by Owner Under Management Agreement***. In the event of any material default by Owner under the Management Agreement, Manager shall give City written notice of such default, and City shall be permitted an opportunity (not less than forty-five (45) days from receipt of said notice) to cure such default by Owner, during which time Manager shall have no right to terminate the Management

Agreement; *provided*, however, that City shall in no event be required to effect any such cure, and any cure by City shall not release Owner or Manager from any of its obligations under the Management Agreement. City shall have the right to appear in and defend any action or proceeding purporting to affect the Project or the rights and powers of City hereunder. Owner agrees to protect, defend, indemnify and hold City harmless from and against any and all losses, damages, claims, liabilities, costs, and expenses (including, but not limited to, reasonable attorneys' fees) incurred in connection with any such actions or measures taken by City or otherwise incurred in the exercise of any other rights or remedies of City under this Assignment. Owner agrees that all sums so expended by City in curing any default by Owner, or in appearing in or defending any action or proceeding, or in taking any other action permitted hereby, in each case together with interest thereon at the Default Rate (as defined in the Loan Agreement) shall payable by Owner upon demand and shall be added to any obligations owing by Borrower under the Loan Agreement and shall be secured by the Deed of Trust, Collateral Assignment and any other security held for the Loan.

6. ***No Duty to Perform; Indemnity***. City shall not be obligated to perform or discharge, nor does it hereby undertake to perform or discharge, any obligation, duty or liability under the Management Agreement, or under or by reason of this Assignment, and Owner shall and does hereby indemnify and hold City harmless against and from any and all liability, loss or damage arising or occuring prior to foreclosure which City may or might incur under the Management Agreement or under or by reason of this Assignment and of and from any and all claims and demands whatsoever which may be asserted against it by reason of any alleged obligations or undertakings on its part to perform or discharge any of the terms, covenants or agreements contained in the Management Agreement, except as a result of or in connection with the gross negligence or willful misconduct of City. Should City incur any such liability, loss or damage under the Management Agreement or under or by reason of this Assignment, or in the defense of any such claims or demands, except as a result of or in connection with the gross negligence or willful misconduct of City, the amount thereof, including costs, expenses and reasonable attorneys' fees, shall be secured by the Loan Documents, and Owner shall reimburse City therefor immediately upon demand, and upon the failure of Owner to do so, same shall constitute a Default and City may, upon thirty (30) days notice to Owner, if the amounts properly due and owing to City have not been paid, exercise the remedies available to it under the Loan Documents.

7. ***Subordination***. Manager hereby subordinates any and all right, title and interest it may now or in the future have in the Management Agreement and/or to receive payment of any management or other fees set forth therein to the liens and security interests securing the obligations under the Loan Agreement; *provided*, however, that unless a Default then exists, Owner shall be entitled to pay, and Manager shall be entitled to receive, the management fee in accordance with the terms of the Management Agreement. Further, Manager agrees that any and all liens, rights, and interest owned, claimed, or held by it, in and to the Project, are and shall be in all respects subordinate to the lien and security interest created by the Deed of Trust and Collateral Assignment. In the event of any sale of the Project pursuant to foreclosure of the Deed of Trust, or a deed in lieu of foreclosure, Manager agrees that it will not exercise any rights it may have to terminate the Management Agreement by reason of such sale. Notwithstanding the foregoing, Manager agrees that such foreclosure or deed in lieu of foreclosure shall operate to cut off, extinguish, and otherwise terminate all liens that Manager, and those claiming by, through, or under Manager, may now or hereafter have in and to the Project, and Manager agrees that City or any purchaser at a foreclosure sale under Deed of Trust lien may terminate the Management Agreement upon foreclosure or at any time thereafter.

8. ***Default***. Upon the occurrence and continuation of a Default under and as defined in the Loan Agreement or other Loan Documents or the occurrence of a default on the part of Owner hereunder or under the Management Agreement, which remains uncured after at least thirty (30) days' written notice from City to Owner, then, without regard for the adequacy of the security for the Loan, City shall have the right (but not the obligation) to: (a) take possession of the Project and exercise and enjoy all right, title and interest of Owner under the Management Agreement; (b) whether or not possession of the Project is taken, to receive all funds, issues, and profits under the Management Agreement (other than management fee payable to and earned by Manager in accordance with the terms and provisions thereof) and apply the same, less costs and expenses of taking possession of the Project, operation and

collection, including reasonable attorneys' fees, upon any obligations due under the Loan Documents whether or not then due and in such order as City may determine; (c) enforce or terminate (with or without cause) the Management Agreement; (d) require Owner to install substitute management acceptable to City; and (e) do any acts which City deems proper to protect the Project or City's security interest therein or lien thereon, and thereupon and without further notice to Owner, Owner shall not have any further rights under the Management Agreement which would conflict with, impair, or interfere with any rights of City hereunder. Neither City's entering upon and taking possession of the Project nor the exercise of any of the aforesaid remedies shall cure or waive any such default on the part of Owner or waive, modify or affect any notice of default under the Loan Agreement or invalidate any act done pursuant to such notice. Any exercise by City of the right to terminate the Management Agreement shall be without liability to City for payment of any fees, charges or otherwise, notwithstanding any provisions in the Management Agreement to the contrary. After any such termination, City shall have the right to replace Manager with a manager selected by City in its sole discretion. Upon any termination of the Management Agreement, whether or not pursuant to this section, Manager agrees to deliver copies of all records, files, financial statements, and any other documents pertaining to management, construction, design and operation of the Project which are in the possession or under the control of Manager to Owner excluding, however, documents pertaining solely to the operation systems or procedures owned by Manager.

9. ***Notice by City***. A notice in writing by City to Manager advising Manager that a Default exists and requesting that all future performance under the Management Agreement be made to City (or its agent), shall be construed by Manager as conclusive authority to Manager that such performance is to be made to City (or its agent) and Manager shall be fully protected in making such performance to City; and Owner hereby irrevocably constitutes and appoints City the attorney-in-fact and agent of Owner for the purpose of endorsing the consent of Owner on any such notice (such appointment only to be effective when a Default exists under and as defined in the Loan Agreement). The foregoing power is coupled with an interest and shall survive the liquidation, bankruptcy or insolvency of Owner.

10. ***Attornment by Manager***. Manager hereby agrees that in the event of notification to Manager by City that City has acquired possession of the Project or obtained the appointment of a receiver for same, Manager shall, at City's request, attorn to City as owner thereunder; *provided*, however, that in no event shall City be liable for, or be obligated to cure, any default of Owner occurring prior to the date of such notification.

11. ***No Limitations***. Owner and Manager agree that (a) nothing in this Assignment shall be construed to limit or restrict in any way the rights and powers granted to City under any of the Loan Documents, and (b) an action to foreclose may be commenced, notwithstanding that Owner continues in possession of the Project, both real and personal, herein referred to, and continues to collect the rents, issues and profits thereof.

12. ***No Waiver***. This Assignment can be extended, modified or amended only in writing executed by Manager and Owner and consented to by the City, and none of the rights or benefits of City can be waived permanently except in a written document executed by City. City's rights, powers, privileges and remedies under or in connection with this Assignment are cumulative and not exclusive and shall not be waived, precluded or limited by any failure or delay in the exercise thereof or by the parties exercise thereof or by any course of dealing between Manager and/or Owner and City. No notice to or demand on Manager or Owner in any case shall entitle Manager or Owner to any other or further notice or demand in similar or other circumstances or constitute a waiver of the right of City to any other or further action in any circumstances without notice or demand.

13. ***Counterparts***. This Assignment and any amendments, waivers, consents or supplements hereto or in connection herewith may be executed, including by transmission of facsimile, in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all of such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document. In the event this Assignment or any amendment, waiver, consent or supplement

shall have been executed by transmission of facsimile, any party may request that the parties thereto execute original documents for record purposes, but no failure of any party to do so shall invalidate or in any other way affect the validity of such document. This Assignment shall become effective upon the execution of a counterpart hereof by each of the parties hereto and receipt by the parties of written or telephonic notification of such execution and authorization of delivery thereof.

14. ***Descriptive Headings; Recitals***. The descriptive headings used in this Assignment are for convenience only and shall not be deemed to affect the meaning or construction of any provision hereof. The Recitals set forth at the beginning of this Assignment are hereby incorporated into the substantive provisions of this Assignment.

15. ***Notices***. Any notice, report, demand or other instrument authorized or required to be given or furnished hereunder shall be given in conformity with the terms and conditions of the Loan Agreement and to the parties hereto at the addresses set forth above.

16. ***Benefit of Agreement***. This Assignment shall be binding upon each party hereto and its successors and assigns, and shall inure to the benefit of Owner, Borrower, City, and Manager and their respective successors and/or assigns, except the rights and remedies of Owner, Borrower, City, and Manager under this Assignment (except pursuant to Section 7 above) shall not inure to the benefit of (a) any purchaser of the Project at a foreclosure sale, (b) any Person taking title to the Project by deed in lieu of foreclosure, or (c) any successor or assign of any Person described in clauses (a) and (b) above, except that Owner's, Borrower's, City's, and Manager's rights shall inure to the benefit of the parties described in clauses (a), (b) and (c) hereof if such parties are City (including, for these purposes, its successors and assigns as holder of the Loan Documents), and any participant's or any of City's (or such successors, assigns, beneficiaries or participant's) affiliates or nominees.

17. ***Inconsistencies***. In the event of any inconsistency between the terms and conditions hereof and the terms of the Management Agreement, the terms and conditions set forth herein shall govern.

18. ***Severability***. In the event that any of the covenants, agreements, terms or provisions contained herein shall be invalid, illegal or unenforceable in any respect, the validity of the remaining covenants, agreements, terms and provisions contained herein shall be in no way affected, prejudiced or disturbed thereby.

19. ***Further Assurances***. At any time, and from time to time, upon City's request, Owner and Manager shall make, execute and deliver, or cause to be made, executed and delivered, to City and, where appropriate, shall cause to be recorded or filed, and from time to time thereafter to be re-recorded and refiled, at such time and in such offices and places as shall be deemed desirable by City, such documents and/or instruments as City may consider necessary or desirable in order to effectuate, or to continue and preserve, the obligations of Owner and Manager under this Assignment. Upon any failure by either Owner or Manager to do so, City may make, execute, record, file, re-record or refile any and all such documents and/or instruments for and in the name of either Owner or Manager, and Owner and Manager hereby irrevocably appoint (which appointment is coupled with an interest with full power of substitution) City the agent and attorney-in-fact of either Owner or Manager to do so; and Owner and Manager shall reimburse City, on demand, for all costs and expenses (including reasonable attorneys' fees and expenses) incurred by City in connection therewith.

20. ***Choice of Law and Venue***. **THIS ASSIGNMENT SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS (BUT NOT THE RULES GOVERNING CONFLICTS OF LAWS) OF THE STATE OF TEXAS AND SHALL BE PERFORMABLE IN HARRIS COUNTY, TEXAS.**

21. ***WAIVER OF JURY TRIAL***. THE PARTIES TO THIS ASSIGNMENT HEREBY, UNCONDITIONALLY AND VOLUNTARILY, WITH AND UPON THE ADVICE OF COUNSEL, WAIVE, RELINQUISH AND FOREVER FORGO THE RIGHT TO A TRIAL BY JURY IN ANY ACTION OR

PROCEEDING BASED UPON, OR ARISING OUT OF, OR IN ANY WAY RELATING TO THIS ASSIGNMENT.

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SIGNATURE PAGE
COLLATERAL ASSIGNMENT
OF PROPERTY MANAGEMENT CONTRACT

IN WITNESS WHEREOF, each of the parties hereto has executed and delivered this Assignment or has caused the same to be executed and delivered by its duly authorized representative as of the date first above written.

The parties agree that each party may sign and deliver this agreement electronically or by electronic means and that an electronic signature will be as good, binding, and effective as an original or manual signature.

OWNER:

CSH DIAN STREET VILLAS, LTD.,
a Texas limited partnership

By: CSH Dian Street Villas GP, LLC, a Texas limited liability company, its general partner

By: Texas Inter-Faith Housing Corporation, a Texas 501(c)3 non-profit corporation, its sole member

By: _____
Name: Russ Michael Schmidtberger ("Russ Michaels")
Title: Executive Director

BORROWER:

TEXAS INTER-FAITH HOUSING CORPORATION,
a Texas 501(c)3 non-profit corporation

By: _____
Name: Russ Michael Schmidtberger ("Russ Michaels")
Title: Executive Director

MANAGER:

TEXAS INTER-FAITH MANAGEMENT CORPORATION,
a Texas 501(c)3 non-profit corporation

By: _____
Name: Marie Compton
Title: Executive Director

ATTACHMENT L
TO LOAN AGREEMENT

ASSIGNMENT OF ARCHITECT'S
CONTRACT, PLANS AND SPECIFICATIONS, AND CONSENT

ASSIGNMENT OF ARCHITECT'S CONTRACT, PLANS AND SPECIFICATIONS, AND CONSENT

FOR VALUE RECEIVED, and to be effective as of April ___, 2021, **CSH DIAN STREET VILLAS, LTD.**, a Texas limited partnership ("**Owner**"), whose mailing addresses is: 6300 3701 Kirby Drive, Suite 860, Houston, Texas 77098, as additional security for the obligations incurred by **TEXAS INTER-FAITH HOUSING CORPORATION**, a Texas 501(c)3 non-profit corporation ("**Borrower**"), pursuant to that certain Loan Agreement (as heretofore amended, extended, modified or renewed, the "**City Loan Agreement**"), between Owner, Borrower and **THE CITY OF HOUSTON** ("**City**"), whose mailing address is c/o Department of Housing and Community Development, 2100 Travis St, 9th Floor, Houston, TX 77002, Attention: Director, which City Loan Agreement evidences the loan made by City to Borrower in the original principal amount of $11,000,000.00 ("**City Loan**"), the proceeds of which were utilized by Borrower to make a $11,000,000.00 ("**Owner Loan**") to Owner for the acquisition and construction of the project located at 1433 Dian Street, Houston, Harris County, Texas 77008 ("**Project**") and which Owner Loan and all documents executed in connection therewith including a Deed of Trust on the Project were collaterally assigned to the City pursuant to a certain Collateral Assignment of Note and Liens ("**Collateral Assignment**") executed by Borrower, hereby transfers, assigns and conveys to City, and the successors and assigns of City, all of the right, title and interest of Owner in and to that certain architect contract by and between Owner and Cross Architects, PLLC ("**Architect**"), dated January 14, 2021 ("**Contract**") and in and to those certain architectural drawings and plans and specifications ("**Plans and Specifications**") therefor, all inclusive, all of which were prepared by Architect, a true and correct copy of the Contract and Plans and Specifications having been deposited with and held by City. Upon the satisfaction in full of the obligations of Borrower to City evidenced by the City Loan Agreement and the Restrictive Covenants and the other Loan Documents (as defined in the City Loan Agreement and herein referred to as the "**City Loan Documents**"), this Assignment of Architect's Contract, Plans and Specifications, and Consent ("**Assignment**") shall become null and void.

Owner and Architect, by executing the Consent to this Assignment which follows this Assignment, agree that City does not assume any of Owner's obligations or duties concerning the Contract and the Plans and Specifications, including, but not limited to, the obligation to pay for the preparation of the Contract and the Plans and Specifications, until and unless City shall exercise its rights, granted hereby, to the use of the Contract and the Plans and Specifications.

To be effective during such time as a Default (as defined in the City Loan Agreement) then exists, Owner hereby irrevocably constitutes and appoints City as its attorney-in-fact to demand, receive and enforce Owner's rights with respect to the Contract and Plans and Specifications, to give appropriate receipts, releases and satisfactions for and on behalf of Owner and to do any and all acts in the name of Owner or in the name of City with the same force and effect as Owner could do if this Assignment had not been made.

City shall not exercise any rights hereunder unless a Default shall have occurred, as such is defined in the City Loan Documents, and is continuing.

Except in connection with the Senior Loan (as defined in the City Loan Agreement), Owner hereby represents and warrants to City that no previous assignment of its interest in the Contract and the Plans and Specifications has been made; and Owner agrees not to further assign, sell, pledge, transfer, mortgage or otherwise encumber its interest in the Contract and the Plans and Specifications so long as this Assignment is in effect.

Capitalized terms utilized herein which are not defined herein shall have the meaning specified in the City Loan Agreement.

Signature Page

Assignment of Architect's Contracts, Plans and Specifications and Consent

The parties agree that each party may sign and deliver this agreement electronically or by electronic means and that an electronic signature will be as good, binding, and effective as an original or manual signature.

DATED to be effective as of the date first set forth above.

OWNER:

CSH DIAN STREET VILLAS, LTD.,
a Texas limited partnership

By: CSH Dian Street Villas GP, LLC, a Texas limited liability company, its general partner

By: Texas Inter-Faith Housing Corporation, a Texas 501(c)3 non-profit corporation, its sole member

By: _____
Name: Russ Michael Schmidtberger ("Russ Michaels")
Title: Executive Director

[ARCHITECT'S CONSENT FOLLOWS]

CONSENT OF ARCHITECT

The undersigned ("**Architect**") represents to City that (i) to the best of Architect's knowledge, the Plans and Specifications are the plans and specifications to be used in the actual construction of the Project; (ii) Architect, or all applicable principals or agents of Architect, are duly licensed to perform, conduct and engage in such activities and business as are contemplated under the Contract in the jurisdiction or jurisdictions where such activities, business or work is to be performed and in which the Project is, or will be, located or constructed; (iii) the Project has been designed, as evidenced by the Plans, in accordance with all applicable architectural barriers law including, without limitation, the Americans With Disabilities Act (42 U.S.C. §§ 12131-12165; 47 U.S.C. §§ 155, 201, 218 and 255), The Architectural Barriers Act of 1968 (42. U.S.C. §§ 415-4157), Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. § 794 et seq.) and Tex. Gov't Code Ann. § 469.001 et seq., as amended, ordinances, rules and regulations, and that all permits, certificates or other licenses evidencing same have been obtained and will be delivered to City upon request therefore; and (iv) the Contract is in full force and effect and is valid, binding and enforceable against Architect in accordance with its terms and there is no default by Architect thereunder.

Architect hereby expressly consents to the above and foregoing Assignment and agrees that, in the event that a Default (as defined in the City Loan Agreement) by Borrower or Owner then exists, City is authorized to use the Contract and the Plans and Specifications for the purpose of the inspection or completion of the construction of the Project and for the maintenance and protection of the Project contemplated by the City Loan Agreement.

To induce City to enter into the City Loan Agreement with Borrower, Architect hereby agrees that all of the liens which Architect may have or be entitled to either against such Contract and Plans and Specifications or against the Project contemplated by the City Loan Agreement (including the real property described in Exhibit A attached hereto and incorporated herein by reference) shall be and are hereby made subordinate and inferior to the Deed of Trust and other liens and security interests securing the performance of the Owner Loan.

Architect acknowledges that City is relying and is entitled to rely on Architect's professional skill and competence in the provision of construction management services under the Contract.

The parties agree that each party may sign and deliver this Consent electronically or by electronic means and that an electronic signature will be as good, binding, and effective as an original or manual signature.

DATED to be effective as of April ___, 2021.

ARCHITECT:

CROSS ARCHITECTS, PLLC

By: _____
Name: _____
Title: _____

Exhibit List

Exhibit A - Legal Description

EXHIBIT A
LEGAL DESCRIPTION

Unrestricted Reserve "A", Block 1, of DIAN STREET VILLAS, a subdivision in Harris County, Texas, according to the map or plat thereof recorded under Film Code No. RP-2021-188712, of the Map Records of Harris County, Texas.

EXHIBIT A
LEGAL DESCRIPTION

Unrestricted Reserve "A", Block 1, of DIAN STREET VILLAS, a subdivision in Harris County, Texas, according to the map or plat thereof recorded under Film Code No. _____, of the Map Records of Harris County, Texas.

ATTACHMENT M
TO LOAN AGREEMENT

ASSIGNMENT OF CONSTRUCTION CONTRACT, PLANS AND SPECIFICATIONS, AND CONSENT

ASSIGNMENT OF CONSTRUCTION CONTRACT, PLANS AND SPECIFICATIONS, AND CONSENT

FOR VALUE RECEIVED, and to be effective as of April ___, 2021, **CSH DIAN STREET VILLAS, LTD.**, a Texas limited partnership, whose mailing address is: 3701 Kirby Drive, Suite 860, Houston, TX 77098 ("**Owner**"), as additional security for the obligations incurred by **TEXAS INTER-FAITH HOUSING CORPORATION,** a Texas 501(c)3 non-profit corporation, whose mailing address is 3701 Kirby Drive, Suite 860, Houston, TX 77098 ("**Borrower**"), pursuant to that certain Loan Agreement (as heretofore amended, extended, modified or renewed, the "**City Loan Agreement**"), between Owner, Borrower and **THE CITY OF HOUSTON** ("**City**"), whose mailing address is c/o Department of Housing and Community Development, 2100 Travis St, 9th Floor, Houston, TX 77002, Attention: Director, which City Loan Agreement evidences the loan made by City to Borrower in the original principal amount of $11,000,000.00 ("**City Loan**"), the proceeds of which are to be utilized by Borrower to make a $11,000,000.00 ("**Owner Loan")** to Owner for the acquisition and construction of the project located at 1433 Dian Street, Houston, Harris County, Texas 77008 ("**Project**") and which Owner Loan and all documents executed in connection therewith including by a Deed of Trust on the Project were collaterally assigned to the City pursuant to a certain Collateral Assignment of Note and Liens ("**Collateral Assignment**") executed by Borrower, hereby transfers, assigns and conveys to City, and the successors and assigns of City, all of the right, title and interest of Owner in and to that certain construction contract by and between Owner and **TEXAS INTER-FAITH HOUSING CORPORATION**, a Texas 501(c)3 non-profit corporation ("**Contractor**"), dated _____, _____, and that certain Primary Subcontract between Contractor and **BROWNSTONE CONSTRUCTION, LTD.**, a Texas limited partnership ("**Primary Subcontractor**") (collectively, the "**Contract**"), true and correct copies of the Contract having been deposited with and held by City. Upon the payment and satisfaction in full of the obligations of Borrower to City evidenced by the City Loan Agreement and the other Loan Documents (as defined in the City Loan Agreement and referred to herein as the "**City Loan Documents**") and upon delivery of written confirmation by City of such payment and satisfaction, this Assignment of Construction Contract, and Consent ("**Assignment**") shall become null and void.

Owner, Contractor and Primary Subcontractor, by executing the Consent to this Assignment which follows this Assignment, agree that City does not assume any of Owner's obligations or duties concerning the Contract, including, but not limited to, the obligation to pay for the preparation of the Contract, until and unless City shall exercise its rights, granted hereby, to the use of the Contract.

To be effective during such time as a Default (as defined in the City Loan Agreement) then exists, Owner hereby irrevocably constitutes and appoints City as its attorney-in-fact to demand, receive and enforce Owner's rights with respect to the Contract to give appropriate receipts, releases and satisfactions for and on behalf of Owner and to do any and all acts in the name of Owner or in the name of City with the same force and effect as Owner could do if this Assignment had not been made.

To be effective during such time as a Default (as defined in the City Loan Agreement) then exists, Contractor hereby irrevocably constitutes and appoints City as its attorney-in-fact to demand, receive and enforce Contractor's rights with respect to the Primary Subcontract to give appropriate receipts, releases and satisfactions for and on behalf of Contractor, and to do any and all acts in the name of Contractor or in the name of City with the same force and effect as Contractor could do if this Assignment had not been made.

City shall not exercise any rights hereunder unless a Default shall have occurred, as such is defined in the City Loan Documents and is continuing.

Except in connection with the Senior Loan (as defined in the City Loan Agreement), Owner hereby represents and warrants to City that no previous assignment of its interest in the Contract has been made; and Owner agrees not to further assign, sell, pledge, transfer, mortgage or otherwise encumber its interest in the Contract so long as this Assignment is in effect.

Capitalized terms utilized herein which are not defined herein shall have the meaning specified in the City Loan Agreement.

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Signature Page

Assignment of Construction Contract and Consent

The parties agree that each party may sign and deliver this agreement electronically or by electronic means and that an electronic signature will be as good, binding, and effective as an original or manual signature. Executed to be effective as of the date first set forth above.

OWNER:

CSH DIAN STREET VILLAS, LTD.,
a Texas limited partnership

By: CSH Dian Street Villas GP, LLC, a Texas limited liability company, its general partner

By: Texas Inter-Faith Housing Corporation, a Texas 501(c)3 non-profit corporation, its sole member

By: _____
Name: Russ Michael Schmidtberger ("Russ Michaels")
Title: Executive Director

[CONTRACTOR'S CONSENT FOLLOWS]

CONSENT OF CONTRACTOR

The undersigned ("**Contractor**") represents to **THE CITY OF HOUSTON** ("**City**") that the Contract (as defined in that certain Assignment of Construction Contract and Consent ("**Assignment**") which immediately precedes this Consent of Contractor (this "**Consent**") is the contract to be used in the actual construction and completion of the work for the Project; and Contractor hereby expressly consents to the above and foregoing Assignment and agrees that, in the event of any Default (as defined in the City Loan Agreement) by Borrower or Owner then exists, City is authorized to use the Contract for the purpose of completing construction work for the Project contemplated by the City Loan Agreement.

Contractor acknowledges that City is relying and is entitled to rely on Contractor's professional skill and competence in the provision of construction services under the Contract. To induce City to enter into the City Loan Agreement and the other City Loan Documents with Borrower, Contractor hereby agrees that all of the liens which Contractor may have or be entitled to either against such Contract or against the Project contemplated by the City Loan Documents (including the real property described in Exhibit A attached hereto and incorporated herein by reference) shall be and are hereby made subordinate and inferior to the Deed of Trust and liens and security interests of the liens and security interests securing the payment of the loan or loans to be made pursuant to the Loan Documents.

The parties agree that each party may sign and deliver this Consent electronically or by electronic means and that an electronic signature will be as good, binding, and effective as an original or manual signature.

DATED to be effective as of April _____, 2021.

CONTRACTOR:

TEXAS INTER-FAITH HOUSING CORPORATION,
A Texas 501(c)3 nonprofit corporation

By: _____
Name: Russ Michael Schmidtberger ("Russ Michaels")
Title: Executive Director

CONSENT OF PRIMARY SUBCONTRACTOR

The undersigned ("**Primary Subcontractor**") represents to **THE CITY OF HOUSTON** ("**City**") that the Contract (as defined in that certain Assignment of Construction Contract and Consent ("**Assignment**") which precedes this Consent of Primary Subcontractor (this "**Consent**") is the contract to be used in the actual construction and completion of the work for the Project; and Primary Subcontractor hereby expressly consents to the above and foregoing Assignment and agrees that, in the event of any Default (as defined in the City Loan Agreement) by Borrower or Owner then exists, City is authorized to use the Contract for the purpose of completing construction work for the Project contemplated by the City Loan Agreement.

Primary Subcontractor acknowledges that City is relying and is entitled to rely on Primary Subcontractor's professional skill and competence in the provision of construction services under the Contract. To induce City to enter into the City Loan Agreement and the other City Loan Documents with Borrower, Primary Subcontractor hereby agrees that all of the liens which Primary Subcontractor may have or be entitled to either against such Contract or against the Project contemplated by the City Loan Documents (including the real property described in Exhibit A attached hereto and incorporated herein by reference) shall be and are hereby made subordinate and inferior to the Deed of Trust and liens and security interests of the liens and security interests securing the payment of the loan or loans to be made pursuant to the Loan Documents.

DATED to be effective as of April _____, 2021.

PRIMARY SUBCONTRACTOR:

BROWNSTONE CONSTRUCTION, LTD.,
a Texas limited partnership

By: Brownstone Construction GP, LLC,
a Texas limited liability company,
its general partner

By: _____
Name: _____
Title: _____

Exhibit List

Exhibit A - Legal Description

EXHIBIT A
LEGAL DESCRIPTION

Unrestricted Reserve "A", Block 1, of DIAN STREET VILLAS, a subdivision in Harris County, Texas, according to the map or plat thereof recorded under Film Code No. RP-2021-188712, of the Map Records of Harris County, Texas.

ATTACHMENT N
TO LOAN AGREEMENT

ENVIRONMENTAL INDEMNITY AGREEMENT

ENVIRONMENTAL INDEMNITY AGREEMENT

This ENVIRONMENTAL INDEMNITY AGREEMENT ("**Environmental Indemnity Agreement**") is executed effective as of April __, 2021, by **TEXAS INTER-FAITH HOUSING CORPORATION**, a Texas 501(c)3 non-profit corporation ("**Borrower**" or "**Guarantor**"), and **CSH DIAN STREET VILLAS, LTD.**, a Texas limited partnership ("collectively, jointly and severally, with Guarantor, "**Indemnitor**") for the benefit of **THE CITY OF HOUSTON** ("**Lender**").

W I T N E S S E T H:

WHEREAS, Lender is making a loan ("**Loan**") to Borrower in the original principal amount of ELEVEN MILLION AND NO/100 DOLLARS ($11,000,000.00) and further evidenced by that certain Loan Agreement entered into by and between Lender, Borrower and Owner ("**Loan Agreement**"), secured, inter alia, by a Collateral Assignment of Note and Liens ("**Collateral Assignment**") covering that certain Note ("**Collateral Note**") executed by Owner and payable to the order of Borrower in the original principal amount of ELEVEN MILLION AND NO/100 DOLLARS ($11,000,000.00) secured by that certain Deed of Trust, Security Agreement and Financing Statement ("**Deed of Trust**") which Owner has executed and delivered to Tom McCasland, as Trustee ("**Trustee**"), for the benefit of Borrower and collaterally assigned to Lender, covering certain real property ("**Land**") described in Exhibit "A" attached hereto, together with the improvements, buildings, facilities located thereon and certain personal property described in the Deed of Trust (the Land, together with said improvements, buildings, facilities and personal property referred to herein as the "**Property**") The Loan Agreement, the Collateral Assignment, the Collateral Note, the Deed of Trust, this Environmental Indemnity Agreement and all other documents or instruments evidencing, securing or evidencing the Loan shall be collectively referred to as the "**Loan Documents**"; and

WHEREAS, as a material inducement in order for Lender to make the Loan to Indemnitor, Indemnitor has agreed to execute and deliver this Environmental Indemnity Agreement to and for the benefit of Lender.

NOW, THEREFORE, for and in consideration of the making of the Loan by Lender to Indemnitor, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged and confessed, Indemnitor hereby agrees as follows:

A G R E E M E N T:

Article I. DEFINITIONS

The following terms shall have the defined meanings ascribed to such terms, as set forth below:

"**Environmental Laws**" shall mean any federal, state, or local law, statute, ordinance, or regulation, whether now or hereafter in effect, pertaining to health, industrial hygiene, or the environmental conditions on, under, or about the Mortgaged Property, including without limitation, the following, as now or hereafter amended: Comprehensive Environmental Response, Compensation, and Liability Act of 1980 ("**CERCLA**"), 42 U.S.C. § 9601 et seq., as amended by the Superfund Amendments and Reauthorization Act of 1986 ("**SARA**"), Pub. L. 99-499, 100 Stat. 1613; Resource, Conservation and Recovery Act ("**RCRA**"), 42 U.S.C. § 6901 et seq. as amended by the Superfund Amendments and Reauthorization Act of 1986 ("**SARA**"), Pub. L. 99-499, 100 Stat. 1613; the Toxic Substances Control Act, 15 U.S.C. § 2601 et seq.; Emergency Planning and Community Right to Know Act of 1986, 42 U.S.C. § 1101 et seq.; Clean Water Act ("**CWA**"), 33 U.S.C. § 1251 et seq.; Clean Air Act ("**CAA**"), 42 U.S.C. § 7401 et seq.; Federal Water Pollution Control Act ("**FWPCA**"), 33 U.S.C. § 1251 et seq.; any related federal laws and authorities as required by the Housing and Community Development Act of 1974, as listed in 24 CFR § 58 et seq.; and any corresponding state laws or ordinances including but not limited to the Texas Water Code ("**TWC**") § 26.001 et seq.; Texas Health & Safety Code ("**THSC**") § 361.001 et

seq.; Texas Solid Waste Disposal Act, Tex. Rev. Civ. Stat. Ann. art. 4477-7; and regulations, rules, guidelines, or standards promulgated pursuant to such laws, statutes and regulations, as such statutes, regulations, rules, guidelines, and standards are amended from time to time.

"**Environmental Report**" means the Phase I environmental report delivered to Lender in connection with the Loan.

"**Hazardous Substances**" shall mean any substance, product, waste, or other material which is or becomes listed, regulated, or addressed as being a toxic, hazardous, polluting, or similarly harmful substance under any Environmental Law, including without limitation: (i) any substance included within the definition of "hazardous waste" pursuant to Section 1004 of RCRA; (ii) any substance included within the definition of "hazardous substance" pursuant to Section 101 of CERCLA; (iii) any substance included within (a) the definition of "regulated substance" pursuant to Section 26.342(9) of TWC; or (b) the definition of "hazardous substance" pursuant to Section 361.003(13) of THSC; (iv) asbestos; (v) polychlorinated biphenyls; (vi) petroleum products; (vii) underground storage tanks, whether empty, filled or partially filled with any substance; (viii) any radioactive materials, urea formaldehyde foam insulation or radon; (ix) any substance included within the definition of "waste" pursuant to Section 30.003(b) of TWC or "pollutant" pursuant to Section 26.001(13) of TWC; and (x) any other chemical, material or substance, the exposure to which is prohibited, limited or regulated by any Governmental Authority on the basis that such chemical, material or substance is toxic, hazardous or harmful to human health or the environment.

"**Hazardous Substances Contamination**" shall mean the contamination (whether presently existing or hereafter occurring) of the improvements, facilities, soil, groundwater, air or other elements on or of the Property by Hazardous Substances, or the contamination of the buildings, facilities, soil, groundwater, air or other elements on or of any other property as a result of Hazardous Substances at any time (whether before or after the date of the Note) emanating from the Property.

Article II.
REPRESENTATIONS AND WARRANTIES

Except as set forth in the Environmental Report, Indemnitor unconditionally represents and warrants to Lender as follows:

(a) The Property does not contain any Hazardous Substances, and the Property is not subject to any Hazardous Substances Contamination.

(b) The Property and the operations conducted thereon do not violate any applicable law, statute, ordinance, rule, regulation, order, or determination of any governmental authority or any Environmental Laws.

(c) All notices, permits, licenses, or similar authorizations, if any, required to be obtained or filed in connection with the ownership, operation, or use of the Property, including, without limitation, the past or present generation, treatment, storage, disposal, or release of any Hazardous Substances into the environment, have been duly obtained or filed.

(d) Neither Indemnitor nor, to the best knowledge of Indemnitor, any other person, including, but not limited, to any predecessor owner, tenant, licensee, occupant, user, or operator of all or any portion of the Property, has ever undertaken, caused, permitted, authorized, or suffered the presence, use, manufacture, handling, generation, transportation, storage, treatment, discharge, release, burial, or disposal on, under, from or about the Property of any Hazardous Substances or the transportation to or from the Property of any Hazardous Substances.

(e) To Indemnitor's knowledge, no property adjoining the Property is or has ever been used for the disposal, storage, treatment, processing, manufacturing or other handling of Hazardous Substances, nor, to Indemnitor's knowledge, is any other property adjoining the Property affected by Hazardous Substances Contamination.

(f) Neither Indemnitor nor, to the best knowledge of Indemnitor, any other person, including, but not limited, to any predecessor owner, tenant, licensee, occupant, user, or operator of all or any portion of the Property, has ever undertaken, caused, permitted, authorized, or suffered the presence, use, manufacture, handling, generation, transportation, storage, treatment, discharge, release, burial, or disposal of any Hazardous Substances on, under, from or about any other real property, all or any portion of which is legally or beneficially owned (or any interest or estate therein which is owned) by Indemnitor in any jurisdiction now or hereafter having in effect a so-called "superlien" law or ordinance or any part thereof, the effect of which law or ordinance would be to create a lien on the Property to secure any obligation in connection with the "superlien" law of such other jurisdiction.

(g) To Indemnitor's knowledge, no inquiry, investigation, administrative order, consent order and agreement, litigation or settlement is proposed, threatened, anticipated or in existence with respect to any allegations that there has been, there is currently, or there is a threat of a presence, release, threat of release, placement of any Hazardous Substances on, under, from or about the Property, or the manufacture, handling, generation, transportation, storage, treatment, discharge, burial, or disposal of any Hazardous Substances on, under, from or about the Property, or the transportation of any Hazardous Substances to or from the Property. Indemnitor has not received any notice, and has no actual or constructive knowledge, that any governmental authority has determined, or threatens to determine, or is investigating any allegations that there has been, there is currently, or there is a threat of a presence, release, threat of release, placement of any Hazardous Substances on, under, from or about the Property, or the manufacture, handling, generation, transportation, storage, treatment, discharge, burial, or disposal of any Hazardous Substances on, under, from or about the Property, or the transportation of any Hazardous Substances to or from the Property.

(h) Indemnitor has taken all steps reasonably necessary to determine that no Hazardous Substances have been generated, treated, placed, held, located, or otherwise released on, under, from, or about the Property.

Article III. COVENANTS

Indemnitor unconditionally covenants that and agrees with Lender as follows:

(a) Indemnitor will not use, generate, manufacture, produce, store, release, discharge, treat, or dispose of on, under, from or about the Property or transport to or from the Property any Hazardous Substances or allow any other person or entity to do so. Notwithstanding the foregoing or anything to the contrary set forth in this Environmental Indemnity Agreement, reasonable quantities of Hazardous Substances as are customarily used in the construction, habitation, maintenance and/or operation of an apartment project, properly used and/or stored, shall be permitted (collectively, the "**Permitted Substances**").

(b) Indemnitor will keep and maintain the Property in compliance with, and shall not cause or permit the Property to be in violation of, any Environmental Law.

(c) Indemnitor will establish and maintain, at Indemnitor's sole expense, a system to assure and monitor continued compliance with Environmental Laws and the exclusion of Hazardous Substances from the Property, by any and all owners or operators, including tenants, of the Property, which system shall include annual reviews of such compliance by employees or agents of Indemnitor who are familiar with the requirements of the Environmental Laws and, at the request of Lender no more than once each year, a detailed review of such compliance of the environmental condition of the Property (the "**Environmental Report**") in scope satisfactory to Lender by an environmental consulting firm approved in advance by Lender; provided, however, that if any Environmental Report indicates any violation of any

Environmental Laws or a need for remedial work ("**Remedial Work**"), such system shall include at the request of Lender a detailed review of the status of such violation (a "**Supplemental Report**") by such environmental consultant. Indemnitor shall furnish an Environmental Report or such Supplemental Report to the Lender within sixty (60) days after Lender so requests, together with such additional information as Lender may reasonably request.

(d) Indemnitor will give prompt written notices to Lender of: (i) any proceeding or inquiry by any governmental or nongovernmental entity or person with respect to the presence of any Hazardous Substances on, under, from or about the Property, the migration thereof from or to other property, the disposal, storage, or treatment of any Hazardous Substances generated or used on, under or about the Property, (ii) all claims made or threatened by any third party against Indemnitor or the Property or any other owner or operator, including a tenant, of the Property relating to any loss or injury resulting from any Hazardous Substances, and (iii) Indemnitor's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Property that could cause the Property or any part thereof to be subject to any investigation or cleanup of the Property pursuant to any Environmental Laws.

(e) Indemnitor will permit Lender to join and participate in, as a party if it so elects, any legal proceedings or actions initiated with respect to the Property in connection with any Environmental Laws or Hazardous Substances, and Indemnitor shall pay all attorneys' fees incurred by Lender in connection therewith.

(f) In the event that any Remedial Work is reasonably necessary or desirable, Indemnitor shall commence and thereafter diligently prosecute to completion all such Remedial Work within thirty (30) days after written demand by Lender for performance thereof (or such shorter period of time as may be required under any Environmental Laws). All Remedial Work shall be performed by contractors approved in advance by Lender, and under the supervision of a consulting engineer approved by Lender. All costs and expenses of such Remedial Work shall be paid by Indemnitor including, without limitation, Lender's reasonable attorneys' fees and costs incurred in connection with monitoring or review of such Remedial Work. In the event Indemnitor shall fail to timely commence, or cause to be commenced, or fail to diligently prosecute to completion, such Remedial Work, Lender may, but shall not be required to, cause such Remedial Work to be performed, and all costs and expenses thereof, or incurred in connection therewith, shall become part of the indebtedness secured by the Deed of Trust ("**Indebtedness**").

Article IV. DEFAULT

The term "Default", as used herein, shall mean the occurrence at any time and from time to time, of any one or more of the following:

(a) If either Indemnitor or Lender acquires knowledge or receives notice that Hazardous Substances or Hazardous Substances Contamination exists in, on, about or under any of the Property, other than the Permitted Substances, and Indemnitor fails, within thirty (30) days after acquisition of such knowledge or of such notice, to commence and thereafter diligently prosecute to completion any necessary remedial actions in compliance with Environmental Laws.

(b) If any representation or warranty contained herein shall be false or misleading, or erroneous in any material respect.

Article V. REMEDIES

If a Default shall be then existing, Lender may, at Lender's sole election and by or through Trustee or otherwise, exercise any or all of the following:

(a) Declare all unpaid amounts under the Note and any other unpaid portion of the Indebtedness immediately due and payable, without further notice, presentment, protest, demand or

action of any nature whatsoever (each of which is hereby expressly waived by Indemnitor), whereupon the same shall become immediately due and payable.

(b) Exercise any and all other rights, remedies and recourses granted under the Loan Documents or as may be now or hereafter existing in equity or at law, by virtue of statute or otherwise, including actions for damages and specific performance.

Article VI. SITE ASSESSMENTS

If Lender shall ever have reason to believe that there are Hazardous Substances or Hazardous Substances Contamination affecting any of the Property, other than the Permitted Substances, Lender (by its officers, employees and agents) at any time and from time to time, either prior to or after the occurrence of an Event of Default, may contract for the services of persons (the "**Site Reviewers**") to perform environmental site assessments ("**Site Assessments**") on the Property for the purpose of determining whether there exists on the Property any environmental condition which could result in any liability, cost or expense to the owner, occupier or operator of such Property arising under any state, federal or local law, rule or regulation relating to Hazardous Substances. The Site Assessments may be performed at any time or times, upon reasonable notice, and under reasonable conditions established by Indemnitor which do not impede the performance of the Site Assessments. The Site Reviewers are hereby authorized to enter upon the Property for such purposes. The Site Reviewers are further authorized to perform both above and below the ground testing for environmental damage or the presence of any Hazardous Substances on the Property and such other tests on the Property as may be necessary to conduct the Site Assessments in the reasonable opinion of the Site Reviewers. Indemnitor will supply to the Site Reviewers such historical and operational information regarding the Property as may be reasonably requested by the Site Reviewers to facilitate the Site Assessments and will make available for meetings with the Site Reviewers appropriate personnel having knowledge of such matters. On request, Lender shall make the results of such Site Assessments fully available to Indemnitor, which (prior to a Default) may at its election participate under reasonable procedures in the direction of such Site Assessments and the description of tasks of the Site Reviewers. The cost of performing such Site Assessments shall be paid by Indemnitor upon demand of Lender and any such obligations shall be Indebtedness secured by the Deed of Trust.

Article VII. INDEMNIFICATION

REGARDLESS OF WHETHER ANY SITE ASSESSMENTS ARE CONDUCTED HEREUNDER, INDEMNITOR SHALL JOINTLY AND SEVERALLY PROTECT, INDEMNIFY, AND HOLD HARMLESS TRUSTEE AND LENDER, THEIR RESPECTIVE PARENTS, SUBSIDIARIES, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES, AGENTS, SUCCESSORS, AND ASSIGNS FROM AND AGAINST ANY AND ALL LOSS, DAMAGE, COSTS, EXPENSE, ACTION, CAUSES OF ACTION, OR LIABILITY (INCLUDING REASONABLE ATTORNEYS' FEES AND COSTS) DIRECTLY OR INDIRECTLY ARISING FROM OR ATTRIBUTABLE TO THE USE, GENERATION, MANUFACTURE, PRODUCTION, STORAGE, RELEASE, THREATENED RELEASE, DISCHARGE, DISPOSAL, OR PRESENCE OF ANY HAZARDOUS SUBSTANCES ON, UNDER, ABOUT OR FROM THE PROPERTY OTHER THAN PERMITTED SUBSTANCES, WHETHER KNOWN OR UNKNOWN AT THE TIME OF THE EXECUTION HEREOF AND REGARDLESS OF WHETHER OR NOT CAUSED BY, OR WITHIN THE CONTROL OF INDEMNITOR, INCLUDING WITHOUT LIMITATION (I) DAMAGES FOR PERSONAL INJURY, OR INJURY TO PROPERTY OR NATURAL RESOURCES OCCURRING UPON OR OFF THE PROPERTY, FORESEEABLE OR UNFORESEEABLE, INCLUDING, WITHOUT LIMITATION, THE COST OF DEMOLITION AND REBUILDING OF ANY IMPROVEMENTS ON THE REAL PROPERTY, INTEREST AND PENALTIES; (II) THE COSTS OF ANY REQUIRED OR NECESSARY ENVIRONMENTAL INVESTIGATION OR MONITORING, ANY REPAIR, CLEANUP, OR DETOXIFICATION OF THE PROPERTY, AND THE PREPARATION AND IMPLEMENTATION OF ANY CLOSURE, REMEDIAL, OR OTHER REQUIRED PLANS INCLUDING FEES INCURRED FOR ATTORNEYS, CONSULTANTS, CONTRACTORS, EXPERTS AND LABORATORIES; AND (III) LIABILITY TO ANY THIRD PERSON OR ANY GOVERNMENTAL AUTHORITY TO INDEMNIFY SUCH PERSON OR GOVERNMENTAL AUTHORITY FOR COST EXPENDED IN CONNECTION WITH THE ITEMS REFERENCED IN

SUBPARAGRAPH (II) IMMEDIATELY ABOVE. THIS COVENANT AND THE INDEMNITY CONTAINED HEREIN SHALL SURVIVE THE RELEASE OF THE LIEN OF THE DEED OF TRUST, OR THE EXTINGUISHMENT OF THE LIEN OF THE DEED OF TRUST BY FORECLOSURE OR ACTION IN LIEU THEREOF AND SHALL CONTINUE IN EFFECT SO LONG AS A VALID CLAIM MAY BE LAWFULLY ASSERTED AGAINST LENDER.

Article VIII.
LENDER'S RIGHT TO REMOVE HAZARDOUS MATERIALS

Lender shall have the right but not the obligation, without in any way limiting Lender's other rights and remedies under the Loan Documents, to enter onto the Property or to take such other actions as it deems necessary or advisable to clean up, remove, resolve or minimize the impact of, or otherwise deal with, any Hazardous Substances or Hazardous Substances Contamination on the Property following receipt of any notice from any person or entity asserting the existence of any Hazardous Substances or Hazardous Substances Contamination pertaining to the Property or any part thereof which, if true, could result in an order, notice, suit, imposition of a lien on the Property or other action and/or which, in Lender's reasonable opinion, could jeopardize Lender's security under the Loan Documents; provided, however, Lender shall have no right to proceed with any of the rights granted to it in this paragraph until Lender has provided Indemnitor with written notice of Lender's intent to take any of the actions described in this paragraph and Indemnitor fails to commence within thirty (30) days following Indemnitor's receipt of such notice and diligently proceeds thereafter to complete all action necessary to clean-up, remove or resolve any of the foregoing. All reasonable costs and expenses paid or incurred by Lender in the exercise of any such rights shall be included in the indebtedness secured by the Loan Documents and shall be payable by Indemnitor upon demand.

Article IX. MISCELLANEOUS

This Environmental Indemnity Agreement are joint, several and unconditional and shall not be subject to any exculpation, non-recourse or other limitation of liability provisions in the Loan Documents, and Indemnitor acknowledges that its obligations under this Environmental Indemnity Agreement are not limited by such exculpation, non-recourse or similar limitation of liability provisions in the Loan Documents (if any).

Those costs, damages, liabilities, losses, claims, expenses (including attorneys' fees and disbursements) for which Lender is indemnified hereunder shall be reimbursable to Lender after being paid by Lender, and Indemnitor shall pay such costs, expenses, damages, liabilities, losses, claims, expenses (including attorneys' fees and disbursements) to Lender within thirty (30) days after notice from Lender itemizing the amounts paid to the date of such notice. In addition to any remedy available for failure to periodically pay such amounts, such amounts shall thereafter bear interest at the Default Rate (as defined in the Note) of interest specified in the Loan Documents. Payment by Lender shall not be a condition precedent to the obligations of Indemnitor under this Environmental Indemnity Agreement.

Any notice, communication, request or other documents or demand permitted or required hereunder shall be in writing and given in accordance with the provisions of the Loan Documents.

THIS ENVIRONMENTAL INDEMNITY AGREEMENT SHALL BE GOVERNED BY THE LAWS OF THE STATE OF TEXAS APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED IN TEXAS PROVIDED, HOWEVER, THAT EITHER FEDERAL LAW OR, TO THE EXTENT FEDERAL LAW DOES NOT APPLY, THE LAW OF THE SITUS OF THE PROPERTY SHALL BE APPLIED TO DETERMINE THE COMPLIANCE OF THE PROPERTY WITH ENVIRONMENTAL LAWS. PROVIDED FURTHER, THAT THE LAWS OF THE STATE IN WHICH THE PROPERTY IS LOCATED SHALL APPLY TO THE CREATION, PERFECTION, AND PRIORITY OF LIENS AND SECURITY INTERESTS AND TO ANY FORECLOSURE, TRUSTEE'S SALE, APPOINTMENT OF RECEIVER OR OTHER REMEDY WITH RESPECT TO THE PROPERTY. ANY PROCEDURES PROVIDED HEREIN FOR SUCH REMEDIES SHALL BE MODIFIED BY AND REPLACED WITH, WHERE INCONSISTENT WITH

OR REQUIRED BY, ANY PROCEDURES OR REQUIREMENTS OF THE LAWS OF THE STATE IN WHICH THE PROPERTY IS LOCATED.

ANY LEGAL ACTION TO INTERPRET OR ENFORCE ANY TERM OR CONDITION OF THIS ENVIRONMENTAL INDEMNITY AGREEMENT SHALL BE BROUGHT AND MAINTAINED ONLY IN THE TEXAS STATE COURTS SITUATED IN THE CITY OF HOUSTON AND COUNTY OF HARRIS, TEXAS. BY EXECUTING THIS ENVIRONMENTAL INDEMNITY AGREEMENT, INDEMNITOR EXPRESSLY (A) CONSENTS AND SUBMITS TO THE PERSONAL JURISDICTION OF SUCH TEXAS AND FEDERAL COURTS, (B) WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY CLAIM OR DEFENSE THAT HARRIS COUNTY, TEXAS IS NOT A PROPER OR CONVENIENT VENUE OR FORUM, AND (C) CONSENTS TO THE SERVICE OF PROCESS IN ANY MANNER AUTHORIZED BY TEXAS LAW. ANY FINAL JUDGMENT ENTERED IN AN ACTION BROUGHT HEREUNDER SHALL BE CONCLUSIVE AND BINDING UPON THE PARTIES HERETO.

Indemnitor waives any acceptance of this Environmental Indemnity Agreement by Lender.

The failure of any party to enforce any right or remedy hereunder, or to promptly enforce any such right or remedy, shall not constitute a waiver thereof nor give rise to any estoppel against such party, nor excuse any of the parties from their obligations hereunder. Any waiver of such right or remedy must be in writing and signed by the party to be bound. This Environmental Indemnity Agreement is subject to enforcement at law and/or equity, including actions for damages and/or specific performance.

Time is of the essence in the performance of the terms, conditions and covenants herein contained.

This Environmental Indemnity Agreement shall be deemed to be continuing in nature and shall remain in full force and effect and shall survive any exercise of any remedy by Lender under the Loan Documents, including foreclosure of the liens of the Loan Documents (or deed in lieu thereof), even if, as part of such foreclosure or deed in lieu of foreclosure, the Loan amount is satisfied in full.

All terms not defined in this Environmental Indemnity Agreement shall have the same meanings as given them in the Loan Documents.

[SIGNATURE PAGE FOLLOWS]

Signature Page

Environmental Indemnity Agreement

The parties agree that each party may sign and deliver this agreement electronically or by electronic means and that an electronic signature will be as good, binding, and effective as an original or manual signature.

EXECUTED to be effective as of the date first set forth above.

INDEMNITOR:

CSH DIAN STREET VILLAS, LTD.,
a Texas limited partnership

By: CSH Dian Street Villas GP, LLC, a Texas limited liability company, its general partner

By: Texas Inter-Faith Housing Corporation,
A Texas 501(c)3 non-profit corporation,
its sole member

By: _____
Name: Russ Michael Schmidtberger
("Russ Michaels")
Title: Executive Director

TEXAS INTER-FAITH HOUSING CORPORATION,
a Texas 501(c)3 non-profit corporation

By: _____
Name: Russ Michael Schmidtberger
("Russ Michaels")
Title: Executive Director

EXHIBIT A
LEGAL DESCRIPTION

Unrestricted Reserve "A", Block 1, of DIAN STREET VILLAS, a subdivision in Harris County, Texas, according to the map or plat thereof recorded under Film Code No. RP-2021-188712, of the Map Records of Harris County, Texas.

Bond No.

ATTACHMENT O
TO LOAN AGREEMENT

BONDS

Bond No.

Project No.

ONE YEAR MAINTENANCE BOND

STATE OF TEXAS §
§
COUNTY OF HARRIS §

KNOW ALL MEN BY THESE PRESENTS:

THAT WE, BROWNSTONE CONSTRUCTION, LTD., as Principal, hereinafter called "**Contractor**", and the other subscriber hereto as Surety, do hereby acknowledge ourselves to be held and firmly bound to **CSH Dian Street Villas, Ltd.**, a Texas limited partnership ("**Obligee**"), in the sum of _____and 00/100 Dollars ($_____.00) for the payment of which sum to be made to the Obligee and its successors, Contractor and Surety do bind themselves, their successors and assigns jointly and severally. The conditions of this obligation are such that:

WHEREAS, the Contractor has entered into that certain primary subcontract with Texas Inter-Faith Housing Corporation, who has then entered into that certain construction contract with the Obligee, dated of even date herewith, for the construction of a one hundred eight (108) unit apartment complex located at 1433 Dian Street, Houston, Texas 77008, Harris County, Texas (together, the "**Contract**"), with all of such work to be done in accordance with the documents executed in connection with the Contract (collectively, the "**Contract Documents**"), and referred to in the loan agreement dated of approximate even date herewith between the City of Houston and Obligee which was adopted by the City Council of the City of Houston.

NOW THEREFORE, if the Contractor shall comply with the provisions of the general conditions of that certain construction contract by and between Texas Inter-Faith Housing Corporation and Contractor dated as of _____, 2021 and correct work which is not in accordance with the Contract Documents discovered within the established one (1) year period, then this obligation shall become null and void and shall be of no further force and effect; otherwise, the same is to remain in full force and effect.

IN WITNESS THEREOF, the Contractor and Surety have signed and sealed this instrument on the respective dates written below their signatures and have attached their current Power of Attorney.

ATTEST, SEAL: (if a corporation)

WITNESS: (if not a corporation)

By: _____
Name: _____
Title: _____

BROWNSTONE CONSTRUCTION, LTD.,
a Texas limited company

By: Brownstone Construction GP, LLC. Its General Partner

By: _____
Name: _____
Title: _____
Date: _____

ATTEST/WITNESS: **(SEAL)**

By: _____
Name: Melanie Hill
Title: Witness

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, a Connecticut corporation
(Full Name of Surety)

By: _____
Name: Maria D. Zuniga
Title: Attorney-in-Fact
Date: _____

THE FOREGOING BOND IS ACCEPTED ON BEHALF OF THE OWNER:

CSH Dian Street Villas, Ltd.,
a Texas limited partnership

By: CSH Dian Street Villas GP, LLC,
a Texas limited liability company,
its general partner

By: Texas Inter-Faith Housing Corporation,
a 501(c)(3) non-profit corporation,
its sole member

By: _____
Russ Michael Schmidtberger,
Executive Director

Date: _____

Bond No.

TEXAS STATUTORY PAYMENT BOND
(Property Code - Private Work)

[NOTE: Penalty of this bond must be 100% of Contract amount. This bond and copy or memorandum of the construction contract must be filed with County Clerk of County where owner's property is located.]

KNOW ALL MEN BY THESE PRESENTS:

That, BROWNSTONE CONSTRUCTION, LTD., the original contractor (hereinafter called the "Subcontractor"), as Subcontractor, and TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, a corporation organized and existing under the laws of the State of Connecticut with its principal office in the City of Hartford, CT and duly authorized and admitted to do business in, and licensed to execute surety bonds by, the State of Texas (hereinafter called the "Surety"), as Surety, are held and firmly bound unto TEXAS INTER-FAITH HOUSING CORPORATION (hereinafter called the "Contractor"), as Contractor, in the amount of _____ and 00/100 Dollars ($_____.00) for the payment whereof the said Principal and Surety bind themselves and their heirs, administrators, executors, successors and assigns, jointly and severally, firmly by these presents.

WHEREAS, the Subcontractor has entered into a certain primary subcontract with the Contractor, who then entered into a construction contract with CSH Dian Street Villas, Ltd. (the "Owner"), dated the ____ day of _____, 2021, to construct an apartment complex, to be located on the land described in Exhibit "A" attached hereto (together, hereinafter called the "Contract"), which Contract is hereby referred to and made a part hereof as fully and to the same extent as if copied at length hereto, and a copy of said Contract (but without the plans, specifications and general conditions of said Contract) or a memorandum of the Contract is attached hereto as Exhibit "B".

WHEREAS, for purposes of the construction of the improvements pursuant to the primary subcontract as part of the Contract, the Subcontractor is deemed to be in direct contractual relationship with the Owner, pursuant to Section 53.026 of the Texas Property Code

NOW, THEREFORE, THE CONDITION OF THIS OBLIGATION IS SUCH, That if the said Subcontractor shall well and faithfully make prompt payment to each and every claimant for labor, subcontracts, materials, and specially fabricated materials performed or furnished under or by virtue of said contract and duly authorized normal and usual extras thereto (not to exceed 15% of said contract price), then this obligation shall be void; otherwise to remain in full force and effect; labor, subcontracts, materials and specially fabricated materials shall be construed in accordance with Sections 53.001, *et seq.* of the Texas Property Code, as amended.

PROVIDED, HOWEVER, that the Owner having required the said Principal to furnish this bond in order to comply with the provisions of Sections 53.201 *et seq.* of the Texas Property Code, as currently amended, all rights and remedies under this bond shall be determined in accordance with the provisions, conditions, and limitations of said statute to the same extent as if it were copied at length herein.

Any notices of claims under this Bond should be sent to:

Travelers Casualty and Surety Company of America
One Tower Square
Hartford, CT 06183

Telephone No. for Claims: 860-277-0111

STATEMENT: The address of the Surety to which any notices of claim should be sent may be obtained from the Texas Department of Insurance by calling the toll-free telephone number maintained by the Texas Department of Insurance as follows:

Texas Department of Insurance
Toll free Telephone Number: 800-252-3439

[The undersigned Surety hereby certifies that it currently holds a certificate of authority from the United States Secretary of the Treasury to qualify as a surety on obligations permitted or required under federal law.]

IN WITNESS WHEREOF, the said Principal and Surety have signed and sealed this instrument, this _____ day of _____, 2021.

SUBCONTRACTOR:

BROWNSTONE CONSTRUCTION, LTD., a Texas limited partnership

By: Brownstone Construction GP, LLC, a Texas limited liability company

By:_____ (Seal)
Name: _____
Title: _____

SURETY:

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, a Connecticut corporation

By:_____
Name: Maria D. Zuniga
Title: Attorney-in-Fact

[Attach Power of Attorney for Surety's Attorney-in-Fact.]

The foregoing bond is hereby approved.

OWNER:

CSH Dian Street Villas, Ltd.,
a Texas limited partnership

By: CSH Dian Street Villas GP, LLC, a Texas limited liability company, its general partner

By: Texas Inter-Faith Housing Corporation, a 501(c)(3) non-profit corporation, its sole member

By: _____
Russ Michael Schmidtberger,

Executive Director

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was ACKNOWLEDGED before me on _____, 2021, by Maria D. Zuniga, Attorney-in-Fact of Travelers Casualty and Surety Company of America, a Connecticut corporation, on behalf of said Travelers Casualty and Surety Company of America.

[S E A L]

_____
Notary Public - State of Texas

My Commission Expires:

Richard Covington
Printed Name of Notary Public

September 11, 2023

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was ACKNOWLEDGED before me on _____, 2021, by _____, _____ of Brownstone Construction GP, LLC, a Texas limited liability company, the general partner of Brownstone Construction, Ltd., a Texas limited partnership, on behalf of said partnership.

[S E A L]

_____
Notary Public - State of Texas

My Commission Expires:

_____
Printed Name of Notary Public

_____

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was ACKNOWLEDGED before me on _____, 2021, by Russ Michael Schmidtberger, Executive Director of Texas Inter-Faith Housing Corporation, a 501(c)(3) non-profit corporation, the sole member of CSH Dian Street Villas GP, LLC, a Texas limited liability company, the general partner of CSH DIAN STREET VILLAS, LTD, a Texas limited partnership on behalf of such limited liability company and limited partnership.

[S E A L]

_____
Notary Public - State of Texas

My Commission Expires:

_____
Printed Name of Notary Public

_____

ATTACHMENTS:
Power of Attorney

Exhibit "A" – Land Description
Exhibit "B" – Memorandum of Construction Contract

Document ___

PERFORMANCE BOND

THAT WE, BROWNSTONE CONSTRUCTION, LTD., as Principal, (the "Subcontractor"), and the other subscriber hereto, TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA, as Surety, do hereby acknowledge ourselves to be held and firmly bound to the City of Houston (the "City"), a municipal corporation, and TEXAS INTER-FAITH HOUSING CORPORATION, a 501(c)(3) non-profit corporation (individually, "Contractor" and collectively with the City, the "Obligees"), in the penal sum of _____ and 00/100 Dollars($_____.00) for the payment of which sum, well and truly to be made to Obligees, their successors and assigns, Subcontractor and Surety do bind themselves, their heirs, executors, administrators, successors and assigns, jointly and severally.

THE CONDITIONS OF THIS OBLIGATION ARE SUCH THAT:

WHEREAS, the Subcontractor has on or about this day executed a primary subcontract in writing with TEXAS INTER-FAITH HOUSING CORPORATION, who then executed a construction contract with CSH Dian Street Villas, Ltd for the construction of a 108-unit apartment complex located at 1433 Dian Street, Houston, Harris County, Texas 77008 (together, the "Contract"), all of such work to be done as set out in full in said Contract documents therein referred to and adopted by the City Council, all of which are made a part of this instrument as fully and completely as if set out in full herein.

NOW THEREFORE, if the said Subcontractor shall faithfully and strictly perform the Contract in all its terms, provisions, and stipulations in accordance with its true meaning and effect, and in accordance with the Contract documents referred to therein and shall comply strictly with each and every provision of the Contract and with this Bond, then this obligation shall become null and void and shall have no further force and effect; otherwise the same is to remain in full force and effect. Should the Subcontractor fail to faithfully and strictly perform the Contract in all its terms, including but not limited to the indemnifications thereunder, the Surety shall be liable for all damages, losses, expenses and liabilities that Obligees may suffer in consequence thereof, as more fully set forth herein.

It is further understood and agreed that the Surety does hereby relieve the Obligees or their representatives from the exercise of any diligence whatever in securing compliance on the part of the Subcontractor with the terms of the Contract, and the Surety agrees that it shall be bound to take notice of and shall be held to have knowledge of all acts or omissions of the Subcontractor in all matters pertaining to the Contract. The Surety understands and agrees that the provision in the Contract that Contractor will retain certain amounts due the Subcontractor until the expiration of 30 days from the acceptance of the Work is intended for the Obligee's benefit, and the Obligees will have the right to pay or withhold such retained amounts or any other amount owing under the Contract without changing or affecting the liability of the Surety hereon in any degree.

It is further expressly agreed by Surety that the Obligees or their representatives are at liberty at any time, without notice to the Surety, to make any change in the Contract documents and in the Work to be done thereunder, as provided in the Contract, and in the terms and conditions thereof, or to make any change in, addition to, or deduction from the Work to be done thereunder; and that such changes, if made, shall not in any way vitiate the obligation in this Bond and undertaking or release the Surety therefrom.

It is further expressly agreed and understood that the Subcontractor and Surety will fully indemnify and save harmless the Obligees from any liability, loss, cost, expense, or damage arising out of Subcontractor's performance of the Contract.

If the Obligee/s gives Surety notice of Contractor's default, Surety shall, within 45 days, take one of the following actions:

1. Arrange for Subcontractor, with consent of the Obligees, to perform and complete the Contract; or

2. Take over and assume completion of the Contract itself, through its agents or through independent contractors, and become entitled to the payment of the balance of the Contract Price.

If the Surety fails to take either of the actions set out above, it shall be deemed to have waived its right to perform and complete the Contract and receive payment of the balance of the Contract Price and the Obligees shall be entitled to enforce any remedies available at law, including but not limited to completing the Contract itself and recovering any cost in excess of the Original Contract Price from the Surety.

This Bond and all obligations created hereunder shall be performable in Harris County, Texas.

Notices required or permitted hereunder shall be in writing and shall be deemed delivered when actually received or, if earlier, on the third day following deposit in a United States Postal Service post office or receptacle, with proper postage affixed (certified mail, return receipt requested), addressed to the respective other party at the address prescribed in the Contract documents, or at such other address as the receiving party may hereafter prescribe by written notice to the sending party.

IN WITNESS WHEREOF, the said Subcontractor and Surety have signed and sealed this instrument on the respective dates written below their signatures and have attached current Power of Attorney.

ATTEST, SEAL: (if a corporation)

BROWNSTONE CONSTRUCTION, LTD., a Texas limited company

By: Brownstone Construction GP, LLC. Its General Partner

WITNESS: (if not a corporation)

By: _____
Name:
Title:

By: _____
Name:
Title:
Date:

ATTEST/SURETY WITNESS:

(SEAL)

TRAVELERS CASUALTY AND SURETY COMPANY OF AMERICA
Full Name of Surety
One Tower Square
Address of Surety for Notice
Hartford, CT 06183

860-277-0111
Telephone Number of Surety

By: _____
Name: Melanie Hill
Title: Witness to Surtey
Date:

By: _____
Name: Maria D. Zuniga
Title: Attorney-in-Fact
Date:

Exhibit A: Land Description

Unrestricted Reserve "A", Block 1, of DIAN STREET VILLAS, a subdivision in Harris County, Texas, according to the map or plat thereof recorded under Film Code No. _____, of the Map Records of Harris County, Texas.

Exhibit B: Memorandum of Construction Contract

[TO BE ATTACHED]

ATTACHMENT P
TO LOAN AGREEMENT

LOAN AGREEMENT (BORROWER/OWNER)

Loan Agreement

(Borrower/Owner)

This Loan Agreement ("**Agreement**") is made and entered into this the ___ day of April, 2021, by and between **TEXAS INTER-FAITH HOUSING CORPORATION**, a Texas 501(c)3 non-profit corporation ("**Lender**"), and **CSH DIAN STREET VILLAS, LTD.**, a Texas limited partnership ("**Borrower**"), for the purposes and consideration hereinafter set forth.

WHEREAS, Lender has agreed to make a loan ("**Borrower Loan**") to Borrower in the original principal sum of $11,000,000.00 as evidenced by a note ("**Borrower Note**") of even date herewith and secured by a Deed of Trust against the property described therein and located on the Land, more particularly described in Exhibit A attached hereto (collectively, the "**Property**");

WHEREAS, Borrower and Lender desire to enter into this Agreement to set forth certain terms and conditions of the Borrower Loan to supplement the provisions of the other documents executed in connection with, evidencing or securing the Borrower Loan ("**Loan Documents**").

NOW THEREFORE, for and in consideration of the Borrower Loan and the mutual covenants contained herein, the parties agree as follows:

1. Terms of Borrower Loan. The terms of the Borrower Loan are as follows:

(a) Borrower Note. Borrower's obligation to repay Lender is evidenced by a promissory note of even date herewith, payable to Lender in the original principal amount of $11,000,000.00.

(b) Purpose. The purpose of the loan is to finance the acquisition and construction of a multifamily affordable housing project.

(c) Term. The term of the Loan shall commence on the date of Closing (as defined in the COH Loan Agreement (as defined below)) and shall mature on the Maturity Date (as defined in the Borrower Note).

(d) Interest. The Loan shall bear interest in accordance with the terms of the Borrower Note.

2. COH Loan and COH Loan Agreement. The Borrower, Lender and the City of Houston ("**City**") have entered into one certain Loan Agreement ("**COH Loan Agreement**") of even date herewith with respect to an $11,000,000.00 loan ("**COH Loan**") from the City to Lender, the proceeds of which are funding the Borrower Loan. The Borrower Loan, this Agreement, the Borrower Note and all of the other Loan Documents (including, without limitation, the Deed of Trust securing the Borrower Loan) have been collaterally assigned to the City to secure the COH Loan. The covenants, obligations, requirements, representations and warranties of Borrower under the COH Loan Agreement, to the extent applicable to Borrower or the Property, or to the ability of the Parties to perform their obligations related to the Property and the COH Loan Agreement, are incorporated in to and made a part of this Agreement and shall additionally constitute covenants, obligations, requirements, representations and warranties of Borrower to Lender and the City, as a third party beneficiary of this Agreement and as a collateral assignee of the Loan Documents. Borrower, the Borrower Loan and the Property shall be subject to all terms and conditions of the COH Loan Agreement. Borrower specifically assumes and agrees to perform all of the covenants, obligations, and requirements to be performed by Borrower as "Owner" set forth in the COH Loan Agreement for the benefit of the City and confirms the representations and warranties of Borrower as "Owner" thereunder for the benefit of the City and as a condition of the COH Loan and the Borrower Loan. In the event of a conflict between the terms and conditions of this Agreement and the COH Loan Agreement, the terms and conditions of the COH Loan Agreement shall control.

3. Funding.

(a) No Liability for Interruption of Funding. In the event that the City ceases funding the COH Loan to Lender in accordance with the COH Loan Agreement, Lender may cease funding the Borrower Loan to the Borrower without obligation to the Borrower and without being liable to the Borrower for any damages Borrower may incur as a result of such cessation in funding; provided, however, Lender agrees to deliver to Borrower reasonably satisfactory documentation evidencing City's decision to cease funding, and Lender agrees to use reasonable efforts to resolve any City concerns.

(b) Deemed Funding under COH Loan. Disbursements under the COH Loan will be by check by the City made payable to Lender, Borrower or the entity which has provided the services entitled to be funded under the COH Loan Agreement and this Agreement. The entire amount of any funding provided by the City to Lender under the COH Loan shall be used by Lender to fund the Borrower Loan and shall be deemed to be funding of the Borrower Loan.

4. Borrower's Representations and Warranties.

Borrower hereby each represents, warrants and agrees for the benefit of the City and the Lender that as of the date hereof and continuing during the entire term of this Agreement, and for so long as the City shall have any commitment or obligation to make any disbursements of the COH Loan, and during the Affordability Period as follows:

(a) Ownership of Property. Borrower will hold on the Closing Date (as defined in the COH Loan Agreement) of the COH Loan and thereafter fee simple title in and to the Property and shall provide the Director of the City's Housing and Community Development Department ("**Director**") with a copy of the deed thereto. Borrower shall promptly disclose to the Director if Borrower acquired the Property from Lender; or any director, officer, employee, partner, company or individual of, related to or affiliated with Lender or Borrower.

(b) Information Submitted True and Correct. The information contained in or submitted in connection with Lender's application to the City for the COH Loan, as amended by further information provided and disclosed to the City, is true and correct in all material respects.

(c) Taxes and Assessments. There are no delinquent taxes, assessments, or other impositions on the Property, or if there are any delinquent taxes, assessments, or other impositions on the Property, same will be paid prior to or simultaneously with Closing of the COH Loan. The Property has not been subject to any special (reduced) real estate appraisal, or abatement, exemption or deferral of ad valorem taxes (other than statutorily permitted challenges as to the amount) in the five (5) years preceding the date of Borrower's acquisition of title, unless Borrower has an effective agreement providing that another party is liable for all liability, accruing prior to Borrower's acquisition of the Property for ad valorem taxes owing as a result of an change or revocation of such special (reduced) real estate appraisal, or abatement, exemption or deferral of ad valorem taxes.

(d) Financial Capacity. The financial representations made by Lender to the City and by Borrower to Lender or the City) concerning Lender's and Borrower's financial condition are true and correct and, upon the Closing of the COH Loan and the Borrower Loan, Lender and Borrower have the financial capacity to carry out their respective obligations under this Agreement, the Loan Documents and the COH Loan Agreement. If any material negative change in either Lender's or Borrower's financial condition occurs, Lender and Borrower shall report such change to the City within five (5) business days.

(e) Authorization. All action on the part of Borrower necessary to authorize the transactions contemplated by this Agreement and the COH Loan Agreement has been taken, and upon execution of this Agreement and the COH Loan Agreement, this Agreement shall constitute the binding and enforceable obligation of Borrower which shall be enforceable by the Lender and City in accordance with their terms. In addition, all of

the covenants, obligations, and requirements set forth herein to be assumed by Borrower and the representations and warranties made hereunder by Borrower shall constitute the binding and enforceable covenants, obligations and requirements and representations and warranties of Borrower which shall be enforceable by the Lender and City in accordance with their terms.

(f) Mechanics' and Materialmen's Liens. As of the Closing Date, there are no existing or threatened mechanics' and materialmen's liens against the Property, and the Borrower does not know of any reason such liens may be filed or threatened against the Project (as defined in the COH Loan Agreement). As of the date of disbursement of COH Loan funds, no work will have been performed on or materials incorporated into the Project by Borrower, Lender or Borrower's or Lender's contractors or subcontractors that could result in the imposition of a lien against the Project. No work shall commence on the Project prior to the disbursement of COH Loan funds.

(g) Approved Final Construction Budget Contents. The Approved Final Construction Budget (as defined in the COH Loan Agreement) specifies (a) a listing of all known costs necessary to (i) complete the Work (as defined in the COH Loan Agreement) on the Project and (ii) reach a **90%** occupancy level, and (b) the sources of funding which will be used to complete the Work and reach **90%** occupancy;

(h) Expertise. Borrower has engaged competent persons and firms for the purpose of constructing, leasing and managing the Project.

(i) Legal Existence. Borrower is a limited partnership duly created, validly existing and in good standing under the laws of the State of Texas.

(j) Access. Access by vehicles to the Project for the full utilization of the Project for its intended purposes either (a) exists over paved roadways dedicated to the public and accepted by the appropriate governmental authority, or (b) the necessary rights-of-way for such roadways have been acquired by the appropriate governmental authority and all necessary steps have been taken by Borrower and/or such governmental authority to assure the construction and installation of such roadways.

(k) Use of Project. During the Affordability Period, that portion of the Project specified in Section 6.8 of the COH Loan Agreement hereof shall be used solely for the purpose of providing housing for low and moderate income residents in accordance with Section 6.8 thereof, and for no other purpose.

(l) No Religious Affiliation. Borrower is not a religious organization and no portion of the proceeds of the COH Loan will be used to construct or acquire housing to be owned, operated or used by a religious organization.

(m) Compliance with Federal, State, and Local Laws and Regulations. Borrower shall construct, lease and operate the Project in accordance with all applicable law including, without limitation, the Model Energy Code, the Americans with Disabilities Act of 1990 and the Architectural Barriers Act of 1968.

5. Default under this Agreement. The Lender may declare a default ("**Default**") under this Agreement or any one or more of the Loan Documents upon the occurrence of any one or more of the following circumstances:

(a) Monetary Default. If Borrower fails to pay when due any portion of the sums owing under the Borrower Note, this Agreement and/or any of the Loan Documents and such failure continues for ten (10) business days after written notice thereof from the Lender or any holder of the Borrower Loan;

(b) Non-Monetary Default. If Borrower fails, refuses or neglects to perform fully and timely any obligation or breaches and covenant, condition, representation or warranty under this Agreement or any other Loan Document and such failure continues for thirty (30) days following written notice from Lender to Borrower, or, if the failure is not

susceptible to cure within said 30-day period, such greater period of time (not to exceed sixty (60) days) as is necessary to cure such failure provided Borrower commences to cure such failure within said 30-day period and diligently works to cure such failure, provided however, that in the event that any such cure periods would cause a material violation to occur under applicable law or cause a recapture of any tax credits the notice and cure period shall be reduced to a length of time that would not cause a material violation of applicable law or cause such a recapture;

(c) Default under COH Loan Agreement by Borrower. Notwithstanding the foregoing, a "Default" (as defined by the COH Loan Agreement) under the COH Loan Agreement by Borrower shall immediately constitute a Default by Borrower under this Agreement. Notwithstanding the provisions of Subparagraphs 5(a) and 5(b) above, in the event of a conflict between the available notice and cure periods under the COH Loan Agreement and this Agreement, the COH Loan Agreement shall control, and upon the occurrence of a Default under the COH Loan Agreement, no further notice and/or cure periods shall be available under this Agreement for such event and such event shall immediately be deemed a Default by Borrower under this Agreement.

6. Notice and Cure Rights. Notwithstanding anything to the contrary contained in the Loan Documents, Lender hereby agrees that any cure of any default or Default made or tendered by a Tax Credit Investor (as defined in the COH Loan Agreement) shall be deemed to be a cure by Borrower and shall be accepted or rejected on the same basis as if made or tendered by Borrower. Copies of all notices which are sent to Borrower or any other party under the terms of the Loan Documents shall also be sent to:

Red Stone Equity – Fund 73 Limited Partnership
c/o Red Stone Equity Partners, LLC
1100 Superior Avenue, Suite 1640
Cleveland, OH 44114
Attention: General Counsel

with a copy to:

Nixon Peabody LLP
Exchange Place
53 State Street
Boston, MA 02109
Attention: Roger W. Holmes

7. Lender's Remedies. If a Default exists under this Agreement, Lender shall be entitled to exercise all rights and remedies available under the Loan Documents, without further notice or opportunity to cure by Borrower except as may be required by applicable law.

8 Amendments and Waivers. Borrower and Lender acknowledge and agree that the terms and provisions of this Agreement and the Loan Documents may not be amended and no waivers of any provisions of this Agreement or any Loan Document shall be effective without the prior written consent of the City as the collateral assignee of Lender. In addition, any prepayment of the Borrower Note shall require the prior written consent of the City as the collateral assignee of the Lender.

9. Limit to Indemnification. Notwithstanding anything to the contrary set forth in any of the Loan Documents, no indemnity obligation set forth in any Loan Document shall extend to or be enforceable against any limited partner of Borrower including any Tax Credit Investor in its capacity as a limited partner of Borrower (but not otherwise).

10. Amendments to Organizational Documents. Except to effectuate transfers permitted or otherwise provided in the COH Loan Agreement, Borrower shall not have the right to

amend its organizational documents without Lender's and the City's prior written approval, such approval not to be unreasonably withheld, conditioned or delayed.

11. Removal of Borrower's General Partner (if any). Notwithstanding anything to the contrary contained in the Loan Documents but subject to the requirements of the COH Loan Agreement, if Borrower is a limited partnership, the removal and/or replacement of Borrower's general partner for cause in accordance with the terms of Borrower's partnership agreement shall not require Lender's consent, constitute a default under the Loan Documents or accelerate the maturity of the Loan, but shall be subject to the terms and conditions of the COH Loan Agreement.

12. Transfer of Borrower's Partnership Interest. Subject to the terms of the COH Loan Agreement, but notwithstanding anything to the contrary contained in this Agreement and/or in any of the other Loan Documents, if Borrower is a limited partnership, Lender's consent shall not be required (and it shall be expressly permitted and not be deemed a Default under any of the Loan Documents), in connection with:

(a) The transfer and/or the assignment by the Tax Credit Investor (if any) of its interest in Borrower to an entity controlled or managed by an entity that is related to or under common control with the Tax Credit Investor or an affiliate thereof;

(b) The transfer and/or assignment by any Tax Credit Investor of its interest in Borrower to Lender, a separate legal entity controlled by Lender or an affiliate in which Lender holds a controlling interest at the end of the Tax Credit Compliance Period (as defined in the COH Loan Agreement) applicable to Borrower, provided that as a condition of and prior to such transfer, the entity acquiring such interest execute any documentation required by the City; (ii) assumes in writing all obligations and covenants of the Tax Credit Investor in connection with Borrower; and (iii) the City's collateral position remains unimpaired as determined in the reasonable discretion of the City attorney;

(c) A change in the beneficial ownership of any Tax Credit Investor so long as such entity remains controlled by an affiliate thereof;

(d) The pledge and encumbrance of the interests of any Tax Credit Investor to or for the benefit of any financial institution that enables such Tax Credit Investor to make its capital contributions to Borrower;

(e) The initial issuance of partnership interests in Borrower equal to 99.99% of the profits, losses, credits, distributions and other interests in Borrower to the limited partners of Borrower; and/or

(f) The exercise by Lender or an affiliate of Lender in which Lender owns a controlling interest of a right of first refusal to acquire the Limited Partners' interest in Borrower.

13. Insurance. Borrower shall, prior to or concurrently with the closing of the Borrower's Loan, deliver to Lender and City insurance policies evidencing the insurance coverages and requirements set forth in Section 6.25 and Appendix 2 of the COH Loan Agreement and which policies shall name Lender and the City as additional insureds thereunder. In the event of a conflict between the insurance requirements of the Deed of Trust and the COH Loan Agreement, the COH Loan Agreement will control.

14. Miscellaneous.

(a) This Agreement as supplemented by the Loan Documents contains the entire agreement between the parties hereto relating to the Loan and shall be amended only by an instrument in writing executed by the parties hereto.

(b) This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns, as the case may require.

(c) This Agreement shall be governed by the law of the State of Texas. Any dispute arising out of or in connection with this Agreement shall be resolved in the state courts located in Harris County, Texas.

(d) This Agreement may be executed in multiple counterparts, each of which shall constitute an original.

(e) This Agreement may be signed and delivered electronically or by electronic signature and that electronic signature will be as good, binding, and effective as an original or manual signature.

(f) Notices under the Loan Documents shall be effective in the case of utilization of the U.S. Mail Service, upon the earlier of (i) three business days after deposit of such notice in the mail, return receipt requested or (ii) actual delivery. Notices sent by overnight courier services shall be effective one day after deposit with such service. All other notices shall be effective upon delivery. Notwithstanding the foregoing, any foreclosure notices shall be effective upon deposit with the U.S. Mail Service.

15. Non-Recourse. The Loan is non-recourse to Borrower.

[Remainder of page intentionally left blank; signature page follows]

Executed effective as of the date set forth above.

BORROWER:

CSH DIAN STREET VILLAS, LTD.,
a Texas limited partnership

By: CSH Dian Street Villas GP, LLC, a Texas limited liability company, its general partner

By: Texas Inter-Faith Housing Corporation,
a Texas 501(c)3 non-profit corporation,
its sole member

By: _____
Name: Russ Michael Schmidtberger
("Russ Michaels")
Title: Executive Director

LENDER:

TEXAS INTER-FAITH HOUSING CORPORATION,
a Texas 501(c)3 non-profit corporation

By: _____
Name: Russ Michael Schmidtberger
("Russ Michaels")
Title: Executive Director

EXHIBIT A
LEGAL DESCRIPTION

Unrestricted Reserve "A", Block 1, of DIAN STREET VILLAS, a subdivision in Harris County, Texas, according to the map or plat thereof recorded under Film Code No. RP-2021-188712, of the Map Records of Harris County, Texas.

AGREEMENT REGARDING DEBTOR/CREDITOR RELATIONSHIP

This **AGREEMENT REGARDING DEBTOR/CREDITOR RELATIONSHIP** (this "**Agreement**") is made and entered into as of April 21, 2021, by **CSH DIAN STREET VILLAS, LTD.**, a Texas limited partnership ("**Borrower**"), **CSH DIAN STREET VILLAS GP, LLC**, a Texas limited liability company ("**General Partner**"), **Red Stone Equity – Fund 73 Limited Partnership, a Delaware limited partnership** ("Investor"), **TEXAS INTER-FAITH HOUSING CORPORATION**, a Texas 501(c)3 non-profit, **TEXAS INTER-FAITH DEVELOPMENT, LLC**, a Texas limited liability company, **SUPERURBAN REALTY VENTURES, LLC**, a Texas limited liability company, and **JERVON HARRIS** (together with the General Partner, collectively, "**Guarantors**", and with Investor, referred to herein, collectively, as "**Borrower Parties**" and each individually as a "Borrower Party"), to and for the benefit of **CAPITAL ONE, NATIONAL ASSOCIATION**, a national association ("**Bank**") as identified under the Loan Agreement (as defined below).

RECITALS

A. Pursuant to that certain Construction Loan Agreement, of even date herewith between Borrower and Bank (the "**Loan Agreement**"), Bank has agreed to make a loan in a maximum aggregate principal sum of up to $15,149,457.00 (the "**Loan**"). The Loan is to be evidenced by a promissory note of even date herewith executed by Borrower in favor of Bank (the "**Note**"), and is to be secured by a deed of trust (the "**Mortgage**") of even date herewith, executed by Borrower for the benefit of Bank (such documents, together with the other documents evidencing and/or securing the Loan, are collectively referred to herein as the "**Loan Documents**"). In connection with the Loan, the Guarantors have executed a Joint and Several Completion Guaranty and a Joint and Several Payment and Non-Recourse Carve-Out Guaranty, and the Guarantors and Borrower have executed a Joint and Several Hazardous Material Indemnification Agreement, each dated as of the date hereof and made in favor of Bank. All initially capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Loan Agreement.

B. Investor, Red Stone Equity Manager, LLC, and General Partner have executed and delivered that certain Amended and Restated Agreement of Limited Partnership, dated as April 21, 2021 (the "**Partnership Agreement**"), pursuant to which Borrower shall operate. The Investor and Bank are affiliated entities.

C. As more fully set forth in the Loan Documents, the proceeds of the Loan shall be used by Borrower to finance a portion of Borrower's development and ownership costs relating to the Premises.

D. Borrower has requested that Bank provide financing for the purposes provided for above. Bank is willing to extend such financing, but is reluctant to proceed with the transaction due to the fact that Investor is an affiliate of Bank. Bank has expressed concerns that, if Bank provides the requested financing, Borrower Parties, or some of them, could, at a later date, attempt to assert claims against Bank or claims or defenses designed to prevent or delay the enforcement of the Loan Documents by Bank, based upon the fact that Bank, through certain affiliates, is affiliated with Borrower.

E. In response to Bank's concerns, and to induce Bank to provide such financing, Borrower Parties have assured and agreed with Bank that no such claims or defenses will be asserted by any Borrower Parties against Bank with respect to the Loan or any enforcement by Bank of its rights and remedies under the Loan Documents, and Borrower Parties desire to execute and deliver this Agreement to Bank to evidence such assurance and agreement.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and to induce Bank to provide such financing, Borrower Parties hereby agree to and with Bank as follows:

1. Affirmation of Recitals. Borrower Parties hereby acknowledge and agree that the Recitals set forth above, in so far as they relate to such Borrower Party, are true and correct and are incorporated herein by reference.

2. Acknowledgments and Agreement. Borrower Parties hereby acknowledge and agree as follows:

(a) Separate and Distinct Persons. The Borrower Parties recognize, acknowledge and agree that for purposes of this Loan, Bank is a wholly separate and distinct Person (as hereinafter defined) from Borrower and from Investor. Accordingly, the Borrower Parties agree not to make any claims of any kind or nature whatsoever against Bank, or to raise any defenses to claims made by Bank, that in any way assert or are based upon the contention that the relationship between Bank, on the one hand, and Borrower or any of the Borrower Parties, on the other hand, is anything other than that of an unaffiliated borrower and third party lender or credit provider. The Borrower Parties agree never to institute or cause to be instituted or continue prosecution of any suit or form of action or proceeding against Bank in its capacity as such in contravention of the foregoing; provided, however, that in no event shall anything contained in this Section 2(a) or any other provision of this Agreement limit or impair any right or remedy that certain of the Borrower Parties may have against each other under or pursuant to the Partnership Agreement. The term

"Person" as used in this Agreement shall mean any individual, partnership, corporation, association, joint venture, trust or other legal entity (including any heirs, executors, administrators, legal representatives, successors, and assigns), governments, or agencies or political subdivisions thereof, multistate compact authorities and other associations and entities as the context may require.

(b) Debtor/Creditor Relationship. Borrower Parties recognize, acknowledge and agree that the relationship created between Bank, on the one hand, and Borrower, on the other hand, by the making of the Loan and the execution, delivery and performance of the Loan Documents is solely and exclusively that of debtor/borrower and secured creditor/lender. Nothing in the Loan Documents shall be construed to create or give rise to (i) any joint venture, partnership, tenancy-in-common, or joint tenancy relationship, or any other relationship other than debtor/borrower and creditor/lender, between or among Bank, on the one hand, and any of the Borrower Parties, on the other hand, separate and apart from any relationship among the partners in Borrower created and governed by the Partnership Agreement; or (ii) any rights, duties or obligations of Bank to any of the Borrower Parties of any kind or nature except as expressly set forth in the Loan Documents; and Borrower Parties agree never to institute or cause to be instituted or continue prosecution of any suit or form of action or proceeding of any kind or nature whatsoever against Bank in its capacity as such in contravention of the foregoing.

(c) Independent Actions. Bank shall have the right to take any action and to exercise any right or remedy available to Bank under the Loan and the Loan Documents without regard to any course of action pursued by Investor under the Partnership Agreement, whether consistent or inconsistent with the actions pursued by Investor. Given their treatment as separate and distinct entities, Investor and Bank shall have at all times the right to act independently from each other.

(d) Transferability. The Loan Documents permit Borrower and Bank, respectively, to transfer their interests in accordance with the terms thereof; and, accordingly, the rights and obligations of Borrower and Bank may be transferred to other persons not affiliated with Borrower and/or Bank.

(e) Waiver. The Borrower Parties hereby waive and release any and all defenses, affirmative defenses, set-offs, claims, counterclaims or causes of action of any kind or nature which any of the Borrower Parties may now or hereafter have against Bank, relating to the Loan or to the Loan Documents, or the enforcement by Bank of its rights and remedies under

the Loan or the Loan Documents based on the fact that Bank is affiliated with Investor (and thus, with Borrower); and the Borrower Parties covenant and agree never to institute or cause to be instituted or continue prosecution of any suit or form of action or proceeding of any kind or nature whatsoever against Bank in its capacity as such in contravention of the foregoing.

(f) Limitation of Certain Claims. Each of the Borrower Parties recognizes, agrees and acknowledges that, if and to the extent any of Borrower Parties shall hereafter assert any claims against Investor under or pursuant to the Partnership Agreement, no such claims shall give rise to any claim or recourse against Bank in its capacity as such, and each of Borrower Parties hereby waives and releases any such claims against Bank in its capacity as such; and Borrower Parties covenant and agree never to institute or cause to be instituted or continue prosecution of any suit or form of action or proceeding of any kind or nature whatsoever against Bank in its capacity as such in contravention of the foregoing.

3. Agreement to Cooperate in Defense of Third Party Claims and Bankruptcy Waivers.

(a) Each of Borrower Parties hereby agrees to cooperate fully with Bank (at Bank's expenses) to contest any claim or assertion by any third party in any judicial or administrative proceeding that the relationship of Bank and Borrower under the Loan Documents or with respect to the Loan is not solely and exclusively that of debtor/borrower and creditor/lender or that the liens and security interests granted to Bank in the collateral given as security for the Loan (the "**Collateral**") are not fully perfected and enforceable liens and security interests.

(b) Each of the Borrower Parties hereby agrees not to directly or indirectly assert against Bank any claim, argument or defense, whether grounded on equitable subordination principles under Section 510 of the United States Bankruptcy Code or under any other section contained in Chapter 5 of the United States Bankruptcy Code, or otherwise, that the relationship of Bank, on the one hand, and Borrower, on the other hand, as evidenced by the Loan Documents is not solely and exclusively that of debtor/borrower and creditor/lender or that the liens and security interests granted to Bank in the Collateral as security for the Loan are not fully perfected and enforceable liens and security interests.

4. Material Inducement. Borrower Parties acknowledge and agree that the acknowledgments, covenants, waivers, agreements and releases contained in this Agreement constitute a material inducement for Bank to make the Loan to

Borrower and to enter into the Loan Documents and that, but for the execution and delivery of this Agreement by Borrower Parties, Bank would not make the Loan to Borrower or enter into the Loan Documents. Each of Borrower Parties hereby further agrees that each and every event and circumstance hereafter occurring in which Borrower accepts the performance by Bank of any undertaking by Bank under the Loan Documents and Bank accepts the performance by Borrower of any undertaking by Borrower under the Loan Documents, shall be deemed to constitute the reaffirmation by Borrower Parties of the acknowledgments, covenants, waivers and agreements of Borrower Parties in this Agreement as of the date of such event or circumstance without any further writing being required to evidence such reaffirmation by Borrower Parties.

5. Successors or Assigns. Whenever in this Agreement any of the Borrower Parties or Bank is named or referred to, the heirs, executors, legal representatives, successors, successors-in-title, bankruptcy trustees, bankruptcy estates, debtors-in-possession and assigns of or relating to such parties shall be included, and all covenants and agreements contained in this Agreement shall bind and inure to the benefit of their respective heirs, executors, legal representatives, successors, successors-in-title, bankruptcy trustees, bankruptcy estates, debtors-in-possession and assigns, whether so expressed or not.

6. Construction of Agreement. Each of Borrower Parties and Bank acknowledges that it has participated in the negotiation of this Agreement, and no provision of this Agreement shall be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of any party hereto having or being deemed to have structured, dictated or drafted such provision; that each of the parties hereto at all times has had access to an attorney in the negotiation of the terms of and in the preparation and execution of this Agreement and each of the parties hereto has had the opportunity to review and analyze this Agreement for a sufficient period of time prior to the execution and delivery thereof; that all of the terms of this Agreement were negotiated at arm's-length, and that this Agreement was prepared and executed without fraud, duress, undue influence or coercion of any kind exerted by any party hereto upon the others; and that the execution and delivery of this Agreement is the free and voluntary act of each of the parties hereto.

7. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Texas.

8. Headings. The headings of the articles, sections and subparagraphs of this Agreement are for the convenience of reference only, are not to be considered a part hereof, and shall not limit or otherwise affect any of the terms hereof.

9. Modifications. The terms of this Agreement may not be changed, modified, waived, discharged or terminated orally, but only by an instrument or instruments in writing, signed by the party against whom the enforcement of the change, modification, waiver, discharge or termination is asserted.

10. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, and all such counterparts together shall constitute one and the same instrument.

11. Default. A default by Borrower or Guarantors under this Agreement that continues for ten (10) days after Bank gives such party notice specifying such default and demanding that same shall be remedied shall constitute an Event of Default under the Loan Agreement.

12. **WAIVER OF JURY TRIAL. THE UNDERSIGNED HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE, AND BANK BY THEIR ACCEPTANCE OF THIS AGREEMENT IRREVOCABLY AND UNCONDITIONALLY WAIVE, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT OR COUNTERCLAIM ARISING IN CONNECTION WITH, OUT OF OR OTHERWISE RELATING TO THIS AGREEMENT.**

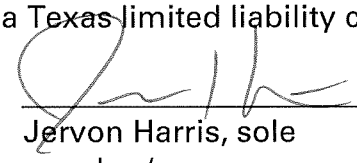
Signature page follows

GUARANTORS:



JERVON HARRIS

SUPERURBAN REALTY VENTURES, LLC, a Texas limited liability company

By: 

Jervon Harris, sole member/manager

IN WITNESS WHEREOF, the Borrower Parties hereto have executed and delivered this Agreement Regarding Debtor/Creditor Relationship to and for the benefit of Bank as of the day and year first above written.

BORROWER: **CSH DIAN STREET VILLAS, LTD.**, a Texas limited partnership

By: CSH Dian Street Villas GP, LLC, a Texas limited liability company, its general partner

By: Texas Inter-Faith Housing Corporation, a 501(c)3 non-profit corporation, its sole member

By: _____
Russ Michael Schmidtberger ("Russ Michaels"), its Executive Director

GENERAL PARTNER: **CSH DIAN STREET VILLAS GP, LLC,** a Texas limited liability company, its General Partner

By: Texas Inter-Faith Housing Corporation, a 501(c)3 non-profit corporation, its sole member

By: _____
Russ Michael Schmidtberger ("Russ Michaels"), its Executive Director

GUARANTORS:

TEXAS INTER-FAITH HOUSING CORPORATION, a Texas non-profit corporation

By: _____
Russ Michael Schmidtberger ("Russ Michaels"), its Executive Director

TEXAS INTER-FAITH DEVELOPMENT, LLC, a Texas limited liability company

By: Texas Inter-Faith Housing Corporation, a 501(c)3 non-profit corporation

By: _____
Russ Michael Schmidtberger ("Russ Michaels"), its Executive Director

ACCEPTED BY:

BANK: **CAPITAL ONE, NATIONAL ASSOCIATION,**
a national association

By: _____
David J. Musial,
Senior Director

PUBLICITY AGREEMENT (this "Agreement")

Capital One, National Association ("**CONA**") has agreed to provide construction financing for the development of a 108-unit mixed-income affordable income project (the "Project") to CSH DIAN STREET VILLAS, LTD., a Texas limited partnership ("**Borrower**"). As a material inducement to provide this financing and/or equity investment, CONA wishes that all publicity relating to the Project highlight CONA's involvement in the Project and promote CONA to the public. Based on the foregoing, Borrower agrees with CONA as follows:

1. CONA shall have the right to erect, at CONA's sole cost and expense, one or more signs (which must comply with all applicable law) on the Project indicating its provision of financing or equity for the Project, and to otherwise publicize, at CONA's sole cost and expense, its financing and/or equity investment of the Project, as CONA shall deem appropriate, including, without limitation, CONA shall have the right to use photographs of the Project and of all publicity events organized by Borrower in CONA's external publicity and promotional materials.

2. Borrower shall provide a copy to CONA of all press releases, invitations and announcements, and other printed material used for such purposes relating to the Project for CONA's review prior to disseminating those materials.

3. Borrower shall provide CONA with at least 30 days advance written notice of public events involving the Project (such as ground breakings and grand openings).

4. Without limiting anything herein, Borrower acknowledges and authorizes CONA to use basic facts relating to the Project (such as the amount of loan and investment, and the affordability and services of the Project) to be included in external promotional, marketing, and other materials of CONA.

The failure of Borrower to comply with this Agreement shall not be deemed a default or an Event of Default under any of the other documents governing, securing and/or evidencing CONA's financing of the Project.

BORROWER:

CSH DIAN STREET VILLAS, LTD., a Texas limited partnership

By: CSH Dian Street Villas GP, LLC, a Texas limited liability company, its general partner

By: Texas Inter-Faith Housing Corporation, a 501(c)3 non-profit corporation, its sole member

By: _____
Russ Michael Schmidtberger ("Russ Michaels"), its Executive Director

Date: April 21, 2021

CONA:

CAPITAL ONE, NATIONAL ASSOCIATION,
a national banking association

Date: April 21, 2021

By: _____
David J. Musial, Senior Director