

PORTFOLIO RESTRUCTURING AGREEMENT

by and between

**The Director of the Office of Multifamily
Housing Assistance Restructuring and**

a Participating Administrative Entity

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PORTFOLIO RESTRUCTURING AGREEMENT

THIS PORTFOLIO RESTRUCTURING AGREEMENT (the "Agreement") dated and effective as of January 1, 2002 ("Effective Date") between the Director of Office of Multifamily Housing Assistance Restructuring and/or the Director's successor(s) and/or assignee(s) (collectively, the "Director") and _____, a(n) _____ formed under the laws of _____ with its principal place of business at _____ ("Participating Administrative Entity" or "PAE").

PREAMBLE

WHEREAS, over 800,000 multifamily rental housing units in approximately 10,000 housing Projects have been financed with FHA insured loans and supported by project-based Section 8 housing assistance payment ("HAP") contracts pursuant to Section 8 of the United States Housing Act of 1937;

WHEREAS, in many cases, these HAP contracts currently provide for rents which substantially exceed the rents received by comparable unassisted housing units within the same local market;

WHEREAS, while annual HAP contract extensions for these Projects maintain an important housing resource, each year more HAP contracts expire, compounding the cost to the Department of Housing and Urban Development ("HUD") of annual renewals at above market rents;

WHEREAS, the Multifamily Assisted Housing Reform and Affordability Act of 1997, Title V of Public Law 105-65, approved October 27, 1997 as now and hereafter amended ("MAHRA"), limits renewals of most HAP contracts expiring in FY 1999 and thereafter to rent levels which do not exceed the rent of comparable properties in the same market area and authorizes participation by Owners with properties that have FHA-insured or Secretary-held mortgages whose rents are subject to the required reduction (each an Owner, collectively, "Owners") in the Mark-to-Market rental and mortgage restructuring program (the "M2M Program");

WHEREAS, the M2M Program will either review and adjust only the Section 8 rent subsidies (referred to as a "Lite," as more fully defined below) or review and adjust the Section 8 rent subsidies and restructure the debt secured by these properties (referred to as a "Full," as more fully defined below) while minimizing adverse impacts on tenants, Owners and communities;

WHEREAS, under the M2M Program, Final Regulations were published on March 22, 2000, 24 CFR Parts 401 and 402 (as amended from time to time, collectively, the “Final Regulations”), to provide rules by which all Lites and Fulls under the M2M Program will be processed;

WHEREAS, the M2M Program provides that HUD may provide qualified Participating Administrative Entities ("PAEs") with the opportunity to perform certain responsibilities to assist with the implementation of the M2M Program;

WHEREAS, HUD has developed guidance for the M2M Program in the form of the Operating Procedures Guide (as amended from time to time and incorporated herein by reference, the “Guide”);

WHEREAS, MAHRA established an office within the Department of Housing and Urban Development known as the Office of Multifamily Housing Assistance Restructuring ("OMHAR") under the management of a Director (as more fully defined below); and

WHEREAS, PAE is providing M2M Program services under an existing Portfolio Restructuring Agreement (“Original PRA”), and the Director and PAE desire to establish a new and modified contractual relationship with respect to Projects assigned to PAE from and after January 1, 2002.

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth below and for other good and valuable consideration, the sufficiency of which is acknowledged by the parties hereto, the Director and the PAE agree as follows:

ARTICLE 1 -- DEFINITIONS

When used in the Agreement, the following terms and phrases shall have the meanings identified below:

Acceptance: The date the PAE signs a “Schedule of Projects” (Exhibit 1 to the Agreement) is the date of Acceptance with respect to the Projects (defined below) listed therein.

Affected Unit of Local Government: The unit of general local government with jurisdiction in which the Project is located.

Affiliate: When used with respect to a specified Person, an affiliate is:

(a) An immediate family member of the specified Person (for purposes hereof, the members of a Person's immediate family shall be such Person's parents, grandparents, spouse, children, grandchildren, siblings and children of siblings);

(b) A Person that controls, directly or indirectly through one or more intermediaries, is controlled by, or is under common control with such specified Person;

(c) A director, officer, employee, trustee or general partner of, or an owner of an equity interest of ten percent (10%) or more or a beneficiary of a trust owning an equity interest of ten percent (10%) or more in the specified Person or any specified Person in clause (b) above; or

(d) A member of the immediate family of the specified Person in clause (b) or (c) above or of any Investor or of any Direct Owner.

For purposes of this definition, the term "control" (and any derivative thereof) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting stock, by contract or otherwise. An Affiliate of the PAE shall include any contractor, Subcontractor or any other party engaged by the PAE in connection with its duties under this Agreement.

Agreement: This Portfolio Restructuring Agreement and all attachments and exhibits which are attached hereto and made a part hereof.

Anticipatory Breach: A determination in the judgment of the Director that the actions or inactions of a PAE will result in an event of default under the Agreement.

Base Fee: The payments earned by the PAE for completion of Required Work (defined below), as set forth in the Agreement.

Centralized Closing: This is the process pursuant to which a project is transferred by a PAE to OMHAR to be closed in accordance with OMHAR's Centralized Closing Procedures Memorandum dated May 8, 2001, as may be amended from time to time and which is incorporated by reference herein.

Closing: Execution of all required documents necessary to implement the Restructuring Commitment and as further described in the Guide.

Completion: The conclusion of a PAE's work on a Project in accordance with Chapter 6 of the Guide, other than a closing.

Day: Calendar day.

Director: The Director of OMHAR, and staff acting for the Director in accordance with delegated authority. In the event the Director no longer has authority to administer the M2M Program, references to the Director shall mean the Secretary of the Department of Housing and Urban Development or the Secretary's designee.

Due Diligence: The PAE's Due Diligence is completed when:

- (a) The PAE has submitted an invoice, along with an MIS printout showing the dates the PAE accepted the Physical Condition Assessment (PCA) and appraisal.
- (b) The first tenant meeting has occurred.
- (c) The PAE has requested HUD Project and asset management files and the appropriate Project information from the owner, the lender, and the local government, and every reasonable effort has been made by the PAE to obtain the requested documents.
- (d) The PAE has obtained a copy of the HAP contract.
- (e) The PAE has concluded that the Project is not subject to state or local bond financing, or that the Project is subject to state or local bond financing and the PAE has submitted to OMHAR (i) the executive summary that provides the results of the PAE's collection and review of required loan and bond documentation, and (ii) a recommendation as to whether the Project is exempt from a Mark-to-Market restructuring pursuant to Section 514(h)(1) of MAHRA.

Effective Date: As of January 1, 2002.

Eligible Project or Project: A multifamily rental housing Project which meets the definitions and requirements of MAHRA and the Final Regulations established thereunder for eligibility to participate in the M2M Program.

Expiration: The end of the Term, including any Extension, if any, of the Agreement as a result of the passage of time, but not including the Director's Termination of the Agreement under Article 16.

Extension: As defined in Section 3.3.

Fees: As described in Articles 9, 10, 11, 12 and 14, and Exhibits 4 and 5 (including, Base Fees, Incentive Fees (defined below) and reimbursable payments, if any.)

FHA Insurance Fund: The General Insurance Fund or the Special Risk Insurance Fund, as appropriate, established under the National Housing Act.

FMR: Fair Market Rents, established pursuant to Section 8(c) of the United States Housing Act of 1937.

Full: A restructuring transaction involving the modification of the Section 8 assistance subsidy and the restructuring of the existing FHA-insured or HUD-held first mortgage, pursuant to a Restructuring Commitment (defined below) under Section 514 of MAHRA.

HUD: HUD means the Director or a HUD official authorized to act in lieu of the Director, in accordance with delegated authority when used in reference to provisions of MAHRA, and otherwise means the Department of Housing and Urban Development.

HUD Counsel: HUD's Office of General Counsel.

Incentive Fee: Fees that may be earned by the PAE upon compliance with the terms and conditions for such Fees.

Key Personnel: PAE and Subcontractor staff assigned to complete the duties under the Agreement, as defined in Section 5.10 and shown in Exhibit 3, and as may be modified from time to time in accordance with the Agreement.

Lite: A transaction involving the modification of the Section 8 subsidy that does not require a restructuring of the existing FHA-insured or HUD-held first mortgage pursuant to Section 514 of MAHRA. The two types of Lite transactions, as further described in the Guide, are (1) a "Tier 1 Lite" transaction using market rents and a limited expense, vacancy and other income analysis, and (2) a "Tier 2 Lite" transaction using market rents and a full expense, vacancy and other income analysis.

Litigation Costs: As defined in Section 12.2.3.

Mortgage Restructuring and Rental Assistance Sufficiency Plan: See Restructuring Plan, below.

Nonpublic Information: As defined in Section 14.1.1.

Operating Procedures Guide: The administrative procedures guidance, commonly called the Guide, as defined in the Preamble to the Agreement and as amended from time to time in accordance with Section 5.10.3. The Guide is incorporated herein by reference, as contained in Exhibit 2.

Other Parties: As defined in Section 7.3.1.

PAE Counsel: An individual counsel or law firm hired by the PAE to perform legal tasks pursuant to the Agreement.

Person: Any individual, corporation, association, partnership, business trust, limited liability company, joint stock company, joint venture, trust, estate or other entity or organization of whatever nature.

Portfolio: As defined in Section 4.1.

Reactivated Full: A Full that has been previously determined ineligible, discontinued, or Completed in accordance with Chapter 6 of the Guide, the Owner of which subsequently elects to re-enter the M2M Program provided the Project and/or the Owner has been determined to be eligible for re-entry into the M2M Program.

Records: As defined in Section 15.1.1.a.

Rent Comparability Review: A determination by a PAE as to whether current Section 8 contract rents exceed comparable market rents, utilizing the Rent Comparability Study (defined below) as input.

Rent Comparability Study: A third party report to determine comparable rents (in accordance with the requirements of HUD Notice H-00-12 or any subsequent replacement notice). The PAE will use the Rent Comparability Study to conduct the Rent Comparability Review.

Rental Assistance Assessment Plan (RAAP): A plan which addresses whether Section 8 assistance should be renewed with project-based or tenant-based assistance as part of a Restructuring Plan (defined below) and as further described in Section 515(c)(2) of MAHRA.

Required Work: As specified in the Agreement or the Guide, including but not limited to Appendix V of the Guide.

Restructuring: The processes the PAE uses to complete a Full or a Lite.

Restructuring Commitment: A document incorporating a Restructuring Plan, prepared by the PAE and executed by the Owner and Director setting forth the terms of a Full.

Restructuring Plan: The Mortgage Restructuring and Rental Assistance Sufficiency Plan for a Full developed by the PAE in consultation with the Owner, which describes the modification or refinancing of an FHA-insured or HUD-held mortgage, and addresses the provision of project-based or tenant-

based assistance, repairs and rehabilitation for the Project, affordability restrictions, and other items as more specifically described in the Final Regulations and the Guide.

Secretary: Secretary of the Department of Housing and Urban Development and staff acting for the Secretary in accordance with delegated authority. Reference to the Secretary may also mean the Director and the Director's staff, when applicable, if the Director is authorized to act on behalf of the Secretary.

Services: As defined in Article 2.

Subcontractor: A Person, including a Teaming Partner, with which the PAE contracts to carry out portions of the provisions of the Agreement, including, but not limited to, appraisers and inspectors providing reports to fulfill Due Diligence requirements.

Subsidy Restructuring Recommendation: A recommendation, in accordance with the Guide, by the PAE regarding a Lite.

Teaming Partner: A Person retained by the PAE to perform some or all of the work otherwise to be performed by the PAE under the Agreement.

Term: As defined in Sections 3.1 and 3.3.

Termination: The ending of the Agreement and any Extension hereof by the Director or the PAE pursuant to Article 16.

Transfer of Physical Assets (sometimes referred to as a "TPA"): As defined in the HUD Handbook 4350.1, Chapter 13 (available online at www.hudclips.org), as may be modified by OMHAR from time to time, and when accomplished in conjunction with a M2M Restructuring.

ARTICLE 2 -- APPOINTMENT OF THE PAE AND SCOPE OF SERVICES

Director hereby retains the PAE as an independent contractor for the sole purpose of performing the services, duties and obligations described in the Agreement, and the PAE hereby agrees to perform such services, duties and obligations (collectively referred to as the "Services") on the terms and conditions set forth below in accordance with MAHRA, the Final Regulations, and the Guide. The recitals are incorporated herein and made a part of the Agreement.

ARTICLE 3 -- TERM OF AGREEMENT

3.1 Initial Term. Subject to Article 16, the Agreement shall have a term that commences on the Effective Date and expires at 11:59 p.m. Eastern Time on _____ (the "Term").

3.2 Renewal. The Agreement shall be renewed for one year periods, commencing the Day after the end of the Term, and ending one (1) year thereafter for each such renewed Term, but no later than September 30, 2006 (or such later date that may be necessary and determined pursuant to Section 3.3 below), unless the Director or the PAE provides written notice to the other, not less than sixty days prior to the end of the Term, that it does not wish to renew the Agreement. In the event the Director or the PAE elects not to renew the Agreement, the Agreement will expire on the earlier of (i) the last day of the Term as it may have been extended from time to time, or (ii) the effective date of a Termination pursuant to Article 16. Upon Expiration or Termination, the right to complete work under the Agreement shall end immediately, and the responsibility for all assigned Projects shall revert immediately back to OMHAR, except as otherwise provided in the Agreement or as may be determined by mutual agreement of the parties and evidenced in writing.

3.3 Extension. The Term may be extended by mutual agreement of the parties, for such period as the parties shall agree upon (the "Extension"). Except where specifically indicated otherwise, reference to the Term shall include any renewal or Extension.

ARTICLE 4 -- PROJECTS SUBJECT TO AGREEMENT

4.1 Portfolio of Projects. The Projects subject to the Agreement are identified on Exhibit 1, which may be amended from time to time to reflect the addition or withdrawal of Projects to the coverage of the Agreement as provided below. All of the Projects subject to the Agreement at any given time constitute the Portfolio (the "Portfolio").

4.2 Addition or Withdrawal of Projects. The addition or withdrawal of Projects described below shall not be effective unless accompanied by an amendment to Exhibit 1 or other written notice from the Director to the PAE.

4.2.1 Addition of Projects. From time to time, the Director may add one or more Projects under the Agreement.

4.2.2 Withdrawal of Projects. From time to time the Director may withdraw one or more Projects from the Portfolio, and each such withdrawal shall be accomplished as follows:

(a) Right to Withdraw. The Director may withdraw one or more Projects from the coverage of the Agreement upon the occurrence of any of the following:

- (i) the Director at any time finds that there is a conflict of interest regarding the Project,
- (ii) the Project is involved in litigation (including, but not limited to, enforcement proceedings against the Owner),
- (iii) the Owner withdraws from the M2M Program,
- (iv) the Director's convenience pursuant to Section 16.3,
- (v) other good cause affecting the ability or eligibility of a Project or Owner to undergo restructuring pursuant to the Agreement, and
- (vi) any reason specified in Article 16.1.

(b) Procedure for Withdrawal. Director shall withdraw a Project by notifying the PAE of its decision to withdraw such Project and the reasons for withdrawal, and the withdrawal shall be effective immediately, unless the Director provides otherwise. The PAE shall, within seven (7) Days following notice, unless sooner or otherwise specified by the Director, transmit all Records relating to such Project to the Director, or to an entity or person identified by the Director, and shall cooperate with the Director to effect an efficient and smooth transition of responsibility with respect to such Project. Alternatively, at the Director's discretion, staff acting for the Director may, upon forty-eight (48) hours notice, enter upon the PAE's place of business during business hours to retrieve the Records.

(c) Payment to PAE Upon Withdrawal. The PAE will be compensated for withdrawn Projects in accordance with Article 10.

ARTICLE 5 – THE PAE'S DUTIES

5.1 General Scope of Duties. The PAE shall perform the Required Work and such other related tasks as agreed to by the Director and the PAE with respect to the Portfolio.

The PAE may subcontract its duties under the Agreement pursuant to Article 7 below but may not delegate to any other entity the duties under the Agreement without the prior written approval of the Director. Under all such circumstances, the PAE retains the responsibility for the performance of its duties.

The PAE's duties are more fully described in the Guide.

5.2 Engagement of Contractors by the PAE, and Prohibition Against Transactions with Affiliates of the PAE.

5.2.1 The PAE may subcontract with Teaming Partners, pursuant to Article 7, and other subcontractors in its sole name and at its sole cost and expense, except as reimbursement by the Director is specifically authorized, to assist in or undertake activities as may be necessary and appropriate under the Agreement. Reimbursement by the Director will occur only when authorized, and payments will be made by OMHAR only to the PAE and not directly to any such Teaming Partners or other subcontractors as may be utilized.

5.2.2 Any duties under the Agreement required to be undertaken by third parties must be undertaken pursuant to arms-length agreements with Persons that are not Affiliates of the PAE, except with the prior written approval of the Director.

5.2.3 In no event shall the PAE allow any Restructuring Plan to facilitate the sale of any of the Projects in the Portfolio, or of any interest therein, to the PAE, or any Affiliate of the PAE, or party related to the PAE; or facilitate any benefit to the PAE or any Affiliate, whether of a monetary nature or through employment as property manager or otherwise, other than the Fees and financing consented to by OMHAR, in accordance with the Guide and the Agreement.

5.3 Contract Administrator. For public entity PAEs, upon its request, PAE shall serve as Section 8 contract administrator for any contracts entered into as part of an approved Restructuring Plan provided that (1) the PAE completes the Restructuring Plan and the Project subsequently Closes pursuant thereto, (2) the current contract administrator completes the term of its contract, and (3) the PAE is qualified, pursuant to the applicable statutes and regulations, to administer Section 8 contracts.

5.4 PAE Financing of Fulls. The PAE or an Affiliate of the PAE may provide financing in connection with a Full, if the PAE demonstrates to the Director's satisfaction that the financing being offered is commercially reasonable and competitive, and that the process for the Owner's selection of financing has allowed adequate competition from other sources.

In support of its demonstration that the financing is the best available, the PAE, at a minimum, shall include with the proposed Restructuring Commitment the following: (i) certification that the PAE has negotiated with the Owner to provide the maximum supportable debt subject to prudent underwriting standards, including overall savings to the insurance fund; (ii) the Owner's certification that the PAE's proposed financing is competitive with the terms of other financing reviewed by the Owner; (iii) the Owner's certification disclosing any agreements between the Owner and the PAE, other than the financing arrangement, which agreements may be subject to the Director's review to determine if there is any conflict with the Agreement; (iv) a certification by the PAE fully disclosing all consideration, direct or indirect, paid or to be paid to the PAE in connection with the financing; and (v) a narrative by the PAE setting forth its rationale that, within the context of savings for the FHA Insurance Fund and Section 8 Assistance, the best available financing is being offered by the PAE.

Furthermore, the provision of any such financing, either by the PAE or an Affiliate of the PAE, requires that the Director will subject the Full to such additional review as the Director deems necessary. If the financing provided is insured under HUD's risk-sharing program and the entity providing the financing will share at least 50 percent of the risk, the Director may subject the Full to such additional review as the Director deems necessary. The PAE shall provide such other information and documents as requested by the Director regarding the PAE-proposed financing.

5.5 PAE Duties in Cases of Transfer of Physical Assets and/or Bond-Financed Projects

5.5.1 A PAE facilitating a modified or full TPA in connection with a Full will receive compensation in accordance with Article 10 and Exhibit 4.

5.5.2 As part of its Required Work during Due Diligence, the PAE must determine whether the Project is subject to state or local bond financing.

If the PAE determines that the Project is *not* subject to state or local bond financing, the submission of an invoice for completion of Due Diligence that does not include the additional Base Fees or reimbursable expenses allowed for bond-financed transactions as specified on Exhibit 4 shall be deemed to be PAE's certification that the Project is *not* subject to state or local bond financing.

If the PAE determines that the Project *is* subject to state or local bond financing, the PAE shall:

- a. Obtain the documents needed for OMHAR to determine whether the Project is exempt pursuant to section 514(h)(1) of MAHRA from the implementation of a Restructuring Plan. The following documents are illustrative of those that may be required: bond trust indenture, refunding agreement, general/special resolutions for the subject bonds, debenture lockout agreement, financing agreement, mortgage note, and any amendments to these documents. The PAE should ascertain and verify bond and loan payoff balances, including an accounting and planned disposition of all bond escrows and reserves. The PAE must assemble and provide to OMHAR a party transaction list (e.g. bond trustee, loan servicer, etc) including addresses and telephone numbers. A PAE fulfilling these duties will receive compensation in accordance with Exhibit 4 as additional Base Fees payable as a part of Due Diligence.
- b. Prepare an executive summary that incorporates the following information: (i) the relevant provisions in the mortgage note, the bond documents, and any amendments, that control whether and when the mortgage note can be prepaid and the bonds redeemed, respectively, (ii) an analysis of such provisions, and (iii) the PAEs' recommendation as to whether or not the property is exempt from the implementation of a Restructuring Plan pursuant to Section

514(h)(1) of MAHRA. A PAE fulfilling these duties will receive compensation in accordance with Exhibit 4 as additional Base Fees payable as a part of Due Diligence.

If the PAE determines that the bonds are redeemable concurrent with Closing, and if OMHAR concurs, the PAE shall:

- c. Create and implement a strategy for the redemption of the bonds. Contact the bond trustee to obtain information regarding redemption of the bonds, such information to include the sums required to redeem the bonds (principal, interest, premiums, penalties, trustee fee, etc.); notice and timing requirements, any special conditions, and the parties responsible to satisfy such conditions or requirements; and, the escrow balances (sinking fund, reserves, etc., that are available to apply to the sums required for redemption). The PAE must verify the appropriateness of all sums required for redemption. Thereafter the PAE shall secure from the bond trustee a letter or other written confirmation containing all requirements and instructions necessary to redeem the bonds. The Restructuring Plan the PAE submits to OMHAR must incorporate and address the redemption requirements in its recommendation for approval or discontinuance of the Plan. A PAE fulfilling these duties will receive compensation in accordance with Exhibit 4.

If the PAE determines that the bonds are not redeemable concurrent with Closing, but defeasance of the bonds may be practicable, with OMHAR concurrence and authorization, the PAE may elect (i) to surrender the Project to OMHAR with no further processing responsibilities, and receive compensation in an amount equal to the sum provided under Exhibit 4 for the completion of Due Diligence, or (ii) to evaluate the feasibility of defeasance as follows:

- d. Create and implement a strategy for the defeasance of the bonds. Contact the bond trustee to obtain information regarding defeasance of the bonds, such information to include the sums required to defease the bonds (principal, interest, premiums, penalties, trustee fee, etc.), the escrow balances (sinking fund, reserves, etc.), the notice, timing and any other requirements for defeasance, and identification of the party responsible for satisfying such requirements. Thereafter the PAE shall secure from the bond trustee a letter or other written confirmation containing all requirements and instructions necessary to defease the bonds. The PAE must verify the appropriateness of the sums required for defeasance. The Restructuring Plan the PAE submits to OMHAR must incorporate a financial cost/benefit analysis and the PAE's recommendation to either defease the bonds concurrent with Closing, or delay Closing until the bonds may be redeemed. If the defeasance is approved by OMHAR, the PAE will be instructed by OMHAR to implement the bond defeasance strategy in coordination with the standard requirements for Closing. A PAE fulfilling these duties will receive compensation in accordance with Exhibit 4.

5.6 Training Through Technical Assistance Briefings. The PAE and its Subcontractors must attend such technical assistance briefings as required by the Director. The PAE will be notified of required training via electronic mail or U.S. Mail, at the Director's discretion, and the PAE will be reimbursed for such travel costs pursuant to Section 9.2.6.

5.7 PAE Standards of Performance. The PAE shall at all times act in good faith and in the best interests of the Director and shall carry out its duties with all deliberate speed. The PAE shall use its best efforts and exercise all due care and sound business judgment in performing its duties under the Agreement, and shall act to avoid conflicts of interest or the appearance of conflicts of interest in the performance of its duties. The PAE shall at all times comply with all applicable statutes, the Final Regulations, and the Guide, including, without limitation, the Standards of Conduct in Section 401.311 of the Final Regulations.

5.7.1 The PAE shall perform its duties and responsibilities within the following timelines. All activity deadlines pertaining to a Project will be calculated from the date of Acceptance of the Project.

- a) Fulls.
 - 1) Order all standard required third-party reports within 30 days.
 - 2) Complete Required Due Diligence within 150 days.
 - 3) Submit an approvable Restructuring Plan, recommend a Completion, or recommend an approvable (by OMHAR) conversion to a Lite, within 210 days.
 - 4) Complete closing within 12 months.

- b) Lite Transactions.
 - 1) Order all standard and required third-party reports within 30 days.
 - 2) Submit a Subsidy Restructuring Recommendation that is approved by OMHAR for Tier 1 Lite within 90 days, or for Tier 2 Lite within 120 days.
 - 3) If a Full converts to a Lite, then the deadlines will be calculated from the time of the conversion. If, however, the standard and required third-party reports for the Project have been completed prior to converting, then the deadlines shown in b) 2) above will be reduced by 30 days, to 60 days for a Tier 1 Lite, and 90 days for a Tier 2 Lite.

- c) Rent Comparability Reviews.
 - 1) Complete a Rent Comparability Review that is approved by OMHAR within 75 days.
 - 2) If a Rent Comparability Review converts to a Full or a Lite, then the PAE shall satisfy the provisions of a) and b) above, as applicable.

- d) Reactivated Fulls.

If a Project that previously reached Completion (but did not close) is reactivated and re-assigned to the PAE, the PAE shall submit a Restructuring Plan and close or reach

Completion within the time period agreed to by OMHAR and the PAE as evidenced by the signed form 2.16, which is required to Reactivate a Project. This time period may be extended by the Director for cause, for example, if new third-party reports are deemed necessary.

e) Lites that Convert to Fulls.

If a Lite converts to a Full, then the timelines in a) 3 and a) 4 above will be applied from the date of the original Acceptance.

5.7.2 Without limiting any term or condition of the Agreement, failure by PAE to meet the deadlines in the timelines specified in Section 5.7.1 constitutes a default under the Agreement. Time is of the essence with respect to PAE's compliance with these deadlines.

5.7.3 The Director, in its sole discretion, may extend any deadlines upon a showing of good cause. No extension shall be effective unless in writing and signed by the Director or the Director's authorized representative.

5.8 PAE's Procedures for Approval of Restructuring Plan and Subsidy Restructuring

Recommendation. The PAE shall have developed internal procedures for its approval of Restructuring Plans for Fulls and Subsidy Restructuring Recommendations for Lites. The procedures shall provide quality control through the use of an internal loan committee or other review and approval mechanism, satisfactory to OMHAR.

5.9 Preparation of Restructuring Commitment. The PAE shall prepare, for the Director's signature, a Restructuring Commitment, which incorporates the Restructuring Plan approved by the Director.

5.10 PAE Administrative Duties

5.10.1 PAE's Key Personnel. Exhibit 3 identifies certain employees and Subcontractors of the PAE as important to the proper performance of the PAE's duties under the Agreement ("Key Personnel") and the percentage of time allocated to performing the Services in accordance with the Agreement. OMHAR relied upon the PAE's representation as to Key Personnel in the award of the Agreement and Projects. The PAE agrees to identify in Exhibit 3 a primary contact person, including telephone number and e-mail address, who is responsible for day-to-day activities of the PAE under the Agreement. The PAE also agrees to notify the Director of and obtain the Director's written approval for any change in Subcontractors listed in Exhibit 3 or their respective percentages of time, and will provide the Director with a summary of the qualifications of any substituted Key Personnel. Substitution of Key Personnel with equally qualified personnel as determined by the Director will result in approval of the change.

5.10.2 The PAE has a continuing obligation to update Exhibit 3 with the names of Key Personnel and Subcontractors and their allocated time of performance so that it will be true and correct at all times.

5.10.3 Delivery of and Modification to the Guide. From time to time the Director, at his sole discretion, may modify and make changes to the Guide. The PAE shall be responsible for keeping current with the modifications to the Guide. Modifications to the Guide shall be made available by the Director to the PAE either in hard-copy or in electronic forms, including posting on the OMHAR website. The PAE will be notified by mail and electronically of the availability of modifications to the Guide, and shall implement the changes in the Guide upon receipt of such notice, unless otherwise specified by the Director. If the Director imposes a change to the Guide which causes a substantial impact on the PAE's costs and expenses or time limits for performance of its restructuring duties, the Director will take such change into account if the PAE requests a waiver in related fee limits or time limits.

5.11 Advertising and Publicity. The PAE shall not issue or sponsor, and it will require its Teaming Partner and Subcontractors, if any, not to issue or sponsor, any advertising or publicity that states or implies, either directly or indirectly, that Director endorses, recommends or prefers the Services of the PAE, and/or those of any Teaming Partner or Subcontractor. The PAE shall not use, and shall require that its Teaming Partner or Subcontractors not use, the HUD or FHA logo in any fashion without Director's prior written approval.

ARTICLE 6 -- TENANT PARTICIPATION

6.1 Tenant Opportunity to Participate. The PAE shall provide an opportunity for the Project's tenants and local community groups to give comments to the PAE during the development of a Full or Lite, as provided for and in accordance with the Guide.

6.2 Tenant Meetings. The PAE must hold a minimum of two meetings with Project tenants to provide information regarding the restructuring for a Full, and provide an opportunity to Project tenants to comment on the proposed Restructuring Plan. Additional details regarding required tenant meetings are found in the Guide.

6.3 Tenant Participation In Restructuring Process. The PAE shall work with the Owner to ensure that tenants and local community groups may have effective and timely participation in the restructuring process, and that tenant organizers are permitted access to the Project, at the request of tenants, for the purpose of assisting tenants to organize and participate in the restructuring pursuant to the terms of the Guide. If the PAE becomes aware that the Owner is not assisting the tenants and local community groups in this manner, the PAE shall so notify the Director.

ARTICLE 7 – THE PAE'S CONTRACTS WITH TEAMING PARTNERS

7.1 Teaming Partner Notification.

7.1.1 To the extent that there are in effect on the Effective Date of the Agreement, or thereafter, contracts with Teaming Partners proposed to be used under the Agreement covering any of the Services, the PAE shall inform the Director of the extent to which the PAE proposes to use such Teaming Partners.

7.1.2 The PAE shall inform the Director of the Services being performed by the Teaming Partners.

7.1.3 The PAE has an ongoing obligation to inform the Director of any changes in the use of Teaming Partners during the Term.

7.2 PAE's Responsibility. Notwithstanding the PAE's right to enter into Teaming Partner subcontracts, the PAE shall remain solely responsible and liable for the proper and timely performance of the Services and management and timely performance of its duties and the duties of its Teaming Partners in the performance of the Agreement.

7.3 Contracts with Teaming Partners. The PAE shall ensure that all Teaming Partner subcontracts shall be consistent with the terms of the Agreement and the PAE's duties hereunder. Among other provisions, each Teaming Partner subcontract shall provide that:

7.3.1 The Teaming Partner agrees to seek damages or other remedies solely against the PAE and not against the Director, the Secretary, HUD, the Owner and their respective officers, directors or employees, for any claim arising under the subcontract. (Collectively, the Director, the Secretary, HUD, the Owner or their respective officers, directors or employees shall be referred to as "Other Parties.") Upon request that may be made from time to time, the Teaming Partner will acknowledge that it has no claims against the Other Parties, or any of them, or will waive any such claims it believes it may have against the Other Parties, or any of them.

7.3.2 The Teaming Partner shall maintain its Records and agrees to make them available for inspection by the PAE, HUD's Inspector General, the Director, and any of their designees, and any other Government agency upon reasonable notice by or on behalf of HUD or the PAE, such inspection to be in a manner consistent with the requirements placed upon the PAE under Article 15 and Article 16 of the Agreement;

7.3.3 The Teaming Partner shall treat non-public information in a manner consistent with the requirements of Article 14 of the Agreement;

7.3.4 The Teaming Partner shall obtain such insurance coverage as may be reasonably directed by the PAE; and

7.3.5 Teaming Partner may not assign its contract with the PAE without the PAE's prior written approval.

7.3.6 The Teaming Partner shall meet the same conflict of interest standards as required of the PAE.

7.4 Supervision of Teaming Partners. The PAE shall monitor and supervise diligently the Teaming Partners' performance of their duties under the subcontracts, including the Teaming Partners' supervision of their subcontracts, if any.

ARTICLE 8 -- DUTIES OF THE DIRECTOR OF OMHAR

8.1 Duties and Authority of the Director. The Director has the duty to administer, on behalf of the Secretary, the program of mortgage and rental assistance restructuring for eligible multifamily housing Projects under MAHRA.

8.2 Provision of Project Files and Information to the PAE.

8.2.1 Project Files.

(a) Delivery of Files. The Director shall endeavor to provide to the PAE access to available Project files and shall endeavor to make such materials available to the PAE or its Subcontractor in the appropriate Field Office location where the PAE may photocopy such files as needed.

(b) Custodial Relationship. In holding the Project files or copies thereof, the PAE shall act as custodian for, and for the benefit of, the Director.

8.2.2 Information. The Director shall furnish the PAE with information determined by the Director to be required for the orderly performance of the PAE's duties under the Agreement, including information regarding changes in the Director's policies and procedures affecting any matter relevant to the PAE's performance of the Agreement, although nothing herein limits the PAE's responsibility for keeping current with modifications to the Guide in accordance with Paragraph 5.10.3 of the Agreement.

8.3 Approval and Execution of Documents. The Director shall have the sole right and authority in each Transaction to approve the proposed Subsidy Restructuring Recommendation, or approve the proposed Restructuring Plan and execute the proposed Restructuring Commitment, any extension of the

Section 8 HAP Contract, all Closing Documents and all other pertinent documents in accordance with applicable law and regulations. Should the Director take more than 30 Days to approve the proposed Restructuring Commitment or the proposed Subsidy Restructuring Recommendation, the excess time will not be included in the total amount of time it takes the PAE to complete the restructuring when calculating the satisfaction of the deadline requirements in Section 5.7.1 or for Incentive Fee purposes.

The Director, however, may elect not to approve a proposed Restructuring Plan or a proposed Subsidy Restructuring Recommendation. The Director shall inform the PAE of the reasons for not approving the proposed Restructuring Plan or the proposed Subsidy Restructuring Recommendation. The PAE will either (a) revise and resubmit to the Director the proposed Restructuring Plan or the proposed Subsidy Restructuring Recommendation for approval; or (b) consent to OMHAR's withdrawal of the Project and receive compensation based on the Director's determination of the value of the services performed with regard to the Project. The Director will have another 30 Days to approve a resubmitted document, which time period will count towards the timeline requirements. If the Director's approval occurs after 30 Days, then the additional days above 30 will not count towards the timeline requirements in Section 5.7.1 or for Incentive fee purposes.

8.4 Compensation of a PAE. The Director shall compensate a PAE for its Services under the Agreement in accordance with the provisions of Articles 9 and 10 and Exhibits 4 and 5 of the Agreement. The Director shall comply with the applicable provisions of the Prompt Payment Act, 31 U.S.C. 3901, et seq., as amended, when reimbursing a PAE.

ARTICLE 9 -- COSTS ASSOCIATED WITH PERFORMANCE OF CONTRACT; REIMBURSEMENT OF SPECIFIC SUBCONTRACTOR COSTS

9.1 General. The PAE is responsible for advancing to its Subcontractors funds that may be needed to complete their work, with reimbursement to the PAE for such advanced funds occurring in accordance with the provisions below. Reimbursement to the PAE will occur only when authorized, and payments will be made only to the PAE and not directly to such Subcontractors as may be utilized.

9.2 Reimbursement of Subcontractors. HUD shall reimburse the PAE for costs as follows:

9.2.1 Appraisals and Rent Comparability Studies. The PAE shall be reimbursed for the actual cost, subject to the following limits and other considerations, for Rent Comparability Studies and limited scope appraisals that are prepared in accordance with the Guide:

- a) Except as provided herein, unless the Director gives prior written approval, only one work product (Rent Comparability Study or limited scope appraisal) may be submitted for reimbursement for each Project.
- b) Fulls and Lites. \$6,000 for a limited scope appraisal.
- c) Rent Comparability Reviews. \$3,000 for a Rent Comparability Study.
- d) Rent Comparability Study that converts to a Full. \$6,000, including amounts already paid for the Rent Comparability Study.
- e) Waivers to these limits may be provided at the discretion of the Director in the event of additional requirements due to multiple sites within a Project or other considerations.
- f) The Director shall require the PAE to either obtain three (3) bids for an appraisal or employ another competitive procurement process that has received the Director's prior written approval. The PAE shall select the contractor that provides the best value to the Federal government, taking into account both quality and cost, which contractor need not necessarily be the lowest bidder. Once selected through the approved competitive procurement process, the contractor may be engaged by the PAE to work on multiple Projects through the Term of the Agreement.

9.2.2 Physical Condition Analysis (PCA) Reports. The PAE shall be reimbursed for the costs of PCA Reports up to a maximum of \$4,000 each. Director shall pay for only one PCA Report for each Project. The Director shall require the PAE to either obtain three (3) bids for PCA Reports or employ another competitive procurement process that has received the Director's prior written approval. The PAE shall select the contractor that provides the best value to the Federal government, taking into account both quality and cost, which contractor need not necessarily be the lowest bidder. Once selected through the approved competitive procurement process, the contractor may be engaged by the PAE to work on multiple Projects through the Term of the Agreement. A waiver of the \$4,000 maximum may be granted for a Project at the discretion of the Director in the event of additional requirements due to multiple sites within a Project or other considerations.

9.2.3 Legal Counsel. The Director shall reimburse the PAE up to a maximum of \$7,500 per Project for payments, including fees and expenses, made to counsel hired by the PAE to (i) prepare all Closing and mortgage documents, (ii) review all Closing and mortgage documents to ensure that they are in conformance with the terms of the Restructuring Commitment approved by the Director and the standard M2M closing documents, and/or (iii) legal research regarding ownership and restructuring issues.

Any deviations from standard M2M closing documents, including changes due to State or local law requirements, must be brought to the attention of the Director for appropriate action. If the PAE chooses to use Outside Counsel, the PAE must either obtain three (3) bids for outside legal services or follow another competitive procurement process that has received the Director's prior written approval. The PAE shall select the contractor that provides the best value to the Federal government, taking into account both quality and cost, which contractor need not necessarily be the lowest bidder. Once selected through the approved competitive procurement process, the contractor may be engaged by the PAE to work on multiple Projects through the Term of the Agreement. If the PAE employs counsel on staff it may elect to use such counsel to perform the services contemplated. Subject to the maximum fee limitations set forth above, the Director shall reimburse the PAE for legal services provided under the Agreement by its counsel on staff at the PAE at the salary rate currently paid to the counsel plus associated overhead and benefits, so long as the PAE supplies adequate supporting documentation to the Director. The \$7,500 payment maximum may be waived by the Director for good cause.

9.2.4 Environmental Assessment. The Director shall pay a reasonable fee up to \$1,000 to the PAE for completing the environmental checklist, or shall reimburse the PAE for payments made to a Subcontractor who completes the environmental checklist. In the event there are adverse findings and the findings are documented by the PAE or Subcontractor, the PAE may seek from the Director approval for further environmental assessments and additional payment or reimbursement.

9.2.5. Multiple Project Solicitation. Each request for bids issued by the PAE under sections 9.2.1. 9.2.2 and 9.2.3 above, may solicit services for multiple Projects.

9.2.6 Travel.

(a) Travel for Technical Assistance Briefings. The Director shall reimburse the PAE for reasonable costs associated with travel by the PAE and its Teaming Partners to technical assistance briefings and other M2M Program activities required by the Director. For all participants from a particular PAE, reimbursement will be at cost, up to an aggregate maximum of \$5,000 per technical assistance briefing.

(b) Travel Related to Restructurings. The PAE shall be reimbursed up to a total of \$3,000 for each Project for travel related to a specific Full or Lite, which payment limitation may be waived by the Director for good cause.

(c) Additional Travel Reimbursement Limitation. In addition to the limitations provided for in Subsections (a) and (b) above, reimbursement for travel costs is also subject to government travel per diem restrictions as well as restrictions on the methods and class of transit set forth in 48 CFR 31.205-46.

9.2.7 Other Subcontractors. The Director shall reimburse the PAE for costs associated with other necessary Subcontractors, provided the Director's prior written approval is obtained for any and all costs in excess of \$2,500. This shall include up to \$500 for the third party cost of researching and identifying potential title and ownership issues during Due Diligence, in accordance with the Guide. For all subcontracts, the PAE shall exercise sound business judgment and take steps to ensure that the subcontract provides the best value to the Federal government, taking into account both quality and cost.

9.2.8 Bond-Financed Projects. If the PAE determines that a Project is subject to state or local bond financing, if the bonds are redeemable or defeasable, and if OMHAR instructs the PAE to move forward to underwriting, including creation and implementation of a redemption or defeasance plan in accordance with Article 5, reasonable fees incurred by the PAE for the bond trustee, bond counsel for the trustee, or other services required by the bond trustee as part of a redemption or defeasance will be treated as transaction costs at Closing, unless Closing does not occur in which event fees incurred will be reimbursed upon Completion.

9.3 General Reimbursement Requirements. The Director shall reimburse a PAE up to the limits specified above upon the PAE's presentation to HUD of an invoice from the PAE or a Subcontractor, accompanied by an approval signed by the PAE that costs incurred or the work performed by the PAE or Subcontractor are acceptable and complete. Any request for reimbursement of work performed by the PAE or costs incurred by the PAE must also be accompanied by a certification that the cost of the work performed by the PAE or incurred by the PAE is in conformity with the normal and customary costs charged for equivalent services in the geographic locale by Subcontractors and comply with other applicable HUD guidelines. If the PAE can demonstrate that the normal and customary costs for these items exceed the maximum reimbursement amounts stated above, the PAE may request, in writing, that the Director waive the maximum reimbursement amounts.

ARTICLE 10 – THE PAE'S COMPENSATION

10.1. General. In exchange for the Services rendered pursuant to the terms of the Agreement, the Regulations and the Guide, the PAE will receive the applicable Base Fee as set forth in Exhibit 4, will be reimbursed for certain expenses, and will be eligible to receive Incentive Fees for achieving the goals established in Exhibit 5. All Fees properly invoiced to OMHAR shall be paid within 30 days of receipt. Written approval of a Project status change (for example, from a Full to a Lite) must be obtained from the Director prior to proceeding with work under the new status.

10.2. Base Fees. Base Fees will be paid to the PAE as shown in Exhibit 4.

10.3 Incentive Fees. The PAE may earn fees in addition to the Base Fee if the PAE accomplishes certain goals as described in Exhibit 5.

10.4 Payment to a PAE Upon Withdrawal. In the event the Director withdraws a Project due to the PAE's failure to perform in accordance with the Agreement, or in the event that the Participating Administrative Entity terminates the Agreement in accordance with Section 16.3.2, the PAE will be paid at the point of withdrawal an amount that the Director determines is equal to the value of the Services performed by the PAE with respect to such Project based on the Fees set forth in Exhibit 4, plus reimbursement for costs incurred by PAE pursuant to Article 9. In the event the Director withdraws a Project for any reason set forth in Section 4.2.2, other than for the reasons specified in Section 16.1, the Director shall pay the PAE for its services an amount equal to the Base Fee next due pursuant to Exhibit 4, plus reimbursement amounts payable under Section 9.2. The aforesaid payments and reimbursements are paid subject to the Director's right of set-off or recoupment. Payment to the PAE will be withheld until all records pertaining to the subject Project are returned to the Director.

ARTICLE 11 – INDEMNIFICATION

As more particularly set forth in Exhibit 6 attached hereto and incorporated herein.

ARTICLE 12 -- LEGAL REPRESENTATION

12.1 PAE Counsel. The PAE may retain counsel or use staff counsel to advise the PAE regarding its rights and obligations under the Agreement. The PAE shall bear its own expenses incurred in connection with any such legal services. Legal fees incurred by the PAE and its Subcontractors in carrying out its duties hereunder shall be the responsibility of the PAE as provided in the Guide and shall not be reimbursed by the Secretary, unless deemed to be a reimbursable legal document review expense or legal research expense pursuant to Section 9.2.3 above or a litigation related expense pursuant to Section 12.2 below or a non-public information review expense pursuant to Section 14.2 below. However, subject to the Director's prior written approval, the PAE may be reimbursed for reasonable legal fees associated with the settlement of threatened litigation or penalty assessments that the Director and HUD deem to be valid and imminent. Legal interpretations of the M2M Program's statutory authority and the Regulations published in the Federal Register shall be made only by HUD Counsel after reasonable consideration of the PAE's position.

12.2 Notice of Claims; Control of Litigation and Claims.

12.2.1 Notice of Claims. PAE shall promptly notify the Director and the Secretary, and the Director or Secretary shall promptly notify the PAE in writing of any and all litigation and claims which to their

knowledge have been made or threatened against the Projects, Secretary, Director, HUD, PAE or any Subcontractor, or any officer, director, partner, employee or agent of any of them in connection with the Agreement or otherwise in connection with the M2M Program.

12.2.2 Control of Litigation and Claims.

(a) The Secretary shall control all litigation and claims made or threatened against the Projects, the Secretary, the Director, HUD, and the PAE or any officer, director, partner, employee or agent of any of them in connection with the performance of the Agreement or otherwise in connection with the M2M Program, provided that the Secretary shall consult with the PAE to the extent that the defenses or claims it asserts in such litigation (or in connection with such claims) affect or have a reasonable likelihood of affecting the rights of the PAE, and the PAE shall cooperate with the Secretary to the extent necessary to permit the Secretary to defend or prosecute such litigation.

If the PAE believes that the Secretary's position in the litigation is directly adverse to its position, the PAE may pursue its own defense separate and apart from the Secretary's. In this event, the PAE shall be responsible for its legal expenses.

(b) The PAE Counsel shall control all litigation or claims made or threatened solely against the PAE or any officer, director, partner, employee or agent of the PAE, in connection with the performance of the Agreement or otherwise in connection with the M2M Program, provided that the PAE shall immediately provide written notice of any such litigation or claims. If the Secretary, or the Secretary's legal representative, determines that there is a federal interest, the Secretary, through the Department of Justice, may elect to participate, in which case the matter shall be handled in accordance with Section 12.2.2(a). In any event, the PAE shall consult with the Secretary to the extent that the defenses or claims it asserts in such litigation (or in connection with such claims) affect or have a reasonable likelihood of affecting the rights of the Secretary, the Director, or HUD, and the Secretary shall cooperate with the PAE to the extent necessary to permit the PAE to defend or prosecute such litigation.

(c) Nothing in this section 12.2.2. shall prevent either the PAE or the Secretary from taking action available to it under Federal or State law to implead or otherwise join the Secretary or PAE in the action brought against it.

12.2.3. Reimbursement of Legal Expenses.

Should the PAE, or any officer, director, partner, employee or agent thereof, become directly or indirectly involved with litigation or a claim as the result of performing its duties under the authority of the Agreement, whether as a joint or sole defendant, the Secretary shall reimburse PAE for any reasonable

legal costs and expenses, including but not limited to, reasonable attorney's fees (including fees for PAE Counsel) the PAE incurs by participating in such litigation or claim ("Litigation Costs") provided that the Secretary determines that the Litigation Costs are reasonable and appropriate for the litigation services rendered. The Secretary shall reimburse the PAE for legal expenses through regular billing pursuant to Section 9.3. If the PAE is required by the court to post a bond pending appeal, the Secretary shall reimburse the PAE for the cost of the bond. Notwithstanding anything to the contrary above, the Secretary shall not be obligated to pay Litigation Costs and shall be entitled to reimbursement of any funds paid to the PAE for Litigation Costs if the Secretary makes a determination that the PAE's actions, which are the subject of the litigation or claim, were not performed pursuant to the authority of the Agreement. Subject to the Director's prior written approval, the PAE may be reimbursed for reasonable legal fees associated with the settlement of threatened litigation or penalty assessments that the Director and HUD deem to be valid and imminent.

12.3 Representation of Owners. PAE Counsel retained in connection with the Agreement or the M2M Program may not, during the period which counsel is so retained, provide legal services to any Owner or any other party, except the Director, HUD or another participating administrative entity, with regard to any Project under the M2M Program or with regard to any party or entity in any enforcement proceeding with HUD. After PAE Counsel's employment under the Agreement has been terminated, PAE Counsel may not represent an Owner or any other party in any M2M matter relating to those Projects assigned to the PAE under the Agreement during the period counsel was retained by the PAE.

12.3.1 Limitations. In connection with the Agreement, without the prior written consent of the HUD Counsel, the PAE has no authority to do the following: (i) initiate litigation, (ii) make or accept settlement offers or (iii) undertake an appeal from an adverse judgment.

ARTICLE 13 -- REPRESENTATIONS, WARRANTIES AND COVENANTS

13.1 Representations and Warranties of Director. Director represents and warrants as follows:

13.1.1 Director has the power and authority required to execute, deliver and perform the Agreement.

13.1.2 Director's execution, delivery and performance of the Agreement have been duly authorized by all necessary official action.

13.1.3 The Agreement constitutes a legal, valid and binding agreement of the Director, enforceable against the Director in accordance with its terms.

13.2 Representations, Warranties and Covenants of PAE.

13.2.1 Representations and Warranties. PAE represents and warrants as follows, that as of the date hereof and through the period of this contract and its extensions:

- (a) It has full power and authority to execute, deliver and perform the Agreement; it is an entity duly organized, validly existing and in good standing under the laws of the State or locality of its formation and with full power and authority to execute, deliver and perform the Agreement;
- (b) The execution, delivery and performance of the Agreement have been duly authorized by all necessary corporate action of PAE;
- (c) The Agreement constitutes a legal, valid and binding agreement of PAE, enforceable against PAE in accordance with its terms, except as limited by bankruptcy, insolvency, receivership and similar laws from time to time in effect;
- (d) PAE possesses all necessary licenses, permits and approvals required to execute, deliver and perform the Services and its duties under the Agreement and is qualified to do business in all jurisdictions where such qualification is required for PAE's performance of its duties under the Agreement;
- (e) To the best of PAE's knowledge, there is no litigation pending or threatened which would adversely impede or prevent PAE's execution and performance of the Agreement, or which poses a conflict of interest in which the PAE is taking an adverse position in litigation, an administrative proceeding or other contested matter with HUD or an Owner whose Project is covered by the Agreement; and
- (f) The representations and warranties made in the documents submitted as part of the PAE's response to the Request for Qualifications, as may have been updated by the PAE and approved by the Director, are true and correct.
- (g) The computer hardware and software to be used by the PAE in performing under the Agreement currently is compatible with the standards listed in Attachment 2 hereto.

13.2.2 PAE Covenants. The PAE covenants that it will comply with, and will cause each Subcontractor to agree in its agreement or subcontract with the PAE to comply with, all applicable Federal and State laws and regulations, including the Guide, in performing its and their respective responsibilities under the Agreement and the subcontracts.

13.3 Opinion of Counsel. If deemed necessary in the sole discretion of the Director, the PAE shall provide Director with an opinion of counsel confirming the matters set forth in 13.2.1(a)-(e) above.

13.4 Notifications to Director. The PAE shall promptly provide the Director with notice of any anticipated development or event that would adversely and materially affect the PAE's financial condition or its ability to perform its obligations under the Agreement.

13.5 Conflicts. The PAE shall promptly notify the Director of any conflicts between the MAHRA, the Regulations, the Agreement and the Guide.

ARTICLE 14 -- CONFIDENTIAL INFORMATION

14.1 Confidentiality of Nonpublic Information.

14.1.1 Definition of Nonpublic Information. For purposes of the Agreement, all information that the Director provides or causes to be provided to PAE, or information that PAE otherwise may obtain, in connection with its duties under the Agreement shall be deemed to be nonpublic ("Nonpublic Information"), unless such information is otherwise available to the public or made subject to disclosure under the Agreement. Subject to the foregoing, Nonpublic Information also shall include: (a) any specifications, knowledge, strategies or technical data, processes, business documents or information, marketing research and other data, customer or client lists or sources of information which are owned, possessed or used exclusively by or for the benefit of the Director; and (b) confidential information or materials obtained by PAE from a third party in connection with PAE's performance under the Agreement. Nonpublic Information shall be treated subject to the provisions of this Article 14.

14.1.2 Duty to Maintain Confidentiality of Nonpublic Information. The PAE shall strictly comply with the requirements of all applicable laws and HUD in dealing with all Nonpublic Information it obtains in connection with its performance under the Agreement, and, except as required by any law, court order, subpoena or by the Director, or as required to perform PAE's duties under the Agreement, neither PAE nor its Related Entities shall disclose Nonpublic Information to anyone, nor shall they use or allow the use of any Nonpublic Information to further any private interest other than as contemplated by the Agreement. The PAE shall take appropriate measures in accordance with the requirements of Federal law and HUD to ensure the confidentiality of all Nonpublic Information and to prevent its inadvertent or unintentional disclosure or its inappropriate use by the PAE or its subcontractors, by its or their employees or Affiliates. The duties described under this Section 14.1.2. shall survive the Expiration or Termination of the Agreement. At all times such information shall remain the sole property of the Department of Housing and Urban Development.

14.2 Notice of Orders Requiring Disclosure of Nonpublic Information. The PAE shall immediately notify the Director and the Director or Secretary shall immediately notify the PAE in writing

of any subpoena or court order requiring disclosure of Nonpublic Information in accordance with State and Federal law. The PAE, at the Director's direction, shall appeal or challenge such subpoena or court order before disclosure, and shall cooperate fully with the Director in challenging any subpoena or order requiring the disclosure of Nonpublic Information. PAE shall be reimbursed for legal expenses incurred in challenging Nonpublic Information requests as per Section 12.1. PAE shall have no authority to disclose Nonpublic Information except in conformity with this Article 14.

ARTICLE 15 -- BOOKS, RECORDS AND PAE OVERSIGHT

15.1 Recordkeeping and Reporting Requirements.

15.1.1. General.

(a) Maintenance of Substantiating Documentation. At all times during the Term of the Agreement and for 3 years following Expiration or Termination, the PAE shall maintain a complete and accurate set of files, books, documents, papers, reports and records of all business activities and operations conducted by the PAE, and all photocopies or reproductions thereof, relevant to each restructure transaction attempted or completed under the M2M Program or to the PAE's performance under the Agreement (all of which shall collectively constitute the "Records"). The PAE shall require its Teaming Partners to maintain a complete and accurate set of files, books, documents, papers, reports and records of all business activities and operations conducted by the Subcontractor, and all photocopies or reproductions thereof, relevant to each restructure transaction attempted or completed by the Subcontractor under the M2M Program or to Subcontractor's performance of the requirements of the Agreement. The PAE shall maintain at its principal place of business, or a convenient, secure location off-site, the final reports or other final work product and Records prepared by the PAE and its Teaming Partners. All Records stored off-site shall be available to the Director upon 48 hours notice to the PAE. All Records collected or prepared by the PAE or Teaming Partners, or related to a Project, or related to the PAE's performance under the Agreement shall be the property of the Director and shall not, in any manner, be construed to be the property of the PAE.

(b) Production of Records to Director. The PAE shall promptly forward such Records as the Director shall require in writing, with reasonable costs to be reimbursable.

15.1.2 Generally Accepted Accounting Principles. The PAE shall maintain all accounts and prepare the related financial statements and reports required under the Agreement in accordance with generally accepted accounting principles applied on a consistent basis and formatted in a manner acceptable to HUD.

15.1.3 Retention of Records. Retention and disposition of Records shall be governed by Section 16.4.3.

15.1.4 Director's Right to Examine Books and Records and to Audit.

(a) Access to Books and Records. At all times during the Term of the Agreement and at all times during the three (3) year period following the Expiration or Termination of the Agreement, Director and its duly authorized agents, representatives, employees, or other Government agency may, upon forty-eight (48) hours notice, enter upon the PAE's place of business and, during business hours, inspect, audit, and copy: (i) any Records held by the PAE relevant to PAE's performance under the Agreement; and (ii) any Records held by the Subcontractor relevant to PAE's performance under the Agreement. PAE shall not require unreasonable prior notice or otherwise limit the access of the Director or its duly authorized agents, representatives or employees when they seek to perform such examination of the Records held by PAE or any Subcontractors. PAE shall also make available to the Director the appropriate staff for purposes of conducting a Records review or for other reasonable purposes. The limitations in this Section 15.1.4(a) regarding access to inspect shall not apply to HUD's Inspector General or the General Accounting Office.

(b) Subcontracting and Books and Records Access. PAE agrees to include in subcontracts under the Agreement a clause to the effect that the Director or its duly authorized agents, representatives or employees, or other Government agency may, until three years after final payment under the subcontract, at such reasonable times as the Director may determine, inspect, audit and copy any of Subcontractor's Records relevant to their performance related to the Agreement. Such clause shall provide that Subcontractor may require up to 48 hours notice and will not otherwise limit the access of the Director or its duly authorized agents, representatives or employees when they seek to perform such examination of the Records of the Subcontractor.

(c) Period of Examination. The periods of access and examination in subsections (a) and (b) above for Records relating to (1) litigation or settlement of claims arising from the performance of the Agreement, or (2) costs and expenses of the Agreement shall continue until such appeals, litigation, claims, or exceptions are disposed of.

15.1.5 Reports.

- a) Subject to 15.2.2, PAE shall have computer software and Internet access which is compatible with HUD's and able to update the M2M Information System (MIS) to generate the reports required by HUD.

- b) The PAE shall, in a timely manner, provide to the Director all information and documentation requested by the Director from time to time.
- c) The Director may require the PAE to meet with, submit additional reports, and/or participate in telephone conference calls with the Director to determine the status of each assigned asset.
- d) Within thirty (30) Days after the Termination or Expiration of the Agreement, the PAE shall prepare and deliver to the Director a final report that sets forth, among other things, a summary of the PAE's experience under the Agreement and the PAE's evaluation and recommendations based on its participation in the M2M Program.

15.2. Computer Systems.

15.2.1 Systems and Services Provided by the PAE. The PAE shall provide and maintain in good working order all computer equipment necessary to perform the duties required by the Agreement. The PAE shall provide the hardware, software and Internet capability to successfully electronically transmit information regarding the status of assigned assets and relevant data for each asset to the Director. To the extent that the Director's requirements change, to the extent reasonable the Director will cooperate with the PAE to provide sufficient time and support to ensure that PAE's hardware, software and Internet capability are sufficiently compatible to assure the successful transmission of restructuring data, and to remedy any technological difficulties. In the event that, due to technical difficulties, it becomes temporarily impossible to successfully electronically transmit restructuring data, the PAE may submit such data or documents via overnight courier and shall submit such data electronically as soon as practicable.

15.2.2 Proprietary Interest and License in Software and Systems. The Director shall have (a) the exclusive and absolute right, title and interest in and to all accounting and reporting systems and software owned by the Director or Secretary, or otherwise obtained or developed by the Director or Secretary at the Director's or Secretary's expense, and furnished to PAE for use in the performance of PAE's services under the Agreement, and (b) the right during the Term and for a period of three (3) years after the Expiration or Termination of the Agreement, and without additional cost to the Director, to use, for M2M Program purposes, solely on its own behalf, any and all accounting or reporting systems or software owned by PAE, or otherwise obtained or developed by PAE at PAE's expense for use in the performance of PAE's services under the Agreement, subject, however, to any restrictions, limitations or prohibitions in the contracts between the PAE and the Subcontractors which provide such systems or software. The PAE will provide and maintain, at its expense, a computer system that is compatible to the computer system currently used by OMHAR. The Director will provide, at his expense, any hardware or software that is more advanced than or is in addition to the hardware or software required by Attachment 2 hereto. The limitations relating to the three year period shall not apply to HUD's Inspector General.

**ARTICLE 16 -- TERMINATION OF AGREEMENT; PROCEDURES UPON
TERMINATION OR EXPIRATION OF AGREEMENT**

16.1 Termination by the Director for Cause. A default shall exist under the Agreement and the Director may terminate the Agreement for cause upon written notice to the PAE if the Director determines that any of the following events of default have occurred:

16.1.1 The PAE has made a false claim for reimbursement of costs under the Agreement or has made a statement to the Director or Secretary that contains an untrue material fact or fails to contain a material fact necessary to make the statements made not misleading, whether or not PAE has made such a statement to the Director or Secretary prior to the Effective Date or during the Term of the Agreement;

16.1.2 A material adverse change has occurred in the financial condition of PAE that affects or is likely to adversely affect PAE's performance under the Agreement;

16.1.3 A material adverse change has occurred in PAE's ability or capacity to perform the Agreement;

16.1.4

- a) The PAE files a petition for bankruptcy, reorganization or arrangement under any Federal or State statute, or makes an assignment for the benefit of creditors or takes advantage of any insolvency statute or similar statute.
- b) If a receiver or trustee is appointed for the property and assets of PAE and such receivership is not discharged within sixty (60) Days of such appointment;

16.1.5 The PAE or a principal thereof becomes ineligible to contract with the Director under applicable laws and regulations, or is the subject of any Federal or State debarment or suspension proceeding or similar administrative sanction or is indicted or convicted of any criminal offense.

16.1.6 The PAE fails to perform any of its duties pursuant to and in accordance with Article 5 hereof or any other term, condition or obligation pursuant to and in accordance with the Agreement or fails to comply with MAHRA or the Final Regulations.

16.1.7 The PAE, or those acting on its behalf (including Subcontractors), takes any action: (i) which is not permitted by the Agreement or not in accordance with PAE's responsibilities in ensuring performance of the Restructuring Commitment executed by the Director or the Subsidy Restructuring Recommendation executed by the Director; (ii) which is not within the scope of PAE's duties under the Agreement; (iii) which is not within PAE's authority under the Agreement; (iv) which amends any document which is a part of the Agreement or incorporated in the Agreement without the Director's

approval; (v) which fails to comply with HUD's statutes and Regulations; or (vi) which would constitute a violation of any Federal, State or local law.

16.1.8 The PAE has committed an act or acts of negligence or willful misconduct in the performance of its duties under the Agreement.

16.1.9 An Anticipatory Breach has occurred under the Agreement.

16.1.10 The PAE is in default in the performance of its obligations under the Agreement.

16.2 Payment Upon Termination for Cause. In the event of Termination due to an uncured default, the PAE shall be paid an amount the Director determines is equal to the value of the Services performed by PAE, for each Project, as of the date of Directors' notice of an event of default and the expiration of any cure period that may be contained in such notice. Such amount shall be based on the Fees set forth in Exhibit 4 and, if applicable, Exhibit 5, and will include PAE's reimbursable costs pursuant to Article 9. Notwithstanding the previous sentence or any other provision of the Agreement, the Director may, in such event, at Director's option, withhold any Fee or reimbursement expenses accrued but not yet paid.

In no event shall the amount of any sum retained by the Director under this Article 16 limit the amount that the Director may claim and recover against PAE in connection with any claim the Director may assert against PAE for damages due under the Agreement. The Director also retains the right of set-off and recoupment.

16.3 Termination for Convenience

16.3.1 Right of Director to Terminate for Convenience. The Director may, at his option and at any time, terminate the Agreement regardless of whether PAE is in default in the performance of any of its obligations under the Agreement if such Termination is in the best interests of the Federal government. In the event the Director terminates the Agreement for convenience, the Director shall pay the PAE for its Services an amount equal to the percentage of the Base Fee next due pursuant to the provisions of Article 10, plus reimbursement amounts due under Articles 9, 10, 11, 12 and 14.

16.3.2 Right of a Public Entity PAE to Terminate for Convenience. If the Participating Administrative Entity is a public entity, then the PAE may, at its option and at any time in accordance with applicable law, terminate this Agreement regardless of whether the Director is in default in the performance of any of its obligations under this Agreement if such Termination is in the best interests of the PAE. In the event the public entity PAE terminates this Agreement for convenience, the Director shall pay the PAE for its Services, pursuant to the provisions of Article 10, plus reimbursement for amounts owed pursuant to the provisions of Articles 9, 10, 11, 12 and 14.

16.4 Procedures for Termination.

16.4.1 Notice for Termination for Cause. The Director shall notify the PAE in writing of a default of the Agreement under Section 16.1. The Director shall provide the PAE with ten (10) Days to cure the default. If, at the end of the cure period, the Director determines that the violation has not been cured, the Termination of the Agreement shall be effective immediately, without further notice.

16.4.2 Notice for Termination for Convenience. In the event the Director wishes to terminate the Agreement for reasons of convenience, the Director shall provide the PAE with twenty (20) Days advance written notice of the Termination. The Termination will be effective at the end of the twenty (20) Day period.

16.4.3. Books and Records. Upon the Expiration or upon receipt of notice of Termination of the Agreement, PAE, as directed by the Director, either will immediately deliver all Records to the control of the Director or Director's authorized agent at Director's sole expense or will hold the Records for up to a three (3) year period. During this period, PAE shall continue to maintain Records relevant to its performance under the Agreement at its principal place of business, or a convenient, secure location off-site, which shall be accessible to the Director upon 48 hours notice to the PAE. Director shall have the right to enter upon PAE's place of business or off-site location to take physical possession and control of the Records, and the Director may restrain any breach of the provisions of this Section 16.4.3 by injunction. PAE may, at its own expense, make and maintain copies of the Records for its files for the period up to three (3) years following Expiration or Termination of the Agreement, subject to PAE's obligation to maintain the confidentiality of all Nonpublic Information in such materials in accordance with Federal law, HUD regulations and State law. In all events, PAE shall at the end of the three (3) year period following Expiration or Termination of the Agreement deliver the Records to the Director or Director's authorized agent at Director's sole expense, unless it has previously done so at the Director's request. PAE expressly waives all right to any statutory or possessory lien on the Records. PAE may request the Director to return to PAE copies of any Records that have been previously delivered to the Director under this section and have not been destroyed, for a limited period of time, as necessary for PAE to satisfy state law audit and other governmental requirements. PAE's request shall identify the Records and the governmental requirement for which the Records are sought.

16.4.4 Duty of Cooperation. Upon the Expiration or Termination of the Agreement, PAE will cooperate with the Director to effect an efficient, smooth, and timely transition of responsibility with respect to the Projects.

16.5 Effect of Termination. Upon the Termination of the Agreement for any reason, the Director's appointment of PAE shall terminate, but the Termination of the Agreement shall not affect any right, obligation or liability that has accrued under the Agreement. Upon Termination, the Director shall take over all responsibility for restructuring any Project under the Agreement as of the date of Termination.

The PAE is responsible for releasing all records to the Director upon Termination in accordance with Section 15.1.

16.6 Further Assurances. PAE shall cooperate with the Director after Termination of the Agreement to execute and deliver such documents as the Director may request to carry out the terms and provisions of the Agreement, provided that such documents shall not increase the PAE's liabilities or diminish the PAE's rights under the Agreement.

ARTICLE 17 -- MISCELLANEOUS PROVISIONS

17.1 Assignment; Binding Effect. PAE may not assign or transfer the Agreement or any rights or benefits under the Agreement to any person or entity without the prior written approval of the Director, which approval may be withheld or conditioned as the Director may determine. Any assignment made without receiving prior written approval of the Director shall be void. All of the covenants, conditions and obligations contained in the Agreement shall be binding upon and inure to the benefit of the respective successors and assigns of Director and PAE.

17.2 Notices. All notices, requests, demands and other communications which are required or permitted to be given under the Agreement shall, unless otherwise specified herein, be in writing and sent by hand delivery, overnight courier, registered or certified mail, return receipt requested, postage prepaid or facsimile (with the original sent within twenty-four (24) hours of such facsimile by hand-delivery, overnight courier or by registered or certified mail, return receipt requested and postage prepaid):

17.2.1 If to Director of OMHAR, to:

Director
Office of Multifamily Housing Assistance Restructuring
1280 Maryland Avenue, S.W., Suite 4000
Washington, D.C. 20024
Facsimile 202 708-5494

and to:

Director, Underwriting and Finance
Office of Multifamily Housing Assistance Restructuring
1280 Maryland Avenue, S.W.
Suite 4000
Washington, DC 20024
Facsimile 202 708-5494

with a copy in the case of disputes or legal matters to:

Associate General Counsel for Insured Housing
U.S. Department of Housing and Urban Development
451 Seventh Street, S.W.
Room 9226
Washington, D.C. 20410
Facsimile 202 708-2212

17.2.2 If to PAE to:

E:mail address: _____

All such notices, requests, demands and other communications shall be effective upon the actual delivery thereof to the address identified pursuant to this Section (or the refusal thereof by the addressee at the address identified pursuant to this Section). Either party may change its address for purposes of this Section by sending to the other party to the Agreement written notice of the new address in the manner specified in this Section. Each party shall be responsible for notifying the other of any change of address.

17.3 Nondiscrimination. PAE agrees that during the performance of the Agreement:

17.3.1 PAE shall not violate Federal or state laws that prohibit discrimination against any employee or applicant for employment because of race, color, religion, sex, age, mental or physical disability or national origin.

17.3.2 PAE shall take affirmative action to comply with all Federal and state laws to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, age, mental or physical disability or national origin. Such action shall include, but not be limited to: (i) employment; (ii) upgrading; (iii) demotion; (iv) transfer; (v) recruitment or recruitment advertising; (vi) layoff or Terminations; (vii) rates of pay or other forms of compensation; and (viii) selection for training, including apprenticeship.

17.3.3 PAE shall include the terms and conditions of Sections 17.3.1 and 17.3.2 in every Subcontract so that these terms and conditions will be binding upon each Subcontractor.

17.4 Severability. If any provision of the Agreement shall be determined to be invalid or unenforceable, the remaining provisions of the Agreement shall not be affected thereby, and every provision of the Agreement shall remain in full force and effect and enforceable to the fullest extent permitted by law.

17.5 Headings. The headings appearing in the Agreement are inserted only as a matter of convenience and in no way define, limit, construe or describe the scope or intent of any article or Section of the Agreement.

17.6 Survival. The provisions contained in the Agreement, including but not limited to the express obligations contained in Articles 11 and 12, which, by their terms, require their performance after the Expiration or Termination of the Agreement, shall be enforceable notwithstanding the Expiration or other Termination of the Agreement.

17.7 Waiver. Neither party's waiver of the other's breach of any term, covenant or condition contained in the Agreement shall be deemed to be a waiver of any subsequent breach of the same or any other term, covenant or condition in the Agreement.

17.8 Director's and PAE's Remedies Not Exclusive. The rights and remedies of the Director and the PAE provided in the Agreement are cumulative and not exclusive and are in addition to any other legal and administrative rights and remedies now or hereafter provided by law.

17.9 Notice of Claims under the Agreement. Director and PAE each agree that it will provide the other with written notice of any claim for legal relief or equitable relief it may have against the other arising under or in connection with the Agreement, that it will refrain from filing suit with respect to any such dispute for a period of sixty (60) Days following the other's receipt of such notice and that it will promptly meet with the other after providing such notice in a good faith effort to resolve the dispute.

17.10 Counterparts. The Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

17.11 Governing Law. The Agreement shall be governed by and construed in accordance with all applicable Federal laws and regulations.

17.12 Communications with the Media. Neither PAE nor its employees shall communicate with, or provide information to, members of the press or other media regarding its agreement with, or work for, the Director without the Director's prior approval, which will not be unreasonably withheld. Director

and the PAE will establish procedures to expedite compliance with this Section 17.12. Any requests from press or media personnel which are requests for the production of documents shall be handled pursuant to Article 14. Nothing here shall preclude a PAE from attending and participating in a public meeting that is also being attended and/or reported on by members of the press or other media.

17.13 Force Majeure. Director and PAE shall be excused for the period of any delay in the performance of any obligations under the Agreement when prevented from performing such obligations by cause or causes beyond their reasonable control, including, without limitation, civil commotion, war, invasion, rebellion, hostilities, military or usurped power, sabotage, pestilence, riots, fire or other casualty or acts of God.

17.14 Multiple Contracts or Engagements. If, at any time during the Term of the Agreement, the PAE is performing services for the Director pursuant to another contract or agreement, the PAE shall separately maintain Records and Operating Accounts for each such agreement and shall otherwise segregate matters pertaining to its performance under each such agreement.

17.15 Third Party Beneficiaries. PAE and Director agree that there are no parties which are third party beneficiaries to the Agreement.

17.16 Joint and Several Liability. If PAE is organized as a joint venture, the liability of the joint venturers in connection with all duties, obligations and liabilities under the Agreement shall be joint and several.

17.17 Entire Agreement; Modification. The Agreement and the Exhibits and Attachments hereto, which are hereby incorporated by reference, constitute the entire agreement between the parties. If there is any inconsistency between the terms of the Agreement and any attachments or exhibits hereto, the terms of the Agreement shall govern. There are no promises or other agreements, oral or written, express or implied, between them other than as set forth in the Agreement. No change or modification of, or waiver under, the Agreement shall be valid unless it is in writing and signed by a duly authorized representative of the party against which it is to be enforced.

IN WITNESS WHEREOF, each party has caused this instrument to be signed on its behalf by its duly authorized agent.

Witness:

DIRECTOR OF THE OFFICE OF
MULTIFAMILY HOUSING ASSISTANCE
RESTRUCTURING acting on behalf of the
SECRETARY OF HOUSING AND URBAN
DEVELOPMENT

By:

Barbara Chiapella, Acting Director

Date: _____

Witness:

By: _____

Title: _____

Date: _____

Exhibit 1**SCHEDULE OF PROJECTS**

All Projects assigned from and after January 1, 2002. Hereafter, all Projects assigned to the PAE will be identified on Exhibit 1.

Exhibit 2**Operating Procedures Guide**

The Guide, published online at www.hud.gov/omhar, is incorporated by reference.

Exhibit 3

KEY PERSONNEL OF THE PAE AND ALLOCATION OF TIME

PAE Personnel	Percentage of Time Allocated to M2M
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1)

2)

3)

4)

5)

6)

PAE Primary Contact Person:

Telephone Number of Primary Contact Person:

E:mail address of Primary Contact Person:

Exhibit 7 (for public entity PAEs)

State-Specific Revisions to the Original PRA for public entity PAE (referred to as Exhibit 4 under the Original PRA), incorporated herein by reference.

ATTACHMENT 1:

PAE's Full Review Procedure

To be attached by PAE.

ATTACHMENT 2:**PAE-Furnished Computer Equipment****Hardware:**

- Minimum processor = Pentium / 100 MHz or equivalent (233 MHz or higher is recommended)
- Min. hard drive size = 320 MB (2.0 GB is recommended)
- Min. RAM = 16 MB (64 MB recommended)
- Video / Screen Resolution = 800x600 w/ 256 colors
- Internet Service Provider (ISP) connection with min. speed of 28.8 bps

Software:

- Operating System = Windows 95 is recommended*
- Word Processor = Microsoft Word v. 6.0 (or ability to read/write/save as MS Word 6.0 or 7.0 files; MS Word 95 is recommended)
- Spreadsheet = MS Excel 5.0 (or ability to read/write/save as MS Excel 5.0 or 7.0 files; MS Excel 95 is recommended)
- Web Browser = Netscape 4.0 or higher (incl. forms, java, 128-bit encryption)
OR = MS Internet Explorer 4.0 or higher (incl. forms, java, 128-bit encryption)

The contractor must provide facsimile and fax/telephone line for the transmission and receipt of information relating to a Restructuring.

* HUD currently uses Microsoft Office 95 products. Plans call for HUD to upgrade to Microsoft 2000 products in the summer of 2001.