

COMMITMENT for Insurance Upon Completion Pursuant to Section 223(a)(7)

OFFICE OF HOUSING
Multifamily Production

U.S. Department of Housing
and Urban Development

EXHIBIT B: ADDITIONAL CONDITIONS Section 223(a)(7)

{**INSTRUCTIONS**: Include all applicable conditions in this form as Exhibit B: Additional Conditions.

If applicable, also add any unique, deal-specific conditions required by HUD as Exhibit B-2. Note that there are no standard boilerplate deal-specific conditions. These conditions are of such nature that they cannot be anticipated with predetermined language.

Also add any applicable conditions required under state law.}

223(a)(7) Critical and Non-Critical Repairs. The provisions of this paragraph shall apply to any critical repairs required by this Commitment to be completed and inspected prior to Endorsement and to any non-critical repairs required by this Commitment to be completed after Endorsement. All repairs are listed in the Critical and Non-Critical Repairs List, as applicable, attached hereto as Exhibit C and must meet the specific requirements contained in Chapters 5 and 6 of HUD's Minimum Property Standards (MPS) Handbook 4910.1 and Chapter 5 of the MAP Guide. HUD encourages Borrowers to utilize energy saving devices and methods when making repairs.

(a) Critical Repairs. HUD estimates that the critical repairs will cost the amount above identified as the "Critical Repairs Costs." Evidence of the completion of the repairs must be submitted prior to Endorsement. HUD shall have no obligation to endorse the Note for insurance unless and until all critical repairs have been completed to the satisfaction of HUD.

(b) Non-Critical Repairs. Non-critical repairs must begin promptly following Endorsement and must be completed within twelve (12) months of Endorsement (unless an alternative timeframe is required or allowed by Special Condition below). HUD estimates that these repairs will cost the amount identified above as the "Non-Critical Repair Cost." An escrow of 110% of this amount must be established prior to Endorsement. 100% of the costs shall be withheld in cash from mortgage proceeds. The additional 10% may be held in cash or a letter of credit. If the cost of repairs and alterations exceeds \$400,000, the Borrower shall provide latent defect assurance in the form of an escrow in cash, letter of credit, or surety bond acceptable to HUD

equal to at least 2.5 % of the repair cost, to be maintained for fifteen (15) months from completion of the repairs. This amount may be satisfied from the repair escrow established at Endorsement.

During the course of such repairs, HUD and its representatives shall at all times have access to the Project and the right to inspect the progress of the repairs. In addition, if required by HUD, the Borrower will furnish at the Project site all necessary facilities for the use of HUD's inspector. The inspection of the repairs by a representative or representatives of HUD shall be for the benefit and protection of HUD.

For 223(a)(7) Agreement and Certification and Repair Contracts. Prior to the execution of any repair contracts relative to the subject Project, the Borrower, Lender, and General Contractor (if any), shall execute the Agreement and Certification (Form Number HUD-93305M), and HUD and the Borrower shall be bound thereby with respect to any subsequent contracts or subcontracts. The Commitment amount herein above is subject to appropriate reduction in accordance with the terms of the Agreement and Certification.

Past Due Payables.

Prior to closing the owner must provide a certification with HUD that all past due accounts (over 60 days) payable (if any) and outstanding liabilities for project operating expenses have been cleared and released, or otherwise fully satisfied.

Notes Payable.

The following notes payable to related entities will be converted to surplus cash notes prior to closing (if not already in acceptable form).

- Mgmt. Fees - \$ _____
- General Partner Loan - \$ _____
- Accrued Interests - \$ _____

Existing Subordinate Debt.

All existing subordinate debt must be re-subordinated to the proposed HUD first lien position Mortgage.

Payoff of Existing FHA Loan.

Evidence of the existing FHA-recognized indebtedness has satisfied must be submitted prior to endorsement.