Arbor Place III

Arbor Place I

HDF LOAN SYNOPSIS

APPLICANT: Interfaith Community Housing of Delaware, Inc. and Delaware Valley Development Company on behalf of Parma Avenue Apartments, L.P., an entity to be created for property development and syndication of Tax Credits.

DEVELOPMENT NAME: Arbor Place III (Family).

DEVELOPMENT LOCATION: 231-266 Parma Avenue
New Castle, Delaware

LOAN REQUEST: Construction Loan: **DSHA HOME** loan in the amount of $624,300 at 3% interest for 18 months. **TCAP** loan in the amount of $1,000,000. **JPMorgan Chase Bank** is expected to finance $2,107,962 at approximately 4.0% interest. The Developer will contribute at least $738,881 of the **Low Income Housing Tax Credit (LIHTC)** equity at initial closing.

Permanent Financing: **Delaware Community Investment Corporation (DCIC)** first mortgage in the amount of $578,000 at 5.5% interest with a 20-year term amortized over 30 years. **DSHA HOME** will provide a second deferred mortgage in an amount not to exceed $624,300 at 1% interest for 30 years. **TCAP** loan as a third deferred mortgage in the amount of $1,000,000 at 0% interest for 30 years.

DEVELOPMENT DESCRIPTION:

1. Acquisition and substantial rehabilitation of a 24-unit apartment development located on approximately 1.75 acres of land. An office, laundry and community area will be constructed in two of the existing units as part of the development with a net reduction of one unit for a new 23-unit development.

2. Development to include 2 one-bedroom, 2 two-bedroom and 19 three-bedroom units. The development will meet handicapped accessibility requirements.

3. Modular construction with new masonry facades, vinyl siding, roofing and windows. Units will be equipped with electric range, refrigerator, and dishwasher and garbage disposal. Heating and air conditioning supplied by electric heat pumps.

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4. Development is expected to receive a 2009 Tax Credit reservation in the amount of $359,138 annually.

5. Pursuant to the American Recovery and Reinvestment Act of 2009 (ARRA), DSHA has elected to provide Tax Credit Assistance Program (TCAP) funds for the equity shortfall due to current equity market conditions.

6. Target population will be families whose incomes do not exceed 60% of median income (19 units or 82% will be rented to families whose incomes do not exceed 50% of median income and 4 units or 18% will be rented to families whose incomes do not exceed 60% of median income).

7. Equity distribution structure is similar to other recent developments' financing, in that after first mortgage payment and operational expenses are paid, any surplus funds available would go toward equity distribution of up to 1.5% of the equity contribution made to the development before DSHA HOME mortgage payments are made. Any shortfall in distribution may be carried forward and would accumulate until funds are available. Distribution allowed only to the extent required by limited partner.

<u>SOURCES AND USES OF FUNDS</u>
Arbor Place III
(For Construction Only)

SOURCES:

JPMorgan Chase Bank	$2,107,962
DSHA HOME	624,300
Tax Credit Equity [1]	738,881
Portion of Development Fee to be paid by Tax Credit Equity	194,093
TCAP	1,000,000
Total Sources	$4,665,236 [2]

USES:

Land/Acquisition	$ 988,666 *
Buildings	1,751,689
Sitework	93,012
General Requirements (10%) [3]	184,470
General Contractor's Profit/ Overhead (10%) [4]	202,917 *
State Improvement Tax	30,000
Performance Bond & Working Capital LOC Fees	45,786
Market Study/Appraisal/Environmental	22,500
Architect Fees	172,500
Survey/Soil Borings/Engineering	25,000
Impact/Permit Fees/Inspections	22,500
Legal	100,000
Title & Recording	40,000
Cost Certification/Accounting	28,000
Insurance	26,000
Property Transfer Tax	49,635
Construction Interest	100,000
Marketing/FFE	35,000
Citizens Loan Fees [5]	20,674
DCIC Loan Fees [6]	5,500
Contingency (10%) [7]	223,200
Development Fee [8]	388,187 *
Relocation	60,000
Total Uses:	$4,665,236

1 Based on developer receiving approx. $.68 net on the dollar and contributing 30% of the amount at construction closing.
2 Financing using proposed Tax Credit reservation amount.
3 Based on buildings and site work.
4 Based on buildings, sitework and general requirements.
5 Based on 1% of mortgage amount requested.
6 Based on 1% of mortgage amount requested plus $500.
7 Based on cost of buildings, sitework, general requirements and general contractor's overhead and profit.
8 8.5% of TDC excluding development fee and land cost.

* The Seller, Developer, and General Partner are related entities.

PERMANENT FINANCING
Arbor Place III
(Tax Credits Available for 23 Units)

Sources	Final
Cash Equity from Tax Credits	$ 2,462,936
DCIC (20 years at 5.5%)	578,000
DSHA HOME (30 years at 1%)	624,300
TCAP (30 years at 0%)	1,000,000
	$ 4,665,236

Assumptions

A. Equity contribution of approximately $.715 on the dollar (less DSHA approved expenses) of the $359,138 annual Tax Credits allocated to the development. $ 2,462,936

B. DCIC mortgage, 5.5% interest, 20-year term, 30-year amortization.

Annual Rent	$ 190,260
Less: 5% Vacancy	(9,513)
Net Rental Income	$ 180,747
Plus non-housing income	3,565
Subtotal	184,312
Less Operating Expenses	(133,849)
Net Operating Income	$ 50,463
Debt Service Coverage	÷ 1.25
Available for Debt Service	$ 40,370

Amount that can be financed at 5.5% over 30 year at required loan to value — $ 578,000

C. DSHA HOME deferred second mortgage, 1% simple interest, 30-year term. $ 624,300

DSHA HOME mortgage interest and principal payments deferred until sufficient funds are available through cash flow on the development and after a maximum 1.5% cash distribution to investors if required by limited partner.

D. TCAP deferred third mortgage, 0% for a 30-year term. $1,000,000

KEY ASSUMPTIONS

1. Vacancy rate at 5%.

2. Management fee is based on 8% of total annual income.

3. ***Proposed operating expense at $5,820/unit.***

4. ***Monthly rents (19 units at 50% of median rents and 4 units at 60% of median rents).***

   - ***2 one-bedroom units at $668 less $133 utility allowance = $535/month.***
   - ***2 two-bedroom units at $812 less $177 utility allowance = $635 month.***
   - ***15 three-bedroom units at $925 less $220 utility allowance = $705/month***
   - ***4 three-bedroom units at $955 less $220 utility allowance = $735/month***

5. At least thirty percent of the equity contribution coming in at construction loan closing in the amount of $738,881. Balance of the equity to be provided at permanent loan closing and to pay for one-half of development fee.

6. One-half of development fee; $194,093, will be paid from Tax Credit equity. The other half will be paid from construction loan proceeds. Disbursement of the fee will be 25% at 50% construction completion, 25% at permanent closing and the balance to be disbursed in accordance with the Limited Partnership Agreement. However, in no case will more than 50% of the development fee be disbursed prior to permanent closing.

7. JPMorgan Chase Bank construction loan in the amount of $2,107,962 at 4% interest for eighteen (18) months.

8. DSHA HOME construction loan in the amount of $624,300 at 3% interest for eighteen (18) months. DSHA HOME deferred permanent loan in the amount of $624,300 at 1% interest for 30 years.

9. DCIC permanent loan in the amount of $578,000 at 5.5% interest amortized over 30 years with a 20-year term.

10. TCAP loan of $1,000,000 for construction and permanent financing.

Recommendation:

- DSHA HOME second mortgage construction loan in the amount of $624,300 at 3% interest for eighteen (18) months.

- DSHA HOME deferred second permanent loan in the amount of $624,300 at 1% simple interest with 30-year term.

Conditions to Funding:

1. ***Purchase of existing 24-unit development with improvements known as Arbor Place Phase III located in New Castle, Delaware.***

2. ***By October 15, 2009, Borrower must secure construction and permanent financing from JPMorgan Chase Bank in the amount of at least $2,107,962 at approximately 4.0% interest for eighteen (18) months and DCIC funds for permanent financing in the amount of at least $578,000 at 5.5% interest amortized over 30 years with a 20-year term.***

3. ***Borrower must comply with 2009 ARRA regulations and any amendments thereto by entering into a TCAP agreement with DSHA.***

4. Borrower meets all Tax Credit requirements as required by DSHA in its reservation letter or amendments thereto.

5. ***At least thirty percent of the total required net equity contribution in the amount of $738,881 received at construction loan closing. Balance of equity to be provided at permanent loan closing and to pay for one-half of development fee.***

6. Borrower annual equity distribution cannot exceed 1.5% of its net cash contribution and shortfalls will be eligible for cumulative carryover. Distribution allowed only if required by the Partnership Agreement. There shall be no equity distribution allowed for any period prior to permanent loan closing.

7. Mortgages will cross default.

8. Approval of all applicable permits necessary to rehabilitate property.

9. Borrower must submit to DSHA and DSHA must approve the Certificate of Partnership and Limited Partnership Agreement prior to execution of loan agreement.

10. Development is to remain low income for 30 years from the date of permanent loan closing or until the HOME loan is paid in full, whichever is longer.

11. ***A minimum of 82% (or 19 units) of the units in the development shall be rented to families whose incomes do not exceed 50% of median income and 18% (or 4 units) of the units in the development shall be rented to families whose incomes do not exceed 60% of median income.***

12. Appraisal which is acceptable to DSHA, JPMorgan Chase Bank, and DCIC.

13. ***Borrower agrees that an equity contribution of at least $.68 on the dollar of the assumed Tax Credit allocation net of expenses approved by DSHA, be contributed to the development.***

14. Fifty percent of development fee to be paid from Tax Credit equity contribution in accordance with the Limited Partnership Agreement. The balance of the development fee shall be paid from construction loans and dispersed 25% at 50% construction completion and 25% at permanent loan closing. However, in no case will more than 50% of the total development fee be dispersed prior to permanent loan closing.

15. Borrower to provide acceptable environmental audit and/or other environmental tests or surveys as required by DSHA.

16. Borrower meets all TCAP, HDF and HOME Program requirements as required by DSHA.

17. ***Five units in the development are to be floating HOME units.***

18. Borrower submits an acceptable Affirmative Marketing Plan and Tenant Participation Plan to DSHA.

19. Satisfactory subsidy layering review must be performed by DSHA to insure the amount of HOME funds and Tax Credits committed to the development are necessary to provide affordable housing.

20. Satisfactory environmental review must be conducted by DSHA prior to funding.

21. ***Borrower to provide or cause to be provided all social services to the residential tenants as detailed in its LIHTC application and as approved by DSHA. The Social Service Plan and proposed payments to related entities must be pre-approved by DSHA.***

22. Borrower must enter into a management agreement with a management company acceptable to DSHA and the management company shall approve the proforma of operational income and expenses prior to construction closing. The management agent shall submit to DSHA the Monthly Report for Establishing Net Income during the term of any DSHA loan and/or LIHTC compliance period.

23. ***Borrower to fund, no later than construction closing, an operating reserve as required by DSHA in an amount at least equal to the greater of $58,108 or four months of operational expenses including debt service. Funding of the operating reserve shall be from gross equity.***

24. Lien reports, credit reports and financial statements of the general partners (or in the case of a limited liability company, the members), the principals and spouses of the general partners (or spouses of the members) and/or other guarantors, developer, contractors, management entities or affiliates which are satisfactory to DSHA.

25. Guarantees of the Borrower, general partners and/or members or such other persons or entities as required by DSHA which are satisfactory to DSHA.

26. Borrower, general partners, developer, members and Sponsor or their affiliates will advise DSHA of all identities of interest in connection with the development.

27. DSHA approval of final plans and specifications.

28. Borrower's selection of management agent, architects, surveyors, engineers and/or contractors is subject to approval by DSHA.

29. ***All current development reserves and escrow accounts will be transferred at construction closing to new owner and used to fund required reserves and escrows.***

30. ***Current replacement reserve to be transferred with the development and used by borrower to fund a replacement reserve in the minimum amount of $1,500 per unit ($34,500). If there is a shortfall in the transferred reserve, such replacement reserve may not be funded from loan proceeds or LIHTC equity, but may be funded from surplus operating funds of the development during construction with the prior consent of DSHA.***

31. Surplus operating funds during the construction period may only be used to fund approved and required reserves or such other costs as approved by DSHA.

32. No current resident or residents of the development will be permanently displaced on the basis of failing to meet LIHTC income eligibility requirements unless the resident(s) consents to permanent displacement contingent upon receiving relocation assistance approved by DSHA. After approval of the DSHA loans, should a tax credit equity shortfall be realized due to loss of tax credits for those units that have unanticipated tenants over eligible income for the Tax Credit Program, Borrower must provide for loss of tax credit equity.

33. All tenants shall be relocated and receive assistance as required by the more stringent of DSHA Residential Anti-displacement and Relocation Plan or the Uniform Relocation Assistance and Real Property Acquisition Policies Act and current HUD handbooks. Management Agent shall submit an acceptable Relocation Plan to DSHA prior to construction closing.

34. Borrower shall obtain a minimum of three competitive bids for the construction work on the development which are subject to the review and approval of DSHA.

35. DSHA shall maintain all escrow accounts for the benefit of the development and deduct 100 basis points off the annual interest earned on the reserve and/or escrow accounts as a service fee for maintaining all reserve and/or escrow accounts in connection with the development.

36. Borrower must enter into a regulatory agreement acceptable to DSHA and will execute such other documents and make such other disclosures as required by DSHA.

37. In the event Borrower requests an extension of the term of the HOME construction loan, DSHA may, at its sole discretion, change the interest rate during the term of the extension period to the then current Wilmington Trust Company Prime Interest Rate plus one percent (1%).

38. Within sixty (60) days following (i) the construction loan closing and (ii) the permanent loan closing, mortgagee title insurance policies (policy) shall be issued to DSHA in form and content acceptable to DSHA (i) insuring DSHA's (a) construction loan(s) or (b) permanent loan(s), as the case may be, to be a second mortgage lien upon the development (ii) providing affirmative coverage for mechanic's liens and removal of bankruptcy conditions acceptable to DSHA and (iii) containing only such other exceptions as shall be acceptable to DSHA.

    In the event a title policy in a form acceptable to DSHA is not furnished to DSHA within sixty (60) days following the construction loan closing, DSHA may, in its sole discretion, (i) withhold disbursement of the next draw due to borrower, and/or (ii) withhold amounts due to the developer and/or the borrower at the time of the permanent loan closing until such time as a title policy acceptable to DSHA is furnished.

39. Borrower agrees to pay all of the DSHA's legal fees and costs associated with the loans whether or not the loans are closed.

40. Borrower, sponsor and developer agree that the following documents will be submitted to DSHA's offices in Dover and/or to the office of DSHA's counsel, as appropriate, by January 18, 2010: 1) copy of title binder and copies of all listed restrictions or easements; additionally, any new easements with accompanying legal descriptions must be submitted; (2) land survey; (3) plans/specifications;(4) subdivision plan, if applicable; (5) site plan; (6) organizational documents of the ownership entity and the general partner or managing member, as appropriate; (7) identification of all members of the development team, i.e. bonding company, insurance company, architect, engineer, surveyor, attorneys,

general contractor, management agent, consultant, etc. Failure to submit all documents by January 18, 2010 will result in a penalty of $250.00 per day until all documents have been submitted. Penalty payments cannot be paid from any development funds including operating funds, equity or construction proceeds. Documents must be in a "settlement ready" format. Construction closing will not be scheduled until DSHA is satisfied with the completeness and accuracy of submitted documents. DSHA also requires that the draft Partnership Agreement and/or limited liability company agreement be submitted at least 15 working days before construction closing or closing will automatically be postponed. In addition, DSHA will charge a loan closing extension fee of $250 per day on any and all extensions requested once construction/permanent closing dates are agreed upon. Such fee many not be funded from development funds including operating funds, equity or loan proceeds.

41. Borrower must meet all terms and conditions expressed in the resolution, loan agreement and other applicable documents required by DSHA.

42. All terms and conditions of the loans between Borrower and DSHA shall be set forth in a fully executed Loan Agreement in standard form between Borrower and DSHA within 120 days of this date or any extension thereof approved by DSHA or the loan approvals shall be null and void.

COUNCIL ON HOUSING

RESOLUTION NO. 390

PARMA AVENUE APARTMENTS, L.P.

ARBOR PLACE III

WHEREAS, Parma Avenue Apartments, L.P. ("Borrower") will be a limited profit sponsor of a 23-unit housing development located at 231-266 Parma Avenue, New Castle, Delaware, for low- and moderate-income families known as Arbor Place III (the "Development"); and

WHEREAS, Borrower is a housing sponsor and will be approved by the Delaware State Housing Authority ("Lender") as an organization meeting the prescribed requirements for financial responsibility and stability of Lender and intends to make the Development available as housing for persons and families of low and moderate income; and

WHEREAS, Borrower is to be formed as a Limited Partnership for syndication of Low Income Housing Tax Credits ("Tax Credits"); and

WHEREAS, Borrower is expected to receive a 2009 Tax Credit allocation of approximately $359,138 per year for 10 years; and

WHEREAS, Borrower agrees to provide an equity contribution to the Development of at least 72 cents on the dollar of the final amount of Tax Credits allocated to the Development, which shall represent all monies, net of expenses approved by Lender, received by the Borrower through syndication of the Tax Credits; and

WHEREAS, Lender requires at least $738,881 or 30% of Borrower's minimum required Tax Credit equity contribution, whichever is greater, to be made available at construction closing; and

WHEREAS, Borrower has applied for: 1) first mortgage construction financing in the amount of $2,107,962 for 18 months at an approximate interest rate of 4% from JPMorgan Chase Bank ("Bank"); 2) a permanent first mortgage financing in the amount of $578,000 for 20 years amortized over 30 years at an interest rate of approximately 5.5% from the Delaware Community Investment Corporation ("DCIC"); and

WHEREAS, Borrower has requested Tax Credit Assistance Program (TCAP) funds in the amount of $1,000,000 from Lender to assist in the financing of the Development and Lender has agreed to grant this funding request per the American Recovery and Reinvestment Act (ARRA) of 2009, PL-111-5; and

WHEREAS, Borrower has applied for Lender second mortgage construction financing in the amount of $624,300 at a 3% interest rate for 18 months and deferred permanent second mortgage financing in the amount of $624,300 at 1% interest for 30 years.

NOW, THEREFORE, the Council on Housing advises approval to the Director of Housing: 1) a construction loan to Borrower in the amount of $624,300 from the HOME program at a 3% interest rate for a period of 18 months structured as a second mortgage with the Bank providing a first mortgage construction loan in the amount of $2,107,962 for 18 months at an approximate interest rate of 4% and 2) $624,300 a permanent loan to Borrower structured as a second mortgage in an amount not to exceed $624,300 from HOME at a 1% simple interest rate for 30 years. DCIC will provide a first permanent mortgage in the amount of $578,000 at an approximate 5.5% interest rate amortized for 30 years with a 20-year term.

Principal and interest can be deferred on Lender's permanent second mortgage subject to funds available for debt service after cash distribution, as required by the limited partnership agreement, of up to an accumulated 1.5% has been paid to investors. The exact amount of Lender's permanent mortgage is to be determined after total amount of cash equity contribution is known. In no case shall the total of the two permanent loans exceed $1,202,300. The loans shall be subject to terms and conditions fixed by Lender including, but not limited to, the following:

1. Purchase of existing 24-unit development with improvements known as Arbor Place III located in New Castle, Delaware.

2. By October 15, 2009, Borrower must secure construction/permanent financing as follows: 1) JPMorgan Chase Bank construction loan in the amount of at least $2,107,962 at approximately 4% interest for eighteen (18) months; 2) DCIC funds for permanent financing in the amount of at least $578,000 at approximately 5.5% interest amortized over 30 years with a 20-year term.

3. Borrower must comply with ARRA regulations and any amendments thereto by entering into a TCAP agreement with Lender for ARRA funding in the amount of $1,000,000.

4. Borrower meets all Tax Credit requirements as required by Lender in its reservation letter or amendments thereto.

5. Thirty percent of the total required net equity contribution in the amount of $738,881 received at construction loan closing. Balance of equity to be provided at permanent loan closing and to pay for one-half of development fee.

6. Borrower annual equity distribution cannot exceed 1.5% of its net cash contribution and shortfalls will be eligible for cumulative carryover. Distribution allowed only if required by the Limited Partnership Agreement. There shall be no equity distribution allowed for any period prior to permanent loan closing.

7. Mortgages will cross default.

8. Approval of all applicable permits necessary to rehabilitate property.

9. Borrower must submit to Lender and Lender must approve the Limited Partnership Agreement prior to execution of loan agreement.

10. Development is to remain low income for 30 years from the date of permanent loan closing or until the HOME loan is paid in full, whichever is longer.

11. A minimum of 82% (19 units) of the units in the Development shall be rented to families whose incomes do not exceed 50% of median income; and 18% (4 units) of the units in the Development may be rented to families whose incomes do not exceed 60% of median income.

12. Appraisal which is acceptable to Lender, Bank and DCIC.

13. Borrower agrees that an equity contribution of at least $.72 on the dollar of the assumed Tax Credit allocation net of expenses approved by Lender will be contributed to the Development.

14. Fifty percent of development fee to be paid from Tax Credit equity contribution in accordance with the Limited Partnership Agreement. The balance of the development fee shall be paid from the construction loans and dispersed 25% at 50% construction completion and 25% at permanent loan closing. However, in no case will more than 50% of the total development fee be dispersed prior to permanent loan closing.

15. Borrower to provide acceptable environmental audit and/or other environmental tests or surveys as required by Lender.

16. Borrower meets all TCAP, HDF and HOME Program requirements as required by Lender.

17. Five units in the development are to be floating HOME units.

18. Borrower submits an acceptable Affirmative Marketing Plan and Tenant Participation Plan to Lender.

19. Satisfactory subsidy layering review must be performed by Lender to insure the amount of Tax Credits committed to the Development are necessary to provide affordable housing.

20. Satisfactory environmental review must be conducted by DSHA prior to funding.

21. Borrower to provide or cause to be provided all social services to the residential tenants as detailed in its LIHTC application and as approved by Lender. The Social Service Plan and proposed payments to related entities must be pre-approved by Lender.

22. Borrower must enter into a management agreement with a management company acceptable to Lender. The management company shall approve the proforma of operational income and expenses prior construction closing. The management agent shall submit to Lender the Monthly Report for Establishing Net Income during the term of any Lender loan and/or LIHTC compliance period.

23. Borrower to fund no later than construction closing, an operating reserve as required by Lender in an amount at least equal to the greater of $58,108 or four months of operational expenses including debt service. Funding of the operating reserve shall be from gross equity.

24. Lien reports, credit reports and financial statements of the general partners (or in the case of a limited liability company, the members), the principals and spouses of the general partners (or spouses of the members) and/or other guarantors, developer, contractors, management entities or affiliates which are satisfactory to Lender.

25. Guarantees of the Borrower, developer, general partners and/or members or such other persons or entities as required by Lender which are satisfactory to Lender.

26. Borrower, general partners, developer and members or their affiliates will advise Lender of all identities of interest in connection with the Development.

27. Lender approval of final plans and specifications.

28. Borrower's selection of management agent, architects, surveyors, engineers and/or contractors is subject to approval by Lender.

29. All current development reserves and escrow accounts will be transferred at construction closing to new owner and used to fund required reserves and escrows.

30. Current replacement reserve to be transferred with the development and used by borrower to fund a replacement reserve in the minimum amount of $1,500 per unit ($34,500). If there is a shortfall in the transferred reserve, such replacement reserve may not be funded from loan proceeds or LIHTC equity, but may be funded from surplus operating funds of the development during construction with the prior consent of DSHA.

31. Surplus operating funds during the construction period may only be used to fund approved and required reserves or such other costs as approved by DSHA.

32. No current resident or residents of the development will be permanently displaced on the basis of failing to meet LIHTC income eligibility requirements unless the resident(s) consents to permanent displacement contingent upon receiving relocation assistance approved by

DSHA. After approval of the DSHA loans, should a tax credit equity shortfall be realized due to loss of tax credits for those units that have unanticipated tenants over eligible income for the Tax Credit Program, Borrower must provide for loss of tax credit equity.

33. All tenants shall be relocated and receive assistance as required by the more stringent of DSHA Residential Anti-displacement and Relocation Plan or the Uniform Relocation Assistance and Real Property Acquisition Policies Act and current HUD handbooks. Management Agent shall submit an acceptable Relocation Plan to DSHA prior to construction closing.

34. Borrower shall obtain a minimum of three competitive bids for the construction work on the development which are subject to the review and approval of DSHA.

35. Lender shall maintain all reserve and/or escrow accounts for the benefit of the Development and deduct 100 basis points off the annual interest earned on the reserve and/or escrow accounts as a service fee for maintaining all reserve and/or escrow accounts in connection with the Development.

36. Borrower must enter into a regulatory agreement acceptable to Lender and will execute such other documents and make such other disclosures as required by Lender.

37. In the event Borrower requests an extension of the term of the HOME construction loan, Lender may, at its sole discretion, change the interest rate during the term of the extension period to the then current Wilmington Trust Company Prime Interest Rate plus one percent (1%).

38. Within sixty (60) days following (i) the construction loan closing and (ii) the permanent loan closing, mortgagee title insurance policies (policy) shall be issued to Lender in form and content acceptable to Lender (i) insuring Lender's (a) construction loan or (b) permanent loan, as the case may be, to be second mortgage liens upon the Development (ii) providing affirmative coverage for mechanic's liens and removal of bankruptcy conditions acceptable to Lender and (iii) containing only such other exceptions as shall be acceptable to Lender.

In the event a title policy in a form acceptable to Lender is not furnished to Lender within sixty (60) days following the construction loan closing, Lender may, in its sole discretion, (i) withhold disbursement of the next draw due to Borrower, and/or (ii) withhold amounts due to the developer and/or the Borrower at the time of the permanent loan closing until such time as a title policy acceptable to Lender is furnished.

39. Borrower agrees to pay all of the Lender's legal fees and costs associated with the loans whether or not the loans are closed.

40. Borrower and developer agree that the following documents will be submitted to Lender's offices in Dover and/or to the office of Lender's counsel, as appropriate, by January 18, 2010: (1) copy of title binder and copies of all listed restrictions or easements; additionally, any new easements with accompanying legal descriptions must be submitted; (2) land survey; (3) plans/specifications; (4) subdivision plan, if applicable; (5) site plan; (6) organizational documents of the ownership entity and the general partner or managing member, as appropriate; (7) identification of all members of the development team, i.e. bonding company, insurance company, architect, engineer, surveyor, attorneys, general contractor, management agent, consultant, etc; and (8) Affirmative Marketing Plan, Relocation Plan and all required HUD approvals. Failure to submit all documents by January 18, 2010 will result in a penalty of $250.00 per day until all documents have been submitted. Penalty payments cannot be paid from any Development funds including operating funds, equity or construction proceeds. Documents must be in a "settlement ready" format. Construction closing will not be scheduled until Lender is satisfied with the completeness and accuracy of submitted documents. Lender also requires that the draft Partnership Agreement and/or limited liability company agreement be submitted at least 15 working days before construction closing or closing will automatically be postponed. In addition, Lender will charge a loan closing extension fee of $250 per day on any and all extensions requested once construction/permanent closing dates are agreed upon. Such fee many not be funded from Development funds including operating funds, equity or loan proceeds.

41. Borrower must meet all terms and conditions expressed in the resolution, loan agreement and other applicable documents required by Lender.

42. All terms and conditions of the loans between Borrower and Lender shall be set forth in a fully executed Loan Agreement in standard form between Borrower and Lender within 120 days of this date or any extension thereof approved by Lender or the loan approvals shall be null and void.

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