DEVELOPMENT AGREEMENT

This Development Agreement (this "**Agreement**") is effective as of October ___, 2022 (the "**Effective Date**") by and between the City of Chandler, a political subdivision of the State of Arizona ("**Authority**") and Gorman & Company, LLC, a Wisconsin limited liability company (the "**Developer**").

RECITALS

A. Developer is a developer of affordable housing in the State of Arizona.

B. Authority, as a part of its mission, provides safe, decent and sanitary affordable housing in the State of Arizona.

C. Developer has been procured by Authority to develop one (1) multifamily mixed-income housing project (as more particularly described herein the "**Project**") on the property that is described in Exhibit A attached hereto (the "**Site**").

D. It is anticipated that the Project will include approximately 157 units of housing, including a mix of 1, 2-, 3-, 4- and 5-bedroom units, community space and park areas.

E. Authority will retain fee ownership of the Site and anticipates that the Site will be leased to Owner (defined in Section 5.01) pursuant to a long-term ground lease.

F. Authority and Developer intend to utilize the U.S. Department of Housing and Urban Development ("**HUD**") Rental Assistance Demonstration Program ("**RAD**") (converting the Project from public housing to project-based voucher assistance) and will consider other appropriate options for developing and financing the Project, including, but not limited to Section 18 and state and federal low-income housing tax credits ("**LIHTCs**") in connection with the development of the Project.

AGREEMENTS

In consideration of the promises and mutual covenants set forth herein, and with the foregoing Recitals incorporated herein, the parties hereto, with the intent to be legally bound hereby, agree as follows:

ARTICLE I - ENGAGEMENT OF DEVELOPER.

1.01 Engagement of Developer. Authority hereby engages Developer to perform the obligations and services specified in this Agreement, and Developer hereby accepts such engagement, all upon the terms and conditions set forth herein.

ARTICLE II - DEVELOPER SERVICES.

2.01 Development Plan. Within ten (10) business days of the date on which Authority and Developer have both executed and delivered this Agreement, Developer will develop and submit to Authority for its review and approval, approval of which shall not be unreasonably withheld, conditioned or delayed, a development plan (the "**Development Plan**") for the Project, which shall specify, at a minimum, the number of units in the Project, the configuration and number of bedrooms in the apartment units to be developed as part of the Project, any restrictions which will apply to each apartment unit, the approximate monthly rent for the apartment units, the approximate cost of the Project, the expected types and sources of financing, and the total projected Development Fee (as defined in Section 6.01) to be paid to Developer and Authority. The Project shall comply with all applicable federal, state, and local rules, laws, regulations, and ordinances. The Development Plan shall include an initial Development Budget (as defined in Section 4.02) and an initial Development Schedule (as defined in Section 4.01). As of the Effective Date, Developer and Authority anticipate that the Project will include 157 units, ranging from one-bedroom to five-bedroom units in four (4) buildings, community rooms and other amenities such as a playground, ramadas with barbecues and green open spaces. Developer and Authority anticipate that the total Project development costs will be approximately $52,000,000, provided that this is an estimate only and that market conditions at the time of Closing will determine the final Project development costs. Authority and Developer acknowledge that market conditions are changing rapidly and that these details and the Development Plan, once approved, may be modified by mutual agreement prior to Closing (defined in Section 2.02). The Project shall comply with all applicable federal, state, and local rules, laws, regulations, and ordinances. The Development Plan must include an initial Development Budget (as defined in Section 4.02) and an initial Development Schedule (as defined in Section 4.01). As of the Effective Date, Developer and Authority anticipate that the Project will include 157 units, ranging from one-bedroom to five-bedroom units in four (4) buildings, community rooms and other amenities such as a playground, ramadas with barbecues and green open spaces. Developer and Authority anticipate that the total Project development costs will be approximately $52,000,000, provided that this is an estimate only and that market conditions at the time of Closing will determine the final Project development costs. Authority and Developer acknowledge that market conditions are changing rapidly and that these details and the Development Plan, once approved, may be modified by mutual agreement prior to Closing (defined in Section 2.02).

2.02 Developer's Obligation to Develop. Developer will use its best efforts to cause the financial closing of the Project (the "**Closing**") to occur in accordance with the Development Plan on or prior to the date shown in the Development Schedule, subject to reasonable extensions of time, it being understood that the Development Plan will contain Developer's best estimate of time schedules, and that requirements of the Arizona Department of Housing ("**ADOH**"), HUD, lenders and Investor (defined in Section 5.01) may result in modifications to the schedules. In any event, the Closing and the completion of the Project shall be completed in order to comply with any LIHTC placed-in-service deadline under Section 42 of the Internal Revenue Code of 1986, as amended (the "**Code**").

2.03 Developer Services. Except for the services to be provided by Authority pursuant to Section 3.01 or as otherwise agreed in this Agreement, Developer shall, in conjunction with the Authority, provide, or arrange for the provision of, all such services as are necessary for the development of the Project, including without limitation the following services (collectively the "**Development Services**"):

(a) Project Planning and Predevelopment Services. All planning and predevelopment services listed on Exhibit B (the "**Project Planning and Predevelopment Services**").

(b) Financing Services. All financing services listed on Exhibit C (the "**Financing Services**").

(c) Design/Planning Services. All design/planning services listed on Exhibit D (the "**Design Services**").

(d) Site Preparation Services. All site preparation services listed on Exhibit E (the "**Site Preparation Services**").

(e) Construction Services. All construction services listed on Exhibit F (the "**Construction Services**").

(f) Mold/Water Intrusion Responsibilities. All mold/water intrusion prevention and remediation activities as are set forth on Exhibit I ("**Water Intrusion Prevention and Remediation**").

(g) Section 3, Small and Minority, Women's and Disadvantaged Business Services. The Developer shall require all subcontractors working on the Project, including, without limitation, the general contractor, the architect and the engineer, and all their respective subcontractors (collectively "**Subcontractors**"), to use commercially reasonable efforts to comply with Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. § 1701u ("**Section 3**") and the small and minority, women's and labor surplus area firm requirements set forth in 2 C.F.R. § 200.321. All such requirements shall be set forth in a rider (the "**Rider**") which will be attached to all subcontracts. The Rider shall be agreed upon by both the Developer and the Authority and will contain all requirements necessitated by various funding rules.

(h) Compliance. Compliance with other federal, state and local requirements as may be identified in this Agreement, including Article 15, and all HUD regulations, form agreements, guidance, notices and other documents as applicable.

(i) Relocation Services. Upon completion, the relocation of Public Housing residents to the completed Project in accordance and compliance with all applicable law.

2.04 Progress Reports and Information.

(a) Progress Reports. Developer shall provide Authority with written monthly progress reports regarding the Project. Such reports may include (i) documentation of compliance with applicable employment and contracting requirements, (ii) material variances between actual Development Services completion dates and the Development Schedule, (iii) a summary of any meetings, (iv) information on contracts, including changes under consideration or proposed contract changes, (v) actions taken when the requirements of any contract are not being satisfied, (vi) material variances between actual predevelopment expenditures and the Development Budget and (vii) all material changes and material modifications proposed to the Development Budget and Development Schedule. In addition, Developer and Authority shall have regular calls regarding the Project at frequencies mutually agreed to by Developer and the Authority, including what is anticipated to be weekly calls with Investor and lender(s) leading up to Closing. Developer shall, upon reasonable request by Authority, furnish Authority with copies of any work product prepared by Developer (not including Developer's attorneys' work product or other confidential information) in connection with its Development Services.

(b) Additional Materials. Developer shall furnish to Authority the following:

(i) Within ten (10) business days after receipt, copies of any material reports, plans, specifications and manuals prepared or obtained by Developer in connection with the planning, design, construction, and operation of the Project;

(ii) Within ten (10) business days after receipt, copies of any material correspondence, notices or orders of any government agency concerning the Project;

(iii) Within ten (10) business days after receipt, copies of any material complaints, actions or arbitration or investigatory proceedings with respect to the Project; and

(iv) Within sixty (60) days after the close of each fiscal quarter, an unaudited financial statement for the Project prepared on a modified cash basis, including open accounts payable, in accordance with conventional practice consistently applied and within six (6) months of the end of each fiscal year, a set of audited financial statements for the Project.

2.05 Additional Services. Authority may request Developer to undertake certain additional services which are not included as Development Services (the "**Additional Services**"), the compensation for which shall be paid to Developer at the times and in the manner set forth in a separate agreement or agreements. The scope of any Additional Services must be mutually acceptable to Authority and Developer. Developer shall have no obligation to provide any Additional Services unless agreed to in writing by Developer. Developer shall provide such Additional Services as an independent contractor and not as an agent of Authority, unless the agreement providing for such Additional Services shall otherwise specifically provide.

2.06 Meetings; Comments on Documents.

(a) Developer and Authority shall have an equal opportunity to participate in all Project-related meetings with HUD, ADOH, and all governmental and quasi-governmental agencies and community groups as well as in all material Project-related meetings with residents including, but not limited to meetings regarding (i) financing; (ii) design, finishes and amenities for the Project; and (iii) construction of the Project. The parties will exercise best efforts to provide one another with reasonable advance notice of all such meetings.

(b) The Authority will provide to Developer copies of all material communications with HUD regarding the Project and will promptly provide Developer with feedback regarding the Project or documents relating to the Project from HUD.

(c) The parties will provide prompt feedback and comments on any documents relating to the Project and/or Development Services when requested by the other party.

(d) Notwithstanding anything to the contrary in this Section 2.06, Developer acknowledges that Authority may have meetings or other communications with HUD without the Developer present, provided that Authority shall promptly report to Developer the discussion of anything that could have a detrimental effect on the Project, the liabilities of Developer hereunder or otherwise relating to the Project or the then-current Closing timeline for the Project financing or completion.

2.07 Insurance. If Developer, or any affiliate of Developer, or a contractor or subcontractor of Developer or its affiliate commences any site preparation work or construction work on the Site either under this Agreement or otherwise, Developer shall maintain and keep in force (or cause to be maintained and kept in force by the party doing such work) insurance in the type and for the amounts specified on Exhibit H with respect to such work. Developer shall furnish Authority with certificates of such insurance and shall include Authority as an additional insured per requirements set forth in Exhibit H.

ARTICLE III - AUTHORITY RESPONSIBILITIES.

3.01 Authority Responsibilities. Authority shall have the responsibilities set forth on Exhibit G. If Authority incurs any third-party expenses in connection with such responsibilities and such expenses are included in the Development Budget, they will be reimbursed at Closing.

3.02 Authority Approvals. Authority recognizes that Developer's ability to perform hereunder depends in part on Authority's responsiveness and Authority pledges to give timely attention to submissions and requests made to Authority by Developer under the terms of this Agreement and shall review such submissions and requests on a timely basis. In furtherance of the foregoing, Authority shall provide its approval or denial of the submissions and requests for approvals by Developer required under this Agreement, including, without limitation, proposed Development Plan, Development Schedule, Development Budget, or revisions thereto within fourteen (14) business days of receipt of the request. Notwithstanding anything to the contrary herein, if Authority does not respond in writing to any proposed submission or request from Developer, within fourteen (14) business days of receipt of the submission or the request, Authority shall be deemed to have approved the submission or request.

3.03 Property. The land reflected by the parcels listed in Exhibit A will comprise the Site; provided, however, that Parcel # 303-02-877 (the "Drainage Parcel"), which is anticipated to be included in the Site, may be restricted to exclusive use as drainage for the Site and other property. Any agreements related to the use of the Drainage Parcel by property other than the Site will be in writing and will be subject to both Authority's and Developer's approval. It is anticipated that the Authority will lease the Site for the Project to the Owner pursuant to the terms of a Ground Lease. The Ground Lease will have lease payment mutually acceptable to the parties and shall be subject to Investor and lender requirements, a term of no less than sixty-five (65) years and no more than ninety-nine (99) years. The Ground Lease will be a "triple net" lease requiring Owner to pay for all costs of developing, owning and operating the Site (other than certain costs related to Environmental Conditions (as defined in Section 3.05) as set forth in Section 3.05 below). The Ground Lease will provide that Owner will have title to all buildings and other improvements that are part of the Project for the term of the Ground Lease and will include such other terms as are mutually acceptable to the Owner and Authority, and as may be required by Investor, lender(s) and HUD. Authority and the Owner shall negotiate, draft and approve the form of Ground Lease no later than thirty (30) days prior to the scheduled closing. The base rent due under the Ground Lease will be two thousand dollars ($2,000.00) increasing annually as provided in the low-income housing tax credit application submitted to and approved by ADOH on August 23, 2022 ("LIHTC Application").

3.04 Tax Exemption Fee; Resident Services.

(a) The contemplated ownership structure of the Project may generate a real property tax exemption for the Project which would need to be applied for by the Authority and, if the Project is eligible, will be received annually (the "**Project Exemption**"). The Authority will be responsible for applying for and securing the Project Exemption. If the Project qualifies for the Project Exemption in any given year, and subject to any required approvals from ADOH, HUD, Investor and all lenders, and the terms and conditions of this Agreement, Authority or Authority's designee will be paid, beginning in the first full year after stabilization of the Project, a fee equal to $500.00 per unit annually, increasing at 3% annually, paid by the Owner ("**Exemption Fee**"). The Exemption Fee will be payable by Owner to Authority as an operating expense for the Project. Authority acknowledges and agrees that final terms and conditions relating to the payment of the Exemption Fee, including the agreed upon payment schedule, will be reflected in the Owner Operating Agreement and/or other agreements signed in connection with the closing of the financing for the Project. Notwithstanding anything to the contrary in this Agreement, in the event payment of Exemption Fee by Owner would cause the Project to drop below break-even operations and/or violate any Investor or lender covenants as it relates to debt service coverage requirements, the Exemption Fee will be temporarily reduced so as to ensure that all applicable benchmarks imposed by Investor and/or lender(s) are achieved.

(b) To the extent permissible under the tax exemption statute(s) applicable to the Project, Authority agrees to use the Exemption Fee for the purpose of providing services to the residents of the Project, which shall be provided in accordance with the terms of a resident services agreement between Owner and Authority with terms mutually acceptable to Developer, Authority, Investor and lender(s). Such agreement will provide that Authority or Authority's affiliate shall be responsible to the Owner for providing resident services in accordance with the terms thereof and other applicable requirements referenced therein. Such agreement will provide for Owner remedies due to default by Authority or its affiliate thereunder that are mutually acceptable to Developer and Authority and levels of service and measures of Authority's performance as service provider, consistent with industry practice and shall include termination rights in favor of Owner mutually agreed to between Developer and Authority, all subject to the approval of Investor and lenders, and if necessary ADOH.

3.05 Environmental Conditions. If there are any existing Hazardous Materials (defined in Section 3.06) on the Site, or there are any existing violations of Environmental Law (defined in Section 3.07) with respect to the Site (collectively, such existing Hazardous Substances or violations of Environmental Law are an "**Environmental Condition**"), and any such Environmental Condition is known to Developer and Authority prior to the date the Site is leased to Owner, Authority and Developer shall include the costs of remediating such Environmental Condition in the Development Budget. In the event the actual costs of remediating any known Environmental Condition exceeds the budgeted amount, or in the event there are any costs associated with remediating any unknown Environmental Condition (i.e., an Environmental Condition not known until after the date the Site is leased to Owner), Authority shall be solely responsible for paying for such costs. Authority and Developer shall be jointly responsible (on a 50/50 basis) for any Environmental Condition that occurs on the Site after the date the Site is leased to Owner, unless such Environmental Condition is caused solely by Authority or Developer, in which event the party causing the Environmental Condition shall be solely responsible for all costs associated with the condition including, without limitation, all costs of remediating the Environmental Condition and any costs incurred by a third party (including the Investor or a lender) as a result of the Environmental Condition. The Ground Lease will provide that, other than as set forth in this paragraph, Authority will be solely responsible for, and will indemnify and hold harmless Developer, Owner, MM and all other Developer affiliates from, any and all Environmental Conditions existing on the Site prior to date of the Ground Lease for the Site, which indemnity will be more fully provided for in the Ground Lease. The Ground Lease will provide that the Owner will indemnify Authority for any violations of Environmental Law arising from the acts or omissions of Owner and its contractors, subcontractors, agents and employees with respect to the Site after the effective date of the Ground Lease and for liabilities related to the presence of Hazardous Materials on the Site that are first introduced after the date of the Ground Lease, all on such terms as may be reasonably agreed to by Developer and Authority.

3.06 Hazardous Materials. For purposes of this Agreement, "**Hazardous Materials**" shall mean (a) "hazardous substances" as defined by CERCLA (defined in Section 3.07); (b) "hazardous wastes" as defined by RCRA (defined in Section 3.07); (c) any hazardous, dangerous or toxic pollutant, chemical, waste, contaminant or substance within the meaning of any Environmental Law (defined in Section 3.07) that governs the use, exposure, release, emission, discharge, generation, manufacture, sale, transport, handling, storage, treatment, reuse, presence, disposal or recycling of such pollutant, chemical, waste, contaminant or substance; (d) petroleum, crude oil or fraction thereof; (e) any radioactive material, including any source, special nuclear or by-product material as defined in 42 U.S.C. Section 2011 et seq. and amendments thereto and reauthorizations thereof; (f) asbestos-containing materials in any form or condition; or (g) polychlorinated biphenyls in any form or condition.

3.07 Environmental Law. For purposes of this Agreement, "**Environmental Law**" means any present or future federal, state or local law, ordinance, rule, regulation, permit, license or binding determination of any governmental authority relating to, imposing liability or standards concerning, or otherwise addressing the environment, health or safety, including, but not limited to: the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et seq. ("**CERCLA**"); the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq. ("**RCRA**"); the Toxic Substances Control Act, 15 U.S.C. Section 2601 et seq.; the Clean Air Act, 42 U.S.C. Section 7401 et seq.; and the Clean Water Act, 33 U.S.C. Section 1251 et seq. and any so-called "Superfund" or "Superlien" law; and the Occupational Safety and Health Act, 29 U.S.C. Section 651 et seq., as each is from time to time amended and hereafter in effect.

3.08 No Commitment of Funds. Notwithstanding any provision of this Agreement, the parties agree and acknowledge that this Agreement does not constitute a commitment of funds or site approval, and that such commitment of funds or approval may occur only upon satisfactory completion of environmental review and receipt by the Authority of a release of funds from the U.S. Department of Housing and Urban Development under 24 C.F.R. Part § 58. The parties further agree that the provision of any funds to the project is conditioned on the Authority's determination to proceed with, modify, or cancel the project based on the results of a subsequent environmental review.

The Developer agrees to comply with: The National Environmental Policy Act of 1969 (P.L. 91-190) pursuant thereto 40 C.F.R. Parts 1500 – 1508; Environmental Review Procedures for the HOME Investments Partnership program, the RAD Program and the PBV Program pursuant to Title 24 C.F.R. Part 58, Subpart A; and with all conditions required in the process of the environmental assessment. An Environmental Review Record ("**ERR**") may be completed before taking any physical action on a site or entering into Agreements. If other federal or non-federal funds are involved in an activity, then neither federal nor non-federal funds may be expended or committed by Agreement (conditional or not) for activities related to this project including design work, until the Authority provides written authorization based on approval of an ERR.

No funds may be encumbered prior to the completion of the ERR. The ERR must be completed before any funds are obligated. Funding is also conditioned upon the completion of the ERR by address. The responsibility for certifying the appropriate ERR may rest with the Authority. It is the responsibility of the Developer to notify the Authority, and to refrain from making any commitments and expenditures on the site until a written authorization has been issued by the Authority. Failure to meet these conditions will mean that requested funds will not be disbursed.

ARTICLE IV - GENERAL DEVELOPMENT ACTIVITIES.

4.01 Development Schedule. Not later than thirty (30) days after the approval of the Development Plan in writing by Authority, Developer shall prepare and submit to Authority for review and approval a schedule for the performance of the Project (the "**Development Schedule**"). Authority shall not unreasonably withhold, condition or delay approval of the Development Schedule and shall work with Developer to mutually agree on any matters in dispute. Developer shall, as necessary, supplement the Development Schedule with schedules for submissions and responses of necessary deliverables associated with tasks covered by the Development Schedule, taking into account appropriate scheduling for submission, review and approval by the Authority. An updated Development Schedule will be provided to Authority when deemed necessary by Developer or when reasonably requested by Authority. Proposed material revisions to the Development Schedule will be submitted by Developer to Authority with identification and explanation of changes. Authority will promptly review all such proposed material revisions which, upon approval by Authority, shall be deemed to constitute the revised Development Schedule.

4.02 Development Budget. Not later than thirty (30) days after the approval of the Development Plan in writing by Authority, Developer shall prepare and submit to Authority for approval a development budget (the "**Development Budget**"). Authority shall not unreasonably withhold, condition or delay approval of the Development Budget and shall work with Developer to mutually agree upon any costs in dispute. The Development Budget shall encompass all sources of funds for the Project and all expenses to be paid out of the Project, as may be reasonably agreed to by Developer and Authority, and shall detail the assumptions upon which the Development Budget is based. An updated Development Budget will be provided to Authority when deemed necessary by Developer or when reasonably requested by Authority. Proposed material revisions to the Development Budget will be submitted by Developer to Authority with identification and explanation of changes. Authority will promptly review all such proposed material changes which, upon approval by Authority, shall be deemed to constitute the revised Development Budget.

ARTICLE V - DEVELOPMENT PHASE ACTIVITIES AND DOCUMENTS

5.01 Owner. Developer shall cause the formation of a limited liability company (the "**Owner**") to own, operate and manage the Project. Developer shall cause the formation of a limited liability company to be the managing member of the Owner (the "**MM**"). It is intended that the principal equity interest in the Owner will be owned by one or more tax credit investors (whether one or more, the "**Investor**"). All agreements in connection with the admission of the Investor to the Owner shall be subject to the review and approval of Authority, which shall not be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, Authority acknowledges that Developer will be primarily responsible for negotiating such agreements with the Investor. It is anticipated that Developer or its affiliate will hold forty-nine percent (49%) of the limited liability company units in the MM and the Authority (or its affiliate) will hold fifty-one percent (51%) of the limited liability company units in the MM. The parties acknowledge that the determination of whether the affiliate of the Authority which becomes a member of MM is a for-profit or non-profit instrumentality may materially affect the amount of equity that the Investor will contribute to the Owner. Both parties agree to work in good faith to try to maximize the amount of such equity, including without limitation, structuring the ownership of MM and Owner in a manner different than that contemplated herein, making elections to have the Authority affiliate member of MM be taxed as a corporation, or to have MM taxed as a corporation. If required by the Investor, Authority will ensure that any affiliate that holds membership interests in the MM is unrelated to the Authority for tax purposes and will also ensure such entity is structured in a way that it can make a "168(h) election" and/or elect to be taxed as a corporation. As between Developer and Authority, other than as may be expressly required by HUD, Developer will have the full, exclusive and complete discretion in (a) managing and controlling the day-to-day operations of MM and the Owner and (b) deciding or taking action on any matters that could cause Developer to have liability under any guaranties Developer or its affiliates provide in connection with the Project. Developer shall, however, consult with Authority on Project matters and must obtain Authority's consent (which shall not be unreasonably withheld, conditioned or delayed) in connection with any Major Actions. For purposes of this paragraph, the term "Major Actions" is defined below and applies to either the MM or the Owner ("**Entity**" or "**Entities**"):

(a) taking or authorizing any act which would make it impossible to carry on the ordinary business of the Entity;

(b) voluntarily filing a petition of bankruptcy against the Entity;

(c) selling of all or any portion of the Project, or submitting a request to the Authority to find a buyer for the Project pursuant to a qualified contract under Section 42(h)(6)(E)(i)(II);

(d) effecting a refinancing, encumbrance, mortgage, conveyance, or other disposition of all or a substantial portion of the Project other than on then current market terms;

(e) subleasing the Project as an entirety, or sublease any portion of the Project except in the normal course of business, including residential leases;

(f) following the completion date of the Project, construct any new capital improvements or replace any existing capital improvements costing in excess of Fifty Thousand Dollars ($50,000) and not contemplated in the Budget;

(g) on behalf of the Entity, acquiring any real property in addition to the Project;

(h) on behalf of the Entity, incur debt not in the ordinary course of business or arrange for the receipt of any grant of funds, nor incur debt in the ordinary course of business, in excess of Ten Thousand Dollars ($10,000) in the aggregate at any one time outstanding, except as specifically permitted in the final Operating Agreement for the Entity and in this Agreement;

(i) dissolving or winding up the Entity;

(j) confessing any judgment except as required by the lender(s) or Investor or initiate any litigation on behalf of the Entity, or compromising any claim or liability in excess of Ten Thousand Dollars ($10,000) owed by or to the Entity (in each case, except for routine tenant eviction actions);

(k) modifying or amending this Agreement;

(l) admitting any person as a member of either Entity, except as contemplated by this Agreement;

(m) permitting any person to borrow from the Entity or commingle funds with the funds of any person;

(n) making any material changes to the Management Agreement or dismiss or replace the Management Agent once the Management Agreement is approved;

(o) approving the form and substance of any accountant certification of the itemized amount of construction, rehabilitation, acquisition and development costs of the Project and the eligible basis and applicable percentage of each building in the Project;

(p) modifying, in any material respect, any loan document or Project document, once entered into;

(q) permitting the Owner, or any other person on behalf of or in connection with the Owner, to pay directly or indirectly the MM or any Affiliate any fees except as provided for in Project documents; or

(r) applying the proceeds realized from any condemnation, insured casualty or insured title defect.

In addition, Authority shall have the right to receive all documents and reports that the Investor receives. Developer will remain in ownership of Owner for no less than the full fifteen (15) year LIHTC compliance period, and in any event, for so long as Developer or any of its affiliates have liability under any guaranties related to the Project.

Subject to the terms set forth below, Developer shall be solely responsible for providing any guaranties relating to completion of the Project, any guaranties relating to the LIHTCs allocated to the Project, and any guaranties relating to operating deficits. Developer and Authority shall be responsible for any guaranties relating to Environmental Conditions as described in Section 3.05 above. In the event Investor requires any additional guaranties, Developer and Authority shall negotiate in good faith the responsibility for providing such guaranties. The terms of any guaranties provided by Developer must be acceptable to Developer in its sole discretion. The terms of any guaranties provided by Authority must be acceptable to Authority in its sole discretion. In the event Developer or Authority is obligated to make any guaranty payments or other advances related to the Project pursuant to such guaranties, such payments shall be structured as loans to the Owner or loans to MM (for contribution to Owner or to be loaned to Owner by MM) (the "**Guaranty Loans**"), provided lenders and Investor approve the same.

Subject to the approval of the Investor and lenders, the Owner shall grant to Authority (or its nonprofit affiliate) a right of first refusal to acquire the Project at the end of the 15-year tax credit compliance period for the "minimum purchase price" as defined in Section 42(i)(7)(B) of the Code. In the event the Authority (or its nonprofit affiliate) exercises its right of first refusal, it will assume all of the obligations of the Owner under the lease described in Section 3.03. As a condition to exercising any right of first refusal, Authority (or its nonprofit affiliate) shall pay (i) the total outstanding balance of any loans made by Developer (or its affiliates) to either Owner or Managing Member; and (ii) the full amount of any income tax liability incurred by Gorman (or its affiliate member of MM) as a result of the Authority's purchase of the Project.

5.02 Management Agent. Not later than the Closing, and subject to Investor and lender approval, the Owner shall enter into a management agreement with Gorman Property Management, LLC ("**GPM**"), an affiliate of Developer, for the management of the Project. The intent of the parties is that GPM or another affiliate of Developer will remain the management agent for the Project during such time as the any Developer affiliate has an ownership interest in the Owner or any guaranty obligations to Investor, lender or other parties related to the operation of the Project or related to the Project's eligibility for LIHTCs. The management fee shall be consistent with HUD published underwriting guidelines as shall be more specifically set forth in a management agreement to be entered into by and between the Owner and GPM ("**Management Agreement**"). The Management Agreement shall provide that GPM shall be responsible to the Owner for management of the Project in accordance with the terms of the Management Agreement and other applicable requirements referenced therein. The Management Agreement will provide for Owner remedies due to GPM's default under the Management Agent. Notwithstanding the Owner's remedies, in the event that GPM or another affiliate of Developer, as Management Agent under a Management Agreement for the management of the Project is in default beyond applicable notice and cure periods and/or is unwilling or unable to perform its responsibilities under the terms of its Management Agreement, then the Authority and Developer agree that the Authority may, subject to Investor and lender approval, require the Owner to terminate GPM or other affiliate of Developer in accordance with the terms of the Management Agreement and engage a replacement contractor for the management of the Project. The Managing Member Operating Agreement (defined in Section 6.05) will provide that the Authority and Developer will reasonably agree on any replacement property managers if any property manager is terminated. The fees payable pursuant to the Management Agreement will be the greater of (i) six percent (6%) or (ii) the maximum allowed by ADOH or HUD, as applicable, and the Management Agreement will also provide for the payment to management agent of industry-standard fees and expenses incurred by GPM (e.g., accounting fees, IT fees etc.). It is anticipated that the Management Agreement will provide for monthly payment of management fees and compensation. Subject to Investor and lender approval, an initial lease-up fee equal to one-month's gross rent for the Project will also be payable by Owner to GPM pursuant to the Management Agreement, which fee will be included in the Development Budget and will be payable by Owner. GPM will pay Authority fifty percent (50%) of the fee in consideration of Authority assisting in the initial lease-up of the Project. Developer will cooperate with Authority and GPM to ensure that staff of Authority engaged in management of the properties being transitioned from public housing as part of the Project have an opportunity to be considered for available employment opportunities with GPM, subject to GPM having the right to engage in such screening and interviewing processes as it normally would for any employees it may hire. In addition, upon lease-up the Authority will act as a sub-manager ("**Sub-Manager**") for the completed project to include managing the Project's wait list. GPM and Sub-Manager will execute a separate agreement ("**Sub-Management Agreement**") defining the duties to be performed by the Sub-Manager. GPM and Sub-Manager will share in the management fee as defined in the Sub-Management Agreement and Sub-Manager shall be entitled to a 1% sub-management fee, payable from the fee paid to GPM under the Management Agreement.

5.03 Development Cost Savings. To the extent permitted by Investor, lenders, ADOH and HUD, in the event there are cost savings ("**Savings**") for the Project (*i.e.* the actual total development costs of the Project are less than the total sources available for the Project), Developer and Authority agree to use good faith efforts to have the Owner Operating Agreement and loan documents for the Project allow for the use of Savings for the following, in the following order: (i) the payment of what would be Deferred Development Fee but for the Savings; (ii) to fund required reserves; and (ii) the balance, if any, to be used to pay for betterments of the Project, with such betterments to be decided per mutual agreement of Developer and Authority. Notwithstanding the foregoing, to the extent any Savings results in a loss in "eligible basis" (as such term is defined in Section 42 of the Code) and a related reduction in low-income housing tax credits, the parties will work together to first utilize the Savings for permitted expenses related to the Project so as not to lose eligible basis or reduce LIHTC. Further, the parties agree that the terms of the Owner Operating Agreement and any loan documents for project financing shall ultimately control the use of any Savings.

ARTICLE VI - DEVELOPMENT FEE; PROJECT CASH FLOW/TAX CREDITS; PREDEVELOPMENT COSTS; MM INTERESTS

6.01 Development Fee. Developer and Authority (or its affiliate) shall be entitled to a development fee to be earned and paid (unless deferred as set forth below) during the development period (the "**Development Fee**"), as shown and agreed upon in the final Development Budget for the Project approved at closing by Developer, Authority, Investor and lenders. The Development Fee shall comply with all HUD requirements, and will not exceed the maximum amount permitted under the Code and by ADOH. The Development Fee shall be paid in accordance with a payment schedule permitted by the Investor and lenders. Developer shall receive sixty-five percent (65%) of the Development Fee and Authority shall receive thirty-five (35%) of the Development Fee. Whether payable from equity or other sources during development of the Project or deferred and payable from cash flow, Developer and Authority shall receive their respective share of Development Fee pro rata. The parties agree that if a governmental authority, Investor or lender imposes any limitations on the Development Fee, then the most restrictive limitations shall control and that any reduction in the Development Fee will affect Authority and Developer on a pro rata basis. A portion of the Development Fee may be deferred and paid out of Owner's cash flow and/or sale and refinancing proceeds, subject to any limitations imposed by ADOH, Investor and/or a lender (the "**Deferred Development Fee**"). In the event of a cost overrun in excess of any contingency set forth in the Development Budget, the Development Fee shall be deferred, as necessary, to pay for such overrun. Developer and Authority agree that cash flow based payments of Deferred Development Fee will be paid to Developer and Authority ahead of the repayment of any loans to Owner from Authority or its affiliates. If, during the course of development of the Project, there is a need to change Deferred Development Fee, Developer and Authority will mutually consult with one another to minimize the amount of additional Deferred Development Fee and cooperate in good faith to reduce the same. Any changes to Deferred Development Fee after Authority's approval of the Development Plan must be approved by the Authority.

6.02 Cash Flow; Tax Credits. Owner shall distribute cash flow to MM in accordance with the terms of the Owner Operating Agreement negotiated with Investor. Subject to the terms of Section 6.05, and Investor approval, any cash flow distributed to MM shall be paid fifty percent (50%) to Developer (or its affiliate member of MM) and fifty percent (50%) to Authority (or its affiliate member of MM). If the Owner pays the MM an administrative fee or other fees for providing any services to the Owner (*e.g.*, company management fees, incentive management fees or the like) ("**Managing Member Fees**"), such Managing Member Fees will be distributed by Managing Member as follows: fifty percent (50%) to Developer (or its affiliate member of MM) and fifty percent (50%) to Authority (or its affiliate member of MM). Subject to Investor approval, Developer will also be entitled to an annual asset management fee from Owner or MM for providing asset management services related to the Project, which is anticipated to be in the range of $5,000 - $10,000 annually. To the greatest extent permitted by the Investor and the Code, all

LIHTCs, HTCs or other tax credits (including, without limitation, any 45L credits) allocated to the MM will be fully allocated to Developer.

6.03 Predevelopment Costs. The Development Budget shall include a budget of estimated predevelopment costs. Predevelopment costs are defined as those costs incurred in connection with the Project prior to the Closing. Such predevelopment costs contemplated for the Project will include, but not be limited to, costs incurred to prepare applications for LIHTCs and other funding sources, appraisals, market studies, capital needs assessments, environmental studies, surveys, Geotech reports, energy modeling, and bond reservations. A preliminary estimate of predevelopment costs is included in Schedule 6.03. The final Development Budget will include an agreed upon amount of Authority's legal fees. Developer and Authority shall each be responsible for fifty percent (50%) of all budgeted predevelopment costs incurred in connection with the Project. Developer shall provide Authority with monthly invoices setting for the amount of predevelopment costs incurred each month, and Authority shall pay or reimburse Developer for fifty percent (50%) of such predevelopment costs within thirty (30) days of receipt of each invoice. Developer shall be responsible for all predevelopment costs in excess of budgeted predevelopment costs. At Closing, Authority and Developer shall each be repaid the predevelopment costs they have incurred in connection with the Project, subject to Investor and lender approval. If the Project receives an award of LIHTCs which Owner accepts, Developer intends to obtain a predevelopment line of credit that will be used for predevelopment costs incurred after the acceptance of such award and leading up to Closing.

6.04 Project Loans. In addition to Authority's obligation to pay predevelopment costs as set forth in Section 6.03, Authority shall make loans to Owner consistent with the final Financing Plan and on terms and conditions mutually acceptable to Developer, Authority, Investor and any lenders. Developer and the Authority acknowledge that the terms of certain loans may be dictated by ADOH or HUD. All such loans made by the Authority are referred to herein as ("**Authority Loans**"). The final amounts or, sources for and all other terms and conditions of all Authority Loans are subject to final approval by Developer, Authority, Investor and lenders.

6.05 Adjustments to Cash Flow. If Investor or any lender determines that the amount of cash flow to be distributed as set forth in Section 6.02 needs to be modified to preserve LIHTCs or to maintain Investor's pricing for its investment in LIHTCs with Owner, Authority and Developer agree that they will make such adjustments as are necessary to satisfy Investor's requirements or lender's requirements, as applicable. To the maximum extent possible in the context of satisfying such requirements, Developer and Authority agree that the total amount of annual payments to Authority (or its affiliates) that are made in connection with the Project (other than the payment of Development Fee, the Ground Lease, or the Tax Exemption), whether through cash flow distributions to its affiliate member of Managing Member, its share of Managing Member Fees, or payments of any other cash flow-based fee or payments, including payments on Authority Loans will be limited to no more than fifty percent (50%) of the amount of cash flow distributions and Managing Member Fees which would have been made to Developer (or its affiliate member of MM) and Authority (or its affiliate member of MM) pursuant to Section 6.02 in the absence of adjustments contemplated by this Section 6.05. The final Managing Member operating agreement (the "**Managing Member Operating Agreement**") and Owner Operating Agreement will include such terms as are necessary to reflect this agreed upon split of cash distributions from the Project.

6.06 Purchase of Gorman's MM Interest. Subject to the approval of Investor and lenders, and if required, ADOH and HUD, the Managing Member Operating Agreement will provide that Authority (or its affiliate member of MM) will have the right to purchase Developer's (or its affiliate member of MM's) interest in the MM ("Gorman's MM Interest") after the expiration of the 15-year tax credit compliance period for $100.00 plus: (i) all unreimbursed amounts previously advanced to the MM or Owner by Developer or its affiliates; (ii) the total outstanding balance of any loans made by Developer (or its affiliates) to either Owner or Managing Member; and (iii) the full amount of any income tax liability incurred by

Gorman (or its affiliate member of MM) or its members as a result of the Authority's purchase of the Project as a result of the Authority's purchase of Gorman's MM Interest. In addition, Authority's right to purchase Gorman's MM Interest will be conditioned upon: (i) payment in full of all Development Fee by Owner payable to Gorman (without any additional contribution from Gorman or its affiliates to make such payment at the time Gorman's MM Interest is purchased); (ii) Gorman receiving written releases from any and all obligations under any guarantees or indemnities made by it or its affiliates in connection with the Project (other than for those obligations which may relate to actions or inactions prior to the date that Authority acquires Gorman's MM Interest); and (iii) HUD, ADOH, Investor and lender(s) providing any necessary consent to such purchase.

ARTICLE VII - SELECTION OF PROFESSIONALS, CONTRACTORS AND CONSULTANTS

7.01 Selection of Providers. Authority and Developer shall mutually agree on any party that will be providing any services in connection with the Project including, without limitation, attorneys, accountants, and consultants; provided, however, that Authority and Developer agree that (a) Gorman Architectural, LLC (an affiliate of Developer) shall be the architect for the Project ("**Architect**"), (b) Gorman General Contractors, LLC (an affiliate of Developer) shall be the general contractor for the Project ("**General Contractor**"), (c) GPM shall be the management agent for the Project, and (d) Authority shall maintain sole right and ability to select and retain its own legal counsel, accountants and consultants throughout the duration of the Project. Developer or an affiliate may also provide relocation services in connection with the Project with the assistance of Authority. The amount of any fees or other compensation payable to Developer or its affiliates for the services described above, and the terms of any agreements related thereto, must be mutually acceptable to Developer and Authority. The fees due to Architect and General Contractor will be as set forth in the LIHTC Application. Notwithstanding the foregoing, in no event shall Developer contract with any party which has been debarred or suspended by the HUD. Developer hereby represents to Authority that it and its affiliates have not been disbarred or suspended by HUD. Authority shall have the right to review and approve, which approval will not be unreasonably withheld, conditioned or delayed, all contracts between Owner and Architect, General Contractor, GPM or any other affiliate of Developer.

7.02 Architect's Agreement; Construction Contract. Owner's agreement with Architect (the "**Architect's Agreement'**) will provide for Owner remedies due to Architect's default under the Architect's Agreement that are mutually acceptable to Developer and Authority and levels of service and measures of Architect's performance as an architect, consistent with industry practice and shall include termination rights in favor of Owner mutually agreed to between Developer, Architect and Authority, all subject to the approval of Investor and lenders. Owner's agreement with General Contractor (the "**Contractor's Agreement'**) will provide for Owner remedies due to Contractor's default under the Contractor's Agreement that are mutually acceptable to Developer and Authority and levels of service and measures of Contractor's performance as an architect, consistent with industry practice and shall include termination rights in favor of Owner mutually agreed to between Developer, Architect and Authority, all subject to the approval of Investor and lenders. In the event that Architect/General Contractor is in default beyond applicable notice and cure periods and/or is unwilling or unable to perform its responsibilities under the terms of its agreement between Owner and Architect/General Contractor, then the Authority and Developer agree that the Authority may require the Owner to terminate Architect/General Contractor in accordance with the terms of the agreement and engage a replacement contractor. The Managing Member Operating Agreement will provide that the Authority and Developer will reasonably agree, subject to Investor approval, on any replacement architect or general contractor, as applicable.

7.03 Environmental Remediation and Monitoring. Prior to procuring environmental remediation and/or monitoring services the Developer will require general contractor to contact the

Authority's project manager to obtain a current list of approved contractors. If the list contains contractors that perform the desired scope of work, the general contractor will enter into subcontracts exclusively with those Authority-approved contractors. The general contractor will obtain bids from the approved contractors and award the resulting contract(s) in accordance with its established procurement procedures.

ARTICLE VIII - REPRESENTATIONS AND WARRANTIES.

8.01 Developer Representations. Developer hereby represents and warrants as follows:

(a) It has the legal and financial capacity to assume responsibility for compliance with all applicable laws, regulations, rules, programs and agreements and to enter into this Agreement and to perform all of the undertakings set forth herein.

(b) Developer is a duly organized and validly existing legal entity under the laws of the State of Wisconsin and is qualified to do business in the State of Arizona.

(c) This Agreement has been duly and validly executed and delivered by Developer and constitutes a valid and legally binding obligation of Developer enforceable in accordance with its terms.

(d) Developer is not a party to any contract or agreement or subject to any charter or other legal restriction of any kind which materially and adversely affects the business, property or assets, or the condition, financial or otherwise, of Developer. Neither the execution and delivery of this Agreement, nor compliance with the terms, conditions and provisions hereof, will conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under any law or any regulation, order or decree of any court or governmental agency, or any indenture or other agreement or instrument to which Developer is subject, or will result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of Developer pursuant to the terms of any such indenture or agreement or instrument, and will not require the approval of any federal regulatory body or of any state or local commission or authority having jurisdiction with respect thereto, unless such approval has been obtained and is in full force and effect on the date hereof.

(e) There is no action, proceeding or investigation now pending before any court or any governmental department or agency nor any basis therefor, known or believed to exist which: (i) questions the validity of this Agreement or any action or act taken or to be taken by Developer pursuant to this Agreement, or (ii) is likely to result in a material adverse change in the authority, property, assets, liabilities or condition of Developer which will materially and substantially impair its ability to perform pursuant to the terms of this Agreement.

(f) There has been no administrative action taken nor is any administrative action pending against Developer, its directors and/or officers relating to any denial of participation, suspension or debarment in any HUD program.

8.02 Authority Representations. Authority hereby represents and warrants as follows:

(a) It has legal and financial capacity to assume responsibility for compliance with all applicable laws, regulations, rules, programs and agreements and to enter into this Agreement and to perform all the undertakings set forth herein.

(b) Authority is a duly organized and validly existing legal entity under the laws of the State of Arizona.

(c) This Agreement has been duly and validly executed and delivered by Authority and constitutes a valid and legally binding obligation of Authority enforceable in accordance with its terms.

(d) Authority is not a party to any contract or agreement or subject to any charter or other legal restriction of any kind which materially and adversely affects the business, property, or assets, or the condition, financial or otherwise, of Authority. Neither the execution and delivery of this Agreement, nor compliance with the terms, conditions and provisions hereof will conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under any law or any regulation, or decree of any court or governmental agency, or of any indenture or other agreement or instrument to which Authority is subject, or will result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of Authority pursuant to the terms of any such indenture or agreement or instrument and will not require the approval of any federal regulatory body or of any state or local commission or authority having jurisdiction with respect thereto, unless such approval has been obtained and is in full force and effect on the date hereof.

(e) There is no action, proceeding or investigation now pending before any court or any governmental department or agency nor any basis therefor, known or believed to exist which: (i) questions the validity of this Agreement or any action or act taken or to be taken by Authority pursuant to this Agreement, or (ii) is likely to result in a material adverse change in the authority, property, assets, liabilities or condition of Authority which will materially and substantially impair its ability to perform pursuant to the terms of this Agreement.

(f) There has been no administrative action taken nor is any administrative action pending against Authority, its directors and/or officers relating to any denial of participation, suspension or debarment in any HUD program.

(g) The Authority represents that it has obtained all necessary HUD approvals to execute and deliver this Agreement, and has, or will have before they are needed, all HUD approvals required to perform its obligations hereunder in a timely fashion. The Authority further represents that no provision of this Agreement, including, without limitation any of the provisions related to termination rights of the Authority or the performance of any of the Authority's obligations with respect thereto, are subject to any further approvals by HUD.

ARTICLE IX - COOPERATION; PUBLIC STATEMENTS

9.01 Cooperation. The parties hereto agree to cooperate with each other and provide all necessary documentation, certificates and consents and to take all necessary action in order to satisfy the terms and conditions hereof and the applicable laws, regulations and agreements relating thereto.

9.02 Public Statements. The parties agree to cooperate and consult with each other regarding any public statements or publication made regarding the Project, provided, however, that Developer understands that Authority staff may have to appear at public hearings or other public meetings at which the Project is discussed, and that in such instances, Authority may not be able to fully coordinate public statements made at such meetings or appearances. Each party will make reasonable efforts to provide the other with drafts of any written material prepared in connection with the Project for a government agency or other third party prior to submission, and Authority shall provide Developer in advance with copies of any prepared materials for public hearings or other public meetings whenever reasonably possible for Developer's prior review and comment. Each party shall revise such drafts in accordance with reasonable requests of the other. Nothing in this Section 9.02 is intended to require that Authority or any City employees share with Developer in advance any internal communications about this Agreement or the Project.

ARTICLE X - ACCOUNTING RECORDS.

10.01 Books and Records. Developer's books and records pertaining to the Project shall, prior to Closing, be kept on a modified cash basis, including open accounts payable, in accordance with conventional practice, and consistently applied and after Closing shall be kept in accordance with generally accepted accounting principles. All books and records must conform to all regulatory and Investor requirements. Authority shall have reasonable access to all such books and records.

ARTICLE XI - DISPUTES.

11.01 Disputes. In the event of a dispute arising under this Agreement, the parties shall, without delay and in good faith attempt to amicably resolve such dispute. Should the parties be unable to resolve any dispute between themselves within ten (10) business days of both parties notice of such dispute ("**10-Day Dispute Period**") the parties will, within three (3) business days following the 10-Day Dispute Period select a neutral mediator experienced in mediation and in matters customarily related to the area of dispute. The dispute will be submitted to the mediator for non-binding mediation, the decision of such mediation not to extend beyond sixty (60) days from the conclusion of the 10-Day Dispute Period. If the parties do not reach a resolution to their dispute within the period referenced above, then, upon notice by either party to the other, all disputes, claims, questions, or differences may be submitted to non-binding arbitration in the State of Arizona in accordance with the Commercial Arbitration Rules and practices of the American Arbitration Association. In the event of a dispute in the courts, the parties consent, agree and stipulate that the exclusive forums and jurisdiction for maintaining any civil actions shall be in either the state or federal courts located in Maricopa County, Arizona, and the parties to this Agreement agree to submit to the personal and exclusive jurisdiction and venue of these courts.

ARTICLE XII - TERM; TERMINATION.

12.01 Term. This Agreement shall commence upon the execution hereof and shall terminate at Closing.

12.02 Termination by Parties. This Agreement may be terminated:

(a) By the mutual agreement of Developer and Authority;

(b) By Developer or Authority if there has been a default in the performance or observance of any term or condition of this Agreement by the other party that is not cured within thirty (30) days after receipt of written notice thereof from the non-defaulting party; provided that, if such default cannot reasonably be cured within thirty (30) days, and the defaulting party shall have commenced to cure such default within such thirty (30) day period, then the defaulting party shall have such additional time as is reasonably necessary to cure the default if the defaulting party promptly and diligently proceeds to cure the same, it being agreed that no extension shall be for a period in excess of one hundred and eighty (180) days unless mutually agreed to by the parties;

(c) Immediately by Developer or Authority, if the other party ceases doing business as a going concern, makes an assignment for the benefit of creditors, files a voluntary petition seeking for itself any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar arrangement under the federal bankruptcy laws or any similar federal or state statute, law or regulation, or files an answer admitting the material allegations of such a petition or consents to or acquiesces in the appointment of a trustee, receiver or liquidator of all or any part of its assets or properties. The parties specifically acknowledge that the current receivership status of the Authority does not constitute grounds for termination of this Agreement pursuant to this provision.

12.03 Payments and Damages. In the event Developer and Authority mutually terminate this Agreement under Section 12.02(a), each party shall pay its share of predevelopment costs for any Project in accordance with the terms of Section 6.03, and neither party shall be entitled to any compensation from the other party unless mutually agreed by the parties. In the event Developer or Authority terminates this Agreement under Section 12.02(b) or 12.02(c), the defaulting party shall be liable for any and all damages incurred by the non-defaulting party including, without limitation, reasonable attorneys' fees and other costs and expenses resulting from termination of this Agreement.

12.04 Termination. Authority may terminate this Agreement for the convenience of Authority if Authority determines in good faith that it is infeasible or contrary to the interests of the Authority to proceed with the Project. Any such termination shall be effected by delivery to Developer of a written notice of termination. In the event of such termination for convenience, the Authority shall pay to Developer and its affiliates, as applicable, all Termination Costs (as defined in this paragraph) within sixty (60) days after the Authority has received written notice from Developer of the applicable amount of Termination Costs and any documentation reasonably requested by the Authority to evidence such Termination Costs. If the termination occurs prior to the date on which Developer and Authority have agreed on the Development Plan, the "**Termination Costs**" shall equal the sum of all out-of-pocket costs Developer has incurred in connection with the development of the Project (the "**Out-of-Pocket Costs**"). If the termination occurs on or after the date on which Developer and Authority have agreed on the Development Plan, but prior to the date on which the Project receives a reservation or award of LIHTC, the "**Termination Costs**" shall equal the sum of (i) the Out-of-Pocket Costs, plus (ii) fifty percent (50%) of Developer's budgeted architect fees, plus (iii) twenty-five percent (25%) of Developer's budgeted construction fees, plus (iv) twenty-five percent (25%) of Developer's budgeted Development Fee. The budgeted amounts shall be based on the approved Development Budget or, if a LIHTC application has been submitted, the amounts set forth in such application. If the termination occurs on or after the date on which the Project has received a reservation or award of LIHTC, the **Termination Costs**" shall equal the sum of (i) the Out-of-Pocket Costs, plus (ii) one hundred percent (100%) of Developer's budgeted architect fees, plus (iii) fifty percent (50%) of Developer's budgeted construction fees, plus (iv) fifty percent (50%) of Developer's budgeted Development Fee, with such budgeted amounts shall be based on the amounts set forth in the LIHTC application.

12.05 Survival. Notwithstanding any expiration or termination of this Agreement, all indemnification obligations contained in of this Agreement, and the provisions contained in Articles III, V, VI, VIII, XI, XII, XVII and XVIII of this Agreement shall survive the termination of this Agreement to the extent that the terms and conditions therein require continued performance, compliance, or effect beyond the termination date of this Agreement.

ARTICLE XIII - INDEPENDENT CONTRACTOR

13.01 Independent Contractor. It is expressly agreed and understood between Authority and Developer, that Developer, in entering into this Agreement and carrying out its obligations hereunder, is an independent contractor working for itself and is not, shall not be deemed to be and shall not hold itself out as an agent, legal representative or employee of Authority. Developer is not granted any right or authority to assume or to create any obligation, liability or responsibility, express or implied, on behalf of or in the name of Authority, to bind the Authority in any manner to any contractual or other undertaking whatsoever or to accept payment from any party of any obligation owing to Authority. Developer shall be responsible for all costs it incurs in performing its obligations under this Agreement, and except as explicitly set forth herein, Authority shall not have any liability for any debts or other obligations which Developer may incur in rendering such performance.

13.02 Employees of Developer. Developer will provide staff for the proper administration, coordination, and supervision of the services it is providing under this Agreement. All officers and employees of Developer shall be compensated by Developer and shall be under the control of Developer. Authority shall not have any liability or obligation whatsoever with respect to any employment arrangement between Developer and any of its officers and employees. All matters concerning the employment, supervision, compensation, promotion and discharge of such officers and employees shall be the sole responsibility of Developer. Developer shall comply with all applicable laws and regulations with respect to workers' compensation, social security, unemployment insurance, hours of labor, wages, working conditions, licensing and other employer-employee related matters, including, without limitation, all laws, rules and regulations with respect to non-discrimination based on race, sex or otherwise.

13.03 No Assignment of Funds. The Developer acknowledges that any transfer of Authority funds by Authority to the Developer shall not be deemed an assignment of such funds. The Developer will not succeed to any rights or benefits of Authority or attain any privileges, authorities, interests, or rights of Authority. Notwithstanding the foregoing, the Authority represents that it is fully authorized to expend any and all funds necessary to fulfill its obligations under this Agreement.

ARTICLE XIV - CONFLICT OF INTEREST

14.01 Conflicts of Interest.

(a) No employee, officer or agent of Authority shall participate in selection, or in the award or administration of a contract supported by Federal funds if a conflict of interest, real or apparent would be involved. Such a conflict would arise when (a) the employee, officer or agent, (b) any member of his or her immediate family, (c) his or her parents or (d) an organization that employs, or is about to employ, any of the foregoing, has a financial or other interest in the firm selected for the award.

(b) Neither Authority nor Developer nor its contractors shall enter into any contract, subcontract or agreement in connection with the Project in which any member, officer or employee of Authority, or any member of the governing board of the locality in which the Project is situated, or any member of the governing body of the locality in which Authority was activated or in any other public official of such locality or localities who exercises any responsibilities or functions with respect to the Project during such person's tenure or for one (1) year thereafter has any interests, direct or indirect.

(c) If any such present or former member, officer, or employee of Authority, or any such governing body member or such other public official of such locality or localities involuntarily acquires or had acquired prior to the beginning of such person's tenure any such interest, and if such interest is immediately disclosed to Authority, and such disclosure is entered upon the minutes of the Authority, Authority, may waive the prohibition; provided that any such present member, officer or employee of Authority, shall not participate in any action by Authority relating to such contract, subcontract or arrangement.

(d) No member, officer or employee of Authority, no member of the governing body of the locality in which the Project is situated, no member of the governing body of the locality in which Authority was activated, and no other public official of such locality or localities who exercises any functions or responsibilities with respect to the Project, during his/her tenure or for one year thereafter shall have any interest, direct or indirect, in the Project or the proceeds thereof.

(e) In addition to those requirements specifically set forth in this Section 14.01, Authority, Developer and their respective officers, employees, agents and/or contractors shall comply with all applicable Federal and Arizona laws and regulations governing conflicts of interest. Specifically, all parties hereto acknowledge that this Agreement is subject to cancellation by Authority or its successor, if applicable, pursuant to the provisions of A.R.S. § 38-511. Authority represents to Developer that it has no knowledge of any facts or circumstances that could give rise to the cancellation of this Agreement by Authority pursuant to the provisions of A.R.S. § 38-511.

14.02 Interest of Members of Congress. No member of or delegate to the Congress of the United States of America shall be admitted to any share or part of this Agreement or to any benefit to arise from it.

14.03 Limitation of Payments to Influence Certain Federal Transactions. The Limitation of Use of Appropriated Funds to Influence Certain Federal Contracting and Financial Transactions Act, 31 U.S.C. §1352, provides, in part, that no appropriated funds may be expended by recipient of a federal contract, grant, loan, or cooperative agreement to pay any person, including Authority and Developer, for influencing or attempting to influence an officer or employee of Congress in connection with any of the following covered Federal actions: the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan or cooperative agreement.

14.04 Certification. The Co-Developer agrees to execute the Certification Regarding Lobbying attached hereto as Exhibit J.

ARTICLE XV - FEDERAL REQUIREMENTS

15.01 With regard to all work on the Project, Developer shall comply with all applicable federal, state and local laws and HUD regulations, including the following requirements to the extent they are applicable, as the same may be amended from time to time:

(a) The Fair Housing Act, 42 U.S.C. 3601-19, and regulations issued thereunder, 24 C.F.R. Part 100; Executive Order 11063 (Equal Opportunity in Housing) and regulations issued thereunder, 24 C.F.R. Part 107; the fair housing poster regulations, 24 C.F.R. Part 110, and advertising guidelines 24 C.F.R. Part 109.

(b) Title VI of the Civil Rights Act of 1964, 42 U.S.C. § 2000d, and regulations issued thereunder relating to nondiscrimination in housing, 24 C.F.R. Part 1.

(c) Age Discrimination Act of 1975, 42 U.S.C. §§ 6101-07, and regulations issued thereunder, 24 C.F.R. Part 146.

(d) Section 504 of the Rehabilitation Act of 1973, 29 U.S.C. § 794, and regulations issued thereunder, 24 C.F.R. Part 8; the Americans with Disabilities Act, 42 U.S.C. §§ 12181-89, and regulations issued thereunder, 28 C.F.R. Part 36, and the Architectural Barriers Act of 1968, as amended (42 U.S.C. § 4151) and regulations issued pursuant thereto, 24 C.F.R. Part 40.

(e) Section 3 of the Housing and Urban Development Act of 1968, 12 U.S.C. § 1701(u) ("**Section 3**") and its implementing regulations at 24 C.F.R. Part 75.

(f) 24 C.F.R. Part 24, which applies to the employment, engagement of services, awarding of contracts, subgrants, or funding of any recipients, or contractors or subcontractors, during any period of debarment, suspension, or placement in ineligibility status.

(g) Section 306 of the Clean Air Act, Section 508 of the Clean Water Act, Executive Order 11738 and Environmental Protection Agency regulations at 40 C.F.R. Part 15.

(h) The Immigration Reform and Control Act of 1986, Pub L. No. 99-603, 100 Stat. 3359.

(i) Executive Order 11246 of September 24, 1965, entitled, "Equal Employment Opportunity," as amended by Executive Order 11375 of October 13, 1967, and as supplemented in Department of Labor regulations, 41 C.F.R. Part 60. (All construction contracts awarded in excess of $10,000 by Federal grantees and their contractors or subcontractors.)

(j) Copeland "Anti-Kickback" Act, 18 U.S.C. § 874, as supplemented in Department of Labor regulations at 29 C.F.R. Part 3. (All contracts and subgrants for construction or repair.)

(k) Davis-Bacon Act, 40 U.S.C. §§ 276a to 276a-7, as supplemented by the Department of Labor regulations at 29 C.F.R. Part 5, and HUD regulations at 24 C.F.R. 941.610(a)(8)(vi) or successor provisions. The provisions of 24 C.F.R. Part 70, as they may be amended from time to time, will apply to the use of volunteers for activities covered by Section 12 of the United States Housing Act of 1937. In addition, if funds from other Federal programs are used in construction of the Project, Developer agrees to comply with all applicable requirements of such programs relating to labor standards. Developer shall comply with 24 C.F.R. Part 85, to the extent applicable.

(l) Sections 103 and 107 of the Contract Work Hours and Safety Standards Act, 40 U.S.C. Sections 327-330 (as recodified at 40 U.S.C. Sections 3701-3703), as supplemented by Department of Labor regulations at 29 C.F.R. Part 5.

(m) Executive Orders 11625 (as amended by Executive Order 12007), 13170, 12432, and 12138 (as amended by Executive Order 12608). Consistent with HUD's responsibilities under these Orders, to the extent applicable to the work to be performed by Developer hereunder, Developer must make efforts to encourage the use of minority and women's business enterprises in connection such work.

ARTICLE XVI - CONSENT; NO ASSIGNMENT.

16.01 Consent. In any request, approval, consent or other determination by any party required under this Agreement, the party shall act reasonably, in good faith and in a timely manner unless a different standard is explicitly stated. Nothing contained in this Agreement shall be deemed or construed in any way as constituting Authority's expressed or implied authorization, consent or request to any contractor, subcontractor, laborer or materialman, architect, or consultant, for the construction or demolition of any improvement, the performance of any labor or services or the furnishing of any materials for any improvements, alterations to or repair of a Development or any part thereof.

16.02 Assignment. Neither party shall assign, subcontract or transfer any services, obligations, or interests in this Agreement without the prior written consent of the other party, which consent shall not be unreasonably withheld, conditioned or delayed.

ARTICLE XVII - INDEMNIFICATION

17.01 Mutual Indemnity. Developer, its affiliates, joint venture partners, subcontractors, agents or employees of any of them or anyone for whose acts they may be liable (collectively "Developer Representatives"), severally and jointly, agree to indemnify, defend, and hold harmless, on demand, the Authority, its successors and assigns, its elected and appointed officials, employees, agents, boards, commissions, representatives, and attorneys, for, from and against any and all third-party liabilities, obligations, damages, charges and expenses, penalties, suits, fines, claims, legal and investigation fees or costs, arising from or related to any claim or action for injury or damage to persons, property or the environment (collectively, "Claims") which Claims allege or arise in connection with the violation of law by, or the negligence or willful misconduct of, Developer Representatives on the Site or elsewhere in the performance of its obligations under this Agreement. Authority, its affiliates, joint venture partners, subcontractors, agents or employees of any of them or anyone for whose acts they may be liable (collectively "Authority Representatives"), severally and jointly, agree to indemnify, defend, and hold harmless, on demand, the Developer, its affiliates and each of their respective successors and assigns, members, managers, employees, officers, shareholders and directors, for, from and against any and all Claims which allege or arise in connection with the violation of law by, or the negligence or willful misconduct of, Authority Representatives on the Site or elsewhere in the performance of its obligations under this Agreement.

17.02 Mutual Waiver of Subrogation. For the consideration of this Agreement, Developer and Developer Representatives agree to waive all rights of subrogation against the Authority for losses arising from or related to this Agreement. For the consideration of this Agreement, Authority and Authority Representatives agree to waive all rights of subrogation against Developer for losses arising from or related to this Agreement.

ARTICLE XVIII - ROLE OF PUBLIC HOUSING AUTHORITY COMMISSION OR CITY COUNCIL.

18.01 The parties acknowledge that closing of the transactions contemplated in this Agreement may be contingent on the review and approval, consistent herewith, of the City of Chandler Public Housing Authority Commission and/or the Chandler City Council if required by law or regulation, which approval is in the respective body's sole and absolute discretion. The Developer and the Authority agree to cooperate in order to obtain all necessary approvals.

ARTICLE XIX - MISCELLANEOUS.

19.01 Notices. All notices, requests, demands, approvals, or other formal communications given hereunder or in connection with this Agreement shall be in writing and shall be deemed given when actually received or two days after being sent by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Developer:

Gorman & Company, LLC
200 N. Main St.
Oregon, Wisconsin 53575
Attn: Brian Swanton
Phone: 602-354-3749
Email: bswanton@Gormanusa.com

If to Authority:

Chandler Housing and Redevelopment Division
235 South Arizona Avenue
Chandler, AZ 85225
Attn: Amy Jacobson, Housing and Redevelopment Manager
Phone: 480-782-3207
Email: Amy.Jacobson@chandlerAZ.gov

With a copy to:	With a copy to:
Reinhart Boerner Van Deuren s.c. 1000 North Water Street, Suite 1700 Milwaukee, WI 53202 Attn: Stephen Elliott, Esq. Phone: 414-298-8257 Email: selliott@reinhartlaw.com	Harvey Law, PLLC 7702 East Doubletree Ranch Road, Suite 300 Scottsdale, AZ 85258 Attn: Travys Harvey Esq. Phone: 602-622-9454 Email: tharvey@harvey.legal

19.02 Counterparts. This Agreement may be executed in counterparts and all such counterparts shall be deemed to be originals and together shall constitute one and the same instrument. Signatures sent via facsimile or e-mail transmission shall be deemed original signatures for purposes of creating a binding Agreement.

19.03 Further Assurances. Each party shall execute such other and further documents as may be reasonably necessary or proper for the consummation of the transactions contemplated by this Agreement.

19.04 Interpretation and Governing Law. This Agreement shall not be construed against the party who prepared it but shall be construed as though prepared by both parties. This Agreement shall be construed, interpreted, and governed by the laws of the State of Arizona.

19.05 Severability. Nothing in this Agreement is intended, or may be construed, to require the commission of any act contrary to any applicable law. Each party must comply with all applicable laws and regulations in performing its obligations hereunder. If any provision of this Agreement (which is to be applied in the narrowest sense as meaning the particular provision within a single section, subsection, paragraph, sentence or clause) conflicts with any statute, law, ordinance, policy or treaty such that it is held or adjudged to be invalid, illegal, void or otherwise unenforceable, then the affected provision must be curtailed and limited only to the extent necessary to bring it within the applicable legal requirements and the validity, legality, and enforceability of the remaining provisions of this Agreement will not in any way be affected or impaired thereby and will remain enforceable to the fullest extent permitted by law. In that event, to the fullest extent possible, the remaining provisions of this Agreement will be modified and construed to the extent necessary to resolve the conflict and to give effect to the intent manifested by the provision held invalid, illegal, void or unenforceable, although the economic and legal substance of the transactions contemplated hereby may not be affected in any manner that is materially adverse to any party affected by the invalidity or unenforceability.

19.06 Parties Bound. No officer, director, shareholder, employee, agent, or other person authorized to act for and on behalf of either party shall be personally liable for any obligation, express or implied, hereunder.

19.07 Final Agreement. This Agreement constitutes the final understanding and agreement between the parties with respect to the subject matter hereof and supersedes all prior negotiations, understandings and agreements between the parties, whether written or oral. This Agreement may be amended, supplemented or changed only by a writing signed or authorized by or on behalf of the party to be bound thereby. At Closing for the Project, this Agreement will be superseded by the terms and conditions of the documents entered into in connection with such Project, including, without limitation, a Ground Lease, documents governing any Authority Loans, the operating agreements of the MM and Owner, any development services agreements and right of first refusal agreements.

19.08 Remedies Cumulative; No Waiver. The rights and remedies granted herein or by law or equity are separate and no one of them, whether or not exercised, shall be deemed to exclude other rights or remedies. No delay or omission by either party to insist upon the strict performance of any of the other party's obligations under this Agreement or to exercise any right or remedy available hereunder shall impair any such right or remedy or constitute a waiver thereof in the event of any subsequent occasion giving rise to such right or availability or remedy or obligation, whether of a similar or dissimilar nature.

19.09 Successors. The terms, covenants, agreements, provisions, and conditions contained herein shall bind and inure to the benefit of the parties hereto, and their permitted successors and assigns; provided that Developer may not assign its interests in this Agreement without the prior written consent of Authority.

19.10 Legal Worker Requirements. A.R.S. § 41-4401 prohibits the Authority from awarding a contract to any contractor who fails, or whose subcontractors fail, to comply with A.R.S. § 23-214(A). Therefore, Developer agrees it and each subcontractor it uses warrants their compliance with all federal immigration laws and regulations that relate to their employees and their compliance with§ 23-214, subsection A. A breach of this warranty will be deemed a material breach of the Agreement and may be subject to penalties up to and including termination of the Agreement. Authority retains the legal right to inspect the papers of any Developer's or subcontractor's employee who provides services under this Agreement to ensure that Developer and subcontractors comply with the warranty under this provision.

19.11 Force Majeure. If either Party is delayed or prevented from the performance of any act required under this Agreement by reason of acts of God or other cause beyond the control and without fault of the Party (financial inability excepted), performance of that act may be excused, but only for the period of the delay, if the Party provides written notice to the other Party within ten days of such act. The time for performance of the act may be extended for a period equivalent to the period of delay from the date written notice is received by the other Party.

19.12 No Israel Boycott. By entering into this Agreement, Developer certifies that Developer is not currently engaged in, and agrees for the duration of the Agreement, not to engage in a boycott of Israel as defined by state statute (A.R.S. § 35-393.01).

19.13 Covenant Against Contingent Fees. Developer warrants that no person has been employed or retained to solicit or secure this Agreement upon an agreement or understanding that a commission, percentage, brokerage, or contingent fee would be paid to such person by Authority, and that no member of the Chandler City Council, or any Authority employee has any interest, financially, or otherwise, in Developer's firm. For breach or violation of this warrant, Authority may annul this Agreement without liability or, at its discretion, to deduct from the Agreement price or consideration, the full amount of such commission, percentage, brokerage, or contingent fee.

19.14 Disclosure of Information Adverse to Authority's Interests. To evaluate and avoid potential conflicts of interest, Developer must provide written notice to Authority, as set forth in this Section, of any work or services performed by Developer for third parties that may involve or be associated with any real property or personal property owned or leased by the Authority, with the exception of the Site or otherwise agreed to between the parties, the transactions contemplated in this Agreement or any work or services in connection with the Project or the transactions contemplated by this Agreement. Such notice must be given seven (7) business days prior to commencement of the services by Developer for a third party, or seven (7) business days prior to an "adverse action" as defined below. Written notice and disclosure must be sent in accordance with Section 17.01 above. An "adverse action" under this Agreement includes, but is not limited to: (a) using data as defined in the Agreement acquired in connection with this Agreement to assist a third party in pursuing administrative or judicial action against the Authority; or (b) testifying or providing evidence on behalf of any person in connection with an administrative or judicial action against the Authority; or (c) using data to produce income for Developer or its employees independently of performing the services under this Agreement, without the prior written consent of the Authority. Developer represents that except for those persons, entities, and projects identified to the Authority or as our contemplated in this Agreement, arise in connection with the Project or the transactions contemplated by this Agreement, the services performed by Developer under this Agreement are not expected to create an interest with any person, entity, or third-party project that is or may be adverse to the Authority's interests. Developer's failure to provide a written notice and disclosure of the information as set forth in this Section constitute a material breach of this Agreement.

19.15 Licenses and Permits. Beginning with the Effective Date and for the full term of this Agreement, Developer must maintain all applicable local, state, and federal licenses and permits required to fully perform Developer's services under this Agreement.

19.16 Disclaimer of Relationships. Nothing contained in this Agreement, nor any act of Authority, shall be deemed or construed to create any relationship of third-party beneficiary, principal and agent, limited or general partnership between Developer and Authority.

19.17 Title 34. Developer acknowledges and agrees that the Project must be designed, constructed, and bonds issued in accordance with Title 34, Arizona Revised Statutes, to the extent such law applies.

19.18 No Forced Uygher Labor. By entering into this Agreement, Developer certifies that Developer and its affiliates are not currently engaged in, and agree for the duration of this Agreement, not to engage in the forced labor of ethnic Uyghurs in the People's Republic of China, including utilizing any goods or services produced by the forced labor of ethnic Uyghurs and/or utilizing any contractors, subcontractors, or suppliers that use such forced labor or any goods or services produced by the forced labor of ethnic Uyghurs, as defined by A.R.S. § 35-394.

[Signature Page Follows]

SIGNATURE PAGE TO
DEVELOPMENT AGREEMENT

CITY OF CHANDLER, a political subdivision of the State of Arizona

By: ____
Name: ____
Title: City Manager

Attest:

By: ____
Name: ____
Title: City Clerk

Approved as to form:

By: ____
(Asst.) City Attorney
DMG

GORMAN & COMPANY, LLC, a Wisconsin limited liability company

By: ____
Brian Swanton, President

EXHIBIT A

The Site

Final Legal Description to be Confirmed on receipt of title insurance commitment and survey of the Site.

1. 35 N. McQueen Road, APN 303-02-023Q
2. 1023 E. Trails End Pl., APN 303-02-023R
3. 1032 E. Trails End Pl., APN 303-02-876
4. 1048 E. Trails End Pl., APN 303-02-875
5. 1064 E. Trails End Pl., APN 303-02-874
6. 1080 E. Trails End Pl., APN 303-02-873
7. 1096 E. Trails End Pl., APN 303-02-872A
8. 1097 E. Trails End Pl., APN 303-02-871A
9. 1081 E. Trails End Pl., APN 303-02-870
10. 1065 E. Trails End Pl., APN 303-02-869
11. 1049 E. Trails End Pl., APN 303-02-868
12. 1033 E. Trails End Pl., APN 303-02-867
13. 1017 E. Trails End Pl., APN 303-02-866
14. 1001 E. Trails End Pl., APN 303-02-865
15. E. Trails End Place [ROW to be vacated]
16. APN 303-02-992
17. APN 303-02-877*
18. Parts of N. McQueen and S. McQueen [if ROW to be vacated for Project]

*Authority anticipates that this parcel will be included with the Site contingent upon the Authority obtaining title; otherwise, parcel # 303-02-877 will be reserved for exclusive use as a drainage for the Site and other property.

EXHIBIT B

PROJECT PLANNING AND PREDEVELOPMENT SERVICES

Developer shall be responsible for the following in consultation with Authority:

1. Engaging legal counsel to represent Developer, Owner and MM in connection with the Project.

2. Organizing the Owner and MM for the Project.

3. Assisting Authority with preparing RAD submissions and preparing other disposition submissions to HUD.

4. Preparing any required demolition/disposition submissions to HUD.

5. Preparing subsidy layering review submissions to HUD.

6. Preparing plans to encourage participation in the Project of Section 3 residents, Section 3 small business concerns, minority-owned businesses and women-owned businesses.

7. Engaging an independent consultant to conduct a market analysis and feasibility study.

8. Perform necessary needs assessments addressing physical, financing and community assets/needs to be used in connection with the Project.

9. Developing and implementing, in partnership with Authority housing staff, a public outreach plan that covers both the planning and implementation of the Project, including but not limited to public hearings, neighborhood meetings, and other citizen outreach methods, which shall provide for communication/collaboration with the community, public housing residents, Authority and City Council.

10. Consulting with Authority and coordinating with Authority in response to any media inquiries and/or public opposition to the Project that may arise.

11. Selecting, coordinating, managing and overseeing all professional services necessary for the creation of the plan including, but not be limited to, design of all infrastructure, utilities and site improvements.

12. Negotiating all necessary agreements with lenders, Investor, and governmental bodies.

13. Preparing a marketing plan and initial lease-up program.

14. Preparing a tenant relocation plan.

15. Developing detailed Project schedule with significant milestones.

16. Developing a construction strategy, a phased development implementation schedule and budget/quality control methods.

17. Providing technical guidance on the transition of public housing portfolio via the RAD Program

18. Preparing LIHTC and other financing applications for which Developer is eligible to apply in connection with the Project. Seeking other financing options for the project. Provide copies of applications for financing.

19. Using best efforts to cause the Project to proceed and close in accordance with the Development Schedule and the Development Budget. Performing such other Project Planning and Predevelopment Services which are reasonable and necessary for the Project.

EXHIBIT C

FINANCING SERVICES

The Developer shall be responsible for obtaining all Project financing, in conjunction with the Authority, including without limitation, preparing for Authority's review and approval, which approval will not be unreasonably withheld, conditioned or delayed, of an overall plan for the financing and equity investment necessary for the development and construction of the Development ("**Financing Plan**"). The Financing Plan shall set forth the debt and equity to be raised, the sources for all funds and expected uses. It is expected that such financing may include HTCs, if applicable, and will include LIHTCs, conventional financing and such other sources of funds (including local government contributions) as necessary to fund the completion of the Project.

The Financing Plan shall be submitted to Authority simultaneously with the Development Budget for review, comment, and approval, which approval will not be unreasonably withheld, conditioned or delayed. Developer shall be primarily responsible for obtaining the financing contemplated by the Financing Plan on behalf of Owner and for its implementation. Such implementation shall include, but not be limited to, the following:

1. (a) Applying for an allocation or allocations of LIHTC from ADOH as necessary to be reasonably likely to attract equity investments; (b) if awarded to Owner, and accepted by Owner, ensuring that such allocations are preserved through the Closing and (c) using commercially reasonable efforts to ensure that the equity investment of Investor at Closing is materially consistent with the terms approved for such investment pursuant to this Agreement. Neither the Developer nor any party affiliated with the Developer shall receive any compensation for the syndication of tax credits or solicitation of potential investors.

2. Providing legal counsel to Owner in connection with the tax credit syndication, the cost of which shall be a Project expense.

3. Prior to selecting an Investor for the Project, the Developer will solicit no fewer than three (3) proposals from reputable investors, including any investor recommended by Authority. Authority shall have the right to review and comment on all solicitation packages, syndication and Investor proposals, and the Developer shall reasonably consider all Authority input on such packages and proposals. The Developer will consult with Authority regarding the Developer's assessment of proposals received, but final selection of an Investor shall be the sole function and responsibility of the Developer, based on demonstrated competitiveness of the selected proposal under then-current market conditions in terms of pricing and related terms and conditions, including pay-in schedule, required guaranties, comfort with the Project's market area, bridge financing, and demonstrated reliability of performance in comparable transactions. The Developer shall consult with Authority regarding the terms of any investor investment and obtain Authority's consent to any terms which may impact Authority in a material way. Such terms would include payment of future cash flow, operating guarantees and any options or right of first refusal.

4. Procuring all construction financing for the Project including any public funding.

5. Procuring all permanent financing of the Project, including public funding, with the exception of any funding or financial offsets that must be procured by Authority for regulatory reasons.

6. Maintaining all Project books of account and financial records in accordance with funding requirements.

7. Preparing and submitting to Authority such financial reports relating to the Project as Authority may reasonably request.

8. Performing such other Financing Services as are reasonably necessary for the Project.

EXHIBIT D

DESIGN/PLANNING SERVICES

Developer shall, together with the Architect, be responsible for the following in conjunction with Authority:

1. Overseeing all Planning Services for the Project. The Planning Services shall include:

   a. Collecting existing site data as required for adequate due diligence and in support of design services, such as, survey, geotechnical, topographical, ownership of adjacent properties, etc.

   b. Coordinating grading, street abandonments or dedications and construction of private utilities.

2. Preparing all budgets, schedules and contracts, including those with the contractors and other parties working on the Project.

3. Preparing a bidding package strategy.

4. Identifying and negotiating contracts with engineers, materials suppliers and other contractors, subcontracting professionals and consultants as may be necessary to carry out the Project.

5. Applying for and obtaining all permits (including building and construction permits), licenses, easements and approval necessary for the physical improvements contemplated by the Project and maintaining in full force and effect any and all such permits and approvals.

6. Preparing all design documents, development plans, critical path schedules, cost estimates, budgets, schedules, specifications, and design and development documents. All of such documents must be approved by Authority, which approval shall not be unreasonably withheld, conditioned or delayed. Authority and Developer agree that non-asbestos containing materials, where applicable, will be used during the construction of the Project. All site plans submitted must include: (i) positioning of all improvements; (ii) identification of setbacks from lot lines; (iii) grading plans; (iv) drainage plans; and (v) utility locations. The construction plans and all revisions and modifications thereto, shall be certified by an architect duly registered under the laws of the State of Arizona. The construction plans must conform with all applicable legal requirements, including ordinances of Maricopa County and the City of Chandler, all Environmental Laws, all State and local building and fire codes, and, to the extent applicable to the Project, the Fair Housing Act.

7. Monitoring the performance of all persons and entities that are to provide design services to the Project and taking such actions as are necessary to maintain adherence to quality standards, the Development Budget, and the Development Schedule.

8. Monitoring the approved Development Budget.

9. Monitoring, reviewing and certifying draw schedules.

10. Performing all such other Design Services which are reasonable and necessary for the Project.

EXHIBIT E

SITE PREPARATION SERVICES

Developer shall, in its role as general contractor, be responsible for the following in conjunction with Authority:

1. Preparing complete site preparation analysis, design and technical specifications services through the completion of construction documents and a project manual that includes agreements, general requirements and technical specifications.

2. Undertaking all necessary site preparation, test borings, soil samples, geotechnical analysis and other similar investigations in connection with the Project.

3. Performing the proposed construction scope of work and provide contract administration services for this work in conformance with standards and recommendations described in the civil engineering drawings and other applicable site construction documents.

4. Clearing and otherwise preparing the Project site as necessary to perform its obligations hereunder.

5. Overseeing any required demolition as necessary to implement the Development Plan.

6. Verifying utility locations based on plats and coordinate site preparation requirements with utility systems and providers for water, wastewater, storm water, natural gas, electricity and telecommunications.

7. Obtaining all necessary construction and/or temporary easements, rights of entry and any other approvals required for the Project and infrastructure.

8. Designing and constructing all infrastructure, including roadways, sidewalks, curbs, gutters and, if applicable, underground utilities necessary for the Project.

9. Performing all such other Site Preparation Services which are reasonable and necessary for the Project.

EXHIBIT F

CONSTRUCTION SERVICES

Developer shall, in conjunction with Authority, ensure that General Contractor will be responsible for and will do the following:

1. Preparing all construction budgets, schedules and contracts, including those with subcontractors, and other parties working on the Project.

2. Applying for and obtain all permits (including building and construction permits), licenses, easements and approvals necessary for the physical improvements contemplated by the Project.

3. Submitting suggestions or requests for changes to the construction plans which could in any reasonable manner improve the design, efficiency or cost of the Project.

4. Monitoring the performance of all persons and entities that are to provide materials, equipment or services to the Project and take such actions as are necessary to maintain adherence to quality standards, safety standards, production schedules, shipping dates, and job-site requirements.

5. Preparing written construction progress reports.

6. Upon substantial completion of construction and 11 months after substantial completion, inspecting the work to determine and record the condition of the work. Developer shall notify Authority of such inspection, and shall allow Authority representatives to accompany it on any such inspection. General Contractor shall assist in the correction or replacement of faulty work.

7. Performing construction work in accordance with all applicable legal requirements and in a good and workmanlike manner, free and clear of all mechanic’s, materialman’s or similar liens and in accordance with good construction practices.

8. Equipping any dwelling units or causing the same to be equipped with all equipment and articles of personal property set forth in the construction plans.

9. Taking and/or causing others to take reasonable precautions for the safety of, and providing reasonable protection to prevent damage, injury or loss to, employees and other persons on and off-site where construction activities are underway. General Contractor shall take reasonable precautions for the safety and protection of the improvements, materials and equipment to be incorporated therein, whether in storage on or off-site, under care, custody or control of General Contractor, contractors or any subcontractor. General Contractor shall further take precautions to protect the property of Authority or others, whether or not forming part of the improvements, located at a construction site or adjacent thereto in areas to which General Contractor has access.

10. Establishing and implementing appropriate administrative and financial controls for the design and construction of the Project, including, but not limited to:

    i. participating in conferences and rendering such advice and assistance as will aid in developing economical, efficient and desirable designs and construction procedures in connection with the Project;

ii. reviewing all requests for payment under any architectural agreement, general contractor's agreement or loan agreements with any lending institutions providing funds for the benefit of Authority for the design or construction of the Project;

iii. complying with all terms and conditions applicable to the Project contained in any governmental permit or approval required or obtained for the lawful construction or operation of the Project or in any insurance policy affecting or covering the Project, or in any surety bond obtained in connection with the Project;

iv. furnishing such consultation and advice relating to the Project as may be reasonably requested from time to time by Authority;

v. giving or making approvals and payments provided for in the agreements with any architect or contractor, professional or consultant retained for the Project;

vi. identifying local providers for development and construction services; and

vii. filling any notices of completion required or permitted to be filed upon the completion of any Project and taking such actions as may be required to obtain any certificates of occupancy or equivalent documents required to permit the occupancy of units.

11. Performing all such other Construction Services which are reasonable and necessary for the Project.

EXHIBIT G

AUTHORITY RESPONSIBILITY

Authority will be responsible for the following in consultation with Developer:

1. Engaging legal counsel, financial and other consultants to represent Authority in connection with the Project. The cost of the Authority's outside legal and consultant costs shall be included as a Development cost.

2. Providing access to the Site and related information as requested by Developer.

3. Working with Developer and its consultants, being jointly responsible for interfacing with the local governmental officials to garner support for the Project.

4. Consulting with Developer and coordinating with Developer in response to any media inquiries and/or public opposition to the Project that may arise.

5. Providing any information Developer reasonably requires in connection with the Project.

6. Preparing a resident and community relations plan.

7. Identifying targeted residential tenants.

8. Establishing and leading community focus groups.

9. Assisting Developer community facilitation and ensuring stakeholders understand and advise on all aspects of the Development.

10. Pursuing a real estate tax exemption, if applicable.

11. Assisting Developer in obtaining all state and local approvals for the development of the Project.

12. All communication including required reporting and coordination with HUD on matters related to the RAD transaction, Section 8 and public housing.

13. Preparing RAD submissions and other disposition submissions to HUD.

14. Interfacing with HUD and assisting Developer in obtaining all HUD approvals for the Project. Authority shall provide Developer with information related to the Project and units being converted through RAD available to the Authority from HUD's RAD Resource Desk promptly when requested by Developer.

15. Assisting Developer in all Section 3 matters.

16. Approving development budgets and applications prior to submittal.

17. Assisting Developer in choosing the development team.

18. Reviewing Project plans and specifications.

19. Reviewing construction budgets.

20. Reviewing all funding applications (LIHTC, HOME, AHP and construction and permanent loans).

21. Endeavoring to assist in securing zoning and design approvals from the City of Chandler.

22. Assisting Developer in all other Project matters to the extent requested by Developer.

23. Lead responsibility for implementing a resident and community services program and developing plans for services in partnership with the Developer and community stakeholders.

24. The Authority will be the lead responsible for addressing any historic preservation and/or archaeology issues on the Project Site. The cost associated with historic preservation and/or archaeology shall be included as a Development cost. Developer will be expected to work with the Authority in these efforts. Reviewing matters submitted by the Developer and advising the Developer, if required, of the Authority's approval or why its approval is being withheld.

25. Preparing all necessary demolition/disposition, release of Declaration of Trust and Housing Choice Voucher applications, and all other documentation for submission to HUD in connection with any required HUD approval in accordance with the Development Schedule(s). The cost of demolition shall be included as a Development cost.

EXHIBIT H

INSURANCE

The Developer shall cause the appropriate entity to maintain and keep in force the following insurance, with Authority named as an additional insured on the General Liability, Excess and Umbrella Liability and Business Automobile Liability insurance coverage:

A. General Liability including bodily injury and property damage:

$4,000,000 General Aggregate

$4,000,000 Per Occurrence

$1,000,000 Personal Liability & Advertising Liability Insurance

$1,000,000 Fire/Legal Liability

$5,000 Medical Expense

B. Excess and Umbrella Liability:

$5,000,000 Per Occurrence

$5,000,000 Aggregate

C. Workers Compensation and Employers Liability at statutory requirements

D. Builders Risk:

(1) The Developer shall have "All Risk" insurance against loss or damage by fire, flood and such other risks and matters, including without limitation, business interruption, rental loss, public liability, and boiler damage and liability. The amount of such insurance will not be less than 100% of the full replacement value of the Project, including the cost of debris removal, without deduction for depreciation.

(2) All Contractors, Subcontractors should provide proof they have a Builders Risk/Installation Floater in place with limits not less than the cost of their portion of the job/contract.

E. Business Automobile Liability - $1,000,000

F. Professional Liability - $5,000,000.

G. Pollution - $5,000,000

General.

A. At the same time as execution of this Agreement, the Developer shall furnish the Authority a certificate of insurance on a standard insurance industry ACORD form. The ACORD form must be issued by an insurance company authorized to transact business in the State of Arizona possessing a current A.M. Best, Inc. rating of A-7, or better and legally authorized to do business in the State of Arizona with policies and forms satisfactory to Authority. Provided, however, the A.M. Best rating requirement shall not be deemed to apply to required Workers' Compensation coverage.

B. The Developer and any of its subcontractors shall procure and maintain, until all of their obligations have been discharged, including any warranty periods under this Agreement are satisfied, the insurances set forth below.

C. The insurance requirements set forth below are minimum requirements for this Agreement and in no way limit the indemnity covenants contained in this Agreement.

D. The Authority in no way warrants that the minimum insurance limits contained in this Agreement are sufficient to protect Developer from liabilities that might arise out of the performance of the Agreement services under this Agreement by Developer, its agents, representatives, employees, subcontractors, and the Developer is free to purchase any additional insurance as may be determined necessary.

E. Failure to demand evidence of full compliance with the insurance requirements in this Agreement or failure to identify any insurance deficiency will not relieve the Developer from, nor will it be considered a waiver of its obligation to maintain the required insurance at all times during the performance of this Agreement.

F. Use of Subcontractors: If any work is subcontracted in any way, the Developer shall execute a written contract with Subcontractor containing the same Indemnification Clause and Insurance Requirements as the Authority requires of the Developer in this Agreement. The Developer is responsible for executing the Agreement with the Subcontractor and obtaining Certificates of Insurance and verifying the insurance requirements.

<u>Additional Policy Provisions Required</u>.

A. *Self-Insured Retentions or Deductibles*. Any self-insured retentions and deductibles must be declared and approved by the Authority. If not approved, the Authority may require that the insurer reduce or eliminate any deductible or self-insured retentions with respect to the Authority, its officers, officials, agents, employees, and volunteers.

1. The Developer’s insurance must contain broad form contractual liability coverage.

2. The Developer’s insurance coverage must be primary insurance with respect to the Authority, its officers, officials, agents, and employees. Any insurance or self-insurance maintained by the Authority, its officers, officials, agents, and employees shall be in excess of the coverage provided by the Developer and must not contribute to it.

3. The Developer’s insurance must apply separately to each insured against whom claim is made or suit is brought, except with respect to the limits of the insurer's liability.

4. Coverage provided by the Developer must not be limited to the liability assumed under the indemnification provisions of this Agreement.

5. The policies must contain a severability of interest clause and waiver of subrogation against the Authority, its officers, officials, agents, and employees, for losses arising from Work performed by the Developer for the Authority.

6. The Developer, its successors and or assigns, are required to maintain Commercial General Liability insurance as specified in this Agreement for a minimum period of 3 years following completion and acceptance of the Work. The Developer must submit a Certificate of Insurance evidencing Commercial General Liability insurance during this 3-year period containing all the Agreement insurance requirements, including naming the City of Chandler and Public Housing Authority, its agents, representatives, officers, directors, officials and employees as Additional Insured as required.

7. If a Certificate of Insurance is submitted as verification of coverage, the Authority will reasonably rely upon the Certificate of Insurance as evidence of coverage, but this acceptance and reliance will not waive or alter in any way the insurance requirements or obligations of this Agreement.

B. *Insurance Cancellation During Term of Contract/Agreement.*

1. If any of the required policies expire during the life of this Contract/Agreement, the Developer must forward renewal or replacement Certificates to the Authority within 10 days after the renewal date containing all the required insurance provisions.

2. Each insurance policy required by the insurance provisions of this Contract/Agreement shall provide the required coverage and shall not be suspended, voided or canceled except after thirty (30) days prior written notice has been given to the Authority, except when cancellation is for non-payment of premium, then ten (10) days prior notice may be given. Such notice shall be sent directly to Chandler Law-Risk Management Department, Post Office Box 4008, Mailstop 628, Chandler, Arizona 85225. If any insurance company refuses to provide the required notice, the Developer or its insurance broker shall notify the Authority of any cancellation, suspension, non-renewal of any insurance within seven (7) days of receipt of insurers' notification to that effect.

C. Authority as Additional Insured. The policies are to contain, or be endorsed to contain, the following provisions:

1. The Commercial General Liability and Automobile Liability policies are to contain, or be endorsed to contain, the following provisions: The City of Chandler and the Public Housing Authority, its officers, officials, agents, and employees are additional insureds with respect to liability arising out of activities performed by, or on behalf of, the Developer including the Authority's general supervision of the Developer; Products and Completed operations of the Developer; and automobiles owned, leased, hired, or borrowed by the Developer.

2. The Authority, its officers, officials, agents, and employees must be additional insureds to the full limits of liability purchased by the Developer even if those limits of liability are in excess of those required by this Agreement

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EXHIBIT I

WATER INTRUSION PREVENTION AND REMEDIATION

During the construction of the Development and until the receipt of the final certificate of occupancy, the Developer shall comply with the provisions of this Exhibit I (the "**Water Intrusion Provisions**") and shall (1) ensure that those Subcontractors which the Developer determines should be responsible for the Development's incurrence of mold, including without limitation all construction managers, contractors, and subcontractors comply with the Water Intrusion Provisions and (2) replicate these Water Intrusion Provisions in all contracts with such subcontractors. As used in this Agreement, "**mold**" shall mean any furry growth of minute fungi occurring in moist conditions including any indoor mold growth capable of creating toxins that can cause pulmonary, respiratory, neurological or other major illnesses after minimal exposure, as such exposure is defined by the Environmental Protection Agency, Center for Disease Control, National Institute of Health, the Institute of Inspections, Cleaning and Restoration Standard and Reference Guide for Professional Mold Remediation (IICRC S520), or other Federal, State or local agency organized in part to study and/or protect human health.

Water Intrusion Program

(A) Retention of a Water Management Professional. No less than thirty (30) days prior to the Closing of each Component, the Developer shall identify and arrange for the retention of a Water Management Professional trained to (A) inspect and identify leaks and water intrusion issues in buildings in the State and (B) develop defined water inspection protocols and monitoring programs. This professional (the "**Water Management Professional**") shall be qualified to do so and shall be reasonably acceptable to the City.

(B) Duties of the Water Management Professional.

(I) The Water Management Professional shall (A) inspect and identify leaks and water intrusion issues or mold growth in buildings, (B) develop defined water inspection protocols and monitoring programs, and (C) identify materials to be dried out and/or removed and any related remedial measures resulting from leaks and water intrusion or mold growth. In the event remedial measures are necessary, the remediation shall be conducted pursuant to the protocol that the Water Management Professional, utilizing his expertise and business judgment, deems appropriate and consistent with the guidelines produced by the New York City Department of Health and Mental Hygiene, the Environmental Protection Agency, IICRC S520 and the Occupational Safety and Health Administration

(II) During construction or renovation, the Water Management Professional shall inspect the project to identify areas of water intrusion or mold growth and any materials that may need drying or replacement. Such inspections shall be unannounced and shall occur no less frequently than monthly. During the ordinary course of operation of the Development, the Developer or the Owner shall arrange for an annual inspection of the Development by the Water Management Professional.

(C) Protocols. The Developer shall follow the Water Intrusion Program including complying with all protocols, compliance programs and monitoring programs developed by the Water Management Professional.

EXHIBIT J

CERTIFICATION REGARDING LOBBYING

The undersigned certifies on behalf of Gorman and Company, LLC and its key principals, to the best of his knowledge and belief, that:

1. No federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of an agency, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress in connection with the awarding of any federal contract, the making of any federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

1. If any funds other than federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a member of Congress, an officer or employee of Congress, or an employee of a member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

2. The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, Title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure.

GORMAN AND COMPANY, LLC

By:______________________________
Name: Brian Swanton
Title: President

Schedule 6.03
Predevelopment Costs

Chandler Trails - Predevelopment Budget	
A	C
APPLICATION OF FUNDS:	Current Budget
Chandler Trails Predevelopment Costs	
Architect - Design (Architecture, Landscape and Code Consultant)	$357,175
Engineering (Civil, Structural and NEP)	$192,325
Permits & Fees Paid by Developer	$206,250
Studies - Environmental (Phase 1, Lead & Asbestos, HUD e-tool)	$45,000
Study - HERS Rating	$1,000
Study - Market Study	$12,500
Appraisal	$15,000
Accounting	$25,000
Title Work - Insurance/Recording	$5,000
Cost Certification	$12,500
Soils Test- Geotech	$5,000
Marketing/Travel	$5,000
Survey	$40,000
Consultants	$40,000
Project Legal Fees	$225,000
City Legal Fees	$150,000
Application Fees (State LIHTC, Federal LIHTC, other)	$10,000
LIHTC Reservation Fees/Tax Credit Fees (State & Federal LIHTC)	$237,800
Bond Carry-Forward (1% bond carryforward fee of $300,000 should be waived per Kutak Rock).	$0
TOTALCHANDLER TRAILS PREDEVELOPMENT COSTS:	$1,584,550
Site Prep Predevelopment Costs for the Adjacent Property	
Survey	$5,957
Phase I	$2,900
Environmental	$6,773
Legal Fees	$10,000
TOTAL ADJACENT PROPERTY PREDEVELOPMENT COSTS	$25,630
TOTAL PREDEVELOPMENT COSTS	$1,610,180