

**SUBRECIPIENT AGREEMENT
WITH
COMMUNITY HOUSING DEVELOPMENT
ORGANIZATIONS
CHDO'S**

**STATE OF TEXAS §
 §
COUNTY OF HIDALGO §**

This agreement, made and entered into on this the 27 day of October 1998 by and between Hidalgo County a political subdivision of the State of Texas, hereafter referred to as "County" and South Texas Economic Development Corporation, Inc. (a non-profit organization) as described in 24 CFR Part 92.200, hereafter to as "CHDO Subrecipient".

WITNESSETH

WHEREAS, the "CHDO Subrecipient" desires to carry out special activities as described in Exhibit A permitted by 24 CFR Part 92, and

WHEREAS, the County wishes to contract with CHDO Subrecipient in order that the special activities described in Exhibit A can be carried out in County's jurisdiction.

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS: That the County and the CHDO Subrecipient do mutually agree as follows:

SECTION I
Rules and Regulations

The CHDO Subrecipient agrees to cooperate with the County in respect to the implementation of HOME activities to be carried out by CHDO Subrecipient as per 24 CFR Part 92 and other rules, regulations and decisions as may be made by the Department of Housing and Urban Development or any other federal or state agency that may legally exercise its jurisdiction over expenditures of HOME funds.

SECTION II
Statement of Work

CHDO Subrecipient agrees to perform services as outlined in Exhibit A "Statement of Work" for and in consideration of payment enumerated in Exhibit B, "Payment Schedule".

CHDO Subrecipient agrees to notify County of any changes in its "Statement of Work". CHDO Subrecipient shall obtain approval from County prior to commencing work on any changed "Statement of Work".

SECTION III
Affordability Requirement

CHDO Subrecipient agrees to maintain or meet the affordability requirements as per CFR 92.252 or 92.254, period of affordability, in all HOME funded activities. Should the CHDO Subrecipient fail to comply with these requirements, the CHDO Subrecipient agrees to repay all HOME funds used in housing assisted program activities that do not meet the affordability requirements for the specified time period to the County.

SECTION IV
Payments & Program Income

CHDO Subrecipient agrees to follow administrative directions from the County in the area of documenting and processing payment requests as defined in Exhibit C and limited to the amount needed.

CHDO Subrecipient and County agree that program income generated from the use of HOME funds shall be retained by the County and used for the same or similar activities under the HOME program. The CHDO Subrecipient shall forward to the County any program income received by CHDO Subrecipient on a timely manner but at least on a monthly basis unless otherwise specified in Exhibit C Part II, Program Income.

SECTION V
Uniform Administrative Requirements

CHDO Subrecipient agrees to comply with the requirements and standards of OMB Circular No. A-22, "Cost Principles for Nonprofit Organizations" and the following attachments to OMB Circular No. A-110:

- (1) Attachment A, "Cash Depositories", except for paragraph 4 concerning deposit insurance;
- (2) Attachment B, "Bonding and Insurance";
- (3) Attachment C, "Retention and Custodial Requirements for Records", except that in lieu of the provisions in paragraph 4, the retention period for records pertaining to individual HOME activities starts from the date of submission of the annual

performance and evaluation report, in which the specific activity is reported on for the final time;

- (4) Attachment F, "Standards for Financial Management Systems";
- (5) Attachment H, "Monitoring and Reporting Program Performance", paragraph 2;
- (6) Attachment N, "Property Management Standards," except for paragraph 3 concerning the standards for real property and except that paragraphs 6 and 7 are modified so that in all cases in which personal or real property is sold, the proceeds obtained by the CHDO Subrecipient for HOME shall be transferred to Urban County Program or shall be retained by the CHDO Subrecipient after compensating Urban County Program; and
- (7) Attachment O, "Procurement Standards".

A copy of the attachments can be made available to CHDO Subrecipient upon request.

SECTION VI

Project Requirement

CHDO Subrecipient agrees to comply with CFR 24 Part 1 Subpart F, Part 92.254 as applicable in accordance with the type of projected assisted under the HOME Homeownership Program.

SECTION VII
Housing Quality Standards

CHDO Subrecipient agrees that any housing assisted with HOME funds will meet local housing codes or the housing quality standards in 24 CFR 982.401. Housing quality standards are available to the CHDO Subrecipient upon request.

SECTION VIII
Other Program Requirements

CHDO Subrecipient agrees to carry out all HOME activities in compliance with all Federal laws and regulations described in Subpart H of 24 CFR Part 92 except for those environmental review requirements listed as 24 CFR Part 58.

SECTION IX
Religious Activities

The CHDO Subrecipient and County both agree that none of the funds expended or activities undertaken shall be used in support of any sectarian or religious activity, nor should any building or structure funded under this program be used for sectarian or religious activities.

SECTION X
Affirmative Marketing

CHDO Subrecipient agrees to assist the County in informing the public of all HOME assisted activities by the use of commercial media, community organizations, places of worship, and any other means necessary to insure that all people are aware of the activities funded by the HOME Program particularly persons of low and moderate income.

SECTION XI

Records and Reports

CHDO Subrecipient agrees to maintain records and reports as outlined in Exhibit C "Records and Reports" and agrees to make those records available to the County, the Department of Housing and Urban Development, and any other federal agency that may exercise jurisdiction over HOME funds.

CHDO Subrecipient agrees to have an audit performed of all HOME funds on a regular basis but at least once a year. Failure to do so will cause the County to suspend all future funding and recall any outstanding funds.

SECTION XII

Assets

CHDO Subrecipient shall not purchase any asset unless so permitted by the County and such procurement shall be done in the form and manner so prescribed by the County. County maintains its rights to any and all assets (property, program income, receivables) and allows the use of any or all assets by CHDO Subrecipient as long as CHDO Subrecipient uses the asset for its original intend and purposes.

The disposition of any asset improved or acquired in part or in whole with HOME funds by the CHDO Subrecipient must be done with prior approval of the County and the County shall be reimbursed for the asset, if sold, in the full amount of the disposed value of the asset. The County may, at its option, request that such asset be transferred to County if the asset is no longer being used to meet any HOME objective or in any case where the CHDO Subrecipient no longer provides the services shown on Exhibit A.

SECTION XIII
Suspension and Termination

CHDO Subrecipient understands that this agreement may be suspended or terminated in accordance with 24 CFR 85.43 if the CHDO Subrecipient materially fails to comply with any of the terms or provisions of this agreement. In addition, this agreement may be terminated for convenience in accordance with 24 CFR 85.44.

SECTION XIV
Conflict of Interest

The CHDO Subrecipient covenants that neither member of its organization or staff member who exercise influence on the decision making process presently has or will have any interest, direct or indirect, with any person, corporation, company or association that is hired to carry out any of the HOME activities or is a beneficiary of any HOME activity.

The CHDO Subrecipient agrees that no person who is an elected official, employee, consultant, or agent of the CHDO Subrecipient's organization or the County's organization shall gain any interest in any corporation, company, or association that is hired to carry out any of the HOME activities so listed in Exhibit A during their tenure or for a period of one year thereafter.

No County employee, elected official, consultant and/or agent shall solicit nor accept gratuities, favors, or anything of monetary value from any person, corporation, company or association that has been hired or expects to be hired to perform any of the HOME activities so described on Exhibit A.

SECTION XV
Duration of Agreement

The CHDO Subrecipient and the County both agree that this agreement is in effect for the period of affordability required under 24 CFR 92.252 or 92.254, or until terminated as per the provisions under Section XIII of this agreement.


SECTION XVI
Legal Action and Venue

The CHDO Subrecipient agrees to notify the County when a problem arises that may lead to legal action or claim against the CHDO Subrecipient. The CHDO Subrecipient agrees to furnish to the County any information with respect to such action or claim. The CHDO Subrecipient agrees not to take any action with respect to any legal action or claim sought against the CHDO Subrecipient without the advice and consent of the County.

Venue and jurisdiction of any suit, right or cause of action arising under or in connection with this Contract shall lie exclusively in Hidalgo County.

SECTION XVII
Effective Date

The effective date of this contract shall be 27 day of October, 19 98. Such date being the date the County Commissioners' Court approved entering into a contract with CHDO Subrecipient. Approved and signed this the 18th day of November 19 98.



Executing Official

Subrecipient Firm Name: South Texas Economic Development Corporation, Inc.
Address: 1800 N. Texas Blvd.
City/State/Zip: Weslaco, Texas 78596
Federal I.D. # or S.S. #: 74-2785599

STATE OF TEXAS §
 §
COUNTY OF HIDALGO §

Mike Lopez, personally appeared before me and declared that he/she signed this application in the capacity designated, if any, and further states that he/she has read the above application, and the statements therein contained are true.

Subscribed and sworn to me this 18th day of November, 19 98.

Mora L. Moreno
Notary-Signature

COUNTY OF HIDALGO
Anthony Covacevich
Anthony Covacevich, UCP Director

ATTEST:
Jose E. Pulido
Jose E. Pulido, County Clerk

ATTACHMENT

The Chdo Subrecipient completes a CHDO Application and the Exhibits are then attached to this CHDO Subrecipient Agreement.

- EXHIBIT A - STATEMENT OF WORK
- EXHIBIT B - HOME GRANT BUDGET
- EXHIBIT B-1 - GRANT BUDGET
- EXHIBIT B-2 - PAYMENT SCHEDULE
- EXHIBIT C - RECORDS & REPORTS
- EXHIBIT D - SCHEDULE OF ACTIVITY

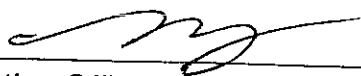
Exhibit A

Statement of Work

Directions:

1. Clearly define the need or problem.
2. Clearly describe the use of H.O.M.E. funds, including tasks to be performed.
3. Clearly state how the subrecipient will accomplish the tasks to be performed. Explain what services will be expanded or added as a result of H.O.M.E. funds.
4. Clearly state the type of beneficiaries that will be assisted (i.e. age groups, special needs, etc.)
5. Clearly state where the tasks will be performed (i.e. location and physical address)
6. List the estimated number of units to be completed and include the family names and project addresses:

SEE ATTACHMENT



Executive Official's Initial

11/12/98

Date

EXHIBIT A

STATEMENT OF WORK

The South Texas Economic Development Corporation (STEDC) has received approval of a grant for \$120,000.00 from the Hidalgo Urban County HOME Program. These funds will be used to acquire eight (8) apartment units located in the City of Elsa and to repair the substandard units to meet safe, liveable and housing quality standard requirements. The units will be leased to low income qualifying families.

1. NEED: The City of Elsa has a high demand for affordable rental housing units. The Elsa Housing Authority currently has a waiting list of over 500 Families. The vacancy rate for rental housing units that meet housing quality standards is less than 7%. The few units available in the City are older properties and are not in very good condition. According to census data, 35% of the City's population need rental properties.

2. USE OF HOME FUNDS:

From the grant funds allocated, \$105,000.00 will be used to acquire the property and \$15,000 (In accordance with the work write up) will be used to renovate the apartment units to meet housing quality standards. The construction repairs will take three and a half months to complete (December, January, February and March [November will be consumed in paper work and preparation])

3. AFFORDABLE LEASE UNITS FOR LOW INCOME FAMILIES:

Once the apartments are renovated, they will be leased to qualifying low income individuals and/or families. The rent schedules will be as follows:

4 - 1 bedroom = \$210.00 Monthly rent per unit	\$ 840.00
4 - 2 bedrooms = \$250.00 Monthly rent per unit	<u>\$1,000.00</u>

TOTAL MONTHLY INCOME	\$1,840.00
----------------------	------------

A total of eight low income individuals, elderly and/or families using applicable HUD eligibility guidelines (a single individual, an elderly person or a mother and daughter are eligible for a one bedroom under HUD rules).

4. PARTICIPANTS WILL BE SELECTED BASED ON THE FOLLOWING ELIGIBILITY CRITERIA:

- A. Must meet HUD low income guidelines;
- B. Must meet household size as per HUD guidelines for one and two bedroom units;
- C. Family must be homeless, living in substandard housing or waiting on a Section 8 program list.
- D. Must have the ability to pay the monthly rent.

5. LOCATION OF PROPERTY:

908 N. Broadway, Elsa, Texas

6. NUMBER OF UNITS AND FAMILY NAMES:

The project includes eight apartment units. The family names will be submitted upon completion of repairs and signing of rental lease.

7. PROPOSED CONSTRUCTION WORK-WRITE-UP:

To be submitted prior to beginning of repairs.

Exhibit B

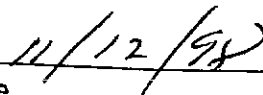
H.O.M.E. Grant Budget

Directions:

1. Prepare a detail budget to carry out the activities presented in Exhibit A. The budget must provide an adequate base for comparison with actual performance. (Exhibit B-1)
2. Provide the list of families to be assisted and include the amount budgeted for each unit. The total budget amounts should add up to the total grant awarded. (Exhibit B-1)
3. Prepare a monthly payment schedule of projected milestones and deadlines for tasks to be performed. (Exhibit B-2)



Executive Official's Initial



Date

Exhibit B-1

Grant Budget

	Names of Families/Type of Expenses	BUDGETED AMOUNT
1.	Repairs to Unit #1	\$ 1,875
2.	" " " #2	\$ 1,875
3.	" " " #3	\$ 1,875
4.	" " " #4	\$ 1,875
5.	" " " #5	\$ 1,875
6.	" " " #6	\$ 1,875
7.	" " " #7	\$ 1,875
8.	" " " #8	\$ 1,875
9.	Purchase of Apts.	\$ 105,000.
10.		\$
11.		\$
12.		\$
13.		\$
14.		\$
15.		\$
16.		\$
17.		\$
18.		\$
19.		\$
20.		\$
TOTAL GRANT BUDGET:		\$ 125,000




Executive Official's Initial

Date 11/12/98

EXHIBIT B-2

PAYMENT SCHEDULE
(continued)

1958 - 1959 For the Months of...	Estimated Amount of Expenditures	Number of Units to be Completed (Include names of Families)
November - January	\$ 7,500	4 Units
February - March	\$ 7,500	4 Units
December 1958	\$ 105,000	8 Units
	\$	
	\$	
	\$	
	\$	
	\$	
	\$	
	\$	
	\$	
	\$	
	\$	
	\$	
	\$	
TOTALS:	\$120,000	8 Units


Executive Official's Initial

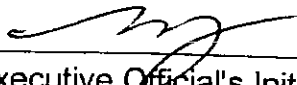
11/12/58
Date

Exhibit C

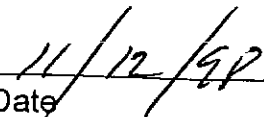
Records & Reports

- A. When requesting payment, attach a cover letter summarizing the expenditures with the following documents:
- Request for Payment Form(Form UCP-10B)
 - Copies of invoices (provide originals when payment is issued directly to vendor)
 - Copies of cancelled checks (front & back)
 - Other Supporting Documents (i.e., Inspections, Completion forms, Time Sheets for instructional fees, etc.)
- B. A Performance report must be submitted to the Urban County Program accompanying each request for payment. Each performance report must have the following items:
- Period Covered by Performance Report
 - Type of Services Provided
 - Type of Equipment/Supplies Purchased
 - Amount of Funds Expended
 - Number of Units Completed
 - Number of Beneficiaries Served & Ethnicity Data
 - ___ White, non-Hispanic
 - ___ Black, non-Hispanic
 - ___ Native American
 - ___ Asian or Pacific Islander
 - ___ Hispanic
 - ___ Total
 - How Services Provided Benefit Clientele
 - Status of Projects Underway
 - Projection for Next Disbursement Period
 - Program Income Report/Bank Statement
 - Other Significant Information

- C. CHDO must maintain a file of all records and reports submitted to the Urban County Program. CHDO must maintain record of beneficiaries served (i.e. applications, legal documents, contracts, income eligibility, loan policy etc.) CHDO must maintain files of all original contract agreements, amendments, and correspondence.
- D. CHDO Must maintain proper financial records and must retain records as per the following:
 - For Rental Housing Projects, records must be retained for five years after the project completion date, except records for individual tenant income verifications and project inspections must be retained until five years after the affordability period terminates.
 - For homeownership housing projects, records must be retained for five years after the project completion date, except for documents imposing recapture/resale restrictions which must be retained for five years after the affordability period terminates.
 - For tenant-based rental assistance project, records must be retained for five years after the period of rental assistance terminates.
 - Records covering displacements or acquisition must be retained for five years after the date by which all persons are displaced from the property and all persons whose property is acquired for the project and have received final payment.
 - Written agreements must be retained five years after the agreement terminates.
- E. CHDO must follow the following with regard to Program Income:
 - A separate revenue account must be established in order to determine accurate, current and complete disclosure of program income.
 - If program income is maintained in an interest-bearing account, proper reporting and expending of interest is required.
 - Program income must be spent on eligible activities and expended before additional H.O.M.E. funds are requested.
 - If project is partially assisted with H.O.M.E. funds, those funds will be pro-rated to reflect the percentage of H.O.M.E. funds.



 Executive Official's Initial



 Date

Exhibit D


Schedule of Activity

CHDO hereby agrees to perform tasks as outlined in Exhibit A within a time period not to exceed one year from the effective date of this contract.

A proposed monthly schedule of activity should be provided in this space. The schedule should not exceed CHDO contract time frame of twelve months from contract date.

The County will concurrently conduct periodic reviews to ensure the timely progression on such activities to assure the completion of such services within the required time frame.

19 98- 19 99 For the Months of...	Number of Beneficiaries	Tasks to be Performed
November - January	4	Renovation/Repairs
February - March	4	Renovation/Repairs


Executive Official's Initial

11/19/98
Date

**REAL ESTATE LIEN NOTE
CHDO PROGRAM**

DATE: December 22, 1998

MAKER: South Texas Economic Development Corporation, Inc.

MAKER'S MAILING ADDRESS: _____

PAYEE: County of Hidalgo, State of Texas, a political subdivision

PAYEE'S MAILING ADDRESS: Urban County Program
CHDO Program
Hidalgo County Administration Building
100 E. Cano
Edinburg, Texas 78539

COUNTY OF EXECUTION: Hidalgo County, Texas

PLACE FOR PAYMENT: Urban County Program
CHDO Program
Hidalgo County Administration Building
100 E. Cano
Edinburg, Texas 78539

PRINCIPAL AMOUNT: One Hundred Twenty Thousand and no/100ths Dollars
(\$120,000.00)

USE OF PROCEEDS:

Closing costs and a portion of the down payment to purchase and repair the **Property** according to a Subrecipient Agreement with Community Housing Development Organization Contract ("**CHDO Contract**") dated October 27, 1998, executed by **Payee** and **Maker**

ANNUAL INTEREST RATE ON UNPAID PRINCIPAL FROM DATE:

None, unless: (i) **Maker** sells the **Property**; or (ii) **Maker** fails to continuously use the apartments located on the **Property** as specified in the **CHDO Contract**; or (iii) **Maker** fails to honor any of its other obligations to **Payee** under the **CHDO Contract** or this note; in which event interest on and after that date shall be six percent (6%) per annum as provided in the **CHDO Contract**

ANNUAL INTEREST RATE ON MATURED, UNPAID AMOUNTS: Six Percent (6%) per annum

TERMS OF PAYMENT:

Subject to the terms of this note, the Principal Amount owing on this note is due and payable in five (5) annual installments of Twenty Four Thousand and no/100ths Dollars (\$24,000.00) each, payable on the 22nd day of December in each calendar year, beginning December 22, 1999, and annually thereafter until December 22, 2013, when all remaining unpaid principal shall be due and payable.

Provided Maker has utilized the Property in accordance with the **CHDO Contract** on and after the date of this note, Maker shall be entitled to offset amounts owed to Payee under this note with low income housing credits ("Payment Credits") computed as follows:

- (i) On the first anniversary date of the note - 6.67% of the original Principal Amount;
- (ii) On the second anniversary date of the note - 6.67% of the original Principal Amount;
- (iii) On the third anniversary date of the note - 6.67% of the original Principal Amount;
- (iv) On the fourth anniversary date of the note - 6.67% of the original Principal Amount; and
- (v) On the fifth anniversary date of the note - 6.67% of the original Principal Amount.
- (vi) On the sixth anniversary date of the note - 6.67% of the original Principal Amount;
- (vii) On the seventh anniversary date of the note - 6.67% of the original Principal Amount;
- (viii) On the eighth anniversary date of the note - 6.67% of the original Principal Amount;
- (ix) On the ninth anniversary date of the note - 6.67% of the original Principal Amount;
- (x) On the tenth anniversary date of the note - 6.67% of the original Principal Amount;
- (xi) On the eleventh anniversary date of the note - 6.67% of the original Principal Amount;
- (xii) On the twelfth anniversary date of the note - 6.67% of the original Principal Amount;
- (xiii) On the thirteenth anniversary date of the note - 6.67% of the original Principal Amount;
- (xiv) On the fourteenth anniversary date of the note - 6.67% of the original Principal Amount; and
- (xv) On the fifteenth anniversary date of the note - 6.67% of the original Principal Amount.

SECURITY FOR PAYMENT:

A second deed of trust lien granted by **Maker** in favor of **Payee** in a Third Lien Deed of Trust ("**Deed of Trust**") of even date herewith on the **Property**

PROPERTY: See Exhibit "A" attached hereto.

OTHER LIENS:

my

~~The indebtedness evidenced by this note is subordinate to the indebtedness evidenced by a note dated December 21, 1988, in the original principal sum of \$25,000.00, executed by Agustin Hernandez, Manuel Hernandez and Modesto Hernandez and payable to Elva State Bank and Trust Company, First Lien Debt, which First Lien Debt is also secured by a deed of trust lien on the Property, and which First Lien Debt Maker has assumed.~~

The indebtedness evidenced by this note is subordinate to the indebtedness evidenced by a note dated January 18, 1989, in the original principal sum of \$50,045.00, executed by Agustin Hernandez, Manuel Hernandez and Modesto Hernandez and payable to County of Hidalgo, Texas ("**Second Lien Debt**"), which **Second Lien Debt** is also secured by a deed of trust lien on the **Property** and which **Second Lien Debt** **Maker** has assumed.

Events of Default:

Maker shall be in default ("**Event of Default**") under the terms of this Real Estate Lien Note if any one or more of the following occurs:

1. **Maker** fails to keep any promise contained in: (i) the CHDO Contract; (ii) the First Lien Debt; or (iii) the Second Lien Debt;
2. **Maker** fails to make one or more payments on this note or the First Lien Debt or Second Lien Debt on time or in the amount due;
3. **Maker** fails to keep any promise contained in this note and/or fails to keep any promise contained in any agreement which secures the repayment of this note, including the Deed of Trust and/or the First Lien Debt deed of trust or Second Lien Debt deed of trust; or
4. **Maker** makes any written statement or provides any financial information that is untrue or inaccurate at the time it was made or provided.

Acceleration of Payment:

The repayment of the **then unpaid portion of the Principal Amount** may, at **Payee's** option, be accelerated if any of the following occur:

1. **Maker** fails to continuously use the apartments located on the **Property** as low income housing facilities: or
2. Except to the extent permitted in this note or the **CHDO Contract**, the voluntary transfer of beneficial ownership of all or part of the **Property**, whether by deed, contract for deed, or otherwise; or
3. Except as provided in the **Deed of Trust** or the **CHDO Contract**, the existence of any voluntary or involuntary lien, encumbrance or charge against the **Property**, or any part thereof, which is superior to the **Payee's** liens, except for the lien for non-delinquent ad valorem taxes and the **First Lien Debt** or **Second Lien Debt**; or
4. An **Event of Default** exists.

Additional Terms:

Maker also agrees to the following additional terms and conditions:

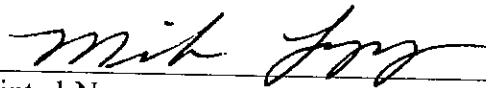
1. This note incorporates and is subject to the **CHDO Contract** and the **Deed of Trust**. Without otherwise limiting the application of the CHDO Contract and the Deed of Trust in any manner whatsoever, for fifteen (15) years following the date of this note, **Maker** agrees that any sale of the **Property** will be limited to a sale to a person who will use the **Property** to provide housing to a low income family (as defined in 24 C.F.R. Part 92, as amended, and any **Payee** program guidelines) who will use the **Property** as their principal residence. **Maker** understands and agrees that if the **Maker** sells the **Property** within fifteen (15) years of the date of this note, **Maker** shall immediately repay to the **Payee** the then remaining portion of the unpaid **Principal Amount** owing on this note. The unpaid portion of the **Principal Amount** then owing on this note shall be paid immediately out of the proceeds of sale, after deducting the amount necessary to satisfy the **First Lien Debt**, **Second Lien Debt** and the closing costs for the sale of the **Property**. If the net sale proceeds are not sufficient to pay the then unpaid portion of the **Principal Amount** owing on the note in full, the deficiency, if any shall be repaid, at the option of the **Payee**, either immediately, out of other funds of the **Maker**, or in monthly

installments of principal and interest in an amount necessary to fully amortize the deficiency, with six percent (6%) interest per annum, from the date of the closing on the sale of the Property through the original fifteen year term of this note; provided, however, the minimum monthly payment of principal and interest shall be Fifty and no/100 Dollars (\$50.00).

2. **Subject to the Payment Credits available to Maker as provided in this note, Maker** promises to pay to the order of **Payee** at the place for payment and according to the terms of payment the Principal Amount plus interest at the rates stated above. All unpaid amounts shall be due by the final scheduled payment date.
3. If **Maker** defaults in the payment of this note or in the performance of any obligation in any instrument securing or collateral to it, and the default continues after **Payee** gives **Maker** notice of the default and the time within which it must be cured, as may be required by law or by written agreement, then **Payee** may declare the unpaid portion of the Principal Amount and earned interest, if any, on this note immediately due and/or repayable in installments as provided in Paragraph 1 of the Additional Terms section of this note. **Maker** and each surety, endorser, and guarantor waive all demands for payment, presentations for payment, notices of default, notices of intention to accelerate maturity, notices of acceleration of maturity, protests, and notices of protest, to the extent permitted by law.
4. **Maker** may at any time make full or partial prepayments on the principal without paying any penalty, in addition to making regularly scheduled payments. Unless **Payee** agrees otherwise in writing, partial prepayments will not alter the dates or amounts of regularly scheduled payments. **Payee** may require that any partial prepayments be in the same amount as regularly scheduled payments.
5. If this note or any instrument securing or collateral to it is given to an attorney for collection or enforcement, or if suit is brought for collection or enforcement, or if it is collected or enforced through probate, bankruptcy, or other judicial proceeding, then **Maker** shall pay **Payee** all costs of collection and enforcement, including court costs and reasonable attorney's fees paid to an attorney who is not an employee of **Payee**, in addition to other amounts due. Reasonable attorney's fees shall be 10% of all amounts due unless either party pleads otherwise.

6. Interest on the debt evidenced by this note shall not exceed the maximum amount of nonusurious interest that may be contracted for, taken, reserved, charged, or received under law; any interest in excess of that maximum amount shall be credited on the principal of the debt or, if that has been paid, refunded. On any acceleration or required or permitted prepayment, any such excess shall be canceled automatically as of the acceleration or prepayment or, if already paid, credited on the principal of the debt or, if the principal of the debt has been paid, refunded. This provision overrides other provisions in this and all other instruments concerning the debt.
7. Each **Maker** is responsible for all obligations represented by this note.
8. When the context requires, singular nouns and pronouns include the plural.

SOUTH TEXAS ECONOMIC DEVELOPMENT
CORPORATION, INC.



Printed Name: _____
Title: _____

EXHIBIT "A"
TO A
REAL ESTATE LIEN NOTE
LEGAL DESCRIPTION OF THE PROPERTY

All of Lot 8, HOLLINGSWORTH SUBDIVISION out of the West 5 acres of the South 20 acres of Farm Tract 596, WEST TRACT SUBDIVISION, Hidalgo County, Texas, according to the map or plat thereof recorded in Volume 8, Page 48, Map Records, Hidalgo County, Texas.

SECOND ~~THIRD~~ LIEN
DEED OF TRUST
CHDO PROGRAM

737604

DATE: December 22, 1998

GRANTOR: SOUTH TEXAS ECONOMIC DEVELOPMENT CORPORATION, INC.

GRANTOR'S MAILING ADDRESS: 1800 N. TEXAS AVE.
WESLACO, TEXAS 78596

TRUSTEE: Anthony Covacevich

TRUSTEE'S MAILING ADDRESS:

Urban County Program
CHDO Program
Hidalgo County Administration Building
100 E. Cano
Edinburg, Texas 78539

BENEFICIARY: County of Hidalgo, State of Texas, a political subdivision

BENEFICIARY'S MAILING ADDRESS (including county):

Urban County Program
CHDO Program
Hidalgo County Administration Building
100 E. Cano
Edinburg, Texas 78539

NOTE:
DATE: December 22, 1998

AMOUNT: One hundred twenty thousand and no/100ths Dollars (\$120,000.00)

MAKER: South Texas Economic Development Corporation, Inc.

PAYEE: County of Hidalgo, State of Texas

FINAL MATURITY DATE: As therein provided

PROPERTY (including any improvements): See Exhibit "A" attached hereto

PRIOR LIEN(S):

My The indebtedness evidenced by this note is subordinate to the indebtedness evidenced by a note dated December 21, 1988, in the original principal sum of \$25,000.00, executed by Agustin Hernandez, Manuel Hernandez and Modesto Hernandez and payable to First State Bank and Trust Company ("First Lien Debt"), which First Lien Debt is also secured by a deed of trust lien on the Property, and which First Lien Debt Maker has assumed.

The indebtedness evidenced by this note is subordinate to the indebtedness evidenced by a note dated January 18, 1989, in the original principal sum of \$50,045.00, executed by Agustin Hernandez, Manuel Hernandez and Modesto Hernandez and payable to County of Hidalgo, Texas ("Second Lien Debt"), which Second Lien Debt is also secured by a deed of trust lien on the Property and which Second Lien Debt Maker has assumed.

OTHER EXCEPTIONS TO CONVEYANCE AND WARRANTY: See Exhibit "A" attached hereto

For value received and to secure payment of the **Note**, **Grantor** conveys the **Property** to **Trustee** in trust. **Grantor** warrants and agrees to defend title to the **Property**. If **Grantor** performs all the covenants and pays the **Note** according to its terms, this deed of trust shall have no further effect, and **Beneficiary** shall release it at **Grantor's** expense.

GRANTOR'S OBLIGATIONS

Grantor agrees to:

1. keep the **Property** in good repair and condition;
2. pay all taxes and assessments on the **Property** when due;
3. preserve the lien's priority as it is established in this deed of trust;
4. maintain the **Property** in a safe and sanitary condition;
5. maintain the **Property** in such a manner as to cause it to comply with **Grantor's** agreements in a Community Housing Development Organization Contract ("**CHDO Contract**") between **Grantor** and **Beneficiary**;
6. maintain, in a form acceptable to **Beneficiary**, an insurance policy that:
 - a. covers all improvements for their full insurable value as determined when the policy is issued and renewed, unless **Beneficiary** approves a smaller amount in writing;

- b. contains an 80% coinsurance clause;
 - c. provides fire and extended coverage, including windstorm coverage;
 - d. protects **Beneficiary** with a standard mortgage clause;
 - e. provides flood insurance at any time the **Property** is in a flood hazard area; and
 - f. contains such other coverage as **Beneficiary** may reasonably require;
7. comply at all times with the requirements of the 80% coinsurance clause;
 8. deliver the insurance policy to **Beneficiary** and deliver renewals to **Beneficiary** at least ten days before expiration;
 9. keep any buildings occuppies as required by the insurance policy;
 10. comply with its obligations under the **CHDO Contract**; and
 11. if this is not a first lien, pay all prior lien **notes** that **Grantor** is personally liable to pay and abide by all prior lien instruments, including the **First Lien Debt** and **Second Lien Debt**.

BENEFICIARY'S RIGHTS

1. **Beneficiary** may appoint in writing a substitute or successor trustee, succeeding to all rights and responsibilities of **Trustee**.
2. If the proceeds of the **Note** are used to pay any debt secured by prior liens, **Beneficiary** is subrogated to all of the rights and liens of the holders of any debt so paid.
3. **Beneficiary** may apply any proceeds received under the insurance policy either to reduce the **Note** or to repair or replace damaged or destroyed improvements covered by the policy.
4. If **Grantor** fails to perform any of **Grantor's** obligations, **Beneficiary** may perform those obligations and be reimbursed by **Grantor** on demand at the place where the **Note** is payable for any sums so paid, including attorney's fees, plus interest on those sums from the dates of payment at the rate stated in the **Note** for matured, unpaid amounts. The sum to be reimbursed shall be secured by this deed of trust.
5. If **Grantor** defaults on the **Note** or fails to perform any of **Grantor's** obligations or if default occurs on a prior lien **Note** or other instrument, including the **First Lien Debt** or

Second Lien Debt, and the default continues after **Beneficiary** gives **Grantor** notice of the default and the time within which it must be cured, as may be required by law or by written agreement, then **Beneficiary** may, at it's option:

- a. declare the unpaid principal balance and earned interest on the **Note** immediately due and/or repayable in installments as provided in the **CHDO Contract**;
- b. request **Trustee** to foreclose this lien, in which case **Beneficiary** or **Beneficiary's** agent shall give notice of the foreclosure sale as provided by the Texas Property Code as then amended; and
- c. purchase the **Property** at any foreclosure sale by offering the highest bid and then have the bid credited on the **Note**.

TRUSTEE'S DUTIES

If requested by **Beneficiary** to foreclose this lien, **Trustee** shall:

1. either personally or by agent give notice of the foreclosure sale as required by the Texas Property Code as then amended;
2. sell and convey all or part of the **Property** to the highest bidder for cash with a general warranty binding **Grantor**, subject to prior liens and to other exceptions to conveyance and warranty; and
3. from the proceeds of the sale, pay, in this order:
 - a. expenses of foreclosure, including a commission to **Trustee** of 5% of the bid;
 - b. to **Beneficiary**, the full amount of principal, interest, attorney's fees, and other charges due and unpaid;
 - c. any amounts required by law to be paid before payment to **Grantor**; and
 - d. to **Grantor**, any balance.

GENERAL PROVISIONS

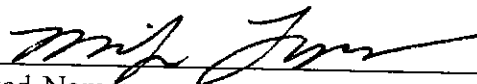
1. If any of the **Property** is sold under this deed of trust, **Grantor** shall immediately surrender possession to the purchaser. If **Grantor** fails to do so, **Grantor** shall become a tenant at sufferance of the purchaser, subject to an action for forcible detainer.

2. Recitals in any **Trustee's** deed conveying the **Property** will be presumed to be true.
3. Proceeding under this deed of trust, filing suit for foreclosure, or pursuing any other remedy will not constitute an election of remedies.
4. This lien shall remain superior to liens later created even if the time of payment of all or part of the **Note** is extended or part of the **Property** is released.
5. If any portion of the **Note** cannot be lawfully secured by this deed of trust, payments shall be applied first to discharge that portion.
6. **Grantor** assigns to **Beneficiary** all sums payable to or received by **Grantor** from condemnation of all or part of the **Property**, from private sale in lieu of condemnation, and from damages caused by public works or construction on or near the **Property**. After deducting any expenses incurred, including attorney's fees, **Beneficiary** may release any remaining sums to **Grantor** or apply such sums to reduce the **Note**. **Beneficiary** shall not be liable for failure to collect or to exercise diligence in collecting any such sums.
7. **Grantor** assigns to **Beneficiary** absolutely, not only as collateral, all present and future rent and other income and receipts from the **Property**. Leases are not assigned. **Grantor** warrants the validity and enforceability of the assignment. **Grantor** may as **Beneficiary's** licensee collect rent and other income and receipts as long as **Grantor** is not in default under the **Note** or this deed of trust. **Grantor** will apply all rent and other income and receipts to payment of the **Note** and performance of this deed of trust, but if the rent and other income and receipts exceed the amount due under the **Note** and deed of trust, **Grantor** may retain the excess. If **Grantor** defaults in payment of the **Note** or performance of this deed of trust, **Beneficiary** may terminate **Grantor's** license to collect and then as **Grantor's** agent may rent the **Property** if it is vacant and collect all rent and other income and receipts. **Beneficiary** neither has nor assumes any obligations as lessor or landlord with respect to any occupant of the **Property**. **Beneficiary** may exercise **Beneficiary's** rights and remedies under this paragraph without taking possession of the **Property**. **Beneficiary** shall apply all rent and other income and receipts collected under this paragraph first to expenses incurred in exercising **Beneficiary's** rights and remedies and then to **Grantor's** obligations under the **Note** and this deed of trust in the order determined by **Beneficiary**. **Beneficiary** is not required to act under this paragraph, and acting under this paragraph does not waive any of **Beneficiary's** other rights or remedies. If **Grantor** becomes a voluntary or involuntary bankrupt, **Beneficiary's** filing a proof of claim in bankruptcy will be tantamount to the appointment of a receiver under Texas law.
8. Interest on the debt secured by this deed of trust shall not exceed the maximum amount of nonusurious interest that may be contracted for, taken, reserved, charged, or received under law; any interest in excess of that maximum amount shall be credited on the principal of the debt or, if that has been paid, refunded. On any acceleration or required or permitted prepayment, any such excess shall be canceled automatically as of the acceleration or prepayment

or, if already paid, credited on the principal of the debt, or if the principal of the debt has been paid, refunded. This provision overrides other provisions in this and all other instruments concerning the debt.

9. When the context requires, singular nouns and pronouns include the plural.
10. The term *Note* includes all sums secured by this deed of trust.
11. This deed of trust shall bind, inure to the benefit of, and be exercised by successors in interest of all parties.
12. If **Grantor** and **Maker** are not the same person, the term *Grantor* shall include **Maker**.
13. **Grantor** represents that this deed of trust and the **Note** are given to evidence funds advanced by Beneficiary to **Grantor** as a portion of the down payment and closing and repair costs related to **Grantor's** purchase of the **Property**.
14. For fifteen (15) years following the date of this deed of trust, **Grantor** agrees that any sale of the **Property** will be limited to a sale to a person who agrees to rent the property to a low income family (as defined in 24 C.F.R. Part 92, as amended, and any County Homeownership Program guidelines) who will use the Property as its principal residence. The restrictions in this section are subordinate to the deed of trust liens which secure the repayment of the First Lien Debt and Second Lien Debt.

SOUTH TEXAS ECONOMIC
DEVELOPMENT CORPORATION, INC.



Printed Name: MIKE LOPEZ
Title: EXECUTIVE DIRECTOR

(ACKNOWLEDGMENT)

STATE OF TEXAS

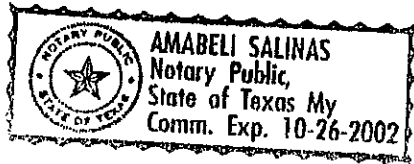
§
§
§

COUNTY OF HIDALGO

This instrument was acknowledged before me on this 22ND day of DECEMBER, 1998
by MIKE LOPEZ, EXECUTIVE DIRECTOR of South
Texas Economic Development Corporation, Inc, in the capacity therein stated.



NOTARY PUBLIC, STATE OF TEXAS



AFTER RECORDING RETURN TO:

Urban County Program
CHDO Program
Hidalgo County Administration Building
100 E. Cano
Edinburg, Texas 78539

Exhibit "A"
To A
Deed of Trust
Legal Description of the Property
and
Exceptions to Conveyance and Warranty

LEGAL DESCRIPTION OF THE PROPERTY:

All of Lot 8, HOLLINGSWORTH SUBDIVISION out of the West 5 acres of the South 20 acres of Farm Tract 596, WEST TRACT SUBDIVISION, Hidalgo County, Texas, according to the map or plat thereof recorded in Volume 8, Page 48, Map Records, Hidalgo County, Texas.

OTHER EXCEPTIONS TO CONVEYANCE AND WARRANTY:

Easements, rights-of-way, and prescriptive rights, whether of record or not; all presently recorded restrictions, reservations, covenants, conditions, oil and gas leases, mineral severances, and other instruments, other than liens and conveyances, that affect the property; rights of adjoining owners in any walls and fences situated on a common boundary; any discrepancies, conflicts, or shortages in area or boundary lines; any encroachments or overlapping of improvements; all rights, obligations, and other matters emanating from and existing by reason of the creation, establishment, maintenance, and operation of any county water improvement district or other applicable governmental district, agency, authority.

Filed for Record in
Hidalgo County, Texas
by Juan D. Salinas III
County Clerk

Doc: Jan 07, 1999 at 08:42A

As a
Document Number: 737604
Total Fees: 23.00

Receipt Number - 192750

By:
Marta Saucedo

Receipt Number - 192750

Document Number: 737604
Total Fees: 23.00

As a
Recording

Doc: Jan 07, 1999 at 08:42A

Filed for Record in
Hidalgo County, Texas
by Juan D. Salinas III
County Clerk