

POST-CLOSING REPAIR ESCROW REQUIREMENTS

The Deed shall include the following provisions:

1. Purchaser covenants to complete required repairs within twenty-four (24) months of Closing. To ensure completion, the Purchaser shall provide to HUD, at Closing, one of the following:
  - (a) an unconditional, irrevocable and non-documentary Letter of Credit (LOC) in the amount of \$1,074,562, with an expiration date at least six (6) months beyond HUD's estimated date for completion of repairs; or
  - (b) if repairs are performed in stages, as agreed between Purchaser and HUD prior to Closing, up to five (5) LOCs may be provided to HUD. The first LOC shall be equal to at least ten percent (10%) of the total cost of the repairs. The remaining LOCs shall be in equal dollar amounts, the sum of all must equal the required LOC amount specified in paragraph 1(a) above; or
  - (c) a cash escrow in the amount of \$1,074,562, to be held by HUD in a non-interest bearing escrow account. The cash escrow will be returned to the Purchaser after repairs have been satisfactorily completed, except for ten (10) percent which will be held for an additional six (6) months.
  - (d) A No Warranty Deed that will be in effect until the earlier of (1) Purchaser's submission of a Performance bond, LC, or cash escrow or (2) the satisfactory completion of required repairs.
2. It is within HUD's sole discretion to allow one LOC, multiple LOCs or a cash escrow.
3. The LOC(s) shall have expiration dates of at least six (6) months beyond the estimated completion date of the repairs. The LOC(s) will be returned to the Purchaser after the repairs have been completed to HUD's satisfaction, except for ten (10) percent, which will be held for six months after the work has been completed to HUD's satisfaction. In the case of multiple LOC's, the first LOC of ten percent will be held for six months after the work has been completed to HUD's satisfaction.
4. The LOC(s) or cash escrow will be released on a prorata basis as the work is satisfactorily completed.

5. In the event an extension for completion of repairs is granted, the LOC(s) and/or cash escrow will be extended accordingly.
6. If the Purchaser is unable or unwilling to perform the repairs, HUD may record the No Warranty Deed and take title to the property, cash the LOC(s) or use the cash escrow to complete the repairs or correct latent defects in the completed repairs, or for such purposes as HUD deems appropriate.
7. After Closing the Purchaser may, at HUD's discretion, replace the LOC(s) with Performance and Payment Bonds meeting State and local codes as assurance of completion for post-closing repair requirements, as listed on Form HUD-9552 and its exhibits, or form HUD 9822.

Purchaser must use HUD Form-92452 for the payment bond and a form for the performance bond that is acceptable to HUD.

- (a) Evidence of the existence of payment and performance bonds each in the amount of \$4,298,248 [the total cost of repairs] must be provided to HUD.
  - (b) Purchaser must follow the following requirements:
    - i. The surety entity issuing the bonds must be included on the accredited U.S. Treasury list, Circular 570, published annually in the Federal Register on or about July 1 of each year;
    - ii. The payment and performance bonds must not exceed limits listed in the Circular;
    - iii. The payment and performance bonds must show HUD as payee, along with Purchaser's mortgagee, at the mortgagee's request.
8. If the Purchaser fails to complete repairs in accordance with this Agreement, the Secretary will not exercise the remedies described in paragraph 6, above, or request payment on the bonds secured under paragraph 7, above, if any lender holding a lien or security interest on the Project:
- (a) Gives written notice to HUD within the period provided for repairs, that it intends to complete the repairs, and
  - (b) Completes such repairs within 30 days of the notice or within such longer periods that HUD approves in writing.

9. The Purchaser covenants not to increase the rent for any unit, from the rent HUD is requiring a tenant to pay on the Closing date, until such unit meets all the rehabilitation requirements set forth above.

By initialing hereunder the parties acknowledge that this Rider is incorporated into and is a part of the Contract of Sale.

PURCHASER \_\_\_\_\_

SECRETARY OF HOUSING AND URBAN DEVELOPMENT \_\_\_\_\_