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TERMS, COVENANTS, AND CONDITIONS

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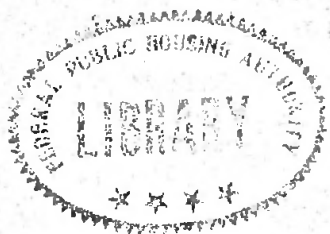
Contract for Loan and Annual Contributions

between

LOCAL AUTHORITY

and

UNITED STATES HOUSING AUTHORITY



FEDERAL WORKS AGENCY
UNITED STATES HOUSING AUTHORITY
NATHAN STRAUS, Administrator

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ARTICLE I

LOAN BY USHA AND SHORT-TERM LOANS FROM OTHERS THAN THE USHA

The USHA will make funds available to the Local Authority on account of the loan provided for in this Contract, by making advances against the receipt of Notes and by taking delivery of Series B Bonds as hereinafter in this Article I provided, for the purpose of providing for the payment of proper charges to the development cost of the Project.

Sec. 1.01. Advances.—From time to time prior to the delivery of and payment for Series A Bonds pursuant to Sec. 3.08 (but in no event subsequent thereto), upon a satisfactory showing that there is need for funds for the development of the Project, the USHA will advance the required amounts as hereinafter in this Sec. 1.01 provided.

(A) Conditions.—The USHA shall not be obligated to make any advance pursuant to this Sec. 1.01:

(1) Unless the request of the Local Authority therefor is accompanied by a signed certificate of purposes showing in reasonable detail the purposes for which the proceeds of such advance will be used, by a statement demonstrating the need at the time for funds for the purposes and in the amounts requested, and by such other documents and data as may be required by the USHA;

(2) If any representation made by the Local Authority in its application to the USHA for a loan and for annual contributions or in any supplement or amendment to such application or in this Contract or in any document submitted to the USHA by the Local Authority shall be incorrect or incomplete in any material respect;

(3) Unless the Local Authority shall have submitted electric, water, and gas rates which the USHA shall have approved as appropriate to the low-rent character of the Project;

(4) If the Local Authority shall have failed to submit to the USHA the documents, statements, and other matters mentioned in subsection (B) of Sec. 2.04 within the time therein prescribed for the submission of such documents, statements, and other matters, or if the Local Authority after having submitted said matters to the USHA shall have proceeded without having been advised by the USHA to do so; it being the purpose of this clause (4) to assure that the Local Authority will be fully advised before it takes any steps which might, in the judgment of the USHA, violate applicable Federal statutes or this Contract, and to reduce the possibility that the Local Authority will be responsible for violations which would prevent or delay the making of further advances by the USHA as herein provided or which might otherwise result in a delay in the development of the Project;

(5) If the plans and specifications or certificates of purposes or other documents filed with the USHA indicate, in the opinion of the USHA, that the Project is to be developed otherwise than in accordance with the covenants of the Local Authority in this Contract set forth;

(6) If the USHA shall not be satisfied that a suitable site has been selected for the Project and that the site has been acquired at a reasonable price or will be so acquired within a reasonable time, or if the USHA shall not be furnished with satisfactory assurances that good title to the site has been or will be acquired by the Local Authority;

(7) If the USHA shall not be satisfied, in the event the advance is to be used for purposes of the construction or equipment of dwellings in the Project, that the Local Authority is proceeding with reasonable dispatch with the steps necessary to the authorization and issuance of the initial issue of Bonds as provided for in Article III;

(8) If the advance requested, when added to advances previously made pursuant to this Contract, would exceed eighty-five per centum (85%) of the Proposed Development Cost;

(9) If the Local Authority shall not have complied with all the provisions contained in this Contract theretofore required to be complied with by the Local Authority;

(10) If the Local Authority shall have delayed for an unreasonable time in the performance of any of the duties or obligations to be performed by it under any of the provisions of this Contract; or

(11) If any legal question affecting the application, the Project, or the development thereof shall not have been disposed of to the satisfaction of the USHA.

(B) Proceeds of advances.—The entire proceeds of every advance made pursuant to this Sec. 1.01 shall be deposited in the Development Fund at the time such advance is made, unless the USHA shall consent in writing to the deposit of such proceeds in some other account.

(C) Notes.—Each advance shall be evidenced by a Note in a principal amount equal to the amount of such advance and shall be secured in such manner (in addition to the pledge of the annual contributions required by the Act and provided for in Sec. 5.07), as shall be satisfactory to the USHA. Such Note shall be in such form as shall be satisfactory to the USHA, shall be dated as of the date that the advance is made and shall bear interest from such date at the USHA Loan Interest Rate, and the principal thereof and interest thereon shall be due and payable on demand. If the terms of any Note outstanding at the date of execution of this Contract shall be inconsistent in any respect with the provisions of this paragraph relative to the principal amount, date and interest rate of the Notes or relative to the time when the principal thereof and interest thereon shall become payable, the terms of such Note shall be deemed modified by this Contract (without the necessity of any notation on such Note or any other action by the parties hereto) in such manner as shall be appropriate so that the same shall be consistent with such provisions of this paragraph.

(D) Payment or exchange of Notes.—If payment of the principal of and interest on the Notes shall be demanded prior to the

time that any of the Bonds shall have been issued, such principal and interest shall be payable out of any balance in the Development Fund and in the manner provided in Sec. 3.01 or out of any other moneys held by the Local Authority in respect of the Project. If no demand shall have been made for the payment of the principal and interest on the Notes prior to the delivery of and payment for Series A Bonds, the USHA will demand payment of such principal and interest at the time of the delivery of and payment for Series A Bonds and thereupon, the Local Authority shall pay, or cause to be paid, on account of the principal and interest due on said Notes, the proceeds of the Series A Bonds (exclusive of any amount received on account of accrued interest thereon) which exceed an amount equal to ten per centum (10%) of the aggregate principal amount of the initial issue of Bonds authorized pursuant to clause (b) of Sec. 3.03. To the extent that such moneys are not sufficient to pay such Notes, such Notes shall be exchanged for Series B Bonds as provided in Sec. 1.03 (A) (1).

(E) **Retention of Notes by USHA.**—The USHA covenants that, unless this Contract shall have been terminated pursuant to Sec. 8.02, it will not pledge, sell, or otherwise dispose of any of the Notes received by it pursuant to this Sec. 1.01, but will hold such Notes and all claims represented thereby until the same shall be paid or shall be exchanged for Series B Bonds as herein provided.

Sec. 1.02. Temporary Loans from others than the USHA; Proceeds thereof.—At any time prior to the delivery of and payment for Series A Bonds pursuant to Sec. 3.08 (but in no event subsequent thereto), upon complying with all the applicable conditions precedent to the obtaining of advances from the USHA pursuant to the provisions of Sec. 1.01, and obtaining the approval of the USHA thereto, the Local Authority may obtain short-term loans from others than the USHA in anticipation of advances from the USHA, or temporarily substitute short-term loans obtained from others than the USHA for such advances already made, without affecting the obligation of the USHA to take delivery of Series B Bonds in the manner and to the extent set forth in Sec. 1.03 hereof. The proceeds of all such short-term loans (excepting only such portion thereof as shall be paid to the USHA to retire advances already made by the USHA or shall be used to retire other maturing short-term loans obtained pursuant to this Sec. 1.02) shall be deposited in the Development Fund.

Sec. 1.03. Series B Bonds.—The USHA will take delivery of Series B Bonds as hereinafter in this Sec. 1.03 provided. Upon taking delivery of Series B Bonds for cash, the USHA will make payment therefor in an amount equal to the principal amount of such Series B Bonds plus interest accrued thereon from the Bond Date or the interest payment date next preceding the date of delivery, as the case may be, to the date of delivery. Upon accepting Series B Bonds in exchange for Notes, the USHA will pay an amount of cash equal to interest accrued on such Series B Bonds from the Bond Date or the interest payment date next preceding the date as of which the exchange is made, as the case may be, to the date as of which the exchange is made.

(A) **Delivery of Series B Bonds.**—Subject to the provisions of Sec. 1.04 and Sec. 3.09:

(1) **Delivery in exchange for Notes.**—At the time of the delivery of and payment for Series A Bonds pursuant to Sec. 3.08, the USHA will surrender to the Local Authority for cancellation all the Notes then held by the USHA, against receipt of payment in cash of the interest due on such Notes and against receipt of Series B Bonds (which Series B Bonds the Local Authority agrees to issue and deliver) in an aggregate principal amount equal to the total principal amount of such Notes. Any Notes which may be received by the USHA subsequent to the time of delivery and payment for Series A Bonds as a result of any temporary loans made by the Local Authority from others than the USHA pursuant to Sec. 1.02, will be promptly surrendered by the USHA to the Local Authority for cancellation against receipt of payment in cash of the interest due on such Notes and against receipt of Series B Bonds (which Series B Bonds the Local Authority agrees to issue and deliver) in an aggregate principal amount equal to the total principal amount of such Notes.

(2) **Delivery of remaining Bonds of initial issue.**—When all the Notes have been exchanged, the USHA will take delivery of additional Series B Bonds for cash (in addition to the Bonds which it shall have become obligated to accept pursuant to clause (1) above), and the Local Authority agrees to issue and deliver such additional Series B Bonds, from time to time as additional funds are required for the development of the Project as indicated by a certificate of purposes filed with the USHA, until the aggregate principal amount of Bonds of both series then and theretofore issued (whether or not still outstanding) shall be equal to the initial issue of Bonds authorized pursuant to clause (b) of Sec. 3.03 (less the amount of any Capital Donations received by the Local Authority subsequent to the adoption of the Resolutions).

(3) **Delivery of Bonds in addition to initial issue.**—Thereafter, the USHA will take delivery of additional Series B Bonds for cash (in addition to the Bonds which it shall have become obligated to accept pursuant to clauses (1) and (2) above), and the Local Authority agrees to issue and deliver such additional Bonds, whenever and to the extent that the Local Authority shall from time to time demonstrate to the satisfaction of the USHA, by a certificate of purposes and such other documents and data as the USHA may require, the need for a sum equal to the full principal amount of such additional Bonds in order to enable the Local Authority to proceed with or complete the development of the Project or to pay any part of the development cost thereof; provided, that no such additional Bonds shall be issued by the Local Authority or accepted by the USHA unless the Local Authority shall have submitted and the USHA shall have approved pursuant to Sec. 2.05 a statement of revised estimates of the development cost establishing a higher minimum development cost than that last previously approved; and provided further, that no such additional

Bonds shall be so issued or accepted at any time in an amount which would make the aggregate principal amount of Bonds of both series then and theretofore issued (whether or not still outstanding) exceed (a) the latest minimum development cost approved by the USHA pursuant to Sec. 2.05, less (b) the aggregate amount of all Capital Donations received by the Local Authority.

(B) Proceeds of Series B Bonds.—Whenever the USHA shall take delivery of Series B Bonds for cash or shall accept Series B Bonds in exchange for Notes:

(1) Pursuant to paragraph (A) (2) and (A) (3) above, the amount paid by the USHA in respect of such Series B Bonds (exclusive of any amount paid on account of accrued interest) shall be deposited, at the time of delivery of the Bonds, in the Development Fund; and

(2) All amounts paid by the USHA on account of accrued interest on such Series B Bonds shall be paid by separate check expressed to be payable—

“to [insert name of Local Authority and Project number] for deposit with [insert name of Fiscal Agent], as Fiscal Agent, in trust to be applied toward payment of interest due [insert date of next-maturing installment of Interest] on Series B Bonds of said -----”

Amounts so received by the Fiscal Agent in respect of accrued interest shall in no event be deemed for any purpose of this Contract to be deposited in the Bond Service Account.

Sec. 1.04. General Conditions and Covenants Relating to Loan.—

All the foregoing provisions of this Article I are subject to the provisions of Sec. 3.09 and, in addition, to the following conditions and covenants:

(A) No moneys will be made available to the Local Authority by the USHA on account of the loan provided for in this Contract except pursuant to this Article I; and no loan of any nature whatsoever, other than the loan provided for in this Contract, will be made by the USHA to the Local Authority to assist the development of the Project.

(B) The USHA will not make any advances or take delivery of any Series B Bonds after whichever of the following events shall first occur: (1) Physical Completion, or (2) the expiration of eighteen (18) months from the date of the Occupancy Notice (or such longer period as the USHA shall, prior to the expiration of said eighteen (18) months, specify by written notice to the Local Authority).

(C) The USHA will not make any advances or take delivery of any Series B Bonds in an amount which would make the total principal amount of all Notes and Series B Bonds received by the USHA and at any one time outstanding exceed the lesser of: (1) the Maximum Loan Commitment, or (2) ninety per centum (90%) of the Actual Development Cost (or, if the Actual Development Cost shall not have been finally determined by the USHA and a development cost budget shall have been approved by the USHA pursuant to Sec. 2.05, then of the latest minimum development cost approved pursuant to Sec. 2.05).

(D) The acceptance by the USHA of Notes or Series B Bonds (pursuant to Sec. 1.01 or Sec. 1.03 (A) (2) or Sec. 1.03 (A) (3)) shall be conclusively deemed to constitute a determination by the USHA that the purposes for which the proceeds thereof are to be used, as shown by the certificate of purposes and supporting documents furnished by the Local Authority, are purposes such that expenditures therefor in amounts not greater than those indicated in such certificate and supporting documents will constitute proper charges to the development cost of the Project.

(E) Nothing in this Article I contained shall be construed as creating or justifying any claim against the USHA by any third person with whom the Local Authority may have contracted for the purchase of materials for, or the construction or equipping of, the Project.

ARTICLE II

PHYSICAL DEVELOPMENT OF PROJECT

Sec. 2.01. Site of Project.—(A) Acquisition of site.—The Local Authority will proceed promptly with all necessary arrangements for the acquisition of the site of the Project. When the proposed site and such arrangements for the acquisition thereof have been approved by the USHA, the Local Authority will proceed promptly with the acquisition of title to such site, free and clear of any mortgage, lease, lien, or encumbrance of any nature whatsoever other than such use restrictions, zoning ordinances, building restrictions, easements, or rights-of-way as shall not adversely affect the value or usefulness to the Local Authority of the site or the security of the Bonds and as may be approved by the USHA. Upon the vesting of title of such site in the Local Authority and the due recording of a deed or deeds or other document or documents, if any, required to be recorded in order to protect the title of the Local Authority, the Local Authority will furnish to the USHA an opinion in triplicate, signed by competent title counsel (who may be counsel for the Local Authority if otherwise qualified), to the effect (a) that the Local Authority has good and valid title to the entire site, free and clear of any mortgage, lease, lien, or encumbrance of any nature whatsoever, other than such easements or rights-of-way (not adversely affecting the value or usefulness to the Local Authority of the site or the security of the Bonds) as shall be specifically described in such opinion, and (b) that such deed or deeds or other document or documents have been duly recorded or filed for record wherever necessary in order to protect the title of the Local Authority. Such opinion shall set forth in such detail as the USHA shall request the recording data in respect of such deed or deeds or other document or documents. The Local Authority covenants that, in any event, such title will be acquired and such opinion will be furnished within one (1) year after the date of this Contract or within such longer period as the USHA shall have approved.

(B) Substandard dwellings on site.—The Local Authority covenants that all substandard dwellings on the site of the Project will be demolished.

Sec. 2.02. Unit Cost and General Character of Project.—The Local Authority covenants that the Project will be planned and constructed in such a manner that the cost will not exceed Four thousand Dollars (\$4,000) per family-dwelling unit or One thousand Dollars (\$1,000) per room (excluding land, demolition, and nondwelling facilities, as defined in the Act), unless the City has a population exceeding five hundred thousand (500,000) and a higher cost not exceeding Five thousand Dollars (\$5,000) per family-dwelling unit or One thousand two hundred fifty Dollars (\$1,250) per room (exclusive of the items aforesaid) shall be expressly approved by the USHA pursuant to

Sec. 15 (5) of the Act. The Local Authority further covenants that the Project will be undertaken in such a manner (a) that it will not be of elaborate or expensive design or materials, and economy will be promoted both in construction and administration, and (b) that the average construction cost of the dwelling units (excluding land, demolition, and nondwelling facilities, as defined in the Act) will not be greater than the average construction cost of dwelling units currently produced by private enterprise, in the locality or metropolitan area in which the Project is situated, under the legal building requirements applicable to the site of the Project, and under labor standards not lower than those prescribed in the Act.

Sec. 2.03. Plans and Specifications.—The Local Authority will proceed promptly with the preparation of plans and specifications for the Project, which plans and specifications shall be prepared in such manner as to assure the completion of the Project at a cost not in excess of the Proposed Development Cost. The Local Authority will submit such plans and specifications, together with an itemized estimate of the development cost of the Project, to the USHA for approval. The Local Authority covenants that such plans and specifications will be in accordance with the provisions of this Contract and with all applicable laws, ordinances, and regulations (except to the extent that valid waivers are obtained from the appropriate authorities) and that all necessary approvals of State and local housing, planning, zoning, building, and other boards, bodies, or officers having jurisdiction will be obtained before construction contracts are let. The USHA will promptly advise the Local Authority when such plans and specifications and itemized estimate of the development cost of the Project are approved by it.

Sec. 2.04. Construction Contracts; Terms and Conditions.—The Local Authority covenants that as soon as (a) the site has been acquired and it has complied with its other covenants set forth in Sec. 2.01 and (b) the final plans and specifications for the Project have been approved in accordance with the provisions of Sec. 2.03, it will proceed, without unnecessary delay, with the development of the Project. The Local Authority covenants that the main construction contracts for the substantial completion of the Project will be let within such period of time as the USHA shall in writing specify. The Local Authority further covenants that in the development of the Project it will comply with all of the following provisions:

(A) **General provisions.**—The Local Authority covenants that all work in connection with demolition on the site, site improvements, and the construction and equipping of the Project will be done under fixed-price contracts; that opportunity will be given for open and competitive bidding for each and every demolition, site improvement, construction, material, and equipment contract; that it will give such publicity to advertisements or call for bids therefor as will provide adequate competition; and that the award of each contract will be made to the lowest responsible bidder on the basis of initial cost.

(B) **Submission of proposed contracts, bids, etc.**—The Local Authority covenants that it will not enter into any contract relative to the development of the Project without the approval of the USHA and that it will at all times retain, preserve, and enforce all its rights under all contracts entered into by it relating to the development of

the Project and will not amend or modify or consent to any change in any of such contracts or waive, release, or compromise any right or claim which it may have under any of such contracts without the approval of the USHA. The Local Authority will submit to the USHA:

(1) A copy of each proposed contract with any person, firm, or corporation who is to furnish or perform any professional or executive work or services in connection with the Project, including architects, engineers, appraisers, title examiners, attorneys, land negotiators, surveyors, and consultants, prior to the execution of such contract;

(2) Six (6) copies each of proposed contract documents and bid forms relating to demolition on the site, site improvement, or constructing or equipping the Project, before bids are invited for the particular contract;

(3) Two (2) copies of a signed and dated statement showing the wage rates prevailing in the locality of the Project for each trade or occupation to be engaged in work on the Project (as determined under applicable State, Territorial, or local laws, or in the absence of such laws, as found by the Local Authority after investigation) before bids are invited for any contract to which such wage rates are applicable;

(4) A written statement of the bids received and of the proposed award of each contract relating to demolition on the site, site improvement, or constructing or equipping the Project, before an award is made;

(5) A complete set of executed contract documents relating to demolition on the site, site improvement, or constructing or equipping the Project, and four (4) sets of conformed copies thereof, before any work, service, material, or equipment is performed or furnished thereunder;

(6) A written statement concerning, and the pertinent plans and specifications for, any work for which the USHA has waived the applicable provisions of this Contract (so as to permit the Local Authority to perform such work otherwise than by contract) before such work is so performed;

(7) A written statement concerning (a) each proposed extra or additional work order intended to affect any construction contract relating to the Project where the amount involved exceeds an amount to be fixed in such contract with the approval of the USHA, and (b) each proposed change order intended to affect any construction contract relating to the Project where the work or materials eliminated or substituted involve a gross sum which exceeds an amount to be fixed in such contract with the approval of the USHA, before such order is issued;

(8) All proposed rulings or interpretations to contractors and others in regard to the classification of labor (see paragraph (I) of this Sec. 2.04); and

(9) All proposed insurance policies to be purchased by the Local Authority in connection with the development of the Project before such policies are purchased;

and that, after having submitted to the USHA the matters above mentioned, it will not proceed without being advised to do so by the

USHA, it being the purpose of this paragraph (B) to assure that the Local Authority will be fully advised before it takes any steps which might, in the judgment of the USHA, violate applicable Federal statutes or this Contract, and to reduce the possibility that the Local Authority will be responsible for violations of this Contract which might result in a delay in the development of the Project.

(C) **Contract security.**—The Local Authority will require that each construction contractor shall furnish a bond in an amount not less than the minimum required by applicable State or Territorial law as security for the faithful performance of his contract and for the payment of all persons performing work and furnishing materials in connection therewith: *Provided*, That if the applicable State or Territorial law requires a separate bond for the protection of laborers and materialmen, the Local Authority will require that each such contractor shall furnish, in addition to the performance bond, a bond in not less than the minimum amount required by such law for the payment of all persons performing labor and furnishing materials in connection with his contract: *Provided, further*, That if the applicable State or Territorial law prescribes no minimum requirements as to the amount of the bond or bonds or if the minimum requirement as to any bond is less than fifty per centum (50%) of the contract price, or if there is no applicable State or Territorial law with respect to such bond or bonds, such bond or bonds shall each be in an amount not less than fifty per centum (50%) of the contract price; and *Provided, further*, That for any demolition contract the bond or bonds shall be in a stated amount to be set forth in the demolition specifications, which amount shall be not less than fifty per centum (50%) of the estimated cost of the labor and materials necessary to perform the work required to be done under the demolition contract.

(D) **Contractors' insurance.**—The Local Authority will require that each construction contractor shall maintain, until the work to be performed under his contract has been accepted by the Local Authority, insurance with responsible insurance companies, as follows:

(1) **Fire insurance, etc.**—Adequate insurance covering all work, labor, and materials furnished by such contractor and all his subcontractors against loss by fire, windstorm, lightning, or explosion and against all additional risks in respect of which insurance is commonly carried on buildings during construction in the locality in which the Project is located: *Provided*, That the Local Authority may itself provide the insurance required by this clause (1), in lieu of requiring a contractor to provide such insurance; and *Provided, further*, That no contractor shall be required to carry insurance on any part of the Project after the time at which such part is accepted by the Local Authority. The Local Authority shall be named as an insured under each policy required by this clause (1) to be purchased by a contractor or a subcontractor.

(2) **Compensation insurance.**—Adequate compensation insurance for all such contractor's employees who will be engaged in work at the site of the Project (and if any part of such contractor's contract is sublet the contractor will require his subcontractor

to maintain such insurance for all the subcontractor's employees who will be so engaged unless the latter's employees are protected by the principal contractor's compensation insurance).

(3) **Liability insurance.**—Adequate public liability and, if recommended by the USHA, property damage insurance to protect such contractor and all his subcontractors from claims for damages for personal injury, accidental death, and to property, which may arise from operations under his contract, whether such operations be by himself or by any such subcontractor or by anyone directly or indirectly employed by either of them.

(E) **Contract assignments.**—The Local Authority will require each contractor to submit, for its approval, a written statement concerning the proposed assignment of any interest in or part of any contract relating to the construction or equipping of the Project, before an assignment thereof is made.

(F) **Qualifications for employment.**—The Local Authority will require that no person under the age of sixteen (16) years and no convict labor shall be employed in the development of the Project. The Local Authority will require that no person whose age or physical condition is such as to make his employment dangerous to his health or safety or to the health and safety of others shall be employed in the development of the Project; *Provided*, That this shall not operate against the employment of physically handicapped persons, otherwise employable, where such persons may be safely assigned to work which they can ably perform. The Local Authority will require that there shall be no discrimination because of race, creed, or political affiliations, in the employment of persons for work on the Project.

For the purpose of determining whether discrimination has been made in the employment of Negro labor, the Local Authority shall insert appropriate provisions in said construction contracts providing that if the contractor pays to Negro skilled labor a certain percentage of the total amount paid in any period of four (4) weeks under the construction contract for all skilled labor (irrespective of individual trades), and if the contractor pays to Negro unskilled labor a certain percentage of the total amount paid in any period of four (4) weeks under the construction contract for all unskilled labor, it shall be considered as *prima facie* evidence that the contractor has not discriminated against Negro labor. The amounts of such percentages are to be based upon the number of Negro skilled and unskilled laborers employed in construction work in the locality of the Project as reflected by the latest Federal Census.

The Local Authority will require: that all employees engaged in the development of the Project shall have the right to self-organization; to form, join, or assist labor organizations; to bargain collectively through representatives of their own choosing; and to engage in concerted activities for the purpose of collective bargaining or other mutual aid or protection; that contractors (including any person acting in their behalf, directly or indirectly) shall not interfere with, restrain or coerce such employees in the exercise of such rights; that contractors shall not dominate or interfere with the formation or administration of any labor organization or contribute financial or other support to it; that contractors shall not discharge

ties at the site thereof for the use of the USHA's representatives or agents who may be assigned to the review of the Project.

(P) **Signs.**—The Local Authority will cause to be erected on the site of the Project at points and in positions to be designated by the USHA's representative or agent who may be assigned to the review of the Project, signs in such quantity and of such dimensions and specifications as will be designated by the USHA, which signs will bear the legend:

On this Site

(Name of Project)

A Low-Rent Housing Project
is being developed by

(Name of Local Authority)

under loan contract with

FEDERAL WORKS AGENCY

UNITED STATES HOUSING AUTHORITY

(Facsimile of)
(Seal of USHA)

(Q) **Construction reports.**—The Local Authority will require that there shall be submitted to it by each such contractor and will, in turn, submit to the USHA, the following records on forms to be supplied by the USHA: (a) Detailed Estimate, including a complete breakdown of the contract price, and (b) Periodic Estimates for Partial Payment based upon the Detailed Estimate.

(R) **Reports to U. S. Department of Labor.**—The Local Authority will require that each contractor engaged on the Project shall furnish to the United States Department of Labor, as early as practicable, the names and addresses of all his subcontractors. The Local Authority will also require that each such contractor and subcontractor shall report monthly to said Department, no later than the fifth (5th) day following the close of each calendar month, on forms to be furnished by said Department, the number of persons on their respective pay rolls, the aggregate amount of such pay rolls, the total man-hours worked, and itemized expenditures for materials.

(S) **Pay rolls, project data, and records.**—The Local Authority will require that each contractor and each subcontractor engaged in work at the site of the Project shall prepare his pay rolls on forms prescribed and in accordance with instructions to be furnished by the USHA; that, not later than the seventh (7th) day following the payment of the wages, each such contractor shall transmit to such office as may be designated by the USHA a certified legible copy and two conformed copies of each such pay roll; that each such pay roll shall be sworn to in accordance with the "Regulations Issued Pursuant to So-Called Kick-Back Statute," which Regulations are set forth in Sec. 2.10. The Local Authority will require all persons, firms, or corporations engaged by contract to furnish architectural or engineering services to the Local Authority in connection with the development of the Project to submit to the Local Authority, within seven (7) days after the close of each pay-roll period a certified

legible copy and two conformed legible copies of each pay roll of such person, firm, or corporation setting forth the wages paid to and the hours of work performed by all architects, technical engineers, draftsmen, or technicians, employed on a salary or time basis, and all laborers and mechanics engaged by such person, firm, or corporation on work in connection with the development of the Project.

The Local Authority will furnish the USHA reasonable evidence that all bills for services rendered and materials supplied have been duly paid. The Local Authority will keep a record of Project costs in accordance with the classification of such costs prescribed by the USHA.

(T) **Payment.**—Not later than the fifteenth (15th) day of each calendar month, or in the event the contract governing the work establishes a fiscal month, then not later than the fifteenth (15th) day of each fiscal month, the Local Authority will make partial payments to each contractor on the basis of an estimate (which shall be duly certified and approved by persons designated by the Local Authority) of the work performed (including materials delivered to the site with the approval of the Local Authority) during the preceding calendar month or fiscal month, as the case may be, by the particular contractor, but will retain at least ten per centum (10%) of the amount of each such estimate until final completion and acceptance of all work covered by the particular contract: *Provided*, That when fifty per centum (50%) of the work has been completed and if the work is otherwise progressing satisfactorily, the Local Authority may make the remaining partial payments in full for the work subsequently completed. Before making final payment to any contractor, the Local Authority will furnish the USHA a certificate of completion with respect to such contract and will obtain from the contractor a certificate of release, all on forms to be furnished by the USHA. The Local Authority covenants that if the USHA so requests the Local Authority will not make final payments to any contractor until after it shall have received the recommendations of the USHA. If the USHA makes such requests it will make its recommendations to the Local Authority with respect to such final payments promptly.

The Local Authority will require that each such contractor shall promptly pay all amounts due for services rendered, work performed, and materials and equipment supplied.

(U) **Wage claims and adjustments.**—In cases of underpayment of wages by any contractor, the Local Authority will withhold from such contractor, out of payments due, an amount sufficient to pay persons employed on the work covered by his contract the difference between the wages required to be paid under the contract and the wages actually paid such employees for the total number of hours worked. The amounts withheld shall be disbursed by the Local Authority, for and on account of the contractor, to the respective employees to whom they are due.

Sec. 2.05. Development Cost Budget and Estimates.—(A) **Development cost budget.**—Within forty-five (45) days after the main construction contracts have been entered into in accordance with the provisions of Sec. 2.04, the Local Authority will submit to the USHA

to Sec. 2.05, and that all liabilities, actual and contingent, of the Local Authority incurred for, or in connection with, the development of the Project have been discharged through payment or otherwise; and

(2) The opinion of a qualified attorney (who may be counsel for the Local Authority) stating that there are no undischarged mechanics', laborers', contractors', or materialmen's liens on the Project or the Development Fund on file in any public office where the same should be filed in order to be valid liens against any part of the Project or the Development Fund and that the time within which such liens could be filed has expired.

A copy of such certificate and of such opinion shall at the same time be furnished by the Local Authority to the Fiscal Agent.

Whenever, after having given the Occupancy Notice and after having received the aforesaid certificate and opinion in form satisfactory to the USHA, the USHA shall be satisfied that the statements made in such certificate are correct and that there are no defects or inadequacies in structure or equipment which should be remedied as a part of the development of the Project, the USHA shall give written notice to the Local Authority and to the Fiscal Agent. The giving of such notice shall, for all purposes of this Contract, conclusively evidence a determination by the USHA that the Local Authority has duly observed and performed each of and all its covenants and agreements in this Contract set forth relative to the development of the Project. Such notice is elsewhere in this Contract referred to as the "Physical Completion Notice."

The USHA will, as soon as practicable after the giving of the Physical Completion Notice, give written notice to the Local Authority and the Fiscal Agent showing the Actual Development Cost of the Project as determined by the USHA, which shall not be less than the latest minimum development cost theretofore approved by the USHA pursuant to Sec. 2.05.

Sec. 2.10. Kick-Back Statute and Regulations.—The Local Authority covenants that in the development of the Project it will comply in all respects with the provisions of the so-called Kick-Back Statute and the Regulations issued pursuant thereto, and that there will be incorporated in every construction contract awarded by the Local Authority the applicable provisions of said Statute and said Regulations, which are as follows:

(A) **Kick-Back Statute.**—The so-called Kick-Back Statute is Public, No. 324, Seventy-third Congress, approved June 13, 1934 (48 Stat. 948), and reads as follows:

An Act To effectuate the purpose of certain statutes concerning rates of pay for labor, by making it unlawful to prevent anyone from receiving the compensation contracted for thereunder, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That whoever shall induce any person employed in the construction, prosecution, or completion of any public building, public work, or building or work financed in whole or in part by loans or grants from the United States, or in the repair thereof to give up any part of the compensation to which he is entitled under his contract of employment, by force, intimidation, threat of procuring dismissal from such employment, or by any other manner whatsoever, shall be fined not more than \$5,000, or imprisoned not more than five years, or both.

SEC. 2. To aid in the enforcement of the above section, the Secretary of the Treasury and the Secretary of the Interior jointly shall make reasonable regulations for contractors or subcontractors in any such building or work, including a provision that each contractor and subcontractor shall furnish weekly a sworn affidavit with respect to the wages paid each employee during the preceding week.

(B) **Regulations Issued Pursuant to So-Called Kick-Back Statute.**—Pursuant to the provisions of Public, No. 324, Seventy-third Congress, approved June 13, 1934 (48 Stat. 948), concerning rates of pay for labor, the Secretary of the Treasury and the Secretary of the Interior have jointly made the following regulations:

SECTION 1. (This section quotes the Kick-Back Statute.)

SEC. 2. Each contractor and subcontractor engaged in the construction, prosecution, or completion of any building or work of the United States or of any building or work financed in whole or in part by loans or grants from the United States, or in the repair thereof, shall furnish each week an affidavit with respect to the wages paid each employee during the preceding week. Said affidavit shall be in the following form:

STATE of _____,
County of _____, ss:
I, _____, ss:
(Name the party signing affidavit) (Title)
do hereby certify that I am the employee of _____
(Name of contractor or subcontractor)
_____, who supervises the payment of the employees of
said contractor (subcontractor); that the attached pay roll is a true and
accurate report of the full weekly wages due and paid to each person
employed by the said contractor (subcontractor) for the construction of
_____, for the weekly pay roll period from the _____ day
(Project)
of _____, 193 __, to the _____ day of _____, 193 __;
that no rebates or deductions from any wages due any such person as set
out on the attached pay roll have been directly or indirectly made; and
that, to the best of my knowledge and belief, there exists no agreement
or understanding with any person employed on the project, or any person
whatsoever, pursuant to which it is contemplated that I or anyone else
shall, directly or indirectly, by force, intimidation, threat or otherwise,
induce or receive any deductions or rebates in any manner whatsoever
from any sum paid or to be paid to any person at any time for labor per-
formed or to be performed under the contract for the above named project.

Sworn to before me this _____ day of _____, 193__.

SEC. 3. Said affidavit shall be executed and sworn to by the officer or employee of the contractor or subcontractor who supervises the payment of its employees.

Said affidavit shall be delivered, within seven days after the payment of the pay roll to which it is attached, to the Government representative in charge at the site of the particular project in respect of which it is furnished, who shall forward the same promptly to the Federal agency having control of such project. If no Government representative is in charge at the site, such affidavit shall be mailed within such seven-day period to the Federal agency having control of the project.

SEC. 4. At the time upon which the first affidavit with respect to the wages paid to employees is required to be filed by a contractor or subcontractor pursuant to the requirements of these regulations, there shall also be filed in the manner required by Section 3 hereof a statement under oath by the contractor or subcontractor, setting forth the name of its officer or employee who supervises the payment of employees, and that such officer or employee is in a position to have full knowledge of the facts set forth in the form of affidavit required by Section 2 hereof. A similar affidavit shall be immediately filed in the event of a change in the officer or employee who supervises the payment of employees. In the event that the contractor or subcontractor is a corporation, such affidavit shall be executed by its president or a vice president. In the event that the con-

tractor or subcontractor is a partnership, such affidavit shall be executed by a member of the firm.

SEC. 5. These regulations shall be made part of each contract executed after the effective date hereof by the Government for any of the purposes enumerated in Section 2 hereof.

SEC. 6. These regulations shall become effective on January 15, 1935.

(C) **Construction of Regulations.**—The clause in the pay-roll affidavit which reads “* * * that the attached pay roll is a true and accurate report of the full weekly wages due and paid to each person employed by the said contractor * * *” is construed to mean:

(1) Wages due are the wages earned during the pay period by each person employed by the contractor, less any deductions required by law.

(2) At the time of signing the affidavit, the wages due each employee have either been paid to him in full or are being held subject to claim by him.

(3) Such unpaid wages will be paid in full on demand of the employee entitled to receive them.

The clause “* * * that no rebates or deductions from any wages due any such person as set out on the attached pay roll have been directly or indirectly made” does not apply to any legitimate deductions mentioned above which enter into the computation of full weekly wages due.

The “Regulations Issued Pursuant to So-Called Kick-Back Statute” shall not be construed to prohibit deductions required by law.

ARTICLE III

ISSUANCE OF BONDS

Sec. 3.01. Development Fund Agreement.—(A) Execution.—Promptly after the execution of this Contract, the Local Authority will enter into one or more agreements (Development Fund Agreement) with a bank or banks (each of which shall be a member of the Federal Deposit Insurance Corporation) located in the City, selected as depository or depositories by the Local Authority and satisfactory to the USHA. Such agreements shall be in substantially the form of USHA Form No. 425-A, with only such changes therein as shall be agreed upon by the Local Authority and the USHA.

(B) Deposits.—Upon the execution of the Development Fund Agreement, the Local Authority will promptly cause to be transferred to and deposited in the Development Fund any unexpended balances of any funds theretofore received by it for the purposes of the development of the Project. Thereafter as additional funds shall be received by it for such purposes, such additional funds shall promptly be deposited in the Development Fund, excepting only (1) such funds as are specifically required by this Contract to be delivered to the Fiscal Agent, (2) such part of the proceeds of any short-term loans obtained pursuant to Sec. 1.02 which may be used to retire advances theretofore made to the Local Authority by the USHA or to retire other maturing short-term loans and (3) such proceeds of advances made by the USHA which the USHA consents in writing may be deposited in another special account to pay and retire any short-term loans obtained under Sec. 1.02.

(C) Withdrawals.—The Local Authority covenants that it will not withdraw any moneys from the Development Fund except in accordance with the provisions of the Development Fund Agreement. The Local Authority further covenants that:

(1) Except as hereinafter in this paragraph (C) expressly provided, it will not withdraw any moneys from the Development Fund for any purpose other than (a) the payment of items included in a certificate of purposes theretofore furnished to and accepted by the USHA or (b) the payment of other proper charges to the development cost which shall have been specifically approved for payment by the USHA.

(2) At least fifteen (15) days prior to each Bond interest payment date occurring on or before the Estimated Initial Occupancy Date, it will withdraw from the Development Fund and deposit with the Fiscal Agent, in trust for the payment of the Bond interest payable on the next succeeding interest payment date, an amount equal to the aggregate amount of such interest (less such amounts, if any, as shall have been deposited in trust with the Fiscal Agent for payment of such interest as provided in Sec. 1.03 (B) (2) and Sec. 3.08). Moneys so deposited with the Fiscal Agent for the

payment of interest on outstanding Bonds shall in no event be deemed for any purpose of this Contract to be deposited in the Bond Service Account.

(3) On or before the first day of the first Fiscal Year, the Local Authority to provide working capital for the administration of the Project will transfer from the Development Fund to the Administration Fund and charge to development cost, an amount equal to (unless the USHA shall first approve a larger amount) one-half of one per cent ($\frac{1}{2}$ of 1%) of the latest minimum development cost approved pursuant to Sec. 2.05 hereof prior to the Bond Date.

(4) All rents and revenues of the Project realized prior to the Bond Date shall be deposited in the Development Fund, and all expenses of operating and maintaining the Project prior to the Bond Date shall be paid from the Development Fund, and the amount, if any, by which the aggregate of the rents and revenues so deposited exceeds the aggregate expenses so paid shall be applied, to the full extent thereof, to reduce the amounts which would otherwise be charged to the development cost of the Project for carrying charges during development, preoccupancy charges, and working capital.

(5) Promptly after the payment in full of all charges to the development cost and the giving of the Physical Completion Notice, any balance remaining in the Development Fund by reason of Capital Donations received by the Local Authority after the initial issue of Bonds or for other similar reason shall be disposed of in such manner as is provided in the Resolutions.

(6) If payment of the principal of and interest on the Notes shall have been demanded prior to the time that any of the Bonds shall have been issued, any unexpended balance of any advances made by the USHA remaining in the Development Fund shall be paid over to the USHA on account of such principal and interest.

(D) **Covenants by USHA.**—The USHA covenants that it will not exercise its power under the provisions of the Development Fund Agreement to suspend withdrawals from the Development Fund, unless the Local Authority shall have defaulted in the performance or observance of some one or more of the covenants on the part of the Local Authority contained in this Contract; and that, after having exercised such power, the USHA will authorize the depositary or depositaries under the Development Fund Agreement again to permit withdrawals from the Development Fund pursuant to the provisions thereof whenever the Local Authority shall have made good, to the satisfaction of the USHA, all defaults on the part of the Local Authority. The USHA further covenants (a) that after the delivery of and payment for Series A Bonds it will not exercise its powers under the Development Fund Agreement to suspend withdrawals from the Development Fund unless such suspension is necessary, in the opinion of the USHA, to prevent the misuse of moneys in the Development Fund or the diversion of such moneys for purposes other than those set forth in paragraph (C) above, and (b) that it will not at any time exercise its power under the Development Fund Agreement to draw against the Development Fund, except at such times as may be necessary to provide for such disposition of the moneys in the Development Fund as is required by paragraph (C) above.

Sec. 3.02. Contract Award Notice.—Whenever, after the USHA shall be satisfied that the Local Authority has acquired satisfactory title to the site of the Project, that the plans and specifications are in satisfactory form and that all necessary approvals thereof have been obtained pursuant to Sec. 2.03, and that all main construction contracts necessary to the substantial completion of the structures included in the Project have been entered into and are duly secured, and that the Local Authority is not in default to the knowledge of the USHA under any of the provisions of this Contract, the USHA will give written notice thereof to the Local Authority. Such notice is herein referred to as the "Contract Award Notice."

Sec. 3.03. Adoption of Resolutions.—At such time as the USHA shall request after the Contract Award Notice shall have been given pursuant to Sec. 3.02 and the USHA shall have approved the development cost budget pursuant to Sec. 2.05, the Local Authority will proceed with the adoption of Resolutions, which shall be satisfactory to the USHA, and which shall:

(a) authorize an issue of Bonds (including both Series A and Series B) the aggregate principal amount of which shall not exceed the difference between the latest maximum development cost approved pursuant to Sec. 2.05 and the aggregate amount of all Capital Donations which have then been received by the Local Authority;

(b) authorize an initial issue of Bonds (including both Series A and Series B) the aggregate principal amount of which shall not exceed the difference between the latest minimum development cost approved pursuant to Sec. 2.05 and the aggregate amount of all Capital Donations which have then been received by the Local Authority, and establish a schedule of serial maturities for the Bonds constituting such initial issue;

(c) authorize an offering of Series A Bonds which shall consist of the first maturing Bonds of the initial issue which aggregate ten per centum (10%) of the total principal amount of Bonds authorized (in accordance with clause (a) above) unless the USHA shall consent to an offering of a larger amount of Series A Bonds;

(d) provide that all Bonds other than those offered as Series A Bonds shall be Series B Bonds;

(e) provide that any Series B Bonds issued in addition to the initial issue of Bonds shall mature on the last serial maturity date set forth in the schedule of maturities established in accordance with clause (b) above or such later dates as the USHA may approve; and

(f) provide the manner and extent to which moneys in the Bond Service Account in any year, in excess of the amount required for the payment of interest and principal becoming due in such year, shall be used to call Bonds prior to their stated maturity.

Sec. 3.04. Description of Bonds.—All of the Bonds shall be dated as of the Bond Date except as may be otherwise provided in the Resolutions with respect to Bonds in registered form. All Series B Bonds shall bear interest at the USHA Loan Interest Rate. The interest on all of the Bonds shall be payable semiannually commencing with the date six (6) months after the Bond Date. All of the Bonds of both series shall be secured by a pledge of annual contributions contracted to be made, subject to the terms and conditions of this Contract, by the USHA (the contributions to be applied first, as in this Contract provided, to the payment of principal and interest as

they mature on Series B Bonds), and by a first pledge of and lien on the rents and revenues of the Project after provision only for reasonable operating expenses of the Project. The Bonds shall be of such denomination or denominations, shall be payable at such place or places and shall be subject to such terms of redemption as are authorized by the Resolutions, and shall otherwise in all respects conform to the provisions of the Resolutions, provided however, that in no event shall the maturity of any Series B Bonds exceed sixty (60) years from the date of this Contract. The Series B Bonds shall be issued in such order of maturities as is provided in the Resolutions.

Sec. 3.05. Offering and Award of Series A Bonds; Bond Service Percentage; Additional Proceedings.—(A) As soon after the adoption of the Resolutions above mentioned as the Local Authority and the USHA shall deem appropriate the Local Authority will offer the Series A Bonds for sale after first having submitted to the USHA a signed certificate of purposes showing in reasonable detail the purposes for which the proceeds of such Series A Bonds will be used. Any advertisements or explanatory literature or other documents to be offered and made available to prospective purchasers shall be in such form as shall be approved by the USHA. The Local Authority will not make any award of the Series A Bonds without the approval of the USHA thereto.

(B) When an award of the Series A Bonds shall have been made as above provided, the Local Authority will promptly determine, on the basis of the schedule of maturities and interest rates of all of the authorized Bonds and on the basis of the assumptions:

(1) That all interest accruing on Bonds to and including the Estimated Initial Occupancy Date will be paid out of the proceeds of the sale of the Bonds; and

(2) That the aggregate of all amounts paid into the Bond Service Account on or prior to any given date will always be equal to the Accumulated Bond Service Requirement as of such date, and after providing therefrom the amounts necessary to pay all interest and principal due or to become due prior to the next Annual Contribution Date any balance remaining will be applied to the redemption of Series B Bonds of the longest maturity, at the redemption prices, at the earliest times, after the shortest notice, to the maximum extent permitted and on such other terms as may be provided for by the Resolutions and the Bonds;

a fixed percentage (expressed in decimals, but not carried out beyond ten thousandths of one per centum (10,000ths of 1%)) which shall be uniform throughout the life of the Bonds, and which, being used as the Bond Service Percentage in the definition of Bond Service Requirement in Article X will assure the sufficiency of the Bond Service Account to punctually meet in full:

(a) All interest coming due on all the Bonds (including all authorized Series B Bonds), and

(b) The principal or redemption prices, as the case may be, on the dates of maturity or earlier redemption of all of the Bonds (including all authorized Series B Bonds), regardless of what aggregate principal amount of Series B Bonds (within the limits of the authorized issue) in addition to those within the initial issue shall ultimately be issued and regardless of when any of such additional

Series B Bonds shall, in accordance with this Contract, be issued; it being intended hereby to provide for the lowest Bond Service Percentage which will result in level debt service over the life of the entire issue of Bonds and enable the Local Authority to punctually meet the principal and interest payments on all of the Bonds issued, and that said Bond Service Percentage shall be computed on the basis of redeeming Series B Bonds of the longest maturity, from time to time, to the maximum extent permitted by the terms of the Resolutions and of the Bonds from funds paid into the Bond Service Account (equal always in amount to the Accumulated Bond Service Requirement) and not currently needed for the payment of interest and principal due or to become due on the Bonds prior to the next Annual Contribution Date. The term "Bond Service Percentage," as used elsewhere in this Contract, shall mean the fixed percentage so determined.

(C) When an award of Series A Bonds shall have been made as above provided the Local Authority will promptly take such additional or supplemental proceedings as the USHA may reasonably require or which may be necessary in connection with the issuance and delivery of the Bonds.

(D) Prior to the delivery of any of the Bonds pursuant to Sec. 3.08 the Local Authority will execute and deliver an instrument (which may be in the form of a declaration of trust, a trust indenture or such other document as may be appropriate) confirming and further evidencing among other things, the covenant of the Local Authority not to convey or encumber the Project except as in this Contract expressly authorized and will cause such instrument to be duly recorded or filed for record wherever necessary to give public notice of the provisions thereof and to protect the rights and interests of the USHA and of the holders from time to time of any of the Bonds. The Local Authority will furnish the USHA and the Fiscal Agent appropriate evidence that such recording or filing has been duly effected in accordance with the provisions hereof.

Sec. 3.06. Development Progress Certificate.—On the day fixed, pursuant to the terms of the offering, for the delivery of and payment for Series A Bonds, the USHA will, if satisfied that the statements hereinafter in this Sec. 3.06 prescribed to be made can properly be made, deliver a "Development Progress Certificate" as in this Sec. 3.06 provided. Such Development Progress Certificate shall be duly executed in the name and on behalf of the USHA (by such officer thereof as shall be thereunto designated by the Administrator of the USHA) and shall be as of a date not earlier than the day on which the Series A Bonds are awarded to the purchaser thereof. It shall be addressed to the Local Authority and to the purchaser of Series A Bonds and one executed counterpart thereof shall be delivered to the Local Authority, one to such purchaser and one to the Fiscal Agent. Such Development Progress Certificate shall:

(A) State that, on the basis of an investigation which the USHA believes to have been reasonable and adequate, the USHA is satisfied:

(1) That the Local Authority has good title to the entire site of the Project, free and clear of any mortgage, lease, lien, or encumbrance of any nature whatsoever other than such liens, rights,

and interests as are created by or pursuant to the Resolutions and other than use restrictions, zoning ordinances, building restrictions, easements or rights of way not adversely affecting the value or usefulness of the site to the Local Authority or the security of the Bonds, and that deeds or other documents have been duly recorded or filed for record wherever necessary in order to protect the title of the Local Authority;

(2) That the provisions of the Resolutions with respect to the filing or recording of the Resolutions or of an appropriate indenture or other documents have been complied with;

(3) That the plans and specifications for the Project are in satisfactory form and in accordance with the provisions of the Act and of this Contract and that all necessary approvals of State and local housing, planning, zoning, building, and other boards, bodies, or officers having jurisdiction have been obtained;

(4) That the Development Fund Agreement has been duly executed in accordance with the provisions of this Contract and that all moneys theretofore required by the provisions of this Contract to be deposited in the Development Fund have been duly deposited therein;

(5) That no moneys theretofore made available to the Local Authority for the development of the Project have, to the knowledge of the USHA, been diverted to any purpose other than the payment of items constituting proper charges to the development cost of the Project or, if any such moneys have been so diverted, that the same have been restored or made good;

(6) That to the knowledge of the USHA the Local Authority is not presently in default under any of the provisions of this Contract; and

(7) That all main construction contracts necessary for the substantial completion of the structures included in the Project have been let to responsible contractors, in such forms, at such prices, and with such security as will assure (a) the ability of the Local Authority to have substantially the entire Project ready for occupancy within the time prescribed in Sec. 2.06, and (b) the completion of the Project at a development cost consistent with the development cost budget approved pursuant to Sec. 2.05;

(B) State the estimated development cost, the maximum and minimum development costs, and the Capital Donations, shown in said development cost budget, and the date on which the Contract Award Notice was given;

(C) State the aggregate principal amount of all advances made by the USHA on account of the loan provided for by this Contract, the respective dates and principal amounts of the Notes representing such advances, and the amount of interest accruing on each of such Notes to the date fixed for delivery of the initial issue of Bonds;

(D) State that the loan and the annual contributions provided for in this Contract (together with all loans, capital grants, and annual contributions which the USHA has contracted to make to other public housing agencies, wheresoever situated) can be made without the expenditure within any one State of more than ten per centum (10%) of the funds provided for in the Act and without violation of any other provisions of the Act limiting or restricting

the amounts which may be loaned or paid by the USHA or for the lending or payment of which the USHA may contract; and

(E) State that copies of such Development Progress Certificate may be used by the Local Authority and by any underwriters and dealers in connection with the offering and sale of the Series A Bonds.

Sec. 3.07. Bond Transcript.—Promptly after an award of the Series A Bonds shall have been made and the adoption of any additional or supplemental proceedings which may be required pursuant to Sec. 3.05 (C), the Local Authority will prepare and furnish to the USHA and the successful bidder a complete bond transcript satisfactory to the USHA and to the successful bidder.

Sec. 3.08. Delivery of and Payment for Series A Bonds.—Delivery of the Series A Bonds shall be made at such place as shall be agreed upon by the Local Authority, the USHA, and the purchaser of the Series A Bonds, on the date fixed pursuant to the terms of the offering.

Such part of the purchase price of such Series A Bonds (exclusive of any amount paid on account of accrued interest) which equals ten per centum (10%) of the aggregate principal amount of the initial issue of Bonds authorized pursuant to clause (b) of Sec. 3.03 shall be deposited in the Development Fund and the Local Authority will cause the balance thereof to be applied to the payment of the interest on and principal of the Notes held by the USHA or short-term loans obtained from others than the USHA pursuant to Sec. 1.02.

Any amount paid on account of accrued interest on the Series A Bonds shall be paid by separate check, to be held in trust for the payment of interest on the Series A Bonds, in the same manner and with the same effect as is provided for in respect of accrued interest on Series B Bonds in Sec. 1.03 (B) (2).

Sec. 3.09. Control of Aggregate Amount of Bonds; Prohibition Against Other Loans.—The Local Authority covenants that in no event will it issue any Bonds without the prior written approval of the USHA of the issuance thereof. The Local Authority covenants that (anything in this Contract to the contrary notwithstanding) the provisions of this Contract and of the Resolutions with respect to the borrowing of money and the issuance and delivery of Notes and of Bonds by the Local Authority and the development of the Project will be so administered that when all the Notes have been paid or exchanged for Series B Bonds and Physical Completion of the Project has occurred, the aggregate principal amount of all Bonds issued, including both series (whether or not still outstanding), will in no event exceed the Actual Development Cost. The USHA will not accept any Notes or Bonds or approve any issuance or sale of Bonds which would result in a violation of the covenants of the Local Authority in this Sec. 3.09 set forth.

The Local Authority covenants that it will in no event obtain, from any source whatsoever, any loan to assist the development of the Project other than (1) the loan from the USHA provided for in this Contract, (2) short term loans in anticipation of or temporarily substituted for advances from the USHA, and (3) the loan to be effected through the sale of Series A Bonds as herein provided.

Sec. 3.10. Refunding of Bonds.—The Local Authority may, with the approval of the USHA, refund any outstanding Bonds issued in

accordance with the provisions of this Contract to assist in the development of the Project whenever it can obtain reasonable assurances that such Bonds can be refunded at a reduction in interest costs, provided, however, that no refunding bonds shall be issued with maturities extending beyond the life of this Contract or in contravention of any covenant or provision of the Resolutions. The USHA will not accept any refunding bonds which bear interest at a rate lower than the USHA Loan Interest Rate, which mature later than sixty (60) years after the date of this Contract or which are not secured by a pledge of annual contributions in the same manner and to the same extent as is provided in Sec. 5.07 with respect to Series B Bonds.

In the event that the Local Authority shall refund the Bonds (pursuant to this Sec. 3.10) then from and after the date of issuance of the refunding bonds the following terms when used in Articles IV to X both inclusive of these Terms, Covenants, and Conditions shall, except where the context clearly indicates otherwise, be construed in the following manner:

"Bonds" shall be construed to mean the refunding bonds issued by the Local Authority.

"Resolutions" shall be construed to mean the resolutions pursuant to which such refunding bonds are issued.

"Fiscal Agent" shall mean the fiscal agent named in the resolutions pursuant to which such refunding bonds are issued.

"Bond Service Percentage," "Bond Service Requirement," and "Accumulated Bond Service Requirement" shall mean the Bond Service Percentage, the Bond Service Requirement, and the Accumulated Bond Service Requirement as the same may be modified with the approval of the USHA by the resolutions under which the refunding bonds are issued.

Sec. 3.11. Redemption of Bonds held by the USHA.—The USHA covenants that any Series B Bonds called for redemption prior to their stated date of maturity, which are held by the USHA at the time of such call, may be redeemed by the Local Authority without the payment of any redemption premium.

ARTICLE IV

ADMINISTRATION OF PROJECT

Sec. 4.01. Low-rent Character of Project.—The Local Authority covenants that it will at all times maintain the low-rent character of the Project. The low-rent character of the Project shall be deemed to be maintained so long as it shall be administered and occupied in such a manner that:

(1) There shall have been no Excess Rentals as of the close of the most recent Fiscal Year; and

(2) No dwellings in the Project are to the knowledge or information of the Local Authority occupied by Ineligible Families.

Sec. 4.02. Operation of Project Without Profit.—(A) The Local Authority covenants that the Project will not be operated for profit and that it will fix the rentals for dwellings in the Project at no higher rates than shall be necessary to produce revenues which (together with the annual contributions provided for herein, Local Contributions, and all other available moneys derived from or in connection with the Project) will be sufficient (a) to provide for the payment, as the same become due, of the principal of and interest on the Bonds, (b) to meet Operating Expenses, and (c) to discharge any obligations arising under this Contract or the Resolutions.

(B) The Local Authority further covenants that in the event of a modification in the fixed and uniform amounts of subsequent annual contributions (i. e., in the subsequent Fixed Annual Contributions) by the USHA pursuant to the provisions of Sec. 5.02 (D) the Local Authority will, promptly upon receipt of notice of such modification, make such adjustment as may be necessary in the rentals established for dwellings in the Project, so that the rates charged for such dwellings shall at all times be sufficient to produce revenues which (together with the Fixed Annual Contributions as so modified, Local Contributions, and all other available moneys derived from or in connection with the Project) will be sufficient (a) to provide for the payment, as the same become due, of the principal of and interest on the Bonds, (b) to meet Operating Expenses, and (c) to discharge any obligations arising under this Contract or the Resolutions.

Sec. 4.03. Use of Project.—The Local Authority covenants that it will at all times use and administer the Project:

(1) Solely for the purpose of providing decent, safe, and sanitary dwellings within the financial reach of Low Income Families and of providing such necessary appurtenances to such dwellings as shall be included in the Project; and

(2) In such a manner as to promote serviceability, efficiency, economy, and stability.

The Local Authority further covenants that it will not use the Project or any part thereof, or permit or suffer the same to be used, for any purpose which is illegal or which is extra hazardous on account of fire, and that immediately upon the discovery of any use in violation of this Sec. 4.03 it will take all necessary steps to compel the discontinuance of such use or to oust the tenants or occupants guilty of such use.

Sec. 4.04. Tenant Selection.—The Local Authority covenants that:

(1) It will not knowingly admit as tenants (a) any Ineligible Families or (b) any families who, immediately prior to admission, shall have been living under safe and sanitary housing conditions, provided, that this clause (b) shall not be construed to exclude families residing in other low-rent housing projects of the Local Authority, or families living under unsafe or insanitary housing conditions on the site of the Project at the time of its acquisition by the Local Authority;

(2) It will lease to tenants dwelling accommodations consisting of the number of rooms necessary (but no greater number than necessary) to provide safe and sanitary accommodations to the proposed occupants thereof without overcrowding;

(3) It will not discriminate in the selection of tenants because of religious, political, or other affiliations; and

(4) As among families applying for admission who are otherwise eligible and who can afford to pay the rent for dwellings they propose to occupy, preference shall be given to such families as (a) shall have the lowest annual net income in relation to the number of proposed occupants and (b) shall be living in housing conditions most injurious to the health and safety of such families.

Sec. 4.05. Leases.—The Local Authority covenants that it will not permit any family to occupy a dwelling in the Project until a member of such family shall have executed a written lease for such dwelling, which lease, among other provisions, shall contain (1) an appropriate representation on the part of the tenant that such family is not an Ineligible Family, (2) a covenant that the tenant will from time to time at the request of the Local Authority furnish to it such information as to the size and net income of such family as of such dates as may be specified by the Local Authority and (3) a covenant that such dwelling will be promptly vacated and the lease surrendered if such family shall at any time become an Ineligible Family.

Sec. 4.06. Insurance.—At or prior to the time that the Project or any part thereof is accepted by the Local Authority from a construction contractor, the Local Authority will insure all the insurable property and equipment then constituting the Project (or so much thereof as shall have been so accepted) and thereafter, throughout the period during which annual contributions are payable by the USHA and in any event so long as any of the Bonds shall be outstanding, the Local Authority will keep all the insurable property and equipment from time to time constituting the Project (or so much thereof as shall have been so accepted) insured, to at least eighty per centum (80%) of its full insurable value, with responsible insurance companies, against loss or damage by fire, windstorm, lightning, explosion, or riot and against all additional risks in respect of which insurance is commonly carried on similar property and equipment in the locality

in which the Project is situated. In addition, the Local Authority will carry general public liability insurance, in a reasonable amount, covering its administration of the Project, and will provide workmen's compensation coverage for its employees engaged in the administration of the Project.

All insurance shall be payable in such manner, be in such form and amounts and be placed with such insurers as may be determined by the Local Authority and approved by the USHA. All policies proposed to be purchased by the Local Authority shall be submitted to the USHA for approval at least thirty (30) days in advance of the date on which they are proposed to be purchased. After purchase and delivery, copies or executed counterparts or detailed memoranda of such policies shall be deposited with and held by the USHA and the Fiscal Agent.

The Local Authority will obtain or provide for the obtaining of fidelity bonds covering its officers, agents, or employees handling cash or authorized to sign checks, in such forms and in such amounts as the USHA may from time to time reasonably request. The Local Authority will obtain all insurance at the lowest net cost obtainable from financially sound and responsible insurance companies.

Sec. 4.07. Maintenance, Repair, and Reconstruction.—(A) General.—The Local Authority will at all times maintain the Project in good repair, order, and condition suitable to the purposes thereof and will set aside and maintain adequate reserves therefor, as provided in the Resolutions. Whenever, in any manner whatsoever, the Project or any unit or units thereof shall have been destroyed or any of or all the dwellings in the Project shall have become unsafe or insanitary, the Local Authority will proceed promptly to establish (either by settlement approved by the Local Authority and the USHA or by litigation) and to collect all valid claims, if any, which may have arisen against insurers and to repair, reconstruct, or restore the Project so that the same and all the dwellings therein will be in a safe, sanitary, and tenantable condition.

(B) Major repairs.—Whenever, in any manner whatsoever, ten per centum (10%) or more in number of the dwellings in the Project (as the same was constituted at the time of the giving of the Occupancy Notice) have been destroyed or rendered unsafe or insanitary, then:

(1) The Local Authority will promptly pay the proceeds of all claims against insurers based upon the destruction or damage, together with such additional moneys, if any, as shall be necessary to provide for the repair, reconstruction, or restoration, or cause such proceeds and other moneys to be paid, to a depository selected by the Local Authority and approved by the USHA;

(2) The Local Authority will proceed promptly with the preparation of plans and specifications relative to the repair, reconstruction, or restoration, with the letting of contracts therefor to responsible contractors on a fixed-cost basis secured by adequate performance bonds, and with the completion of the work;

(3) The insurance proceeds collected and all other moneys made available for the repair, reconstruction, or restoration will be left intact in the hands of such depository, until all contracts necessary to the substantial completion of the work shall have been let;

(4) The repair, reconstruction, and restoration will in any event be completed within two (2) years after the final establishment (by settlement or litigation as aforesaid) of all claims, if any, against insurers or within such longer period as the USHA shall have approved by written notice to the Local Authority and the Fiscal Agent;

(5) Such repair, reconstruction, or restoration will be undertaken in such manner and will be subject to the supervision and approval of the USHA at such times and in such ways as will provide security and other safeguards and assurances substantially similar to those provided by or in connection with this Contract in respect to the development of the Project; and

(C) **Assistance by USHA.**—In the event that dwellings in the Project shall have been destroyed or rendered unsafe or insanitary to the extent specified in paragraph (B) above, the USHA will provide aid, advice, and supervision relative to the repair, reconstruction, or restoration of the Project, to the end that such repair, reconstruction, or restoration may be contracted for and completed in a manner and with security and other safeguards and assurances substantially similar to those provided by or in connection with this Contract in respect of the development of the Project.

Sec. 4.08. Elimination of Unsafe or Insanitary Dwellings; Equivalent Elimination Notice.—The Local Authority covenants that by the expiration of the period prescribed therefor in the Equivalent Elimination Contract Provisions (or of such longer period as the USHA shall have approved by written notice to the Local Authority and the Fiscal Agent as provided in Sec. 6.02), unsafe or insanitary dwellings situated in the locality or metropolitan area in which the Project is situated, substantially equal in number to the number of newly constructed dwellings provided by the Project, will have been eliminated by demolition, condemnation, and effective closing, or compulsory repair or improvement. In determining at any time the extent to which the foregoing covenant has been performed by the Local Authority, only such elimination (whether by way of demolition or by way of condemnation and effective closing or by way of compulsory repair or improvement) of such unsafe or insanitary dwellings shall be recognized as shall have been effected by or through the efforts of the Local Authority, the City or some other public agency, either in pursuance of the Equivalent Elimination Contract Provisions or of some other contract or arrangement made by the Local Authority with relation to the Project or otherwise in connection with or in contemplation of the Project.

Whenever such number of such unsafe or insanitary dwellings shall have been so eliminated, the USHA will promptly give written notice of its determination of that fact to the Local Authority and to the Fiscal Agent. The giving of such notice shall, for all purposes of this Contract, conclusively evidence a determination by the USHA that the Local Authority has duly observed and performed the covenant and agreement on the part of the Local Authority set forth in this Sec. 4.08. Such notice is elsewhere in this Contract referred to as the "Equivalent Elimination Notice."

Sec. 4.09. Rights under Certain Contracts; Local Contributions.—The Local Authority covenants that during both the develop-

ment and the administration of the Project (1) it will perform and comply with all the Cooperation Contract Provisions and the Equivalent Elimination Contract Provisions required to be performed by it, will at all times retain, preserve, and enforce its rights thereunder, and will not terminate, amend, or modify the same in any manner, except that with the written consent of the USHA the period for the performance of the Equivalent Elimination Contract Provisions may be extended to include any longer period that the USHA may approve, pursuant to Secs. 4.08 and 6.02, for the elimination of unsafe or insanitary dwellings; and (2) it will not make or agree to make payments for services furnished by the City or other public bodies or agencies or payments in lieu of taxes, other than the Service Charge, if any.

The Local Authority further covenants that it will at all times use all reasonable and proper means to obtain adequate Local Contributions to the end that annual contributions equal to the Fixed Annual Contributions provided for herein will be received and, by means of such Local Contributions and annual contributions, rents which are within the financial reach of Low-Income Families will be achieved and maintained.

Sec. 4.10. Prevailing Wages.—The Local Authority will at all times pay, and in all contracts entered into by it with respect to the administration of the Project will require the payment of, not less than the Prevailing Wages to all architects, technical engineers, draftsmen, technicians, laborers, and mechanics employed in the administration of the Project.

Sec. 4.11. Segregation of Funds and Accounts.—The Local Authority covenants that at all times during the life of this Contract, and in any event so long as any of the Bonds shall be outstanding, it will maintain full and accurate books and records and will otherwise conduct its business and affairs in such manner:

(1) That the accounts relative to the Project will be separate and distinct from all accounts of the Local Authority relative to any other project or enterprise developed, administered, or engaged in by the Local Authority;

(2) That such portion of the office and general administrative expenses of the Local Authority as are fairly chargeable to the Project can be readily determined; and

(3) That all income, reserves, and funds, from whatever source, received or held by or for the account of the Local Authority for purposes of or in connection with the development or administration of the Project or for any of the purposes of the Resolutions or of the Bonds, will at all times be segregated and held in funds and bank accounts separate and distinct from all other funds and bank accounts of the Local Authority.

The Local Authority covenants that so long as any of the Bonds shall be outstanding no portion of any of the rents, income, reserves, or funds, from whatever source, received or held by or for the account of the Local Authority for the purpose of or in connection with the development or administration of the Project or for any of the purposes of the Resolutions or the Bonds, will be used to pay any indebtednesses, obligations, or liabilities incurred by the Local Authority in connection with any other project or enterprise de-

veloped, administered, or engaged in by it, or for any purpose other than the payment of the indebtednesses, obligations, or liabilities incurred by the Local Authority in connection with the Project.

Nothing in this Contract contained, however, shall be construed to prevent the Local Authority from transferring such sums as the USHA may approve from the funds or accounts held in connection with the development or administration of the Project to a revolving fund from which disbursements may be made by the Local Authority for the payment of items, chargeable in part to the Project and in part to any other low-rent housing project or projects of the Local Authority, which cannot be conveniently paid by separate checks drawn on each of the separate funds to which such items are in part chargeable. After making such transfers as above provided the Local Authority may from time to time reimburse such revolving fund for such portion of the disbursements made therefrom which are chargeable to the Project.

Sec. 4.12. Bank Accounts of Local Authority.—The Local Authority agrees that if any one or more of the following events shall have occurred and shall not have been corrected or remedied to the satisfaction of the USHA:

(1) There shall have been a substantial breach of the low-rent character of the Project as defined in Sec. 6.05 hereof;

(2) A breach of covenant as defined in Sec. 8.03 shall have occurred; or

(3) The Local Authority shall have made fraudulent or wilful misrepresentations of material facts in any of the certificates, reports, statements, or other documents or data required to be submitted pursuant to Sec. 4.17;

then the USHA shall have the right to direct any bank or banks with which the Local Authority maintains an account in which any rents or revenues from the Project or any other funds relating to the administration of the Project are deposited or held (other than any account expressly required by this Contract or the Resolutions to be maintained with the Fiscal Agent), to refuse to permit any withdrawals from any such account until further notice from the USHA. In any such event the USHA shall also have the right itself to withdraw funds from any such account at such times as it may deem necessary in order to make good any refusal or neglect of the Local Authority to perform any of the covenants or agreements set forth in this Contract.

In order to make effective the rights of the USHA hereinabove in this section provided for, the Local Authority agrees that, from and after the Bond Date, it will deposit all of the rents and revenues of the Project and all other funds derived from the administration of the Project in one or more accounts (herein sometimes called "Administration Fund") each of which shall be established and maintained with a bank (which shall be a member of the Federal Deposit Insurance Corporation), selected by the Local Authority and satisfactory to the USHA, under the terms of an agreement to be entered into between the Local Authority and such bank in substantially the form of USHA Form No. 875 (Administration Fund Agreement), with only such changes therein as shall be agreed upon by the Local Authority and the USHA.

Sec. 4.13. Payments into Rental Debt Service Account.—On the first day of the first month commencing after the giving of the Occupancy Notice, and monthly thereafter so long as any of the Bonds shall remain outstanding, the Local Authority will pay into the Rental Debt Service Account from its rents and revenues (other than annual contributions paid by the USHA hereunder), an amount equal to one-twelfth ($\frac{1}{12}$) of the amount if any, by which the then anticipated Bond Service Requirement as of the next succeeding Annual Contribution Date exceeds the then anticipated Fixed Annual Contribution as of such next succeeding Annual Contribution Date; provided, that (1) the Local Authority shall not be required to make any payment into the Rental Debt Service Account if, on the date when such payment would otherwise be due pursuant to this Sec. 4.13, the balance in the Rental Debt Service Account shall be equal to or greater than the amount by which the then anticipated Bond Service Requirement as of the next succeeding Annual Contribution Date exceeds the then anticipated Fixed Annual Contribution as of such next succeeding Annual Contribution Date; (2) if the USHA modifies the Fixed Annual Contributions pursuant to Sec. 5.02 (D), such adjustment as the USHA may approve shall be made in respect of the amounts to be so paid during the months immediately following any such modification, in order that a reasonable period may be allowed for the Local Authority to put into effect the necessary changes in the established rentals; and (3) the anticipated Fixed Annual Contribution as of any future Annual Contribution Date shall be determined for purposes of this Sec. 4.13 without making allowance for the possible operation of the condition prescribed in the proviso following Sec. 5.02 (D) (2).

Sec. 4.14. Payments into Annual Contributions Reduction Account.—(A) The Local Authority covenants that it will establish rent schedules and operating budgets and conduct the administration of the Project so that throughout the period during which annual contributions are payable by the USHA there will be available for deposit in each Fiscal Year into the Annual Contributions Reduction Account from the rents and revenues of the Project the largest amount consistent with the maintenance of the low-rent character of the Project and with the provisions of this Contract and the Resolutions, it being the purpose of this covenant to assure that annual contributions shall be strictly limited to the amounts and periods necessary to assure the low-rent character of the Project. To this end, the Local Authority will, on the last day of each Fiscal Year, transfer from the Administration Fund to the Annual Contributions Reduction Account an amount equal to the difference between the Fixed Annual Contribution for such Fiscal Year and the amount of annual contribution which was estimated to be required for such Fiscal Year in the operating budget filed with the USHA pursuant to Sec. 4.17 (D) : *Provided*, That such transfers shall be made in any Fiscal Year only to the extent that funds are available therefor in the Administration Fund after the Local Authority shall have made

(1) all payments into the Rental Debt Service Account theretofore required to be made pursuant to Sec. 4.13,

(2) all payments theretofore required to be made to meet Operating Expenses (or made provision therefor),

(3) all payments, allocations, and deposits theretofore required to maintain its working capital and such reserves (for repairs, maintenance, replacements, debt service, or otherwise) as may be required by this Contract and the Resolutions, and

(4) all other payments or applications of funds theretofore required to be made by this Contract or the Resolutions (or made provision therefor).

(B) The Local Authority covenants that (in addition to the deposits made pursuant to Sec. 4.14 (A)) it will promptly deposit all Excess Rentals in the Annual Contributions Reduction Account.

Sec. 4.15. Payments into Excess Lands Account.—If the Local Authority shall, as permitted by Sec. 4.18, convey or otherwise dispose of any excess land which has been included in the Project and which subsequently becomes unnecessary to the operation of the Project, or if any part of the Project shall be taken by condemnation or eminent domain proceedings, the Local Authority shall pay the entire net cash proceeds of such conveyance or other disposition or of such proceedings into the Excess Lands Account, when and as such proceeds are received.

Sec. 4.16. Availability of Balances in Certain Accounts Maintained by Fiscal Agent; Operation of Bond Service Account.—Any moneys in the Rental Debt Service Account and the Annual Contributions Reduction Account will at all times be subject to transfer, and shall from time to time be transferred, by the Fiscal Agent to the Bond Service Account to such extent as may be necessary so that as of every date (other than an Annual Contribution Date) the aggregate of all amounts then or theretofore deposited in or transferred to the Bond Service Account shall be equal to the Accumulated Bond Service Requirement as of such date: *Provided*, That the respective balances in said two accounts shall be transferred in the order in which said accounts are named and no part of any balance in the Annual Contributions Reduction Account shall be transferred unless the Rental Debt Service Account has been exhausted. Every reference in the following paragraph of this Sec. 4.16 to any balance in the Rental Debt Service Account and the Annual Contributions Reduction Account shall mean the amount remaining in such account after deduction for all transfers made or authorized to be made as aforesaid; and for the purpose of determining the amount of any such balance, any moneys deposited in either of said two accounts on any Annual Contribution Date shall be deemed to have been deposited in such account and to have been available for transfer and to have been transferred to the extent authorized above as of the close of business on the date preceding such Annual Contribution Date.

The balances above defined, if any, in the Rental Debt Service Account and the Annual Contributions Reduction Account on any Annual Contribution Date and the balance, if any, in the Excess Lands Account on such Annual Contribution Date shall be deemed available for transfer, and shall be transferred, on such Annual Contribution Date to the Bond Service Account:

Provided, That the respective balances in said three accounts shall become available for transfer, and shall be transferred, in the order in which said accounts are named above and no part of any balance in any such account shall be deemed available for transfer or shall be transferred until the balances in the accounts, if any, which precede it in such order shall have been exhausted;

Provided further, That the aggregate amount of the balances to be deemed available for transfer, and to be transferred, from the last-named two of said three accounts (excluding the Rental Debt Service Account) on any Annual Contribution Date shall in no event exceed the Fixed Annual Contribution as of such Annual Contribution Date.

The Local Authority covenants that if, on any date while any of the Bonds shall remain outstanding, there shall be any deficiency in the Bond Service Account (i. e., the aggregate of all amounts on such date or theretofore deposited in or transferred to the Bond Service Account shall be less than the Accumulated Bond Service Requirement as of such date) it will forthwith pay or cause to be paid into the Bond Service Account an amount equal to said deficiency, and that, anything in this Contract to the contrary notwithstanding, it will, so long as any of the Bonds shall remain outstanding, so conduct the administration of the Project that the rents and other revenues therefrom together with the payments actually made by the USHA pursuant to this Contract shall at all times be sufficient to provide for the payments to be made into the Bond Service Account as hereinabove in this paragraph provided and for the Operating Expenses of the Project.

Sec. 4.17. Certificates, Reports, etc.—The Local Authority covenants as follows:

(A) **Reports and certificates regarding equivalent elimination.**—The Local Authority will, no later than two (2) months after the date of this Contract and at least once in every two (2) months thereafter, submit to the USHA a report, in such form as may be approved by the USHA, with respect to the unsafe and insanitary dwellings situated in the locality or metropolitan area in which the Project is situated that have been eliminated in accordance with the Equivalent Elimination Contract Provisions. Not later than the expiration of the period prescribed for such elimination in the Equivalent Elimination Contract Provisions, the Local Authority will furnish to the USHA a certificate signed and sworn to on behalf of the Local Authority stating whether in connection with the development of the Project, unsafe or insanitary dwellings situated in the locality or metropolitan area in which the Project is situated have been eliminated in accordance with this Contract in a number substantially equal to the number of new dwellings provided by the Project. If such certificate and accompanying data do not evidence, to the satisfaction of the USHA, that such number of unsafe or insanitary dwellings have been so eliminated, the Local Authority will furnish at least once every month thereafter a similar certificate showing the progress made in respect of such elimination until the USHA shall be satisfied that such elimination has been accomplished. A copy of every certificate furnished to the USHA pursuant to this paragraph (A) shall be promptly delivered by the Local Authority to the Fiscal Agent.

(B) **Proposed rent schedules; tenant selection.**—At least seven (7) months prior to the date scheduled for initial occupancy of the Project the Local Authority will submit its proposed rent schedules and proposed standards of eligibility and occupancy to the USHA for approval. Thereafter, whenever the Local Authority proposes to make any changes in its rent schedules or its standards of eligibility and occupancy, it will submit such proposed changes to the USHA for approval at least ninety (90) days before such changes are proposed to become effective.

(C) **Statements regarding tenant incomes.**—Prior to the admission of each family as a tenant, the Local Authority will obtain (1) a statement, signed by the member of the family making the application for admission, which shall set forth among other things (a) the net income at the time of admission of such family and (b) the number of minor dependent members of such family, and (2) a statement, signed by a member of its staff having knowledge of the facts, setting forth that an investigation had been made as to the net income of such family and that on the basis of such investigation it had been determined that such family is a Low Income Family and is eligible for admission to the Project.

During each year that each family resides in the Project (commencing one year after its admission) the Local Authority will obtain from such family, as of the date established by the Local Authority for the reexamination of the net income of such family, a statement, signed by a member of the family, setting forth (a) its net income as of the date of reexamination and (b) the number of minor dependent members of such family. At the same time the Local Authority will obtain a statement, signed by a member of its staff having knowledge of the facts, that an investigation had been made as to the net income of such family as of the date of reexamination and that on the basis of such investigation it had been determined that such family is a Low Income Family and is eligible for continued tenancy in the Project. When the Local Authority has established a date for the first reexamination of the net income of a particular family, such family's net income shall thereafter be reexamined as of the corresponding date in each year thereafter.

Certified copies of such statements shall be furnished the USHA upon request. The Local Authority shall be protected in acting upon any such signed statements believed by it to be genuine and correct and to have been signed by the persons by whom such statements purport to have been signed: *Provided*, That when the Local Authority obtains actual knowledge that any Ineligible Family is residing in the Project, it shall be bound by such knowledge.

(D) **Budgets.**—The Local Authority will submit to the USHA, for approval, its proposed budget and its final budget for each Fiscal Year at least ninety (90) days and thirty (30) days, respectively, prior to the first day of each such Fiscal Year. Prior to the commencement of the first Fiscal Year following the Bond Date the Local Authority will submit operating budgets to the USHA for approval at such times and for such periods as the USHA may reasonably request; the first such budget shall be submitted in any event not later than the date on which the Local Authority submits its proposed rent schedules and proposed standards of eligibility and occupancy pursuant to the provisions of paragraph (B) above.

With each proposed budget the Local Authority will file its determination as to the wages or salaries which will be prevailing in the locality of the Project during the period to which such budget relates for all architects, technical engineers, draftsmen, technicians, laborers, or mechanics who will be engaged in the administration of the Project. Each such proposed budget and final budget shall be prepared on forms to be furnished by the USHA and shall be accompanied by such other data with respect to the management program of the Project as the USHA may reasonably request.

(E) **Monthly reports.**—Within fifteen (15) days after the expiration of each month (beginning with the first month of any period with respect to which a budget is filed pursuant to paragraph (D) above), the Local Authority will file with the USHA a report of the income and expenses resulting from the administration of the Project for such month, upon forms to be furnished by the USHA.

(F) **Quarterly financial and operating statements.**—Within fifteen (15) days after the expiration of each quarter of each Fiscal Year, the Local Authority will file with the USHA a financial and operating statement covering such quarter and will deliver a copy thereof to the Fiscal Agent. Each such statement shall be on forms to be furnished by the USHA, shall be certified as correct by the chief fiscal officer of the Local Authority, and shall be accompanied by such supporting data as may reasonably be requested by the USHA.

(G) **Annual statements.**—Within thirty (30) days after the expiration of each Fiscal Year the Local Authority will file with the USHA a detailed financial and operating statement covering the last preceding Fiscal Year and will deliver a copy thereof to the Fiscal Agent. In the event that any portion of the Project shall have been ready for occupancy prior to the first Fiscal Year, the Local Authority will file a similar statement with the USHA, covering the period commencing with the first day upon which any portion of the Project became ready for occupancy and ending with the day next preceding the commencement of the first Fiscal Year, within thirty (30) days after the close of such period. Each such statement shall show, among other things, the gross operating revenues, the Operating Expenses and the net operating income of the Project and the payments made into the several accounts maintained with the Fiscal Agent in accordance with the provisions of Secs. 4.13, 4.14, 4.15, and 4.16. Each such statement shall show, whether during the Fiscal Year (or other period) covered by such statement:

(1) The income and expenses of the Project produced any Excess Rentals as of the close of such Fiscal Year and, if so, the amount of such Excess Rentals;

(2) Any families occupying any of the dwellings in the Project were Ineligible Families and, if so, the number of such families and the period of occupancy of each such family;

(3) The Local Authority paid Prevailing Wages to architects, technical engineers, draftsmen, technicians, laborers, and mechanics employed in the administration of the Project, and, if less than Prevailing Wages was paid, then the amounts of the deficiencies in the wages or salaries paid and to whom owing.

With each such statement the Local Authority will file a report showing the rentals established for dwellings in the Project, the income

and size of each family which occupied a dwelling in the Project and the rental charged to each such family. Each such statement shall be on forms to be furnished by the USHA, shall be sworn to by the chief fiscal officer of the Local Authority, and shall be accompanied by such supporting data as may reasonably be requested by the USHA.

(H) **Certificates relating to Local Contributions.**—At least fifteen (15) days before each Annual Contribution Date, the Local Authority will file with the USHA a certificate on a form to be furnished by the USHA, signed and sworn to on behalf of the Local Authority, showing (1) the total Local Contributions for all Local Contribution Periods preceding the date of the certificate, (2) the Local Contributions for the Local Contribution Period next preceding the date of the certificate, with a statement of the computation thereof, and (3) the Net Tax Collections for such next preceding Local Contribution Period. If any such certificates shall indicate that the USHA is entitled to withhold, pursuant to Sec. 6.04, all or any part of the annual contribution becoming payable on the Annual Contribution Date following the date of such certificate, then the Local Authority shall file with the USHA at least once in each thirty (30) days after the filing of such certificate (so long as the USHA shall continue to withhold pursuant to Sec. 6.04 any portion of such annual contribution) a supplemental certificate showing all Local Contributions and all Net Tax Collections since the period covered by the last preceding certificate or supplemental certificate. Every certificate or supplemental certificate required to be furnished pursuant to this paragraph (H) shall be accompanied by such supporting data as may reasonably be requested by the USHA and a copy of every such certificate and supplemental certificate shall be delivered by the Local Authority to the Fiscal Agent.

(I) **Other information.**—Upon request of the USHA, at any time, the Local Authority will furnish the USHA with such additional financial and operating statements and other information and data relating to the Local Authority and the Project as the USHA may reasonably request.

(J) **Reports from Fiscal Agent.**—The Local Authority will require the Fiscal Agent to furnish to the USHA, at least fifteen (15) days prior to each Annual Contribution Date, a report showing, according to the records of the Fiscal Agent, the balances as of the date of the report in the Rental Debt Service Account, the Annual Contributions Reduction Account, and the Excess Lands Account; the total of all amounts theretofore deposited in or transferred to the Bond Service Account; the Accumulated Bond Service Requirement as of the date of the report; and the Bond Service Requirement and the Accumulated Bond Service Requirement (assuming that no change will occur in any material facts between the date of the report and such Annual Contribution Date) as of such Annual Contribution Date.

(K) **Access to Project and records.**—At any time during normal business hours, and as often as the USHA shall deem advisable, the USHA shall, through any agent or representative designated by it, have full and free access to the Project and to all the books and records of the Local Authority, including the right to make excerpts or transcripts from such books and records.

(L) **Copies of certificates and statements to purchasers of Series A Bonds.**—At the time the Local Authority is required by the provisions of this Sec. 4.17 to deliver a copy of any certificate or statement to the Fiscal Agent it will also send a copy of such certificate or statement to the original purchaser of its Series A Bonds by registered mail.

Sec. 4.18. Mortgage or Conveyance of Project.—Unless moneys sufficient for the payment of the principal of all outstanding Bonds and of interest thereon to maturity shall have been deposited in trust for such payment with the Fiscal Agent, the Local Authority will not, at any time during the life of this Contract or while any of the Bonds shall remain outstanding, transfer, convey, assign, lease, mortgage, pledge, or in any way encumber or permit or suffer the transfer, conveyance, assignment, leasing, mortgage, pledge, or other encumbrance of the Project, any appurtenances thereto or revenues therefrom or any of the benefits or contributions granted to it by or pursuant to this Contract, or any interest in any of the same, except that the Local Authority may lease dwellings in the Project in accordance with the provisions of this Contract or may rent or lease any other rentable space or facilities included in the Project and may (1) convey the Project as an entirety, together with all the rights and benefits secured to the Local Authority by this Contract, to a public housing agency which shall be approved by the USHA and which shall assume all the obligations of the Local Authority under or in connection with this Contract, the Resolutions, the Bonds, and the Project, or (2) with the approval of the USHA, convey or otherwise dispose of excess land which subsequently becomes unnecessary to the operation of the Project, or (3) with the approval of the USHA dedicate to the public any lands for the laying out, constructing, maintaining, or widening of any streets or alleys within the area of the Project, or (4) dispose of furniture, furnishings, equipment, machinery, and other chattels or fixtures in the manner and to the extent permitted by the Resolutions, or (5) with the approval of the USHA pledge the rents and revenues of the Project, but not including any annual contributions payable by the USHA hereunder, to secure obligations of the Local Authority which shall be subordinate to the Bonds, in the manner and to the extent expressly authorized by the Resolutions: *Provided*, That nothing in this Sec. 4.18 shall be construed as prohibiting the adoption of the Resolutions by the Local Authority or the execution and delivery of an instrument conforming to the requirements of Sec. 3.05 (D) or the creation of any lien or other charge to be constituted or authorized by the Resolutions as security for the Bonds or as limiting, restricting, or affecting in any manner whatsoever any rights or interest which shall, by or pursuant to the Resolutions, be vested in the Fiscal Agent, the USHA, the holders of the Bonds, or any representative of such holders.

ARTICLE V

ANNUAL CONTRIBUTIONS BY USHA

Sec. 5.01. Period and Dates of Annual Contributions.—Subject to the provisions of Article VI, the USHA, to assist the Local Authority in achieving, maintaining, and assuring the low-rent character of the Project, does hereby agree to make annual contributions to the Local Authority as follows: The first annual contribution shall be payable on the fifteenth (15th) day prior to the Estimated Initial Occupancy Date and subsequent annual contributions shall be payable on the same day of the same month of each year thereafter to and including the fifteenth (15th) day prior to the date fifty-nine (59) years after the Estimated Initial Occupancy Date; provided, however, that the obligation of the USHA to pay such annual contributions shall cease and terminate when all of the Bonds (including any bonds issued to refund such Bonds) shall be paid and retired or when moneys sufficient for the payment of the principal of all the outstanding Bonds (including any bonds issued to refund such Bonds) and of interest thereon to maturity shall have been deposited in trust for such payment with the Fiscal Agent.

The days fixed, pursuant to the foregoing paragraph, for the payment of annual contributions (regardless of whether under the provisions of Article VI the annual contribution shall in fact be withheld or terminated on any such day) are herein called the "Annual Contribution Dates."

In order to make good any deficiencies in or amounts withheld from annual contributions, certain amounts in respect of annual contributions may become payable by the USHA on dates other than Annual Contribution Dates, as provided in this Contract.

Sec. 5.02. Fixed Annual Contribution.—(A) **Definition.**—The amount of the annual contribution determined, pursuant to this Sec. 5.02, to be payable by the USHA on a particular Annual Contribution Date (excluding any amounts paid or payable on such Annual Contribution Date to make good deficiencies in or amounts withheld from annual contributions in respect of prior Annual Contribution Dates and before giving effect to any right which the USHA may have, pursuant to the provisions of Article VI, to withhold, reduce or terminate annual contributions) is sometimes referred to herein as the "Fixed Annual Contribution" as of such Annual Contribution Date.

(B) **Relation to development cost.**—Until final determination by the USHA, subsequent to Physical Completion, of the Actual Development Cost, the annual contribution payable by the USHA on each Annual Contribution Date shall be in an amount equal to the Fixed Contribution Percentage of (1) the minimum development cost shown in the development cost budget approved by the USHA pursuant to Sec. 2.05 until a higher minimum development cost shall have been approved pursuant to Sec. 2.05, and thereafter (2) the

highest minimum development cost which shall have been approved pursuant to Sec. 2.05. From and after such determination of Actual Development Cost, the annual contribution payable by the USHA on each Annual Contribution Date shall be in an amount (subject to modification from time to time in accordance with the terms and conditions of par. (D) of this Sec. 5.02) equal to the Fixed Contribution Percentage of the Actual Development Cost.

(C) **Adjustments in relation to development cost.**—Whenever the USHA shall approve, pursuant to Sec. 2.05, a higher minimum development cost than that last previously approved, and when the USHA shall determine the Actual Development Cost, the USHA shall promptly pay, to make good any deficiencies in the annual contributions theretofore paid, an amount equal to the product obtained by multiplying (1) the Fixed Contribution Percentage of the amount by which such higher minimum development cost or such Actual Development Cost, as the case may be, exceeds the minimum development cost last previously approved, by (2) the number of Annual Contribution Dates which have theretofore occurred.

(D) **Right to Modify Fixed Annual Contributions.**—The USHA reserves the right to reexamine the status of the Project at the end of ten (10) years from the date of execution of this Contract and every five (5) years thereafter; and, at the time of any such reexamination, the USHA may make such modification in the fixed and uniform amounts of subsequent annual contributions (i. e., in the subsequent Fixed Annual Contributions) payable by it under this Contract as is warranted by changed conditions and as is consistent with maintaining the low-rent character of the Project: *Provided, however,* That subject to the provisions of the Act—

(1) Fixed Annual Contributions shall not be increased to such an extent as to exceed the limits specified in paragraph (E) of this Sec. 5.02; and

(2) Fixed Annual Contributions shall not be reduced to such an extent as to jeopardize the payment by the Local Authority of the principal of and interest on the Bonds as the same become due (i. e., to such an extent that the rents charged for dwellings in the Project, when adjusted on the basis of such changed conditions and the maintenance of its low-rent character, together with such reduced Fixed Annual Contributions would be insufficient to provide for the Operating Expenses and the annual debt service on the Bonds); and

Provided further, That (subject to the limits specified in paragraph (E) of this Sec. 5.02), every modification in Fixed Annual Contributions (except after moneys sufficient for the payment of the principal of all outstanding Bonds and of interest thereon to maturity shall have been deposited in trust for such payment with the Fiscal Agent) shall be subject to the condition, that if the changed conditions upon which such modification shall have been based (or any further change in conditions) do not in fact permit the Local Authority to deposit in the Rental Debt Service Account the additional funds required to be deposited therein by reason of such modification, and that as a result thereof on any subsequent Annual Contribution Date, the sum of—

(a) Such modified Fixed Annual Contribution, and

(b) The balance available in the Rental Debt Service Account for transfer on such Date to the Bond Service Account (as the balance so available is defined in Sec. 4.16)

shall be less than the Bond Service Requirement as of such Date, the Fixed Annual Contribution as of such Date shall be increased to an amount equal to the difference between the Bond Service Requirement and the balance so available in said Rental Debt Service Account. Promptly after each reexamination of the status of the Project pursuant to this paragraph (D), the USHA will furnish to the Local Authority and the Fiscal Agent a written statement showing whether any modification in the fixed and uniform amounts of subsequent annual contributions is to be made and, if so, the nature and extent of such modification.

(E) **Maximum amounts of Fixed Annual Contributions.**—Notwithstanding the foregoing provisions of this Sec. 5.02, in no event shall the Fixed Annual Contribution (1) as of any Annual Contribution Date, exceed the Fixed Contribution Percentage of an amount equal to the Proposed Development Cost plus ten per centum (10%) thereof, or (2) as of any Annual Contribution Date subsequent to the determination of Actual Development Cost, exceed an amount equal to the Fixed Contribution Percentage of such Actual Development Cost, or (3) as of any Annual Contribution Date prior to the determination of the Actual Development Cost, exceed an amount equal to the Fixed Contribution Percentage of the highest minimum development cost which shall theretofore have been approved by the USHA pursuant to Sec. 2.05.

Sec. 5.03. Actual Amount of Contribution to be Paid on Any Annual Contribution Date. (A) **Method of calculation.**—The contribution to be paid on each Annual Contribution Date, unless all contributions shall have been terminated pursuant to Sec. 6.07 or Sec. 6.09, shall be calculated as hereinafter provided in this Sec. 5.03.

(B) **Determination of actual amount of Accruing Annual Contribution.**—There shall first be determined the "Accruing Annual Contribution" as of such Annual Contribution Date, which shall be an amount equal to—

(1) The Fixed Annual Contribution as determined pursuant to Sec. 5.02 above,

less

(2) The amount of the reduction to be effected pursuant to Sec. 6.05 (being the amount of moneys, derived from the rents and revenues of the Project and all other sources except annual contributions, in the Annual Contributions Reduction Account available for transfer on such Date to the Bond Service Account) and the amount of the reduction, if any, to be effected pursuant to Sec. 6.06 (being the proceeds from the sale of Excess Lands or from the condemnation of portion of Project).

(C) **Determination of amount to be withheld.**—There shall then be separately determined, in accordance with Sec. 6.01 to Sec. 6.05, both inclusive, the amount, if any, which the USHA shall be authorized to withhold from the annual contribution for such Annual Contribution Date pursuant to each of said sections. The amount

which the USHA shall be entitled to withhold from the aforesaid Accruing Annual Contribution shall be the largest amount which the USHA shall be authorized to withhold therefrom under any one of Secs. 6.01 to 6.05, inclusive.

(D) **Determination of actual amount to be paid.**—The amount to be paid by the USHA on such Annual Contribution Date (exclusive of any amounts payable to make good deficiencies in or amounts withheld from previous annual contributions) shall be the amount of the Accruing Annual Contribution as of such Annual Contribution Date as determined pursuant to paragraph (B) above, *less* the amount which the USHA shall be entitled to withhold therefrom as determined pursuant to paragraph (C) above.

(E) **Statements regarding calculations.**—The USHA shall furnish the Local Authority and the Fiscal Agent:

(1) At least ten (10) days before each Annual Contribution Date, a statement showing in detail, with appropriate explanations, the calculations made pursuant to this Sec. 5.03 of the amount to be paid by the USHA on such Annual Contribution Date;

(2) At the time of making any payment to make good deficiencies in previous annual contributions, a statement showing the calculation made pursuant to Sec. 5.02 (C) of the amount being paid to make good such deficiencies;

(3) At the time of making any payment to make good any amount withheld from a previous annual contribution pursuant to Sec. 6.01 to Sec. 6.05, inclusive, a statement showing the Accruing Annual Contribution as of the date such amount was first withheld, the sections of this Contract under which any part thereof was withheld and the amount withheld under each section, the amount presently being paid (with a brief explanation of the circumstances by reason of which the present payment is made) and the amount, if any, which the USHA is continuing to withhold (with a brief explanation of such continued withholding).

Every statement required to be furnished by the USHA pursuant to this Sec. 5.03 shall be accompanied by a schedule showing, on the basis of the information available to the USHA, whether all (or, if not, what portion) of the amount being paid in respect of annual contributions is to be deposited in the Bond Service Account.

Sec. 5.04. Payment of Annual Contributions; Deposit in Bond Service Account.—Each payment in respect of annual contributions (whether made on an Annual Contribution Date or at any other time as prescribed in this Contract) shall be made to the Local Authority by check and, so long as any of the Bonds shall be outstanding, such check shall be expressed to be payable—

“to [insert name of Local Authority and Project number] for deposit with [insert name of Fiscal Agent], as Fiscal Agent, for disposition pursuant to Resolutions adopted by said-----
----- on [insert dates of adoption],”

and shall be delivered by the USHA to the Fiscal Agent. The Fiscal Agent shall deposit each such payment in the Bond Service Account.

Sec. 5.05. Conditions to Obligations of USHA.—The USHA shall have the right to terminate this Contract only as specifically provided in Sec. 6.05 (D) and Sec. 8.02 and shall have the right to withhold, reduce, or terminate the annual contributions provided for herein only upon the conditions prescribed in Article VI and in the manner and subject to the limitations and restrictions in Sec. 5.03 and said Article VI set forth.

Sec. 5.06. Source of Annual Contributions.—As set forth in the Act, the faith of the United States is solemnly pledged to the payment of all annual contributions contracted for in this Contract, and, by the provisions of the Act, there is authorized to be appropriated in each fiscal year, out of any money in the Treasury of the United States not otherwise appropriated, the amounts necessary to provide for such payments.

Sec. 5.07. Pledge and Application of Annual Contributions.—The Local Authority covenants that all payments on account of annual contributions hereunder will be pledged as security for the Notes and Bonds and for all coupons and interest claims appertaining thereto, and shall not be pledged for any other purpose; provided, that annual contributions shall be used first to apply toward the payment of interest or principal as same mature on the loan due to the USHA from the Local Authority, and thereafter to apply toward the payment of interest and principal as same mature on all the other Bonds outstanding under the Resolutions. The term "the loan due to the USHA" as used in this Sec. 5.07 shall mean the amounts made available to the Local Authority, pursuant to Sec. 1.01 and Sec. 1.03 on account of the loan made by the USHA hereunder (including any of the Notes or Series B Bonds which are resold by the USHA) to assist the development of the Project.

It is the intention of this Sec. 5.07 that if, on any date on which any installments of either principal or interest become due on any of the Bonds, the funds available in the hands of the Fiscal Agent for the payment of such installments shall be insufficient to pay all such installments in full, then such portion of the funds so available as represents annual contributions paid by the USHA shall be applied first to the payment (pro rata, without preference of any installment of principal or of interest over any other such installment) of the installments of principal and interest then becoming due in respect of the Series B Bonds until such portion of the funds so available have been exhausted or until all such installments in respect of the Series B Bonds have been paid in full. If such portion of the funds so available shall be more than sufficient to pay all such installments in respect of the Series B Bonds, the balance thereof (together with the remaining funds so available) shall be applied to the payment (pro rata, without preference as aforesaid) of the installments of principal and interest becoming due in respect of the Series A Bonds.

ARTICLE VI

CONDITIONS TO WHICH ANNUAL CONTRIBUTIONS ARE SUBJECT

Sec. 6.01. Failure to Complete Project.—If the following events shall have occurred:

(1) The Project shall not have become ready, substantially in its entirety, for occupancy (as determined by the USHA) by the expiration of—

(a) two (2) years after the giving of the Contract Award Notice, plus such additional period as the substantial completion of the Project may have been delayed due to unforeseeable causes beyond the control and without the fault or negligence of the Local Authority (including, without being limited to, war, acts of God or the public enemy, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, and inclement weather), or

(b) such longer period as the USHA shall have approved by written notice to the Local Authority and the Fiscal Agent;

and

(2) The USHA shall, after the expiration of the period prescribed in clause (1) (a) above or of such longer period as shall have been approved as provided in clause (1) (b) above, have served upon the Local Authority written demand (and have at the same time furnished to the Fiscal Agent a copy of such demand) that the Project shall be rendered ready for occupancy within such period (not less, in any event, than ninety (90) days after service of the demand) as shall be specified in such demand; and the Project shall not have become ready, substantially in its entirety, for occupancy (as determined by the USHA) within the period specified in such demand;

then the USHA may (at any time prior, but in no event subsequent, to the giving of the Occupancy Notice) withhold the annual contributions thereafter becoming payable by it hereunder until such time as substantially the entire Project shall have become ready for occupancy (as determined by the USHA). Whenever thereafter substantially the entire Project shall have become ready for occupancy (as determined by the USHA), the USHA shall forthwith pay to the Local Authority, subject to the provisions of Sec. 6.08, all annual contributions theretofore withheld by it pursuant to this Sec. 6.01 (except to the extent, if any, that the USHA shall be entitled to continue to withhold the same under some other section of this Article VI).

Sec. 6.02. Failure to Eliminate Unsafe or Insanitary Dwellings.—If, after the giving of the Occupancy Notice, the following events shall have occurred:

(1) Unsafe or insanitary dwellings situated in the locality or metropolitan area in which the Project is situated shall not have been eliminated in the manner and to the extent required by Sec. 4.08, by (a) the expiration of the period prescribed therefor in the Equivalent Elimination Contract Provisions or of one (1) year after the giving of the Occupancy Notice, whichever shall be the later, or (b) the expiration of such longer period as the USHA shall have approved by written notice to the Local Authority and the Fiscal Agent; and

(2) The USHA shall, after the expiration of the time determined pursuant to clause (1) (a) above, or of such longer period as shall have been approved as provided in clause (1) (b) above, have served upon the Local Authority written demand (and have at the same time furnished to the Fiscal Agent a copy of such demand) that such unsafe or insanitary dwellings shall be so eliminated within such period (not less, in any event, than six (6) months after service of the demand), as shall be specified in such demand; and such unsafe or insanitary dwellings shall not have been so eliminated within the period specified in such demand;

then the USHA may (at any time prior, but in no event subsequent, to the giving of the Equivalent Elimination Notice) withhold the annual contributions thereafter becoming payable by it hereunder until such time as such unsafe or insanitary dwellings shall have been so eliminated. Whenever thereafter such unsafe or insanitary dwellings shall have been so eliminated, the USHA shall forthwith pay to the Local Authority, subject to the provisions of Sec. 6.08, all annual contributions theretofore withheld by it pursuant to this Sec. 6.02 (except to the extent, if any, that the USHA shall be entitled to continue to withhold the same under some other section of this Article VI).

Sec. 6.03. Destruction of Project.—(A) If, after the giving of the Occupancy Notice, the following events shall have occurred:

(1) The Project shall have been so damaged by fire, flood, earthquake, windstorm, lightning, explosion, riot, or similar catastrophe that twenty-five per centum (25%) or more in number of the dwellings in the Project (as the same was constituted at the time of the giving of the Occupancy Notice) shall thereby have been destroyed or rendered unsafe or insanitary; and

(2) Upon the expiration of a reasonable time (not less, in any event, than two (2) years after all insurance claims, if any, in respect of such damage shall have been finally established either by settlement approved by the USHA and the Local Authority or by litigation), the Project shall not have been repaired, reconstructed, or restored in such manner and to such extent that the number of dwellings in the Project which are safe and sanitary shall be equal to at least seventy-five per centum (75%) of the number of dwellings in the Project (as constituted at the time of the giving of the Occupancy Notice);

then the USHA may withhold the annual contributions thereafter becoming payable by it hereunder until such time as the Project shall

have been repaired, reconstructed, or restored in the manner and to the extent aforesaid. Whenever thereafter the Project shall have been so repaired, reconstructed, or restored, the USHA shall forthwith pay to the Local Authority, subject to the provisions of Sec. 6.08, all annual contributions theretofore withheld by it pursuant to this Sec. 6.03 (except to the extent, if any, that the USHA shall be entitled to continue to withhold the same under some other section of this Article VI).

(B) In the event the Project shall have been damaged in the manner and to the extent described in clause (1) of paragraph (A) above, and the Local Authority shall have proceeded diligently with the performance of its obligations under Sec. 4.07 and after applying the proceeds of all insurance claims and other available moneys to such purpose the Local Authority shall be unable to repair, reconstruct, or restore the Project in the manner and to the extent set forth in clause (2) of paragraph (A) above, due to increased costs of construction or other causes beyond its control, then in lieu of withholding the annual contributions thereafter becoming payable by it pursuant to paragraph (A) above, the USHA may reduce the amount of the Fixed Annual Contributions payable by it thereafter in proportion to the reduction in the number of safe and sanitary dwellings in the Project (as constituted at the time of the giving of the Occupancy Notice).

Sec. 6.04. Failure of Local Contributions.—(A) Definitions.—For purposes of this Section 6.04:

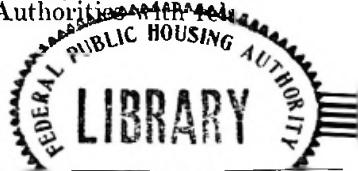
“Local Contribution Period” shall mean any period of twelve (12) consecutive months ending with the thirtieth (30th) day prior to an Annual Contribution Date, as well as any period of twelve (12) consecutive months ending with the same date in each year prior to the year in which the first Annual Contribution Date occurs, the first Local Contribution Period being the period of twelve (12) consecutive months ending with the first such date following the organization of the Local Authority.

“Taxing Authorities” shall mean the State, City, county, and any other political subdivision in which the Project is situated.

“Aggregate Normal Tax Charges” for any Local Contribution Period shall be computed as of the close of such Local Contribution Period and shall mean the sum of—

(1) the aggregate annual amount of all property taxes, assessments, and charges which would be payable to the Taxing Authorities (on the basis of the tax rates and rates of assessment then prevailing) on assets of the same character and value as the property (as it exists as of the close of such Local Contribution Period) included in, or held by the Local Authority in respect of, the Project if such assets were owned by a private corporation and subject to full taxation and assessment, and

(2) the aggregate of all other taxes, fees, assessments, and charges (including, without being limited to, income, excise, or other taxes of any nature whatsoever, upon or in respect of the Project or the operation thereof or the annual contributions payable hereunder or the franchise, capital, reserves, surplus, income, assets, or property of the Local Authority to the extent that the same shall relate to or be used in connection with the Project) for which the Local Authority became liable to the Taxing Authorities after the



tion to the Project during such Local Contribution Period and of any additional such taxes, fees, assessments, and charges for which it would have become so liable if it were a private corporation and entitled to no exemptions.

"Local Contributions" for a particular Local Contribution Period shall mean the sum of—

(1) the total of all cash contributions and tax remissions received, in respect of the Project, by the Local Authority from the Taxing Authorities during such Local Contribution Period, and

(2) the amount by which (a) the Aggregate Normal Tax Charges for such Local Contribution Period *exceeded* (b) the total of all taxes, fees, assessments, and charges, including the Service Charge and any payments in lieu of taxes, actually paid in respect of the Project, by the Local Authority to the Taxing Authorities during such Local Contribution Period.

"Net Tax Collections" for a particular period shall mean (a) the aggregate of the taxes and payments or charges in lieu of taxes (not including the Service Charge, if any) actually collected, in respect of the Project, by the Taxing Authorities from the Local Authority during such period *less* (b) the aggregate of all contributions in the form of cash or tax remissions made in respect of the Project by the Taxing Authorities during such period.

(B) **Sufficiency of Local Contributions.**—The USHA may withhold from the annual contribution becoming payable on any Annual Contribution Date such amount, if any (but no greater amount), as may be necessary so that the aggregate of the amount then being paid and of all amounts theretofore paid in respect of annual contributions shall not exceed five (5) times the aggregate of all Local Contributions for all preceding Local Contribution Periods.

(C) **Limitation on Net Tax Collections.**—If, by reason of any violation of the Cooperation Contract Provisions or for any other reason, Net Tax Collections for any Local Contribution Period shall have amounted to more than five per centum (5%) of the total Shelter Rents for dwellings in the Project as at the close of the Fiscal Year ending within such Local Contribution Period, then the USHA may withhold such part (but no more than such part) of the annual contribution becoming payable on the Annual Contribution Date next following such Local Contribution Period, as may be necessary so that the annual contribution actually paid on such Annual Contribution Date (exclusive of any amounts paid to make good deficiencies in or amounts withheld from previous annual contributions) shall not exceed five (5) times the Local Contributions for such Local Contribution Period.

(D) **Payment of Withheld Annual Contributions.**—Subject to the provisions of Sec. 6.08, any amount withheld from an annual contribution pursuant to paragraph (B) or (C) above shall be paid by the USHA (except to the extent, if any, that the USHA shall be entitled to continue to withhold the same under some other section of this Article VI) as soon after such withholding as is possible without violating the limitation that the aggregate of all amounts paid by the USHA in respect of annual contributions to and including any date shall not exceed five (5) times the aggregate of all Local Contributions received to and including such date; provided, that no such

withheld amount shall be paid at any time when Net Tax Collections for the last full Local Contribution Period shall have exceeded five per centum (5%) of the total Shelter Rents for dwellings in the Project as of the close of the Fiscal Year ending within such Local Contribution Period.

Sec. 6.05. Substantial Breach of Low-Rent Character.—(A) Definition.—A substantial breach of the condition in this Contract embodied providing for the maintenance of the low-rent character of the Project shall be deemed to have occurred, if, and only if:

(1) as to rentals for dwellings in the Project, there shall have been Excess Rentals as of the close of the most recent Fiscal Year in an amount greater than ten per centum (10%) of the total annual charges made to tenants for dwellings in the Project during such Fiscal Year: *Provided, however,* That a substantial breach of such condition shall not be deemed to have occurred under this clause (1) if such Excess Rentals shall have resulted from a schedule of rentals which has been continued in effect by the Local Authority with the approval of the USHA;

(2) as to the families occupying dwellings in the Project, more than five per centum (5%) in number of the dwellings in the Project are, to the knowledge or information of the Local Authority, occupied at any one time by Ineligible Families.

(B) Withholding of annual contributions.—If a substantial breach of such condition shall have occurred and the USHA shall have served a written notice of such breach on the Local Authority (and have at the same time furnished a copy thereof to the Fiscal Agent), and such breach shall not have been remedied within ninety (90) days after the service of such notice—

(1) by reducing the rentals for dwellings in the Project to such extent as the USHA shall deem necessary to avoid the recurrence of Excess Rentals, if such substantial breach shall have occurred under the provisions of clause (A) (1) of this Sec. 6.05, or

(2) by the eviction of, or the taking of such action by the Local Authority as shall be satisfactory to the USHA for the eviction of, the Ineligible Families residing in the Project, if such substantial breach shall have occurred under the provisions of clause

(A) (2) of this Sec. 6.05

then the USHA may withhold the annual contributions thereafter becoming payable by it hereunder until such time as such substantial breach shall have been so remedied. Whenever such substantial breach shall have been so remedied the USHA shall forthwith pay to the Local Authority, subject to the provisions of paragraphs (C) and (D) of this Sec. 6.05 and of Sec. 6.08, all annual contributions theretofore withheld pursuant to this Sec. 6.05 (B) (except to the extent that the USHA shall be entitled to continue to withhold the same under some other Section of this Article VI).

(C) Reduction of annual contributions.—Whenever a substantial breach shall have occurred under the provisions of clause (A) (1) of this Sec. 6.05, the annual contributions becoming payable on each Annual Contribution Date after the occurrence of such breach, and any annual contributions withheld pursuant to paragraph (B) of this Sec. 6.05 which become payable by reason of the correction, as therein

provided, of the condition on which such withholding was based, shall be reduced by an amount equal to the balance available in the Annual Contributions Reduction Account for transfer on such Annual Contribution Date or on the date such withheld annual contribution becomes payable to the Bond Service Account (as the balance so available is defined in Sec. 4.16) until all amounts which shall have become payable by the Local Authority in respect of Excess Rentals pursuant to Sec. 4.14 (B) shall have been paid in full.

(D) Termination of annual contributions.—In the event that:

(1) a substantial breach of such condition shall continue for a period of two (2) years after a notice of such substantial breach shall have been served by the USHA under the provisions of paragraph (B) of this Sec. 6.05 (excluding in the computation of said two-year period such period of time during which legal proceedings instituted and diligently prosecuted against the Local Authority by any holder of the Bonds to compel the correction of such breach shall be pending); or

(2) there shall have been flagrant and unreasonable recurrences of substantial breaches of such condition over a period of more than five (5) years,

the USHA may terminate this Contract, but only after notice and in the manner hereinafter provided. If the USHA proposes to terminate this Contract, it shall serve a written notice upon the Local Authority (and at the same time furnish a copy of such notice to the Fiscal Agent) setting forth the charges upon which it proposes to take such action and the time (which shall not be less than sixty (60) days from the date such notice is served) and the place for the hearing on such charges, at which time and place the Local Authority shall be given a full opportunity to be heard. The hearing on the charges shall be held by a Board of Appeals which shall consist of three (3) members. The USHA and the Local Authority shall each select one (1) member of the Board and the two (2) members so selected shall select the third member. The Board shall proceed promptly to conduct a hearing on the charges and shall make a written report to the USHA and the Local Authority containing its findings and recommendations not later than seven (7) months from the date such written notice was served upon the Local Authority by the USHA. The USHA shall not take any action with respect to the termination of this Contract pursuant to this paragraph (D) until (1) the expiration of one (1) month after it has received the written report of the Board, or (2) the expiration of eight (8) months after it has served such written notice on the Local Authority, whichever shall first occur.

(E) Additional reduction of annual contributions to extent funds available therefor.—If on any Annual Contribution Date there are any moneys available in the Annual Contributions Reduction Account for transfer to the Bond Service Account pursuant to any of the provisions of Sec. 4.14, the annual contribution becoming payable on such Annual Contribution Date shall be reduced by an amount equal to the balance so available in the Annual Contributions Reduction Account for transfer on such Annual Contribution Date to the Bond Service Account (as the balance so available is defined in Sec. 4.16).

Sec. 6.06. Sale or Condemnation of Portion of Project.—If the Local Authority shall, as permitted by Sec. 4.18 and by the Resolutions, convey or otherwise dispose of any excess land which has been included in the Project and which subsequently becomes unnecessary to the operation of the Project, or if any part of the Project shall be taken by condemnation or eminent domain proceedings, then the annual contribution payable by the USHA on each subsequent Annual Contribution Date shall be reduced by an amount equal to the balance available, if any, in the Excess Lands Account for transfer on such Annual Contribution Date to the Bond Service Account (as the balance so available is defined in Sec. 4.16) until said Excess Lands Account shall have been exhausted.

Sec. 6.07. Acquisition of Project by Third Party.—In the event of the acquisition of the Project by a third party (other than an acquisition, approved by the USHA as provided in Sec. 4.18, by any State, county, municipality, or other governmental entity or public body which is authorized to engage in the administration of low-rent housing) in any manner, including a bona fide foreclosure under a mortgage or other lien held by a third party, all annual contributions payable by the USHA hereunder shall terminate; provided, that no termination of annual contributions pursuant to this Sec. 6.07 shall be effective earlier than ninety (90) days after the giving by the USHA to the Local Authority and to the Fiscal Agent of written notice of intention to terminate the same, and no such termination shall become effective if, within ninety (90) days after the giving of such notice or within such longer period as shall be reasonable (in the determination of the USHA) in the existing circumstances, the Project shall have been reconveyed to the Local Authority or shall have been conveyed to such a State, county, municipality, or other governmental entity or public body as aforesaid.

Sec. 6.08. Reductions of Payments Becoming Due in Respect of Withheld Annual Contributions.—On any date on which, under the provisions of Secs. 6.01 to 6.05, inclusive, any amount withheld from previous annual contributions pursuant to any of such sections would become payable (by reason of the correction, as provided in such sections, of the conditions on which the withholding was based), the amount so becoming payable on such date may, in the discretion of the USHA, be reduced to such extent, if any (but to no greater extent), that the balance then being paid, together with the aggregate of all amounts theretofore deposited in or transferred to the Bond Service Account, will be not less than the Accumulated Bond Service Requirement as of such date. Any such reduction pursuant to this Sec. 6.08 shall be effective upon the giving of written notice thereof by the USHA to the Local Authority and to the Fiscal Agent. Any such reduction shall terminate the obligation of the USHA to make any payment in respect of that part of the previously withheld annual contribution which is represented by such reduction.

Sec. 6.09. Termination of Contract.—If this Contract shall have been terminated pursuant to Sec. 6.05 (D) or Sec. 8.02, all obligation of the USHA to pay annual contributions hereunder shall terminate forthwith.

ARTICLE VII

GENERAL COVENANTS OF LOCAL AUTHORITY AND USHA

Sec. 7.01. General Covenants of Local Authority.—The Local Authority covenants that the Project will be developed and administered in such a manner as to provide decent, safe, and sanitary dwellings within the financial reach of Low Income Families; to promote serviceability, efficiency, economy, and stability; and to comply with all the provisions of this Contract and all the provisions of the Act applicable to the development or administration of a project financed in whole or in part with funds made available pursuant to the Act.

The Local Authority further covenants that in the development and administration of the Project it will comply with (1) all applicable State, Territorial, and other local laws, ordinances, and regulations in effect at the date of execution of this Contract: *Provided*, That the covenants contained in this clause (1) shall not be construed as relieving the Local Authority from the obligation to perform and observe all the other covenants and agreements on its part set forth in this Contract or from any consequences which this Contract provides shall result from any failure to perform and observe such covenants and agreements, and (2) all applicable State, Territorial, and other local laws becoming effective after the date of execution of this Contract and from time to time in force, except to the extent that any such laws may be inconsistent with the performance and observance of the covenants and agreements on the part of the Local Authority in this Contract set forth.

All such provisions as shall be necessary or as the Local Authority shall deem appropriate in order to assure compliance with the provisions of this Sec. 7.01 shall be incorporated in all contracts relating to the development or administration of the Project (including leases for dwellings in the Project) to which the Local Authority shall be a party.

Sec. 7.02. General Covenants of USHA.—The USHA will, to the full extent that means are reasonably available to it, advise, assist, and cooperate with the Local Authority in the performance and observance of the covenants and agreements of the Local Authority set forth in this Contract.

Sec. 7.03. Covenants for Benefit of Bondholders.—The USHA covenants and agrees with and for the benefit of the holders from time to time of the Bonds and of interest claims appertaining to the Bonds, that it will perform and observe all the covenants and agreements on its part set forth in this Contract. To enforce the performance and observance by the USHA of the covenants and agreements on its part in this Contract set forth, such holders or their duly author-

ized representatives, as well as the Local Authority, shall have the right to proceed against the USHA by action at law, suit in equity, or other proper proceedings (including mandamus, injunction, and other proceedings of whatsoever nature): *Provided*, That nothing in this Contract contained shall be construed as authorizing any such holders or any representative of any such holders to recover against the USHA any order, decree, or judgment for the payment of money, other than an order, decree, or judgment requiring the USHA, in accordance with the provisions of this Contract, to take delivery of and pay for Series B Bonds, to pay annual contributions, or to deposit or apply any moneys which may have been received or collected by it pursuant to the provisions of this Contract.

Whenever the USHA shall deliver to the Fiscal Agent a copy of any notice or demand served upon the Local Authority pursuant to any of the provisions of Article VI, it will at the same time deliver an additional copy of such notice or demand to the Fiscal Agent and the Fiscal Agent shall send such additional copy to the original purchaser of the Series A Bonds by registered mail.

Sec. 7.04. Independence of Contracts and Projects.—The provisions of this Contract are applicable only to the Project, and none of such provisions shall be construed or applied in any way which would affect the obligations of the USHA or the Local Authority under any contract for loans or annual contributions relative to any other project and none of the provisions of any contract for loans or annual contributions relative to any other project shall affect the obligations of the USHA or the Local Authority hereunder.

No obligation of the Local Authority hereunder may be enforced by levy of execution against, or by sale of any portion of, the property constituting the Project, but nothing herein contained shall be construed to prejudice any remedies which may be available to the USHA against such property pursuant to the Resolutions as a holder of any of the Bonds, or by way of receivership, entry into possession, or otherwise as specifically provided for in this Contract.

ARTICLE VIII

GENERAL REMEDIES OF USHA

Sec. 8.01. General Provisions.—In addition to the rights and remedies of the USHA provided for elsewhere in this Contract, the USHA shall have the rights and remedies prescribed in this Article VIII; but the provisions of this Article VIII shall in no event be construed as conferring upon the USHA any rights to reduce, withhold, or terminate annual contributions (which rights are provided for exclusively in Article VI). The remedies of the USHA, whether provided by law or by this Contract, shall be cumulative and the exercise of any one or more of such remedies shall not preclude the exercise, at the same or different times, of any other such remedies for the same breach or any other breach by the Local Authority of any covenant or agreement on its part contained in this Contract or in the Resolutions. All the provisions of this Article VIII are subject to the provisions of Sec. 7.04.

Sec. 8.02. Failure to Acquire Site, Let Contracts, and Sell Bonds.—If the following events shall have occurred:

(1) The Local Authority shall not, (a) have acquired title to all of the land constituting the proposed site of the Project, or (b) have let all the main construction contracts for the substantial completion of the Project, or (c) have effected a sale of Series A Bonds, in accordance with the provisions of this Contract and within such time as the USHA may have specified therefor in writing to the Local Authority; and

(2) The USHA shall, after the expiration of such specified time, have served upon the Local Authority written demand that such title shall be so acquired, or that all such contracts shall be so let, or that a sale of Series A Bonds shall be so effected, within the period (not less, in any event, than sixty (60) days after service of the demand) which the USHA shall specify in such demand; and such title shall not have been so acquired or such contracts shall not have been so let or such sale of Series A Bonds shall not have been so effected within the period specified in such demand;

then the USHA may, at any time prior, but in no event subsequent, to the delivery of and payment for any Series A Bonds pursuant to Sec. 3.08, declare this Contract terminated. Such declaration shall be set forth in a written notice given by the USHA to the Local Authority and shall be effective immediately upon the giving of such notice.

Sec. 8.03. Breach of Covenant in General.—If any of the following events (herein sometimes called "breaches of covenant") shall have occurred:

(1) The Local Authority shall have defaulted or threatened to default in the performance or observance of any of the covenants

or agreements required by Article II, Secs. 3.01, 3.09, and Article IV, to be performed or observed by it, or

(2) The Local Authority shall have defaulted in the performance or observance of any of the other covenants or agreements required by this Contract to be performed or observed by it and shall not have remedied such default within thirty (30) days after the USHA shall have given written notice of such default to the Local Authority,

then the USHA shall, to the full extent permitted by law, have each of and all the following rights and remedies:

(a) The right to a writ of mandamus or an injunction or other similar relief against the Local Authority or any of or all the members, officers, agents, or representatives thereof;

(b) The right to have a receiver appointed by any court of competent jurisdiction to take possession and control of the Project and to complete, maintain, and operate the same so long as shall be necessary in order to cure such breach of covenant and any other breaches of covenant or defaults which may exist;

(c) The right (after giving written notice to the Local Authority of its intention so to do), by any agent or representative designated by the USHA, and without the institution of any legal action, suit, or proceeding, to take possession and control of the Project and in the name and on behalf of the Local Authority to complete, maintain, and operate the same until such breach of covenant and any other breaches of covenant or defaults have been cured or prevented and the Local Authority has taken such action as the USHA shall deem necessary to prevent the occurrence or recurrence thereof; and

(d) The right to maintain any and all actions at law or suits in equity or other proper proceedings to enforce the curing of such breach of covenant.

Sec. 8.04. Breaches in Respect of Insurance.—In the event that the Local Authority shall fail at any time to obtain adequate and proper insurance in respect of the Project or any part thereof, as required by this Contract, or shall fail to pay when due any premium in respect of any such insurance, the USHA shall have the right to obtain such insurance or pay such premium on behalf of the Local Authority through the exercise of the powers conferred by or pursuant to Sec. 4.12.

Sec. 8.05. Breaches in Respect of Payments into Certain Accounts Maintained with Fiscal Agent.—In the event that the Local Authority shall fail to pay when due any amount required by the provisions of this Contract to be paid by the Local Authority into the Rental Debt Service Account, the Annual Contributions Reduction Account, or the Excess Lands Account, the USHA shall have the following rights and remedies:

(1) The right to recover from the Local Authority by action at law or other appropriate proceeding an amount equal to all amounts so required to be paid into the aforesaid accounts or any of them; and

(2) The right to discharge, through the exercise of the powers conferred by or pursuant to Sec. 4.12, the then existing obligations

of the Local Authority to make payments into any of the three accounts first mentioned in this Sec. 8.05.

The USHA will promptly deposit in the account or accounts in respect of which such moneys shall have been received, any moneys received by it pursuant to this Sec. 8.05.

ARTICLE IX

MISCELLANEOUS PROVISIONS

Sec. 9.01. Notices and Demands.—Any notice or demand permitted or required under the provisions of this Contract to be given or served by either of the parties hereto to or upon the other party hereto shall be in writing and shall be signed in the name of the party giving or serving the same. Such notice or demand shall be deemed to have been given or served at the time it shall have been received at the principal office of the party to whom it is directed.

Sec. 9.02. Titles of Articles and Sections.—The titles of the several Articles and sections of this Contract and the table of contents of and index to this Contract are inserted for convenience of reference only and shall be disregarded in construing or interpreting any of the provisions of this Contract.

Sec. 9.03. Severability of Provisions.—If any provision of this Contract is held invalid, the remainder of this Contract shall not be affected thereby, if, in the judgment of the USHA, such remainder of this Contract would then continue to conform to the terms of the Act.

Sec. 9.04. Waiver or Modification.—Any right or remedy which the USHA may have under this Contract may be waived in writing by the USHA, either with or without the execution of a new or supplemental agreement, if, in the judgment of the USHA, this Contract as modified or amended by any such waiver will still conform to the terms of the Act; provided, that, inasmuch as it is required that the annual contributions payable by the USHA hereunder shall be pledged as security for the Bonds and it is contemplated that the Bonds will be purchased in reliance upon the provisions of this Contract, the parties hereto agree that none of the provisions of this Contract will be modified or waived, at any time after the sale of any of the Bonds, to such extent or in such manner as would impair or prejudice the security of the Bonds.

In no event shall any acceptance by the USHA of Notes or Series B Bonds or the making by the USHA of any annual contribution to the Local Authority constitute or be construed as a waiver of any breach of covenant or default which may then exist on the part of the Local Authority and any such acceptance or the making of any such annual contribution while any such breach or default shall exist shall in no wise impair or prejudice any remedy available to the USHA in respect of such breach or default.

Sec. 9.05. Arbitration.—In the event of any dispute arising between the parties hereto, they may agree to submit such dispute for arbitration to a board consisting of three (3) members. Each of the parties shall select one (1) member of the board and the two (2) so selected shall select a third member. The board shall hold hearings

on such disputes and shall make a written report of its findings and recommendations to the parties. A submission of any matter in dispute to arbitration as herein provided shall not relieve either party of its duty to perform promptly all its obligations under this Contract (including its obligations with respect to matters submitted for arbitration), nor shall either of the parties be bound by the findings or recommendations of the board.

Sec. 9.06. Name of Project.—The Local Authority will not name the Project for any living person.

Sec. 9.07. Governor's Letter.—Upon request of the USHA, the Local Authority will use its best efforts to obtain and will furnish to the USHA a letter from the Governor of the State in which the Local Authority is located advising the USHA that if, in the judgment of the USHA, it may be advisable to enact legislation to remedy any defects, illegalities, or irregularities in the proceedings of the Local Authority relative to this Contract or to the Bonds, said Governor will recommend and cooperate in the enactment of such legislation.

Sec. 9.08. Bonus or Commission.—The Local Authority will not pay any bonus or commission for obtaining approval of its application for assistance in respect of the Project.

Sec. 9.09. Interest of Member of or Delegate to Congress.—No Member of or Delegate to the Congress of the United States of America will be allowed to participate in the funds made available by the USHA under this Contract.

Sec. 9.10. Interest of Member or Employee of Local Authority.—No member of the Local Authority shall participate in any decision relating to the Project, affecting his personal interests or the interests of any corporation, partnership, or association in which he is directly or indirectly interested; nor shall any member, officer, agent, servant, or employee of the Local Authority have any interest, direct or indirect, in any contract for property, materials, or services to be acquired by the Local Authority; nor shall the Local Authority enter into any contract for property, materials, or services with any former member of the Local Authority within one (1) year after he shall have ceased to be a member except as may be required by law.

Sec. 9.11. Members of Local Authority not Individually Liable.—No member or officer of the Local Authority shall be individually liable on any obligation assumed by the Local Authority hereunder.

Sec. 9.12. When Contract Effective.—This Contract shall be binding upon the parties hereto when the same shall have been approved by the President of the United States of America and duly executed by the Local Authority and the USHA.

Sec. 9.13. Releases.—Upon payment of the annual contribution payable on the last Annual Contribution Date herein provided for, the Local Authority will (provided that the USHA shall not then be in default in the performance of any obligation herein provided to be performed by it) release the USHA from any further obligation or performance under this Contract, but no such release shall impair or prejudice any rights which shall have accrued to the holders of any of the Bonds.

ARTICLE X

DEFINITIONS

Except where the context clearly indicates otherwise, the terms in this Article X defined, as used in this Contract, shall have the meanings, respectively, ascribed to them below:

"Contract" shall mean the Contract for Loan and Annual Contributions between the Local Authority and the USHA consisting of the Agreement (which refers to and incorporates these Terms, Covenants, and Conditions) comprising Part One thereof and these Terms, Covenants, and Conditions comprising Part Two thereof, which said Parts One and Two together constitute one and the same instrument.

"Local Authority," "City," "USHA," "Project," "date of this Contract," "USHA Loan Interest Rate," "Fixed Contribution Percentage," "Proposed Development Cost," "Maximum Loan Commitment," "Bonds," "Notes," "Equivalent Elimination Contract Provisions," "Cooperation Contract Provisions," "Service Charge," "Estimated Initial Occupancy Date," and **"date of execution of this Contract"** shall have the meanings, respectively, ascribed to them in said Agreement constituting Part One of this Contract.

"Series A Bonds" shall mean Bonds of the series which will be available for sale to others than the USHA, and **"Series B Bonds"** shall mean Bonds of the series which will be available for issuance to the USHA, as more fully set forth in this Contract and in the Resolutions hereinafter mentioned.

"Act" shall mean the United States Housing Act of 1937, Public No. 412, Seventy-Fifth Congress, as amended by the United States Housing Act Amendments of 1938, Public Resolution No. 122, Seventy-Fifth Congress.

"Resolutions" shall mean the resolutions to be adopted (pursuant to Sec. 3.03) by the Local Authority providing, among other things, for the authorization, sale, and issuance of the Bonds, and shall include any supplemental resolutions to be adopted (pursuant to Sec. 3.05 (C) or to the initial resolutions) by the Local Authority prior to delivery of the Bonds.

"Fiscal Agent" shall mean the bank or trust company designated in the Resolutions as the fiscal agent thereunder.

"Bond Date" shall mean the date, fixed pursuant to the Resolutions, to be borne by all the Bonds issued in the form of coupon bonds, which date shall in no event be earlier than the date of execution of this Contract.

"Physical Completion" of the Project shall be deemed to have occurred at the time of the giving of the Physical Completion Notice provided for in Sec. 2.09.

The term **"dwelling"** shall mean the entire space (either a single-family house or an apartment, suite, or other space) arranged as living quarters for a single family.

"Fiscal Year" shall mean any period of twelve (12) consecutive months beginning with whichever one of the following dates, namely January 1, April 1, July 1, or October 1, that occurs not less than one (1) calendar month and ten (10) days nor more than four (4) calendar months and ten (10) days prior to an Annual Contribution Date.

"Annual Contribution Date" and **"Fixed Annual Contribution"** shall have the meanings, respectively, ascribed to them in Secs. 5.01 and 5.02.

"Low Income Family" shall mean a family which cannot afford to obtain safe, sanitary, and uncongested privately owned housing.

The term **"net income"** when used in respect of a family applying for residence in, or residing in, a dwelling in the Project shall mean—the aggregate income, in whatever form received, of all the members of such family, including wages, salaries, or compensation for personal services, net profits from the operation of a business, pensions, unemployment compensation, relief payments, or contributions from private or public sources, and all other receipts from any and all sources whatsoever,

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deductions allowable by law, including deductions required by law to be made from wages, salaries, or other compensation for personal services, and such other items as may be agreed upon by the Local Authority and the USHA.

The term **"net income at the time of admission"** shall mean the amount of a family's actual net income for the twelve (12) calendar months next preceding the date of its application for a dwelling in the Project adjusted to reflect the anticipated net income of the family for the twelve (12) calendar months next succeeding the anticipated date of admission of the family to the Project.

The term **"net income as of the date of reexamination"** shall mean the amount of a family's actual net income for the twelve (12) calendar months preceding the date established by the Local Authority for the reexamination of the net income of such family under the provisions of Sec. 4.17 (C) adjusted to reflect the anticipated net income of such family for the twelve (12) calendar months next succeeding such date.

"Ineligible Family" shall mean a family:

- (a) which is not a Low Income Family; or
- (b) whose net income at the time of admission shall exceed five (5) times the rental (including the value or cost to them of heat, light, water, and cooking fuel) of the dwelling furnished such family (or, in the case of a family with three (3) or more minor dependents, shall exceed six (6) times such rental); or
- (c) whose net income as of the date of reexamination in the most recent Fiscal Year of residence in the Project shall exceed five (5) times such rental or six (6) times such rental, as the case may be (unless the Local Authority shows to the satisfaction of the USHA that such families cannot afford to obtain safe, sanitary, and uncongested privately owned housing in the locality of the Local Authority and that the objectives of the Act can best be attained by permitting such families to remain in the Project, and

the USHA consents to a modification of the income limits for determining the continuing eligibility of families for residence in the Project):

Provided, however, That the term Ineligible Family shall not include the family of such employee or employees of the Local Authority as it, with the approval of the USHA, may require to reside in the Project for the purpose of the proper administration thereof.

"Prevailing Wages" in respect of a particular class of employees shall mean the wages or salaries prevailing for such class of employees in the locality of the Project, as determined or adopted (subsequent to a determination under applicable State or local law) by the USHA.

The term **"development"** shall mean any or all undertakings necessary for planning, financing (including payment of carrying charges), land acquisition, demolition on the site of the Project, construction, or equipment in connection with the Project, but not beyond the point of Physical Completion. For purposes of this definition **"carrying charges"** shall in any event include all interest becoming payable on the Notes and the Bonds to and including the Estimated Initial Occupancy Date.

"Development Fund Agreement" shall mean the agreement or agreements entered into, pursuant to Sec. 3.01, between the Local Authority and the depositary or the respective depositaries named therein, pursuant to which portions of the proceeds of the sale of the Bonds and certain other moneys will be held by such depositary or depositaries subject to withdrawal for purposes of the development of the Project; and **"Development Fund"** shall mean the fund or funds to be held and dealt with by such depositary or depositaries as in the Development Fund Agreement provided.

"Actual Development Cost" shall mean the total cost of the development of the Project as determined by the USHA subsequent to Physical Completion including the costs of all the items referred to in the above definition of "development" *less* the value or amount of any property, services, or cash contributed to the development of the Project by any agency or instrumentality of the United States Government other than the USHA.

"Capital Donations" shall mean all property, services, and cash donated to the Local Authority for purposes of the development of the Project, provided, that Capital Donations shall include:

(a) Property and services only to the extent that the same shall have been approved by the USHA as a part of the Project and at the valuations at which the same shall have been approved by the USHA as a part of the cost of development of the Project; and

(b) Cash only to the extent that the same shall have been deposited in the Development Fund or shall have been expended in the development of the Project

but shall in no event include any annual contributions paid by the USHA hereunder, or any property, services, or cash contributed by any agency or instrumentality of the United States Government other than the USHA, provided further, that for the purposes of Sec. 1.03 (A), Sec. 2.05 (C) and the definition of Bond Service Re-

quirement in this Article X any premiums received by the Local Authority on the sale of its Bonds shall be treated as and included in Capital Donations.

"Bond Service Account" shall mean the trust account, to be maintained by the Fiscal Agent pursuant to the Resolutions, from which the principal of and interest on the Bonds are to be paid.

"Bond Service Percentage" shall mean the percentage to be fixed pursuant to Sec. 3.05 (B).

"Bond Service Requirement" as of any date shall mean the Bond Service Percentage of the difference between (a) the Actual Development Cost (or the latest minimum development cost approved by the USHA pursuant to Sec. 2.05, if the Actual Development Cost shall not yet have been finally determined) and (b) the aggregate amount of all Capital Donations which have then been received by the Local Authority: *Provided*, That in no event shall the Bond Service Requirement as of any date, either prior or subsequent to the determination of the Actual Development Cost, be an amount less than the Bond Service Percentage of the aggregate principal amount of all Bonds of both series issued to and including such date, whether or not still outstanding.

"Accumulated Bond Service Requirement" as of any date shall mean the product obtained by multiplying the Bond Service Requirement as of such date by the number of Annual Contribution Dates which have then occurred (including the date as of which the computation is made, if such date be an Annual Contribution Date); *Provided*, That if any Series B Bonds shall have been issued subsequent to the Estimated Initial Occupancy Date (whether or not such Series B Bonds shall still be outstanding) there shall be deducted from such product an aggregate amount equal to interest at the USHA Loan Interest Rate on each such Series B Bond for the period from the Estimated Initial Occupancy Date to the date such Series B Bond was actually issued by the Local Authority.

"Rental Debt Service Account," "Annual Contributions Reduction Account," and **"Excess Lands Account"** shall mean the trust accounts, to be maintained by the Fiscal Agent pursuant to the Resolutions, in which certain revenues and other moneys received by the Local Authority from or with respect to the Project are from time to time deposited as in Secs. 4.13, 4.14, and 4.15 of this Contract and in the Resolutions provided.

"Operating Expenses" shall mean the amounts necessary (a) to meet the cost of, and to provide for, maintaining and operating the Project in such a manner as to provide decent, safe, and sanitary dwellings within the financial reach of Low Income Families and to promote serviceability, efficiency, economy, and stability; (b) to maintain its working capital and such reserves (for repairs, maintenance, replacements, debt service, or otherwise) as may be required by the Resolutions; and (c) to meet such portion of the administrative expenses of the Local Authority chargeable to the Project as may be approved by the USHA: *Provided*, That Operating Expenses shall not include any amounts payable as a part of the development cost or payable in respect of the principal of or interest on the Bonds (except with respect to reserves for debt service permitted by clause (b) above)

or payable into the Rental Debt Service Account, the Annual Contributions Reduction Account, or the Excess Lands Account.

"Excess Rentals" as of the close of any Fiscal Year shall mean the amount, if any, by which—

(i) the income of the Project (excluding any amounts used in the development of the Project and reflected in development cost and excluding any amounts required to be paid into the Excess Lands Account pursuant to Sec. 4.15) during the entire period from the Bond Date to the close of such Fiscal Year

exceeded

(ii) the expenses of the Project during such period (excluding all expenditures included in the development cost of the Project):
Provided, That for purposes of this definition, "income of the Project" shall include, without being limited to:

(a) All rents and other operating revenues, exclusive of all receivables which were past due as of the close of such Fiscal Year;

(b) All contributions actually received from the USHA hereunder;

(c) All other contributions actually received, but excluding Capital Donations and tax exemptions;

And provided further, That for the purposes of this definition "expenses of the Project" shall include, without being limited to:

(1) The Accumulated Bond Service Requirement as of the close of such Fiscal Year;

(2) The aggregate of the Operating Expenses, including Operating Expenses accrued to the end of such Fiscal Year;

(3) The aggregate of the balances in the Rental Debt Service Account and the Annual Contributions Reduction Account as of the close of such Fiscal Year;

(4) The amounts which the Local Authority remained obligated, as of the close of such Fiscal Year, to pay into the Rental Debt Service Account pursuant to Sec. 4.13 and into the Annual Contributions Reduction Account pursuant to Sec. 4.14 (B); and

(5) Such other expenses, if any, as may be approved by the USHA.

If the plans for the Project include buildings to be constructed on two or more sites, the term "site" shall include all such sites.

"Shelter Rent" shall mean the annual charge established (except that prior to the giving of the Occupancy Notice it shall mean the charge estimated in the application filed by the Local Authority with the USHA) for the use of a dwelling, excluding the charge or estimated charge for any utilities (i.e., water, heat, heating of water, light, cooking fuel, or refrigeration energy).

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