

IMPORTANT NOTICE

These documents are provided as a courtesy for information purposes only, and do not reveal all information that would be discovered by a full title search.

They were obtained from the Public Record and are believed to be correct, however, they are limited to what is readily evident and available from a search of the *current legal description only*. No search of the property, as it may have previously described, has been conducted, and such a search may yield additional liens, interests or restrictions.

A complete title search conducted in an open escrow may yield additional, supplemental or contradictory information.

The recipient is advised that no warranty or guarantee is provided with these documents, and is encouraged to conduct all needed due diligence on their own behalf.

When Recorded Return to:
Martina Kuehl
Arizona Department of Commerce
3800 N. Central, Suite 1200
Phoenix, AZ 85012

RECORDED YAVAPAI COUNTY ARIZONA

INSTRUMENT # 9601572
OFFICIAL RECORDS OF
YAVAPAI COUNTY
MARGO W. CARSON
REQUEST OF:
CAPITAL TITLE AGENCY
DATE: 01/10/96 TIME: 10:00
FEE: 21.00 SC: 4.00 PT: 1.00
BOOK 3138 PAGE 252 PAGES: 057

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BK	FEE
MAP	41
PCL	25
	81

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ACCOMMODATION RECORDING
NO TITLE LIABILITY

STATE OF ARIZONA, DEPARTMENT OF COMMERCE
OFFICE OF HOUSING AND INFRASTRUCTURE
DEVELOPMENT
HOME Investment Partnerships Program

ACCOMMODATION RECORDING
NO TITLE LIABILITY

Declaration of Covenants, Conditions, and Restrictions

This HOME Investment Partnerships Program (hereinafter referred to as the HOME Program) Declaration of Covenants, Conditions, and Restrictions dated this 28th day of December, 1995, is made by and between the STATE OF ARIZONA, DEPARTMENT OF COMMERCE (hereinafter referred to as "Commerce"), located at 3800 N. Central, Suite 1200, Phoenix, Arizona 85012, acting pursuant to A.R.S. § 41-1505, A.R.S. § 41-1512, and Title II (HOME Investment Partnerships Act) of the National Affordable Housing Act of 1990 and PROJECT SHELTER, INC. (hereinafter referred to as the "owner"):

RECITALS

WHEREAS, owner desires to make use of certain funds available through the HOME Investment Partnerships Act; and

WHEREAS, Commerce is willing to provide owner with said funds, in accordance with the terms of that Act and this Declaration of Covenants, Conditions and Restrictions; and

WHEREAS, the provisions contained in Part 92 of title 24 of the Code of Federal Regulations, as amended, are hereby incorporated into this Declaration of Covenants, Conditions, and Restrictions by this reference as if fully set forth herein; and

WHEREAS, pursuant to Part 92 of title 24 of the Code of Federal Regulations, as amended, owner must agree and does hereby agree to comply with certain occupancy and rent restrictions for the period of affordability set forth below, and the parties have entered into this Declaration of Covenants, Conditions, and Restrictions to evidence owner's agreement to comply with such restrictions.

NOW THEREFORE, in consideration of the promises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

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PART I: DEFINITIONS

1. **Adjusted Income, Annual Income, Monthly Adjusted Income, Monthly Income:** The terms "adjusted income," "annual income," "monthly adjusted income," and "monthly income" as used herein shall mean such income, as determined by the State, calculated in accordance with the definitions of these terms in Part 813 of title 24 of the Code of Federal Regulations.
2. **Agreement:** The term "Agreement" as used herein means this Declaration of Covenants, Conditions, and Restrictions, as it may from time to time be amended.
3. **HOME-assisted Unit.** The term "HOME-assisted unit" as used herein means those units designated as HOME-assisted pursuant to Part 92 of title 24 of the Code of Federal Regulations.
4. **HOME Funds:** The term "HOME funds" as used herein means funds made available under Part 92 of title 24 of the Code of Federal Regulations through allocations and reallocations, plus all repayments and interest or other return on the investment of these funds.
5. **HOME Program:** The term "HOME Program" as used herein means the HOME Investment and Partnerships Program delineated in Part 92 of title 24 of the Code of Federal Regulations, as it currently exists and as it may be modified in the future.
6. **HUD:** The term "HUD" as used herein means the United States Department of Housing and Urban Development.
7. **Low-income families:** The term "low-income families" as used herein shall mean families whose annual incomes do not exceed 60 percent of the median income for the area, as determined by HUD with adjustments for smaller and larger families, except that HUD may establish income ceilings higher or lower than 60 percent of the median for the area on the basis of HUD findings that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes.
8. **Owner:** The term "owner" as used herein means Project Shelter, Inc. as set forth at the beginning of this Agreement, or any successor in title to the property that is the subject of this Agreement.
9. **Period of Affordability:** The term "period of affordability" as used herein means the number of years during which the property is subject to this Agreement, as specified herein.

10. **Project:** The term "project" as used herein means a site or an entire building, or two or more buildings, together with the site on which the building or buildings are located, that are under common ownership, management, and financing and are to be assisted with HOME funds, under a commitment by the owner, as a single undertaking under Part 92 of title 24 of the Code of Federal Regulations. The term "project" includes all the activities associated with the site and building.

11. **Project Completion:** The term "project completion" as used herein means final disbursement of HOME funds and the filing of a final project completion report (form HUD-40097).

12. **State:** The term "State" as used herein means the State of Arizona.

13. **Substantial Rehabilitation:** The term "substantial rehabilitation" as used herein means the rehabilitation of residential property at an average cost for the project in excess of \$25,000 per dwelling unit.

14. **Very low-income families:** The term "very low-income families" as used herein means families whose annual incomes do not exceed 50 percent of the median family income for the area, as determined by HUD with adjustments for smaller and larger families, except that HUD may establish income ceilings higher or lower than 50 percent of the median for the area on the basis of HUD findings that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes.

PART II: COVENANTS, CONDITIONS AND RESTRICTIONS

In order to retain its classification as a rental housing project which qualifies as affordable housing for the purposes of the HOME program, during the period of time commencing upon project completion and continuing for a period of twenty (20) years, the following restrictions apply to the project located at 8505 Leigh Drive, Prescott Valley, Arizona, and the property legally described as:

Lot 3264, PRESCOTT VALLEY, UNIT ELEVEN, according to the plat of record in Book 13 of Maps, Page 65, records of Yavapai County, Arizona;

Owner shall provide Commerce with written notice of project completion in accordance with Part V, section 3 herein, and this Agreement shall be amended thereafter to reflect that project completion date for purposes of determining the period of affordability.

1. **Use of Property:** During the period of affordability specified herein, owner will maintain the property as rental housing and will rent or hold available for rental each unit on a continuous basis.

2. Rent Limitation: During the period of affordability specified herein, (*if the project has three or more rental units, or in the case of an owner of multiple one or two unit projects, if the total of all rental units in those projects equals three or more rental units,) then not less than 20% of the HOME- assisted units in the project shall be:

(a). occupied by very low-income families and bearing rents not greater than 30 percent of the gross income of a family whose income equals 50 percent of the median income for the area, as determined by HUD, with adjustment for smaller and larger families, except that HUD may establish income ceilings higher or lower than 50 percent of the median for the area on the basis of HUD's findings that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes. In determining the maximum monthly rent that may be charged for a unit that is subject to this limitation, the owner must subtract a monthly allowance for any utilities and services (excluding telephone) to be paid by the tenant.

3. Rent Limitation: During the period of affordability specified herein, the remainder of the HOME- assisted units in the project shall bear rents not greater than the lesser of:

(a) the fair market rent for existing housing for comparable units in the area as established by HUD under section 888.111 of title 24 of the Code of Federal Regulations, less the monthly allowance for the utilities and services (excluding telephone) to be paid by the tenant, OR

(b) a rent that does not exceed 30 percent of the adjusted income of a family whose gross income equals 60 percent of the median income for the area, as determined by HUD, with adjustment for number of bedrooms in the unit, except that HUD may establish income ceilings higher or lower than 60 percent of the median for the area on the basis of HUD's findings that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes. In determining the maximum monthly rent that may be charged for a unit that is subject to this limitation, the owner must subtract a monthly allowance for any utilities and services (excluding telephone) to be paid by the tenant. HUD will provide average occupancy per unit and adjusted income assumptions to be used in calculating the maximum rent allowed under this paragraph.

4. Rent Limitation: During the period of affordability specified herein, the project shall be occupied only by households that qualify as low-income families.

5. Rent Limitation: During the period of affordability specified herein, the project shall not be refused for leasing to a holder of a certificate of family participation under 24 CFR part 887 (Rental Voucher Program) or to the holder of a comparable document evidencing participation in a HOME tenant-based assistance program because of the

status of the prospective tenant as a holder of such certificate of family participation, rental voucher, or comparable HOME tenant-based assistance document.

6. Rent Limitation for Minimum Period of Affordability: During the period of affordability specified herein, the project shall remain affordable, pursuant to these covenants running with the land, for not less than the appropriate period, without regard to the terms of the mortgage or to transfer of ownership, except that upon foreclosure by a lender or other transfer in lieu of foreclosure, the affordability period shall be suspended if the foreclosure recognizes any contractual or legal rights of public agencies, nonprofit sponsors, or others to take actions that would avoid termination of low-income affordability. However, if at any time following transfer by foreclosure or transfer in lieu of foreclosure but still during the period of affordability, the owner of record prior to the foreclosure or transfer in lieu of foreclosure, or any newly formed entity that includes the former owner or those with whom the former owner has or had family or business ties, obtains an ownership interest in the project or property, the affordability period shall be revived according to its original terms.

7. Rent Schedule and Utility Allowances: During the period of affordability specified herein, Commerce must review and approve rents proposed by the owner for all units subject to the maximum rent limitations in paragraph (a)(1)(i), and (a)(1)(ii) (as modified herein) or (a)(2)(ii) of section 92.252 of title 24 of the Code of Federal Regulations (Part II, sections 3(a), 3(b), and 2(b) of this Agreement), and, if applicable, must review and approve, for all units subject to the maximum rent limitations in paragraph (a) of section 92.252 of title 24 of the Code of Federal Regulations, as modified herein (Part II, sections 2 and 3 of this Agreement), the monthly allowances, proposed by the owner, for utilities and services to be paid by the tenant. The owner must reexamine the income of each tenant household living in HOME-assisted units at least annually. The maximum monthly rent must be recalculated by the owner and reviewed and approved by Commerce annually, and may change as changes in the applicable gross rent amounts, the income adjustments, or the monthly allowance for utilities and services warrant. Any increase in rents for HOME-assisted units is subject to the provisions of outstanding leases, in any event, the owner must provide tenants of those units not less than 30 days prior written notice before implementing any increase in rents.

8. Increases in Tenant Income: During the period of affordability specified herein, rental housing qualifies as affordable housing despite a temporary noncompliance with paragraph (a)(2) or (a)(3) of section 92.252 of title 24 of the Code of Federal Regulations (Part II, sections 2 and 4 herein), if the noncompliance is caused by increases in the incomes of existing tenants and if actions satisfactory to HUD are being taken to ensure that all vacancies are filled in accordance with section 92.252 of title 24 of the Code of Federal Regulations until the noncompliance is corrected. Tenants who no longer qualify as low-income families must pay as rent the lesser of the amount payable by the tenant under State or local law or 30 percent of the family's adjusted monthly income, as recertified annually. The preceding sentence shall not

apply with respect to funds made available under Part 92 of title 24 of the Code of Federal Regulations for units that have been allocated a low-income housing tax credit by a housing credit agency pursuant to section 42 of the Internal Revenue Code of 1986 (26 U.S.C. 42).

9. Property Standards: During the period of affordability specified herein, the owner must maintain the premises in accordance with the housing quality standards set forth in section 882.109 of title 24 of the Code of Federal Regulations, which have been adopted as the written standard for rehabilitation by the State. In addition, housing assisted with HOME funds must meet all applicable local codes, zoning, and ordinances.

10. Tenant and Participant Protections:

(a) Lease: During the period of affordability specified herein, the lease between a tenant and an owner of rental housing assisted with HOME funds must be for not less than one year, unless by mutual agreement between the tenant and the owner.

(b) Prohibited Lease Terms: The lease may not contain any of the following provisions:

1. Agreement to be Sued: Agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of the owner in a lawsuit brought in connection with the lease;
2. Treatment of the Property: Agreement by the tenant that the owner may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. This prohibition, however, does not apply to an agreement by the tenant concerning disposition of personal property remaining in the housing unit after the tenant has moved out of the unit. The owner may dispose of this personal property in accordance with state law;
3. Excusing Owner From Responsibility: Agreement by the tenant not to hold the owner or the owner's agents legally responsible for any action or failure to act, whether intentional or negligent;
4. Waiver of Notice: Agreement of the tenant that the owner may institute a lawsuit without notice to the tenant;
5. Waiver of Legal Proceedings: Agreement by the tenant that the owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties;
6. Waiver of a Jury Trial: Agreement by the tenant to waive any right to a trial by jury;

7. Waiver of right to appeal court decision: Agreement by the tenant to waive the tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease; and
8. Tenant Chargeable With Cost of Legal Actions Regardless of Outcome. Agreement by the tenant to pay attorney's fees or other legal costs even if the tenant wins a court proceeding by the owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.

(c) Termination of Tenancy: Owner may not terminate the tenancy or refuse to renew the lease of a tenant of rental housing assisted with HOME funds for the project specified herein except for: serious or repeated violation of the terms and conditions of the lease; for violation of applicable federal, state, or local law; or for other good cause. Any termination or refusal to renew must be preceded by the owner's service upon the tenant of a written notice specifying the grounds for the action, which notice must be served upon the tenant at least 30 days before the termination or refusal to renew is to be effective.

(d) Tenant Selection: The owner of the rental housing project specified herein which was assisted with HOME funds must adopt written tenant selection policies and criteria that:

1. are consistent with the purpose of providing housing for very low-income and low-income families;
2. are reasonably related to program eligibility and the applicant's ability to perform the obligations of the lease;
3. provide for the selection of tenants from a written waiting list in the chronological order of their application, insofar as is practicable; and
4. provide for the prompt written notification to any rejected applicant of the grounds for any rejection.

11. Mixed-Income Project: During the period of affordability, housing that accounts for less than 100 percent of the dwelling units in a project qualifies as affordable housing if the housing meets the criteria of Part II, sections 2 through 9 herein. Each building in the project must contain housing that meets those criteria.

12. Religious Organizations: During the period of affordability, the project specified herein which was assisted with HOME funds will not be provided for rental or use to any primarily religious organizations, such as churches, for any activity including secular activities. The completed housing project must be used exclusively by the owner entity for secular purposes, available to all persons regardless of religion. In particular, there must be no religious or membership criteria for tenants of the property.

13. Affirmative Marketing: During the period of affordability specified herein, owner shall comply with the State's affirmative marketing requirements as outlined in the State's HOME Program affirmative marketing procedures and requirements, attached hereto as Exhibit A and incorporated herein by this reference as if fully set forth herein.

14. Period of Record Retention: All pertinent documents, books, papers, accounts, reports, files, tenant lists, applications, leases, waiting lists, income examinations, and other records relating to the project and property specified herein shall be retained for five years following expiration of this agreement. Notwithstanding the foregoing, if any litigation, claim, negotiation, audit, or other action has been started before the expiration of the period of affordability specified herein, the records must be retained for five years following completion of the action and resolution of all issues which arise from it, or for five years following the end of the period of affordability, whichever is later.

15. Inspection and/or Audit of Records: Owner shall make available at all reasonable times, for inspection, transcription, excerpting, examination, copying, and audit by the State, the State Auditor General, HUD, the Comptroller General of the United States, or any of their representatives and designees, all pertinent books, documents, papers, accounts, reports, files, tenant lists, applications, leases, waiting lists, income examinations, and other records (hereinafter referred to as "Records") relating to the project and property specified herein. Upon request by such inspecting or auditing entity, a legible copy of all such Records shall be produced by the owner at the specified office of Commerce, the State, the State Auditor General, or at any other reasonable location. The original of all such Records shall also be available and produced for inspection, copying, and audit when needed to verify the authenticity of a copy.

PART III: REMEDIES

1. Remedies of Commerce and the State: If owner breaches any covenant, condition, or restriction set forth herein, and if such breach remains uncured for a period of sixty (60) days after notice thereof shall have been given by Commerce or the State (or for an extended period approved in writing by Commerce or the State if the breach stated in such notice can be corrected, but not within such sixty (60) day period, unless Owner does not commence such correction or commences such correction within such sixty (60) day period but thereafter does not diligently pursue the same to completion within such extended period), Commerce or the State shall be entitled to any or all of the following remedies: return of all HOME funds provided for the project, plus interest at the maximum rate permitted by law, and/or an amount attributable to the increase in equity in the property attributable to the rehabilitation effected with the HOME funds; resort to any court having jurisdiction of the subject matter for specific performance of this Agreement, for an injunction against any violation of this Agreement, for the appointment of a receiver to take over and operate the property in accordance with the terms of this Agreement, or for initiation of foreclosure

proceedings; or such other relief as may be appropriate, it being acknowledged by owner that the beneficiaries of owner's obligations hereunder cannot be adequately compensated by monetary damages in the event of owner's breach of this Agreement, because the beneficiaries include the low-income families to be benefited by owner's use of HOME funds. Commerce and the State shall be entitled to reimbursement of reasonable attorneys' fees and all costs incurred in any such judicial action in which Commerce or the State shall prevail. Commerce or the State shall require reasonable assurances of security for repayments required pursuant to this section in the form of a deed of trust for such property pursuant to title 24 of the Code of Federal Regulations, section 92.252, which owner shall execute as part of this Agreement (copy attached as Exhibit A) and the executed deed of trust shall be recorded concurrently herewith.

2. Remedies are Cumulative: Each right, power and remedy of Commerce or the State provided for in this Agreement, now or hereafter existing at law or in equity or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for in this Agreement or now or hereafter existing at law or in equity or by statute or otherwise, and the exercise or beginning of the exercise by Commerce or the State of any one or more of the rights, powers or remedies provided for in this Agreement or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by Commerce or the State of any or all such other rights, powers or remedies.

3. Remedies of Other Parties: The occupancy requirements set forth in this Agreement also shall inure to the benefit of, and may be judicially enforced against owner by, affected low-income families and very low-income families. Any such party that prevails in such judicial action shall be entitled to reimbursement of its reasonable attorneys' fees and costs in which such party shall prevail.

PART IV: REPRESENTATIONS AND WARRANTIES OF OWNER

1. Valid Execution: Owner represents and warrants that owner has validly executed this Agreement and the same constitutes the binding obligation of owner. Owner has full power, authority and capacity (i) to enter into this Agreement, (ii) to carry out owner's obligations as described in this Agreement, and (iii) to assume responsibility for compliance with all applicable federal and State rules and regulations.

2. No Conflict or Contractual Violation: To the best of owner's knowledge, the making of this Agreement and Owner's obligations hereunder:

- (a) will not violate any contractual covenants or restrictions between owner and any third party or any such covenants or restrictions affecting the property;
- (b) will not conflict with any of the instruments that create or establish owner's authority;
- (c) will not conflict with any applicable public or private restrictions;

- (d) do not require any consent or approval of any public or private authority which has not already been obtained; and
- (e) are not threatened with invalidity or unenforceability by any action, proceeding or investigation pending or threatened, by or against (A) owner, without regard to capacity, (B) any person with whom owner may be jointly or severally liable, or (C) the property or any part thereof.

3. No Litigation: No litigation or proceedings are pending or, to the best of owner's knowledge, threatened against owner which if adversely determined could individually or in the aggregate have an adverse effect on title to or the use and enjoyment or value of the property, or any portion thereof, or which could in any way interfere with the consummation of this Agreement.

4. No Bankruptcy: There is no pending or, to owner's best knowledge, threatened against owner any case or proceeding or other action in bankruptcy, whether voluntary or otherwise, any assignment for the benefit of creditors, or any petition seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief for owner under any federal, state or other statute, law, or regulation relating to bankruptcy, insolvency or relief for debtors.

5. No Encumbrances or Attachment: Owner shall not allow the property to be attached in any manner, including any liens or other encumbrances or any mortgages or other security interest during the period of affordability without the prior written consent of Commerce or the State.

6. Indemnification: Owner agrees to indemnify and hold harmless Commerce and the State from and against all liabilities, losses, claims, damages, demands, suits, liens, judgments, costs and expenses (including, without limitation, reasonable attorneys' fees) incurred by Commerce or the State as a result of any material inaccuracy in any of the representations and warranties contained in this Part IV.

PART V: MISCELLANEOUS

1. Binding Effect; Covenants Running With the Land: During the period of affordability specified herein, this Agreement and the covenants, conditions and restrictions contained herein shall be deemed to be covenants running with the land for the benefit of Commerce, the State, and their successors, and shall pass to and be binding upon owner's heirs, assigns and successors in title to the property, or if the property shall not include title to land, but shall include a leasehold interest in land, this Agreement and the covenants, conditions and restrictions shall bind the leasehold interest as well as the property and shall pass to and be binding upon all heirs, assigns and successors to such interests; provided, however, that upon expiration of the period of affordability specified herein in accordance with the terms hereof said covenants, conditions and restrictions shall expire. Each and every contract, deed or other instrument hereafter

executed covering or conveying the property or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, conditions, and restrictions, regardless of whether such covenants, conditions and restrictions are set forth in such contract, deed or other instruments. If a portion or portions of the property are conveyed, all of such covenants, conditions and restrictions shall run to each portion of the property. Owner, at its cost and expense, shall cause this Agreement to be duly recorded or filed and re-recorded or refiled in such places, and shall pay or cause to be paid all recording, filing, or other taxes, fees and charges, and shall comply with all such statutes and regulations as may be required by law, in the opinion of qualified counsel, in order to establish, preserve and protect the ability of Commerce or the State to enforce this Agreement.

2. Amendments: This Agreement may not be amended or modified except by a written instrument signed by each party hereto and recorded or filed as this Agreement was recorded and/or filed.

3. Notices: All notices required or permitted to be given pursuant to this Agreement must be in writing and will be deemed to have been duly given if delivered personally or mailed, postage prepaid, by registered or certified United States mail, return receipt requested, addressed to the parties at the following addresses:

If to Commerce:

Arizona Department of Commerce
Attn: HOME Program Manager
3800 N. Central, Suite 1200
Phoenix, AZ 85012

with copies to:

If to Owner:

Project Shelter, Inc.
Patricia Robison, President
P.O. Box 3663
Prescott, AZ 86302

Any party may change its address for notice purposes by giving notice to the other parties in accordance with this section.

4. Entire Agreement: This Agreement contains the entire understanding between the parties hereto with respect to the subject matter hereof.

5. Governing Law: This Agreement, as it may affect the rights, remedies and obligations of Commerce or the State, shall be governed by and construed in accordance with federal law. Insofar as federal law does not apply, the provisions of this Agreement shall be governed by and construed in accordance with the laws of the State of Arizona.

6. Severability: This Agreement is intended to be performed in accordance with, and only to the extent permitted by, all applicable laws, ordinances, rules and regulations. If any provision of this Agreement or the application thereof to any person or circumstance shall be held invalid or unenforceable, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected thereby, but rather shall be enforced to the greatest extent permitted by law.

7. Indemnification: Owner will protect, defend, indemnify, and hold harmless Commerce and the State from and against any and all liabilities, damages, demands, claims, suits, liens, and judgments of whatever nature including but not limited to claims for contribution or indemnification for injuries to or death of any person or persons caused by, in connection with, or arising out of any activities undertaken pursuant to this Agreement. Owner's obligation to protect, defend, indemnify, and hold harmless as set forth in this section shall include any and all attorneys' fees incurred by Commerce and/or the State in the defense or handling of said suits, demands, judgments, liens and claims and all attorneys' fees and investigation expenses incurred by Commerce and/or the State in enforcing or obtaining compliance with the provisions of this Agreement.

8. Section Titles: Section titles are for descriptive purposes only and shall not control or limit the meaning of this Agreement as set forth in the text.

9. Compliance With Laws, Permits and Certifications: Owner shall comply with all federal, state and local laws, codes, ordinances, rules, and regulations, conditions, and assurances and shall keep and maintain in effect at all times any and all licenses, permits, notices and certifications which may be required in regard to the property.

IN WITNESS WHEREOF, the undersigned have hereunto affixed their signatures as of the date listed below.

STATE OF ARIZONA DEPARTMENT OF COMMERCE

By: [Signature]
Signature

NAME: Dave Guthrie

TITLE: Deputy Director

DATE: 12/28/95

OWNER: PROJECT SHELTER, INC.

BY: [Signature]
Signature

NAME: _____

TITLE: Executive Director

DATE: 1-8-96

State of Arizona
County of Maricopa

This instrument was acknowledged before me this 28th day of December, 1995
by Dave Guthrie, Deputy Director of the Arizona Department of Commerce.

My Commission Expires:
Sept. 6, 1999

[Signature]
Notary Public

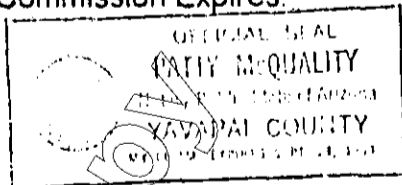


State of Arizona
County of ~~Maricopa~~ Yavapai

This instrument was acknowledged before me this 8 day of January,
1996 by Patricia L. Krieger, Executive Director of Project
Shelter, Inc.

My Commission Expires:

[Signature]
Notary Public



**EXHIBIT A
AFFIRMATIVE MARKETING PROCEDURES
STATE OF ARIZONA HOME PROGRAM**

All correspondence, notices, and advertisements related to the HOME funds shall contain either the Equal Housing Opportunity logo or slogan.

HOME assisted housing must comply with the following procedures for the required compliance period (depending on which program is utilized):

- Owners advertising vacant units must include the equal housing opportunity logo or statement. Advertising media must include general audience and minority-owned newspapers, radio, television, brochures, leaflets, or may involve simply a sign in a window.
- The owner shall solicit applications for vacant units from persons in the housing market who are least likely to apply for the HOME assisted housing without the benefit of special outreach efforts. In general, persons who are not of the race/ethnicity of the residents, as indicated in U.S. Census documents, of the neighborhood in which the rehabilitated building is located shall be considered those least likely to apply.
- The owner shall use community organizations, places of worship, employment centers, fair housing groups, housing counseling agencies, social service centers, or medical service centers as resources for this outreach.
- The owner must maintain a file containing all marketing efforts (i.e. copies of newspaper ads, memos of phone calls, copies of letters, etc.) and the records to assess the results of these actions, and make said documents available for inspection by the PJ.
- The owner shall maintain a listing of all tenants residing in each unit at the time of application submittal through the end of the compliance period.

The State will assess the affirmative marketing efforts of the owner by comparing predetermined occupancy goals (based upon the area from which potential tenants will be drawn) to actual occupancy data that the owner is required to maintain. Outreach efforts of the part of the owner will be evaluated by reviewing marketing efforts.

The State will assess the efforts of the owners receiving HOME funds during the rent-up period and marketing of the units by use of a compliance certification or personal monitoring visit to the project at least annually.

Where the owner fails to follow the affirmative marketing requirements, corrective actions shall include extensive outreach efforts to appropriate contacts to achieve occupancy goals, or other actions the State may deem necessary.

Each unit of general local government that subgrants the administration of this program must adopt affirmative marketing Procedures and requirements that meet the requirement in paragraphs (a) and (b) of 24 CFR 92.351.

When recorded, mail to:
 Martina Kuehl
 AZ Department of Commerce
 3800 N. Central, Suite 1200
 Phoenix, AZ 85012

EXHIBIT A

DEED OF TRUST
 R-91 D LawForms 8-79, 4-95

Effective Date: December 28, 1995	County and State Where Real Property is located: Yavapai, Arizona
Trustor: (Name, Mailing Address and Zip Code): Project Shelter, Inc. P.O. Box 3663 Prescott, Arizona 86302	Beneficiary: (Name, Mailing Address and Zip Code): Arizona Department of Commerce HOME Program 3800 N. Central Avenue, Suite 1200 Phoenix, Arizona 85012
Trustee: (Name, Mailing Address and Zip Code): Capital Title Agency, an Arizona corporation 138 N. Montezuma Prescott, Arizona 86301	Obligation Secured: (Indicate Nature, Date, and All Parties): Amount: \$548,760.00 HOME Contract No. 043-96 Dated 11/28/95 Note dated December 28, 1995 CCRs dated December 28, 1995
Subject Real Property: (Address or Location): 8505 Leigh Drive Prescott Valley, Arizona	Legal Description: 1. 2. 3. Proofed By Persons Whose Initials Appear to the Right
Subject Real Property: (Legal description):	

Lot 3264, PRESCOTT VALLEY, UNIT ELEVEN, according to the plat of record in Book 13 of Maps, Page 65, records of Yavapai County, Arizona.

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- 1. Conveyance.** Trustor irrevocably grants and conveys to Trustee in trust, with power of sale, the Subject Real Property, subject to covenants, conditions, restrictions, rights of way and easements of record, to be held as security for the payment by Trustor of the Obligation Secured and for the performance of other obligations of Trustor as set forth in this Deed of Trust.
- 2. Appurtenances.** Trustor grants, together with the Subject Real Property, all buildings and improvements now or hereafter erected thereon, and all fixtures attached to or used in connection with the Subject Real Property (including, without limiting the generality of the foregoing, all ventilating, heating, air conditioning, refrigeration, plumbing and lighting fixtures), together with all leases, rents, issues, profits or income therefrom (hereinafter "Property Income"), subject, however, to the right, power and authority hereinafter given to beneficiary to collect and apply such property income.
- 3. Taxes and Assessments and Trust Expenses.** Trustor shall pay before delinquent all taxes and assessments affecting the Subject Real Property or any part thereof, which appear to be prior or superior hereto all cost, fees and expenses of this trust and all lawful charges, costs and expenses of any reinstatement of this Deed of Trust following default.
- 4. Fire Insurance.** Trustor shall, at Trustor's expense, maintain in force fire and extended coverage insurance in any amount of

not less than the full replacement value of any buildings which may exist on the Subject Real Property with loss payable to Beneficiary. Trustor shall provide fire insurance protection on his furniture, fixtures and other personal property on the Subject of Real Property in an amount equal to the full insurable value thereof, and promises that any insurance coverage in this regard will contain a waiver of the insurer's right of the subrogation against Beneficiary.

5. **Liability Insurance.** Trustor shall, at Trustor's expense, maintain in force policies of liability insurance, with Beneficiary as an additional insured thereunder, insuring Trustor against any claims resulting from the injury to or the death of any person or the damage to or the destruction of any property belonging to any person by reason of Beneficiary's interest hereunder or the use and occupancy of the Subject Real Property by Trustor. Such insurance shall be in the following amounts

5a. \$ _____ against any claim resulting from injury to or the death of any one person;

5b. \$ _____ against any claim resulting from injury to or the deaths of any number of persons from any one accident.

5c. \$ _____ against any claim resulting from the damage to or destruction of any property belonging to any person.

6. **Processing of Insurance Policies.** Trustor shall promptly deliver to Beneficiary the originals or true and exact copies of all insurance policies required by this Deed of Trust. Trustor shall not do or omit to do any act which will in any way impair or invalidate any insurance policy required by this Deed of Trust. All insurance policies shall contain a written obligation of the insurer to notify Beneficiary in writing at least 10 days prior to any cancellation thereof.

7. **Indemnification of Trustee and Beneficiary.** Trustor shall hold Trustee and Beneficiary harmless from, and indemnify them for, any and all claims raised by any third party against Trustee or Beneficiary resulting from their interests hereunder or the acts of Trustor. Such indemnification shall include reasonable attorney's fees and costs, including cost of evidence of title.

8. **Right of Beneficiary or Trustee to Pay Obligations of Trustor.** If Trustor fails or refuses to pay any sums due to be paid by it under the provisions of this Deed of Trust, or fails or refuses to take any action as herein provided, then Beneficiary or Trustee shall have the right to pay any such sum due to be paid by Trustor and to perform any act necessary. The amount of such sums paid by Beneficiary or Trustee for the account of Trustor and the cost of any such action, together with interest thereon at the maximum legal contractual rate per annum from the date of payment until the satisfaction shall be added to the Obligation Secured. The payment of Beneficiary or Trustee of any such sums or the performance of any such action shall be prima facie evidence of the necessity therefor.

9. **Condemnation.** Any award of damages in connection with any condemnation or injury to any of the Subject Real Property by reason of public use or for damages for private trespass or injury thereto, are assigned in full and shall be paid to Beneficiary, who shall apply them to payment of the principal of the Obligation Secured, the interest thereon and any other charges or amount secured hereby in such manner as Beneficiary may elect. Any remaining balance shall be paid to Trustor. Beneficiary may, at Beneficiary's option, appeal from any such award in the name of Trustor. Unless Trustor and Beneficiary otherwise agree in writing, any application of such proceeds to principal shall not extend or postpone the due dates of any installment payments of the Obligation Secured or change the amount of such payments.

10. **Care of Property.** Trustor shall take reasonable care of the Subject Real Property and the buildings thereon ordinary depreciation excepted. Trustor shall commit or permit no waste and do no act which will unduly impair or depreciate the value of the Subject Real Property as required, then Beneficiary or Trustee, at their option, may make necessary repairs and add the cost thereof to the Obligation Secured. Trustor shall purchase and use on the Subject Real Property the amount of water to which it is or shall be entitled and shall not abandon any water rights, power rights or any rights of whatever nature which are appurtenant to the Subject of Real Property.

11. **Right to Inspect Subject Real Property.** At all convenient and reasonable times, upon prior notice to Trustor, Beneficiary or Trustee shall have the right and license to go on and into the Subject Real Property to inspect it in order to determine whether the provisions of the Deed of Trust are being kept and performed.

12. **Acceleration.** In the event of default by Trustor, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to trustee of written notice setting forth the nature thereof and of election to cause the Subject Real Property to be sold under this Deed of Trust. Beneficiary shall also deposit with Trustee all documents evidencing the Obligation Secured and any expenditures secured hereby.

13. **Event of Default.** Each of the following shall be considered an event of default of this Deed of Trust:

a. The failure of Trustor to make any payment due hereunder or under the Obligation Secured on or before the due date; thereof.

b. The failure of Trustor to perform any duty required by this Deed of Trust.

c. The sale or attempted sale of the Subject Real Property by Trustor without the consent of Beneficiary.



d. The removal or attempted removal by Trustor of any property included in the Subject Real Property without the consent of Beneficiary;

e. Abandonment of the Subject Real Property by Trustor;

f. The filing, execution or occurrence of:

- (1) A petition in bankruptcy by or against Trustor,
- (2) A petition or answer seeking a reorganization, composition, readjustment, liquidation, dissolution or other relief of the same or different kind under any provision of the Bankruptcy Act,
- (3) Adjunction of Trustor as a bankrupt or insolvent, or insolvency in the bankruptcy equity sense,
- (4) An assignment by Trustor for the benefit of creditors, whether by trust, mortgage or otherwise,
- (5) A petition or other proceedings by or against Trustor for the appointment of a trustee, receiver, guardian, conservator or liquidator of Trustor with respect to all or substantially all of its property,
- (6) Trustor's dissolution or liquidation, or the taking of possession of Trustor's property by any governmental authority in connection with dissolution or liquidation.

g. A determination by Beneficiary that the security of the Deed of Trust is inadequate or in danger of being impaired or threatened from any cause whatsoever.

14. Trustee's Sale. Upon receipt of Beneficiary's notice of election to cause the Subject of Real Property to be sold, Trustee shall, in accordance with all provisions of law, give notice of Trustee's sale and, after the lapse of the required amount of time, sell the Subject Real Property at public auction, at the time and place specified in the Notice of Trustee's Sale, to the highest bidder for cash in lawful money of the United States, payable at the time of sale. Any persons, including Trustor, Trustee or Beneficiary may purchase at the Trustee's Sale. Trustee may postpone or continue the sale by giving notice of postponement or continuance by public declaration at the time and place last appointed for sale. Upon sale, Trustee shall deliver to the purchaser a Trustee's Deed conveying the Subject Real Property, but without any covenant or warranty, expressed or implied.

15. Proceeds of Trustee's Sale. After deducting all costs, fees and expenses of Trustee and of this trust, including the cost of evidence of title in connection with the sale and reasonable attorney's fees, trustee shall apply the proceeds of sale to payment of all sums then secured hereby and all other sums due under the terms hereof, with accrued interest, and the remainder, if any, to the persons legally entitled thereto or as provided by ARS §33-812.

16. Deficiency Judgment. Unless prohibited by law, Beneficiary shall be entitled to a deficiency judgment against Trustor if the Trustee's Sale yields an amount insufficient to fully satisfy Trustor's obligation hereunder. ARS §33-814

17. Defaults on Prior Encumbrances. If there are mortgages upon the Subject Real Property or other encumbrances which are prior in time or prior in right, then Trustor promises to comply with the terms of these prior mortgages or encumbrances. If Trustor fails to comply with such terms and defaults on these mortgages or obligations, such default shall also be considered a default of this Deed of Trust, and Trustee or Beneficiary herein may advance the moneys necessary to remedy such defaults, and, if it does, such moneys shall be added to the obligation secured and shall bear the maximum contractual legal rate of interest from the date moneys are tendered. Beneficiary may also proceed on this default by exercising the same remedies it has on this Deed of Trust.

18. Foreclosure and Other Remedies. In lieu of sale pursuant to the power of sale conferred hereby, this Deed of Trust may be foreclosed in the same manner provided by law for the foreclosure of mortgages on real property. Beneficiary shall also have all other rights and remedies available hereunder and at law or in equity. All rights and remedies shall be cumulative.

19. Reinstatement After Default. Notwithstanding Beneficiary's acceleration of sums secured by this Deed of Trust, Trustor shall have the right to have any proceedings begun by Beneficiary to enforce this Deed of Trust discontinued and to have this Deed of Trust reinstated at any time before the day of the Trustee's Sale or before the filing of a foreclosure action. In order to have the Deed of Trust reinstated after default, the Trustor must:

- a. Pay to beneficiary the entire amount due under this Deed of Trust and the Obligation Secured, other than such portion of the principal as would not be due had no default occurred,
- b. Cure all defaults or any covenants or agreements of Trustor as contained in this Deed of Trust,
- c. Pay costs and expenses incurred by Beneficiary and Trustee in enforcing the terms of this Deed of Trust and pursuing remedies,
- d. Pay reasonable attorney's fees actually incurred by Beneficiary and Trustee, in an amount not to exceed \$250 or one-half of one percent of the entire unpaid principal sum secured, whichever is greater,
- e. Pay the recording fee for any cancellation of notice of sale,
- f. Pay the Trustee's fees, in an amount not to exceed \$250 or one-half of one percent of the entire unpaid principal sum secured, whichever is greater. Upon reinstatement, this Deed of Trust and the obligation secured hereby shall remain in full force and effect as if no acceleration had occurred.

20. Assignment of Property Income. As additional security, Trustor hereby gives Beneficiary the right, power and authority during the continuance of this Trust, to collect the property income, reserving to Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such property income as it becomes due and payable.

Upon any such default, Beneficiary may at any time, without notice, either in person, by agent or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of the Subject Real Property or any part thereof; in its own name sue for or otherwise collect such property income, including that past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby; and in such order as Beneficiary may determine. The entering upon and taking possession of the Subject Real Property, the collection of such property income and the application thereof, shall not cure or waive any default or notice of Trustee's Sale hereunder or invalidate any act done pursuant to such notice.

21. Acts of Trustee Affecting Subject Real Property. At any time, without notice, upon written request of Beneficiary and presentation of this Deed of Trust and the Obligation Secured for endorsement, Trustee may, without liability, release and reconvey all or any part of the Subject of Real Property; consent to the making and recording, or either, of any map or plat of all or any part of the Subject Real Property; join in granting any easement thereon; join in or consent to any extension agreement or any agreement subordinating the lien, encumbrance or charge hereof. Any such action by Trustee may be taken without affecting the personal liability of any person for payment of the indebtedness secured hereby, without affecting the security hereof for the full amount secured hereby on all property remaining subject hereto, and without the necessity that any same representing the value or any portion thereof of the property affected by Trustee's action be credited on the indebtedness.

22. Satisfaction of the Obligation. If Trustee receives full payment of the Obligation Secured in the amount secured, at the request of Trustor, Trustee shall acknowledge satisfaction of the Deed of Trust by recording and delivering to Trustor a Satisfaction or Release of Realty Deed of Trust. ARS §33-712.

23. Notices. Copies of all notices and communication concerning this Deed of Trust shall be mailed to the parties at the addresses specified in this Deed of Trust, and any change of address shall be communicated to the other party in writing. Any documents which may adversely affect the rights of any party to this Deed of Trust shall be dispatched by Certified Mail, Return Receipt Requested.

24. Headings. The marginal or topical headings of the provisions herein are for convenience only and do not define, limit or construe the contents of these provisions. **25. Interpretation.** In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and neuter, and the singular number includes the plural and vice versa.

26. Applicable Law. This Deed of Trust shall be subject to and governed by the laws of the State of Arizona, regardless of the fact that one or more parties now is or may become a resident of a different state.

27. Waiver. Any waiver by either party of a breach of any provision of this Deed of Trust shall not operate or be construed as a waiver of any subsequent breach hereof.

28. Succession of Benefits. The provisions of this Deed of Trust shall inure to the benefit of and be binding upon the parties hereto, their heirs, personal representatives, conservators and permitted assigns.

29. Successor Trustee. Beneficiary may appoint a Successor Trustee in the manner prescribed by law. A Successor Trustee herein shall, without conveyance from the predecessor Trustee, succeed to all predecessor's title, estate, rights, powers and duties. Trustee may resign by mailing or delivering notice thereof to Beneficiary and Trustor.

30. Entire Agreement. The terms of this Deed of Trust constitute the entire agreement between the parties, and the parties represent that there are no collateral or side agreements not otherwise provided for within the terms of this Deed of Trust.

31. Time of Essence. Time is of the essence in this Deed of Trust and every term, condition, covenant and provision hereof.

32. Modification. No modification of this Deed of Trust shall be binding unless evidenced by an agreement in writing and signed by both parties.

33. Partial Invalidity. If any provision of this Deed of Trust is held to be invalid or unenforceable, all the remaining provisions shall nevertheless continue in full force and effect.



See attached Addendum to Deed of Trust which is hereby incorporated herein.

PROJECT SHELTER, INC.

Capital Title Agency, an Arizona corporation

By: _____

By: _____

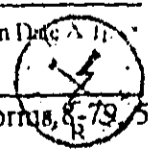
Its: _____

Its: _____

Signature of Trustor

Signature of Trustee

STATE OF COUNTY OF	Acknowledgment - On this date, before me, a Notary Public, personally Appeared	Signature of Notary Public
Date of Acknowledgment:	known to me or satisfactorily proven to be the person whose name is subscribed to this instrument and acknowledged that he executed the same	Notary Expiration Date
STATE OF COUNTY OF	Acknowledgment - On this date, before me, a Notary Public, personally Appeared	Signature of Notary Public
Date of Acknowledgment	known to me or satisfactorily proven to be the person whose name is subscribed to this instrument and acknowledged that he executed the same	Notary Expiration Date



ADDENDUM TO DEED OF TRUST

The Deed of Trust made on December 28, 1995 (date) by Trustor, Project Shelter, Inc. and Trustee Capital Title Agency, an Arizona corporation, is modified as follows:

Item 26 of the Deed is changed to read:

Applicable Law. This Deed of Trust shall be subject to and governed by the laws of the State of Arizona, in particular the provisions of ARS Title 33, chapter 6.1, regardless of the fact that one or more parties now is or may become a resident of a different state.

Item 30 of the Deed is changed to read:

ENTIRE AGREEMENT. The terms of this Deed of Trust and this attached Addendum executed this date constitutes the entire agreement among the parties, and the parties represent that there are no collateral or side agreements not otherwise provided for within the terms of this Deed of Trust.

Item 32 of the Deed is changed to read:

Modification. No other modification of this Deed of Trust shall be binding unless evidenced by an agreement in writing and signed by all parties.

The following provisions are added:

35. In the event all or any part of the property or any interest in it is sold, conveyed, or encumbered, all obligations secured by the Deed shall become due and payable immediately upon notice to the Trustee by the Beneficiary.

36. The Trustor, indemnifies the Beneficiary and Trustee against any liability for the violation by the Trustor or its affiliates of any Federal or State Statute, law or regulation dealing with environment. The Trustor warrants that he will comply with those laws or regulations. The Trustor warrants the mortgaged property does not contain any hazardous substance and indemnifies the Beneficiary and the Trustee as to any liability for hazardous waste disposal or cleanup. The warrant and indemnification shall survive any foreclosure of the Deed of Trust or the acceptance of a Deed in Lieu of Foreclosure. Trustor shall promptly notify the Beneficiary and the Trustee of any suspected or alleged environmental violations during the term of this loan.

Project Shelter, Inc.

By: _____
Its: Trustor

Capital Title Agency, an Arizona corporation

By: _____
Its: Trustee

{C-19, Rev. 12-90}

State of _____

County of _____

The foregoing instrument was acknowledged before me this _____

day of _____, 19____, by _____,

of the _____.

Notary Public

My Commission Expires: _____