

When Recorded Return to:
 Arizona Department of Housing
 ATTN: Finance and Accounting Administrator
 1110 W. Washington Street, Suite 310
 Phoenix, AZ 85007

DEED OF TRUST

Effective Date:	County and State Where Project Property is located: County, Arizona			
Trustor (Name, Mailing Address and Zip Code):	Beneficiary (Name, Mailing Address and Zip Code): State of Arizona Arizona Department of Housing, <i>its successors or assigns</i> 1110 W. Washington Street, Suite 310 Phoenix, AZ 85007			
Trustee (Name, Mailing Address and Zip Code): ESCROW#	Obligation Secured (Indicate Nature, Date and All Parties): Maturity Date: HOME Amount: \$ HTF Amount: \$ Agreement No.			
Project Property (Project Name, Address or Location):	Legal Description Reviewed by Persons Whose Initials Appear to the Right	1.	2.	3.

Project Property (Legal Description)
 SEE EXHIBIT A

1. Conveyance. Trustor irrevocably grants and conveys to Trustee in trust, with power of sale, the Project 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 as described on the cover page hereof, and for the performance of other obligations of Trustor as set forth in this Deed of Trust.

2. Appurtenances. Trustor grants, together with the Project Property, all buildings and improvements now or hereafter erected thereon, and all fixtures attached to or used in connection with the Project 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. Obligation Secured. The obligations secured by this Deed of Trust are the Funding Agreement executed by and between Trustor and Beneficiary and dated _____, 20____, and the Promissory Note and the Declaration of Covenants, Conditions, and Restrictions executed by Trustor in favor of Beneficiary in conjunction with this Deed of Trust.

4. Taxes and Assessments and Trust Expenses. Trustor shall pay before delinquent taxes and assessments affecting the Project 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 the Deed of Trust following default.

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

6. 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 Project Property by Trustor. Such insurance shall be in the following amounts:

- a. \$1,000,000 against any claim resulting from injury or death of any one person.
- b. \$2,000,000 against any claim resulting from injury or death of any number of persons from any one accident.

c. \$1,000,000 against any claim resulting from the damage to or destruction of any property belonging to any person.

7. 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 that shall 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.

8. 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, including but not limited to claims secured by any liens or encumbrances placed on the Project Property, against Trustee or Beneficiary resulting from their interests hereunder or the acts of Trustor except to the extent that any claim raised by a third party is the result of the gross negligence or intentional misconduct of the Trustee or the Beneficiary. Such indemnification shall include reasonable attorney's fees and costs, including cost of evidence of title.

9. Right 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 therefore.

10. Casualty, Condemnation, and Eminent Domain. Subject to the written requirements of an agreement between a lender identified in Exhibit C to the Note secured by this Deed of Trust ("the Note") and Beneficiary, Trustor represents, warrants and agrees that if the Project Property, or any portion thereof or any improvement thereon ("the Project"), shall be damaged or destroyed or shall be condemned or acquired for public use, that the proceeds of any such condemnation or acquisition shall assigned in full and paid to the Beneficiary, who shall cause such proceeds to be used to repair and restore same to substantially the same condition as existed prior to the event causing such damage or destruction, or to relieve the condemnation, and thereafter operate the Project in accordance with the terms of the Loan Documents as that term is defined in the Note. Provided, however, that if repair or restoration of the Project is not practicable, Trustor shall not be obligated to repair or restore the Project, and an award of damages under this paragraph up to the amount of the unpaid principal and accrued interest of the Obligation Secured described in the Loan Documents may be retained by Beneficiary and any remaining balance shall be paid to Trustor. Beneficiary shall be a party to any agreement relating to the use of condemnation proceeds or insurance proceeds from damage to the Project

to repair and restore the Project. Beneficiary may, at Beneficiary's option, appeal from any such award in the name of Trustor.

11. Care of Property. Trustor shall take reasonable care of the Project Property and the buildings thereon and shall maintain them in good repair and condition as at the original date of this Deed of Trust, ordinary depreciation excepted. Trustor shall commit or permit no waste and do no act which shall unduly impair or depreciate the value of the Project Property as required, then Beneficiary or Trustee may contract or pay for repairs and remediation necessary to restore the Project Property, in which case Trustor shall at the option of the Beneficiary, reimburse Beneficiary for the reasonable cost of such repairs and remediation, or execute a promissory note for the amount of repairs and remediation secured by a deed of trust in favor of Beneficiary. Trustor shall purchase and use on the Project 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 Project Property.

12. Right to Inspect Project 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 Project Property to inspect it in order to determine whether the provisions of the Loan Documents (as that term is defined in the Promissory Note) are being kept and performed.

13. Acceleration. In the event of default by Trustor, Beneficiary may declare the Obligations Secured immediately due and payable by delivery to trustee of written notice setting forth the nature thereof and of election to cause the Project 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.

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

- a. The occurrence of an event of default or breach of any provision of the Promissory Note or any other term of this Deed of Trust or failure of Trustor to pay on demand by Beneficiary any amount for which demand is made on Beneficiary by the U.S. Department of Housing and Urban Development arising from the failure by Trustor or the Project Property to comply with the HOME Program as that term is defined in the Promissory Note;
- b. The failure of Trustor to perform any duty or obligation required by the Funding Agreement, and the Declaration of Covenants, Conditions, and Restrictions and such failure continues after applicable cure periods;
- c. The sale or attempted sale of the Project Property by Trustor without the consent of Beneficiary which consent will not be unreasonably withheld, conditioned or delayed;
- d. The removal or attempted removal by Trustor of any property included in the Project Property without the consent of Beneficiary;
- e. Abandonment of the Project Property by Trustor;
- f. The filing, execution or occurrence of:

- (1) A petition in bankruptcy by or against Trustor which is not dismissed within sixty (60) days;
 - (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 which is not dismissed within sixty (60) days;
 - (3) Adjudication 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 which appointment is not discharged within sixty (60) days;
 - (6) Trustor's dissolution (whether administrative, by order of court or otherwise) or liquidation, or the taking of possession of Trustor's property by any governmental authority in connection with dissolution or liquidation; and,
- g. Failure to provide reasonable additional assurances requested by Beneficiary or Trustee. For the purpose of this subparagraph, the term "additional assurances" does not include increases in the principal amount, the stated interest rate, or reduction in the term of the Obligation Secured.
- h. Cure Rights.
- (1) Beneficiary shall give Trustor and any other person identified in paragraph 24, below, simultaneous written notice of any monetary Event of Default occurring under the terms of the Note prior to exercising any remedies thereunder. Trustor shall have a period of ten (10) business days after receipt of such notice, or such longer period of time as may be set forth in the Note, to cure the default prior to Lender's exercise of remedies under the Note or this Deed of Trust.
 - (2) Beneficiary shall give Trustor and any other person identified in paragraph 24, below, simultaneous written notice of any non-monetary default or Event of Default occurring under the terms of the Loan Documents, as that term is used in the Note, prior to exercising any remedies. Such non-monetary default or Event of Default shall not remain uncured for more than 60 calendar days. If Beneficiary determines that Trustor has taken and diligently, continually, and in good faith continues corrective action and that the non-monetary default or Event of Default cannot be corrected within the 60-day cure period, Beneficiary may, in its sole discretion, allow Trustor such additional time as may be reasonably necessary to cure the non-monetary default or Event of Default before Beneficiary exercises any remedies.

- (3) Beneficiary agrees that any cure of any Event of Default described in the Loan Documents by any person identified in paragraph 24, below, shall be deemed to be cure by Trustor and shall be accepted or rejected on the same basis as if made by Trustor.

15. Trustee's Sale. Upon receipt of Beneficiary's notice of election to cause the Project Property to be sold, Trustee shall, in accordance with all provisions of law, give Trustor notice of the trustee's sale and, after the lapse of the required amount of time, sell the Project 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 the 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 the sale. Upon sale, Trustee shall deliver to the purchaser a Trustee's Deed conveying the Project Property, but without any covenant or warranty, expressed or implied.

16. Proceeds of Trustee's Sale. After deducting all costs, fees, and expenses of the Trustee and of this Deed of 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 A.R.S. § 33-812.

17. Defaults on Prior Encumbrances. If there are mortgages upon the Project 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 monies necessary to remedy such defaults, and, if it does, such monies shall be added to the Obligation Secured and shall bear interest at the rate of 0.5% per month from the date monies 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.

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;
- e. Pay the recording fee for any cancellation of notice of sale;
- f. Pay the reasonable actual fees incurred by Trustee arising from the Event of Default. Upon reinstatement, this Deed of Trust and the Obligation Secured 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 Deed of Trust, to collect the property income, reserving to Trustor the right, prior to any Event of Default by Trustor, to collect and retain such property income as it becomes due and payable.

21. Right of Entry and Appointment of Receiver. Upon any Event of 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 Project 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; or as otherwise appropriate to preserve Beneficiary's security interest and ensure compliance with the HOME Program, Department Guidance, and Federal Guidance (as those terms are defined in the Promissory Note); and in such order as Beneficiary may determine. The entering upon and taking possession of the Project 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.

22. Acts of Trustee Affecting Project 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 Project Property; consent to the making and recording, or either; of any map or plat of all or any part of the Project 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 sum representing the value or any portion thereof the property affected by Trustee's action be credited on the indebtedness.

23. Satisfaction of the Obligation. If Trustee receives full payment of the Obligation Secured in the amount secured or at the Maturity Date of the Promissory Note, whichever is earlier, at the

request of Trustor, Beneficiary or Trustee shall acknowledge satisfaction of the Deed of Trust by recording and delivering to Trustor a Satisfaction or Release of Realty Deed of Trust in accordance with A.R.S. § 33-712. However, the Declaration of Covenants, Conditions and Restrictions recorded against the Project property shall remain in full force and in effect for the entire duration of its term.

24. 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.

25. 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.

26. 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.

27. 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 A.R.S. Title 33, chapter 6.1, regardless of the fact that one or more parties is now or may become a resident of a different state.

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

29. Succession of Benefits. The provisions of this Deed of Trust shall inure to the benefit of and be binding upon the parties hereto and their successors and assigns.

30. 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 predecessors' title, estate, rights, powers and duties. Trustee may resign by mailing or delivering notice thereof to Beneficiary and Trustor.

31. Entire Agreement. The terms of this Deed of Trust and the attached Exhibit A 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.

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

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

34. 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.

35. Encumbrances. In the event all or any part of the Project Property or any interest in it is sold, conveyed, or encumbered without the prior written consent of the Beneficiary, such consent not to be unreasonably withheld, all obligations secured by the Deed of Trust shall become due and payable immediately upon notice to the Trustee by the Beneficiary.

36. Environmental Indemnity. 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 it shall 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. This warranty 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 the Obligation Secured.

37. Subordination. [enter subordination language if required, check terms of Intercreditor and Subordination Agreement, or required HUD language, if any]

[insert if necessary Signatures on Following Page]

[Trustor entity], a [state][entity type]	[Trustee]
By: [G.P. or MM], a [state][entity type]	
its General Partner[Managing Member]	
[Sole Member]	

[name], its: [authority/title]
Signatures of Trustors

[name], [authority/title]
Signatures of Trustees

[insert if necessary Acknowledgements on Following Page]

STATE OF _____)
) ss
County of _____)

On this the _____ day of _____, 20____, before me, a Notary Public, personally appeared _____, known to me or satisfactorily proven to be the person whose name is subscribed to this instrument and acknowledged that he executed the same. If this person's name is subscribed in a representative capacity, it is for the principal named and in the capacity indicated.

Notary Expiration Date

Signature of the Notary Public for Trustor

[STAMP/SEAL]

STATE OF _____)
) ss
County of _____)

On this the _____ day of _____, 20____, before me, a Notary Public, personally appeared _____, known to me or satisfactorily proven to be the person whose name is subscribed to this instrument and acknowledged that he executed the same. If this person's name is subscribed in a representative capacity, it is for the principal named and in the capacity indicated.

Notary Expiration Date

Signature of the Notary Public for Trustee

[STAMP/SEAL]

EXHIBIT A
LEGAL DESCRIPTION

[insert Legal Description]