MASSACHUSETTS HOUSING PARTNERSHIP
LIMITED DIVIDEND POLICY

September 2013

This document addresses MHP's policy regarding the limited dividend requirements for Chapter 40B rental housing developments for which MHP is serving as the subsidizing agency. General provisions of this policy are covered in the paragraphs below, and the reader is referred to the "basecamp" websites identified below for the calculation tools, and the specific guidances applicable to these tools, that are used to arrive at the profit limitations applicable respectively to the construction phase and to the long-term operational phase of the development

The profit limitations regarding the **construction phase** are calculated based on a cost certification prepared by a certified public accountant. There are specific schedules to be completed as part of the cost certification and they can be found at the following "cost certification" basecamp website:

https://40bcostcert.basecamphq.com
username -- guest40
password -- guest04

The profit limitations regarding the **operational phase** are calculated based on the annual audited financial statement for the property. There is a specific schedule to be completed, and included in the audit, which determines whether or not the owner must make a deposit into an account used to hold funds earned by the development in excess of the maximum cash flow allowed. They can be found at the following "annual computation of limited dividend and excess equity" basecamp website:

https://40bcostcert.basecamphq.com
username: aguest40
password: aguest04

1. Cost Certification

MHP requires, prior to the closing of its permanent loan, the completion of a satisfactory cost certification for the housing development, which establishes "Adjusted Total Development Cost", with itemization showing acquisition cost, hard costs, hard cost contingency drawn, developer fee, developer overhead, and soft costs itemized according to MHP's requirements. The cost certification is the basis for the calculation of: (i) maximum allowable developer fee and (ii) maximum allowable annual limited dividend (herein, "MAALD").

2. Maximum Allowable Developer Fee

MHP limits the maximum development fee in 40B rental housing developments to the sum of 5% of acquisition cost plus the standard Department of Housing and Community Development (DHCD) maximum allowable developer fee, which is a layered calculation resulting in a fee equal to between 8 and 12% of the project's development cost. In the calculation of acquisition cost, the acquisition cost used can be no greater than the lower of (a) the value of the land based on current zoning prior to the issuance of a comprehensive permit (the "As-Is Market Value") plus carrying costs, if any, deemed reasonable (together, the "Pre-Permitting Land Value"), or (b) actual acquisition price. This figure, which is explained in detail in the cost certification basecamp website, is referred to as "Allowable Acquisition Cost". (NOTE: If the actual acquisition price is less than the Allowable Acquisition Cost, the difference will be credited toward Owner Equity in the calculation of the MAALD.)

The owner must agree to have MHP engage, at the owner's expense, an appraisal by an appraiser pre-qualified by DHCD to perform 40B-related appraisals. Such appraisal will determine As-Is Market Value.

3. Maximum Allowable Annual Limited Dividend as a Function of Owner's Equity:

As the subsidizing agency for a 40B rental housing development, MHP must determine the MAALD available to the owner in the years following the completion and occupancy of the property being developed (herein, the "Property"). Broadly described, the MAALD is 10% of "Owner's Equity", which is calculated according to the formulas contained on the cost certification basecamp website. The website contains calculation tools that are separate and distinct for developments using tax credits and for developments not using tax credits.

4. Limited Dividend Distributions:

Pursuant to the Chapter 40B Regulatory Agreement to be entered into by the owner and MHP (the "Regulatory Agreement"), the owner is required to provide MHP, within ninety (90) days of its fiscal year end, audited financial statements and a completed version of MHP's Annual Limited Dividend Financial Report (ALDFR), located on the annual report basecamp website Should the owner fail to submit timely the ALDFR to MHP in any given year, the owner shall be deemed to have waived and relinquished any limited dividend distribution(s) to which it might otherwise have been entitled for such year.

The limited dividend distribution may be taken from cash flow either at the end of the year or during the year. If cash was distributed during the year, the owner will be required to pay to MHP the amount, if any, that the cash flow distributions exceeded the MAALD. These funds will be deposited in a bank account established pursuant to the Regulatory Agreement (the "Excess Revenue Account").

If in any preceding fiscal year, the cash flow from the development was insufficient to allow for all or a portion of the maximum limited dividend distribution for such fiscal year, the owner shall be entitled to take its limited dividend distribution for such preceding fiscal year or years, plus up to 5% simple interest thereon, in the current fiscal year. If the cash flow from the development for the current fiscal year is insufficient to allow the owner to take its MAALD, and there are funds in the Excess Revenue Account, MHP shall distribute to the owner an amount equal to the unpaid portion of the MAALD for such fiscal year, provided, however, that in no event shall the amount so distributed exceed the amount available in the Excess Revenue Account.

Repayment(s) of any developer's fee loans will be treated as a limited dividend distribution and shall only be paid upon a written notice that MHP has approved the current ALDFR.

5. Term of Limited Dividend

The term of the limited dividend requirement is a minimum of 15 years after the date the Property begins general Development Revenue, as defined in and determined pursuant to the Regulatory Agreement.

6. Re-Evaluation of Owner Equity:

Owner equity may be re-established not more than once every five (5) years. The initial evaluation of owner equity will occur at the time of execution of the Regulatory Agreement, and will be updated at the closing of the MHP permanent financing following cost certification. The re-evaluation of owner equity may not occur until, at the earliest, the end of the fifth year after the closing of the MHP permanent financing (the "Fifth Anniversary"). Upon the Fifth Anniversary and every five (5) years thereafter, at the owner's expense and election, MHP will commission an updated appraisal to determine whether there has been a change in the estimated market value of the Property. Owner's equity shall be adjusted to reflect (a) the appraised market value subject to applicable use restrictions minus (b) the outstanding loan amount and the amounts of any subordinated debt provided to cover the costs of the project. The new MAALD will be 10% times adjusted owner's equity. A sale or refinancing of the Property shall not result in a new evaluation of owner's equity; the re-evaluation may occur only on the five-year cycle.

7. Monitoring:

MHP will commence monitoring the owner's compliance with the Regulatory Agreement beginning on the date of execution of the Regulatory Agreement, at no cost to the owner. Commencing upon the earlier of prepayment of the MHP loan or its maturity, and continuing until expiration of the term of the Regulatory Agreement, MHP or its designee will continue to monitor the owner's compliance with the Regulatory Agreement. During this time period, MHP will be compensated annually based on the compensation schedule described in the Regulatory Agreement. The Borrower will receive an annual invoice for MHP's monitoring services fee which will be indexed annually consistent with the U.S. Department of Labor's Bureau of Statistics Consumer Price Index for Urban Consumers beginning with the first available Index following the loan closing date. The Borrower should refer to the Regulatory Agreement for additional information on the calculation of the monitoring fee. The Borrower is required to pay the annual monitoring fee invoice in full within thirty (30) days of the date of the invoice. Failure or refusal to pay timely the annual monitoring services invoice shall constitute a breach of the Regulatory Agreement and shall result in a forfeiture of any limited dividend distribution to which the Borrower would otherwise have been entitled for such year.