

CONTRACTOR'S DILIGENCE AGREEMENT

THIS CONTRACTOR'S DILIGENCE AGREEMENT (this "Agreement"), made as of

_____ between _____

("Contractor"), _____

(collectively, the "Borrower") and DFI Capital and its affiliates (collectively, "Lender") (Contractor, Borrower and Lender are collectively called the "parties" in this Agreement), who agree as follows:

1. Lender's Right to Demand Diligent Performance. As a material inducement to make its loan (the "Loan") to Borrower, Contractor agrees to commence and to diligently perform to completion its rehab/construction contract (the "Contract") with Borrower. The parties agree that, notwithstanding any different completion schedule in the Contract, the construction will commence on _____ and, absent Excused Delays (as defined below) shall be substantially completed on the following schedule:

Substantial Completion Event	Substantial Completion Date
ESTIMATED FINAL COMPLETION DATE	

2. Lender's Right to Give Notice of Demand for Performance. If at any time Lender reasonably believes that the construction is not proceeding at a pace to complete construction in accordance with the above schedule, Lender shall have the right to give both Contractor and Borrower a "48 Hour Notice." The 48 Hour Notice is a written notice that: (a) specifies the lack of diligence by Contractor in completing construction on the above schedule and (b) demands that within 48 hours of receipt, Contractor shall have and shall continue to maintain sufficient labor and materials full-time on the jobsite to meet the above schedule. Within 48 hours of receipt of the 48 Hour Notice, Contractor shall be in default under the Contract and Borrower shall be in default under the loan documents unless: (a) Lender receives written confirmation that Contractor will comply with the 48 Hour Notice and (b) substantially and in good faith complies with the contents of 48 Hour Notice. If Lender declares a default because either (a) or (b) of the preceding sentence has not occurred, or once construction commences, it does not diligently proceed to meet the above schedule, Lender may issue a Declaration of Default and serve the same on Contractor and Borrower. Upon service of the Declaration of Default, Borrower shall have the right to terminate Contractor immediately and to retain a replacement contractor. If Borrower serves notice of termination on Contractor within the following two business days, Borrower shall have a further 14 days to retain and to obtain the approval of Lender to the replacement contractor. Upon service of the notice of termination on Contractor, Borrower's liability to Contractor shall cease, except for payment for conforming labor performed and conforming materials delivered prior to the date of termination. Contractor hereby assigns to Owner and the replacement contractor any and all subcontracts, material orders and other arrangements Contractor has made to complete the project, which the Owner and the replacement contractor shall be free to use or to reject in their absolute discretion. Contractor shall remain liable to Owner for any difference in the remaining Contract price and the reasonable price of the new contract with the replacement contractor, in addition to any other damages that may be applicable. **TIME IS OF THE ESSENCE OF THIS AGREEMENT.**

3. Excused Delays. The schedule in paragraph 1 shall be extended for any of the following causes that reasonably cause a delay in construction: rain in excess of the season norm, labor union strike, war, vandalism of the construction site notwithstanding the reasonable efforts of Contractor to protect the site, a building moratorium, a material breach of the Contract by Owner after a 10 day written notice and opportunity to cure served on both Owner and Lender, earthquake, or court order (collectively, the "Excused Delays").

4 Notices. Any notices required or desired to be given by the parties shall be in writing. Notices may be served personally, certified mail-return receipt requested, or by facsimile transmission. Notices given personally shall be deemed given upon delivery. Notices given by mail shall be deemed given 2 mail days after the deposit thereof in the United States Mail. Notices given by facsimile shall be deemed given when transmitted. Any party may change its address for notice purposes by notice to the other parties. Notices shall be addressed as follows until changed:

Lender: DFI Capital
4120 Douglas Blvd. #306-521
Granite Bay, CA 95746
Fax No: 916-782-1685

Borrower: _____

Fax No: _____

Contractor: _____

Fax No: _____

5. Effect of this Agreement. This Agreement is intended to modify and supercede all other agreements between the parties to the extent it is inconsistent with any other agreements. It may be modified or waived only by a agreement in writing signed by all parties. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and collectively shall constitute one instrument. A signature of a party contained on a facsimile shall have the same legal effect as an original. This Agreement shall be construed as if drafted by all parties.

Borrower

Co-Borrower

Contractor: _____

By: _____

Its: _____

Lender: DFI Capital

By _____

Its: _____