
2022 Federal Low Income Housing Tax Credit Program

Application For Reservation

Deadline for Submission

9% Competitive Credits

Applications Must Be Received At VHDA No Later Than **12:00 PM**
Richmond, VA Time On **March 10, 2022**

Tax Exempt Bonds

Applications should be received at VHDA at least one month before the bonds are *priced* (if bonds issued by VHDA), or 75 days before the bonds are *issued* (if bonds are not issued by VHDA)



Virginia Housing
601 South Belvidere Street
Richmond, Virginia 23220-6500

INSTRUCTIONS FOR THE VIRGINIA 2022 LIHTC APPLICATION FOR RESERVATION

This application was prepared using Excel, Microsoft Office 2016. Please note that using the active Excel workbook does not eliminate the need to submit the required PDF of the signed hardcopy of the application and related documentation. A more detailed explanation of application submission requirements is provided below and in the Application Manual.

An electronic copy of your completed application is a mandatory submission item.

Applications For 9% Competitive Credits

Applicants should submit an electronic copy of the application package prior to the application deadline, which is **12:00 PM** Richmond Virginia time on **March 10, 2022**. Failure to submit an electronic copy of the application by the deadline will cause the application to be disqualified.

Please Note:

Applicants should submit all application materials in electronic format only.

There should be distinct files which should include the following:

- 1. Application For Reservation – the active Microsoft Excel workbook**
- 2. A PDF file which includes the following:**
 - Application For Reservation – Signed version of hardcopy
 - All application attachments (i.e. tab documents, excluding market study and plans & specs)
- 3. Market Study – PDF or Microsoft Word format**
- 4. Plans - PDF or other readable electronic format**
- 5. Specifications - PDF or other readable electronic format (may be combined into the same file as the plans if necessary)**
- 6. Unit-By-Unit work write up (rehab only) - PDF or other readable electronic format**

IMPORTANT:

Virginia Housing only accepts files via our work center sites on Procorem. Contact TaxCreditApps@virginiahousing.com for access to Procorem or for the creation of a new deal workcenter. Do not submit any application materials to any email address unless specifically requested by the Virginia Housing LIHTC Allocation Department staff.

Disclaimer:

Virginia Housing assumes no responsibility for any problems incurred in using this spreadsheet or for the accuracy of calculations. Check your application for correctness and completeness before submitting the application to Virginia Housing.

Entering Data:

Enter numbers or text as appropriate in the blank spaces highlighted in yellow. Cells have been formatted as appropriate for the data expected. All other cells are protected and will not allow changes.

Please Note:

- ▶ **VERY IMPORTANT! : Do not** use the copy/cut/paste functions within this document. Pasting fields will corrupt the application and may result in penalties. You may use links to other cells or other documents but do not paste data from one document or field to another.
- ▶ Some fields provide a dropdown of options to select from, indicated by a down arrow that appears when the cell is selected. Click on the arrow to select a value within the dropdown for these fields.
- ▶ The spreadsheet contains multiple error checks to assist in identifying potential mistakes in the application. These may appear as data is entered but are dependent on values entered later in the application. Do not be concerned with these messages until all data within the application has been entered.
- ▶ Also note that some cells contain error messages such as “#DIV/0!” as you begin. These warnings will disappear as the numbers necessary for the calculation are entered.

Assistance:

If you have any questions, please contact the Virginia Housing LIHTC Allocation Department. Please note that we cannot release the copy protection password.

Virginia Housing LIHTC Allocation Staff Contact Information

Name	Email	Phone Number
JD Bondurant	johndavid.bondurant@virginiahousing.com	(804) 343-5725
Stephanie Flanders	stephanie.flanders@virginiahousing.com	(804) 343-5939
Phil Cunningham	phillip.cunningham@virginiahousing.com	(804) 343-5514
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Aniyah Moaney	aniyah.moaney@virginiahousing.com	(804) 343-5518

TABLE OF CONTENTS

Click on any tab label to be directed to location within the application.

TAB	DESCRIPTION
1. Submission Checklist	Mandatory Items, Tabs and Descriptions
2. Development Information	Development Name and Locality Information
3. Request Info	Credit Request Type
4. Owner Information	Owner Information and Developer Experience
5. Site and Seller Information	Site Control, Identity of Interest and Seller info
6. Team Information	Development Team Contact information
7. Rehabilitation Information	Acquisition Credits and 10-Year Look Back Info
8. Non Profit	Non Profit Involvement, Right of First Refusal
9. Structure	Building Structure and Units Description
10. Utilities	Utility Allowance
11. Enhancements	Building Amenities above Minimum Design Requirements
12. Special Housing Needs	504 Units, Sect. 8 Waiting List, Rental Subsidy
13. Unit Details	Set Aside Selection and Breakdown
14. Budget	Operating Expenses
15. Project Schedule	Actual or Anticipated Development Schedule
16. Hard Costs	Development Budget: Contractor Costs
17. Owner's Costs	Development Budget: Owner's Costs, Developer Fee, Cost Limits
18. Eligible Basis	Eligible Basis Calculation
19. Sources of Funds	Construction, Permanent, Grants and Subsidized Funding Sources
20. Equity	Equity and Syndication Information
21. Gap Calculation	Credit Reservation Amount Needed
21. Cash Flow	Cash Flow Calculation
22. BINs	BIN by BIN Eligible Basis
24. Owner Statement	Owner Certifications
25. Architect's Statement	Architect's agreement with proposed deal
26. Scoresheet	Self Scoresheet Calculation
27. Development Summary	Summary of Key Application Points
28. Efficient Use of Resources (EUR)	Calculates Points for Efficient use of Resources
29. Mixed Use - Cost Distribution	For Mixed Use Applications only - indicates how costs are distributed across the different construction activities

2022 Low-Income Housing Tax Credit Application For Reservation

Please indicate if the following items are included with your application by putting an 'X' in the appropriate boxes. Your assistance in organizing the submission in the following order, and actually using tabs to mark them as shown, will facilitate review of your application. Please note that all mandatory items must be included for the application to be processed. The inclusion of other items may increase the number of points for which you are eligible under Virginia Housing's point system of ranking applications, and may assist Virginia Housing in its determination of the appropriate amount of credits that may be reserved for the development.

- \$1,000 Application Fee **(MANDATORY)**
 - Electronic Copy of the Microsoft Excel Based Application **(MANDATORY)**
 - Scanned Copy of the Signed Tax Credit Application with Attachments (excluding market study and plans & specifications) **(MANDATORY)**
 - Electronic Copy of the Market Study **(MANDATORY - Application will be disqualified if study is not submitted with application)**
 - Electronic Copy of the Plans and Unit by Unit writeup **(MANDATORY)**
 - Electronic Copy of the Specifications **(MANDATORY)**
 - Electronic Copy of the Existing Condition questionnaire **(MANDATORY if Rehab)**
 - Electronic Copy of the Physical Needs Assessment **(MANDATORY at reservation for a 4% rehab request)**
 - Electronic Copy of Appraisal **(MANDATORY if acquisition credits requested)**
 - Electronic Copy of Environmental Site Assessment (Phase I) **(MANDATORY if 4% credits requested)**
 - Tab A: Partnership or Operating Agreement, including chart of ownership structure with percentage of interests and Developer Fee Agreement **(MANDATORY)**
 - Tab B: Virginia State Corporation Commission Certification **(MANDATORY)**
 - Tab C: Principal's Previous Participation Certification **(MANDATORY)**
 - Tab D: List of LIHTC Developments (Schedule A) **(MANDATORY)**
 - Tab E: Site Control Documentation & Most Recent Real Estate Tax Assessment **(MANDATORY)**
 - Tab F: RESNET Rater Certification **(MANDATORY)**
 - Tab G: Zoning Certification Letter **(MANDATORY)**
 - Tab H: Attorney's Opinion **(MANDATORY)**
 - Tab I: Nonprofit Questionnaire **(MANDATORY for points or pool)**
- The following documents need not be submitted unless requested by Virginia Housing:
- Nonprofit Articles of Incorporation -IRS Documentation of Nonprofit Status
 - Joint Venture Agreement (if applicable) -For-profit Consulting Agreement (if applicable)
- Tab J: Relocation Plan and Unit Delivery Schedule **(MANDATORY)**
 - Tab K: Documentation of Development Location:
 - K.1 Revitalization Area Certification
 - K.2 Location Map
 - K.3 Surveyor's Certification of Proximity To Public Transportation
 - Tab L: PHA / Section 8 Notification Letter
 - Tab M: Locality CEO Response Letter
 - Tab N: Homeownership Plan
 - Tab O: Plan of Development Certification Letter
 - Tab P: Developer Experience documentation and Partnership agreements
 - Tab Q: Documentation of Rental Assistance, Tax Abatement and/or existing RD or HUD Property
 - Tab R: Documentation of Operating Budget and Utility Allowances
 - Tab S: Supportive Housing Certification
 - Tab T: Funding Documentation
 - Tab U: Acknowledgement by Tenant of the availability of Renter Education provided by Virginia Housing
 - Tab V: Nonprofit or LHA Purchase Option or Right of First Refusal
 - Tab W: Internet Safety Plan and Resident Information Form (if internet amenities selected)
 - Tab X: Marketing Plan for units meeting accessibility requirements of HUD section 504
 - Tab Y: Inducement Resolution for Tax Exempt Bonds
 - Tab Z: Documentation of team member's Diversity, Equity and Inclusion Designation
 - Tab AA: Priority Letter from Rural Development
 - Tab AB: Social Disadvantage Certification

A. GENERAL INFORMATION ABOUT PROPOSED DEVELOPMENT

Application Date: 3/10/2022

1. Development Name: Tranquility at the Lakes II
2. Address (line 1): 5837 Burton Station Road
 Address (line 2): 5841 Burton Station Road, 1020 Finney Circle,
 City: Virginia Beach State: VA Zip: 23455
3. If complete address is not available, provide longitude and latitude coordinates (x,y) from a location on site that your surveyor deems appropriate. Longitude: 00.00000 Latitude: 00.00000
 (Only necessary if street address or street intersections are not available.)
4. The Circuit Court Clerk's office in which the deed to the development is or will be recorded:
 City/County of Virginia Beach City
5. The site overlaps one or more jurisdictional boundaries..... FALSE
 If true, what other City/County is the site located in besides response to #4?.....
6. Development is located in the census tract of: 402.00
7. Development is located in a **Qualified Census Tract**..... FALSE
8. Development is located in a **Difficult Development Area**..... FALSE
9. Development is located in a **Revitalization Area based on QCT** FALSE
10. Development is located in a **Revitalization Area designated by resolution** TRUE
11. Development is located in an **Opportunity Zone** (with a binding commitment for funding)..... FALSE
 (If 9, 10 or 11 are True, **Action:** Provide required form in **TAB K1**)
12. Development is located in a census tract with a poverty rate of.....

	3%	10%	12%
	FALSE	FALSE	TRUE

Enter only Numeric Values below:

13. Congressional District: 2
- Planning District: 23
- State Senate District: 7
- State House District: 83

Click on the following link for assistance in determining the districts related to this development:

[Link to Virginia Housing's HOME - Select Virginia LIHTC Reference Map](#)

14. **ACTION:** Provide Location Map (**TAB K2**)

15. Development Description: In the space provided below, give a brief description of the proposed development

New construction of a 38 unit senior housing development available to households at 40%, 50%, and 60% of the area median income.

A. GENERAL INFORMATION ABOUT PROPOSED DEVELOPMENT

Application Date: 3/10/2022

16. Local Needs and Support

- a. Provide the name and the address of the chief executive officer (City Manager, Town Manager, or County Administrator of the political jurisdiction in which the development will be located:

Chief Executive Officer's Name: Patrick A. Duhaney
 Chief Executive Officer's Title: City Manager Phone: 757-385-4242
 Street Address: 2401 Courthouse Drive
 City: Virginia Beach State: VA Zip: 23456

Name and title of local official you have discussed this project with who could answer questions for the local CEO: Karen Prochilo, Housing Development Administrator, City of Virginia Beach

- b. If the development overlaps another jurisdiction, please fill in the following:

Chief Executive Officer's Name: _____
 Chief Executive Officer's Title: _____ Phone: _____
 Street Address: _____
 City: _____ State: _____ Zip: _____

Name and title of local official you have discussed this project with who could answer questions for the local CEO: _____

ACTION: Provide Locality Notification Letter at **Tab M** if applicable.

B. RESERVATION REQUEST INFORMATION

1. Requesting Credits From:

a. If requesting 9% Credits, select credit pool:
or

Non Profit Pool

b. If requesting Tax Exempt Bonds, select development type:

[Redacted]

For Tax Exempt Bonds, where are bonds being issued?

[Redacted]

ACTION: Provide Inducement Resolution at **TAB Y** (if available)

2. Type(s) of Allocation/Allocation Year

Carryforward Allocation

Definitions of types:

a. **Regular Allocation** means all of the buildings in the development are expected to be placed in service this calendar year, 2022.

b. **Carryforward Allocation** means all of the buildings in the development are expected to be placed in service within two years after the end of this calendar year, 2022, but the owner will have more than 10% basis in development before the end of twelve months following allocation of credits. For those buildings, the owner requests a carryforward allocation of 2023 credits pursuant to Section 42(h)(1)(E).

3. Select Building Allocation type:

New Construction

Note regarding Type = Acquisition and Rehabilitation: Even if you acquired a building this year and "placed it in service" for the purpose of the acquisition credit, you cannot receive its acquisition 8609 form until the rehab 8609 is issued for that building.

4. Is this an additional allocation for a development that has buildings not yet placed in service?

FALSE

5. Planned Combined 9% and 4% Developments

FALSE

A site plan has been submitted with this application indicating two developments on the same or contiguous site. One development relates to this 9% allocation request and the remaining development will be a 4% tax exempt bond application.

Name of companion development: [Redacted]

a. Has the developer met with Virginia Housing regarding the 4% tax exempt bond deal?

FALSE

b. List below the number of units planned for each allocation request. This stated count cannot be changed or 9% Credits will be cancelled.

Total Units within 9% allocation request?	[Redacted]
Total Units within 4% Tax Exempt allocation Request?	0
Total Units:	0

% of units in 4% Tax Exempt Allocation Request: 0.00%

6. Extended Use Restriction

Note: Each recipient of an allocation of credits will be required to record an **Extended Use Agreement** as required by the IRC governing the use of the development for low-income housing for at least 30 years. Applicant waives the right to pursue a Qualified Contract.

Must Select One: 30

Definition of selection:

Development will be subject to the standard extended use agreement of 15 extended use period (after the mandatory 15-year compliance period.)

7. Virginia Housing would like to encourage the efficiency of electronic payments. Indicate if developer commits to submitting any payments due the Authority, including reservation fees and monitoring fees, by electronic payment (ACH or Wire).

TRUE

In 2022, Virginia Housing will debut a new Rental Housing Invoicing Portal to allow easy payments via secure ACH transactions. More details will be provided.

C. OWNERSHIP INFORMATION

NOTE: Virginia Housing may allocate credits only to the tax-paying entity which owns the development at the time of the allocation. The term "Owner" herein refers to that entity. Please fill in the legal name of the owner. The ownership entity must be formed prior to submitting this application. Any transfer, direct or indirect, of partnership interests (except those involving the admission of limited partners) prior to the placed-in-service date of the proposed development shall be prohibited, unless the transfer is consented to by Virginia Housing in its sole discretion. **IMPORTANT: The Owner name listed on this page must exactly match the owner name listed on the Virginia State Corporation Commission Certification.**

1. Owner Information:

Must be an individual or legally formed entity.

Owner Name: SUL Tranquility Lakes II, LLC

Developer Name: Virginia Beach Community Development Corporation & Seniors Unlimited Lifestyles In

Contact: M/M ▶ Ms. First: Jessica MI: Last: Guglielmo

Address: 2400 Potters Road

City: Virginia Beach St. ▶ VA Zip: 23454

Phone: (757) 500-2745 Ext. Fax: (757) 463-1382

Email address: jguglielmo@vbcdc.org

Federal I.D. No. (If not available, obtain prior to Carryover Allocation.)

Select type of entity: ▶ Limited Liability Company Formation State: ▶ VA

Additional Contact: Please Provide Name, Email and Phone number.
Angela Whitehead, angelaskb4@gmail.com, 757-737-3713

- ACTION:** a. Provide Owner's organizational documents (e.g. Partnership agreements and Developer Fee agreement) **(Mandatory TAB A)**
b. Provide Certification from Virginia State Corporation Commission **(Mandatory TAB B)**

2. a. Principal(s) of the General Partner: List names of individuals and ownership interest.

<u>Names **</u>	<u>Phone</u>	<u>Type Ownership</u>	<u>% Ownership</u>	
<u>SUL Tranquility Lakes II Manager, LLC.</u>	<u>757-500-2745</u>	<u>Managing Member</u>	<u>0.010%</u>	
<u>Virginia Beach Community Development Corporati</u>	<u>757-500-2745</u>	<u>Member of Managing Member</u>		<i>needs</i>
<u>Jessica Guglielmo, President and CEO</u>		<u>President and CEO</u>		<i>needs</i>
<u>Seniors Unlimited Lifestyles, Inc.</u>	<u>757-737-3713</u>	<u>Member of Managing Member</u>		<i>needs</i>
<u>Angela Whitehead, CEO</u>		<u>CEO Of SULI</u>		<i>needs</i>
<u>Virginia Beach Community Development Corporator</u>	<u>(757) 500-2745</u>	<u>Investor Member</u>	<u>65.000%</u>	
<u>Seniors Unlimited Lifestyles Inc., Angela Whitehead</u>	<u>(757) 737-3713</u>	<u>Investor Member</u>	<u>34.990%</u>	

The above should include 100% of the GP or LLC member interest.

****** These should be the names of individuals who make up the General Partnership, not simply the names of entities which may comprise those components.

- ACTION:** a. Provide Principals' Previous Participation Certification **(Mandatory TAB C)**

C. OWNERSHIP INFORMATION

- b. Provide a chart of ownership structure (Org Chart) and a list of all LIHTC Developments within the last 15 years. **(Mandatory at TABS A/D)**

C. OWNERSHIP INFORMATION

b. Indicate if at least one principal listed above with an ownership interest of at least 25% in the controlling general partner or managing member is a socially disadvantaged individual as defined in the manual.

TRUE

ACTION: If true, provide Socially Disadvantaged Certification (**TAB AB**)

3. Developer Experience:

May only choose one of A, B or C OR select one or more of D, E and F.

TRUE a. A principal of the controlling general partner or managing member for the proposed development has developed as a controlling general partner or managing member for (i) at least three tax credit developments that contain at least three times the number of housing units in the proposed development or (ii) at least six tax credit developments.

Action: Must be included on Virginia Housing Experienced LIHTC Developer List or provide copies of 8609s, partnership agreements and organizational charts (**Tab P**)

FALSE b. A principal of the controlling general partner or managing member for the proposed development has developed at least three deals as principal and have at \$500,000 in liquid assets.

Action: Must be included on the Virginia Housing Experienced LIHTC Developer List or provide Audited Financial Statements and copies of 8609s (**Tab P**)

FALSE c. The development's principal(s), as a group or individually, have developed as controlling general partner or managing member, at least one tax credit development that contains at least the same number of units of this proposed development (can include Market units).

Action: Must provide copies of 8609s and partnership agreements (**Tab P**)

FALSE d. The development has an experienced sponsor (as defined in the manual) that has placed at least one LIHTC development in service in Virginia within the past 5 years.

Action: Provide one 8609 from qualifying development. (**Tab P**)

FALSE e. The development has an experienced sponsor (as defined in the manual) that has placed at least three (3) LIHTC developments in service in any state within the past 6 years (in addition to any development provided to qualify for option d. above)

Action: Provide one 8609 from each qualifying development. (**Tab P**)

FALSE f. Applicant is competing in the Local Housing Authority pool and partnering with an experienced sponsor (as defined in the manual), other than a local housing authority

Action: Provide documentation as stated in the manual. (**Tab P**)

D. SITE CONTROL

NOTE: Site control by the Owner identified herein is a mandatory precondition of review of this application. Documentary evidence in the form of either a deed, option, purchase contract or lease for a term longer than the period of time the property will be subject to occupancy restrictions must be included herewith. (For 9% Competitive Credits - An option or contract must extend beyond the application deadline by a minimum of four months.)

Warning: Site control by an entity other than the Owner, even if it is a closely related party, is not sufficient. Anticipated future transfers to the Owner are not sufficient. The Owner, as identified previously, must have site control at the time this Application is submitted.

NOTE: If the Owner receives a reservation of credits, the property must be titled in the name of or leased by (pursuant to a long-term lease) the Owner before the allocation of credits is made.

Contact Virginia Housing before submitting this application if there are any questions about this requirement.

1. Type of Site Control by Owner:

Applicant controls site by (select one):

Select Type: Purchase Contract

Expiration Date: 12/3/2022

In the Option or Purchase contract - Any contract for the acquisition of a site with an existing residential property may not require an empty building as a condition of such contract, unless relocation assistance is provided to displaced households, if any, at such level required by Virginia Housing. See QAP for further details.

ACTION: Provide documentation and most recent real estate tax assessment - **Mandatory TAB E**

FALSE There is more than one site for development and more than one form of site control.

(If **True**, provide documentation for each site specifying number of existing buildings on the site (if any), type of control of each site, and applicable expiration date of stated site control. A site control document is required for each site (**Tab E**.)

2. Timing of Acquisition by Owner:

Only one of the following statement should be True.

a. FALSE Owner already controls site by either deed or long-term lease.

b. TRUE Owner is to acquire property by deed (or lease for period no shorter than period property will be subject to occupancy restrictions) no later than..... 12/3/2022 .

c. FALSE There is more than one site for development and more than one expected date of acquisition by Owner.

(If c is **True**, provide documentation for each site specifying number of existing buildings on the site, if any, and expected date of acquisition of each site by Owner (**Tab E**.)

D. SITE CONTROL

3. Seller Information:

Name: City of Virginia Beach

Address: 2424 Courthouse Drive, Building 18A

City: Virginia Beach St.: VA Zip: 23456

Contact Person: Karen Prochilo Phone: (757) 385-5803

There is an identity of interest between the seller and the owner/applicant..... FALSE

If above statement is **TRUE**, complete the following:

Principal(s) involved (e.g. general partners, controlling shareholders, etc.)

<u>Names</u>	<u>Phone</u>	<u>Type Ownership</u>	<u>% Ownership</u>
			0.00%
			0.00%
			0.00%
			0.00%
			0.00%
			0.00%
			0.00%

E. DEVELOPMENT TEAM INFORMATION

Complete the following as applicable to your development team.

Indicate Diversity, Equity and Inclusion (DEI) Designation if this team member is SWAM or Service Disabled Veteran as defined in manual.

ACTION: Provide copy of certification from Commonwealth of Virginia, if applicable - **TAB Z**

1. Tax Attorney:	Lauren Nowlin	This is a Related Entity.	FALSE
Firm Name:	Williams Mullin	DEI Designation?	FALSE
Address:	200 South 10th Street, Suite 1600, Richmond, VA 23219		
Email:	lnowlin@williamsmullen.com	Phone:	804-420-6585
2. Tax Accountant:		This is a Related Entity.	FALSE
Firm Name:		DEI Designation?	FALSE
Address:			
Email:		Phone:	
3. Consultant:		This is a Related Entity.	FALSE
Firm Name:		DEI Designation?	FALSE
Address:		Role:	
Email:		Phone:	
4. Management Entity:	Virginia Beach Community Development Corp	This is a Related Entity.	TRUE
Firm Name:		DEI Designation?	FALSE
Address:	2400 Potters Road Virginia Beach, Virginia 23454		
Email:	jguglielmo@vbcfdc.org	Phone:	757-500-2745
5. Contractor:	Jimmy Holland	This is a Related Entity.	FALSE
Firm Name:	Peacock Holland Corporation, LLC.	DEI Designation?	FALSE
Address:	301 South Main Street, Suite 105, Blacksburg, VA 24060		
Email:	jimmy@peacockhollandconstruction.com	Phone:	540-239-2671
6. Architect:	Colin Arnold	This is a Related Entity.	FALSE
Firm Name:	Arnold Design Studio	DEI Designation?	FALSE
Address:	930 Camrbia Street, NE, Christiansburg, VA 24073		
Email:	carnold@arnolddesignstudio.com	Phone:	(540) 239-2671
7. Real Estate Attorney:	Lauren Nowlin	This is a Related Entity.	FALSE
Firm Name:	Williams Mullin	DEI Designation?	FALSE
Address:	200 South 10th Street, Suite 1600, Richmond, VA 23219		
Email:	lnowlin@williamsmullen.com	Phone:	804-420-6585
8. Mortgage Banker:		This is a Related Entity.	FALSE
Firm Name:		DEI Designation?	FALSE
Address:			
Email:		Phone:	
9. Other:	Franklin Bowser	This is a Related Entity.	FALSE
Firm Name:	Mark Turner Construction	DEI Designation?	TRUE
Address:	10474 Cobbs Rd, Glen Allen, VA 23059	Role:	Owners Representative/Co
Email:	fbowser@markturnerconstruction.com	Phone:	(804) 998-0968

F. REHAB INFORMATION

1. Acquisition Credit Information

- a. Credits are being requested for existing buildings being acquired for development..... **FALSE**
Action: If true, provide an electronic copy of the Existing Condition Questionnaire and Appraisal
- b. This development has received a previous allocation of credits..... **FALSE**
 If so, in what year did this development receive credits?
- c. The development has been provided an acknowledgement letter from Rural Development regarding its preservation priority?..... **FALSE**
- d. This development is an existing RD or HUD S8/236 development..... **FALSE**
Action: (If True, provide required form in **TAB Q**)

Note: If there is an identity of interest between the applicant and the seller in this proposal, and the applicant is seeking points in this category, then the applicant must either waive their rights to the developer's fee or other fees associated with acquisition, or obtain a waiver of this requirement from Virginia Housing prior to application submission to receive these points.

- i. Applicant agrees to waive all rights to any developer's fee or other fees associated with acquisition..... **FALSE**
- ii. Applicant has obtained a waiver of this requirement from Virginia Housing prior to the application submission deadline..... **FALSE**

2. Ten-Year Rule For Acquisition Credits

- a. All buildings satisfy the 10-year look-back rule of IRC Section 42 (d)(2)(B), including the 10% basis/ \$15,000 rehab costs (\$10,000 for Tax Exempt Bonds) per unit requirement..... **FALSE**
- b. All buildings qualify for an exception to the 10-year rule under IRC Section 42(d)(2)(D)(i),..... **FALSE**
 - i. Subsection (I)..... **FALSE**
 - ii. Subsection (II)..... **FALSE**
 - iii. Subsection (III)..... **FALSE**
 - iv. Subsection (IV)..... **FALSE**
 - v. Subsection (V)..... **FALSE**
- c. The 10-year rule in IRC Section 42 (d)(2)(B) for all buildings does not apply pursuant to IRC Section 42(d)(6)..... **FALSE**
- d. There are different circumstances for different buildings..... **FALSE**
Action: (If True, provide an explanation for each building in Tab K)

F. REHAB INFORMATION

3. Rehabilitation Credit Information

- a. Credits are being requested for rehabilitation expenditures..... **FALSE**

- b. **Minimum Expenditure Requirements**
 - i. All buildings in the development satisfy the rehab costs per unit requirement of IRS Section 42(e)(3)(A)(ii)..... **FALSE**
 - ii. All buildings in the development qualify for the IRC Section 42(e)(3)(B) exception to the 10% basis requirement (4% credit only)..... **FALSE**
 - iii. All buildings in the development qualify for the IRC Section 42(f)(5)(B)(ii)(II) exception..... **FALSE**
 - iv. There are different circumstances for different buildings..... **FALSE**
Action: (If True, provide an explanation for each building in Tab K)

G. NONPROFIT INVOLVEMENT

Applications for 9% Credits - Section must be completed in order to compete in the Non Profit tax credit pool.

All Applicants - Section must be completed to obtain points for nonprofit involvement.

1. Tax Credit Nonprofit Pool Applicants: To qualify for the nonprofit pool, an organization (described in IRC Section 501(c)(3) or 501(c)(4) and exempt from taxation under IRC Section 501(a)) should answer the following questions as TRUE:

- TRUE a. Be authorized to do business in Virginia.
TRUE b. Be substantially based or active in the community of the development.
TRUE c. Materially participate in the development and operation of the development throughout the compliance period (i.e., regular, continuous and substantial involvement) in the operation of the development throughout the Compliance Period.
TRUE d. Own, either directly or through a partnership or limited liability company, 100% of the general partnership or managing member interest.
TRUE e. Not be affiliated with or controlled by a for-profit organization.
TRUE f. Not have been formed for the principal purpose of competition in the Non Profit Pool.
TRUE g. Not have any staff member, officer or member of the board of directors materially participate, directly or indirectly, in the proposed development as a for profit entity.

2. All Applicants: To qualify for points under the ranking system, the nonprofit's involvement need not necessarily satisfy all of the requirements for participation in the nonprofit tax credit pool.

A. Nonprofit Involvement (All Applicants)

There is nonprofit involvement in this development..... TRUE (If false, go on to #3.)

Action: If there is nonprofit involvement, provide completed Non Profit Questionnaire (Mandatory TAB I).

B. Type of involvement:

Nonprofit meets eligibility requirement for points only, not pool..... FALSE

or

Nonprofit meets eligibility requirements for nonprofit pool and points..... TRUE

C. Identity of Nonprofit (All nonprofit applicants):

The nonprofit organization involved in this development is: Applicant

Name: Virginia Beach Community Development Corporation

Contact Person: Jessica Guglielmo

Street Address: 2400 Potters Road

City: Virginia Beach State: VA Zip: 23454

Phone: (757) 500-2745 Contact Email: jguglielmo@vbcdc.org

G. NONPROFIT INVOLVEMENT

D. Percentage of Nonprofit Ownership (All nonprofit applicants):

Specify the nonprofit entity's percentage ownership of the general partnership interest: 65.0%

3. Nonprofit/Local Housing Authority Purchase Option/Right of First Refusal

A. TRUE After the mandatory 15-year compliance period, a qualified nonprofit or local housing authority will have the option to purchase or the right of first refusal to acquire the development for a price not to exceed the outstanding debt and exit taxes. Such debt must be limited to the original mortgage(s) unless any refinancing is approved by the nonprofit. See manual for more specifics.

Action: Provide Option or Right of First Refusal in Recordable Form meeting Virginia Housing's specifications. **(TAB V)**
Provide Nonprofit Questionnaire (if applicable) **(TAB I)**

Name of qualified nonprofit: Seniors Unlimited Lifestyles, Inc.

or indicate true if Local Housing Authority Name of Local Housing Authority FALSE

2. FALSE A qualified nonprofit or local housing authority submits a homeownership plan committing to sell the units in the development after the mandatory 15-year compliance period to tenants whose incomes shall not exceed the applicable income limit at the time of their initial occupancy.

Action: Provide Homeownership Plan **(TAB N)**

NOTE: Applicant is required to waive the right to pursue a Qualified Contract.

H. STRUCTURE AND UNITS INFORMATION

1. General Information

a. Total number of all units in development	38	bedrooms	44
Total number of rental units in development	38	bedrooms	44
Number of low-income rental units	38	bedrooms	44
Percentage of rental units designated low-income	100.00%		
b. Number of new units:.....	38	bedrooms	44
Number of adaptive reuse units:	0	bedrooms	0
Number of rehab units:.....	0	bedrooms	0
c. If any, indicate number of planned exempt units (included in total of all units in development).....			0
d. Total Floor Area For The Entire Development.....			36,216.44 <small>(Sq. ft.)</small>
e. Unheated Floor Area (i.e. Breezeways, Balconies, Storage).....			3,002.17 <small>(Sq. ft.)</small>
f. Nonresidential Commercial Floor Area (Not eligible for funding).....			0.00
g. Total Usable Residential Heated Area.....			33,214.27 <small>(Sq. ft.)</small>
h. Percentage of Net Rentable Square Feet Deemed To Be New Rental Space			100.00%
i. Exact area of site in acres	1.740		
j. Locality has approved a final site plan or plan of development.....			TRUE
If True , Provide required documentation (TAB O).			
k. Requirement as of 2016: Site must be properly zoned for proposed development. ACTION: Provide required zoning documentation (MANDATORY TAB G)			
l. Development is eligible for Historic Rehab credits.....			FALSE

Definition:

The structure is historic, by virtue of being listed individually in the National Register of Historic Places, or due to its location in a registered historic district and certified by the Secretary of the Interior as being of historical significance to the district, and the rehabilitation will be completed in such a manner as to be eligible for historic rehabilitation tax credits.

H. STRUCTURE AND UNITS INFORMATION

2. UNIT MIX

a. Specify the average size and number per unit type (as indicated in the Architect's Certification):

Note: Average sq foot should include the prorata of common space.

Unit Type	Average Sq Foot		# of LIHTC Units	Total Rental Units
Supportive Housing	0.00	SF	0	0
1 Story Eff - Elderly	0.00	SF	0	0
1 Story 1BR - Elderly	0.00	SF	0	0
1 Story 2BR - Elderly	0.00	SF	0	0
Eff - Elderly	0.00	SF	0	0
1BR Elderly	824.53	SF	32	32
2BR Elderly	1138.21	SF	6	6
Eff - Garden	0.00	SF	0	0
1BR Garden	0.00	SF	0	0
2BR Garden	0.00	SF	0	0
3BR Garden	0.00	SF	0	0
4BR Garden	0.00	SF	0	0
2+ Story 2BR Townhouse	0.00	SF	0	0
2+ Story 3BR Townhouse	0.00	SF	0	0
2+ Story 4BR Townhouse	0.00	SF	0	0
			38	38

Note: Please be sure to enter the values in the appropriate unit category. If not, errors will occur on the self scoresheet.

3. Structures

- a. Number of Buildings (containing rental units)..... 1
- b. Age of Structure:..... 0 years
- c. Number of stories:..... 3
- d. The development is a scattered site development..... FALSE
- e. Commercial Area Intended Use: N/A
- f. Development consists primarily of: **(Only One Option Below Can Be True)**
 - i. Low Rise Building(s) - (1-5 stories with any structural elements made of wood)..... TRUE
 - ii. Mid Rise Building(s) - (5-7 stories with no structural elements made of wood)..... FALSE
 - iii. High Rise Building(s) - (8 or more stories with no structural elements made of wood)..... FALSE

H. STRUCTURE AND UNITS INFORMATION

g. Indicate **True** for all development's structural features that apply:

i. Row House/Townhouse	<u>FALSE</u>	v. Detached Single-family	<u>FALSE</u>
ii. Garden Apartments	<u>TRUE</u>	vi. Detached Two-family	<u>FALSE</u>
iii. Slab on Grade	<u>TRUE</u>	vii. Basement	<u>FALSE</u>
iv. Crawl space	<u>FALSE</u>		

h. Development contains an elevator(s). TRUE
 If true, # of Elevators. 1
 Elevator Type (if known) _____

i. Roof Type ▶ Hip Roof
 j. Construction Type ▶ Frame
 k. Primary Exterior Finish ▶ Combination

4. Site Amenities (indicate all proposed)

a. Business Center.....	<u>FALSE</u>	f. Limited Access.....	<u>TRUE</u>
b. Covered Parking.....	<u>FALSE</u>	g. Playground.....	<u>FALSE</u>
c. Exercise Room.....	<u>FALSE</u>	h. Pool.....	<u>FALSE</u>
d. Gated access to Site.....	<u>FALSE</u>	i. Rental Office.....	<u>TRUE</u>
e. Laundry facilities.....	<u>TRUE</u>	j. Sports Activity Ct..	<u>FALSE</u>
		k. Other:	<u>Community Room and Lounge</u>

l. Describe Community Facilities: Community Room and Lounge

m. Number of Proposed Parking Spaces 43
 Parking is shared with another entity FALSE

n. Development located within 1/2 mile of an existing commuter rail, light rail or subway station or 1/4 mile from existing public bus stop. TRUE

If **True**, Provide required documentation (**TAB K3**).

H. STRUCTURE AND UNITS INFORMATION

5. Plans and Specifications

- a. **Minimum submission requirements for all properties (new construction, rehabilitation and adaptive reuse):**
 - i. A location map with development clearly defined.
 - ii. Sketch plan of the site showing overall dimensions of all building(s), major site elements (e.g., parking lots and location of existing utilities, and water, sewer, electric, gas in the streets adjacent to the site). Contour lines and elevations are not required.
 - iii. Sketch plans of all building(s) reflecting overall dimensions of:
 - a. Typical floor plan(s) showing apartment types and placement
 - b. Ground floor plan(s) showing common areas
 - c. Sketch floor plan(s) of typical dwelling unit(s)
 - d. Typical wall section(s) showing footing, foundation, wall and floor structure
Notes must indicate basic materials in structure, floor and exterior finish.

- b. The following are due at reservation for Tax Exempt 4% Applications and at allocation for 9% Applications.
 - i. Phase I environmental assessment.
 - ii. Physical needs assessment for any rehab only development.

NOTE: All developments must meet Virginia Housing's **Minimum Design and Construction Requirements**. By signing and submitting the Application for Reservation of LIHTC, the applicant certifies that the proposed project budget, plans & specifications and work write-ups incorporate all necessary elements to fulfill these requirements.

6. Market Study Data: (MANDATORY)

Obtain the following information from the **Market Study** conducted in connection with this tax credit application:

Project Wide Capture Rate - LIHTC Units	1.70%
Project Wide Capture Rate - Market Units	0.00%
Project Wide Capture Rate - All Units	1.70%
Project Wide Absorption Period (Months)	3

J. ENHANCEMENTS

Each development must meet the following baseline energy performance standard applicable to the development's construction category.

- a. **New Construction:** must meet all criteria for EPA EnergyStar certification.
- b. **Rehabilitation:** renovation must result in at least a 30% performance increase or score an 80 or lower on the HERS Index.
- c. **Adaptive Reuse:** must score a 95 or lower on the HERS Index.

Certification and HERS Index score must be verified by a third-party, independent, non-affiliated, certified RESNET home energy rater.

Indicate **True** for the following items that apply to the proposed development:

ACTION: Provide RESNET rater certification (**TAB F**)

ACTION: Provide Internet Safety Plan and Resident Information Form (**Tab W**) if corresponding options selected below.

REQUIRED:**1. For any development, upon completion of construction/rehabilitation:**

- | | |
|--------|--|
| TRUE | a. A community/meeting room with a minimum of 749 square feet is provided. |
| 50.00% | b1. Percentage of brick covering the exterior walls. |
| 50.00% | b2. Percentage of other similar low-maintenance material approved by the Authority covering exterior walls. Community buildings are to be included in percentage calculations. |
| TRUE | c. Water expense is sub-metered (the tenant will pay monthly or bi-monthly bill). |
| TRUE | d. All faucets, toilets and showerheads in each bathroom are WaterSense labeled products. |
| FALSE | e. Rehab Only: Each unit is provided with the necessary infrastructure for high-speed internet/broadband service. |
| | f. <i>Not applicable for 2022 Cycles</i> |
| FALSE | g. Each unit is provided free individual high speed internet access. |
| | or |
| TRUE | h. Each unit is provided free individual WiFi access. |
| TRUE | i. Full bath fans are wired to primary light with delayed timer or has continuous exhaust by ERV/DOAS. |
| | or |
| FALSE | j. Full bath fans are equipped with a humidistat. |
| TRUE | k. Cooking surfaces are equipped with fire prevention features |
| | or |
| FALSE | l. Cooking surfaces are equipped with fire suppression features. |
| FALSE | m. Rehab only: Each unit has dedicated space, drain and electrical hook-ups to accept a permanently installed dehumidification system. |
| | or |
| TRUE | n. All Construction types: each unit is equipped with a permanent dehumidification system. |
| TRUE | o. All interior doors within units are solid core. |
| TRUE | p. Every kitchen, living room and bedroom contains, at minimum, one USB charging port. |
| TRUE | q. All kitchen light fixtures are LED and meet MDCR lighting guidelines. |
| | r. <i>Not applicable for 2022 Cycles</i> |

J. ENHANCEMENTS

TRUE s. New construction only: Each unit to have balcony or patio with a minimum depth of 5 feet clear from face of building and a minimum size of 30 square feet.

For all developments exclusively serving elderly tenants upon completion of construction/rehabilitation:

TRUE a. All cooking ranges have front controls.

TRUE b. Bathrooms have an independent or supplemental heat source.

TRUE c. All entrance doors have two eye viewers, one at 42" inches and the other at standard height.

TRUE d. Each unit has a shelf or ledge outside the primary entry door located in an interior hallway.

2. Green Certification

a. Applicant agrees to meet the base line energy performance standard applicable to the development's construction category as listed above.

The applicant will also obtain one of the following:

TRUE Earthcraft Gold or higher certification

FALSE National Green Building Standard (NGBS) certification of Silver or higher.

FALSE U.S. Green Building Council LEED certification

FALSE Enterprise Green Communities (EGC) Certification

If Green Certification is selected, no points will be awarded for d. Watersense Bathroom fixtures above.

Action: If seeking any points associated Green certification, provide appropriate documentation at TAB F.

b. Applicant will pursue one of the following certifications to be awarded points on a future development application. (Failure to reach this goal will not result in a penalty.)

TRUE Zero Energy Ready Home Requirements

FALSE Passive House Standards

3. Universal Design - Units Meeting Universal Design Standards (units must be shown on Plans)

TRUE a. Architect of record certifies that units will be constructed to meet Virginia Housing's Universal Design Standards.

38 b. Number of Rental Units constructed to meet Virginia Housing's Universal Design standards:

100% of Total Rental Units

4. FALSE Market-rate units' amenities are substantially equivalent to those of the low income units.

If not, please explain: no market rate units

Architect of Record initial here that the above information is accurate per certification statement within this application.

I. UTILITIES

1. Utilities Types:

- a. Heating Type Heat Pump
- b. Cooking Type Electric
- c. AC Type Central Air
- d. Hot Water Type Electric

2. Indicate True if the following services will be included in Rent:

- | | | | |
|---------------------|--------------|----------------|--------------|
| Water? | <u>FALSE</u> | Heat? | <u>FALSE</u> |
| Hot Water? | <u>FALSE</u> | AC? | <u>FALSE</u> |
| Lighting/ Electric? | <u>FALSE</u> | Sewer? | <u>FALSE</u> |
| Cooking? | <u>FALSE</u> | Trash Removal? | <u>TRUE</u> |

Utilities	Enter Allowances by Bedroom Size				
	0-BR	1-BR	2-BR	3-BR	4-BR
Heating	0	8	10	0	0
Air Conditioning	0	5	7	0	0
Cooking	0	3	5	0	0
Lighting	0	20	25	0	0
Hot Water	0	8	10	0	0
Water	0	21	32	0	0
Sewer	0	27	45	0	0
Trash	0	0	0	0	0
Total utility allowance for costs paid by tenant	\$0	\$92	\$134	\$0	\$0

3. The following sources were used for Utility Allowance Calculation (Provide documentation **TAB R**).

- a. FALSE HUD
- b. FALSE Utility Company (Estimate)
- c. FALSE Utility Company (Actual Survey)
- d. TRUE Local PHA
- e. FALSE Other: _____

Warning: The Virginia Housing housing choice voucher program utility schedule shown on VirginiaHousing.com should not be used unless directed to do so by the local housing authority.

K. SPECIAL HOUSING NEEDS

NOTE: Any Applicant commits to providing first preference to members of targeted populations having state rental assistance and will not impose any eligibility requirements or lease terms for such individuals that are more restrictive than its standard requirements and terms, the terms of the MOU establishing the target population, or the eligibility requirements for the state rental assistance.

1. Accessibility: Indicate **True** for the following point categories, as appropriate.

Action: Provide appropriate documentation (**Tab X**)

TRUE

a. Any development in which (i) the greater of 5 units or 10% of units will be assisted by HUD project-based vouchers (as evidenced by the submission of a letter satisfactory to the Authority from an authorized public housing authority (PHA) that the development meets all prerequisites for such assistance), or another form of documented and binding federal project-based rent subsidies in order to ensure occupancy by extremely low-income persons. Locality project based rental subsidy meets the definition of state project based rental subsidy;

(ii) will conform to HUD regulations interpreting the accessibility requirements of section 504 of the Rehabilitation Act; and be actively marketed to persons with disabilities as defined in the Fair Housing Act in accordance with a plan submitted as part of the application for credits.

(iii) above must include roll-in showers, roll under sinks and front control ranges, unless agreed to by the Authority prior to the applicant's submission of its application.

Documentation from source of assistance must be provided with the application.

Note: Subsidies may apply to any units, not only those built to satisfy Section 504.

FALSE

b. Any development in which ten percent (10%) of the units (i) conform to HUD regulations interpreting the accessibility requirements of section 504 of the Rehabilitation Act and (ii) are actively marketed to persons with disabilities as defined in the Fair Housing Act in accordance with a plan submitted as part of the application for credits.

For items a or b, all common space must also conform to HUD regulations interpreting the accessibility requirements of section 504 of the Rehabilitation Act.



Architect of Record initial here that the above information is accurate per certification statement within this application.

2. Special Housing Needs/Leasing Preference:

a. If not general population, select applicable special population:

TRUE Elderly (as defined by the United States Fair Housing Act.)

FALSE Persons with Disabilities (must meet the requirements of the Federal Americans with Disabilities Act) - Accessible Supportive Housing Pool only

FALSE Supportive Housing (as described in the Tax Credit Manual)

Action: Provide Permanent Supportive Housing Certification (**Tab S**)

K. SPECIAL HOUSING NEEDS

b. The development has existing tenants and a relocation plan has been developed..... FALSE
(If True, Virginia Housing policy requires that the impact of economic and/or physical displacement on those tenants be minimized, in which Owners agree to abide by the Authority's Relocation Guidelines for LIHTC properties.)

Action: Provide Relocation Plan and Unit Delivery Schedule (Mandatory if tenants are displaced - Tab J)

3. Leasing Preferences

a. Will leasing preference be given to applicants on a public housing waiting list and/or Section 8 waiting list? select: Yes

Organization which holds waiting list: City of Virginia Beach

Contact person: Ruth Hill

Title: Director of Housing and Neighborhood Preservation

Phone Number: (757) 385-5752

Action: Provide required notification documentation (TAB L)

b. Leasing preference will be given to individuals and families with children..... FALSE
(Less than or equal to 20% of the units must have of 1 or less bedrooms).

c. Specify the number of low-income units that will serve individuals and families with children by providing three or more bedrooms: 0
% of total Low Income Units 0%

NOTE: Development must utilize a Virginia Housing Certified Management Agent. Proof of management certification must be provided before 8609s are issued.

Action: Provide documentation of tenant disclosure regarding Virginia Housing Rental Education (Mandatory - Tab U)

3. Target Population Leasing Preference

Unless prohibited by an applicable federal subsidy program, each applicant shall commit to provide a leasing preference to individuals (i) in a target population identified in a memorandum of understanding between the Authority and one or more participating agencies of the Commonwealth, (ii) having a voucher or other binding commitment for rental assistance from the Commonwealth, and (iii) referred to the development by a referring agent approved by the Authority. The leasing preference shall not be applied to more than ten percent (10%) of the units in the development at any given time. The applicant may not impose tenant selection criteria or leasing terms with respect to individuals receiving this preference that are more restrictive than the applicant's tenant selection criteria or leasing terms applicable to prospective tenants in the development that do not receive this preference, the eligibility criteria for the rental assistance from the Commonwealth, or any eligibility criteria contained in a memorandum of understanding between the Authority and one or more participating agencies of the Commonwealth.

Primary Contact for Target Population leasing preference. The agency will contact as needed.

First Name: Jessica

Last Name: Guglielmo

K. SPECIAL HOUSING NEEDS

Phone Number: (757) 500-2745 Email: jguglielmo@vbcdc.org

4. Rental Assistance

a. Some of the low-income units do or will receive rental assistance..... TRUE

b. Indicate True if rental assistance will be available from the following

- FALSE Rental Assistance Demonstration (RAD) or other PHA conversion to based rental assistance.
FALSE Section 8 New Construction Substantial Rehabilitation
FALSE Section 8 Moderate Rehabilitation
FALSE Section 8 Certificates
TRUE Section 8 Project Based Assistance
FALSE RD 515 Rental Assistance
FALSE Section 8 Vouchers
*Administering Organization:
FALSE State Assistance
*Administering Organization:
FALSE Other:

c. The Project Based vouchers above are applicable to the 30% units seeking points. FALSE

i. If True above, how many of the 30% units will not have project based vouchers? 0

Table with 2 columns: Question and Answer. Rows include: Number of units receiving assistance: 20; How many years in rental assistance contract?: 15.00; Expiration date of contract: 12/31/2037; There is an Option to Renew..... TRUE

Action: Contract or other agreement provided (TAB Q).

L. UNIT DETAILS

1. Set-Aside Election: UNITS SELECTED IN INCOME AND RENT DETERMINE POINTS FOR THE BONUS POINT CATEGORY

Note: In order to qualify for any tax credits, a development must meet one of two minimum threshold occupancy tests. Either (i) at least 20% of the units must be rent-restricted and occupied by persons whose incomes are 50% or less of the area median income adjusted for family size (this is called the 20/50 test) or (ii) at least 40% of the units must be rent-restricted and occupied by persons whose incomes are 60% or less of the area median income adjusted for family size (this is called the 40/60 test), all as described in Section 42 of the IRC. Rent-and income-restricted units are known as low-income units. If you have more low-income units than required, you qualify for more credits. If you serve lower incomes than required, you receive more points under the ranking system.

a. Units Provided Per Household Type:


Income Levels			Avg Inc.
# of Units	% of Units		
0	0.00%	20% Area Median	
0	0.00%	30% Area Median	
0	0.00%	40% Area Median	
19	50.00%	50% Area Median	
19	50.00%	60% Area Median	
0	0.00%	70% Area Median	
0	0.00%	80% Area Median	
0	0.00%	Market Units	
38	100.00%	Total	

Rent Levels			Avg Inc.
# of Units	% of Units		
0	0.00%	20% Area Median	
0	0.00%	30% Area Median	
4	10.53%	40% Area Median	
15	39.47%	50% Area Median	
19	50.00%	60% Area Median	
0	0.00%	70% Area Median	
0	0.00%	80% Area Median	
0	0.00%	Market Units	
38	100.00%	Total	

- b. The development plans to utilize average income..... FALSE
 If true, should the points based on the units assigned to the levels above **be waived** and therefore not required for compliance?
 20-30% Levels FALSE 40% Levels FALSE 50% levels FALSE

2. Unit Detail FOR YOUR CONVENIENCE, COPY AND PASTE IS ALLOWED WITHIN UNIT MIX GRID

In the following grid, add a row for each unique unit type planned within the development. Enter the appropriate data for both tax credit and market rate units.

 Architect of Record initial here that the information below is accurate per certification statement within this application.

	Unit Type (Select One)	Rent Target (Select One)	Number of Units	# of Units 504 compliant	Net Rentable Square Feet	Monthly Rent Per Unit	Total Monthly Rent
Mix 1	1 BR - 1 Bath	40% AMI	3	3	510.47	\$1,126.00	\$3,378
Mix 2	1 BR - 1 Bath	40% AMI	1	1	639.01	\$1,126.00	\$1,126
Mix 3	1 BR - 1 Bath	50% AMI	13		510.47	\$1,126.00	\$14,638
Mix 4	1 BR - 1 Bath	60% AMI	12		510.47	\$859.00	\$10,308
Mix 5	1 BR - 1 Bath	60% AMI	3		639.01	\$859.00	\$2,577
Mix 6	2 BR - 1.5 Bath	50% AMI	2	1	831.13	\$1,297.00	\$2,594
Mix 7	2 BR - 1.5 Bath	60% AMI	1		831.13	\$1,297.00	\$1,297
Mix 8	2 BR - 1.5 Bath	60% AMI	3		831.13	\$1,007.00	\$3,021
Mix 9							\$0
Mix 10							\$0
Mix 11							\$0
Mix 12							\$0
Mix 13							\$0
Mix 14							\$0
Mix 15							\$0

L. UNIT DETAILS

Mix 16									\$0
Mix 17									\$0
Mix 18									\$0
Mix 19									\$0
Mix 20									\$0
Mix 21									\$0
Mix 22									\$0
Mix 23									\$0
Mix 24									\$0
Mix 25									\$0
Mix 26									\$0
Mix 27									\$0
Mix 28									\$0
Mix 29									\$0
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Mix 62									\$0
Mix 63									\$0
Mix 64									\$0
Mix 65									\$0
Mix 66									\$0
Mix 67									\$0
Mix 68									\$0
Mix 69									\$0
Mix 70									\$0

L. UNIT DETAILS

Mix 71								\$0
Mix 72								\$0
Mix 73								\$0
Mix 74								\$0
Mix 75								\$0
Mix 76								\$0
Mix 77								\$0
Mix 78								\$0
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Mix 83								\$0
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Mix 85								\$0
Mix 86								\$0
Mix 87								\$0
Mix 88								\$0
Mix 89								\$0
Mix 90								\$0
Mix 91								\$0
Mix 92								\$0
Mix 93								\$0
Mix 94								\$0
Mix 95								\$0
Mix 96								\$0
Mix 97								\$0
Mix 98								\$0
Mix 99								\$0
Mix 100								\$0
TOTALS			38	5				\$38,939

Total Units	38	Net Rentable SF:	TC Units	21,835.98
			MKT Units	0.00
			Total NR SF:	21,835.98

Floor Space Fraction (to 7 decimals)	100.00000%
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M. OPERATING EXPENSES

Administrative:

Use Whole Numbers Only!

1. Advertising/Marketing		\$100
2. Office Salaries		\$0
3. Office Supplies		\$1,200
4. Office/Model Apartment	(type _____)	\$0
5. Management Fee		\$40,000
<u>8.59%</u> of EGI	<u>\$1,052.63</u> Per Unit	
6. Manager Salaries		\$22,000
7. Staff Unit (s)	(type _____)	\$0
8. Legal		\$2,400
9. Auditing		\$3,750
10. Bookkeeping/Accounting Fees		\$500
11. Telephone & Answering Service		\$12,671
12. Tax Credit Monitoring Fee		\$1,520
13. Miscellaneous Administrative		\$17,900
Total Administrative		\$102,041

Utilities

14. Fuel Oil		\$0
15. Electricity		\$10,100
16. Water		\$12,500
17. Gas		\$0
18. Sewer		\$12,500
Total Utility		\$35,100

Operating:

19. Janitor/Cleaning Payroll		\$0
20. Janitor/Cleaning Supplies		\$0
21. Janitor/Cleaning Contract		\$11,400
22. Exterminating		\$3,700
23. Trash Removal		\$3,400
24. Security Payroll/Contract		\$0
25. Grounds Payroll		\$0
26. Grounds Supplies		\$0
27. Grounds Contract		\$4,200
28. Maintenance/Repairs Payroll		\$28,028
29. Repairs/Material		\$3,000
30. Repairs Contract		\$22,800
31. Elevator Maintenance/Contract		\$5,000
32. Heating/Cooling Repairs & Maintenance		\$0
33. Pool Maintenance/Contract/Staff		\$0
34. Snow Removal		\$500
35. Decorating/Payroll/Contract		\$0
36. Decorating Supplies		\$0
37. Miscellaneous		\$22,000
Totals Operating & Maintenance		\$104,028

M. OPERATING EXPENSES

Taxes & Insurance

38. Real Estate Taxes	\$21,250
39. Payroll Taxes	\$3,735
40. Miscellaneous Taxes/Licenses/Permits	\$0
41. Property & Liability Insurance	\$10,300
42. Fidelity Bond	\$0
43. Workman's Compensation	\$1,000
44. Health Insurance & Employee Benefits	\$9,600
45. Other Insurance	\$0
Total Taxes & Insurance	\$45,885

Total Operating Expense	\$287,054
--------------------------------	------------------

Total Operating Expenses Per Unit	\$7,554	C. Total Operating Expenses as % of EGI	61.63%
--	----------------	--	---------------

Replacement Reserves (Total # Units X \$300 or \$250 New Const. Elderly Minimum)	\$9,500
---	----------------

Total Expenses	\$296,554
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ACTION: Provide Documentation of Operating Budget at **Tab R** if applicable.

N. PROJECT SCHEDULE

ACTIVITY	ACTUAL OR ANTICIPATED DATE	NAME OF RESPONSIBLE PERSON
1. SITE		
a. Option/Contract	3/19/2020	Angela Whitehead
b. Site Acquisition	6/1/2023	Angela Whitehead
c. Zoning Approval	8/26/2020	Angela Whitehead
d. Site Plan Approval	3/15/2021	Jessica Guglielmo
2. Financing		
a. Construction Loan		
i. Loan Application	11/1/2022	Jessica Guglielmo
ii. Conditional Commitment	1/1/2023	Jessica Guglielmo
iii. Firm Commitment	3/1/2023	Jessica Guglielmo
b. Permanent Loan - First Lien		
i. Loan Application	11/1/2022	Jessica Guglielmo
ii. Conditional Commitment	1/1/2023	Jessica Guglielmo
iii. Firm Commitment	3/1/2023	Jessica Guglielmo
c. Permanent Loan-Second Lien		
i. Loan Application	11/1/2023	Jessica Guglielmo
ii. Conditional Commitment		
iii. Firm Commitment	3/1/2023	Jessica Guglielmo
d. Other Loans & Grants		
i. Type & Source, List	Local Home	
ii. Application		
iii. Award/Commitment	1/26/2021	Angela Whitehead
2. Formation of Owner	1/26/2021	Angela Whitehead
3. IRS Approval of Nonprofit Status	11/30/2010	Jessica Guglielmo
4. Closing and Transfer of Property to Owner	12/31/2022	Jessica Guglielmo
5. Plans and Specifications, Working Drawings	11/1/2021	Colin Arnold
6. Building Permit Issued by Local Government	3/1/2023	Jessica Guglielmo
7. Start Construction	6/1/2023	Jessica Guglielmo
8. Begin Lease-up	10/1/2024	Jessica Guglielmo
9. Complete Construction	12/31/2024	Jessica Guglielmo
10. Complete Lease-Up	2/1/2024	Jessica Guglielmo
11. Credit Placed in Service Date	2/1/2024	Jessica Guglielmo

O. PROJECT BUDGET - HARD COSTS

Cost/Basis/Maximum Allowable Credit

Complete cost column and basis column(s) as appropriate

To select exclusion of allowable line items from Total Development Costs used in Cost limit calculations, select X in yellow box to the left.

Note: Attorney must opine, among other things, as to correctness of the inclusion of each cost item in eligible basis, type of credit and numerical calculations included in Project Budget.

Item	(A) Cost	Amount of Cost up to 100% Includable in Eligible Basis--Use Applicable Column(s):		
		"30% Present Value Credit"		(D)
		(B) Acquisition	(C) Rehab/ New Construction	"70 % Present Value Credit"
1. Contractor Cost				
a. Unit Structures (New)	5,142,028	0	0	5,142,028
b. Unit Structures (Rehab)	0	0	0	0
c. Non Residential Structures	0	0	0	0
d. Commercial Space Costs	0	0	0	0
<input type="checkbox"/> e. Structured Parking Garage	0	0	0	0
Total Structure	5,142,028	0	0	5,142,028
f. Earthwork	0	0	0	0
g. Site Utilities	100,000	0	0	100,000
<input type="checkbox"/> h. Renewable Energy	0	0	0	0
i. Roads & Walks	0	0	0	0
j. Site Improvements	947,000	0	0	947,000
k. Lawns & Planting	0	0	0	0
l. Engineering	0	0	0	0
m. Off-Site Improvements	0	0	0	0
n. Site Environmental Mitigation	0	0	0	0
o. Demolition	0	0	0	0
p. Site Work	0	0	0	0
q. Other Site work	0	0	0	0
Total Land Improvements	1,047,000	0	0	1,047,000
Total Structure and Land	6,189,028	0	0	6,189,028
r. General Requirements	371,000	0	0	371,000
s. Builder's Overhead	247,561	0	0	247,561
(4.0% Contract)				
t. Builder's Profit	247,561	0	0	247,561
(4.0% Contract)				
u. Bonds	74,214	0	0	74,214
v. Building Permits	0	0	0	0
w. Special Construction	0	0	0	0
x. Special Equipment	0	0	0	0
y. Other 1: <input type="checkbox"/>	0	0	0	0
z. Other 2: <input type="checkbox"/>	0	0	0	0
aa. Other 3: <input type="checkbox"/>	0	0	0	0
Contractor Costs	\$7,129,364	\$0	\$0	\$7,129,364

O. PROJECT BUDGET - OWNER COSTS

To select exclusion of allowable line items from Total Development Costs used in Cost limit calculations, select X in yellow box to the left.

MUST USE WHOLE NUMBERS ONLY! Item	(A) Cost	Amount of Cost up to 100% Includable in Eligible Basis--Use Applicable Column(s):		
		"30% Present Value Credit"		(D)
		(B) Acquisition	(C) Rehab/ New Construction	"70 % Present Value Credit"
2. Owner Costs				
a. Building Permit	16,500	0	0	16,500
b. Architecture/Engineering Design Fee \$4,605 /Unit)	175,000	0	0	175,000
c. Architecture Supervision Fee \$1,974 /Unit)	75,000	0	0	75,000
d. Tap Fees	120,000	0	0	120,000
e. Environmental	4,000	0	0	4,000
f. Soil Borings	8,000	0	0	8,000
g. Green Building (Earthcraft, LEED, etc.)	25,000	0	0	25,000
h. Appraisal	7,500	0	0	7,500
i. Market Study	9,250	0	0	9,250
j. Site Engineering / Survey	84,050	0	0	84,050
k. Construction/Development Mgt	114,000	0	0	114,000
l. Structural/Mechanical Study	0	0	0	0
m. Construction Loan Origination Fee	65,000	0	0	65,000
n. Construction Interest (0.0% for 0 months)	160,000	0	0	160,000
o. Taxes During Construction	20,000	0	0	20,000
p. Insurance During Construction	42,000	0	0	21,000
q. Permanent Loan Fee (0.0%)	15,000	0	0	0
r. Other Permanent Loan Fees	0	0	0	0
s. Letter of Credit	0	0	0	0
t. Cost Certification Fee	12,000	0	0	0
u. Accounting	0	0	0	0
v. Title and Recording	30,000	0	0	20,000
w. Legal Fees for Closing	95,000	0	0	35,000
x. Mortgage Banker	0	0	0	0
y. Tax Credit Fee	36,350			
z. Tenant Relocation	0	0	0	0
aa. Fixtures, Furnitures and Equipment	0	0	0	0
ab. Organization Costs	0	0	0	0
ac. Operating Reserve	211,214	0	0	0
ad. Contingency	360,000	0	0	360,000
ae. Security		0	0	
af. Utilities	0	0	0	0

O. PROJECT BUDGET - OWNER COSTS

ag. Servicing Reserve	0			
(1) Other* specify: lease up reserve	30,000	0	0	0
(2) Other* specify: hard costs security system	125,000	0	0	125,000
(3) Other* specify: IT network equipment	25,000	0	0	25,000
(4) Other* specify:	0	0	0	0
(5) Other* specify:	0	0	0	0
(6) Other* specify:	0	0	0	0
(7) Other* specify:	0	0	0	0
(8) Other* specify:	0	0	0	0
(9) Other* specify:	0	0	0	0
Owner Costs Subtotal (Sum 2A..2(10))	\$1,864,864	\$0	\$0	\$1,469,300
Subtotal 1 + 2 (Owner + Contractor Costs)	\$8,994,228	\$0	\$0	\$8,598,664
3. Developer's Fees Action: Provide Developer Fee Agreement (Tab A)	900,000	0	0	900,000
4. Owner's Acquisition Costs				
Land	715,000			
Existing Improvements	0	0		
Subtotal 4:	\$715,000	\$0		
5. Total Development Costs				
Subtotal 1+2+3+4:	\$10,609,228	\$0	\$0	\$9,498,664

If this application seeks rehab credits only, in which there is no acquisition and **no change in ownership**, enter the greater of appraised value or tax assessment value here:

(Provide documentation at **Tab E**)

\$0	Land
\$0	Building

Maximum Developer Fee: \$1,195,107

Proposed Development's Cost per Sq Foot \$273 **Meets Limits**
 Applicable Cost Limit by Square Foot: \$314

Proposed Development's Cost per Unit \$260,374 **Meets Limits**
 Applicable Cost Limit per Unit: \$303,292

2022 Low-Income Housing Tax Credit Application For Reservation

P. ELIGIBLE BASIS CALCULATION

Item	Amount of Cost up to 100% Includable in Eligible Basis--Use Applicable Column(s):			
	(A) Cost	"30 % Present Value Credit"		(D) "70 % Present Value Credit"
		(B) Acquisition	(C) Rehab/ New Construction	
1. Total Development Costs	10,609,228	0	0	9,498,664

2. Reductions in Eligible Basis

a. Amount of federal grant(s) used to finance qualifying development costs	0	0	0
b. Amount of nonqualified, nonrecourse financing	0	0	0
c. Costs of nonqualifying units of higher quality (or excess portion thereof)	0	0	0
d. Historic Tax Credit (residential portion)	0	0	0

3. Total Eligible Basis (1 - 2 above)

0	0	9,498,664
---	---	-----------

4. Adjustment(s) to Eligible Basis (For non-acquisition costs in eligible basis)

a. For QCT or DDA (Eligible Basis x 30%) <i>State Designated Basis Boosts:</i>	0	0
b. For Revitalization or Supportive Housing (Eligible Basis x 30%)	0	2,849,599
c. For Green Certification (Eligible Basis x 10%)		0
Total Adjusted Eligible basis	0	12,348,263

5. Applicable Fraction

100.00000%	100.00000%	100.00000%
------------	------------	------------

6. Total Qualified Basis
(Eligible Basis x Applicable Fraction)

0	0	12,348,263
---	---	------------

7. Applicable Percentage

0.00%	9.00%	9.00%
-------	-------	-------

(Beginning in 2021, All Tax Exempt requests should use the standard 4% rate and all 9% requests should use the standard 9% rate.)

8. Maximum Allowable Credit under IRC §42

(Qualified Basis x Applicable Percentage)	\$0	\$0	\$1,111,344
(Must be same as BIN total and equal to or less than credit amount allowed)	\$1,111,344 Combined 30% & 70% P. V. Credit		

Q. SOURCES OF FUNDS

Action: Provide Documentation for all Funding Sources at **Tab T**

1. Construction Financing: List individually the sources of construction financing, including any such loans financed through grant sources:

Source of Funds	Date of Application	Date of Commitment	Amount of Funds	Name of Contact Person
1. TBD				
2.				
3.				
Total Construction Funding:			\$0	

2. Permanent Financing: List individually the sources of all permanent financing in order of lien position:

Source of Funds	Date of Application	Date of Commitment	Amount of Funds	Annual Debt Service Cost	Interest Rate of Loan	Amortization Period IN YEARS	Term of Loan (years)
1. VH REACH Perm loan			\$2,800,000	\$128,374	2.95%	35	35
2. VA Beach HOME Grant	11/1/2020	1/12/2022	\$1,250,000		0.00%	30	30
3. DHCD AHSN	3/31/2022		\$700,000	\$7,000	1.00%	1000	30
4.			\$0		0.00%	0	0
5. DHCD HIEE	10/31/2022		\$708,000		0.00%	35	35
6.							
7.							
8.							
9.							
10.							
Total Permanent Funding:			\$5,458,000	\$135,374			

3. Grants: List all grants provided for the development:

Source of Funds	Date of Application	Date of Commitment	Amount of Funds	Name of Contact Person
1. Hampton Roads Planning	1/15/2022		\$300,000	Shernita Bethea
2. Private Foundation	5/1/2022		\$150,000	TO BE DETERMINED
3.				
4.				
5.				
6.				
Total Permanent Grants:			\$450,000	

Q. SOURCES OF FUNDS

4. Subsidized Funding

	Source of Funds	Date of Commitment	Amount of Funds
1.	Virginia Beach HOME	1/12/2022	\$1,250,000
2.			
3.			
4.			
5.			
Total Subsidized Funding			\$1,250,000

5. Recap of Federal, State, and Local Funds

Portions of the sources of funds described above for the development are financed directly or indirectly with Federal, State, or Local Government Funds..... **TRUE**

If above is **True**, then list the amount of money involved by all appropriate types.

Below-Market Loans

a.	Tax Exempt Bonds	\$0
b.	RD 515	\$0
c.	Section 221(d)(3)	\$0
d.	Section 312	\$0
e.	Section 236	\$0
f.	VHDA SPARC/REACH	\$2,800,000
g.	HOME Funds	\$700,000
h.	Other: DHCD HIEE	\$708,000
i.	Other:	

Market-Rate Loans

a.	Taxable Bonds	\$0
b.	Section 220	\$0
c.	Section 221(d)(3)	\$0
d.	Section 221(d)(4)	\$0
e.	Section 236	\$0
f.	Section 223(f)	\$0
g.	Other:	\$0

Grants*

a.	CDBG	\$0
b.	UDAG	\$0

Grants

c.	State	
d.	Local	\$300,000
e.	Other: foundation	\$150,000

*This means grants to the partnership. If you received a loan financed by a locality which received one of the listed grants, please list it in the appropriate loan column as "other" and describe the applicable grant program which funded it.

Q. SOURCES OF FUNDS

6. For Transactions Using Tax-Exempt Bonds Seeking 4% Credits:

For purposes of the 50% Test, and based only on the data entered to this application, the portion of the aggregate basis of buildings and land financed with tax-exempt funds is: **N/A**

7. Some of the development's financing has credit enhancements..... **FALSE**

If **True**, list which financing and describe the credit enhancement:

[Empty text box for listing financing and credit enhancements]

8. Other Subsidies Action: Provide documentation (Tab Q)

a. **TRUE** Real Estate Tax Abatement on the increase in the value of the development.

b. **TRUE** **New** project based subsidy from HUD or Rural Development for the greater of 5 or 10% of the units in the development.

c. **FALSE** Other [Empty text box]

9. A HUD approval for transfer of physical asset is required..... **FALSE**

R. EQUITY

1. Equity

a. Portion of Syndication Proceeds Attributable to Historic Tax Credit			
Amount of Federal historic credits	\$0	x Equity \$	\$0.000 = \$0
Amount of Virginia historic credits	\$0	x Equity \$	\$0.000 = \$0
b. Equity that Sponsor will Fund:			
i. Cash Investment	\$0		
ii. Contributed Land/Building	\$0		
iii. Deferred Developer Fee	\$307,233	(Note: Deferred Developer Fee cannot be negative.)	
iv. Other:	\$0		
ACTION: If Deferred Developer Fee is greater than 50% of overall Developer Fee, provide a cash flow statement showing payoff within 15 years at TAB A .			
Equity Total	<u>\$307,233</u>		

2. Equity Gap Calculation

a. Total Development Cost	\$10,609,228
b. Total of Permanent Funding, Grants and Equity	- <u>\$6,215,233</u>
c. Equity Gap	\$4,393,995
d. Developer Equity	- <u>(\$49,565)</u>
e. Equity gap to be funded with low-income tax credit proceeds	\$4,443,560

3. Syndication Information (If Applicable)

a. Actual or Anticipated Name of Syndicator:	VCDC		
Contact Person:	Steve Bleile	Phone:	804-482-6231
Street Address:	1840 West Broad Street Suite 200		
City:	Richmond	State:	23220
b. Syndication Equity			
i. Anticipated Annual Credits	\$505,000.00		
ii. Equity Dollars Per Credit (e.g., \$0.85 per dollar of credit)	\$0.880		
iii. Percent of ownership entity (e.g., 99% or 99.9%)	99.99000%		
iv. Syndication costs not included in Total Development Costs (e.g., advisory fees)	\$50,000		
v. Net credit amount anticipated by user of credits	\$504,950		
vi. Total to be paid by anticipated users of credit (e.g., limited partners)	\$4,443,560		
c. Syndication:	Private		
d. Investors:	Corporate		

4. Net Syndication Amount

Which will be used to pay for Total Development Costs	<u>\$4,393,560</u>
---	--------------------

5. Net Equity Factor

Must be equal to or greater than 85%	<u>87.0098891077%</u>
--------------------------------------	-----------------------

S. DETERMINATION OF RESERVATION AMOUNT NEEDED

The following calculation of the amount of credits needed is substantially the same as the calculation which will be made by Virginia Housing to determine, as required by the IRC, the amount of credits which may be allocated for the development. However, Virginia Housing at all times retains the right to substitute such information and assumptions as are determined by Virginia Housing to be reasonable for the information and assumptions provided herein as to costs (including development fees, profits, etc.), sources for funding, expected equity, etc. Accordingly, if the development is selected by Virginia Housing for a reservation of credits, the amount of such reservation may differ significantly from the amount you compute below.

1. Total Development Costs		<u>\$10,609,228</u>
2. Less Total of Permanent Funding, Grants and Equity	-	<u>\$6,215,233</u>
3. Equals Equity Gap		<u>\$4,393,995</u>
4. Divided by Net Equity Factor (Percent of 10-year credit expected to be raised as equity investment)		<u>87.0098891077%</u>
5. Equals Ten-Year Credit Amount Needed to Fund Gap		<u>\$5,049,995</u>
Divided by ten years		<u>10</u>
6. Equals Annual Tax Credit Required to Fund the Equity Gap		<u>\$505,000</u>
7. Maximum Allowable Credit Amount (from Eligible Basis Calculation)		<u>\$1,111,344</u>
8. Requested Credit Amount	For 30% PV Credit:	<u>\$0</u>
	For 70% PV Credit:	<u>\$505,000</u>
Credit per LI Units	<u>\$13,289.4737</u>	
Credit per LI Bedroom	<u>\$11,477.2727</u>	
	Combined 30% & 70% PV Credit Requested	\$505,000

9. **Action:** Provide Attorney’s Opinion (**Mandatory Tab H**)

T. CASH FLOW

1. Revenue

Indicate the estimated monthly income for the **Low-Income Units** (based on Unit Details tab):

Total Monthly Rental Income for LIHTC Units		\$38,939
Plus Other Income Source (list):	Laundry	\$2,800
Equals Total Monthly Income:		\$41,739
Twelve Months		x12
Equals Annual Gross Potential Income		\$500,868
Less Vacancy Allowance	7.0%	\$35,061
Equals Annual Effective Gross Income (EGI) - Low Income Units		\$465,807

2. Indicate the estimated monthly income for the **Market Rate Units** (based on Unit Details tab):

Total Monthly Income for Market Rate Units:		\$0
Plus Other Income Source (list):		\$0
Equals Total Monthly Income:		\$0
Twelve Months		x12
Equals Annual Gross Potential Income		\$0
Less Vacancy Allowance	0.0%	\$0
Equals Annual Effective Gross Income (EGI) - Market Rate Units		\$0

Action: Provide documentation in support of Operating Budget (TAB R)

3. Cash Flow (First Year)

a. Annual EGI Low-Income Units	\$465,807
b. Annual EGI Market Units	\$0
c. Total Effective Gross Income	\$465,807
d. Total Expenses	\$296,554
e. Net Operating Income	\$169,253
f. Total Annual Debt Service	\$135,374
g. Cash Flow Available for Distribution	\$33,879

T. CASH FLOW

4. Projections for Financial Feasibility - 15 Year Projections of Cash Flow

	Stabilized Year 1	Year 2	Year 3	Year 4	Year 5
Eff. Gross Income	465,807	475,123	484,626	494,318	504,205
Less Oper. Expenses	296,554	305,451	314,614	324,053	333,774
Net Income	169,253	169,673	170,012	170,266	170,431
Less Debt Service	135,374	135,374	135,374	135,374	135,374
Cash Flow	33,879	34,299	34,638	34,892	35,057
Debt Coverage Ratio	1.25	1.25	1.26	1.26	1.26

	Year 6	Year 7	Year 8	Year 9	Year 10
Eff. Gross Income	514,289	524,575	535,066	545,767	556,683
Less Oper. Expenses	343,787	354,101	364,724	375,666	386,936
Net Income	170,501	170,474	170,342	170,102	169,747
Less Debt Service	135,374	135,374	135,374	135,374	135,374
Cash Flow	35,127	35,100	34,968	34,728	34,373
Debt Coverage Ratio	1.26	1.26	1.26	1.26	1.25

	Year 11	Year 12	Year 13	Year 14	Year 15
Eff. Gross Income	567,816	579,173	590,756	602,571	614,623
Less Oper. Expenses	398,544	410,500	422,815	435,500	448,565
Net Income	169,273	168,673	167,941	167,072	166,058
Less Debt Service	135,374	135,374	135,374	135,374	135,374
Cash Flow	33,899	33,299	32,567	31,698	30,684
Debt Coverage Ratio	1.25	1.25	1.24	1.23	1.23

Estimated Annual Percentage Increase in Revenue 2.00% (Must be < 2%)
 Estimated Annual Percentage Increase in Expenses 3.00% (Must be > 3%)

U. Building-by-Building Information

Must Complete

Qualified basis must be determined on a building-by building basis. Complete the section below. Building street addresses are required by the IRS (must have them by the time of allocation request).

Number of BINS: 1

FOR YOUR CONVENIENCE, COPY AND PASTE IS ALLOWED WITHIN BUILDING GRID

Bldg #	BIN if known	NUMBER OF		Please help us with the process: DO NOT use the CUT feature DO NOT SKIP LINES BETWEEN BUILDINGS				30% Present Value Credit for Acquisition				30% Present Value Credit for Rehab / New Construction				70% Present Value Credit					
		TAX CREDIT UNITS	MARKET RATE UNITS					Estimate Qualified Basis	Actual or Anticipated In-Service Date	Applicable Percentage	Credit Amount	Estimate Qualified Basis	Actual or Anticipated In-Service Date	Applicable Percentage	Credit Amount	Estimate Qualified Basis	Actual or Anticipated In-Service Date	Applicable Percentage	Credit Amount		
		Street Address 1	Street Address 2	City	State	Zip															
1.		38		5837 Burton Station Road		Virginia Beach	VA	23455					\$0				\$0	\$12,348,263		9.00%	\$1,111,344
2.													\$0				\$0				\$0
3.													\$0				\$0				\$0
4.													\$0				\$0				\$0
5.													\$0				\$0				\$0
6.													\$0				\$0				\$0
7.													\$0				\$0				\$0
8.													\$0				\$0				\$0
9.													\$0				\$0				\$0
10.													\$0				\$0				\$0
11.													\$0				\$0				\$0
12.													\$0				\$0				\$0
13.													\$0				\$0				\$0
14.													\$0				\$0				\$0
15.													\$0				\$0				\$0
16.													\$0				\$0				\$0
17.													\$0				\$0				\$0
18.													\$0				\$0				\$0
19.													\$0				\$0				\$0
20.													\$0				\$0				\$0
21.													\$0				\$0				\$0
22.													\$0				\$0				\$0
23.													\$0				\$0				\$0
24.													\$0				\$0				\$0
25.													\$0				\$0				\$0
26.													\$0				\$0				\$0
27.													\$0				\$0				\$0
28.													\$0				\$0				\$0
29.													\$0				\$0				\$0
30.													\$0				\$0				\$0
31.													\$0				\$0				\$0
32.													\$0				\$0				\$0
33.													\$0				\$0				\$0
34.													\$0				\$0				\$0
35.													\$0				\$0				\$0

38 0 If development has more than 35 buildings, contact Virginia Housing.

Totals from all buildings

\$0

\$0

\$0

\$0

\$12,348,263

\$1,111,344

Number of BINS: 1

V. STATEMENT OF OWNER

The undersigned hereby acknowledges the following:

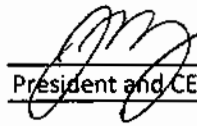
1. that, to the best of its knowledge and belief, all factual information provided herein or in connection herewith is true and correct, and all estimates are reasonable.
2. that it will at all times indemnify and hold harmless Virginia Housing and its assigns against all losses, costs, damages, Virginia Housing's expenses, and liabilities of any nature directly or indirectly resulting from, arising out of, or relating to Virginia Housing's acceptance, consideration, approval, or disapproval of this reservation request and the issuance or nonissuance of an allocation of credits, grants and/or loan funds in connection herewith.
3. that points will be assigned only for representations made herein for which satisfactory documentation is submitted herewith and that no revised representations may be made in connection with this application once the deadline for applications has passed.
4. that this application form, provided by Virginia Housing to applicants for tax credits, including all sections herein relative to basis, credit calculations, and determination of the amount of the credit necessary to make the development financially feasible, is provided only for the convenience of Virginia Housing in reviewing reservation requests; that completion hereof in no way guarantees eligibility for the credits or ensures that the amount of credits applied for has been computed in accordance with IRC requirements; and that any notations herein describing IRC requirements are offered only as general guides and not as legal authority.
5. that the undersigned is responsible for ensuring that the proposed development will be comprised of qualified low-income buildings and that it will in all respects satisfy all applicable requirements of federal tax law and any other requirements imposed upon it by Virginia Housing prior to allocation, should one be issued.
6. that the undersigned commits to providing first preference to members of targeted populations having state rental assistance and will not impose any eligibility requirements or lease terms for such individuals that are more restrictive than its standard requirements and terms, the terms of the MOU establishing the target population, or the eligibility requirements for the state rental assistance.
7. that, for the purposes of reviewing this application, Virginia Housing is entitled to rely upon representations of the undersigned as to the inclusion of costs in eligible basis and as to all of the figures and calculations relative to the determination of qualified basis for the development as a whole and/or each building therein individually as well as the amounts and types of credit applicable thereof, but that the issuance of a reservation based on such representation in no way warrants their correctness or compliance with IRC requirements.
8. that Virginia Housing may request or require changes in the information submitted herewith, may substitute its own figures which it deems reasonable for any or all figures provided herein by the undersigned and may reserve credits, if any, in an amount significantly different from the amount requested.
9. that reservations of credits are not transferable without prior written approval by Virginia Housing at its sole discretion.

V. STATEMENT OF OWNER

- 10. that the requirements for applying for the credits and the terms of any reservation or allocation thereof are subject to change at any time by federal or state law, federal, state or Virginia Housing regulations, or other binding authority.
- 11. that reservations may be made subject to certain conditions to be satisfied prior to allocation and shall in all cases be contingent upon the receipt of a nonrefundable application fee of \$1000 and a nonrefundable reservation fee equal to 7% of the annual credit amount reserved.
- 12. that a true, exact, and complete copy of this application, including all the supporting documentation enclosed herewith, has been provided to the tax attorney who has provided the required attorney's opinion accompanying this submission.
- 13. that the undersigned has provided a complete list of all residential real estate developments in which the general partner(s) has (have) or had a controlling ownership interest and, in the case of those projects allocated credits under Section 42 of the IRC, complete information on the status of compliance with Section 42 and an explanation of any noncompliance. The undersigned hereby authorizes the Housing Credit Agencies of states in which these projects are located to share compliance information with the Authority.
- 14. that any principal of undersigned has not participated in a planned foreclosure or Qualified Contract request in Virginia after January 1, 2019.
- 15. that undersigned agrees to provide disclosure to all tenants of the availability of Renter Education provided by Virginia Housing.
- 16. that undersigned waives the right to pursue a Qualified Contract on this development.
- 17. that the information in this application may be disseminated to others for purposes of verification or other purposes consistent with the Virginia Freedom of Information Act. However, all information will be maintained, used or disseminated in accordance with the Government Data Collection and Dissemination Practices Act. The undersigned may refuse to supply the information requested, however, such refusal will result in Virginia Housing's inability to process the application. The original or copy of this application may be retained by Virginia Housing, even if tax credits are not allocated to the undersigned.

In Witness Whereof, the undersigned, being authorized, has caused this document to be executed in its name on the date of this application set forth in DEV Info tab hereof.

Legal Name of Owner: SUL Tranquility Lakes II, LLC
By: SUL Tranquility Lakes II Manager, LLC, its Managin
By: Virginia Beach Community Development Corporta

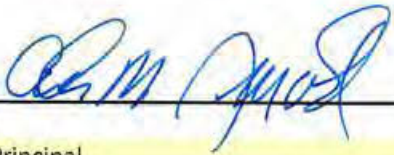
By: 
 Its: President and CEO
 (Title)

V. STATEMENT OF ARCHITECT

The architect signing this document is certifying that the development plans and specifications incorporate all Virginia Housing Minimum Design and Construction Requirements (MDCR), selected LIHTC enhancements and amenities, applicable building codes and accessibility requirements.

In Witness Whereof, the undersigned, being authorized, has caused this document to be executed in its name on the date of this application set forth in DEV Info tab hereof.

Legal Name of Architect:	<u>Colin M. Arnold</u>
Virginia License#:	<u>11337</u>
Architecture Firm or Company:	<u>Arnold Design Studio, LLC.</u>

By: 

Its: Principal (Title)

Initials by Architect are also required on the following Tabs: Enhancement, Special Housing Needs and Unit Details.

W. LIHTC SELF SCORE SHEET

Self Scoring Process

This Self Scoring Process is intended to provide you with an estimate of your application's score based on the information included within the reservation application. Other items, denoted below in the yellow shaded cells, are typically evaluated by Virginia Housing's staff during the application review and feasibility process. For purposes of self scoring, we have made certain assumptions about your application. Edit the appropriate responses (Y or N) in the yellow shaded cells, if applicable. Items 5f and 5g require a numeric value to be entered.

Please remember that this score is only an estimate. Virginia Housing reserves the right to change application data and/or score sheet responses where appropriate, which may change the final score.

MANDATORY ITEMS:

- a. Signed, completed application with attached tabs in PDF format
- b. Active Excel copy of application
- c. Partnership agreement
- d. SCC Certification
- e. Previous participation form
- f. Site control document
- g. RESNET Certification
- h. Attorney's opinion
- i. Nonprofit questionnaire (if applicable)
- j. Appraisal
- k. Zoning document
- l. Universal Design Plans
- m. List of LIHTC Developments (Schedule A)

Included		Score
Y	Y or N	0
Y	Y or N	0
Y	Y or N	0
Y	Y or N	0
Y	Y or N	0
Y	Y or N	0
Y	Y or N	0
Y	Y or N	0
Y	Y, N, N/A	0
Y	Y or N	0
Y	Y or N	0
Y	Y or N	0
Y	Y or N	0
Y	Y or N	0
Total:		<u>0.00</u>

1. READINESS:

- a. Virginia Housing notification letter to CEO (via Locality Notification Information App)
- b. Local CEO Opposition Letter
- c. Plan of development < no points offered in Cycle 2022 >
- d. Location in a revitalization area based on Qualified Census Tract
- e. Location in a revitalization area with resolution
- f. Location in a Opportunity Zone

Y	0 or -50	0.00
N	0 or -25	0.00
N/A	0 pts for 2022	0.00
N	0 or 10	0.00
Y	0 or 15	15.00
N	0 or 15	0.00
Total:		<u>15.00</u>

2. HOUSING NEEDS CHARACTERISTICS:

- a. Sec 8 or PHA waiting list preference
- b. Existing RD, HUD Section 8 or 236 program
- c. Subsidized funding commitments
- d. Tax abatement on increase of property's value
- e. New project based rental subsidy (HUD or RD)
- f. Census tract with <12% poverty rate
- g. Development provided priority letter from Rural Development
- h. Dev. located in area with increasing rent burdened population

Y	0 or up to 5	2.37
N	0 or 20	0.00
11.78%	Up to 40	23.56
Y	0 or 5	5.00
Y	0 or 10	10.00
12%	0, 20, 25 or 30	20.00
N	0 or 15	0.00
Y	Up to 20	20.00
Total:		<u>80.93</u>

3. DEVELOPMENT CHARACTERISTICS:

a. Enhancements (See calculations below)			89.00
b. Project subsidies/HUD 504 accessibility for 5 or 10% of units	Y	0 or 50	50.00
or c. HUD 504 accessibility for 10% of units	N	0 or 20	0.00
d. Proximity to public transportation (within Northern VA or Tidewater)	Y10	0, 10 or 20	10.00
e. Development will be Green Certified	Y	0 or 10	10.00
f. Units constructed to meet Virginia Housing's Universal Design standards	100%	Up to 15	15.00
g. Developments with less than 100 low income units	Y	up to 20	20.00
h. Historic Structure eligible for Historic Rehab Credits	N	0 or 5	0.00
Total:			<u>194.00</u>

4. TENANT POPULATION CHARACTERISTICS:

Locality AMI	State AMI
\$84,500	\$59,700

a. Less than or equal to 20% of units having 1 or less bedrooms	N	0 or 15	0.00
b. <plus> Percent of Low Income units with 3 or more bedrooms	0.00%	Up to 15	0.00
c. Units with rent and income at or below 30% of AMI and are not subsidized (up to 10% of LI units)	0.00%	Up to 10	0.00
d. Units with rents at or below 40% of AMI (up to 10% of LI units)	10.53%	Up to 10	10.00
e. Units with rent and income at or below 50% of AMI	50.00%	Up to 50	50.00
f. Units with rents at or below 50% rented to tenants at or below 60% of AMI	50.00%	Up to 25	0.00
or g. Units in LI Jurisdictions with rents <= 50% rented to tenants with <= 60% of AMI	50.00%	Up to 50	0.00
Total:			<u>60.00</u>

5. SPONSOR CHARACTERISTICS:

a. Developer experience (Subdivision 5a - options a,b or c)	Y	0, 10 or 25	25.00
b. Experienced Sponsor - 1 development in Virginia	N	0 or 5	0.00
c. Experienced Sponsor - 3 developments in any state	N	0 or 15	0.00
d. Developer experience - life threatening hazard	N	0 or -50	0.00
e. Developer experience - noncompliance	N	0 or -15	0.00
f. Developer experience - did not build as represented (per occurrence)	0	0 or -2x	0.00
g. Developer experience - failure to provide minimum building requirements (per occurrence)	0	0 or -50 per item	0.00
h. Developer experience - termination of credits by Virginia Housing	N	0 or -10	0.00
i. Developer experience - exceeds cost limits at certification	N	0 or -50	0.00
j. Socially Disadvantaged Principal owner 25% or greater	Y	0 or 5	5.00
k. Management company rated unsatisfactory	N	0 or -25	0.00
l. Experienced Sponsor partnering with Local Housing Authority pool applicant	N	0 or 5	0.00
Total:			<u>30.00</u>

6. EFFICIENT USE OF RESOURCES:

a. Credit per unit		Up to 200	181.87
b. Cost per unit		Up to 100	28.30
Total:			<u>210.17</u>

7. BONUS POINTS:

a. Extended compliance	0 Years	40 or 50	0.00
or b. Nonprofit or LHA purchase option	Y	0 or 60	60.00
or c. Nonprofit or LHA Home Ownership option	N	0 or 5	0.00
d. Combined 9% and 4% Tax Exempt Bond Site Plan	N	Up to 30	0.00
e. RAD or PHA Conversion participation and competing in Local Housing Authority pool	N	0 or 10	0.00
f. Team member with Diversity, Equity and Inclusion Designation	Y	0 or 5	5.00
g. Commitment to electronic payment of fees	Y	0 or 5	5.00
Total:			<u>70.00</u>

400 Point Threshold - all 9% Tax Credits
 300 Point Threshold - Tax Exempt Bonds

TOTAL SCORE: 660.10

Enhancements:

All units have:

	Max Pts	Score
a. Community Room	5	5.00
b. Exterior walls constructed with brick and other low maintenance materials	40	40.00
c. Sub metered water expense	5	5.00
d. Watersense labeled faucets, toilets and showerheads	3	0.00
e. Rehab only: Infrastructure for high speed internet/broadband	1	0.00
f. N/A for 2022	0	0.00
g. Each unit provided free individual high speed internet access	10	0.00
h. Each unit provided free individual WiFi	12	12.00
i. Bath Fan - Delayed timer or continuous exhaust	3	3.00
j. Baths equipped with humidistat	3	0.00
k. Cooking Surfaces equipped with fire prevention features	4	4.00
l. Cooking surfaces equipped with fire suppression features	2	0.00
m. Rehab only: dedicated space to accept permanent dehumidification system	2	0.00
n. Provides Permanently installed dehumidification system	5	5.00
o. All interior doors within units are solid core	3	3.00
p. USB in kitchen, living room and all bedrooms	1	1.00
q. LED Kitchen Light Fixtures	2	2.00
r. N/A for 2022	0	0.00
s. New Construction: Balcony or patio	4	4.00
		<u>84.00</u>

All elderly units have:

t. Front-control ranges	1	1.00
u. Independent/suppl. heat source	1	1.00
v. Two eye viewers	1	1.00
w. Shelf or Ledge at entrance within interior hallway	2	2.00
		<u>5.00</u>

Total amenities: 89.00

X. Development Summary

Summary Information

2022 Low-Income Housing Tax Credit Application For Reservation

Deal Name:	Tranquility at the Lakes II
-------------------	-----------------------------

Cycle Type:	9% Tax Credits	Requested Credit Amount:	\$505,000
Allocation Type:	New Construction	Jurisdiction:	Virginia Beach City
Total Units	38	Population Target:	Elderly
Total LI Units	38	Owner Contact:	Jessica Guglielmo
Project Gross Sq Ft:	36,216.44		
Green Certified?	TRUE		

Total Score 660.10

Source of Funds	Amount	Per Unit	Per Sq Ft	Annual Debt Service
Permanent Financing	\$5,458,000	\$143,632	\$151	\$135,374
Grants	\$450,000	\$11,842		
Subsidized Funding	\$1,250,000	\$32,895		

Uses of Funds - Actual Costs				
Type of Uses	Amount	Per Unit	Sq Ft	% of TDC
Improvements	\$6,189,028	\$162,869	\$171	58.34%
General Req/Overhead/Profit	\$866,122	\$22,793	\$24	8.16%
Other Contract Costs	\$74,214	\$1,953	\$2	0.70%
Owner Costs	\$1,864,864	\$49,075	\$51	17.58%
Acquisition	\$715,000	\$18,816	\$20	6.74%
Developer Fee	\$900,000	\$23,684	\$25	8.48%
Total Uses	\$10,609,228	\$279,190		

Total Development Costs	
Total Improvements	\$8,994,228
Land Acquisition	\$715,000
Developer Fee	\$900,000
Total Development Costs	\$10,609,228

Proposed Cost Limit/Sq Ft:	\$273
Applicable Cost Limit/Sq Ft:	\$314
Proposed Cost Limit/Unit:	\$260,374
Applicable Cost Limit/Unit:	\$303,292

Income		
Gross Potential Income - LI Units		\$500,868
Gross Potential Income - Mkt Units		\$0
Subtotal		\$500,868
Less Vacancy %	7.00%	\$35,061
Effective Gross Income		\$465,807

Unit Breakdown	
Supp Hsg	0
# of Eff	0
# of 1BR	32
# of 2BR	6
# of 3BR	0
# of 4+ BR	0
Total Units	38

Rental Assistance? TRUE

Expenses		
Category	Total	Per Unit
Administrative	\$102,041	\$2,685
Utilities	\$35,100	\$924
Operating & Maintenance	\$104,028	\$2,738
Taxes & Insurance	\$45,885	\$1,208
Total Operating Expenses	\$287,054	\$7,554
Replacement Reserves	\$9,500	\$250
Total Expenses	\$296,554	\$7,804

	Income Levels	Rent Levels
	# of Units	# of Units
<=30% AMI	0	0
40% AMI	0	4
50% AMI	19	15
60% AMI	19	19
>60% AMI	0	0
Market	0	0

Cash Flow	
EGI	\$465,807
Total Expenses	\$296,554
Net Income	\$169,253
Debt Service	\$135,374
Debt Coverage Ratio (YR1):	1.25

Income Averaging?	FALSE
Extended Use Restriction?	30

i. Efficient Use of Resources

Credit Points for 9% Credits:

* 4% Credit applications will be calculated using the E-U-R TE Bond Tab

If the Combined Max Allowable Credits is \$500,000 and the annual credit requested is \$200,000, you are providing a 60% savings for the program. This deal would receive all 200 credit points.

For another example, the annual credit requested is \$300,000 or a 40% savings for the program. Using a sliding scale, the credit points would be calculated by the difference between your savings and the desired 60% savings. Your savings divided by the goal of 60% times the max points of 200. In this example, $(40\%/60\%) \times 200$ or 133.33 points.

Combined Max	\$1,111,344
Credit Requested	\$505,000
% of Savings	54.56%
Sliding Scale Points	181.87

4% Deals EUR Points
0.00

Cost Points:

If the Applicable Cost by Square foot is \$238 and the deal’s Proposed Cost by Square Foot was \$119, you are saving 50% of the applicable cost. This deal would receive all 100 credit points.

For another example, the Applicable Cost by SqFt is \$238 and the deal’s Proposed Cost is \$153.04 or a savings of 35.70%. Using a sliding scale, your points would be calculated by the difference between your savings and the desired 50% savings. Your savings divided by the goal of 50% times the max points 100. In this example, $(35.7\%/50\%) \times 100$ or 71.40 points.

Total Costs Less Acquisition	\$9,894,228	
Total Square Feet	36,216.44	
Proposed Cost per SqFt	\$273.20	
Applicable Cost Limit per Sq Ft	\$314.00	
% of Savings	12.99%	
Total Units	38	
Proposed Cost per Unit	\$260,374	
Applicable Cost Limit per Unit	\$303,292	
% of Savings	14.15%	
Max % of Savings	14.15% Sliding Scale Points	28.30

2022 Low-Income Housing Tax Credit Application For Reservation

v.2022.1

\$/SF = **\$287.92** Credits/SF = **15.204331** Const \$/unit = **\$187,614.84**

TYPE OF PROJECT: GENERAL = 11000; ELDERLY = 12000
 LOCATION: Inner-NVA=100; Outer-NV=200; NWN=300; Rich=400; Tid=500; Balance=600
 TYPE OF CONSTRUCTION: N C=1; ADPT=2; REHAB(35,000+)=3; REHAB (10,000-35,000)=4

12000
500
1

500
1

* REHABS LOCATED IN BELTWAY (\$10,000-\$50,000) See Below

	GENERAL		Elderly				
	Supportive Hsg	EFF-E	1 BR-E	2 BR-E	EFF-E-1 ST	1 BR-E-1 ST	2 BR-E-1 ST
AVG UNIT SIZE	0.00	0.00	824.53	1,138.21	0.00	0.00	0.00
NUMBER OF UNITS	0	0	32	6	0	0	0
PARAMETER-(CREDITS=>35,000)	0	0	19,404	25,284	0	0	0
PARAMETER-(CREDITS<35,000)	0	0	0	0	0	0	0
PARAMETER-(CREDITS=>50,000)	0	0	19,404	25,284	0	0	0
PARAMETER-(CREDITS<50,000)	0	0	0	0	0	0	0
CREDIT PARAMETER	0	0	19,404	25,284	0	0	0
PROJECT CREDIT PER UNIT	0	0	12,536	17,306	0	0	0
CREDIT PER UNIT POINTS	0.00	0.00	59.61	9.96	0.00	0.00	0.00

	GENERAL							
	EFF-G	1 BR-G	2 BR-G	3 BR-G	4 BR-G	2 BR-TH	3 BR-TH	4 BR-TH
AVG UNIT SIZE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
NUMBER OF UNITS	0	0	0	0	0	0	0	0
PARAMETER-(CREDITS=>35,000)	0	0	0	0	0	0	0	0
PARAMETER-(CREDITS<35,000)	0	0	0	0	0	0	0	0
PARAMETER-(CREDITS=>50,000)	0	0	0	0	0	0	0	0
PARAMETER-(CREDITS<50,000)	0	0	0	0	0	0	0	0
CREDIT PARAMETER	0	0	0	0	0	0	0	0
PROJECT CREDIT PER UNIT	0	0	0	0	0	0	0	0
CREDIT PER UNIT POINTS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

TOTAL CREDIT PER UNIT POINTS **0.00**

This calculation of Credit per Unit points applies to 4% Tax Exempt deals only

Credit Parameters - Elderly

	Supportive Hsg	EFF-E	1 BR-E	2 BR-E	EFF-E-1 ST	1 BR-E-1 ST	2 BR-E-1 ST
Standard Credit Parameter - low rise	0	0	19,404	25,284	0	0	0
Parameter Adjustment - mid rise	0	0	0	0	0	0	0
Parameter Adjustment - high rise	0	0	0	0	0	0	0
Adjusted Credit Parameter	0	0	19,404	25,284	0	0	0

Credit Parameters - General

	EFF-G	1 BR-G	2 BR-G	3 BR-G	4 BR-G	2 BR-TH	3 BR-TH	4 BR-TH
Standard Credit Parameter - low rise	0	0	0	0	0	0	0	0
Parameter Adjustment - mid rise	0	0	0	0	0	0	0	0
Parameter Adjustment - high rise	0	0	0	0	0	0	0	0
Adjusted Credit Parameter	0	0	0	0	0	0	0	0

Northern Virginia Beltway (Rehab costs \$10,000-\$50,000)

Credit Parameters - Elderly

	Supportive Hsg	EFF-E	1 BR-E	2 BR-E	EFF-E-1 ST	1 BR-E-1 ST	2 BR-E-1 ST
Standard Credit Parameter - low rise	0	0	19,404	25,284	0	0	0
Parameter Adjustment - mid rise	0	0	0	0	0	0	0
Parameter Adjustment - high rise	0	0	0	0	0	0	0
Adjusted Cost Parameter	0	0	19,404	25,284	0	0	0

Credit Parameters - General

	EFF-G	1 BR-G	2 BR-G	3 BR-G	4 BR-G	2 BR-TH	3 BR-TH	4 BR-TH
Standard Credit Parameter - low rise	0	0	0	0	0	0	0	0
Parameter Adjustment - mid rise	0	0	0	0	0	0	0	0
Parameter Adjustment - high rise	0	0	0	0	0	0	0	0
Adjusted Cost Parameter	0	0	0	0	0	0	0	0

Tab A:

Partnership or Operating Agreement, including chart of ownership structure with percentage of interests and Developer Fee Agreement (MANDATORY)

**OPERATING AGREEMENT
OF
SUL TRANQUILITY LAKES II, LLC**

This Operating Agreement ("Agreement") of **SUL TRANQUILITY LAKES II, LLC**, a Virginia limited liability company (the "Company"), is made and entered into as of March 3, 2021, by and among SUL Tranquility Lakes II Manager, LLC, a Virginia limited liability company, as the Managing Member (the "Managing Member"), and Virginia Beach Community Development Corporation, a Virginia nonstock corporation ("VBCDC"), and Seniors Unlimited Lifestyles, Inc., a Virginia nonstock corporation ("SULI"), as the Investor Members (collectively, the Managing Member, VBCDC and SULI are the "Initial Members").

**Article I.
Operating Agreement and Purpose**

A. *Formation.* The Members acknowledge and affirm the formation of this limited liability company on January 26, 2021 and execute and adopt this Agreement pursuant to the Virginia Limited Liability Company Act, Section 13.1-1000 et seq., as amended and in force from time to time (the "Act").

B. *Name.* The name of the limited liability company is **SUL Tranquility Lakes II, LLC** (the "Company").

C. *Purpose.* The primary purpose of the Company is to acquire, finance, develop, own, maintain, improve, operate, lease and, if appropriate or desirable, sell or otherwise dispose of certain interests in real and personal property. The Company may engage in any and all other lawful activities as may be necessary, incidental or convenient to carrying out the business of the Company as contemplated by this Agreement. The Company may also pursue any other lawful activity that is approved by the Members.

D. *Office.* The principal office of the Company shall be located at 2400 Potters Road, Virginia Beach, Virginia 23454-4377, or at such other place as the Manager may from time to time designate. The Company may have other offices at any place of places as may be determined by the Manager.

E. *Term.* The term of the Company commenced on the date of Certification of the Articles of Organization by the Virginia State Corporation Commission, and shall continue for so long as is provided for in the Articles of Organization, unless sooner dissolved and terminated as provided in this Agreement.

F. *Tax Matters Manager.*

1. Designation and Authority of the Tax Matters Manager.

a. Generally. The Manager is designated as the Company's "Tax Matters Manager" (as such term is used herein). The Company and the Members acknowledge and agree that Jessica Guglielmo is authorized by the Tax Matters Manager to act on its behalf with respect to its authority as the Tax Matters Manger of the Company pursuant to this Agreement; provided that the Tax Matters Manager may revoke such authorization at any time and/or authorize other representatives to act on its behalf in its capacity as Tax Matters Manager. The Tax Matters Manager is authorized to represent the Company in connection with all examinations of the Company's affairs by tax authorities or any administrative or judicial tax proceedings with respect to the Company, and to expend Company funds for professional services and costs associated therewith, and the Company will reimburse the Tax Matters

Manager for any such costs or other costs associated with carrying out its role as Tax Matters Manager that it incurs directly. The Tax Matters Manager will have sole discretion to determine whether the Company (either on its own behalf or on behalf of the Members) will contest or continue to contest any tax deficiencies assessed or proposed to be assessed by any tax authority with respect to the Company and whether the Company will make any elections with respect to any tax assessment or proceeding. The Tax Matters Manager shall keep the Members reasonably informed of any material tax proceedings and any material action to be taken by the Company or the Tax Matters Manager on behalf of the Company with respect to any tax proceeding for the Company.

b. New Partnership Audit Procedures. For each taxable year of the Company beginning after December 31, 2017, the Company shall designate, pursuant to Treasury Regulations Section 301.6223-1 (and any successor Treasury Regulations and other applicable guidance) on its United States federal income tax return for each such taxable year of the Company, the Tax Matters Manager as the “partnership representative” for the Company and Jessica Guglielmo or such other individual selected by the Tax Matters Manager as the “designated individual” for the Tax Matters Manager and the Company for purposes of the laws and procedures set forth in Subchapter C of Chapter 63 of Subtitle F of the Internal Revenue Code of 1986, as amended (the “Code”), as modified by Section 1101 of the Bipartisan Budget Act of 2015, Pub. L. No. 114-74, and including any successor statutes thereto or Treasury Regulations promulgated or official guidance issued thereunder (the “New Partnership Audit Procedures”) and shall make such corresponding designations under any corresponding provisions of applicable foreign, state, or local tax law. The Tax Matters Manager, in its capacity as the “partnership representative,” shall (i) determine all matters with respect to any examination of the Company by any taxing authority (including, without limitation, the allocation of any resulting taxes, penalties and interest among the Members and whether to make an election under Section 6226 of the Code (and any similar provision under applicable foreign, state, or local tax law) with respect to any audit or other examination of the Company) and, (ii) notwithstanding anything herein to the contrary, make such elections as it deems appropriate pursuant to the provisions of the New Partnership Audit Procedures.

2. Obligations of Members.

a. Generally. Each Member and former Member agrees to cooperate, and to cause its direct and indirect owners to cooperate with the Tax Matters Manager and to do or refrain from doing any or all things reasonably requested by the Tax Matters Manager with respect to the conduct of any tax proceedings, in each case regardless whether then a Member or after ceasing to be a Member. Any deficiency for taxes imposed on any Member or former Member or its direct or indirect owners (including penalties, additions to tax or interest imposed with respect to such taxes) will be paid by such Member or former Member or its direct or indirect owners as applicable, and if required to be paid (and actually paid) by the Company, such Member or former Member shall indemnify and reimburse the Company for such amounts within thirty (30) days of such payment by the Company, in each case regardless of whether then a Member or after ceasing to be a Member.

b. New Partnership Audit Procedures. At the request of the Tax Matters Manager, in connection with an adjustment of any item of income, gain, loss, deduction, or credit of the Company or any subsidiary entity in which the Company has an interest, directly or indirectly, each Member and former Member shall, and shall cause its direct and indirect owners, as applicable, to, promptly file one or more amended tax returns in the manner contemplated by Section 6225(c) of the Code (and any Treasury Regulations or official guidance relating thereto, and, if applicable, any corresponding or similar provisions under state or local law) and pay any tax due with respect to such returns. If the Tax Matters Manager makes an election for the Company pursuant to Section 6226 of the

Code with respect to an imputed underpayment, each Member and former Member shall, and shall cause its direct and indirect owners, as applicable, to, comply with the requirements under such section (and any Treasury Regulations or official guidance relating thereto). At the request of the Tax Matters Manager, each Member and former Member shall, and shall cause its direct and indirect owners, as applicable, to, provide the Tax Matters Manager and the Company with any information available to such Member or former Member (or its direct or indirect owners or representatives) and with such representations, certificates, or forms relating to such Member or former Member (or its direct or indirect owners or representatives) and any other documentation, in each case, that the Tax Matters Manager determines, in its reasonable discretion, are necessary to modify an imputed underpayment under Section 6225(c) of the Code or the Treasury Regulations or other official guidance thereunder. In the event that any imputed underpayment is paid or payable by the Company under Section 6225(a)(1) of the Code, each Member and former Member shall indemnify the Company in an amount equal to such Member's or former Member's share (as determined by the Tax Matters Manager with the advice of the Company's tax counsel) of the imputed underpayment and any associated interest and penalties) paid or payable by the Company; provided, however, that the Tax Matters Manager may determine, in its discretion, to allocate the burden of such amount to such Member without requiring payment by such Member to the Company.

c. Survival of Obligations. Each Member's obligations to comply with the requirements of this Article I.F shall survive the Member's transfer of all or any portion of its interest in the Company, otherwise ceasing to be a Member of the Company and/or the termination, dissolution, liquidation and winding up of the Company, to the extent applicable.

3. Exculpation and Indemnification of Tax Matters Managers, Partnership Representatives and Designated Individual. Any Tax Matters Manager or any person acting as a "partnership representative" or "designated individual" pursuant to this Article I.F shall, when acting in such capacity (a "Tax Matters Person"), be deemed to be a manager for purposes of the Act. The liability of any such Tax Matters Person shall be eliminated to the maximum extent the liability of a manager may be eliminated under Section 13.1-1025.B of the Act. In addition, any Tax Matters Person shall be entitled to indemnification under Article V.

G. Registered Office and Registered Agent. The Company's initial registered agent for service of process on the Company shall be Kedron A. Springer, who is a resident of Virginia and a member of the Virginia State Bar, or any successor as appointed by the Members, and the address of such agent shall be 508 Baylor Court, Suite B, Chesapeake, Virginia 23320-3680, or any other address designated from time to time by the Members. The registered office and the registered agent may be changed from time to time by filing the address of the new registered office and/or the name of the new registered agent with the State Corporation Commission of Virginia pursuant to the Act.

Article II. Capital Contributions

A. Capital Contributions. The initial capital contributions to the Company by the Initial Members are set forth on Schedule A attached hereto, which is incorporated in this Agreement by this reference. Additional capital contributions shall only be made as agreed upon by all the Members at that time. The initial capital contributions and the additional capital contributions shall be collectively referred to as the "Capital Contributions."

B. *Membership Interests.* The percentage interest of each Member in the Company ("Membership Interest" or "Interest") is as set forth on Schedule A attached hereto, which is incorporated in this Agreement by this reference.

C. *Member.* The term "Member" or "Members" shall include the Initial Members and any other contributor of capital for a Membership Interest and any assignee, transferee, successor, legatee or disposee of all or any part of a Membership Interest who is admitted to the Company as a Member pursuant to Article VII. The terms "Member" or "Members" shall also include any transferee of a Membership Interest who is not admitted as a Member, but such transferee's rights and obligations hereunder shall only be as set forth in Article VII.A.

D. *Capital Accounts.* Capital Accounts will be maintained in accordance with Section 704 of the Code and the Treasury Regulations promulgated thereunder. It is the intent of the Members to comply with the purposes of these laws and this Agreement should be construed accordingly. Property contributions will be reflected in these accounts on the basis of fair market value at the time of contribution, even though the tax basis to the Company may be different.

E. *Interest and Return of Capital Contributions.* No Member shall be entitled to interest on its Capital Contribution. No Member shall be entitled to withdraw any part of its Capital Contribution or its Capital Account or to receive any distribution from the Company, and there shall be no obligation to return to any Member or withdrawn Member any part of such Member's Capital Contributions for so long as the Company continues in existence, except as specifically provided in this Agreement.

F. *Loans.* Loans or advances by any Member to the Company shall not be considered Capital Contributions and shall not increase the Capital Account balance of the lending or advancing Member. No Member shall be required under any circumstances to contribute or lend any money or property to the Company.

Article III. Allocation of Profits and Losses

A. *Profits and Losses.* "Profits" and "Losses" shall mean the taxable income or loss, as the case may be, for a period (or from a transaction) as determined in accordance with Section 703(a) of the Code (for this purpose, all items of income, gain, loss or deduction required to be separately stated pursuant to Section 703(a)(1) of the Code shall be included in taxable income or loss), but computed with the following adjustments:

1. Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Profits and Losses shall be added to such taxable income or loss;

2. Any expenditures of the Company as described in Section 705(a)(2)(B) of the Code or treated as Section 705(a)(2)(B) of the Code expenditures pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Profits or Losses shall be subtracted from such taxable income or loss;

3. In the event of any adjustment to the book value of any Company asset as permitted by the Treasury Regulations under Section 704(b) of the Code, the amount of such adjustments shall be taken into account as gain or loss from the disposition of such asset;

4. In the event the book value of any asset has been adjusted, gain or loss resulting from the disposition of such asset shall thereafter be computed by reference to its adjusted book value, which shall reflect depreciation deductions which take into account the adjustments made to the book value thereof, notwithstanding the fact that the adjusted tax basis of such asset may be different; and

5. Notwithstanding any other provisions of this definition, any items which are specially allocated pursuant to Article III.C. shall not be taken into account in computing Profits or Losses.

B. *Allocation of Profits and Losses.* After giving effect to the special allocations provided in Article III.C, including any curative allocations as provided therein, the Profits and Losses of the Company for any fiscal year shall be allocated to the Members in proportion to their respective Membership Interests.

C. *Special and Curative Allocations.*

1. The provisions of the final and temporary Treasury Regulations promulgated under Section 704(b) of the Code relating to the qualified income offset, minimum gain chargeback, minimum gain chargeback with respect to partner nonrecourse debt, the allocation of nonrecourse deductions and the allocation of items of deduction, loss or expenditure relating to partner nonrecourse debt are hereby incorporated in this Agreement by this reference and shall be applied to the allocation of Company items of income, gain, loss or deduction in the manner provided in such Treasury Regulations. However, the Members do not intend that the "deficit restoration obligation" described in Section 1.704-1(b)(2)(ii)(b) or (c) of the Treasury Regulations or any successor provision thereto be incorporated into this Agreement.

2. The foregoing regulatory allocations are intended to comply with certain requirements of the Treasury Regulations. However, it is the intent of the Members that, to the extent possible, all of the regulatory allocations shall be offset either with other regulatory allocations or with special allocations of other items of Company income, gain, loss or deduction. Therefore, notwithstanding any other provision of this Article III (other than the regulatory allocations), the Members shall make such offsetting allocations of Company income, gain, loss or deduction in whatever manner the Member's determine appropriate so that, after such offsetting allocations are made, each Member's Capital Account balance is, to the extent possible, equal to the Capital Account balance such Member would have had if the regulatory allocations were not a part of this Agreement and all Company items were allocated pursuant to Article III.B. The Members may take into account future regulatory allocations which, although not yet made, are likely to offset other regulatory allocations made under this Article III.C.

D. *Other Allocation Rules.*

1. For purposes of determining the profits, losses, or any other items allocable to any period, profits, losses, and any such other items shall be determined on a daily, monthly, or other basis, as determined by the Members using any permissible method under Section 706 of the Code and the Treasury Regulations thereunder.

2. Except as otherwise provided in this Agreement, all items of the Company's income, gain, loss, deduction, and any other allocations not otherwise provided for shall be divided among the Members in the same proportions as they share Profits or Losses, as the case may be, for the year.

3. Except as otherwise provided in this Agreement, all items of income, gain, loss or deduction for federal income tax purposes shall be allocated to the Members in the same manner as the corresponding book allocations of such items as provided in this Article III.

4. Notwithstanding anything herein to the contrary, in the event that the principles of Section 704(c) of the Code, and the Treasury Regulations promulgated thereunder, require allocations of taxable income or loss of the Company in a manner different than that set forth above, including any instances in which the book value of Company's assets has been adjusted as permitted under the Treasury Regulations, the provisions of Section 704(c) and the regulations thereunder shall control such allocations among the Members.

E. Distributions.

1. Except as otherwise provided in Article III.E.2 hereof, all distributions to the Members of cash or other property, except distributions upon the Company's dissolution (which shall be governed by Article X) shall be made solely upon the affirmative vote of Members holding a majority of the Membership Interests. Notwithstanding the foregoing, in the event any distribution is made it shall be in accordance with the Members' respective Membership Interests in the Company. All amounts withheld pursuant to the Code or pursuant to any provisions of federal, state or local tax law with respect to any payment or distribution to the Members from the Company shall be treated as amounts distributed to the relevant Member or Members pursuant to this Article III.E.1. All distributions shall be subject to the terms of the Act and such other governmental restrictions as are now and may hereafter become effective.

2. Notwithstanding anything herein to the contrary, the Company shall make distributions to the Members during, or within ninety (90) days after the close of, each tax year of the Company which, when aggregated with all other distributions paid by the Company during the applicable tax year, are at least equal to the sum necessary to enable the Members to pay their federal and state income tax liabilities attributable to the taxable income allocated to them by the Company for such tax year of the Company. Such amount shall be determined using the maximum income tax rate of any Member.

F. Tax Year and Accounting Methods. It is the intent of the Members that this Company be treated as a partnership solely for federal and state tax purposes. The taxable year of the Company shall be the calendar year. The Company books and records shall be maintained on such basis of accounting as may be determined as proper by the certified public accountant regularly employed by the Company at that time (the "Company's Accountant"). The Company's Accountant is authorized to use good judgment in making determinations with respect to the treatment of particular items which are not clearly covered here or which would result in a violation of federal or state income tax laws as they exist from time to time.

Article IV.

Management and Rights of Members

A. Managers. The Company shall be managed under the direction of a Manager. The Manager shall be elected and removed by the Members as provided in Section IV.D. The initial Manager of the Company shall be the Managing Member.

B. General Powers of the Manager.

1. Except as otherwise limited in this Operating Agreement, the Manager shall have the exclusive right to manage the Company and to make all decisions regarding the business of the Company. The Manager shall carry out the policies, directions, orders and resolutions of the Members in the manner described in this Operating Agreement and as authorized and directed by the Members from time to time. To the extent not inconsistent with the Act, the Articles or the express provisions of this

Operating Agreement, the Managers shall have the same rights, powers and authority with respect to the Company. The Manager may delegate prescribed functions to any employee, agent or consultant.

2 The Manager is granted the right, power and authority to do in the name of, and on behalf of, the Company all things that, in his sole judgment, are necessary, proper or desirable to carry out the purposes of the Company, including, but not limited to, the right, power and authority to:

a. Enter into, make and perform contracts, agreements and other undertakings binding the Company that may be necessary, appropriate or advisable in furtherance of the purposes of the Company.

b. Open and maintain bank accounts, investment accounts and other arrangements, draw checks and other orders for the payment of money, and designate individuals with authority to sign or give instructions with respect to those accounts and arrangements; provided, that Company funds shall not be commingled with funds from other sources and shall be used solely for the benefit of the Company.

c. Collect funds due to the Company.

d. Acquire, utilize for the Company's purposes, maintain and dispose of any assets of the Company.

e. Pay debts and obligations of the Company, to the extent that funds of the Company are available therefor.

f. Borrow money or otherwise commit the credit of the Company for Company activities, and voluntarily prepay or extend any such borrowings.

g. Employ from time to time persons, firms or corporations for the operation and management of the Company, including, without limitation, managing agents, contractors, subcontractors, architects, engineers, laborers, supplies, accountants and attorneys, on such terms and for such compensation as the Manager shall determine, notwithstanding the fact that the Manager or any Member may have a financial interest in such firms or corporations.

h. Make elections available to the Company under the Code.

i. Register the Company as a tax shelter with the Internal Revenue Service and furnish to the Internal Revenue Service lists of investors in the Company, if required, pursuant to applicable provisions of the Code.

j. Obtain general liability, property and other insurance for the Company, as the Managers deems proper.

k. Take such actions as may be directed by the Members in furtherance of their approval of any matter set forth in Article IV hereof.

l. Do and perform all such things and execute, acknowledge and deliver any and all such instruments as may be in furtherance of the Company's purposes and necessary and appropriate to the conduct of its business.

m. To own, acquire by lease or purchase, develop, maintain, and provide, grant options with respect to, sell, convey, finance, assign, mortgage, or lease real estate and/or personal property and to cause to have constructed improvements upon any real estate necessary, convenient or incidental to the accomplishment of the purposes of Company.

3. All actions taken by the Manager on behalf of the Company from the date of its organization to the execution of this Agreement are ratified and confirmed.

C. *Tenure.* The Manager shall hold office until his death, resignation, disqualification or removal.

D. *Removal; Vacancy.* A Manager may be removed only for cause, which for these purposes shall mean a Manager's material default in the performance of its duties hereunder and failure to cure such material default within sixty (60) days after receipt of written notice thereof from any Members holding a majority of the Membership Interests entitled to vote. Such removal shall be without prejudice to the contractual rights, if any, of the person so removed. Any vacancy created or caused by removal, death, resignation or disqualification shall be filled by the affirmative vote of the Members holding a majority of the Membership Interests entitled to vote.

E. *Compensation.* The compensation, if any, of the Manager shall be fixed from time to time by the Members. The Managers shall be entitled to reimbursement for expenses incurred by them in performing their duties, according to the policies set by the Members from time to time. Any amount paid as compensation to a Manager who is also a Member shall be treated as a guaranteed payment in accordance with Section 707(c) of the Code.

F. *Power of Attorney.*

1. Each Member does hereby irrevocably constitute and appoint the Manager serving in office from time to time, and each of them, as the Company's true and lawful attorney-in-fact, with full power and authority in their or its name, place and stead, to make, execute, consent to, swear to, acknowledge, record and file from time to time any and all of the following:

a. Any certificate or other instrument that may be required to be filed by the Company or the Members under the laws of the Commonwealth of Virginia or under the applicable laws of any other jurisdiction to the extent the Manager deems any such filing to be necessary or desirable;

b. Any instrument or document which may be required to effect the continuation of the Company, the admission of an additional or substitute Member, or the dissolution and termination of the Company pursuant to the provisions of this Operating Agreement; and

c. Any agreement, instrument, lease, deed, deed of trust, promissory note, certificate or other document in the name or on behalf of the Company which is necessary or appropriate to implement, effectuate or otherwise carry out any transaction to which the Company is a party or to which the Company or any of its assets is or may be subject, provided such transaction has been approved by the Manager or the Members, as the case may be, in accordance with the provisions of this Operating Agreement.

2. The appointment by each Member of the Manager of the Company as his attorney-in-fact is irrevocable and shall be deemed to be a power coupled with an interest and shall survive the disability, incompetence, bankruptcy, death or dissolution of any person given such power, except, that in the event of an assignment by a Member of all or any part of his membership interest, this power of attorney shall survive such assignment only until such time, if any, as the successor in interest shall have been admitted to the Company as a substitute member and all required documents and instruments shall have been duly executed, filed and recorded to effect such substitution.

G. *Managers Have No Exclusive Duty to Company.* Unless otherwise expressly provided hereunder or under any other agreement entered into between the Company and such Manager, a Manager shall not be required to manage the Company as his sole and exclusive function, and he may have other business interests and may engage in other activities in addition to those relating to the Company, and neither the Company nor any Member shall have any right, by virtue of this Agreement, to share or participate in such other investments or activities of such Manager or to the income or proceeds derived therefrom.

H. *Transactions with Managers.* The Managers (a) may appoint, employ, contract or otherwise deal with any person, including the Manager or an affiliate thereof, and with persons that have a financial interest in the Manager or in which the Manager has a financial interest, for transacting the Company's business, including the performance of any and all services or purchases of goods or other property which may at any time be necessary, proper, convenient or advisable in carrying on the business and affairs of the Company or in disposing of some or all of its assets; and (b) may otherwise enter into business transactions (including but not limited to the sale, merger, or other disposition of the Company or all or substantially all of its assets) with any such persons.

I. *Special Meetings.* A meeting of the Members, for any purpose or purposes, unless otherwise prescribed by statute, may be called by any Member or group of Members holding at least thirty percent (30.0%) of the Membership Interests entitled to vote. The Members will meet for the transaction of Company business at such places and times as are mutually convenient to them. Nothing in this Agreement will be construed as limiting the ability of the Members to transact Company business by unanimous written consent without a formal meeting.

J. *Notice of Meetings.* Written notice stating the place, day and hour of the meeting and the purpose or purposes for which the meeting is called shall be delivered not less than 10 nor more than 60 days before the date of the meeting, either personally or by mail, by or at the direction of the person or persons calling the meeting, to each Member entitled to vote at such meeting.

K. *Meeting of all Members.* If all of the Members meet at any time and place, either within or outside of the Commonwealth of Virginia, and consent to the holding of a meeting at such time and place, such meeting shall be valid without call or notice, and at such meeting lawful action may be taken.

L. *Quorum.* Members holding at least a majority of the Membership Interests entitled to vote at a meeting of the Members, represented in person or by proxy, shall constitute a quorum at any meeting of Members.

M. *Proxies.* At all meetings of Members, a Member may vote in person or by proxy executed in writing by the Member or by a duly authorized attorney-in-fact. No proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in the proxy.

N. *Action by Members Without a Meeting.* Any action required or permitted to be taken at a meeting of Members may be taken without a meeting if one or more written consents to such action are signed by each Member entitled to vote and such consent or consents are filed with the minutes of the proceedings of the Members. Action taken under this paragraph is effective when all Members entitled to vote have signed the consent or consents, unless the consent or consents specifies a different effective date. The record date for determining Members entitled to take action without a meeting shall be the date the first Member signs a written consent.

O. *Waiver of Notice.* When any notice is required to be given to any Member, a waiver thereof in writing signed by the Member entitled to such notice, whether before, at, or after the time stated therein, shall be equivalent to the giving of such notice.

P. *Majority Vote.* Except as otherwise provided in this Agreement, all decisions made by the Members will be made by an affirmative vote of the Members holding a majority of the Membership Interests entitled to vote. Recipients of a Membership Interest who have not been admitted as a Member shall have no voting rights except as required by law.

Q. *Other Ventures.* The Members may be involved in other business ventures, independently or with others, and neither the Company nor any of the Members shall have any rights by virtue of this Agreement in the independent ventures or the income or profits derived from them.

Article V. Indemnification

A. *Indemnification of Members and Managers.* The Members acknowledge, agree and desire that the liability of any Member or Manager to the Company or to any of the other Members shall be eliminated, to the maximum extent possible, pursuant to Virginia Code Section 13.1-1025, as amended. The provisions of this Article are in addition to, and not in substitution for, any other right to indemnity to which any person who is or may be indemnified by or pursuant to this Article may otherwise be entitled, and to the powers otherwise accorded by law to the Company to indemnify any such person and to purchase and maintain insurance on behalf of any such person against any liability asserted against or incurred by him in any capacity referred to in this Article or arising from his status as serving or having served in any such capacity (whether or not the Company would have the power to indemnify against such liability).

B. *Effect of Invalid Provisions.* If any provision of this Article shall be adjudicated invalid or unenforceable, such adjudication shall not be deemed to invalidate or otherwise affect any other provision hereof or any power of indemnity which the Company may have under the laws of the Commonwealth of Virginia.

C. *Survival of Indemnification Provisions.* No amendment or repeal of this Section shall limit or eliminate the right to indemnification provided hereunder with respect to acts or omissions occurring prior to such amendment or repeal.

D. *No Personal Liability to Members.* Notwithstanding the above, the indemnification provided in this Article or otherwise shall in no event cause the Members to incur any liability beyond their total Capital Contributions plus their share of any undistributed profits of the Company, nor shall it result in any liability of the Members to any third party.

Article VI.
Transfer of Membership Interest

A. *No Right to Withdraw.* No Member shall have any right to voluntarily resign or otherwise withdraw from the Company during its term as provided for in the Articles of Organization without the prior written consent of all remaining Members of the Company. Any attempted resignation or withdrawal without the requisite consent shall be null and void and have no legal effect.

B. *Transfer of Interest.* No Member shall, directly or indirectly, transfer, sell, give, encumber, assign, pledge, or otherwise deal with or dispose of all or any part of his Membership Interest now owned or subsequently acquired by him, other than as provided for in this Agreement. Any transfer in violation of and without full compliance with this Agreement shall be void and without legal effect.

C. *Permitted Transfers.*

1. Notwithstanding the above, any Member (the "Transferring Member") may transfer all or any portion of the Member's Interest at any time to any of the following, hereinafter referred to as "Permitted Transferees":

a. Other Members;

b. The children or other descendants of any Member; or

c. A trustee who holds such Membership Interest in trust for the exclusive benefit of any one or more of such persons listed in paragraphs C.1.a. and C.1.b. of this Article IV, except that the spouse of a lineal descendant of the Transferring Member may hold an income interest in such a trust and/or a limited power to appoint the income and/or principal of such trust to a lineal descendant (or a trust for the benefit of a lineal descendant) of the Transferring Member.

2. Notwithstanding the restrictions set forth in paragraphs A. and B. above, any Membership Interest that is held by a custodian for a minor under the laws of the Commonwealth of Virginia or any other state shall be fully transferable and assignable to the minor when the minor reaches the age of termination of such custodianship under applicable law.

D. *Option Events in the Event of Death or Bankruptcy.*

1. A Member (the "Transferring Member") shall be deemed to have offered to sell all of such Member's Interest in the Company to the Company and the other Members (referred to as "Remaining Members"), as provided below, on the date of the occurrence of any of the following events (an "Option Event"):

a. The death of the Member, unless the deceased Member's interest is transferred by will, intestate succession or otherwise to a Permitted Transferee as provided for in Article VI.C.1.

b. The bankruptcy (voluntary or involuntary) as adjudicated by a court, appointment of a receiver, or assignment for the benefit of the creditors of the Member.

The Transferring Member shall deliver written notice of any such event to the Company and each of the Remaining Members within ninety (90) days after the Option Event. If notice is not given within such ninety (90) day period, the Company and Remaining Members may, but shall not be required to, treat such notice as having been given on the 90th day and proceed with their rights to purchase as provided below. Failure to exercise such right shall not be deemed a waiver of such right until actual notice is delivered and the respective option periods have expired. No interest shall accrue on the purchase price for such Interest until the actual Closing Date.

2. *Remaining Member's Right of Refusal.* Within sixty (60) days after receipt of the notice provided for in Article VI.D.1., the Remaining Members shall have the right to purchase all or any part of the Transferring Member's Interest in proportion to their Membership Interest in the Company (excluding the Transferring Member's Interest), or in such proportions as they may otherwise unanimously agree, at the price and upon the terms specified in Articles VIII and IX of this Agreement, respectively. Written notice of acceptance must be mailed or delivered to the Transferring Member within such sixty (60) day period.

3. *Company's Right of Refusal.* If the Remaining Members fail to exercise their options with respect to the Interest of the Transferring Member, the Company, by a majority vote of the Interests of the Remaining Members, shall have the right, for a period of fifteen (15) days after the expiration of the Remaining Members' sixty (60) day option period, to purchase all or any part of the remaining Interest of the Transferring Member at the price and upon the terms specified in Articles VIII and IX of this Agreement, respectively. Written notice of the Company's acceptance must be mailed or delivered to the Transferring Member within such fifteen (15) day period.

4. *Failure to Exercise Options.* If the Company and the Remaining Members fail to acquire all of the Transferring Member's Interest upon such offering, then the Transferring Member may transfer his remaining and unpurchased Interest to whomever he so designates. However, the transferee shall not become a Member unless admitted as such as provided in Article VII of this agreement.

E. *Non-Member's Interest.* For purposes of determining the Remaining Members' proportionate Interest in the Company as provided for in this Article, the Interest of Members who have not been admitted as such shall be ignored.

Article VII. Admission of a New Member

A. *Rights of Transferee.* Except as provided below for Permitted Transferees, any transfer of a Membership Interest as set forth in Article VI shall be effective only to give the transferee the right to receive the share of tax allocations and distributions to which the Transferring Member would otherwise be entitled. A Permitted Transferee, unless the Transferring Member expressly provides otherwise, shall have the right to become a substitute Member, if such Permitted Transferee agrees to be bound by all the terms and conditions of the Agreement as then in effect. No other transferee shall have the right to become a substitute Member unless all of the other Members, in the exercise of their sole and absolute discretion, expressly consent thereto in writing and the transferee agrees to be bound by all the terms and conditions of this Agreement as then in effect. Unless and until a transferee is admitted as a substitute Member, and except as provided above with respect to allocations and distributions, the transferee shall have no right to exercise any of the powers, rights, and privileges of a Member hereunder.

B. *Admission of New Member.* Additional Membership Interests may be issued by the Company and additional Members may be admitted to the Company only by unanimous agreement of the

Members. The terms applicable to the admission of new Members will be as agreed by all the Members at that time.

C. *Rights of Transferring Member.* A Member who has assigned his Membership Interest shall cease to be a Member upon assignment of the Member's entire Membership Interest and thereafter shall have no further powers, rights, and privileges as a Member hereunder, but shall, unless otherwise relieved of such obligations by agreement of all of the other Members or by operation of law, remain liable for all obligations arising while he was a Member.

Article VIII. Purchase Price

A. *Value of Interest Being Transferred.* Unless the Company and the Members (Transferring and Remaining) unanimously agree in writing to a different price for the Interest being transferred hereunder, the purchase price for the Transferring Members' Interest offered for sale hereunder shall be determined as of the Valuation Date by an independent appraiser selected by the Company and the Transferring Member. If the Company and the Transferring Member cannot agree upon the selection of an independent appraiser, the Company and the Transferring Member shall each select one independent appraiser, and the two selected independent appraisers shall select a mutually acceptable third independent appraiser. The third independent appraiser shall independently determine the fair market value of the Transferring Member's Interest. The purchase price of the Transferring Member's Interest shall be the average of the three independent appraisers' determination of the fair market value of the Transferring Member's Interest. Any independent appraiser may employ other independent professionals to assist them in such valuation. The determination of value by the independent appraiser shall be final and binding on all parties if made in good faith.

B. *Valuation Date.* The Valuation Date shall be the day on which an Option Event occurs.

C. *Allocation of Costs of Withdrawal.* If withdrawal is other than by reason of death, then \$5,000.00 of the costs of withdrawal incurred, in total, by the Company or any Member (other than the Transferring Member) including legal and accounting fees, will be charged to the Transferring Member and deducted from the value of the Transferring Member's Interest to the extent the Transferring Member does not pay the amounts before settlement. All additional costs and expenses above this amount shall be borne by the party that incurs the costs; provided however, all fees relating to the appraisal shall be borne one-half by the seller and one-half by the buyers (after taking into account the Transferring Member's obligation to paying the first \$5,000.00 of costs as provided, above).

Article IX. Settlement

A. *Settlement of Purchase.* The settlement of any purchase of an Interest under this Agreement shall be made on the Closing Date at the principal office of the Company, or if agreed to by the parties, the offices of the Company's legal counsel. The Closing Date shall be the date that is one hundred twenty (120) days after the date of receipt of the Transferring Member's written notice as required under Article VI, or such other date as agreed upon by the Transferring Member and those of the Company and Remaining Members who are purchasing any Interest.

1. *Payment.* Each purchaser of any Interest of a Transferring Member shall have the option of making payment of their portion of the respective purchase price (i) in cash or by certified check, (ii) by a promissory note, or (iii) partly in cash and partly by a promissory note.

2. *Interest Rate and Term.* The promissory note shall be executed by the appropriate purchaser or purchasers payable to the order of the Transferring Member, bearing simple interest on the unpaid principal balance at an annual rate equal to the applicable federal rate under Section 1274 of the Code, as amended, determined as of the Closing Date, compounded monthly. The note shall provide for payment of both principal and accrued interest, in sixty (60) equal monthly installments. The first installment shall be payable on the date that is one (1) month after the Closing Date. The remaining installments shall be payable thereafter on the same day of each successive month until paid in full, provided, however, the entire indebtedness shall be paid in full on the date that is five (5) years from the date of the Closing Date.

3. *Option to Prepay.* The purchaser or purchasers shall have the unrestricted right to prepay the note in whole or in part, at any time and from time to time without penalty or premium; provided, however, that any such partial prepayment shall be in an amount of not less than \$5,000.00.

4. *Acceleration.* The note shall provide for optional acceleration of maturity in the event of a default in payment of principal or interest, or upon the insolvency of, or the assertion of insolvency by or against any maker, endorser or guarantor of the note. In addition, the note will become due and payable in full if the Company sells substantially all of its assets and business, or enters into any legal arrangement which has substantially the same effect. The note shall provide for the reimbursement of reasonable attorney fees in the collection of all or any part of the note upon default. The note may be secured, at the option of the Transferring Member, by a pledge of the Member's Interest purchased, but not a specific pledge of the assets of the Company.

Article X. Dissolution

A. *Events Resulting in Dissolution.* The Company will be dissolved upon the occurrence of any of the following:

1. The unanimous written consent of all the Members;
2. The adjudication of the Company as insolvent within the meaning of insolvency in either bankruptcy or equity proceedings, or the filing of an involuntary petition in bankruptcy against the Company (which is not dismissed within ninety (90) days), or the filing against the Company of a petition for reorganization under the Federal Bankruptcy Code or any state statute (which is not dismissed within ninety (90) days), or a general assignment by the Company for the benefit of creditors, or the voluntary claim (by the Company) that it is insolvent under any provisions of the Bankruptcy Code (or any state insolvency statutes), or the appointment for the Company of a temporary or permanent receiver, trustee, custodian, sequestrator, and such receiver, trustee, custodian, or sequestrator is not dismissed within ninety (90) days;
3. At any time there are no members; however, the Company is not dissolved and is not required to be wound up if, within six months after the occurrence of the event that caused the dissociation of the last remaining Member, the personal representative of the last remaining Member agrees in writing to continue the Company until the admission of the personal representative of such Member or its nominee or designee to the Company as a Member, effective as of the occurrence of the event that caused the dissociation of the last remaining Member;
4. The entry of a decree of judicial dissolution of the Company under the Act; or

5. When so determined in accordance with other specific provisions of this Agreement.

B. *Conclusion of Affairs.* In the event of the dissolution of the Company for any reason, the Members shall proceed promptly to wind up the affairs of and liquidate the Company. Except as otherwise provided in this Agreement, the Members shall continue to share distributions and tax allocations during the period of liquidation in the same manner as before the dissolution.

C. *Liquidating Distributions.* After providing for the payment of all debts and liabilities of the Company and all expenses of liquidation, and subject to the right of the Members to set up such reserves as it may deem reasonably necessary for any contingencies or unforeseen liabilities or obligations of the Company, the proceeds of the liquidation and any other assets of the Company shall be distributed to or for the benefit of the Members in accordance with this Agreement. Unless the Members entitled to vote (by a majority vote) agree to some other form of distribution, the distributions to the Members upon liquidation shall be made in kind based on the fair market value of the Company's assets at that time. If such distribution is in kind, each Member shall take a fractional interest in each and every asset of the Company unless the Members agree to some other method of division.

D. *Priority in Liquidation.* If the Company is terminated, the Members will proceed with the liquidation of the Company as provided in the previous section and the proceeds from the liquidation will be applied as follows:

1. First, to the payment of debts and liabilities of the Company, other than loans and advances that may have been made by the Members to the Company, and the expenses of liquidation;

2. Next, the proceeds will be applied to the payment of any loans or advances that may have been made by any Member to the Company, but if the amount available for repayment is insufficient, then on a pro rata basis;

3. Next, the Company's assets will be distributed to the Members, pro rata in accordance with their respective positive Capital Account balances, after giving effect to all contributions, distributions and allocations for all periods; and

4. Any balance remaining shall be distributed to the Members in accordance with their Membership Interests.

E. *Termination.* Within a reasonable time following the completion of the liquidation of the Company, the Members shall be supplied a statement which shall set forth the assets and the liabilities of the Company as of the date of complete liquidation and each Member's portion of the distributions pursuant to this Agreement. Upon completion of the liquidation of the Company and the distribution of all the Company's assets, the Company shall terminate, and the Members shall execute and record a Certificate of Cancellation of the Company as well as any and all other documents required to effectuate the dissolution and termination of the Company.

F. *No Deficit Restoration.* A negative or deficit balance in any Member's Capital Account shall not be deemed to be an asset of the Company, and no Member with a negative or deficit Capital Account balance shall have any obligation to the Company, to any other Member or to any third party or creditor to restore such negative or deficit balance. No Member shall be personally liable for the return of all or any part of the Capital Contributions of any other Member. Any such return of Capital shall be made solely from Company assets; provided, however, nothing contained herein shall be deemed to limit the right

of the Company to recover from a Member for acts or omissions constituting breach of fiduciary duty, fraud, misconduct, bad faith or gross negligence.

Article XI.
Miscellaneous

A. *Books and Records.* At all times during the term of the Company, the Members shall keep, or cause to be kept, full and faithful books of account, records and supporting documents, which shall reflect, completely, accurately and in reasonable detail, each transaction of the Company (including, without limitation, transactions with the Members). The books of account, records, and all documents and other writings of the Company shall be kept and maintained at the principal office of the Company. Each Member or his designated representative shall, upon reasonable notice to the Members, have access to such financial books, records, and documents during reasonable business hours and may inspect and make copies of any of them at his own expense. The Members shall cause the Company to keep at its principal office the following:

1. Current list of the full name and last known business address of each Member, in alphabetical order;
2. A copy of the Articles of Organization and the Certificate of Organization, and all Articles of Amendment and Certificates of Amendment thereto;
3. Copies of the Company's federal, state, and local income tax returns and reports, if any, for the seven most recent years; and
4. Copies of the Operating Agreement, as amended, and of any financial statements of the Company for the seven most recent years.

B. *Amendment.* This Agreement may only be modified or amended by a written instrument. Except as otherwise required by law, such amendment may only be made in accordance with the unanimous written consent of all the Members entitled to vote. The parties further agree to execute any amendment to this Agreement as may be considered necessary by legal counsel to the Company in order for it to be treated as a partnership for federal and state income tax purposes.

C. *Notices.* For purposes of this Agreement, notices, offers and acceptances must be in writing and will be deemed to be served and received at the time mailed by United States registered or certified mail to the last known address of the party involved or when delivered in person.

D. *Enforceability.* The waiver by any party to this Agreement of a breach of any provision of this Agreement will not operate or be construed as a waiver of any subsequent breach by any party. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions, and this Agreement shall be construed in all respects as if such invalid and unenforceable provision were omitted.

E. *Binding Effect.* This Agreement will inure to the benefit of and be binding upon the parties to this Agreement, their successors, heirs, personal representatives and assigns.

F. *Interpretation.* Whenever the context may require, any noun or pronoun used herein shall include the corresponding masculine, feminine or neuter forms. The singular form of nouns, pronouns and verbs shall include the plural and vice versa.

G. *Further Assurances.* Each Member hereby agrees that it shall hereafter execute and deliver such further instruments, provide all information and take or forbear such further acts and things as may be reasonably required or useful to carry out the intent and purpose of this Agreement and as are not inconsistent with the terms hereof.

H. *Confidentiality.* No Member may, without the approval of all remaining Members entitled to vote, divulge to others any information not already known to the public pertinent to the services, clients, customers or operations of the Company, whether before or after the Company's dissolution.

I. *Counterparts.* This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together will constitute one instrument, binding upon all parties hereto, notwithstanding that all of such parties may not have executed the same counterpart.

J. *Good Faith.* The Members agree to exercise good faith and reasonableness in the interpretation and implementation of the provisions of this Agreement.

K. *Governing Law.* This Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Virginia, without reference to its conflicts of laws rules.

L. *Headings.* The headings, subheadings and other captions in this Agreement are for convenience and reference only and shall not be used in interpreting, construing or enforcing any of the provisions of this Agreement.

M. *Entire Agreement.* This Agreement contains the entire understanding between the Members and supersedes any prior written or oral agreements between them respecting the subject matter within. There are no representations, agreements, arrangements or understandings, oral or written, between and among the Members relating to the subject matter of this Agreement, which are not fully expressed herein.

N. *Right of First Refusal.* The Company acknowledges that it has entered into that certain Right of First Refusal and Purchase Option Agreement by and between the Company, as seller, and SULL, as buyer. Subject to the terms and conditions stated therein, the Right of First Refusal and Purchase Option Agreement shall be recorded in the Clerk's Office for the City of Virginia Beach, Virginia, upon acquisition of the Project (as defined in the Right of First Refusal and Purchase Option Agreement).

[SIGNATURE PAGE TO FOLLOW]

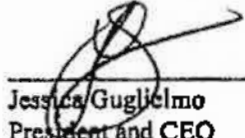
The undersigned, being the Initial Members of the Company, hereby agree, acknowledge and certify that the foregoing Operating Agreement, including the attached Schedule, constitutes the sole and entire Operating Agreement of the Company, adopted as of the date first above written.

MEMBERS:

SUL TRANQUILITY LAKES II MANAGER, LLC,
a Virginia limited liability company

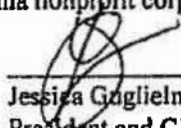
By: Virginia Beach Community Development
Corporation, a Virginia nonprofit corporation,
its Co-Managing Member

Date: March 3, 2021

By: 
Name: Jessica Guglielmo
Title: President and CEO

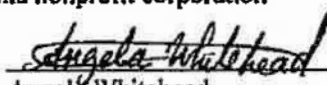
**VIRGINIA BEACH COMMUNITY DEVELOPMENT
CORPORATION,**
a Virginia nonprofit corporation

Date: March 3, 2021

By: 
Name: Jessica Guglielmo
Title: President and CEO

SENIORS UNLIMITED LIFESTYLES, INC.,
a Virginia nonprofit corporation

Date: March 3, 2021

By: 
Name: Angela Whitehead
Title: Chief Executive Officer

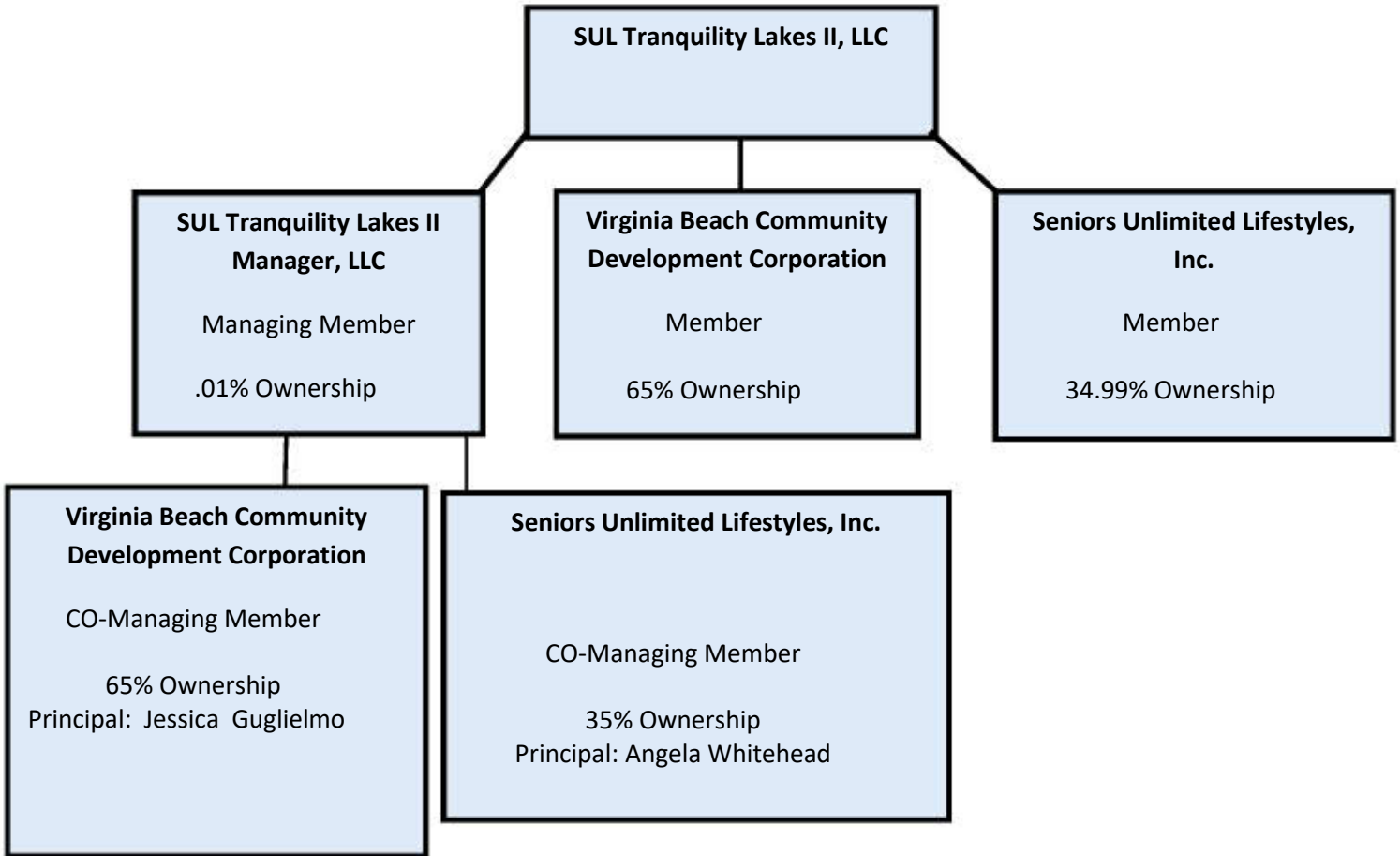
Schedule A

**Capital Contributions and
Membership Interests**

Name and Address	Capital Contribution	Membership Interest
SUL Tranquility Lakes II Manager, LLC 2400 Potters Road, Virginia Beach, Virginia 23454-4377	\$10.00	0.01%
Virginia Beach Community Development Corporation 2400 Potters Road, Virginia Beach, Virginia 23454-4377	\$100.00	65.00%
Seniors Unlimited Lifestyles, Inc. 453 Longdale Crescent, Chesapeake, Virginia 23325	\$100.00	34.99%

TRANQUILITY AT THE LAKES II ORGANIZATION CHART

VBCDC and SULI have formed SUL Tranquility Lakes II Manager, LLC to serve as the Managing Member of SUL Tranquility Lakes II, LLC. VBCDC and SULI will remain Members of SUL Tranquility Lakes II, LLC until the Investor Member is admitted to the partnership.



DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (this "Agreement") made as of _____ by and between SUL Tranquility Lakes II, LLC, a Virginia limited liability company (the "Company"); Senior Unlimited Lifestyles, Inc., a Virginia non-stock corporation ("SULI"), and Virginia Beach Community Development Corporation, a Virginia non-stock corporation ("VBCDC" along with SULI collectively, the "Developer").

W I T N E S S E T H:

WHEREAS, the Company has been formed to develop, construct, own, maintain and operate certain property as low-income residential rental housing, to be known as Tranquility at the Lakes II, to be located at 5837 Burton Station Road, Virginia Beach, Virginia (the "Project"); and

WHEREAS, the Project, following the completion of construction, is expected to constitute a "qualified low-income housing project" (as defined in Section 42(g)(1) of the Code).

WHEREAS, the Developer has provided and will continue to provide certain services with respect to the Project during the acquisition, development, rehabilitation and initial operating phases thereof.

WHEREAS, in consideration for such services, the Company has agreed to pay to the Developer certain fees computed in the manner stated herein.

NOW, THEREFORE, in consideration of the recitals, covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties agree as follows:

Section 1. Development Services.

(a) The Developer has performed certain services relating to the development of the Project and shall oversee the development and construction of the Project, and shall perform the services and carry out the responsibilities with respect to the Project as are set forth herein, and such additional duties and responsibilities as are reasonably within the general scope of such services and responsibilities and are designated from time to time by the Company.

(b) The Developer's services shall be performed in the name and on behalf of the Company and shall consist of the duties set forth in subparagraphs (i)-(xiii) below of this Section 1(b) and as provided elsewhere in this Agreement; provided, however, that if the performance of any duty of the Developer set forth in this Agreement is beyond the reasonable control of the Developer, the Developer shall nonetheless be obligated to (i)

use its best efforts to perform such duty and (ii) promptly notify the Company that the performance of such duty is beyond its reasonable control. The Developer has performed or shall perform the following:

(i) Negotiate and cause to be executed in the name and on behalf of the Company any agreements for architectural, engineering, testing or consulting services for the Project, and any agreements for the construction of any improvements or tenant improvements to be constructed or installed by the Company or the furnishing of any supplies, materials, machinery or equipment therefor, or any amendments thereof, provided that no agreement shall be executed nor binding commitment made until the terms and conditions thereof and the party with whom the agreement is made have been approved by the managing member of the Company ("Managing Member") unless the terms, conditions, and parties comply with guidelines issued by the Managing Member concerning such agreements;

(ii) Assist the Company in identifying sources of construction financing for the Project and negotiate the terms of such financing with lenders;

(iii) Establish and implement appropriate administrative and financial controls for the design and construction of the Project, including but not limited to:

(A) coordination and administration of the Project architect, the general contractor, and other contractors, professionals and consultants employed in connection with the design or rehabilitation of the Project;

(B) administration of any construction contracts on behalf of the Company;

(C) participation in conferences and the rendering of such advice and assistance as will aid in developing economical, efficient and desirable design and construction procedures;

(D) the rendering of advice and recommendations as to the selection of subcontractors and suppliers;

(E) the review and submission to the Company for approval of all requests for payments under any architectural agreement, general contractor's agreement, or any construction loan agreements with any lending

institutions providing funds for the benefit of the Company for the design or construction of any improvements;

(F) the submission of any suggestions or requests for changes which could in any reasonable manner improve the design, efficiency or cost of the Project;

(G) applying for the maintaining in full force and effect any and all governmental permits and approvals required for the lawful construction of the Project;

(H) compliance with all terms and conditions applicable to the Company or the Project contained in any governmental permit or approval required or obtained for the lawful construction of the Project, or in any insurance policy affecting or covering the Project, or in any surety bond obtained in connection with the Project;

(I) furnishing such consultation and advice relating to the construction of the Project as may be reasonably requested from time to time by the Company;

(J) keeping the Company fully informed on a regular basis of the progress of the design and construction of the Project, including the preparation of such reports as are provided for herein or as may reasonably be requested by the Company and which are of a nature generally requested or expected of construction managers or similar owner's representatives on similar projects;

(K) giving or making the Company's instructions, requirements, approvals and payments provided for in the agreements with the Project architect, general contractor, and other contractors, professionals and consultants retained for the Project; and

(L) at the Company's expense, filing on behalf of and as the attorney-in-fact for the Company any notices of completion required or permitted to be filed upon the completion of any improvement(s) and taking such actions as may be required to obtain any certificates of occupancy or equivalent documents required to permit the occupancy of the Project.

(iv) Inspect the progress of the course of construction of the Project, including verification of the materials and labor being furnished to

and on such construction so as to be fully competent to approve or disapprove requests for payment made by the Project architect and the general contractor, or by any other parties with respect to the design or construction of the Project, and in addition to verify that the construction is being carried out substantially in accordance with the plans and specifications approved by the Company or, in the event construction is not being so carried out, to promptly notify the Company;

(v) If requested to do so by the Company, perform on behalf of the Company all obligations of the Company with respect to the design or construction of the Project contained in any loan agreement or security agreement in connection with the Project, or in any lease or rental agreement relating to space in the Project, or in any agreement entered into with any governmental body or agency relating to the terms and conditions of such construction, provided that copies of such agreements have been provided by the Company to the Developer or the Company has otherwise notified the Developer in writing of such obligations;

(vi) To the extent requested to do so by the Company, prepare and distribute to the Company a critical path schedule, and periodic updates thereto as necessary to reflect any material changes, but in any event not less frequently than quarterly, other design or construction cost estimates as required by the Company, and financial accounting reports, including monthly progress reports on the quality, progress and cost of construction and recommendations as to the drawing of funds from any loans arranged by the Company to cover the cost of design and construction of the Project, or as to the providing of additional capital contributions should such loan funds for any reason be unavailable or inadequate;

(vii) At the Company's expense, obtain and maintain insurance coverage for the Project, the Company, the management agent of the Project ("Management Agent"), and the Developer and its employees, at all times until final completion of construction of the Project, in accordance with an insurance schedule approved by the Company, which insurance shall include general public liability insurance covering claims for personal injury, including but not limited to bodily injury, or property damage, occurring in or upon the Property or the streets, passageways, curbs and vaults adjoining the Property. Such insurance shall be in a liability amount approved by the Company;

(viii) To the extent applicable to the construction of the Project, comply with all present and future laws, ordinances, orders, rules, regulations and requirements (hereinafter in this subparagraph (ix) called "laws") of all federal, state and municipal governments, courts, departments, commissions, boards and offices having jurisdiction over the

Project. Any such compliance undertaken by the Developer on behalf of and in the name of the Company, in accordance with the provisions of this Agreement, shall be at the Company's expense. The Developer shall likewise ensure that all agreements between the Company and independent contractors performing work in connection with the construction of the Project shall include the agreement of said independent contractors to comply with all such applicable laws;

(ix) Assemble and retain all contracts, agreements and other records and data as may be necessary to carry out the Developer's functions hereunder. Without limiting the foregoing, the Developer will prepare, accumulate and furnish to the Company and the appropriate governmental authorities, as necessary, data and information sufficient to identify the market value of improvements in place as of each real property tax lien date, and will take application for appropriate exclusions from the capital costs of the Project for purposes of real property ad valorem taxes;

(x) Coordinate and administer the design and construction of all interior tenant improvements to the extent required under any leases or other occupancy agreements to be constructed or furnished by the Company with respect to the initial leasing of space in the Project, whether involving building standard or non-building standard work;

(xi) Use its best efforts to accomplish the timely completion of the Project in accordance with the approved plans and specifications and the time schedules for such completion approved by the Company;

(xii) At the direction of the Company, implement any decisions of the Company made in connection with the design, development and construction of the Project or any policies and procedures relating thereto, exclusive of leasing activities; and

(xiii) Perform and administer any and all other services and responsibilities of the Developer which are set forth in any other provisions of this Agreement, or which are requested to be performed by the Company and are within the general scope of the services described herein.

Section 2. Limitations and Restrictions. Notwithstanding any provisions of this Agreement, the Developer shall not take any action, expend any sum, make any decision, give any consent, approval or authorization, or incur any obligation with respect to any of the following matters unless and until the same has been approved by the Company:

(a) Approval of all construction and architectural contracts and all architectural plans, specifications and drawings prior to the construction and/or alteration of any improvements contemplated thereby, except for such matters as may be expressly delegated in writing to the Developer by the Company;

(b) Any proposed change in the work of the construction of the Project, or in the plans and specifications therefor as previously approved by the Company, or in the cost thereof, or any other change which would affect the design, cost, value or quality of the Project, except for such matters as may be expressly delegated in writing to the Developer by the Company;

(c) Making any expenditure or incurring any obligation by or on behalf of the Company or the Project involving a sum in excess of \$25,000 or involving a sum of less than \$25,000 where the same relates to a component part of any work, the combined cost of which exceeds \$25,000, except for expenditures made and obligations incurred pursuant to and specifically set forth in a construction budget approved by the Company (the "Construction Budget") or for such matters as may be otherwise expressly delegated to the Developer by the Company;

(d) Making any expenditure or incurring any obligation which, when added to any other expenditure, exceeds the Construction Budget or any line item specified in the Construction Budget, except for such matters as may be otherwise expressly delegated in writing to the Developer by the Company; or

(e) Expending more than what the Developer in good faith believes to be the fair and reasonable market value at the time and place of contracting for any goods purchased or leased or services engaged on behalf of the Company or otherwise in connection with the Project.

Section 3. Accounts and Records.

(a) The Developer on behalf of the Company, shall keep such books of account and other records as may be required and approved by the Company, including, but not limited to, records relating to the costs of construction advances. The Developer shall keep vouchers, statements, receipted bills and invoices and all other records, in the form approved by the Company, covering all collections, if any, disbursements and other data in connection with the Project prior to final completion of construction. All accounts and records relating to the Project, including all correspondence, shall be surrendered to the Company, upon demand without charge therefor.

(b) The Developer shall cooperate with the Management Agent to facilitate the timely preparation by the Management Agent of such reports and financial statements as the Management Agent is required to furnish pursuant to the management agreement between the Company and the Management Agent ("Management Agreement").

(c) All books and records prepared or maintained by the Developer shall be kept and maintained at all times at the place or places approved by the Company, and shall be available for and subject to audit, inspection and copying by the Management Agent, the Company or any representative or auditor thereof or supervisory or regulatory authority, at the times and in the manner set forth in the Company Agreement.

Section 4. Obligation To Complete Construction.

The Developer shall complete the construction of the Project or cause the same to be completed in a good and workmanlike manner, free and clear of all mechanic's, materialmen's or similar liens, and shall equip the Project or cause the same to be equipped with all necessary and appropriate fixtures, equipment and articles of personal property, including refrigerators and ranges, provided for in the loan and other documents governing the development and operation of the Project and in the plans and specifications for the Project.

Section 5. Development Amount.

As a fee for its services in connection with the development of the Project and the supervision of the construction/rehabilitation of the Project as set forth in Section 1 and elsewhere in this Agreement, the Developer shall be paid an amount (the "Development Amount") equal to _____ Dollars (\$_____). The Development Amount shall be deemed to have been earned as follows:

- (i) Twenty percent (20%) as of the date of this Agreement;
- (ii) Eighty percent (80%) upon substantial completion of the Project;

The Development Amount shall be paid from and only to the extent of the Company's available cash, in installments as follows:

- (i) _____ percent (___%) on initial equity funding of the Project;
- (ii) _____ percent (___%) upon substantial completion of the Project; and
- (iii) _____ percent (___%) upon achievement of 95% occupancy for the Project.

Any installment of the Development Amount not paid when otherwise due hereunder shall be deferred without interest and shall be paid from next available cash, provided, however, that any unpaid balance of the Development Amount shall be due and payable in all events at the earlier of (i) the thirteenth anniversary of the date of this Agreement, or (ii) if the Project qualifies for Tax Credits under Code Section 42, then the end of the Project's compliance period.

Section 6. Applicable Law.

This Agreement, and the application or interpretation hereof, shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

Section 7. Binding Agreement.

This Agreement shall be binding on the parties hereto, their heirs, executors, personal representatives, successors and assigns. As long as the Developer is not in default under this Agreement, the obligation of the Company to pay the Development Amount shall not be affected by any change in the identity of the Managing Member of the Company.

Section 8. Headings.

All section headings in this Agreement are for convenience of reference only and are not intended to qualify the meaning of any section.

Section 9. Terminology.

All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders, the singular shall include the plural, and vice versa as the context may require.

Section 10. Benefit of Agreement.

The obligations and undertakings of the Developer set forth in this Agreement are made for the benefit of the Company and its Partners and shall not inure to the benefit of

any creditor of the Company other than a Partner, notwithstanding any pledge or assignment by the Company of this Agreement of any rights hereunder.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first written above.

COMPANY:

SUL Tranquility Lakes II, LLC,
a Virginia limited liability company

By: SUL TRANQUILITY LAKES II
MANAGER, LLC,
a Virginia limited liability company,
its Managing Member

By: Virginia Beach Community
Development Corporation,
a Virginia nonstock corporation,
its Co-Managing Member

By: _____
Name: Jessica Guglielmo
Title: President and CEO

DEVELOPER:

VIRGINIA BEACH COMMUNITY
DEVELOPMENT CORPORATION,
a Virginia nonstock corporation

By: _____
Name: Jessica Guglielmo
Title: President and CEO

SENIORS UNLIMITED LIFESTYLES, INC.,
a Virginia nonstock corporation

By: _____
Name: Angela Whitehead
Title: Chief Executive Officer

Tab B:

Virginia State Corporation Commission Certification
(MANDATORY)

Commonwealth of Virginia



State Corporation Commission

CERTIFICATE OF FACT

I Certify the Following from the Records of the Commission:

That SUL Tranquility Lakes II, LLC is duly organized as a Limited Liability Company under the law of the Commonwealth of Virginia;

That the Limited Liability Company was formed on January 26, 2021; and

That the Limited Liability Company is in existence in the Commonwealth of Virginia as of the date set forth below.

That the limited liability company is current in the payment of all registration fees assessed against it by the Commission pursuant to the Virginia Limited Liability Company Act as of the date set forth below.

Nothing more is hereby certified.



Signed and Sealed at Richmond on this Date:

February 28, 2022

A handwritten signature in cursive script, appearing to read "Bernard J. Logan".

Bernard J. Logan, Clerk of the Commission

Commonwealth of Virginia



State Corporation Commission

CERTIFICATE OF FACT

I Certify the Following from the Records of the Commission:

That SUL Tranquility Lakes II Manager, LLC is duly organized as a Limited Liability Company under the law of the Commonwealth of Virginia;

That the Limited Liability Company was formed on March 3, 2021; and

That the Limited Liability Company is in existence in the Commonwealth of Virginia as of the date set forth below.

That the limited liability company is current in the payment of all registration fees assessed against it by the Commission pursuant to the Virginia Limited Liability Company Act as of the date set forth below.

Nothing more is hereby certified.



Signed and Sealed at Richmond on this Date:

February 28, 2022

A handwritten signature in black ink, appearing to read "Bernard J. Logan".

Bernard J. Logan, Clerk of the Commission

Tab C:

Principal's Previous Participation Certification
(MANDATORY)



Previous Participation Certification

Development Name: Tranquility at the Lakes II
Name of Applicant (entity): SUL Tranquility Lakes II, LLC
SUL Tranquility Lakes II Manager, LLC (Managing Member)

I hereby certify that:


1. All the statements made by me are true, complete and correct to the best of my knowledge and belief and are made in good faith, including the data contained in Schedule A and any statements attached to this certification.
2. During any time that any of the participants were principals in any multifamily rental property, no property has been foreclosed upon, in default or assigned to the mortgage insurer (governmental or private); nor has mortgage relief by the mortgagee been given;
3. During any time that any of the participants were principals in any multifamily rental property, there has not been any breach by the owner of any agreements relating to the construction or rehabilitation, use, operation, management or disposition of the property, including removal from a partnership;
4. That at no time have any principals listed in this certification been required to turn in a property to the investor or have been removed from a multifamily rental property ownership structure;
5. That to the best of my knowledge, there are no unresolved findings raised as a result of state or federal audits, management reviews or other governmental investigations concerning any multifamily rental property in which any of the participants were principals;
6. During any time that any of the participants were principals in any multifamily rental property, there has not been a suspension or termination of payments under any state or federal assistance contract for the property;
7. None of the participants has been convicted of a felony and is not presently, to my knowledge, the subject of a complaint or indictment charging a felony. A felony is defined as any offense punishable by imprisonment for a term exceeding one year, but does not include any offense classified as a misdemeanor under the laws of a state and punishable by imprisonment of two years or less;
8. None of the participants has been suspended, debarred or otherwise restricted by any federal or state governmental entity from doing business with such governmental entity; and

Previous Participation Certification, cont'd

9. None of the participants has defaulted on an obligation covered by a surety or performance bond and has not been the subject of a claim under an employee fidelity bond.
10. None of the participants is a Virginia Housing employee or a member of the immediate household of any of its employees.
11. None of the participants is participating in the ownership of a multifamily rental housing property as of this date on which construction has stopped for a period in excess of 20 days or, in the case of a multifamily rental housing property assisted by any federal or state governmental entity, which has been substantially completed for more than 90 days but for which requisite documents for closing, such as the final cost certification, have not been filed with such governmental entity.
12. None of the participants has been found by any federal or state governmental entity or court to be in noncompliance with any applicable civil rights, equal employment opportunity or fair housing laws or regulations.
13. None of the participants was a principal in any multifamily rental property which has been found by any federal or state governmental entity or court to have failed to comply with Section 42 of the Internal Revenue Code of 1986, as amended, during the period of time in which the participant was a principal in such property. This does not refer to corrected 8823's.
14. None of the participants is currently named as a defendant in a civil lawsuit arising out of their ownership or other participation in a multi-family housing development where the amount of damages sought by plaintiffs (i.e., the ad damnum clause) exceeds One Million Dollars (\$1,000,000).
15. None of the participants has pursued a Qualified Contract or planned foreclosure in Virginia after January 1, 2019.

Statements above (if any) to which I cannot certify have been deleted by striking through the words. In the case of any such deletion, I have attached a true and accurate statement to explain the relevant facts and circumstances.

Failure to disclose information about properties which have been found to be out of compliance or any material misrepresentations are grounds for rejection of an application and prohibition against future applications.



Signature

Jessica Guglielmo

Printed Name

3/10/2022

Date (no more than 30 days prior to submission of the Application)

Tab D:

List of LIHTC Developments (Schedule A)
(MANDATORY)

List of LIHTC Developments (Schedule A)



Development Name: Tranquility at the Lakes II
 Name of Applicant: SUL Tranquility Lakes II, LLC

INSTRUCTIONS:

- 1 A Schedule A is required for every individual that makes up the GP or Managing Member - does not apply to principals of publicly traded corporations.
- 2 For each property for which an uncorrected 8823 has been issued, provide a detailed explanation of the nature of the non-compliance, as well as a status statement.
- 3 List only tax credit development experience since 2007 (i.e. for the past 15 years)
- 4 Use separate pages as needed, for each principal.

Virginia Beach Community Development Corporation Controlling GP (CGP) or 'Named' Managing Member of Proposed property? Y
 Principal's Name: Y or N

	Development Name/Location	Name of Ownership Entity and Phone Number	CGP or 'Named' Managing Member at the time of dev. (Y/N)*	Total Dev. Units	Total Low Income Units	Placed in Service Date	8609(s) Issue Date	Uncorrected 8823's? (Y/N) Explain "Y"
1	Cypress Landing Apartments, 40 Knells Ridge Blvd. Chesapeake, VA 23320	Cypress Landing, LLC, 757-463-9516	Y	50	50	11/26/2019	3/16/2021	N
2	Cedar Grove Apartments, 904 Broad Meadows Blvd., Virginia Beach, VA 23462	Cedar Grove 2011, Limited Partnership, 757-463-9516	Y	32	32	9/26/2013	5/5/2014	N
3	Citywide Homes 2001, 604 Cedar Springs Court, Virginia Beach, VA 23462	Citywide Homes 2001, Limited Partnership, 757-463-9516	Y	32	32	12/16/2002	4/3/2003	N
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* Must have the ability to bind the LIHTC entity; document with partnership/operating agreements and one 8609 (per entity/development) for a total of 6.

1st PAGE
 TOTAL: 114 114

LIHTC as % of
 100% Total Units

List of LIHTC Developments (Schedule A)



Development Name: Tranquility at the Lakes II

Name of Applicant: SUL Tranquility Lakes II, LLC

INSTRUCTIONS:

- 1 **A Schedule A is required for every individual that makes up the GP or Managing Member** - does not apply to principals of publicly traded corporations.
- 2 For each property for which an **uncorrected** 8823 has been issued, provide a detailed explanation of the nature of the non-compliance, as well as a status statement.
- 3 List only tax credit development experience since 2007 (i.e. for the past 15 years)
- 4 Use separate pages as needed, for each principal.

Principal's Name: Seniors Unlimited Lifestyles Inc. Controlling GP (CGP) or 'Named' Managing Member of Proposed property? N Y or N

	Development Name/Location	Name of Ownership Entity and Phone Number	CGP or 'Named' Managing Member at the time of dev.? (Y/N)*	Total Dev. Units	Total Low Income Units	Placed in Service Date	8609(s) Issue Date	Uncorrected 8823's? (Y/N) Explain "Y"
1	Tranquility at the Lakes, 5827 Burlan Station Rd. Virginia Beach, VA 23455	SUL Tranquility Lakes, LLC 460-0100	N	40	40	12/29/2016	7/27/2017	N
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* Must have the ability to bind the LIHTC entity; document with partnership/operating agreements and one 8609 (per entity/development) for a total of 6.

Tab E:

Site Control Documentation & Most Recent Real
Estate Tax Assessment (MANDATORY)

**FIRST AMENDMENT TO
AGREEMENT OF SALE**

THIS FIRST AMENDMENT TO AGREEMENT OF SALE (this "Amendment") is dated this 20th day of January, 2022, and made by and between the CITY OF VIRGINIA BEACH, a municipal corporation of the Commonwealth of Virginia ("Landowner"), and SUL TRANQUILITY LAKES II, LLC, a Virginia limited liability company, ("Purchaser").

RECITALS:

A. Landowner and Seniors Unlimited Lifestyles, Inc. entered into that certain Purchase Agreement dated March 13, 2020 (the "Agreement"), wherein Landowner has agreed to sell and Purchaser has agreed to purchase that certain real property located in Burton Station in the City of Virginia Beach, Virginia, as more particularly described in the Agreement;

B. Seniors Unlimited Lifestyles, Inc. assigned its rights and obligations under the Agreement to SUL Tranquility Lakes II, LLC by that certain document entitled "Assignment of Agreement of Sale," dated March 17, 2021;

C. Landowner and Purchaser desire to amend the Agreement in certain respects to allow Purchaser additional time to meet the Requirements of Settlement outlined in Paragraph 6 of the Agreement.

D. Capitalized terms used in this Amendment and not defined herein shall have the meanings set forth in the Agreement; and

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the mutual receipt and legal sufficiency of which the parties hereto hereby acknowledge, Landowner and Purchaser hereby agree as follows:

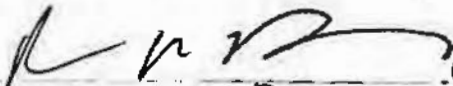
1. **Amendment of Agreement.** The Agreement is hereby amended as follows:
 - a. Settlement, as defined in Paragraph 3 of the Agreement, is hereby amended to be on or before December 3, 2022.
 - b. The Termination right stated in the final paragraph of Paragraph 6 of the Agreement is hereby extended to December 3, 2022.
2. **Ratification.** Landowner and Purchaser hereby acknowledge that except as herein stated, the terms of Agreement shall remain unmodified and in full force and effect. Any conflict between the provisions of the Agreement and this Amendment shall be governed by this Amendment.
3. **Execution and Delivery of Amendment.** This Amendment may be executed in counterparts each of which, when taken together, shall be deemed to be an original document. This Amendment may also be executed and transmitted via facsimile machine or other electronic transfer, and any faxed or electronically transmitted signatures shall be deemed original signatures.

4. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first above written.

LANDOWNER:

CITY OF VIRGINIA BEACH, a municipal Corporation of the Commonwealth of Virginia

By:  (SEAL)

Name: P. Puhmay
Title: City Manager / Authorized Designee

Date: 1/24/2022

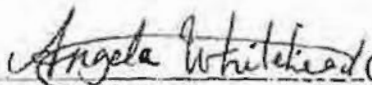
ATTEST:

City Clerk
Date: 1/24/2022

PURCHASER:

SUL TRANQUILITY LAKES II, LLC, a Virginia limited liability company

By: SUL Tranquility Lakes II, Manager, LLC, Managing Member

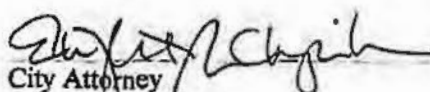
By:  (SEAL)
Angela Whitehead, Chief Executive Officer

Date: 1-20-22

APPROVED AS TO CONTENT:


Public Works/Real Estate

APPROVED AS TO FORM:


City Attorney



RECEIVED
12111
MAR 23 2020
Office of the City Manager
City of Virginia Beach

CITY OF VIRGINIA BEACH
INTER-OFFICE CORRESPONDENCE

In Reply Refer To Our File No. 0063069

DATE: March 19, 2020

TO: ROUTING

FROM: Elizabeth S. Chupik *ESC*

DEPT: City Attorney

RE: **City of Virginia Beach to Seniors Unlimited Lifestyles, Inc.**
Sale of 1.55 acres of property located at the intersection of Burton Station Road and Finney Circle (GPINs: 1458-88-2897, 1458-88-2715, 1458-89-2090 and 1458-89-3052)

Attached an Agreement of Sale between the City and Seniors Unlimited Lifestyles, Inc. for the sale of 1.55 acres of property in Burton Station. Council approved the sale of this property by ORD-36050 on December 10, 2019. Please execute the Agreement and route in the order indicated below, and return the originals to my office for closing:

Executed:

3/31/20
Date

Darla Brundage
City Manager/Authorized
Designee of the City Manager

Executed:

3/31/2020
Date

AM
Amanda Harnes, City Clerk

ESC/kas
Enclosures

AGREEMENT OF SALE

THIS AGREEMENT OF SALE ("Agreement") made as of this 13th day of March, 2020, by the CITY OF VIRGINIA BEACH, a municipal corporation of the Commonwealth of Virginia ("Seller"), and Seniors Unlimited Lifestyles Inc, ("Buyer").

WITNESSETH:

In consideration of the covenants and agreements of the respective parties herein set forth and in further consideration of the sum of SEVEN HUNDRED FIFTEEN THOUSAND AND NO/100 DOLLARS (\$715,000.00), Seller hereby agrees to sell, and Buyer hereby agrees to purchase the following described properties (hereinafter collectively known as the "Property") to wit:

Parcel 1: 1012 Finney Circle GPIN 1458-88-2715:

ALL THAT certain lot, tract or parcel of land together with improvements thereon belonging, lying, situated and being in the City of Virginia Beach, Virginia and designated and described as: "NOW OR FORMERLY CITY OF VIRGINIA BEACH INST. #20130102000003920 INST. #20121221001461910 1458-88-2715-0000" and further designated as "RESIDUAL AREA OF GPIN 1458-88-2715," as shown on that certain plat entitled: "PLAT SHOWING RIGHT OF WAY HEREBY ESTABLISHED BY CITY OF VIRGINIA BEACH FOR BURTON STATION ROAD IMPROVEMENTS VIRGINIA BEACH, VIRGINIA," Scale: 1" = 40', dated April 19, 2018 and revised through January 8, 2019, to which reference is made for a more particular description.

RESERVING UNTO THE CITY all right, title and interest of the City in and to any and all easements, rights of way, private roads and other rights of access, ingress and/or egress adjacent to, appurtenant to or in any way benefiting the City and/or public.

IT BEING a portion of the same property conveyed to the City of Virginia Beach from Kay Z. Kesser by Deed dated December 18, 2012 and recorded in the aforesaid Clerk's Office as Instrument Number 20130102000003920.

Parcel 2: 1020 Finney Circle GPIN 1458-88-2897:

ALL THAT certain lot, tract or parcel of land together with improvements thereon belonging, lying, situated and being in the City of Virginia Beach, Virginia and designated and described as: "RESIDUAL AREA TO BE ACQUIRED BY THE CITY OF VIRGINIA BEACH AREA = 8,198 S.F. OR 0.1882 AC." and further designated as "RESIDUAL AREA TO BE

ACQUIRED BY THE CITY OF VIRGINIA BEACH 8,198 SQUARE FEET 0.1882 ACRES," as shown on that certain plat entitled: "PLAT SHOWING RIGHT-OF-WAY AND PROPERTY TO BE ACQUIRED FROM ROBERT L. ELLIOTT & HELEN TYLER BY CITY OF VIRGINIA BEACH FOR BURTON STATION ROAD IMPROVEMENTS CIP #9-081.003 VIRGINIA BEACH, VIRGINIA," Scale: 1"= 40', dated January 11, 2011 and revised through September 26, 2013, which plat is recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia as Instrument Number 20130927001160920, to which reference is made for a more particular description.

RESERVING UNTO THE CITY all right, title and interest of the City in and to any and all easements, rights of way, private roads and other rights of access, ingress and/or egress adjacent to, appurtenant to or in any way benefiting the City and/or public.

IT BEING a portion of the same property conveyed to the City of Virginia Beach by deed from Robert L. Elliott and Helen Tyler dated September 18, 2013 and recorded in the aforesaid Clerk's Office as Instrument Number 20130930001163420.

IT FURTHER BEING a portion of the same property conveyed to the City of Virginia Beach by Deeds of Confirmation dated September 18, 2013 from Earl Littleton Elliott, Jr. recorded in the aforesaid Clerk's Office as Instrument Number 20160815000718630; from Romona S. Corprew as Instrument Number 20160809000693760; and from Adrian T. Elliott as Instrument Number 20160727000644160.

Parcel 3: 5837 Burton Station Road GPIN 1458-89-3052:

ALL THAT certain lot, tract or parcel of land together with improvements thereon belonging, lying, situated and being in the City of Virginia Beach, Virginia and designated and described as: "NOW OR FORMERLY CITY OF VIRGINIA BEACH INSTRUMENT #20131017001240220 INSTR#20131016001232250(PLAT) 1458-89-3052" and further designated as "RESIDUAL AREA OF GPIN 1458-89-3052," as shown on that certain plat entitled: "PLAT SHOWING EASEMENTS TO BE ESTABLISHED BY CITY OF VIRGINIA BEACH FOR BURTON STATION ROAD IMPROVEMENTS CIP #9-081.003 VIRGINIA BEACH, VIRGINIA," Scale: 1"= 40', dated August 29, 2016, which plat is recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia as Instrument Number 20180226000152270, to which reference is made for a more particular description.

LESS AND EXCEPT those certain Dominion Virginia Power, Verizon Virginia Inc., Cox Communications Hampton Roads, LLC easements as shown on the aforesaid plat and recorded respectively as Instrument Numbers 20161026000968630, 20160726000641970, and

20160805000683460.

RESERVING UNTO THE CITY the public drainage easement as shown on the aforesaid plat as "PROPOSED PUBLIC DRAINAGE EASEMENT AREA = 930 S.F. OR 0.0213 AC." and further described as "PROPOSED PUBLIC DRAINAGE EASEMENT 930 SQUARE FEET 0.0213 ACRES," as shown on the aforesaid plat.

RESERVING UNTO THE CITY all right, title and interest of the City in and to any and all easements, rights of way, private roads and other rights of access, ingress and/or egress adjacent to, appurtenant to or in any way benefiting the City and/or public.

IT BEING a portion of the same property conveyed to the City of Virginia Beach from Alphonso Elliott, Executor of the Estate of Martha Virginia Elliott by Deed dated October 9, 2013 and recorded in the aforesaid Clerk's Office as Instrument Number 20131017001240220.

Parcel 4: 5841 Burton Station Road GPIN 1458-89-2090:

ALL THAT certain lot, tract or parcel of land together with improvements thereon belonging, lying, situated and being in the City of Virginia Beach, Virginia and designated and described as: "NOW OR FORMERLY CITY OF VIRGINIA BEACH D.B. 3617, PG. 652 D.B. 429, PG. 271 (PLAT) 1458-89-2090" and further designated as "RESIDUAL AREA OF GPIN 1458-89-2090 9,430 SQUARE FEET 0.2165 ACRES," as shown on that certain plat entitled: "PLAT SHOWING RIGHT-OF-WAY HEREBY ESTABLISHED AND EASEMENTS TO BE CONVEYED BY CITY OF VIRGINIA BEACH FOR BURTON STATION ROAD IMPROVEMENTS CIP #9-081.003 VIRGINIA BEACH, VIRGINIA," Scale: 1" = 40', dated January 11, 2011, and revised through February 25, 2014, which plat is recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia as Instrument Number 20150204000104180, to which reference is made for a more particular description.

LESS AND EXCEPT those certain Dominion Virginia Power, Verizon Virginia Inc., Cox Communications Hampton Roads, LLC easements as shown on the aforesaid plat and recorded respectively as Instrument Numbers 20160630000559760, 20160726000642000, and 20160627000547020.

RESERVING UNTO THE CITY the public drainage easement as shown on the aforesaid plat as "PROPOSED PUBLIC DRAINAGE EASEMENT HEREBY ESTABLISHED AREA = 750 S.F. OR 0.0172 AC." and further described as "PROPOSED PUBLIC DRAINAGE EASEMENT HEREBY ESTABLISHED 750 SQUARE FEET 0.0172 ACRES," as shown on the aforesaid plat.

RESERVING UNTO THE CITY all right, title and interest of the City in

and to any and all easements, rights of way, private roads and other rights of access, ingress and/or egress adjacent to, appurtenant to or in any way benefiting the City and/or public.

IT BEING a portion of the same property conveyed to the City of Virginia Beach from George W. Elliott and Jennie A. Elliott, husband and wife, by Deed dated January 10, 1996 and recorded in the aforesaid Clerk's Office in Deed Book 3617, at page 652.

Parcel 5: Private Right of Way GPIN 1458-89-2065:

ALL THAT certain lot, tract or parcel of land together with improvements thereon belonging, lying, situated and being in the City of Virginia Beach, Virginia and designated and described as: "RESIDUAL AREA TO BE ACQUIRED AREA = 7,913 S.F. OR 0.1817 AC." and further designated as "RESIDUAL AREA TO BE ACQUIRED 7,913 SQUARE FEET 0.1817 ACRES," as shown on that certain plat entitled: "PLAT SHOWING PROPERTY TO BE ACQUIRED FROM GEORGE W. ELLIOTT BY CITY OF VIRGINIA BEACH FOR BURTON STATION ROAD IMPROVEMENTS CIP #9-081.003 VIRGINIA BEACH, VIRGINIA," Scale: 1" = 40', dated March 18, 2013 and revised through March 26, 2013, which plat is recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia as Instrument Number 20130328000360010, to which reference is made for a more particular description.

LESS AND EXCEPT those certain Dominion Virginia Power, Verizon Virginia Inc., Cox Communications Hampton Roads, LLC easements as shown on the aforesaid plat and recorded respectively as Instrument Numbers 20160412000297120, 20160804000675130, and 20160602000468670.

RESERVING UNTO THE CITY the public drainage easement as shown on the aforesaid plat as "PROPOSED PUBLIC DRAINAGE EASEMENT AREA = 450 S.F. OR 0.0103 AC." and further described as "PROPOSED PUBLIC DRAINAGE EASEMENT 450 SQUARE FEET 0.0103 ACRES," as shown on the aforesaid plat.

RESERVING UNTO THE CITY all right, title and interest of the City in and to any and all easements, rights of way, private roads and other rights of access, ingress and/or egress adjacent to, appurtenant to or in any way benefiting the City and/or public.

IT BEING a portion of the same property conveyed to the City of Virginia Beach from George W. Elliott by Deed dated April 4, 2013 and recorded in the aforesaid Clerk's Office as Instrument Number 20130423000463620.

1. Purchase Price. The total consideration is as follows: SEVEN HUNDRED FIFTEEN THOUSAND AND NO/100 DOLLARS (\$715,000.00) (the "Purchase Price") in full for the Property. The Purchase Price shall be paid as follows:

a. A deposit (the "Deposit") in cash or by certified check or by wire transfer in the amount of FIVE THOUSAND DOLLARS (\$5,000.00) shall be paid by Buyer to the City of Virginia Beach as Escrow Agent (the "Escrow Agent") upon execution of this Agreement by all parties. The Escrow Agent shall deposit the Deposit into the general fund, accruing no interest, with the Deposit to be applied to the Purchase Price of the Property at the time of Settlement (as hereinafter defined). The Deposit shall be held in accordance with the provisions of this Agreement.

b. The balance of the Purchase Price of the Property of SEVEN HUNDRED TEN THOUSAND DOLLARS AND NO/100 (\$710,000.00) shall be paid in cash or by certified check or by wire transfer at the time of Settlement.

2. Due Diligence/Contingencies. Buyer is hereby granted sixty (60) days from the date of full execution of this Agreement by all parties (the "Due Diligence Period") to inspect the Property in order to determine that the soils and subsurface conditions of the Property are suitable, in the reasonable opinion of Buyer, for Buyer's intended use, and to determine the existence of any adverse environmental matters or conditions in, on, under, about, or migrating from or onto the Property. If the Buyer determines during the Due Diligence Period that the soils and subsurface conditions of the Property are not suitable for its intended use, or determines that the existence of any adverse environmental matters or conditions in, on, under, about, or migrating from or onto the Property, Buyer reserves the right to terminate this Agreement of Sale by giving Seller written notice of termination not later than 5:00 p.m. on the last day of the Due Diligence Period. Upon receipt of such notification, the Deposit shall be returned to the Buyer within 14 business days and thereafter, neither party shall have any further rights against or obligations or liability to the other hereunder except as specified in Paragraph 10.

This contract is further contingent upon an award to Buyer of Low Income Housing Tax Credits. The award must be in an amount satisfactory to Buyer to cover the purchase price and closing costs herein. The Low Income Housing Tax Credits contingency shall be in place until final settlement occurs.

3. Settlement. Delivery of the Deed (as hereinafter defined), payment of the Purchase Price and the settlement hereunder (the "Settlement") shall be conducted at the Office of the City Attorney, Real Estate Annex, Building 23, Suite 100, 2473 N. Landing Road, Virginia Beach, Virginia 23456. Notwithstanding the foregoing, Settlement may take place pursuant to an escrow closing and be conducted by mail or overnight courier by a reputable national title insurance company licensed in the Commonwealth of Virginia and selected by Buyer (the "Title Company"). The Settlement shall occur no later than forty-five (45) days after the date on which all Requirements of Settlement, as set forth in Paragraph 6 of this Agreement, have been fully satisfied (the "Settlement Date") or at such other earlier time as the parties may agree.

In addition to the obligations to be performed hereunder by the parties at Settlement, each party agrees to perform such other acts and to execute, acknowledge and

deliver, subsequent to Settlement, such other instruments, documents and other material as the other party or the Title Company may reasonably request and shall be necessary in order to effectuate the consummation of the transaction contemplated herein and to vest title to the Property in Buyer. However, notwithstanding the foregoing, Buyer acknowledges and agrees that Seller has certain powers, purposes and responsibilities by virtue of being a municipality, and as such, its ability to execute instruments and documents or to perform certain acts is limited by the laws of the Commonwealth of Virginia, including but not limited to, its defenses of sovereign immunity. Nothing herein shall be construed to waive any of the powers, purposes, responsibilities or defenses of Seller as a municipality.

4. Premises Purchased As Is/Environmental Concerns. Seller neither represents nor warrants that there are no adverse environmental conditions upon the Property which would prevent Buyer's allowed use of the Property. Buyer purchases the Property "AS IS" and it shall be the responsibility of Buyer to determine whether or not there are any adverse environmental conditions, hazardous waste conditions, status as protected wetlands or endangered species which would prevent Buyer's proposed use of the Property. Buyer releases Seller of and from and waives any claim or cause of action Buyer may have against Seller, under any federal, state or local law, ordinance, rule or regulation now existing or hereafter enacted or promulgated, relating to environmental matters or conditions, in, on under, about or migrating from or unto the Property, or by virtue of any common law right related to environmental conditions or matters in, under, about or migrating from or unto the Property. The provisions of this Paragraph shall survive Settlement, the termination of this Agreement, or recordation of the Deed.

Without limiting the foregoing, the City will only quitclaim its interest in and to GPIN 1458-59-2065 and it is the Buyer's responsibility to ascertain and clear any rights of others to this property identified as a "private road."

5. Use. Buyer shall use the Property for affordable senior housing and/or a disabled persons housing facility. Buyer agrees to restrict the Property for these uses for a period of thirty (30) years from Settlement. The Property will be conveyed to Buyer subject to a DEED RESTRICTION limiting the uses as stated, which shall expire automatically thirty (30) years after the Deed is recorded.

6. Requirements of Settlement. This Agreement and conveyance of the Property are EXPRESSLY SUBJECT to the satisfaction or performance of the following terms and conditions:

a. Buyer shall obtain, at its cost, a Quitclaim Deed or other legally sufficient document from the property owner at 1027 Finney Circle (GPIN 1458-88-0998) disclaiming any interest in the adjacent private right of way identified as Parcel 5 (GPIN 1458-89-2065) in this Agreement. The Quitclaim Deed shall be recorded contemporaneous to the Deed for the Property in this Agreement.

b. Buyer shall dedicate any and all public drainage easements and/or private utility easements needed for the completion of Burton Station Phase I and/or Burton Station Phase III on the Property and on the property identified by GPIN 1458-88-4871, which, while under separate ownership, is controlled by Buyer. The City shall prepare any deed of dedication

or related documents to convey the easements. However, it shall be Buyer's responsibility to obtain lender approval, if applicable.

c. Buyer shall, at its cost, submit an application and receive approval from the Virginia Beach City Council for a conditional use permit ("CUP") allowing the proposed housing development in the zoning district.

d. Buyer shall, at its cost, prepare and submit a resubdivision plat to the City of Virginia Beach Planning Department (the "Planning Department") that vacates all interior lot lines of the Property. Said plat, upon approval, shall be recorded contemporaneous to the Deed for the Property in this Agreement.

e. Buyer shall, at its cost, submit a site plan and obtain approval for same from the Planning Department (the "Planning Department").

f. Buyer shall apply for and receive an award of Low Income Housing Tax Credits in an amount satisfactory to Buyer to complete the purchase of the property that is the subject of this agreement.

Subsections c-e of this Paragraph are referenced collectively as the "Government Approvals." Buyer shall exercise commercially reasonable efforts to pursue the Government Approvals, and said Government Approvals shall not be unreasonably withheld by Seller.

Notwithstanding anything in this Agreement to the contrary, if any of the requirements of Settlement set forth in this Paragraph have not been satisfied, waived by both parties, or performed on or as December 31, 2021, Buyer shall have the right to terminate this Agreement by providing notice to Seller on or before December 31, 2021, in which event the Deposit shall be refunded to Buyer within fourteen (14) business days and thereafter, neither party shall have any further rights against or obligations or liability to the other hereunder except as specified in Paragraph 10.

7. Prorations. All rents, interest, taxes, utilities and other appropriate items shall be prorated and apportioned on a per diem basis as of the Settlement Date. Assessments, general or special in nature, pending or confirmed, shall be paid or satisfied in full by Seller at Settlement.

8. Settlement Costs and Expenses. Buyer shall bear cost of obtaining a title report for the Property and all other closing costs associated with Settlement, including but not limited to, all recording costs and taxes (except for grantor's tax on the Deed), title insurance premiums and its attorney's fees and costs.

Seller shall prepare the Deeds conveying title to the Property to Buyer and shall pay all expenses of preparation of the Deeds, the grantor's tax, if applicable, and its attorney's fees and costs.

Seller and Buyer each warrant and represent to the other that neither party has had any dealings, negotiations or communications with any brokers or other intermediaries that would obligate either one of them for the payment of any real estate commission or fee as a result of this transaction.

9. Conveyance/Title.

a. Seller agrees to deliver to Buyer at Settlement a Special Warranty Deed as to Parcels 1-4 and a Quitclaim Deed as to Parcel 5 (collectively, the "Deed") and to convey title to the Property, in fee simple, free and clear of all mortgages, liens, encumbrances, leases, parties in possession, security interests, subject to any and all other restrictions, rights-of-way, easements and encroachments of record on the date of execution of this Agreement and to the easements to be reserved by Seller in the Deed and any subdivision plat.

b. Buyer shall have up to sixty (60) days from the date of full execution of this Agreement by all parties to examine the record title to the Property and to raise any title objections disclosed by such examination. If such examination discloses that title to the Property is not marketable or is subject to an encumbrance, restriction, covenant or easement or record which adversely affects Buyer's intended use of the Property, Seller shall have the right to cure such defects or terminate this Agreement and return the Deposit to Buyer within fourteen (14) business days, and thereafter, neither party shall have any further rights against or obligations or liability to the other hereunder except as specified in Paragraph 10. If title to the Property is defective and the defects in title are not cured by Seller as provided herein, Buyer may terminate this Agreement by written notice to Seller not later than 5:00 p.m. of the Due Diligence Period. Upon receipt of such notification, the Deposit shall be refunded to Buyer within fourteen (14) business days and thereafter, neither party shall have any further rights against or obligations or liability to the other hereunder except as specified in Paragraph 10. If Buyer does not exercise the option to terminate, Buyer shall accept title to the Property with such title defects, the provisions of subparagraph (a) of this Paragraph notwithstanding.

10. Access/Right of Entry. During the Due Diligence Period, Buyer, or its agents, contractors, representatives, successors and assigns shall be permitted access to the Property for the purpose of making such studies of the Property as necessary to determine feasibility of the Property for Buyer's planned use and to determine the existence of any adverse environmental matters or conditions. It is expressly agreed, however, that:

a. Such access shall be at Buyer's sole risk and expense;

b. Seller shall not be responsible for and Buyer shall indemnify and hold harmless Seller, and its agents, employees, volunteers, servants and officials against any and all claims, obligations, demands, actions or suits for bodily injury or property damage by any person arising from such access or the conduct of activities on the Property by Buyer, its agents, contractors, representatives, successors and assigns; and

c. Neither Buyer nor any of its agents or contractors shall suffer or cause to be created any lien or encumbrance arising from such activities, and Buyer shall repair any damage to the Property resulting from such access.

The obligations set forth in this Paragraph shall survive Settlement or termination of this Agreement.

11. Possession. Actual possession shall be given upon transfer of legal title at Settlement, free and clear of any tenancies or parties in possession.

12. Risk of Loss. Risk of loss or damage to the Property by fire, wind, storm, or other casualty, or by exercise of the power of eminent domain, shall remain upon Seller until transfer of legal title at Settlement.

13. Legal and Equitable Enforcement of Agreement.

a. In the event the consummation of the transactions contemplated herein fail to occur by reason of any default by Seller, Buyer shall have the right to receive the return of its Deposit hereunder.

b. In the event the consummation of the transaction contemplated herein fails to occur by reason of any default of Buyer, Seller shall have the right to retain Buyer's Deposit as liquidated damages, (it being acknowledged and agreed that in such event it would be difficult to ascertain the exact amount of Seller's damages), and any other remedies that it may have for the breach of this Agreement.

14. Assignment. Buyer's rights under this Agreement may only be assigned by Buyer with written permission by Seller, and only upon on the condition that the assignee expressly assumes all of Buyer's obligations hereunder, and a copy of such assignment is provided to Seller. Any assignment made herein by Buyer shall not be interpreted as an agreement to extend the Due Diligence Period, Settlement Date or any of the provisions of this Agreement.

15. Survival. Unless the context otherwise requires, the provisions of this Agreement, including any indemnification, covenants, agreements, representations or warranties, shall survive Settlement hereunder and delivery of the Deed.

16. Successors and Assigns. The terms and provisions of this Agreement are binding upon and will inure to the benefit of the parties, their respective successors and assigns.

17. Notices. All notices to be delivered hereunder shall be sent by (a) U. S. Mail certified, Return Receipt Requested, (b) sent by overnight delivery, (c) or delivered in person addressed as and to the attention of the respective persons set forth below. Each such notice sent by U.S. Mail shall be deemed delivered on the first business day following its receipt, refusal or attempted delivery, as appropriate, at the address of the party to be noticed, and each notice sent by overnight delivery or delivered in person shall be deemed given as of the date of actual delivery to such person.

As to Seller: City of Virginia Beach
Attn: Karen Prochilo
Department of Housing and Neighborhood Preservation
Municipal Center, Building 18
Virginia Beach, Virginia 23456

With a copy to:
Elizabeth Chupik, Esq.
Office of the City Attorney

2473 N. Landing Road
Municipal Center Building 23
Virginia Beach, VA 23456

As to Buyer: Seniors Unlimited Lifestyles Inc.
Attn: Angela Whitehead
453 Longdale Crescent
Chesapeake, VA 23325

With a copy to:
Kedron Springer, Esq.
Springer Law Group
508 Baylor Court Suite B
Chesapeake, VA 23320

18. Governing Law/Venue. This Agreement shall be deemed to be a Virginia contract and shall be governed by the laws of the Commonwealth of Virginia, and the parties hereto designate the Circuit Court of the City of Virginia Beach, Virginia as the proper venue for all litigation of issues relating to this Agreement.

19. Entire Agreement and Modification. There have been no other promises, consideration or representations made which are not set forth in this Agreement. There may be no modification of this Agreement, except in writing, executed by the authorized representatives of Seller and Buyer.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK
SIGNATURE PAGES TO FOLLOW

IN WITNESS WHEREOF, the said Seniors Unlimited Lifestyles Inc. has caused this agreement to be executed on its behalf by Angela Whitehead, Chief Executive Officer of Seniors Unlimited Lifestyles Inc., with due authority to bind said limited liability company. Further, that the City of Virginia Beach has caused this Agreement to be executed in its name and on its behalf by its City Manager and its seal be hereunto affixed and attested by its City Clerk.

SELLER:

CITY OF VIRGINIA BEACH

By: David Breedy (SEAL)
City Manager/Authorized
Designee of City Manager

(SEAL)
ATTEST
Amalida Barnes
City Clerk

BUYER:

Seniors Unlimited Lifestyles Inc.

By: Seniors Unlimited Lifestyles Inc.
501 (c) (3) Nonprofit Organization

By: Angela Whitehead
Name: Angela Whitehead
Title: Chief Executive Officer

STATE OF VIRGINIA
CITY OF VIRGINIA BEACH, to-wit:

The foregoing instrument was acknowledged before me this 31st day of March, 2020, by David Bradley, CITY MANAGER/AUTHORIZED DESIGNEE OF THE CITY MANAGER.

My Commission Expires: 1-31-2022

Robin Wilcox
Notary Public
Commonwealth of Virginia
Robin R. Wilcox - Notary Public
Commission No. 7782160
My Commission Expires 1-31-2022

STATE OF VIRGINIA
CITY OF VIRGINIA BEACH, to-wit:

The foregoing instrument was acknowledged before me this 31st day of March, 2020, by AMANDA BARNES, CITY CLERK for the CITY OF VIRGINIA BEACH.

My Commission Expires: 1/31/2022

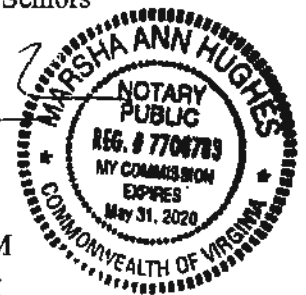
Robin Wilcox
Notary Public
Commonwealth of Virginia
Robin R. Wilcox - Notary Public
Commission No. 7782160
My Commission Expires 1/31/22

STATE OF
CITY/COUNTY OF Virginia Beach to-wit:

The foregoing instrument was acknowledged before me this 13th day of March, 2020, by Angela Whitehead, Chief Executive Officer of Seniors Unlimited Lifestyles Inc., on behalf of the company.

My Commission Expires: 5/31/2020

Marsha Ann Hughes
Notary Public



APPROVED AS TO CONTENTS

[Signature]
Public Works Real Estate

APPROVED AS TO LEGAL SUFFICIENCY AND FORM

[Signature]
City Attorney

APPROVED AS TO CONTENTS

[Signature]
Department of Housing

ASSIGNMENT OF AGREEMENT OF SALE

FOR MUTUAL CONSIDERATION AND THE RELEASE OF LEGAL RIGHTS AND OBLIGATIONS, SENIORS UNLIMITED LIFESTYLES, INC. ("Assignor"), hereby assigns, transfers, and conveys unto SUL Tranquility Lakes II, LLC, and/or its assigns ("Assignee"), all of its right, title, and interest in and to that certain Agreement of Sale ("Contract") dated as of March 13, 2020, as amended, between Assignor and City of Virginia Beach, a municipal corporation of the Commonwealth of Virginia ("Seller") relating to the acquisition of certain real property located in Virginia Beach, Virginia as described in the Contract.

By the acceptance of this Assignment, Assignee assumes all of the liabilities and obligations of Assignor under the Contract and agrees that the terms and provisions thereof shall be binding upon and shall inure to the benefit of Assignee, his/her/its successors and assigns. It is stated and agreed that the Deposit pursuant to the Contract has already been paid by Assignor and Assignee agrees to pay the balance of the purchase price at closing.

IN WITNESS WHEREOF, the parties have caused this Assignment to be executed as of this 17th day of March, 2021.

ASSIGNOR:

SENIORS UNLIMITED LIFESTYLES, INC.

By Angela Whitehead
Angela Whitehead,
Chief Executive Officer

ASSIGNEE:

SUL TRANQUILITY LAKES II, LLC

By: SUL Tranquility Lakes II Manager, LLC,
Managing Member

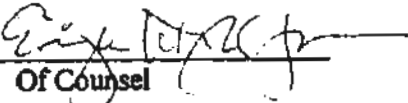
By: Angela Whitehead
Angela Whitehead,
Chief Executive Officer of

Seniors Unlimited Lifestyles, Inc.,
Managing Member

By: Jessica Guglielmo
Jessica Guglielmo,
President and Chief Executive
Officer of Virginia Beach
Community Development
Corporation, Managing Member

SEEN & ACCEPTED:

CITY OF VIRGINIA BEACH

By 
Of Counsel

3/17/2021
DATE

Parcel 1: 1012 Finney Circle GPIN 1458-88-2715

ALL THAT certain lot, tract or parcel of land together with improvements thereon belonging, lying, situated and being in the City of Virginia Beach, Virginia and designated and described as: "NOW OR FORMERLY CITY OF VIRGINIA BEACH INST. #20130102000003920 INST. #20121221001461910 1458-88-2715-0000" and further designated as "RESIDUAL AREA OF GPIN 1458-88-2715," as shown on that certain plat entitled: "PLAT SHOWING RIGHT OF WAY HEREBY ESTABLISHED BY CITY OF VIRGINIA BEACH FOR BURTON STATION ROAD IMPROVEMENTS VIRGINIA BEACH, VIRGINIA," Scale: 1" = 40', dated April 19, 2018 and revised through January 8, 2019, to which reference is made for a more particular description.

RESERVING UNTO THE CITY all right, title and interest of the City in and to any and all easements, rights of way, private roads and other rights of access, ingress and/or egress adjacent to, appurtenant to or in any way benefiting the City and/or public.

IT BEING a portion of the same property conveyed to the City of Virginia Beach from Kay Z. Kesser by Deed dated December 18, 2012 and recorded in the aforesaid Clerk's Office as Instrument Number 20130102000003920.

Parcel 2: 1020 Finney Circle GPIN 1458-88-2897

ALL THAT certain lot, tract or parcel of land together with improvements thereon belonging, lying, situated and being in the City of Virginia Beach, Virginia and designated and described as: "RESIDUAL AREA TO BE ACQUIRED BY THE CITY OF VIRGINIA BEACH AREA= 8,198 S.F. OR 0.1882 AC." and further designated as "RESIDUAL AREA TO BE ACQUIRED BY THE CITY OF VIRGINIA BEACH 8,198 SQUARE FEET 0.1882 ACRES," as shown on that certain plat entitled: "PLAT SHOWING RIGHT-OF-WAY AND PROPERTY TO BE ACQUIRED FROM ROBERT L. ELLIOTT & HELEN TYLER BY CITY OF VIRGINIA BEACH FOR BURTON STATION ROAD IMPROVEMENTS CIP #9-081.003 VIRGINIA BEACH, VIRGINIA," Scale: 1" = 40', dated January 11, 2011 and revised through September 26, 2013, which plat is recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia as Instrument Number 20130927001160920, to which reference is made for a more particular description.

RESERVING UNTO THE CITY all right, title and interest of the City in and to any and all easements, rights of way, private roads and other rights of access, ingress and/or egress adjacent to, appurtenant to or in any way benefiting the City and/or public.

IT BEING a portion of the same property conveyed to the City of Virginia Beach by deed from Robert L. Elliott and Helen Tyler dated September 18, 2013 and recorded in the aforesaid Clerk's Office as Instrument Number 20130930001163420.

IT FURTHER BEING a portion of the same property conveyed to the City of Virginia Beach by Deeds of Confirmation dated September 18, 2013 from Earl Littleton Elliott, Jr. recorded in the aforesaid Clerk's Office as Instrument Number 20160815000718630; from Romona S. Corprew as Instrument Number 20160809000693760; and from Adrian T. Elliott as Instrument Number 20160727000644160.

Parcel 3: 5837 Burton Station Road GPIN 1458-89-3052

ALL THAT certain lot, tract or parcel of land together with improvements thereon belonging, lying, situated and being in the City of Virginia Beach, Virginia and designated and described as: "NOW OR FORMERLY CITY OF VIRGINIA BEACH INSTRUMENT #20131017001240220 INSTR#20131016001232250(PLAT) 1458-89-3052" and further designated as "RESIDUAL AREA OF GPIN 1458-89-3052," as shown on that certain plat entitled: "PLAT SHOWING EASEMENTS TO BE ESTABLISHED BY CITY OF VIRGINIA BEACH FOR BURTON STATION ROAD IMPROVEMENTS CIP #9-081.003 VIRGINIA BEACH, VIRGINIA," Scale: 1"= 40', dated August 29, 2016, which plat is recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia as Instrument Number 20180226000152270, to which reference is made for a more particular description.

LESS AND EXCEPT those certain Dominion Virginia Power, Verizon Virginia Inc., Cox Communications Hampton Roads, LLC easements as shown on the aforesaid plat and recorded respectively as Instrument Numbers 20161026000968630, 20160726000641970, and 20160805000683460.

RESERVING UNTO THE CITY the public drainage easement as shown on the aforesaid plat as "PROPOSED PUBLIC DRAINAGE EASEMENT AREA= 930 S.F. OR 0.0213 AC." and further described as "PROPOSED PUBLIC DRAINAGE EASEMENT 930 SQUARE FEET 0.0213 ACRES," as shown on the aforesaid plat.

RESERVING UNTO THE CITY all right, title and interest of the City in and to any and all easements, rights of way, private roads and other rights of access, ingress and/or egress adjacent to, appurtenant to or in any way benefiting the City and/or public.

IT BEING a portion of the same property conveyed to the City of Virginia Beach from Alphonso Elliott, Executor of the Estate of Martha Virginia Elliott by Deed dated October 9, 2013 and recorded in the aforesaid Clerk's Office as Instrument Number 20131017001240220.

Parcel 4: 5841 Burton Station Road GPIN 1458-89-2090

ALL THAT certain lot, tract or parcel of land together with improvements thereon belonging, lying, situated and being in the City of Virginia Beach, Virginia and designated and described as: "NOW OR FORMERLY CITY OF VIRGINIA BEACH D.B. 3617, PG. 652 D.B. 429, PG. 271 (PLAT) 1458-89-2090" and further designated as "RESIDUAL AREA OF GPIN 1458-89-2090 9,430 SQUARE FEET 0.2165 ACRES," as shown on that certain plat entitled: "PLAT SHOWING RIGHT-OF-WAY HEREBY ESTABLISHED AND EASEMENTS TO BE CONVEYED BY CITY OF VIRGINIA BEACH FOR BURTON STATION ROAD IMPROVEMENTS CIP #9-081.003 VIRGINIA BEACH, VIRGINIA," Scale: 1" = 40', dated January 11, 2011, and revised through February 25, 2014, which plat is recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia as Instrument Number 20150204000104180, to which reference is made for a more particular description.

LESS AND EXCEPT those certain Dominion Virginia Power, Verizon Virginia Inc., Cox Communications Hampton Roads, LLC easements as shown on the aforesaid plat and recorded respectively as Instrument Numbers 20160630000559760, 20160726000642000, and 20160627000547020.

RESERVING UNTO THE CITY the public drainage easement as shown on the aforesaid plat as "PROPOSED PUBLIC DRAINAGE EASEMENT HEREBY ESTABLISHED AREA= 750 S.F. OR 0.0172 AC." and further described as "PROPOSED PUBLIC DRAINAGE EASEMENT HEREBY ESTABLISHED 750 SQUARE FEET 0.0172 ACRES," as shown on the aforesaid plat.

RESERVING UNTO THE CITY all right, title and interest of the City in and to any and all easements, rights of way, private roads and other rights of access, ingress and/or egress adjacent to, appurtenant to or in any way benefiting the City and/or public.

IT BEING a portion of the same property conveyed to the City of Virginia Beach from George W. Elliott and Jennie A. Elliott, husband and wife, by Deed dated January 10, 1996 and recorded in the aforesaid Clerk's Office in Deed Book 3617, at page 652.

Parcel 5: Private Right of Way GPIN 1458-89-2065

ALL THAT certain lot, tract or parcel of land together with improvements thereon belonging, lying, situated and being in the City of Virginia Beach, Virginia and designated and described as: "RESIDUAL AREA TO BE ACQUIRED AREA = 7,913 S.F. OR 0.1817 AC." and further designated as "RESIDUAL AREA TO BE ACQUIRED 7,913 SQUARE FEET 0.1817 ACRES," as shown on that certain plat entitled: "PLAT SHOWING PROPERTY TO BE ACQUIRED FROM GEORGE W. ELLIOTT BY CITY OF VIRGINIA BEACH FOR BURTON STATION ROAD IMPROVEMENTS CIP #9-081.003 VIRGINIA BEACH, VIRGINIA," Scale: 1" = 40', dated March 18, 2013 and revised through March 26, 2013, which plat is recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia as Instrument Number 20130328000360010, to which reference is made for a more particular description.

LESS AND EXCEPT those certain Dominion Virginia Power, Verizon Virginia Inc., Cox Communications Hampton Roads, LLC easements as shown on the aforesaid plat and recorded respectively as Instrument Numbers 20160412000297120, 20160804000675130, and 20160602000468670.

RESERVING UNTO THE CITY the public drainage easement as shown on the aforesaid plat as "PROPOSED PUBLIC DRAINAGE EASEMENT AREA = 450 S.F. OR 0.0103 AC." and further described as "PROPOSED PUBLIC DRAINAGE EASEMENT 450 SQUARE FEET 0.0103 ACRES," as shown on the aforesaid plat.

RESERVING UNTO THE CITY all right, title and interest of the City in and to any and all easements, rights of way, private roads and other rights of access, ingress and/or egress adjacent to, appurtenant to or in any way benefiting the City and/or public.

IT BEING a portion of the same property conveyed to the City of Virginia Beach from George W. Elliott by Deed dated April 4, 2013 and recorded in the aforesaid Clerk's Office as Instrument Number 20130423000463620.

Tranquility at the Lakes II (TATL II) –Site/Parcel Summary

TATL II will be developed on the current site of the following five (5) parcels/property addresses in the City of Virginia Beach.

1. Parcel Address: 5837 Burton Station Road VA Beach, VA 23455
GPIN/Parcel ID#: 1458-89-3052-0000
Legal Description: Simon Elliotts Est Replat Lot D 0.2539

2. Parcel Address: 5841 Burton Station Road VA Beach, VA 23455
GPIN/Parcel ID#: 1458-89-2090-0000
Legal Description: Simon Elliotts Est Lot E 0.2165 Ac

3. Parcel Address: 1020 Finney Circle VA Beach, VA 23455
GPIN/Parcel ID#: 1458-88-2897-0000
Legal Description: Simon Elliotts Est Pt of Lot 12 0.1882 Ac

4. Parcel Address: 1012 Finney Circle VA Beach, VA 23455
GPIN/Parcel ID#: 1458-88-2715-0000
Legal Description: Simon Elliotts Est Part of Lot 12

5. Parcel Address: Private Right Away, City of VA Beach, VA 23455
GPIN/Parcel ID#: 1458-89-2065-0000
Legal Description: Finney Circle 30ft Private Right of Way

PROPERTY DETAILS

5837 Burton Station Rd

LEGAL DESCRIPTION	Simon Elliotts Est Replat Lot D 0.2539
GPIN (PARCEL ID)	14588930520000
SERVICE DISTRICT	40 : Bayside

FY22/23 ASSESSMENT

LAND VALUE	\$89,300
IMPROVEMENT VALUE	\$0
TOTAL VALUE	\$89,300

LAND INFORMATION

UNOFFICIAL ZONING DISTRICT	R5D
PROPERTY CODE/CATEGORY *	703 Local Government
LAND USE	No
WATERSHED	Chesapeake Bay
PLATS (MAP BOOK/INSTRUMENT #)	Download (https://media.vbgov.com/rea/plats/007_0045.PDF)
LAND SQUARE FOOTAGE	10,439.71 sq ft

BUILDING INFORMATION

SALES HISTORY

DOCUMENT #	SALES DATE	SALES PRICE	DEED BOOK/PAGE
20131017001240220	10/17/2013	\$135,000	/
20090925001131620	09/25/2009	\$0	/
0000000000000000	10/28/1955	\$0	427 / 68

TAX ASSESSMENTS

FISCAL YEAR	LAND VALUE	IMPROVEMENT VALUE	TOTAL VALUE	TAX PER \$100	ANNUAL TAXES
2023	\$89,300	\$0	\$89,300	\$0.99 (Pending)	\$0.00
2022	\$82,800	\$0	\$82,800	\$0.99	\$0.00
2021	\$81,200	\$0	\$81,200	\$1.0175	\$0.00
2020	\$81,200	\$0	\$81,200	\$1.0175	\$0.00
2019	\$81,200	\$0	\$81,200	\$1.0025	\$0.00
2018	\$75,200	\$0	\$75,200	\$1.0025	\$0.00
2017	\$51,300	\$0	\$51,300	\$0.99	\$0.00
2016	\$44,900	\$0	\$44,900	\$0.99	\$0.00
2015	\$42,800	\$19,700	\$62,500	\$0.93	\$0.00
2014	\$45,500	\$19,700	\$65,200	\$0.93	\$0.00
2013	\$45,500	\$19,700	\$65,200	\$0.95	\$619.40
2012	\$45,500	\$19,882	\$65,382	\$0.89	\$581.90
2011	\$45,500	\$19,882	\$65,382	\$0.89	\$581.90
2010	\$45,500	\$19,882	\$65,382	\$0.89	\$581.90
2009	\$45,500	\$19,882	\$65,382	\$0.89	\$581.90
2008	\$45,500	\$19,882	\$65,382	\$0.89	\$581.90 \$0.00

Exemption programs such as Seniors, Disabled Persons, Veterans, Energy Efficient Buildings, etc. are not reflected in the Annual Taxes.

ANNUAL TAXES

\$ 0.00

\$ 0.00

PROPERTY DETAILS

5841 Burton Station Rd

LEGAL DESCRIPTION	Simon Elliott Est Lot E 0.2165 Ac
GPIN (PARCEL ID)	14588920900000
SERVICE DISTRICT	40 : Bayside

FY22/23 ASSESSMENT

LAND VALUE	\$11,900
IMPROVEMENT VALUE	\$0
TOTAL VALUE	\$11,900

LAND INFORMATION

UNOFFICIAL ZONING DISTRICT	R5D
PROPERTY CODE/CATEGORY	703 Local Government
LAND USE	No
WATERSHED	Chesapeake Bay
PLATS (MAP BOOK/INSTRUMENT #)	Download (https://media.vbgov.com/rea/plats/007_0045.PDF)
LAND SQUARE FOOTAGE	9,421.47 sq ft

BUILDING INFORMATION

SALES HISTORY

DOCUMENT #	SALES DATE	SALES PRICE	DEED BOOK/PAGE
0000000000000000	05/16/1996	\$0	3617 / 652

TAX ASSESSMENTS

FISCAL YEAR	LAND VALUE	IMPROVEMENT VALUE	TOTAL VALUE	TAX PER \$100	ANNUAL TAXES
2023	\$11,900	\$0	\$11,900	\$0.99 (Pending)	\$0.00
2022	\$11,900	\$0	\$11,900	\$0.99	\$0.00
2021	\$11,900	\$0	\$11,900	\$1.0175	\$0.00
2020	\$11,900	\$0	\$11,900	\$1.0175	\$0.00
2019	\$11,900	\$0	\$11,900	\$1.0025	\$0.00
2018	\$11,900	\$0	\$11,900	\$1.0025	\$0.00
2017	\$11,900	\$0	\$11,900	\$0.99	\$0.00
2016	\$12,300	\$0	\$12,300	\$0.99	\$0.00
2015	\$12,300	\$0	\$12,300	\$0.93	\$0.00
2014	\$12,300	\$0	\$12,300	\$0.93	\$0.00
2013	\$25,300	\$0	\$25,300	\$0.95	\$0.00
2012	\$25,300	\$0	\$25,300	\$0.89	\$0.00
2011	\$25,300	\$0	\$25,300	\$0.89	\$0.00
2010	\$25,300	\$0	\$25,300	\$0.89	\$0.00
2009	\$22,000	\$0	\$22,000	\$0.89	\$0.00
2008	\$20,000	\$0	\$20,000	\$0.89	\$0.00

PROPERTY DETAILS

1020 Finney Cir

LEGAL DESCRIPTION	Simon Elliotts Est Pt Of Lot 12 0.1882 Ac
GPIN (PARCEL ID)	14588828970000
SERVICE DISTRICT	40 : Bayside

FY22/23 ASSESSMENT

LAND VALUE	\$58,000
IMPROVEMENT VALUE	\$0
TOTAL VALUE	\$58,000

LAND INFORMATION

UNOFFICIAL ZONING DISTRICT	R5D
PROPERTY CODE/CATEGORY	703 Local Government
LAND USE	No
WATERSHED	Chesapeake Bay
PLATS (MAP BOOK/INSTRUMENT #)	Download (https://media.vbgov.com/rea/plats/035_0086.PDF)
LAND SQUARE FOOTAGE	8,247.69 sq ft

BUILDING INFORMATION

NO BUILDING INFORMATION AVAILABLE

SALES HISTORY

DOCUMENT #	SALES DATE	SALES PRICE	DEED BOOK/PAGE
20160815000718630	08/15/2016	\$0	/
20160809000693760	08/09/2016	\$0	/
20160727000644160	07/27/2016	\$0	/
20130930001163420	09/27/2013	\$110,000	/
200212273086152	01/13/2003	\$0	0 / 0
200212273086152	01/13/2003	\$0	0 / 0
0000000000000000	07/05/1776	\$0	369 / 123

TAX ASSESSMENTS

FISCAL YEAR	LAND VALUE	IMPROVEMENT VALUE	TOTAL VALUE	TAX PER \$100	ANNUAL TAXES
2023	\$58,000	\$0	\$58,000	\$0.99 (Pending)	\$0.00
2022	\$53,800	\$0	\$53,800	\$0.99	\$0.00
2021	\$52,700	\$0	\$52,700	\$1.0175	\$0.00
2020	\$52,700	\$0	\$52,700	\$1.0175	\$0.00
2019	\$52,700	\$0	\$52,700	\$1.0025	\$0.00
2018	\$48,800	\$0	\$48,800	\$1.0025	\$0.00
2017	\$38,800	\$0	\$38,800	\$0.99	\$0.00
2016	\$33,900	\$0	\$33,900	\$0.99	\$0.00
2015	\$32,300	\$19,300	\$51,600	\$0.93	\$0.00
2014	\$53,000	\$19,300	\$72,300	\$0.93	\$0.00
2013	\$53,000	\$19,300	\$72,300	\$0.95	\$686.86
2012	\$53,000	\$19,415	\$72,415	\$0.89	\$644.50
2011	\$53,000	\$19,415	\$72,415	\$0.89	\$644.50
2010	\$53,000	\$19,415	\$72,415	\$0.89	\$644.50
2009	\$53,000	\$19,415	\$72,415	\$0.89	\$644.50
2008	\$53,000	\$19,415	\$72,415	\$0.89	\$644.50

Exemption programs such as Seniors, Disabled Persons, Veterans, Energy Efficient Buildings, etc. are not reflected in the Annual Taxes.

PROPERTY DETAILS

1012 Finney Cir

LEGAL DESCRIPTION Simon Elliotts Est Part Of Lot 12 0.6553 Ac
GPIN (PARCEL ID) 14588827150000
SERVICE DISTRICT 40 : Bayside

FY22/23 ASSESSMENT

LAND VALUE \$19,700
IMPROVEMENT VALUE \$0
TOTAL VALUE \$19,700

LAND INFORMATION

UNOFFICIAL ZONING DISTRICT R5D
PROPERTY CODE/CATEGORY 703 Local Government
LAND USE No
WATERSHED Chesapeake Bay
PLATS (MAP BOOK/INSTRUMENT #) Download (https://media.vbgov.com/rea/plats/035_0086.PDF)
LAND SQUARE FOOTAGE 28,558.56 sq ft

BUILDING INFORMATION

UNOFFICIAL ZONING DISTRICT

UNOFFICIAL ZONING DISTRICT

UNOFFICIAL ZONING DISTRICT

15_0086.PDF

SALES HISTORY

DOCUMENT #	SALES DATE	SALES PRICE	DEED BOOK/PAGE
20130102000003920	12/28/2012	\$160,000	/
20051205001939760	12/19/2005	\$30,000	0 / 0
0000000000000000	07/05/1776	\$0	313 / 544

TAX ASSESSMENTS

FISCAL YEAR	LAND VALUE	IMPROVEMENT VALUE	TOTAL VALUE	TAX PER \$100	ANNUAL TAXES
2023	\$19,700	\$0	\$19,700	\$0.99 (Pending)	\$0.00
2022	\$27,100	\$0	\$27,100	\$0.99	\$0.00
2021	\$27,100	\$0	\$27,100	\$1.0175	\$0.00
2020	\$27,100	\$0	\$27,100	\$1.0175	\$0.00
2019	\$27,100	\$0	\$27,100	\$1.0025	\$0.00
2018	\$27,100	\$0	\$27,100	\$1.0025	\$0.00
2017	\$27,100	\$0	\$27,100	\$0.99	\$0.00
2016	\$27,100	\$0	\$27,100	\$0.99	\$0.00
2015	\$27,100	\$0	\$27,100	\$0.93	\$0.00
2014	\$42,500	\$0	\$42,500	\$0.93	\$0.00
2013	\$42,500	\$0	\$42,500	\$0.95	\$0.00
2012	\$42,500	\$0	\$42,500	\$0.89	\$378.26
2011	\$42,500	\$0	\$42,500	\$0.89	\$378.26
2010	\$42,500	\$0	\$42,500	\$0.89	\$378.26
2009	\$42,500	\$0	\$42,500	\$0.89	\$378.26
2008	\$42,500	\$0	\$42,500	\$0.89	\$378.26

Exemption programs such as Seniors, Disabled Persons, Veterans, Energy Efficient Buildings, etc. are not reflected in the Annual Taxes.

\$0.00

\$378.26

PROPERTY DETAILS

LEGAL DESCRIPTION: Finney Circle 30ft Private Right Of Way
GPIN (PARCEL ID): 14588920650000
SERVICE DISTRICT: 40 : Bayside

FY22/23 ASSESSMENT

LAND VALUE: \$1,000
IMPROVEMENT VALUE: \$0
TOTAL VALUE: \$1,000

LAND INFORMATION

UNOFFICIAL ZONING DISTRICT: R5D
PROPERTY CODE/CATEGORY: 703 Local Government
LAND USE: No
WATERSHED: Chesapeake Bay
PLATS (MAP BOOK/INSTRUMENT #): Download (<https://media.vb.gov.com/rea/plats/20130328000360010.pdf>)
LAND SQUARE FOOTAGE: 7,818.64 sq ft

BUILDING INFORMATION

UNOFFICIAL ZONING DISTRICT: R5D
PLATS (MAP BOOK/INSTRUMENT #): Download (<https://media.vb.gov.com/rea/plats/20130328000360010.pdf>)
UNOFFICIAL ZONING DISTRICT: R5D
PLATS (MAP BOOK/INSTRUMENT #): Download (<https://media.vb.gov.com/rea/plats/20130328000360010.pdf>)

SALES HISTORY

DOCUMENT #	SALES DATE	SALES PRICE	DEED BOOK/PAGE
20130423000463620	04/23/2013	\$54,000	/
20130328000360010	03/28/2013	\$0	/

TAX ASSESSMENTS

FISCAL YEAR	LAND VALUE	IMPROVEMENT VALUE	TOTAL VALUE	TAX PER \$100	ANNUAL TAXES
2023	\$1,000	\$0	\$1,000	\$0.99 (Pending)	\$0.00
2022	\$1,000	\$0	\$1,000	\$0.99	\$0.00
2021	\$1,000	\$0	\$1,000	\$1.0175	\$0.00
2020	\$1,000	\$0	\$1,000	\$1.0175	\$0.00
2019	\$1,000	\$0	\$1,000	\$1.0025	\$0.00
2018	\$1,000	\$0	\$1,000	\$1.0025	\$0.00
2017	\$1,000	\$0	\$1,000	\$0.99	\$0.00
2016	\$1,000	\$0	\$1,000	\$0.99	\$0.00
2015	\$1,000	\$0	\$1,000	\$0.93	\$0.00
2014	\$1,000	\$0	\$1,000	\$0.93	\$0.00

Exemption programs such as Seniors, Disabled Persons, Veterans, Energy Efficient Buildings, etc. are not reflected in the Annual Taxes.

\$0.00
\$0.00
\$0.00
\$0.00
\$0.00
\$0.00

Tab F:

RESNET Rater Certification (MANDATORY)



Appendix F

RESNET Rater Certification of Development Plans

I certify that the development's plans and specifications incorporate all items for the required baseline energy performance as indicated in Virginia's Qualified Allocation Plan (QAP).

In the event the plans and specifications do not include requirements to meet the QAP baseline energy performance, then those requirements still must be met, even though the application is accepted for credits.

***Please note that this may cause the Application to be ineligible for credits. The Requirements apply to any new, adaptive reuse or rehabilitated development (including those serving elderly and/or physically disabled households).

In addition provide HERS rating documentation as specified in the manual

X New Construction - EnergyStar Certification
The development's design meets the criteria for the EnergyStar certification.
Rater understands that before issuance of IRS Form 8609, applicant will obtain and provide EnergyStar Certification to Virginia Housing.

Rehabilitation -30% performance increase over existing, based on HERS Index
Or Must evidence a HERS Index of 80 or better
Rater understands that before issuance of IRS Form 8609, rater must provide Certification to Virginia Housing of energy performance.

Adaptive Reuse - Must evidence a HERS Index of 95 or better.
Rater understands that before issuance of IRS Form 8609, rater must provide Certification to Virginia Housing of energy performance.

Additional Optional Certifications

I certify that the development's plans and specifications incorporate all items for the certification as indicated below, and I am a certified verifier of said certification. In the event the plans and specifications do not include requirements to obtain the certification, then those requirements still must be met, even though the application is accepted for credits. Rater understands that before issuance of IRS Form 8609, applicant will obtain and provide Certification to Virginia Housing.

TRUE Earthcraft Certification - The development's design meets the criteria to obtain EarthCraft Multifamily program Gold certification or higher

FALSE LEED Certification - The development's design meets the criteria for the U.S. Green Building Council LEED green building certification.

FALSE National Green Building Standard (NGBS) - The development's design meets the criteria for meeting the NGBS Silver or higher standards to obtain certification

FALSE Enterprise Green Communities - The development's design meets the criteria for meeting meeting the requirements as stated in the Enterprise Green Communities Criteria for this developments construction type to obtain certification.

***Please Note Raters must have completed 500+ ratings in order to certify this form

Signed: Sean Shanley

Date: 3/3/22

Printed Name: Sean Shanley

RESNET Rater

Resnet Provider Agency
Viridian

Signature: Sean Shanley

Provider Contact and Phone/Email (804) 212-1934, sean.shanley@viridian.org



Tranquility at the Lakes II 2022 LIHTC Pre-Review Comments

Potential Project Addresses:

- 5837 Burton Station Road
Virginia Beach, VA 23455
- 5841 Burston Station Road
Virginia Beach, VA 23455
- 1020 Finney Circle
Virginia Beach, VA 23455
- 1012 Finney Circle
Virginia Beach, VA 23455
- Private Right Away
City of Virginia Beach, VA 23455

Project Summary

Tranquility at the Lakes is a new construction low-rise multifamily development, comprised of 38 units located in Virginia Beach, VA. Virginia Beach Community Development Corporation plans to construct the project utilizing 9% LIHTC. As part of their funding application the project is seeking certification under the ENERGY STAR Multifamily New Construction Program V1 (ESMFNC). This level of certification requires the project to have a maximum HERS index in compliance with the ESMFNC floating target HERS score and completion of all ENERGY STAR required checklists. The project is also seeking Earthcraft Gold level certification, requiring 150+ points on the Earthcraft Multifamily Workbook. Colin Arnold of Arnold Design Studio is the primary architect contact for the project.

DOE ZERH Modeling

With the below scope, all units are currently meeting the unit specific Zero Energy Ready House Modeling goals. Certification under this program requires all models to meet specific targets and all checklist items be completed.

Unit-Level Energy Modeling

Unit-level models were generated using Ekotrope v4.0.1 based on the proposed scope and plans provided by the project team dated February 4, 2021. With the current scope of work, the worst case units in the development are obtaining a projected HERS index of 53, meeting the Energy Star unit specific target of 75. The following outlines the scope as it is currently modeled.

Enclosure:

- R-10 Grade II slab insulation
- R-21 Grade I Batt insulation in exterior walls, R-19 spray foam in rim/band
- R-13 Grade I cavity insulation in party walls and adiabatic ceilings/floors



- R-49 Grade I batt insulation in attic
- 0.14 U-Value for opaque doors
- 0.32 U-Value/0.27 SHGC windows & glass doors

Mechanicals:

- SEER 19, HSPF 10.2, 12k mini-split
- 0.93 UEF storage electric water heaters, 40 gallon
- 5 ACH₅₀ for infiltration threshold/blower door test
- 4% duct leakage to the outside, 8% total duct leakage
- All ducts within conditioned space and insulated to R-6
- Renewaire ERV providing fresh air

Lights & Appliances:

- ES rated kitchen appliances
 - 358 kWh/yr refrigerator
 - 295 kWh/yr dishwasher
- Advanced lighting 100% LED

Please let me know if you have any questions or if the above information does not accurately capture your current scope.

Sincerely,

A handwritten signature in black ink, appearing to read "Katy Maher".

Katy Maher
Project Manager, Viridiant

Home Energy Rating Certificate

Projected Report

Rating Date: 2021-04-30
Registry ID:
Ekotrope ID: ILX6nq9v

HERS® Index Score:

53

Your home's HERS score is a relative performance score. The lower the number, the more energy efficient the home. To learn more, visit www.hersindex.com

Annual Savings

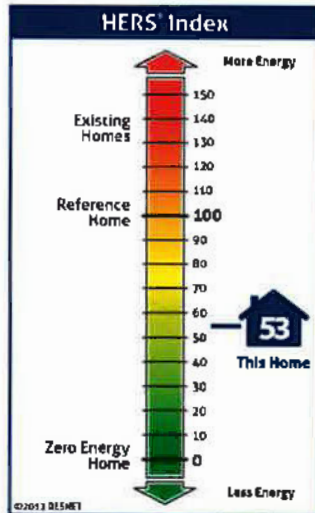
\$693

*Relative to an average U.S. home

Home:
5837 Burton Station Road
Virginia Beach, VA 23455

Builder:

This home meets or exceeds the criteria of the following:



Home Feature Summary:

Home Type: Apartment, end unit
Model: N/A
Community: N/A
Conditioned Floor Area: 727 ft²
Number of Bedrooms: 1
Primary Heating System: Air Source Heat Pump • Electric • 10.2 HSPF
Primary Cooling System: Air Source Heat Pump • Electric • 19 SEER
Primary Water Heating: Residential Water Heater • Electric • 0.93 UEF
House Tightness: 5 ACH50
Ventilation: 40 CFM • 42 Watts
Duct Leakage to Outside: 4 CFM25 / 100 ft²
Above Grade Walls: R-21
Ceiling: Vaulted Roof, R-49
Window Type: U-Value: 0.32, SHGC: 0.27
Foundation Walls: N/A
Framed Floor: R-13

Rating Completed by:

Energy Rater: Katy Maher
RESNET ID: 2430236

Rating Company: Viridiant
1431 W. Main Street, Richmond, VA 23220

Rating Provider: Viridiant
1431 W. Main Street, Richmond, VA 23220



Katy Maher

Katy Maher, Certified Energy Rater
Digitally signed: 3/3/22 at 11:54 AM



Ekotrope RATER - Version:4.0.1.2844
The Energy Rating Disclosure for this home is available from the Approved Rating Provider.
This report does not constitute any warranty or guarantee.

Home Energy Rating Certificate

Projected Report

Rating Date: 2021-04-30
Registry ID:
Ekotrope ID: Od4DBJrd

HERS® Index Score:

52

Your home's HERS score is a relative performance score. The lower the number, the more energy efficient the home. To learn more, visit www.hersindex.com

Annual Savings

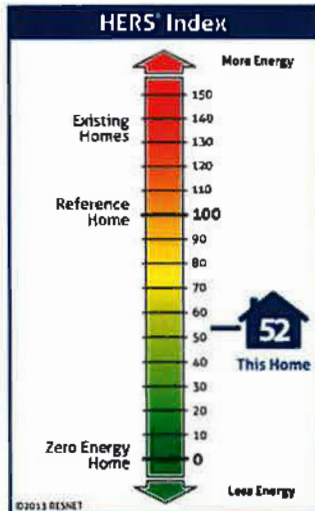
\$732

*Relative to an average U.S. home

Home:
5837 Burton Station Road
Virginia Beach, VA 23455

Builder:

This home meets or exceeds the criteria of the following:



Home Feature Summary:

Home Type: Apartment, inside unit
Model: N/A
Community: N/A
Conditioned Floor Area: 920 ft²
Number of Bedrooms: 1
Primary Heating System: Air Source Heat Pump • Electric • 10.2 HSPF
Primary Cooling System: Air Source Heat Pump • Electric • 19 SEER
Primary Water Heating: Residential Water Heater • Electric • 0.93 UEF
House Tightness: 5 ACH50
Ventilation: 50 CFM • 42 Watts
Duct Leakage to Outside: 4 CFM25 / 100 ft²
Above Grade Walls: R-21
Ceiling: Adiabatic, R-13
Window Type: U-Value: 0.32, SHGC: 0.27
Foundation Walls: N/A
Framed Floor: N/A

Rating Completed by:

Energy Rater: Katy Maher
RESNET ID: 2430236

Rating Company: Viridiant
1431 W. Main Street, Richmond, VA 23220

Rating Provider: Viridiant
1431 W. Main Street, Richmond, VA 23220



Katy Maher

Katy Maher, Certified Energy Rater
Digitally signed: 3/3/22 at 11:55 AM



Ekotrope RATER - Version:4.0.1.2844
The Energy Rating Disclosure for this home is available from the Approved Rating Provider.
This report does not constitute any warranty or guarantee.

Home Energy Rating Certificate

Projected Report

Rating Date: 2021-04-30
Registry ID:
Ekotrope ID: 3LMp3qK2

HERS® Index Score:

53

Your home's HERS score is a relative performance score. The lower the number, the more energy efficient the home. To learn more, visit www.hersindex.com

Annual Savings

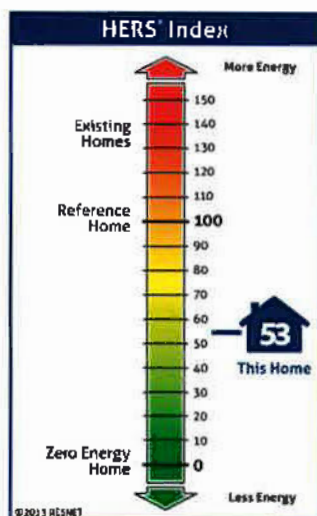
\$759

*Relative to an average U.S. home

Home:
5837 Burton Station Road
Virginia Beach, VA 23455

Builder:

This home meets or exceeds the criteria of the following:



Home Feature Summary:

Home Type: Apartment, inside unit
Model: N/A
Community: N/A
Conditioned Floor Area: 920 ft²
Number of Bedrooms: 1
Primary Heating System: Air Source Heat Pump • Electric • 10.2 HSPF
Primary Cooling System: Air Source Heat Pump • Electric • 19 SEER
Primary Water Heating: Residential Water Heater • Electric • 0.93 UEF
House Tightness: 5 ACH50
Ventilation: 50 CFM • 42 Watts
Duct Leakage to Outside: 4 CFM25 / 100 ft²
Above Grade Walls: R-21
Ceiling: Vaulted Roof, R-49
Window Type: U-Value: 0.32, SHGC: 0.27
Foundation Walls: N/A
Framed Floor: R-13

Rating Completed by:

Energy Rater: Katy Maher
RESNET ID: 2430236

Rating Company: Viridiant
1431 W. Main Street, Richmond, VA 23220

Rating Provider: Viridiant
1431 W. Main Street, Richmond, VA 23220



Katy Maher

Katy Maher, Certified Energy Rater
Digitally signed: 3/3/22 at 11:56 AM



Home Energy Rating Certificate

Projected Report

Rating Date: 2021-04-30
Registry ID:
Ekotrope ID: gdqDZ8gL

HERS® Index Score:

52

Your home's HERS score is a relative performance score. The lower the number, the more energy efficient the home. To learn more, visit www.hersindex.com

Annual Savings

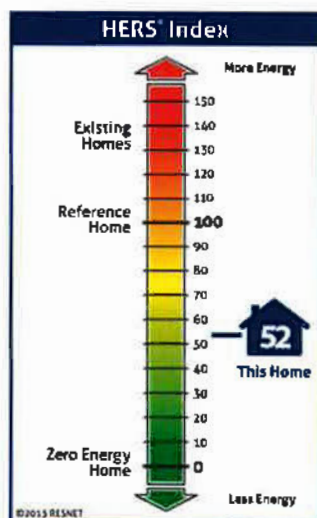
\$604

¹Relative to an average U.S. home

Home:
5837 Burton Station Road
Virginia Beach, VA 23455

Builder:

This home meets or exceeds the criteria of the following:



Home Feature Summary:

Home Type: Apartment, end unit
Model: N/A
Community: N/A
Conditioned Floor Area: 580 ft²
Number of Bedrooms: 1
Primary Heating System: Air Source Heat Pump • Electric • 10.2 HSPF
Primary Cooling System: Air Source Heat Pump • Electric • 19 SEER
Primary Water Heating: Residential Water Heater • Electric • 0.93 UEF
House Tightness: 5 ACH50
Ventilation: 40 CFM • 42 Watts
Duct Leakage to Outside: 4 CFM25 / 100 ft²
Above Grade Walls: R-21
Ceiling: Adiabatic, R-13
Window Type: U-Value: 0.32, SHGC: 0.27
Foundation Walls: N/A
Framed Floor: N/A

Rating Completed by:

Energy Rater: Katy Maher
RESNET ID: 2430236

Rating Company: Viridiant
1431 W. Main Street, Richmond, VA 23220

Rating Provider: Viridiant
1431 W. Main Street, Richmond, VA 23220



Katy Maher

Katy Maher, Certified Energy Rater
Digitally signed: 3/3/22 at 11:52 AM



Home Energy Rating Certificate

Projected Report

Rating Date: 2021-04-30
Registry ID:
Ekotrope ID: 3LMpJ3e2

HERS® Index Score:

53

Your home's HERS score is a relative performance score. The lower the number, the more energy efficient the home. To learn more, visit www.hersindex.com

Annual Savings

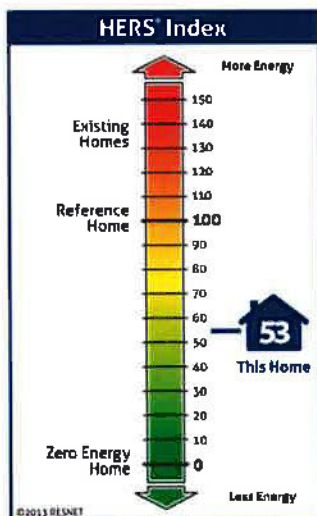
\$615

*Relative to an average U.S. home

Home:
5837 Burton Station Road
Virginia Beach, VA 23455

Builder:

This home meets or exceeds the criteria of the following:



Home Feature Summary:

Home Type: Apartment, end unit
Model: N/A
Community: N/A
Conditioned Floor Area: 580 ft²
Number of Bedrooms: 1
Primary Heating System: Air Source Heat Pump • Electric • 10.2 HSPF
Primary Cooling System: Air Source Heat Pump • Electric • 19 SEER
Primary Water Heating: Residential Water Heater • Electric • 0.93 UEF
House Tightness: 5 ACH50
Ventilation: 40 CFM • 42 Watts
Duct Leakage to Outside: 4 CFM₂₅ / 100 ft²
Above Grade Walls: R-21
Ceiling: Vaulted Roof, R-49
Window Type: U-Value: 0.32, SHGC: 0.27
Foundation Walls: N/A
Framed Floor: R-13

Rating Completed by:

Energy Rater: Katy Maher
RESNET ID: 2430236

Rating Company: Viridiant
1431 W. Main Street, Richmond, VA 23220

Rating Provider: Viridiant
1431 W. Main Street, Richmond, VA 23220



Katy Maher

Katy Maher, Certified Energy Rater
Digitally signed: 3/3/22 at 11:51 AM



Ekotrope RATER - Version:4.0.1.2844
The Energy Rating Disclosure for this home is available from the Approved Rating Provider.
This report does not constitute any warranty or guarantee.

Home Energy Rating Certificate

Projected Report

Rating Date: 2021-04-30
Registry ID:
Ekotrope ID: wdkAqN12

HERS® Index Score:

52

Your home's HERS score is a relative performance score. The lower the number, the more energy efficient the home. To learn more, visit www.hersindex.com

Annual Savings

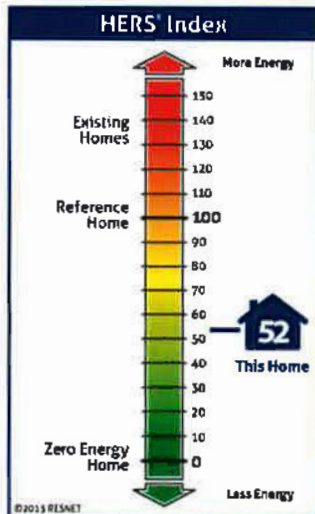
\$690

*Relative to an average U.S. home

Home:
5837 Burton Station Road
Virginia Beach, VA 23455

Builder:

This home meets or exceeds the criteria of the following:



Home Feature Summary:

Home Type: Apartment, end unit
Model: N/A
Community: N/A
Conditioned Floor Area: 727 ft²
Number of Bedrooms: 1
Primary Heating System: Air Source Heat Pump • Electric • 10.2 HSPF
Primary Cooling System: Air Source Heat Pump • Electric • 19 SEER
Primary Water Heating: Residential Water Heater • Electric • 0.93 UEF
House Tightness: 5 ACH50
Ventilation: 40 CFM • 42 Watts
Duct Leakage to Outside: 4 CFM25 / 100 ft²
Above Grade Walls: R-21
Ceiling: Adiabatic, R-13
Window Type: U-Value: 0.32, SHGC: 0.27
Foundation Walls: N/A
Framed Floor: N/A

Rating Completed by:

Energy Rater: Katy Maher
RESNET ID: 2430236

Rating Company: Viridiant
1431 W. Main Street, Richmond, VA 23220

Rating Provider: Viridiant
1431 W. Main Street, Richmond, VA 23220



Katy Maher

Katy Maher, Certified Energy Rater
Digitally signed: 3/3/22 at 11:53 AM



Ekotrope RATER - Version:4.0.1.2844
The Energy Rating Disclosure for this home is available from the Approved Rating Provider.
This report does not constitute any warranty or guarantee.



Project Name: Tranquility at the Lakes II
Construction Type: New Construction
Energy Efficiency Path: Energy Star

Unit Type	Quantity	HERS
1 BR Type X- Bottom	8	52
1BR Type X- Top/mid	20	53
1BR Type Y- Bottom	2	52
1BR Type Y- Top/mid	2	53
2BR Type Z- Bottom	2	52
2BR Type Z- Top/mid	4	53
Projected Project HERS - Weighted Average		53

Tab G:

Zoning Certification Letter (MANDATORY)



City of Virginia Beach

DEPARTMENT OF PLANNING & COMMUNITY DEVELOPMENT
Phone: (757)385-4621
Fax: (757) 385-5667

2875 Sabre Street, Suite 500
Virginia Beach, VA 23452

DATE: 3/1/2022

TO: Virginia Housing
Attention: JD Bondurant
601 South Belvidere Street
Richmond, Virginia 23220

RE: ZONING CERTIFICATION

Name of Development: Tranquility at the Lakes II

Name of Owner/Applicant: SUL Tranquility at the Lakes II, LLC.

TO: Name of Seller/Current Owner: City of Virginia Beach

The above-referenced Owner/Applicant has asked this office to complete this form letter regarding the zoning of the proposed Development (more fully described below). This certification is rendered solely for the purpose of confirming proper zoning for the site of the Development. It is understood that this letter will be used by the Virginia Housing Development Authority solely for the purpose of determining whether the Development qualifies for points available under VHDA's Qualified Allocation Plan for housing tax credits.

DEVELOPMENT DESCRIPTION:

Development Address:

5837 Burton Station Road, 1012 Finney Circle, 1020 Finney Circle, 5841 Burton Station Road, and Finney Circle 30ft Private Right of Way
Virginia Beach, Virginia 23455

Legal Description:

GPINS: 1458-88-2715, 1458-88-2897, 1458-89-3052, 1458-89-2090, and 1458-89-2065. Please see attached full legal descriptions.

Proposed Improvements:

<input checked="" type="checkbox"/> New Construction:	<u>38</u>	# Units	<u>1</u>	# Buildings	<u>36,216.244</u>	Total Floor Area Sq. Ft.
<input type="checkbox"/> Adaptive Reuse:		# Units		# Buildings		Total Floor Area Sq. Ft.
<input type="checkbox"/> Rehabilitation:		# Units		# Buildings		Total Floor Area Sq. Ft.

Zoning Certification, cont'd

Current Zoning: R-5D Residential allowing a density: 5 determined by the Conditional Use Permit, and the following other applicable conditions:

Conditional Use Permit (CUP) for Housing for Seniors and Disabled.

Other Descriptive Information:

New construction of 38- unit senior housing development available to households at 40%, 50%, and 60% of the area median income.

LOCAL CERTIFICATION:

Check one of the following as appropriate:

The zoning for the proposed development described above is proper for the proposed residential development. To the best of my knowledge, there are presently no zoning violations outstanding on this property. No further zoning approvals and/or special use permits are required.

The development described above is an approved non-conforming use. To the best of my knowledge, there are presently no zoning violations outstanding on this property. No further zoning approvals and/or special use permits are required.



Signature

Hannah Sabo

Printed Name

Zoning Administrator

Title of Local Official or Civil Engineer

757-385-8548

Phone:

3/1/2022

Date:

NOTES TO LOCALITY:

1. Return this certification to the developer for inclusion in the tax credit application package.
2. Any change in this form may result in disqualification of the application.
3. If you have any questions, please call the Tax Credit Allocation Department at (804) 343-5518.

Parcel 1: 1012 Finney Circle GPIN 1458-88-2715

ALL THAT certain lot, tract or parcel of land together with improvements thereon belonging, lying, situated and being in the City of Virginia Beach, Virginia and designated and described as: "NOW OR FORMERLY CITY OF VIRGINIA BEACH INST. #20130102000003920 INST. #20121221001461910 1458-88-2715-0000" and further designated as "RESIDUAL AREA OF GPIN 1458-88-2715," as shown on that certain plat entitled: "PLAT SHOWING RIGHT OF WAY HEREBY ESTABLISHED BY CITY OF VIRGINIA BEACH FOR BURTON STATION ROAD IMPROVEMENTS VIRGINIA BEACH, VIRGINIA," Scale: 1" = 40', dated April 19, 2018 and revised through January 8, 2019, to which reference is made for a more particular description.

RESERVING UNTO THE CITY all right, title and interest of the City in and to any and all easements, rights of way, private roads and other rights of access, ingress and/or egress adjacent to, appurtenant to or in any way benefiting the City and/or public.

IT BEING a portion of the same property conveyed to the City of Virginia Beach from Kay Z. Kesser by Deed dated December 18, 2012 and recorded in the aforesaid Clerk's Office as Instrument Number 20130102000003920.

Parcel 2: 1020 Finney Circle GPIN 1458-88-2897

ALL THAT certain lot, tract or parcel of land together with improvements thereon belonging, lying, situated and being in the City of Virginia Beach, Virginia and designated and described as: "RESIDUAL AREA TO BE ACQUIRED BY THE CITY OF VIRGINIA BEACH AREA= 8,198 S.F. OR 0.1882 AC." and further designated as "RESIDUAL AREA TO BE ACQUIRED BY THE CITY OF VIRGINIA BEACH 8,198 SQUARE FEET 0.1882 ACRES," as shown on that certain plat entitled: "PLAT SHOWING RIGHT-OF-WAY AND PROPERTY TO BE ACQUIRED FROM ROBERT L. ELLIOTT & HELEN TYLER BY CITY OF VIRGINIA BEACH FOR BURTON STATION ROAD IMPROVEMENTS CIP #9-081.003 VIRGINIA BEACH, VIRGINIA," Scale: 1" = 40', dated January 11, 2011 and revised through September 26, 2013, which plat is recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia as Instrument Number 20130927001160920, to which reference is made for a more particular description.

RESERVING UNTO THE CITY all right, title and interest of the City in and to any and all easements, rights of way, private roads and other rights of access, ingress and/or egress adjacent to, appurtenant to or in any way benefiting the City and/or public.

IT BEING a portion of the same property conveyed to the City of Virginia Beach by deed from Robert L. Elliott and Helen Tyler dated September 18, 2013 and recorded in the aforesaid Clerk's Office as Instrument Number 20130930001163420.

IT FURTHER BEING a portion of the same property conveyed to the City of Virginia Beach by Deeds of Confirmation dated September 18, 2013 from Earl Littleton Elliott, Jr. recorded in the aforesaid Clerk's Office as Instrument Number 20160815000718630; from Romona S. Corprew as Instrument Number 20160809000693760; and from Adrian T. Elliott as Instrument Number 20160727000644160.

Parcel 3: 5837 Burton Station Road GPIN 1458-89-3052

ALL THAT certain lot, tract or parcel of land together with improvements thereon belonging, lying, situated and being in the City of Virginia Beach, Virginia and designated and described as: "NOW OR FORMERLY CITY OF VIRGINIA BEACH INSTRUMENT #20131017001240220 INSTR#20131016001232250(PLAT) 1458-89-3052" and further designated as "RESIDUAL AREA OF GPIN 1458-89-3052," as shown on that certain plat entitled: "PLAT SHOWING EASEMENTS TO BE ESTABLISHED BY CITY OF VIRGINIA BEACH FOR BURTON STATION ROAD IMPROVEMENTS CIP #9-081.003 VIRGINIA BEACH, VIRGINIA," Scale: 1"= 40', dated August 29, 2016, which plat is recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia as Instrument Number 20180226000152270, to which reference is made for a more particular description.

LESS AND EXCEPT those certain Dominion Virginia Power, Verizon Virginia Inc., Cox Communications Hampton Roads, LLC easements as shown on the aforesaid plat and recorded respectively as Instrument Numbers 20161026000968630, 20160726000641970, and 20160805000683460.

RESERVING UNTO THE CITY the public drainage easement as shown on the aforesaid plat as "PROPOSED PUBLIC DRAINAGE EASEMENT AREA= 930 S.F. OR 0.0213 AC." and further described as "PROPOSED PUBLIC DRAINAGE EASEMENT 930 SQUARE FEET 0.0213 ACRES," as shown on the aforesaid plat.

RESERVING UNTO THE CITY all right, title and interest of the City in and to any and all easements, rights of way, private roads and other rights of access, ingress and/or egress adjacent to, appurtenant to or in any way benefiting the City and/or public.

IT BEING a portion of the same property conveyed to the City of Virginia Beach from Alphonso Elliott, Executor of the Estate of Martha Virginia Elliott by Deed dated October 9, 2013 and recorded in the aforesaid Clerk's Office as Instrument Number 20131017001240220.

Parcel 4: 5841 Burton Station Road GPIN 1458-89-2090

ALL THAT certain lot, tract or parcel of land together with improvements thereon belonging, lying, situated and being in the City of Virginia Beach, Virginia and designated and described as: "NOW OR FORMERLY CITY OF VIRGINIA BEACH D.B. 3617, PG. 652 D.B. 429, PG. 271 (PLAT) 1458-89-2090" and further designated as "RESIDUAL AREA OF GPIN 1458-89-2090 9,430 SQUARE FEET 0.2165 ACRES," as shown on that certain plat entitled: "PLAT SHOWING RIGHT-OF-WAY HEREBY ESTABLISHED AND EASEMENTS TO BE CONVEYED BY CITY OF VIRGINIA BEACH FOR BURTON STATION ROAD IMPROVEMENTS CIP #9-081.003 VIRGINIA BEACH, VIRGINIA," Scale: 1" = 40', dated January 11, 2011, and revised through February 25, 2014, which plat is recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia as Instrument Number 20150204000104180, to which reference is made for a more particular description.

LESS AND EXCEPT those certain Dominion Virginia Power, Verizon Virginia Inc., Cox Communications Hampton Roads, LLC easements as shown on the aforesaid plat and recorded respectively as Instrument Numbers 20160630000559760, 20160726000642000, and 20160627000547020.

RESERVING UNTO THE CITY the public drainage easement as shown on the aforesaid plat as "PROPOSED PUBLIC DRAINAGE EASEMENT HEREBY ESTABLISHED AREA= 750 S.F. OR 0.0172 AC." and further described as "PROPOSED PUBLIC DRAINAGE EASEMENT HEREBY ESTABLISHED 750 SQUARE FEET 0.0172 ACRES," as shown on the aforesaid plat.

RESERVING UNTO THE CITY all right, title and interest of the City in and to any and all easements, rights of way, private roads and other rights of access, ingress and/or egress adjacent to, appurtenant to or in any way benefiting the City and/or public.

IT BEING a portion of the same property conveyed to the City of Virginia Beach from George W. Elliott and Jennie A. Elliott, husband and wife, by Deed dated January 10, 1996 and recorded in the aforesaid Clerk's Office in Deed Book 3617, at page 652.

Parcel 5: Private Right of Way GPIN 1458-89-2065

ALL THAT certain lot, tract or parcel of land together with improvements thereon belonging, lying, situated and being in the City of Virginia Beach, Virginia and designated and described as: "RESIDUAL AREA TO BE ACQUIRED AREA = 7,913 S.F. OR 0.1817 AC." and further designated as "RESIDUAL AREA TO BE ACQUIRED 7,913 SQUARE FEET 0.1817 ACRES," as shown on that certain plat entitled: "PLAT SHOWING PROPERTY TO BE ACQUIRED FROM GEORGE W. ELLIOTT BY CITY OF VIRGINIA BEACH FOR BURTON STATION ROAD IMPROVEMENTS CIP #9-081.003 VIRGINIA BEACH, VIRGINIA," Scale: 1" = 40', dated March 18, 2013 and revised through March 26, 2013, which plat is recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia as Instrument Number 20130328000360010, to which reference is made for a more particular description.

LESS AND EXCEPT those certain Dominion Virginia Power, Verizon Virginia Inc., Cox Communications Hampton Roads, LLC easements as shown on the aforesaid plat and recorded respectively as Instrument Numbers 20160412000297120, 20160804000675130, and 20160602000468670.

RESERVING UNTO THE CITY the public drainage easement as shown on the aforesaid plat as "PROPOSED PUBLIC DRAINAGE EASEMENT AREA = 450 S.F. OR 0.0103 AC." and further described as "PROPOSED PUBLIC DRAINAGE EASEMENT 450 SQUARE FEET 0.0103 ACRES," as shown on the aforesaid plat.

RESERVING UNTO THE CITY all right, title and interest of the City in and to any and all easements, rights of way, private roads and other rights of access, ingress and/or egress adjacent to, appurtenant to or in any way benefiting the City and/or public.

IT BEING a portion of the same property conveyed to the City of Virginia Beach from George W. Elliott by Deed dated April 4, 2013 and recorded in the aforesaid Clerk's Office as Instrument Number 20130423000463620.

BY: _____



City of Virginia Beach

VBgov.com

DEPARTMENT OF PLANNING & COMMUNITY DEVELOPMENT
PHONE (757) 385-4621
FAX (757) 385-5667
VA Relay Number TTY: 711

2875 SABRE STREET, SUITE 500
VIRGINIA BEACH, VA 23452-7385

August 26, 2020

Angela Whitehead
453 Longdale Crescent
Chesapeake, VA 23325

VIA Email: angelaskb4@gmail.com

RE: Seniors Unlimited Lifestyles, Inc. / 2020-PCCC-00147

Conditional Use Permit for Housing for Seniors and Disabled

1012 Finney Circle

GPINs: 1458-88-2897, 1458-89-3052, 1458-89-2090, 1458-88-2715, 1458-89-2065

Council District: Bayside

Dear Ms. Whitehead:

At its formal session on August 25, 2020, the Virginia Beach City Council considered the application referenced above and voted to **APPROVE** the request.

1. The approval of this application shall be subject to the following condition(s):
2. With the exception of any modifications required by any of these conditions or as a result of detailed site plan review, the site shall be developed in substantial conformance with the submitted site layout plan entitled "Tranquility II, Virginia Beach, VA" prepared by Arnold Design Studio, dated June 12, 2020, which has been exhibited to the Virginia Beach City Council and is on file with the Planning Department.
3. The proposed building shall be constructed in substantial accordance with the submitted renderings entitled "Tranquility II Renderings," prepared by Arnold Design Studio, dated June 16, 2020, which have been exhibited to the Virginia Beach City Council and are on file with the Planning Department.
4. When the sale of the property is final, the applicant shall submit a subdivision plat to dedicate the additional right-of-way for Tolliver Road, if not already conveyed through the property sale, and to vacate all interior property lines.

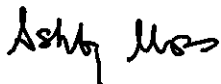
5. An evergreen, landscape buffer shall be installed and maintained on the western property line. The exact dimensions and planting materials will be determined during the detailed site plan review process. All other landscaping shall be installed and maintained as required by the Site Plan Ordinance.
6. A minimum six-foot high dumpster enclosure shall be constructed of brick matching the brick on the building. Additional planting shall be installed on the east and west sides of the proposed dumpster enclosure to provide additional screening from the adjacent property and from the street. Details of the enclosure and plantings shall be depicted on the final site plan.
7. Trash pick-up for the dumpster shall be prohibited between the hours of 9:00 p.m. and 8:00 a.m.
8. At least one member of the family living in each unit shall be disabled or age 62 or older.

Further conditions may be required during the administration of applicable City Ordinances and Standards. Any site plan submitted with this application may require revision during detailed site plan review (if such review is required) to meet all applicable City Codes and Standards. All applicable permits required by the City Code, including those administered by the Department of Planning / Development Services Center and Department of Planning / Permits and Inspections Division, and the issuance of a Certificate of Occupancy and a Business License (if applicable), are required before any use of the property as proposed with the application or the Conditional Use Permit (if applicable) is valid.

In accordance with Section 108 of the City Zoning Ordinance, please remove the public notice sign(s) posted on the referenced property within five (5) days of the date of City Council's decision.

Should you have any questions concerning this notification, please contact me at (757) 385-2904.

Sincerely,



Ashby Moss
Planning Evaluation Coordinator

Tab H:

Attorney's Opinion (MANDATORY)

WILLIAMS MULLEN

Direct Dial: 804.420.6585
Inowlin@williamsmullen.com

March 10, 2022

TO: Virginia Housing Development Authority
601 South Belvidere Street
Richmond, Virginia 23220-6500

RE: 2022 Tax Credit Reservation Request

Name of Development: Tranquility at the Lakes II
Name of Owner: SUL Tranquility Lakes II, LLC

Gentlemen:

This undersigned firm represents the above-referenced Owner as its counsel. It has received a copy of and has reviewed the completed application package dated March 10, 2022 (of which this opinion is a part) (the "Application") submitted to you for the purpose of requesting, in connection with the captioned Development, a reservation of low income housing tax credits ("Credits") available under Section 42 of the Internal Revenue Code of 1986, as amended (the "Code"). It has also reviewed Section 42 of the Code, the regulations issued pursuant thereto and such other binding authority as it believes to be applicable to the issuance hereof (the regulations and binding authority hereinafter collectively referred to as the "Regulations").

Based upon the foregoing reviews and upon due investigation of such matters as it deems necessary in order to render this opinion, but without expressing any opinion as to either the reasonableness of the estimated or projected figures or the veracity or accuracy of the factual representations set forth in the Application, the undersigned is of the opinion that:

1. It is more likely than not that the inclusion in eligible basis of the Development of such cost items or portions thereof, as set forth in Hard Costs and Owners Costs section of the Application form, complies with all applicable requirements of the Code and Regulations.
2. The calculations (a) of the Maximum Allowable Credit available under the Code with respect to the Development and (b) of the Estimated Qualified Basis of each building in the Development comply with all applicable requirements of the Code and regulations, including the selection of credit type implicit in such calculations.
3. The appropriate type(s) of allocation(s) have been requested in the Reservation Request Information section in the Application form.
4. The information set forth in the Unit Details section of the Application form as to proposed rents exceeds the Code rent restrictions; however, the Development will satisfy all applicable requirements of the Code and Regulations due to subsidies

such that no tenant will pay rents in excess of what is dictated by the Code and Regulations.

5. The site of the captioned Development is controlled by the Owner, as identified in the Site Control section of the Application, for a period of not less than four (4) months beyond the application deadline.
6. The type of the nonprofit organization involved in the Development is an organization described in Code Section 501(c)(3) or 501(c)(4) and exempt from taxation under Code Section 501(a), whose purposes include the fostering of low-income housing.
7. The nonprofit organizations' ownership interest in the development is as described in the Nonprofit Involvement section of the Application form.

Finally, the undersigned is of the opinion that, if all information and representations contained in the Application and all current law were to remain unchanged, upon compliance by the Owner with the requirements of Code Section 42(h)(1)(E), the Owner would be eligible under the applicable provisions of the Code and the Regulations to an allocation of Credits in the amount(s) requested in the Application.

This opinion is rendered solely for the purpose of inducing the Virginia Housing Development Authority ("VHDA") to issue a reservation of Credits to the Owner. Accordingly, it may be relied upon only by VHDA and may not be relied upon by any other party for any other purpose.

This opinion was not prepared in accordance with the requirements of Treasury Department Circular No. 230. Accordingly, it may not be relied upon for the purpose of avoiding U.S. Federal tax penalties or to support the promotion or marketing of the transaction or matters addressed herein.

WILLIAMS MULLEN, A Professional Corporation

By: 

Name: Lauren D. Nowlin
Its: Shareholder

WILLIAMS MULLEN

Direct Dial: 804.420.6585
Inowlin@williamsmullen.com

March 10, 2022

TO: Virginia Housing Development Authority
601 South Belvidere Street
Richmond, Virginia 23220-6500

RE: 2022 Tax Credit Reservation Request

Name of Development: Tranquility at the Lakes II
Name of Owner: SUL Tranquility Lakes II, LLC

Gentlemen:

This undersigned firm represents the above-referenced Owner as its counsel. It has received a copy of and has reviewed the completed application package dated March 10, 2022 (of which this opinion is a part) (the "Application") submitted to you for the purpose of requesting, in connection with the captioned Development, a reservation of low income housing tax credits ("Credits") available under Section 42 of the Internal Revenue Code of 1986, as amended (the "Code"). It has also reviewed Section 42 of the Code, the regulations issued pursuant thereto and such other binding authority as it believes to be applicable to the issuance hereof (the regulations and binding authority hereinafter collectively referred to as the "Regulations").

Based upon the foregoing reviews and upon due investigation of such matters as it deems necessary in order to render this opinion, but without expressing any opinion as to either the reasonableness of the estimated or projected figures or the veracity or accuracy of the factual representations set forth in the Application, the undersigned is of the opinion that:

1. It is more likely than not that the inclusion in eligible basis of the Development of such cost items or portions thereof, as set forth in Hard Costs and Owners Costs section of the Application form, complies with all applicable requirements of the Code and Regulations.
2. The calculations (a) of the Maximum Allowable Credit available under the Code with respect to the Development and (b) of the Estimated Qualified Basis of each building in the Development comply with all applicable requirements of the Code and regulations, including the selection of credit type implicit in such calculations.
3. The appropriate type(s) of allocation(s) have been requested in the Reservation Request Information section in the Application form.
4. The information set forth in the Unit Details section of the Application form as to proposed rents satisfies all applicable requirements of exceeds the Code rent restrictions; however, the Development will satisfy all applicable requirements of the

Code and Regulations due to subsidies such that no tenant will pay rents in excess of what is dictated by the Code and Regulations.

5. The site of the captioned Development is controlled by the Owner, as identified in the Site Control section of the Application, for a period of not less than four (4) months beyond the application deadline.
6. The type of the nonprofit organization involved in the Development is an organization described in Code Section 501(c)(3) or 501(c)(4) and exempt from taxation under Code Section 501(a), whose purposes include the fostering of low-income housing.
7. The nonprofit organizations' ownership interest in the development is as described in the Nonprofit Involvement section of the Application form.

Finally, the undersigned is of the opinion that, if all information and representations contained in the Application and all current law were to remain unchanged, upon compliance by the Owner with the requirements of Code Section 42(h)(1)(E), the Owner would be eligible under the applicable provisions of the Code and the Regulations to an allocation of Credits in the amount(s) requested in the Application.

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This opinion was not prepared in accordance with the requirements of Treasury Department Circular No. 230. Accordingly, it may not be relied upon for the purpose of avoiding U.S. Federal tax penalties or to support the promotion or marketing of the transaction or matters addressed herein.

WILLIAMS MULLEN, A Professional Corporation

By: 

Name: Lauren D. Nowlin

Its: Shareholder

Tab I:

Nonprofit Questionnaire (MANDATORY for points or pool)

NOTE: The following documents need not be submitted unless requested by Virginia Housing:

- Nonprofit Articles of Incorporation
- IRS Documentation of Nonprofit Status
- Joint Venture Agreement (if applicable)
- For-profit Consulting Agreement (if applicable)



Non-profit Questionnaire

Part II, 13VAC10-180-60, of the Qualified Allocation Plan (the "Plan") of the Virginia Housing (the "Authority" formerly VHDA) for the allocation of federal low income housing tax credits ("Credits") available under §42 of the Internal Revenue Code, as amended (the "Code") establishes certain requirements for receiving credits from the non-profit pool established under the Plan and assigning points for participation of a non-profit organization in the development of qualified low-income housing.

Answers to the following questions will be used by the Authority in its evaluation of whether or not an applicant meets such requirements. Attach additional sheets as necessary to complete each question.

1. General Information

- Name of development: Tranquility at the Lakes II
- Name of owner/applicant: SUL Tranquility Lakes II, LLC
- Name of non-profit entity: Virginia Beach Community Development Corporation
- Address of principal place of business of non-profit entity:
2400 Potters Road, Virginia Beach, VA 23454
- Tax exempt status: 501 (c)(3) 501 (c)(4) 501 (a)
- Date of legal formation of non-profit (must be prior to application deadline); September 1985
evidenced by the following documentation:
The date is supported by the Articles of Incorporation for Virginia Beach Community Development Corporation and the State Corporation Commission Certificate of Incorporation along with the Bylaws adopted by the VBCDC Board of Directors and approved by City Council.
- Date of IRS 501 (c)(3) or 501 (c)(4) determination letter (must be prior to application deadline and copy must be attached):
August 1987 - Please see attached determination letter.
- Describe exempt purposes (must include the fostering of low-income housing in its articles of incorporation):
To provide affordable housing opportunities for low and moderate income families.
- How many full time, paid staff members does the non-profit and, if applicable, any other non-profit organization(s) ("related non-profit(s)") of which the non-profit is a subsidiary or to which the non-profit is otherwise related have (i.e. by shared directors, staff, etc.)?
32 How many part time, paid staff members? 0
- Describe the duties of all staff members:
Please see attached list of duties for staff members.

Non-profit Questionnaire, cont'd

- Does the non-profit share staff with any other entity besides a related non-profit described above?

Yes No If yes, explain in detail: _____

- What are the sources and manner of funding of the non-profit? (You must disclose all financial and/ or the arrangements with any individual(s) or for profit entity, including anyone or any entity related, directly, indirectly, to the Owner of the Development
City of Virginia Beach, US Department of Housing and Urban Development, VBCDC Rental Income, Virginia Housing, Virginia Department of Housing and Community Development, US Department of Veterans Affairs, foundation grants, and private donations.

- List all directors of the non-profit, their occupations, their length of service on the board, and their residential addresses:

Please find attached the Board of Directors list for VBCDC.

2. Non-profit Formation

- If this is your first Non-profit Questionnaire in Virginia please explain in detail the genesis of the formation of the non-profit; otherwise please skip this question:

N/A as this is not the first Non-profit Questionnaire submitted in Virginia.

- Is the non-profit, or has it ever been, affiliated with or controlled by a for-profit entity or local housing authority?

Yes No If yes, explain in detail:

- Has any for profit organization or local housing authority (including the Owner of the Development, joint venture partner, or any individual or entity directly or indirectly related to such Owner) appointed any directors to the governing board of the non-profit?

Yes No If yes, explain: All Board members are appointed by the Virginia Beach City Council.

- Does any for-profit organization or local housing authority have the right to make such appointments?

Yes No If yes, explain:

Non-profit Questionnaire, cont'd

- Does any for profit organization or local housing authority have any other affiliation with the non-profit or have any other relationship with the non-profit in which it exercises or has the right to exercise any other type of control?

Yes No, If yes, explain: _____

- Was the non-profit formed by any individual(s) or for profit entity for the principal purpose of being included in the non-profit Pool or receiving points for non-profit participation under the Plan?

Yes No

- Explain any experience you are seeking to claim as a related or subsidiary non-profit. VBCDC's affiliate nonprofit, **Second Act Communities (SAC)**, fully merged into VBCDC in March 2021. SAC was the

non-profit developer of Cypress Landing, a LIHTC community which is currently operational in the City of Chesapeake, VA and managed by VBCDC. As

a result of the merger, VBCDC is the managing general member. Prior to the merger, VBCDC provided construction loan guarantees during development and operating guarantees.

3. Non-profit Involvement

- Is the non-profit assured of owning an interest in the Development (either directly or through a wholly owned subsidiary) throughout the Compliance Period (as defined in

§42(i)(1) of the Code)?

Yes No

(i) Will the non-profit own at least 10% of the general partnership/owning entity?

Yes No

(ii) Will the non-profit own 100% of the general partnership interest/owning entity?

Yes No

If no to either 3a.i or 3a.ii above, specifically describe the non-profit's ownership interest:

VBCDC owns a 65% ownership interest in the managing member/general partner entity, SUL Tranquility Lakes II Manager LLC, and a 65%

ownership interest in the owner entity, SUL Tranquility Lakes II, LLC.

- (i) Will the non-profit be the managing member or managing general partner?

Yes No If yes, where in the partnership/operating agreement is this provision specifically referenced?

See Tab A for the Schedule A - Membership Interest Section of the Operating Agreement for SUL Tranquility Lakes II, LLC.

(ii) Will the non-profit be the managing member or own more than 50% of the general partnership interest? Yes No

- Will the non-profit have the option or right of first refusal to purchase the proposed development at the end of the compliance period for a price not to exceed the outstanding debt and exit taxes of the for-profit entity?

Yes No If yes, where in the partnership/operating agreement is this provision specifically referenced? VBCDC's non-profit co-development partner, Seniors Unlimited Lifestyles, Inc. will have the right of first refusal

to purchase the development at the end of the compliance period. The ROFR is under Article XI. N in the Operating Agreement.

Non-profit Questionnaire, cont'd

- Recordable agreement attached to the Tax Credit Application as TAB V

If no at the end of the compliance period explain how the disposition of the assets will be structured:

VBCDC's non-profit co-development partner, Seniors Unlimited Lifestyles Inc. will have the Right of First Refusal

at the end of the compliance period. The ROFR is referenced under Article XI. N in the Operating Agreement.

- Is the non-profit materially participating (regular, continuous, and substantial participation) in the construction or rehabilitation and operation or management of the proposed Development?

Yes No If yes,

- (i) Describe the non-profit's proposed involvement in the construction or rehabilitation of the Development:

VBCDC will oversee the construction activities and will provide property management and maintenance of the rental units.

- (ii) Describe the nature and extent of the non-profit's involvement in the operation or management of the Development throughout the Extended Use Period (the entire time period of occupancy restrictions of the low-income units in the Development):

VBCDC will have the controlling interest in the managing general member entity throughout the credit period.

VBCDC will provide oversight, management, and maintenance of the properties for SUL Tranquility Lakes II, LLC.

- (iii) Will the non-profit invest in its overall interaction with the development more than 500 hours annually to this venture? Yes No If yes, subdivide the annual hours by activity and staff responsible and explain in detail:

150 hours - CFO to review financials and prepare reports, 200 hours - Senior Property Manager eligibility reviews and compliance; 150 hours - Director of Asset Management for property management and maintenance, 150 hours - CEO oversight.

- If this is a joint venture, (i.e. the non-profit is not the sole general partner/managing member), explain the nature and extent of the joint venture partner's involvement in the construction or rehabilitation and operation or management of the proposed development.

The project is a co-development project. The Managing member is made up of both non-profits with VBCDC being the majority partner with decision making authority. VBCDC will provide construction oversight, property management and maintenance, Seniors Unlimited Lifestyles Inc. will provide voluntary services.

- Is a for profit entity providing development services (excluding architectural, engineering, legal, and accounting services) to the proposed development?

Yes No If yes,

(i) explain the nature and extent of the consultant's involvement in the construction or rehabilitation and operation or management of the proposed development.

- Will the non-profit or the Owner (as identified in the application) pay a joint venture partner or consultant fee for providing development services? Yes No If yes, explain the amount and source of the funds for such payments.

Non-profit Questionnaire, cont'd

- Will any portion of the developer's fee which the non-profit expects to collect from its participation in the development be used to pay any consultant fee or any other fee to a third party entity or joint venture partner? Yes No If yes, explain in detail the amount and timing of such payments.

The co-development agreement calls for the developer fee to be split between both non-profit organizations. Upon receipt of any developer fee, the fee will be split between Virginia Beach Community Development Corporation and Seniors Unlimited Lifestyles Inc. as called out in the agreement.

- Will the joint venture partner or for-profit consultant be compensated (receive income) in any other manner, such as builder's profit, architectural and engineering fees, or cash flow?
 Yes No If yes, explain:

The co-development agreement calls for excess cash flow to be split between both non-profit organizations. If excess cash flow exists, the cash flow will be split between Virginia Beach Community Development Corporation and Seniors Unlimited Lifestyles Inc. as called out in the agreement.

- Will any member of the board of directors, officer, or staff member of the non-profit participate in the development and/or operation of the proposed development in any for-profit capacity?
 Yes No If yes, explain:

- Disclose any business or personal (including family) relationships that any of the staff members, directors or other principals involved in the formation or operation of the non-profit have, either directly or indirectly, with any persons or entities involved or to be involved in the Development on a for-profit basis including, but not limited to the Owner of the Development, any of its for-profit general partners, employees, limited partners or any other parties directly or indirectly related to such Owner:

N/A

Non-profit Questionnaire, cont'd

4. Virginia and Community Activity

- Has the Virginia State Corporation Commission authorized the non-profit to do business in Virginia? Yes No

- Define the non-profit's geographic target area or population to be served:
Citywide in the City of Virginia Beach

- Does the non-profit or, if applicable, related non-profit have experience serving the community where the proposed development is located (including advocacy, organizing, development, management, or facilitation, but not limited to housing initiatives)?

Yes No If yes, or no, explain nature, extent and duration of any service:

VB CDC has acquired and renovated townhomes for affordable rental housing and constructed multi-family units for low income persons with disabilities and

low income homeless and disabled veterans. VB CDC also provides comprehensive supportive services for low income, homeless and disabled veterans.

VB CDC has also constructed 32 new homes for 1st time homebuyers and acquired and renovated and resold 87 homes to first-time low-income buyers.

- Does the non-profit's by laws or board resolutions provide a formal process for low income, program beneficiaries to advise the non-profit on design, location of sites, development and management of affordable housing? Yes No If yes, explain:

VB CDC's Board has the ability to receive input through a support services advisory committee. While the advisory committee

has not met recently, the ability exists for the committee to be operational.

- Has the Virginia Department of Agriculture and Consumer Services (Division of Consumer Affairs) authorized the non-profit to solicit contributions/donations in the target community?

Yes No

- Does the non-profit have demonstrated support (preferably financial) from established organizations, institutions, businesses and individuals in the target community?

Yes No If yes, explain:

Support is received from the City of Virginia Beach in the form of HOME and CDBG funds.

Support is received from Wells Fargo Foundation.

Support is received from foundations, individuals and community groups.

Support is received from Civic Leaders for this project.

- Has the non-profit conducted any meetings with neighborhood, civic, or community groups and/or tenant associations to discuss the proposed development and solicit input? Yes No If yes, describe the general discussion points:

Seniors Unlimited Lifestyles Inc. , co-development partner, conducted outreach and obtained signatures of 30 Burton Station Civic members showing support of Tranquility at the Lakes II. Please see attached letter of support.

- Are at least 33% of the members of the board of directors representatives of the community being served? Yes No If yes,

(i) low-income residents of the community? Yes No

(ii) elected representatives of low-income neighborhood organizations? Yes No

Non-profit Questionnaire, cont'd

- Are no more than 33% of the members of the board of directors representatives of the public sector (i.e. public officials or employees or those appointed to the board by public officials)? Yes No

- Does the board of directors hold regular meetings which are well attended and accessible to the target community? Yes No If yes, explain the meeting schedule:
VBCDC's Board meets on the fourth Wednesday of each month and its schedule is posted on its website as well as the City of Virginia Beach's website for public meetings.

- Has the non-profit received a Community Housing Development Organization (CHDO) designation, as defined by the U. S. Department of Housing and Urban Development's HOME regulations, from the state or a local participating jurisdiction? Yes No

- Has the non-profit been awarded state or local funds for the purpose of supporting overhead and operating expenses? Yes No If yes, explain in detail:
VBCDC receives funding from the City of Virginia Beach in the form of HOME and CDBG funding.

- Has the non-profit been formally designated by the local government as the principal community-based non-profit housing development organization for the selected target area? Yes No If yes, explain:

- Has the non-profit ever applied for Low Income Housing Tax Credits for a development in which it acted as a joint venture partner with a for-profit entity? Yes No If yes, note each such application including: the development name and location, the date of application, the non-profit's role and ownership status in the development, the name and principals of the joint venture partners, the name and principals of the general contractor, the name and principals of the management entity, the result of the application, and the current status of the development(s).

- Has the non-profit ever applied for Low Income Housing Tax Credits for a development in which it acted as the sole general partner/managing member? Yes No If yes, note each such development including the name and location, the date of the application, the result of the application, and the current status of the development(s).
Citywide Homes, 2001 Limited Partnership, Virginia Beach, VA The application was submitted in March 2001 and awarded credits.
The project transferred ownership interests to VBCDC in December 2020. The project is still operating as a LIHTC serving low income families, Cedar Grove 2011, Limited Partnership
is located in Virginia Beach, VA . The application was submitted in July 2011 in the non-competitive disabled pool and was awarded credits. The project continues to be in operation today and provides permanent housing for low income homeless and disabled veterans.

- To the best of your knowledge, has this development, or a similar development on the same site, ever received tax credits before? Yes No

- Has the non-profit completed a community needs assessment that is no more than three years old and that, at a minimum identifies all of the defined target area's housing needs and resources? Yes No If yes, explain the need identified:

Non-profit Questionnaire, cont'd

5. Attachments

Documentation of any of the above need not be submitted unless requested by VHDA

The undersigned Owner and non-profit hereby each certify that, to the best of its knowledge, all of the foregoing information is complete and accurate. Furthermore, each certifies that no attempt has been or will be made to circumvent the requirements for non-profit participation contained in the Plan or Section 42 of the Internal Revenue Code.

3-10-22
Date

SUL Tranquility Lakes II, LLC , A Virginia limited liability company
Owner/Applicant


By: See attached Signature Page

Its: _____
Title

Virginia Beach Community Development Corporation
Non-profit

3-10-22
Date

By: 
Board Chairman

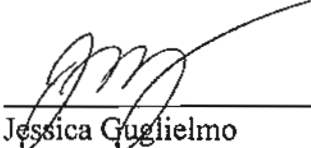
By: 
Executive Director

**Signature Block and Notary Acknowledgement for
SUL TRANQUILITY LAKES II, LLC**

SUL TRANQUILITY LAKES II, LLC,
a Virginia limited liability company

By: SUL Tranquility Lakes II Manager, LLC,
a Virginia limited liability company,
its Managing Member

By: Virginia Beach Community Development
Corporation, a Virginia nonstock
corporation, its Co-Managing Member

By:  _____ (SEAL)
Name: Jessica Guglielmo
Title: President and CEO

VBCDC NPQ for Tranquility at the Lakes II Attached Response
1. General Information (pg.1)-Attached Evidence of Legal Nonprofit Formation

ARTICLES OF INCORPORATION
OF
VIRGINIA BEACH COMMUNITY DEVELOPMENT CORPORATION

We, the undersigned, hereby associate ourselves for the purpose of forming a nonstock corporation pursuant to provisions of Chapter 2 of Title 13.1 of the Code of Virginia 1950 as amended, and to that end, set forth the following:

ARTICLE I

The name of the Corporation shall be VIRGINIA BEACH COMMUNITY DEVELOPMENT CORPORATION.

ARTICLE II

The purposes for which the Corporation is formed are as follows:

(a) To expand and improve housing opportunities for low and moderate income households in Virginia Beach, both by preserving and renovating existing structures; and by providing financial services, which shall include making grants, granting loans, whether or not secured, obtaining financing from others, and acting as guarantor on loans from others. The charges for such housing and services shall be on a non-profit basis.

(b) To cooperate with federal, state and local agencies, private organizations, and community groups in developing programs designed to meet the needs of low and moderate income housing and to assist the residents of Virginia Beach in the utilization of all available resources to meet their needs.

(c) The Corporation is irrevocably dedicated to, and operated for, non-profit, charitable purposes within the meaning of Section 501 (c) (3) of the Internal Revenue Code of 1954 (or the corresponding provision of any future United States Internal Revenue Law).

ARTICLE III

The Corporation shall have one class of members. The members of this Corporation shall consist of the persons hereinafter named as directors and such other persons or organizations as may from time to time hereafter be selected by the Board of Directors.

The voting powers, rights and interests of all members shall be equal. Each member shall be entitled to one vote on any and all questions coming before the members. Every member of the Corporation entitled to vote at any meeting of the members, may be represented and vote by proxy. A certificate of membership shall be issued to each member. No membership shall be transferable.

Any member who shall fail to comply with the requirements of the Bylaws, or the rules and regulations made pursuant thereto, shall forfeit his membership and any and all rights and interests in this Corporation.

ARTICLE IV

The number of directors constituting the initial Board of Directors shall be seven, and they shall be designated in the following manner: the Virginia Beach Community Development Citizens Advisory Committee shall appoint one member incorporator; the City Council of Virginia Beach shall appoint one member incorporator; the two members thus appointed shall appoint a third member incorporator. The initial incorporators shall appoint seven directors as the initial Board of Directors.

who shall serve until the first annual meeting. The Directors to be elected at the first annual meeting shall be divided into three categories; two directors shall be appointed for a term of one year; two directors shall be appointed for a term of two years; and three directors shall be appointed for a term of three years. Thereafter, all Directors shall be elected for three-year terms. The officers of the Corporation, as provided by the Bylaws of the Corporation, shall be elected by the Directors in the manner therein set out, and shall serve until their successors have been elected and qualified. The Board of Directors shall adopt the Bylaws of the Corporation at any regular or special meeting called for that purpose.

ARTICLE V

The address of the initial registered office of the Corporation is Suite 1612, First Virginia Bank Tower, 101 St. Paul's Blvd., Norfolk, Virginia 23510. The name of the initial registered agent is William P. Robinson, Jr. who is a resident of Virginia and a member of the Virginia State Bar and whose business address is Suite 1612, First Virginia Bank Tower, 101 St. Paul's Blvd., Norfolk, Virginia 23510. The registered office is located in the City of Norfolk.

ARTICLE VI

The duration of the Corporation shall be perpetual.

ARTICLE VII

No part of the net earnings of the Corporation shall inure to the benefit of, or be distributable to, its members, directors, and other private persons, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in Article II hereof. No substantial part of the activities of the Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Corporation shall not participate in or intervene in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office. Notwithstanding any other provision of these articles, this Corporation shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from Federal Income Tax under Section 501 (c) (3) of the Internal Revenue Code of 1954 (or the corresponding provision of any future United States Internal Revenue Law) or (b) by a corporation, contributions to which are deductible under Section 170 (c) (2) of the Internal Revenue Code of 1954 (or the corresponding provision of any future United States Internal Revenue Law). Notwithstanding any other provision of these Articles, this corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the purposes of this corporation.

ARTICLE VIII

The initial Board of Directors of the Corporation shall consist of seven members. The names and addresses of the initial Board of Directors are:

Sam Houston
946 Oriole Drive
Virginia Beach, VA. 23462

Charles M. Reynolds
4504 Kelley Court
Virginia Beach, VA. 23462

Mrs. Elizabeth F. McClane
4344 N. Witchduck Road
Virginia Beach, VA. 23455

Wylie R. Cooke, Jr.
547 Susan Constant Drive
Virginia Beach, VA. 23451

H.L. Robinson
1070 Clear Spring Lane
Virginia Beach, VA. 23462

James E. Lindsey, Sr.
865 Newtown Road
Virginia Beach, VA. 23462

Curtis G. Maddox
3948 W. Colonial Parkway
Virginia Beach, VA. 23452

ARTICLE IX

The members of the Board of Directors of the Corporation shall not be subject to the payment of Corporate debts to any extent whatsoever.

ARTICLE X

The Board of Directors of said Corporation shall have power from time to time to make such by-laws as they shall deem proper for the management of the affairs of said Corporation, to be binding on all Directors of the Corporation. The by-laws may be amended from time to time in accordance with the provisions contained therein.

ARTICLE XI


Upon the dissolution of the Corporation, the Board of Directors shall, after paying or making provision for the payment of all of the liabilities of the Corporation, dispose of all of the assets of the Corporation exclusively for the purposes of the Corporation in such manner, or to such organization or organizations organized and operated exclusively for charitable, educational, or scientific purposes as shall at the time qualify as an exempt organization under Section 501 (c) (3) of the Internal Revenue Code of 1954 (or the corresponding provision of any future United States Internal Revenue Law) in such manner as the Board shall decide; provided that any such assets that have been received by the Corporation from the City of Virginia Beach shall be returned to the City for final disposition in a manner

as determined by law. Any of such assets not so disposed of shall be disposed of by the Circuit Court of the district in which the principal office of the corporation is located, exclusively for such purposes or to such organization or to such organizations, as said court shall determine, which are organized and operated exclusively for such purposes.

ARTICLE XI

The Corporation shall have and exercise all powers which are consistent with the Code of Virginia and with its purpose as a charitable corporation, to do everything and anything reasonably and lawfully necessary, proper, and suitable, or convenient for the achievement of the purposes above stated.

GIVEN under our hands this 21 day of July, 1985.



Paul M. [Signature]

275822

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

RICHMOND, September 13, 1985

The accompanying articles having been delivered to the State Corporation Commission on behalf of

VIRGINIA BEACH COMMUNITY DEVELOPMENT CORPORATION

and the Commission having found that the articles comply with the requirements of law and that all required fees have been paid, it is

ORDERED that this CERTIFICATE OF INCORPORATION

be issued, and that this order, together with the articles, be admitted to record in this office of the Commission; and that the corporation have the authority conferred on it by law in accordance with the articles, subject to the conditions and restrictions imposed by law.

Upon the completion of such recordation, this order and the articles shall be forwarded for recordation in the office of the Clerk of the Circuit Court, City of Norfolk .

STATE CORPORATION COMMISSION

By Thomas P. Harwood, Jr.
Commissioner

930188

J. J. J.

BYLAWS
OF
VIRGINIA BEACH COMMUNITY DEVELOPMENT CORPORATION

ARTICLE I
NAME, OFFICE AND SEAL

Section 1. The name of the corporation shall be Virginia Beach Community Development Corporation.

Section 2. The principal office of the corporation shall be located in the City of Virginia Beach, Virginia. The corporation may also have offices at such other places within the State as the Board of Directors may from time to time determine or as the business of the corporation shall have inscribed.

Section 3. The corporate seal of the corporation shall have inscribed thereon the name of the corporation, the year of its incorporation and the words "Corporate Seal" and Virginia Beach Community Development Corporation.

Approved by City Council November 18, 1985
Approved by VBCDC Board of Directors
October 1, 1986
Approved by City Council October 20, 1986
Amended Pursuant to City Council Resolution
May 21, 1990

ARTICLE II
PURPOSES

- (a) To expand and improve opportunities for low and moderate income households in Virginia Beach, both by preserving and renovating existing structures, and by providing financial services, which shall include making grants, granting loans, whether or not secured, obtaining financing from others, and acting as guarantor on loans from others. The charges for such housing and services shall be on a non-profit basis.
- (b) To cooperate with federal, state and local agencies, private organizations, and community groups in developing programs designed to meet the needs of low and moderate income housing and to assist the residents of Virginia Beach in the utilization of all available resources to meet their needs.
- (c) The Corporation is irrevocably dedicated to, and operated for, non-profit, charitable purposes within the meaning of Section 501 (c) (3) of the Internal Revenue Code of 1954 (or the corresponding provision of any future United States Internal Revenue Law).

ARTICLE III
DIRECTORS

Section 1. Management. The business and affairs of the corporation shall be managed by a Board of eleven (11) directors.

Section 2. Composition. The Board shall be composed of eleven (11) directors who shall be appointed by the City Council of the City of Virginia Beach. The Board shall serve until their appointed terms expire.

Section 3. Term. The seven (7) directors serving on the Board as of June 1, 1990 shall serve until the expiration of the terms for which they were appointed. Two of the directors appointed on May 29, 1990 shall serve until December 31, 1992; the third director appointed on May 29, 1990 shall serve until December 31, 1993 and the one ex-officio director appointed to the Board as a voting member on May 29, 1990 shall serve until December 31, 1991. Thereafter, all directors shall be appointed for a term of four (4) years. No director may serve more than ten (10) successive years.

Section 4. Vacancies and Removals. A vacancy on the Board caused by the death, resignation, removal or incapacitation of a director shall be filled only for the unexpired term of the position vacant or until the following June 30, whichever shall first occur. Vacancies shall be filled upon appointment by the City Council. Absence by any director at three consecutive regular Board meetings, unless otherwise excused, shall constitute cause for removal from the Board. Directors shall serve at the pleasure of City Council.

Section 5. Resignation. A director may resign at any time, giving written or oral notice to the Board, the President, or the Secretary/Treasurer of the corporation. Unless otherwise specified

in the notice, the resignation shall take effect upon receipt thereof and the acceptance of the resignation shall not be necessary to make it effective.

ARTICLE IV
MEETINGS, NOTICE, QUORUM AND POWERS

Section 1. Meetings. Notice. Meetings of the Board of Directors shall be called by the President and may be held at the office of the corporation or at such other place as may be designated in the notice calling the meeting. At least six (6) regular meetings must be held each year.

Special meetings of the Board of Directors may be called by any two (2) officers or on the written request of a majority of the directors. No other business but that specified in the notice may be transacted at such special meeting without the unanimous consent of all present at such meeting. Notice shall be given to each director at least forty-eight hours before the meeting at his/her residence or business address by delivering, telephoning or telegraphing notice to him/her.

The annual meeting of the corporation shall be held in June of every year.

The Secretary/Treasurer shall cause to be mailed to every director in good standing at his/her address as it appears on the membership roll book of the corporation a notice stating the time and place of all regular meetings at least seven (7) days prior thereto.

Section 2. Waiver of Notice. Either before or after any meeting of the Board of Directors, any director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the Board shall be a waiver by him/her of notice of the time and place thereof. If all the directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 3. Quorum. At all meetings of the Board of Directors, six (6) members of the Board of Directors shall be present to constitute a quorum for the transaction of business, and the affirmative vote of six (6) of the directors present at a meeting at which a quorum is present shall be the acts of the Board except as otherwise provided by law or within these bylaws. If at any meeting of the Board of Directors there be less than a quorum present, the majority of those present may adjourn the meeting to a fixed time and place, and notice of the rescheduled meeting shall be required.

Section 4. General Powers. The Board of Directors shall elect a President, Vice-President, a Secretary/Treasurer, and all officers of the corporation. In addition to the powers and authorities expressly conferred upon them by these bylaws, the Board may exercise all powers of the corporation and may do all such acts and things as are not by statute or by these bylaws prohibited.

Section 5. Action of the Board. Unless otherwise required by law, an affirmative vote of six (6) of the directors present at the time of the vote, if a quorum is present at such time shall be the act of the Board. Each director shall have one vote.

Section 6. Consent. If a majority of the directors shall severally or collectively consent in writing to any action to be taken by the corporation, such action shall be a valid corporate action upon ratification of the Board of Directors.

Section 7. Freedom of Information. The corporation shall comply with the Virginia Freedom of Information Act as referenced in Sec. 2.1-340 et seq. of the Code of Virginia.

ARTICLE V OFFICERS

Section 1. Number. The executive officers of the corporation shall be a President, a Vice-President, a Secretary/Treasurer, all of whom shall be elected by the Board of Directors. Any two of these officers, except those of President and Secretary/Treasurer may be filled by the same person. It shall be necessary for all officers to be directors of the corporation.

Section 2. Nomination. The President, at least thirty days prior to the annual meeting, shall appoint a Nominating Committee composed of three (3) directors to prepare a slate of candidates of directors and officers. Directors may make other nominations from the floor at the annual meeting provided the Board is furnished with a written statement of the nominee as to his/her willingness to serve.

Section 3. Election. The election of officers shall take place at the annual meeting of the Board of Directors.

Section 4. Term and Removal. The officers of the corporation shall hold office until their respective successors are chosen and have qualified. Any officer elected by the Board of Directors may be removed by the Board of Directors whenever, in its judgement, the best interests of the corporation will be served thereby. If the office of any officer shall become vacant for any reason, the vacancy shall be filled by the Board of Directors for the balance of the unexpired term.

All agents and employees, other than officers elected by the Board of directors, shall hold office or employment at the discretion of the Board of Directors.

ARTICLE VI DUTIES OF OFFICERS

Section 1. President. The President of the corporation shall preside at all meetings of the Board and such meetings as may be designated by the Board of Directors and shall further discharge such functions as are ordinarily discharged by the President of the corporation. He/she shall have such other duties as may be directed by the Board of Directors.

Section 2. Vice President. The Vice President shall assume the duties of the President of the corporation in the absence of the President.

Section 3. Secretary/Treasurer. The Secretary/Treasurer shall keep the minutes of all meetings. He/she shall have custody

of the seal of the corporation and affix to such documents as require attestation; he/she shall have charge of such of the books and papers as the Board of Directors may direct, all of which shall, at all reasonable times, be open to the examination of any director, upon reasonable notice to the Secretary/Treasurer; and he/she shall, in general, perform all the duties incident to the office of Secretary/Treasurer. He/she shall give notice as required by law or the bylaws of this corporation, of all meetings of the Board of Directors.

The Secretary/Treasurer shall have custody of the corporation's funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the corporation. He/she shall deposit all monies and other valuable effects in the name and to the credit of the corporation in such depositories as may be designated.

ARTICLE VII COMMITTEES

Section 1. Appointment of Committees. The Board of Directors shall establish and appoint such standing and other committees as may be required from time to time. The duties and scope of committees shall be defined by the Board. Such committees shall be composed of one member of the Corporation to be an advisory person; however, this shall not preclude service on committees by nonmembers of the Corporation.

ARTICLE VII
MISCELLANEOUS PROVISIONS

Section 1. Execution of Papers. Except as the Board of Directors may generally or in particular cases authorize, all deeds, leases, transfers, contracts, bonds, notes, checks, drafts, and other obligations made, accepted and endorsed by the corporation shall be signed by the Executive Director, and by either the President, Vice President, or Secretary/Treasurer, unless otherwise authorized or designated by the vote of the Board of Directors.

Section 2. Fiscal Year. The fiscal year of the corporation shall end each June 30th.

Section 3. Deposits. All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such federally insured institutions as banks, savings and loan associations, trust companies or other depositories as the Board may from time to time select or as may be selected by any officer or employee of the corporation to whom such power may from time to time be delegated by the Board; and for the purpose of such deposit, any officer, or any employee to whom such power may be delegated by the Board, may endorse, assign and deliver checks, drafts and other orders for the payment of money which are payable to the order of the corporation.

Section 4. Acceptance of Gifts, Donations, etc. No gift, donation, bequest or subscription to the corporation shall be

deemed to have been accepted until acted upon affirmatively by the Board of Directors.

Section 5. Administrator (Executive Director). An Administrator shall be selected by the Board of Directors and shall perform the duties designated by the Board of Directors. He/she shall be responsible for the everyday and timely direction of the affairs of the corporation and with measures for the accomplishment of its purposes; recommend to the Board of Directors such proposals and matters as he/she may deem necessary or desirable; advise, cooperate with, and furnish information and assistance to all committees for the organization. The Administrator shall be an ex-officio member for all committees, with all rights and privileges except voting.

Section 6. Robert's Rules of Order. When questions arise about the meeting order, the latest edition of "A Handbook of Parliamentary Procedure", which is attached, will govern the procedure to be followed.

Section 7. Conflict of Interest. In the procurement of supplies, equipment, construction and services, the provisions of Section 570.611 of Title 24 Code of Federal Regulations and the State and Local Government Conflict of Interests Act contained in Chapter 40.1 of Title 2.1 of the Code of Virginia shall apply. Such cases include the acquisition and disposition of real property and the provision of assistance by the recipient, by its subrecipients, or to individuals, businesses and other private entities under eligible activities which authorize such assistance. The members

of the Virginia Beach Community Development Corporation and the Executive Director shall comply with the "ORDINANCE DESIGNATING CERTAIN APPOINTEES AND EMPLOYEES TO FILE A DISCLOSURE STATEMENT OF THEIR PERSONAL INTERESTS AND OTHER INFORMATION SPECIFIED ON THE FORM SET FORTH IN SECTION 2.1-639.15 OF THE CODE OF VIRGINIA" if City Council adopts said ordinance pursuant to Section 2.1-639.14A of the Code of Virginia.

Section 8. Compensation. No Director or Officer of the corporation shall be compensated for services rendered to the corporation. This in no way prohibits said directors or officers from being reimbursed for bonafide expenses in accordance with the Virginia Beach City Code.

ARTICLE IX INDEMNIFICATION

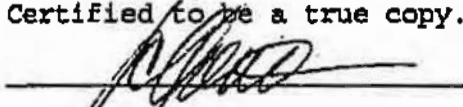
Every person now or hereafter a Director or officer of the corporation (and his/her heirs, executors, and administrators) shall be indemnified by the corporation against all costs and expenses, including all attorney's fees, imposed upon or reasonable incurred by him/her in connection with or resulting from any action, suit, proceeding or claim to which he/she is or may be made a party by reason of his/her being or having been a Director or officer of the corporation (whether or not a Director or officer at the time such costs or expenses are incurred by or imposed upon him/her) except in relation to matters as of which he/she shall have finally been adjudged in such action, suit or proceeding to be liable for gross negligence or willful misconduct in the

performance of his/her duties as such Director or officer. Such right of indemnification shall not be deemed exclusive or any right to which he may be entitled under any other bylaw, agreement, or otherwise.

ARTICLE X
AMENDMENTS

These bylaws may be altered, amended or replaced at any regular or special meeting of the Board of Directors by the vote of a majority of the directors in office at such meeting; but no alteration, amendment or repeal shall be made at a special meeting unless the notice of such meeting shall specify the proposed alteration, amendment or repeal as the purpose or one of the purposes of such meeting. Such amendments to these bylaws shall be subject to approval by the City Council.

Certified to be a true copy.

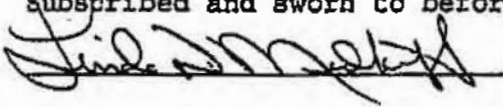


Jack Helfant, President

Date 2/19/03


Virginia Beach Community Development Corporation

Subscribed and sworn to before me this 19th day of Feb., 2003.



Notary Public

My Commission Expires: 8-31-06

 **IRS** Department of the Treasury
Internal Revenue Service
P.O. Box 2508
Cincinnati OH 45201

In rep refer to: 0248344843
Nov. 26, 2010 LTR 4168C ED
54-1378797 000000 00


00016395
BODC: TE

VBCDC NPQ for Tranquility at the Lakes II Attached Response

1. General Information- IRS 501 (c) 3 Letter

RECEIVED

NOV 30 2010


VIRGINIA BEACH COMMUNITY
DEVELOPMENT CORPORATION
2400 POTTERS ROAD
VIRGINIA BEACH VA 23454-4377

VBCDC

020356

Employer Identification Number: 54-1378797
Person to Contact: Ms. Osborne
Toll Free Telephone Number: 1-877-829-5500

Dear Taxpayer:

This is in response to your Nov. 16, 2010, request for information regarding your tax-exempt status.

Our records indicate that you were recognized as exempt under section 501(c)(3) of the Internal Revenue Code in a determination letter issued in August 1987.

Our records also indicate that you are not a private foundation within the meaning of section 509(a) of the Code because you are described in section(s) 509(a)(1) and 170(b)(1)(A)(vi).

Donors may deduct contributions to you as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to you or for your use are deductible for Federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

Please refer to our website www.irs.gov/ao for information regarding filing requirements. Specifically, section 6033(j) of the Code provides that failure to file an annual information return for three consecutive years results in revocation of tax-exempt status as of the filing due date of the third return for organizations required to file. We will publish a list of organizations whose tax-exempt status was revoked under section 6033(j) of the Code on our website beginning in early 2011.

Internal Revenue Service

Department of the Treasury

P. O. Box 2508
Cincinnati, OH 45201

Date: June 7, 2000

Virginia Beach Community Development Corporation
629 Wesley Drive, Suite 101
Virginia Beach, VA 23452-7403

Person to Contact:
Robert Molloy 31-04023
Customer Service Representative

Toll Free Telephone Number:

8:00 a.m. to 9:30 p.m. EST

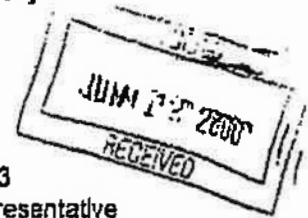
877-829-5500

Fax Number:

513-263-3758

Federal Identification Number:

54-1378797



Dear Madam:

This letter is in response to your request for a copy of your organization's determination letter. This letter will take the place of the copy you requested.

Our records indicate that a determination letter issued in August 1987 granted your organization exemption from federal income tax under section 501(c)(3) of the Internal Revenue Code. That letter is still in effect.

Based on information subsequently submitted, we classified your organization as one that is not a private foundation within the meaning of section 509(a) of the Code because it is an organization described in sections 509(a)(1) and 170(b)(1)(A)(vi).

This classification was based on the assumption that your organization's operations would continue as stated in the application. If your organization's sources of support, or its character, method of operations, or purposes have changed, please let us know so we can consider the effect of the change on the exempt status and foundation status of your organization.

Your organization is required to file Form 990, Return of Organization Exempt from Income Tax, only if its gross receipts each year are normally more than \$25,000. If a return is required, it must be filed by the 15th day of the fifth month after the end of the organization's annual accounting period. The law imposes a penalty of \$20 a day, up to a maximum of \$10,000, when a return is filed late, unless there is reasonable cause for the delay.

All exempt organizations (unless specifically excluded) are liable for taxes under the Federal Insurance Contributions Act (social security taxes) on remuneration of \$100 or more paid to each employee during a calendar year. Your organization is not liable for the tax imposed under the Federal Unemployment Tax Act (FUTA).

Organizations that are not private foundations are not subject to the excise taxes under Chapter 42 of the Code. However, these organizations are not automatically exempt from other federal excise taxes.

Donors may deduct contributions to your organization as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to your organization or for its use are deductible for federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

Virginia Beach Community Development Corporation
54-1378797

Your organization is not required to file federal income tax returns unless it is subject to the tax on unrelated business income under section 511 of the Code. If your organization is subject to this tax, it must file an income tax return on the Form 990-T, Exempt Organization Business Income Tax Return. In this letter, we are not determining whether any of your organization's present or proposed activities are unrelated trade or business as defined in section 513 of the Code.

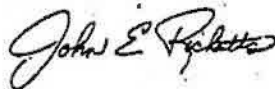
The law requires you to make your organization's annual return available for public inspection without charge for three years after the due date of the return. You are also required to make available for public inspection a copy of your organization's exemption application, any supporting documents and the exemption letter to any individual who requests such documents in person or in writing. You can charge only a reasonable fee for reproduction and actual postage costs for the copied materials. The law does not require you to provide copies of public inspection documents that are widely available, such as by posting them on the Internet (World Wide Web). You may be liable for a penalty of \$20 a day for each day you do not make these documents available for public inspection (up to a maximum of \$10,000 in the case of an annual return).

Because this letter could help resolve any questions about your organization's exempt status and foundation status, you should keep it with the organization's permanent records.

If you have any questions, please call us at the telephone number shown in the heading of this letter.

This letter affirms your organization's exempt status.

Sincerely,



John E. Ricketts
Director, TE/GE CAS

VBCDC NPQ Attached Responses

1. General Information(pg.1)-Attached List of Staff Duties

VBCDC Positions

Job Title	Classification	# of Positions	Description
President and CEO	Executive II	1	This position conducts the business of the corporation as described in the Articles of Incorporation and By-Laws. This position provides complete oversight to each business function.
Vice President and CFO	Executive I	1	This position is responsible for the execution of the corporate financial strategies and oversight of all financial matters for VBCDC.
Director, Family and Community Support Services	Director I	1	This position is responsible for monitoring and evaluating the Case Management program, coordinating Case Management services, and assisting neighbors with housing issues by coordinating services that are needed.
Director, Asset Management	Director I	1	The Director, Asset Management, is responsible for the overall operation of the Asset Management workgroup. This position oversees asset management and neighborhood services of VBCDC to increase the value of all properties. This position ensures that operations surpass industry standards.

Assistant Director Asset Management/Senior Property Manager	Manager II	1	This position is responsible for managing a portfolio of rental housing properties in accordance with VBCDC Policies and Procedures and all regulatory agreements, ensuring that homes are occupied by qualified neighbors, and ensuring that neighbors are in compliance with the lease agreement.
Manager, Finance	Manager II	1	This position works effectively with leaders and partners across the organization to help VBCDC become more effective in delivering its mission, by providing insightful analysis and counsel, playing a key role in budgeting, forecasting and long range planning, managing payroll, and performing other essential accounting and finance functions.
Maintenance Supervisor	Manager II	1	This position supervises, oversees, coordinates, and manages the work of the Facilities Associates under the direct supervision of the Director, Asset Management.
Manager, Facilities/Rehab	Manager I	1	This position is responsible for all procurement activity and vendor and contract management and oversight in support of all facilities owned, managed, or leased by VBCDC. This position also organizes and directs

			all maintenance activities of VBCDC units and facilities. This position also works closely with the Maintenance Supervisor to ensure that all units adhere to or exceed City code and Section 8 requirements.
Community Development Manager	Manager II	1	This position serves as the CEO's administrative liaison to the board of directors; organizes and coordinates executive outreach and external relations efforts; and oversees special projects. This position is also responsible for office operations and procedures.
Manager, Human Resources and Grants Management	Manager II	1	This position is responsible for the day to day management of all VBCDC contracts and grants; researching new funding opportunities; and submitting grant proposals by established deadlines. This position is also responsible for recruiting, supporting and developing talent of all partners through the development of policies and management of procedures.
Property Manager	Manager I	1	This position is responsible for managing a portfolio of rental housing properties in accordance with VBCDC Policies and

			Procedures and all regulatory agreements, ensuring that homes are occupied by qualified neighbors, and ensuring that neighbors are in compliance with the lease agreement.
Neighbor Advocate	Manager I	3	This position is responsible for providing comprehensive case management services to communities supported by VBCDC.
Senior Neighbor Advocate	Manager I	2	This position is responsible for providing various services, such as community outreach, determining program eligibility, individual and family case management, and collaboration with community agencies. Position supervisors subordinate staff.
Intake Coordinator	Associate II	1	This position is responsible for conducting initial phone, internet, and walk-in standardized pre-screenings to determine initial program eligibility.
Housing Locator	Associate II	1	This position is responsible for screening landlords and connecting program participants with private landlords meeting their unique eligibility criterion.
Community Resource Specialist	Associate II	1	The primary duties include assisting veterans with connecting or re-connecting VA

			benefits and community resources.
Leasing Agent	Associate II	1	This position is responsible for the first interaction with prospective tenants, marketing of vacant units, and preparation of leasing documents under the direction of the Senior Property Manager.
Assistant Property Manager	Associate I	1	This position is responsible for administrative and technical work under the direct supervision of Property Manager. The position assists with preparing tenant recertifications, departmental reports, and may conduct eligibility interviews.
Finance Associate	Associate II	2	This position performs complex financial and clerical work involving preparation and maintenance of fiscal and related reports for Virginia Beach Community Development Corporation.
Facilities Associate	Associate II	6	Facilities Associates are responsible for performing semi-skilled and unskilled maintenance and repair tasks on buildings, grounds, and equipment.
Operations Administrative Assistant	Associate I	1	This position is responsible for maintaining the work order database and

			administrative support of the entire asset management team.
Front Desk Ambassador	Associate I	1	This position is responsible for greeting, welcoming and directing visitors and neighbors.
Healthcare Navigator	Manager I	1	SSVF health care navigators provide case management and care coordination, health education, interdisciplinary collaboration, coordination, and consultation, and administrative duties. The health care navigator will act as a liaison between the SSVF grantee and the VA or community medical clinic and works with a population of Veterans with complex needs who require assistance accessing health care services or adhering to health care plans.

VBDCD NPQ Attached Responses

I. General Information (pg.2)-Attached List of Board of Directors

BOARD MEMBER LISTING VIRGINIA BEACH COMMUNITY DEVELOPMENT CORPORATION

NAME, BOARD POSITION, & MAILING ADDRESS	INITIAL APPOINTMENT	TERM	BEGINNING DATE	TERM EXPIRATION	EMPLOYMENT / NATURE OF BUSINESS
FRANK MCKINNEY, PRESIDENT/CHAIR 4705 Chalfont Drive Virginia Beach, VA 23464 Executive Committee Chair Personnel Committee Chair Funds Development Committee Chair Project Development Committee Member Finance Committee Member	2/18/20	Unexpired (+)4 yrs	18-Feb-2020	12/31/24	Real Estate Owner of Remax Firm Retired Realtor
CHRISTOPHER L BROWN, VICE PRESIDENT 195 S Rosemont Rd. #109 Virginia Beach VA 23452 Executive Committee Member Personnel Committee Member	9/4/18	4 YRS	4-Sep-2018	8/31/22	Real Estate At the Mall Realty Associate Broker/Property Manager
WORTH REMICK- SECRETARY/TREASURER 103 Ridge Road Virginia Beach, VA 23451 Finance Committee Chair Personnel Committee Member Executive Committee Member	7/2/19	4 YRS	2-Jul-19	12/31/24	Real Estate Colliers International Senior Vice President
Dr. Audrey B. Douglas-Cooke 1224 Wivenhoe Court Beach, VA 23454 Virginia	3/2/21	Unexpired	2-Mar-2021	12/31/23	J-DOS Internationale INC. Vice President
J. David Crain Jr. 1216 Glen Lochan Drive Virginia Beach, VA 23464 Funds Development Committee Member	12/8/20	Unexpired	8-Dec-2020	8/31/22	Wilcox & Savage, P.C. Attorney
ROBERT EWELL 1105 Oldfield Circle Virginia Beach VA 23453 Project Development Committee Chair	9/4/18	4 YRS	4-Sep-2018	8/31/22	Project Manager-Sales
ANDREW FRIEDMAN 2424 Courthouse Drive, Bldg 18A Virginia Beach VA 23456 Finance Committee Member	1/22/20	Unexpired (+)4 yrs	22-Jan-2020	12/31/24	City of VA Beach Dept, Housing & Neighborhood Preservation Director
BRANDON HUTCHINS 240 Marlena Street Virginia Beach, VA 23451 Executive Committee Member	8/20/19	4YRS	20-Aug-2019	12/31/23	Healthcare Administration Anthem INC Network Support Consultant Veteran
JEREMY C JOHNSON 1217 Wivenhoe Ct Virginia Beach, VA 23454 Project Development Committee Member	1/8/19	Unexpired REAPP-4 YRS	8-Jan-2019 31-Dec-2020	12/31/24	Real Estate Long & Foster Real Estate, Inc Associate Broker &Sales Manager
COURTNEY LALONDE 3436 Marabou Ln Beach, VA 23451 Virginia Funds Development Committee Member Personnel Committee Member	1/1/16	4 YRS	1-Jan-2016 ReAPP- 12/31/19	12/31/23	Mortgage/Financing/Marketing Tidewater Mortgage Financing Business Development Manager
TIM MCCARTHY 3845 Prince Phillip Circle Beach, VA 23452 Virginia Project Development Committee Member Personnel Committee Member	10/2/19	Unexpired thru 12/31/19 (+)4 Years	2-Oct-2019	12/31/24	Retired Licensed Clinical Social Worker, Family Counseling Community Activist
JOHN MOSS 2401 Courthouse Dr. Ste. 281 Virginia Beach, VA 23456	City Council Liaison - At-Large jdross@vbgov.com				
MICHAEL BERLUCCI 2401 Courthouse Dr. Ste. 281 Virginia Beach, VA 23456	City Council Liaison - Rose Hall mberlucc@vbgov.com				

DIRECTORS APPOINTED BY CITY COUNCIL FOR TERM OF FOUR (4) YEARS / NO DIRECTOR MAY

VBDCD Board Relations Manager-
Ashley Jarvis: 757-500-2740 and
ashleyjarvis@vbcdc.org

Resignations:

Wanda Cooper served from 7/1/21-12/31/21,



Seniors Unlimited Lifestyles, Inc.

January 29, 2020

Dear Burton Station Family,

Greetings from Seniors Unlimited Lifestyles Inc. Happy New Year to all of you!

SULI's Mission is to provide and sustain high quality affordable housing and services for the elderly and disabled in a safe secure environment.

As many of you know that in 2016 SULI broke ground right here in Burton Station Virginia Beach to build our first 40 unit senior living community called Tranquility at the Lakes Phase I. In the spring of 2017, Tranquility at the Lakes was move in ready, and was able to house 40 seniors. OF the 40 units we were able to house 11 residents that were homeless. However the need for more elderly housing is still so great, there is a waiting list of over 170 seniors that need housing. SULI is currently acquiring land to construct Tranquility at the Lakes Phase II senior community to house another 40 of our seniors right here in Burton Station.

We are proud to provide and sustain quality affordable housing for our seniors. Our seniors are the foundation of our communities they have paved the way for many of us, and this is an opportunity for us to support and help them live out the remainder of their lives with care, dignity and a place to call home. We are dedicated to expanding permanently, quality affordable, thoughtfully universal designed housing for our elderly.

Please consider supporting this continued vision. Your support will make a lasting difference. We need your signature of support. Thank you so much for supporting our mission and our Burton Station community.

With Gratitude,

A handwritten signature in black ink that reads "Angela Whitehead".

Angela Whitehead
Chief Executive Officer



Non-profit Questionnaire

Part II, 13VAC10-180-60, of the Qualified Allocation Plan (the "Plan") of the Virginia Housing (the "Authority" formerly VHDA) for the allocation of federal low income housing tax credits ("Credits") available under §42 of the Internal Revenue Code, as amended (the "Code") establishes certain requirements for receiving credits from the non-profit pool established under the Plan and assigning points for participation of a non-profit organization in the development of qualified low-income housing.

Answers to the following questions will be used by the Authority in its evaluation of whether or not an applicant meets such requirements. Attach additional sheets as necessary to complete each question.

I. General Information

- Name of development: Tranquility at the Lakes II
- Name of owner/applicant: SUL Tranquility Lakes II, LLC
- Name of non-profit entity: Seniors Unlimited Lifestyles Inc. (SULI)
- Address of principal place of business of non-profit entity:
453 Longdale Crescent, Chesapeake, VA 23325
- Tax exempt status: 501(c)(3) 501(c)(4) 501(a)
- Date of legal formation of non-profit (must be prior to application deadline); _____
evidenced by the following documentation: _____
10/14/2004 - Please find attached copy of evidence.

- Date of IRS 501(c)(3) or 501(c)(4) determination letter (must be prior to application deadline and copy must be attached): _____
7/7/2006 - Please find attached copy of evidence.

- Describe exempt purposes (must include the fostering of low-income housing in its articles of incorporation):
To provide housing for low income elderly of the community and to facilitate a dignified and healthy lifestyle for seniors 62 years and older.

- How many full time, paid staff members does the non-profit and, if applicable, any other non-profit organization(s) ("related non-profit(s)") of which the non-profit is a subsidiary or to which the non-profit is otherwise related have (i.e. by shared directors, staff, etc.)?
1 How many part time, paid staff members? 0

Describe the duties of all staff members:

Provide services to residents , coordinates health and wellness sessions, assess residents situation and needs, work with residents to develop goals and an action plan, coordinates health fairs, meet regularly to evaluate progress.

Non-profit Questionnaire, cont'd

- Does the non-profit share staff with any other entity besides a related non-profit described above?

Yes No If yes, explain in detail: _____

- What are the sources and manner of funding of the non-profit? (You must disclose all financial and/ or the arrangements with any individual(s) or for profit entity, including anyone or any entity related, directly, indirectly, to the Owner of the Development Fundraising, private donations, VH Capacity grants, City of Virginia Beach HOME grant and Project Based Vouchers.

- List all directors of the non-profit, their occupations, their length of service on the board, and their residential addresses:

Please find attached the Board of Directors list.

2. Non-profit Formation

- If this is your first Non-profit Questionnaire in Virginia please explain in detail the genesis of the formation of the non-profit; otherwise please skip this question:

N/A as this is not the first Non-Profit Questionnaire submitted in Virginia.

- Is the non-profit, or has it ever been, affiliated with or controlled by a for-profit entity or local housing authority?

Yes No If yes, explain in detail:

- Has any for profit organization or local housing authority (including the Owner of the Development, joint venture partner, or any individual or entity directly or indirectly related to such Owner) appointed any directors to the governing board of the non-profit?

Yes No If yes, explain:

- Does any for-profit organization or local housing authority have the right to make such appointments?

Yes No If yes, explain:

Non-profit Questionnaire, cont'd

- Does any for profit organization or local housing authority have any other affiliation with the non-profit or have any other relationship with the non-profit in which it exercises or has the right to exercise any other type of control?

Yes No, If yes, explain: _____

- Was the non-profit formed by any individual(s) or for profit entity for the principal purpose of being included in the non-profit Pool or receiving points for non-profit participation under the Plan?

Yes No

- Explain any experience you are seeking to claim as a related or subsidiary non-profit.

3. Non-profit Involvement

- Is the non-profit assured of owning an interest in the Development (either directly or through a wholly owned subsidiary) throughout the Compliance Period (as defined in

§42(i)(1) of the Code)?

Yes No

(i) Will the non-profit own at least 10% of the general partnership/owning entity?

Yes No

(ii) Will the non-profit own 100% of the general partnership interest/owning entity?

Yes No

If no to either 3a.i or 3a.ii above, specifically describe the non-profit's ownership interest:

SULI owns a 35% ownership interest in the managing member/general partner entity -

SUL Tranquility Lakes II Manager, LLC., and a 34.99% interest in the owner entity - SUL Tranquility Lakes II, LLC.

VBCDC, its nonprofit co-developer will hold a 65% interest.

- (i) Will the non-profit be the managing member or managing general partner?

Yes No If yes, where in the partnership/operating agreement is this provision specifically referenced?

See TAB A for the Schedule A - Membership interest

Section of the Operating Agreement for SUL Tranquility Lakes II, LLC.

(ii) Will the non-profit be the managing member or own more than 50% of the general partnership interest? Yes No

- Will the non-profit have the option or right of first refusal to purchase the proposed development at the end of the compliance period for a price not to exceed the outstanding debt and exit taxes of the for-profit entity?

Yes No If yes, where in the partnership/operating agreement is this provision specifically referenced? The Right of First Refusal is under Article XI-N of the Operating Agreement.

Non-profit Questionnaire, cont'd

Recordable agreement attached to the Tax Credit Application as TAB V

If no at the end of the compliance period explain how the disposition of the assets will be structured:

- Is the non-profit materially participating (regular, continuous, and substantial participation) in the construction or rehabilitation and operation or management of the proposed Development?

Yes No If yes,

(i) Describe the non-profit's proposed involvement in the construction or rehabilitation of the Development:

SULI will work in consultation with its non-profit CO-Developer (VBCDC) to oversee construction

activities and will provide future resident support services.

(ii) Describe the nature and extent of the non-profit's involvement in the operation or management of the Development throughout the Extended Use Period (the entire time period of occupancy restrictions of the low-income units in the Development):

SULI will have a 35% share in the managing general member entity and will provide resident

support services throughout the credit period for SUL Tranquility Lakes II, LLC.

(iii) Will the non-profit invest in its overall interaction with the development more than 500 hours annually to this venture? Yes No If yes, subdivide the annual hours by activity and staff responsible and explain in detail:

Chief Executive Officer - approximately 520 hours - discussions with Management Agent (VBCDC)

and coordination of resident services

- If this is a joint venture, (i.e. the non-profit is not the sole general partner/managing member), explain the nature and extent of the joint venture partner's involvement in the construction or rehabilitation and operation or management of the proposed development.

Please see attached response.

- Is a for profit entity providing development services (excluding architectural, engineering, legal, and accounting services) to the proposed development?

Yes No If yes,

(i) explain the nature and extent of the consultant's involvement in the construction or rehabilitation and operation or management of the proposed development.

- Will the non-profit or the Owner (as identified in the application) pay a joint venture partner or consultant fee for providing development services? Yes No If yes, explain the amount and source of the funds for such payments.
-
-

Non-profit Questionnaire, cont'd

- Will any portion of the developer's fee which the non-profit expects to collect from its participation in the development be used to pay any consultant fee or any other fee to a third party entity or joint venture partner? Yes No If yes, explain in detail the amount and timing of such payments.

- Will the joint venture partner or for-profit consultant be compensated (receive income) in any other manner, such as builder's profit, architectural and engineering fees, or cash flow?
 Yes No If yes, explain:

- Will any member of the board of directors, officer, or staff member of the non-profit participate in the development and/or operation of the proposed development in any for-profit capacity?
 Yes No If yes, explain:

- Disclose any business or personal (including family) relationships that any of the staff members, directors or other principals involved in the formation or operation of the non-profit have, either directly or indirectly, with any persons or entities involved or to be involved in the Development on a for-profit basis including, but not limited to the Owner of the Development, any of its for-profit general partners, employees, limited partners or any other parties directly or indirectly related to such Owner:

N/A

Non-profit Questionnaire, cont'd

4. Virginia and Community Activity

- Has the Virginia State Corporation Commission authorized the non-profit to do business in Virginia? Yes No
- Define the non-profit's geographic target area or population to be served:
Hampton Roads Area of Virginia

- Does the non-profit or, if applicable, related non-profit have experience serving the community where the proposed development is located (including advocacy, organizing, development, management, or facilitation, but not limited to housing initiatives)?
 Yes No If yes, or no, explain nature, extent and duration of any service:
SULI has been involved with the development of the community for the past 13 years
with the civic leagues and facilitates community and landowner meetings.

- Does the non-profit's by laws or board resolutions provide a formal process for low income, program beneficiaries to advise the non-profit on design, location of sites, development and management of affordable housing? Yes No If yes, explain:
Local City Planning Department, City Council, and the Department of Housing and Neighborhood Preservation Senior Housing Department conducts planning sessions with SULI to assist with location of sites, design, and project feasibility.

- Has the Virginia Department of Agriculture and Consumer Services (Division of Consumer Affairs) authorized the non-profit to solicit contributions/donations in the target community?
 Yes No
- Does the non-profit have demonstrated support (preferably financial) from established organizations, institutions, businesses and individuals in the target community?
 Yes No If yes, explain:
SULI conducted a mass mailing fundraiser letter in the surrounding community, business owners and residents.
Received BB&T Community Grant, Support from Civic Leagues, Bellamy Church of God, Project Based Vouchers and HOME grant funds.

- Has the non-profit conducted any meetings with neighborhood, civic, or community groups and/or tenant associations to discuss the proposed development and solicit input? Yes No If yes, describe the general discussion points:
SULI solicits input from the community, civic leagues, and tenants seeking their suggestions in designs, building materials rent amounts, affordability, handicap accessibility parking, security needs, and obtained a Letter of Support with signatures from Community Members.

- Are at least 33% of the members of the board of directors representatives of the community being served? Yes No If yes,
 - (i) low-income residents of the community? Yes No
 - (ii) elected representatives of low-income neighborhood organizations? Yes No

Non-profit Questionnaire, cont'd

- Are no more than 33% of the members of the board of directors representatives of the public sector (i.e. public officials or employees or those appointed to the board by public officials)? Yes No
- Does the board of directors hold regular meetings which are well attended and accessible to the target community? Yes No If yes, explain the meeting schedule:
Meetings are held on the third Saturday of each month.

- Has the non-profit received a Community Housing Development Organization (CHDO) designation, as defined by the U. S. Department of Housing and Urban Development's HOME regulations, from the state or a local participating jurisdiction? Yes No
- Has the non-profit been awarded state or local funds for the purpose of supporting overhead and operating expenses? Yes No If yes, explain in detail:

- Has the non-profit been formally designated by the local government as the principal community-based non-profit housing development organization for the selected target area? Yes No If yes, explain:

- Has the non-profit ever applied for Low Income Housing Tax Credits for a development in which it acted as a joint venture partner with a for-profit entity? Yes No If yes, note each such application including: the development name and location, the date of application, the non-profit's role and ownership status in the development, the name and principals of the joint venture partners, the name and principals of the general contractor, the name and principals of the management entity, the result of the application, and the current status of the development(s).
SULI has never applied for LIHTC with a for-profit entity; however SULI did apply for and recieved credits in March 2014 with a non-profit Joint Venture Partner. SULI is a co-owner with CHP of Tranquility at the Lakes, a LIHTC project that is operational today and provides housing for low income seniors.

- Has the non-profit ever applied for Low Income Housing Tax Credits for a development in which it acted as the sole general partner/managing member? Yes No If yes, note each such development including the name and location, the date of the application, the result of the application, and the current status of the development(s).
Seniors Unlimited Lifestyles, Inc. submitted a LIHTC application in 2010 for Tranquility at the Lakes located in Virginia Beach. SULI was unsuccessful in obtaining tax credits under that application. SULI recieved credits in 2014 under a smiliar co-development with another nonprofit. Tranquility at the Lakes is operational today.

- To the best of your knowledge, has this development, or a similar development on the same site, ever received tax credits before? Yes No

- Has the non-profit completed a community needs assessment that is no more than three years old and that, at a minimum identifies all of the defined target area's housing needs and resources? Yes No If yes, explain the need identified:
While SULI has not completed one on its own, a community needs assessment was completed by the City of Virginia Beach. The need identified more affordable housing for low income seniors, a clinic, new roads, sidewalks, and water.
SULI is an active participant in the community engagement of Burton Station citizens.

Non-profit Questionnaire, cont'd

5. Attachments

Documentation of any of the above need not be submitted unless requested by VHDA

The undersigned Owner and non-profit hereby each certify that, to the best of its knowledge, all of the foregoing Information is complete and accurate. Furthermore, each certifies that no attempt has been or will be made to circumvent the requirements for non-profit participation contained in the Plan or Section 42 of the Internal Revenue Code.

3-10-22
Date

3-10-22
Date

See Attached Signature Page

Owner/Applicant


By: See Attached Signature Page

Its: See Attached Signature Page

Title

Seniors Unlimited Lifestyles INC.

Non-profit

By: 
Board Chairman

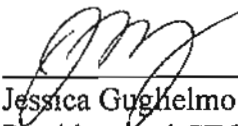
By: 
Executive Director

**Signature Block and Notary Acknowledgement for
SUL TRANQUILITY LAKES II, LLC**

SUL TRANQUILITY LAKES II, LLC,
a Virginia limited liability company

By: SUL Tranquility Lakes II Manager, LLC,
a Virginia limited liability company,
its Managing Member

By: Virginia Beach Community Development
Corporation, a Virginia nonstock
corporation, its Co-Managing Member

By:  (SEAL)
Name: Jessica Gughelmo
Title: President and CEO

ARTICLES OF INCORPORATION

OF

SENIORS UNLIMITED LIFESTYLES, INC.

The undersigned, desiring to form a non-stock corporation, under the provisions of Chapter 10 of Title 13.1 of the Code of Virginia, 1950, hereby certify as follows:

ARTICLE I

The name of the Corporation is SENIORS UNLIMITED LIFESTYLES, INC..

ARTICLE II

SENIORS UNLIMITED LIFESTYLES, INC. shall be an organization exempt from taxation under Internal Revenue Code Section 501(c)(3), 1986, as amended. The organization is organized exclusively for charitable, religious, educational, and/or scientific purposes under section 501(c)(3) of the Internal Revenue Code, including the following:

1. To provide housing for low income elderly members of the community and to facilitate a dignified and healthy lifestyle for seniors, sixty-two (62) years of age and older;
2. To perform such activities as are consistent with and necessary for the Corporation to carry out the purpose specified above, including fund-raising, public education and awareness activities, encouraging and reinforcing the establishment and exchange of Biblical business principles, administering programs to support the

Corporation's focus on glorifying God in business, and coordination with other non-profit organizations;

3. To perform all other non-profit activities permitted by law which do not jeopardize the Corporation's tax exempt status under Section 501(c)(3) of the Internal Revenue Code.

ARTICLE III

The Corporation shall be an organization exempt from taxation under Internal Revenue Code Section 501(c)(3), 1986, as amended. The Corporation shall have any power to finance its operations, to carry on activities, or take any action of any character whatsoever, that is not prohibited by law or required to be stated in these articles, provided, however, that no part of the net income of the Corporation shall inure to the benefit of, or be distributed to its directors, officers or other private shareholders or individuals, except that the Corporation shall be authorized and empowered to pay reasonable compensation for services actually rendered and to make payments and distributions in furtherance of its corporate purposes. Notwithstanding any other provision of these articles, no substantial part of the activities of the Corporation shall consist of carrying on propaganda or otherwise attempting to influence legislation (except as otherwise provided in Internal Revenue Code Section 501(h)); nor shall the Corporation in any manner or to any extent participate in or intervene in (including the publishing or distributing of statements) any political campaign on behalf of (or in opposition to) any candidate for public office and the Corporation shall not carry on any other activities not permitted to be carried on by a corporation exempt from federal income tax under Internal Revenue Code Section 501(c)(3), 1986, as now in force or afterwards amended. In

addition, the Corporation shall possess all of the powers specifically granted to it by the Commonwealth of Virginia under the provisions of Virginia Code Section 13.1-826 and 13.1-827. Any reference herein to specific provisions of the laws of the Commonwealth of Virginia or to specific provisions of the Internal Revenue Code shall be construed to include subsequent amendments to such specific provisions and to include corresponding provisions of subsequent legislation which may restate, supersede, or otherwise alter such specific provisions.

ARTICLE IV

The period of duration of the Corporation is perpetual.

ARTICLE V

In the event of the dissolution of the Corporation, all of the assets remaining after the full discharge of any indebtedness shall be distributed, at the discretion of the directors, to such charitable, educational, or other organizations as would then qualify under the provisions of Internal Revenue Code Section 501(c)(3), as amended. Any assets not so disposed of shall be disposed of by the Circuit Court of the City or County in which the principal office of the Corporation is then located, exclusively for such purposes or to such organizations, as the court shall determine, which are organized and operated exclusively for such purposes.

ARTICLE VI

The Corporation shall have no voting members.

ARTICLE VII

The business and affairs of the Corporation shall be conducted by a Board of Directors. The entire voting power shall be vested in the Board of Directors, which shall act for the Corporation according to a simple majority vote of the directors present at a meeting of the Board of Directors where a quorum is present, except these Articles of Incorporation may be amended only by a two-thirds majority vote of the Board of Directors. A quorum shall be as set forth in the Bylaws.

The directors shall have the power to adopt bylaws for the Corporation and to alter and amend those bylaws.

The initial number of directors shall be five (5). The directors may increase or decrease their number as provided in the Bylaws, except in no event shall the Board of Directors be fewer than three (3), nor greater than fifteen (15) in number.

The initial directors shall be appointed by the incorporator as provided in the Virginia Code Section 13.1-822(A)(2), as amended and they shall serve until their successors are elected in accordance with the bylaws. Vacancies, including a vacancy resulting from an increase in the number of directors in accordance with the above provision, shall be filled by the affirmative vote of a majority of the directors remaining in office as provided in the Virginia Code Section 13.1-862(A).

Directors may be removed from office by a two-thirds vote of the Board of Directors, with or without cause.

The private property of the incorporators, directors and officers shall not be subject to the payment of corporate debts to any extent whatsoever.

ARTICLE VIII

The officers of the Corporation shall consist of a President and a Secretary and such other officers as described in the Bylaws or appointed by the Board of Directors in accordance with the Bylaws. Each officer shall be elected by the Board of Directors at such times and in such manner and for such term not exceeding three (3) years as may be prescribed in the Corporation's Bylaws. In the absence of such provisions, all officers shall be elected annually. Any two (2) or more offices may be held by the same person, except that the offices of President and Secretary shall not be held by the same person.

ARTICLE IX

The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a director or officer of the Corporation, against expenses (including attorney's fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding if the officer or director did not engage in willful misconduct or a knowing violation of the criminal law in the performance of his or her duty to the Corporation.

In accordance with the provisions of Section 13.1-870.1 of the Code of Virginia, in any proceeding brought by or on behalf of the Corporation, the damages assessed against an officer or director shall not exceed One Dollar (\$1.00), if the officer or director did not engage in willful misconduct or a knowing violation of the criminal law in the performance of his duty to the Corporation.

ARTICLE X

The post office address of the initial registered office of the Corporation is 308 Cedar Lakes Drive, Second Floor, Chesapeake, Virginia 23322-8343, located in the City of Chesapeake, Commonwealth of Virginia, and the name of the registered agent of the Corporation is Basnight, Kinser, Telfeyan, Leftwich & Nuckolls, P.C., a domestic stock corporation authorized to transact business in the Commonwealth of Virginia, whose business address is the same as that of the registered office.

Dated this 8th day of October, 2004.

SENIORS UNLIMITED LIFESTYLES, INC.

A VIRGINIA Non-profit Corporation

BYLAWS

ARTICLE I

NAME

1.01 Name

The name of this corporation shall be SENIORS UNLIMITED LIFESTYLES, INC. The business of the corporation may be conducted as SENIORS UNLIMITED LIFESTYLES, INC. or SULI.

ARTICLE II

PURPOSES AND POWERS

2.01 Purpose

SENIORS UNLIMITED LIFESTYLES, INC. is a non-profit corporation and shall be operated exclusively for educational and charitable purposes within the meaning of Section 501 (c)(3) of the Internal Revenue Code of 1986, or the corresponding section of any future Federal tax code.

To provide decent housing for low income elderly 62 years of age and/or disable 55 years of age.

2.02 Powers

The corporation shall have the power, directly or indirectly, alone or in conjunction or cooperation with others, to do any and all lawful acts which may be necessary or convenient to affect the charitable purposes, for which the corporation is organized, and to aid or assist other organizations or persons whose activities further accomplish, foster, or attain such purposes. The powers of the corporation may include, but not be limited to, the acceptance of contributions from the public and private sectors, whether financial or in-kind contributions.

2.03 Nonprofit Status and Exempt Activities Limitation.

(a) **Nonprofit Legal Status.** SENIORS UNLIMITED LIFESTYLES, INC. is a VIRGINIA non-profit public benefit corporation, recognized as tax exempt under Section 501(c)(3) of the United States Internal Revenue Code.

(b) **Exempt Activities Limitation.** Notwithstanding any other provision of these Bylaws, no director, officer, employee, member, or representative of this corporation shall take any action or carry on any activity by or on behalf of the corporation not permitted to be taken or carried on by an organization exempt under Section 501(c)(3) of the Internal Revenue Code as it now exists or

may be amended, or by any organization contributions to which are deductible under Section 170(c)(2) of such Code and Regulations as it now exists or may be amended. No part of the net earnings of the corporation shall inure to the benefit or be distributable to any director, officer, member, or other private person, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in the Articles of Incorporation and these Bylaws.

(c) Distribution Upon Dissolution. Upon termination or dissolution of the SENIORS UNLIMITED LIFESTYLES, INC, any assets lawfully available for distribution shall be distributed to one (1) or more qualifying organizations described in Section 501(c)(3) of the 1986 Internal Revenue Code (or described in any corresponding provision of any successor statute) which organization or organizations have a charitable purpose which, at least generally, includes a purpose similar to the terminating or dissolving corporation.

The organization to receive the assets of the SENIORS UNLIMITED LIFESTYLES, INC hereunder shall be selected in the discretion of a majority of the managing body of the corporation, and if its members cannot so agree, then the recipient organization shall be selected pursuant to a verified petition in equity filed in a court of proper jurisdiction against the SENIORS UNLIMITED LIFESTYLES, INC, by one (1) or more of its managing body which verified petition shall contain such statements as reasonably indicate the applicability of this section. The court upon a finding that this section is applicable shall select the qualifying organization or organizations to receive the assets to be distributed, giving preference if practicable to organizations located within the State of VIRGINIA.

In the event that the court shall find that this section is applicable but that there is no qualifying organization known to it which has a charitable purpose, which, at least generally, includes a purpose similar to the SENIORS UNLIMITED LIFESTYLES, INC, then the court shall direct the distribution of its assets lawfully available for distribution to the Treasurer of the State of VIRGINIA to be added to the general fund.

ARTICLE III **MEMBERSHIP**

3.01 No Membership Classes

The member's corporation shall have a right to vote or title or interest in or to the corporation, its properties and franchises.

3.02 Non-Voting Affiliates

The board of directors may approve classes of non-voting affiliates with rights, privileges, and obligations established by the board. Affiliates may be individuals, businesses, and other organizations that seek to support the mission of the corporation. The board, a designated committee of the board, or any duly elected officer in accordance with board policy, shall have authority to admit any individual or organization as an affiliate, to recognize representatives of affiliates, and to make determinations as to affiliates' rights, privileges, and obligations. At no

time shall affiliate information be shared with or sold to other organizations or groups without the affiliate's consent. At the discretion of the board of directors, affiliates may be given endorsement, recognition and media coverage at fundraising activities, clinics, other events or at the corporation website. Affiliates have no voting rights, and are not members of the corporation.

3.03 Dues

Any dues for affiliates shall be determined by the board of directors.

ARTICLE IV BOARD OF DIRECTORS

4.01 Number of Directors

SENIORS UNLIMITED LIFESTYLES, INC shall have a board of directors consisting of at least 4 and no more than 15 directors. Within these limits, the board may increase or decrease the number of directors serving on the board, including for the purpose of staggering the terms of directors.

4.02 Powers

All corporate powers shall be exercised by or under the authority of the board and the affairs of the SENIORS UNLIMITED LIFESTYLES, INC. Shall be managed under the direction of the board, except as otherwise provided by law.

4.03 Terms

- (a) All directors shall be elected to serve a one-year term, however the term may be extended until a successor has been elected.
- (b) Director terms shall be staggered so that approximately half the number of directors will end their terms in any given year.
- (c) Directors may serve terms in succession.
- (d) The term of office shall be considered to begin January 1 and end December 31 of the second year in office, unless the term is extended until such time as a successor has been elected.

4.04 Qualifications and Election of Directors

In order to be eligible to serve as a director on the board of directors, the individual must be 18 years of age and an affiliate within affiliate classifications created by the board of directors. Directors may be elected at any board meeting by the majority vote of the existing board of directors. The election of directors to replace those who have fulfilled their term of office shall take place in January of each year.

4.05 Vacancies

The board of directors may fill vacancies due to the expiration of a director's term of office, resignation, death, or removal of a director or may appoint new directors to fill a previously unfilled board position, subject to the maximum number of directors under these Bylaws.

(a) Unexpected Vacancies. Vacancies in the board of directors due to resignation, death, or removal shall be filled by the board for the balance of the term of the director being replaced.

4.06 Removal of Directors

A director may be removed by two-thirds ($\frac{2}{3}$) vote of the board of directors then in office, if:

(a) the director is absent and unexcused from two or more meetings of the board of directors in a twelve month period. The board president is empowered to excuse directors from attendance for a reason deemed adequate by the board president. The president shall not have the power to excuse him/herself from the board meeting attendance and in that case, the board vice president shall excuse the president. Or:

(b) for cause or no cause, if before any meeting of the board at which a vote on removal will be made the director in question is given electronic or written notification of the board's intention to discuss her/his case and is given the opportunity to be heard at a meeting of the board.

4.07 Board of Directors Meetings.

(a) Regular Meetings. The board of directors shall have a minimum of four (4) regular meetings each calendar year at times and places fixed by the board. Board meetings shall be held upon four (4) days notice by first-class mail, electronic mail, or facsimile transmission or forty-eight (48) hours notice delivered personally or by telephone. If sent by mail, facsimile transmission, or electronic mail, the notice shall be deemed to be delivered upon its deposit in the mail or transmission system. Notice of meetings shall specify the place, day, and hour of meeting. The purpose of the meeting need not be specified.

(b) Special Meetings. Special meetings of the board may be called by the president, vice president, secretary, treasurer, or any two (2) other directors of the board of directors. A special meeting must be preceded by at least 2 days notice to each director of the date, time, and place, but not the purpose, of the meeting.

(c) Waiver of Notice. Any director may waive notice of any meeting, in accordance with [YOUR STATE] law.

4.08 Manner of Acting.

(a) **Quorum.** A majority of the directors in office immediately before a meeting shall constitute a quorum for the transaction of business at that meeting of the board. No business shall be considered by the board at any meeting at which a quorum is not present.

(b) **Majority Vote.** Except as otherwise required by law or by the articles of incorporation, the act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the board.

(c) **Hung Board Decisions.** On the occasion that directors of the board are unable to make a decision based on a tied number of votes, the president or treasurer in the order of presence shall have the power to swing the vote based on his/her discretion.

(d) **Participation.** Except as required otherwise by law, the Articles of Incorporation, or these Bylaws, directors may participate in a regular or special meeting through the use of any means of communication by which all directors participating may simultaneously hear each other during the meeting, including in person, internet video meeting or by telephonic conference call.

4.09 Compensation for Board Service

Directors shall receive no compensation for carrying out their duties as directors. The board may adopt policies providing for reasonable reimbursement of directors for expenses incurred in conjunction with carrying out board responsibilities, such as travel expenses to attend board meetings.

4.10 Compensation for Professional Services by Directors

Directors are not restricted from being remunerated for professional services provided to the corporation. Such remuneration shall be reasonable and fair to the corporation and must be reviewed and approved in accordance with the board Conflict of Interest policy and state law.

ARTICLE V **COMMITTEES**

5.01 Committees

The board of directors may, by the resolution adopted by a majority of the directors then in office, designate one or more committees, each consisting of two or more directors, to serve at the pleasure of the board. Any committee, to the extent provided in the resolution of the board, shall have all the authority of the board, except that no committee, regardless of board resolution, may:

- (a) take any final action on matters which also requires board members' approval or approval of a majority of all members;
- (b) fill vacancies on the board of directors of in any committee which has the authority of the board;

- (c) amend or repeal Bylaws or adopt new Bylaws;
- (d) amend or repeal any resolution of the board of directors which by its express terms is not so amendable or repealable;
- (e) appoint any other committees of the board of directors or the members of these committees;
- (f) expend corporate funds to support a nominee for director; or
- (g) approve any transaction;
- (i) to which the corporation is a party and one or more directors have a material financial interest; or
- (ii) between the corporation and one or more of its directors or between the corporation or any person in which one or more of its directors have a material financial interest.

5.2 Meetings and Action of Committees

Meetings and action of the committees shall be governed by and held and taken in accordance with, the provisions of Article IV of these Bylaws concerning meetings of the directors, with such changes in the context of those Bylaws as are necessary to substitute the committee and its members for the board of directors and its members, except that the time for regular meetings of committees may be determined either by resolution of the board of directors or by resolution of the committee. Special meetings of the committee may also be called by resolution of the board of directors. Notice of special meetings of committees shall also be given to any and all alternate members, who shall have the right to attend all meetings of the committee. Minutes shall be kept of each meeting of any committee and shall be filed with the corporate records. The board of directors may adopt rules for the governing of the committee not inconsistent with the provision of these Bylaws.

5.3 Informal Action By The Board of Directors

Any action required or permitted to be taken by the board of directors at a meeting may be taken without a meeting if consent in writing, setting forth the action so taken, shall be agreed by the consensus of a quorum. For purposes of this section an e-mail transmission from an e-mail address on record constitutes a valid writing. The intent of this provision is to allow the board of directors to use email to approve actions, as long as a quorum of board members gives consent.

normally accede to the office of board president upon the completion of the board president's term of office.

6.06 Secretary

The secretary shall keep or cause to be kept a book of minutes of all meetings and actions of directors and committees of directors. The minutes of each meeting shall state the time and place that it was held and such other information as shall be necessary to determine the actions taken and whether the meeting was held in accordance with the law and these Bylaws. The secretary shall cause notice to be given of all meetings of directors and committees as required by the Bylaws. The secretary shall have such other powers and perform such other duties as may be prescribed by the board of directors or the board president. The secretary may appoint, with approval of the board, a director to assist in performance of all or part of the duties of the secretary.

6.07 Treasurer

The treasurer shall be the lead director for oversight of the financial condition and affairs of the corporation. The treasurer shall oversee and keep the board informed of the financial condition of the corporation and of audit or financial review results. In conjunction with other directors or officers, the treasurer shall oversee budget preparation and shall ensure that appropriate financial reports, including an account of major transactions and the financial condition of the corporation, are made available to the board of directors on a timely basis or as may be required by the board of directors. The treasurer shall perform all duties properly required by the board of directors or the board president. The treasurer may appoint, with approval of the board a qualified fiscal agent or member of the staff to assist in performance of all or part of the duties of the treasurer.

6.08 Non-Director Officers

The board of directors may designate additional officer positions of the corporation and may appoint and assign duties to other non-director officers of the corporation.

ARTICLE VII **CONTRACTS, CHECKS, LOANS,** **INDEMNIFICATION AND RELATED MATTERS**

7.01 Contracts and other Writings

Except as otherwise provided by resolution of the board or board policy, all contracts, deeds, leases, mortgages, grants, and other agreements of the corporation shall be executed on its behalf by the persons to whom the corporation has delegated authority to execute such documents in accordance with policies approved by the board. Members shall vote on contracts appoint two people to carry it out, two signatures be required the board will vote on matters

7.02 Checks, Drafts

All checks, drafts, or other orders for payment of money, notes, or other evidence of indebtedness issued in the name of the corporation, shall be signed by such officer or officers, agent or agents, of the corporation and in such manner as shall from time to time be determined by resolution of the board. Two signatures required (all checks)

7.03 Deposits

All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies, or other depository as the board or a designated committee of the board may select.

7.04 Loans

No loans shall be contracted on behalf of the corporation and no evidence of indebtedness shall be issued in its name unless authorized by resolution of the board. Such authority may be general or confined to specific instances.

7.05 Indemnification

(a) Mandatory Indemnification. The corporation shall indemnify a director or former director, who was wholly successful, on the merits or otherwise, in the defense of any proceeding to which he or she was a party solely because he or she is or was a director of the corporation, and was acting in the capacity of a director and under the authority given by the corporation, against reasonable expenses incurred by him or her in connection with the proceedings.

(b) Permissible Indemnification. The corporation shall indemnify a director or former director made a party to a proceeding because he or she is or was a director of the corporation, against liability incurred in the proceeding, if the determination to indemnify him or her has been made in the manner prescribed by the law and payment has been authorized in the manner prescribed by law.

(c) Advance for Expenses. Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding, as authorized by the board of directors in the specific case, upon receipt of (I) a written affirmation from the director, officer, employee or agent of his or her good faith belief that he or she is entitled to indemnification as authorized in this article, and (II) an undertaking by or on behalf of the director, officer, employee or agent to repay such amount, unless it shall ultimately be determined that he or she is entitled to be indemnified by the corporation in these Bylaws.

(d) Indemnification of Officers, Agents and Employees. An officer of the corporation who is not a director is entitled to mandatory indemnification under this article to the same extent as a director. The corporation may also indemnify and advance expenses to an employee or agent of the corporation who is not a director, consistent with Virginia Law and public policy, provided that such indemnification, and the scope of such indemnification, is set forth by the general or specific

action of the board or by contract acting solely in that capacity and was acting in the capacity of a director and under the authority given by the corporation,

E. The corporation is required to carry indemnification insurance the amount of coverage to be determined by the board of directors

ARTICLE VIII MISCELLANEOUS

8.01 Books and Records

The corporation shall keep correct and complete books and records of account and shall keep minutes of the proceedings of all meetings of its board of directors, a record of all actions taken by board of directors without a meeting, and a record of all actions taken by committees of the board. In addition, the corporation shall keep a copy of the corporation's Articles of Incorporation and Bylaws as amended to date.

8.02 Fiscal Year

The fiscal year of the corporation shall be from January 1 to December 31 of each year.

8.03 Conflict of Interest

The board shall adopt and periodically review a conflict of interest policy to protect the corporation's interest when it is contemplating any transaction or arrangement which may benefit any director, officer, employee, affiliate, or member of a committee with board-delegated powers.

8.04 Nondiscrimination Policy

The officers, directors, committee members, employees, and persons served by this corporation shall be selected entirely on a nondiscriminatory basis with respect to age, sex, race, religion, national origin, and sexual orientation. It is the policy of SENIORS UNLIMITED LIFESTYLES, INC. not to discriminate on the basis of race, creed, ancestry, marital status, gender, sexual orientation, age, physical disability, veteran's status, political service or affiliation, color, religion, or national origin.

8.05 Bylaw Amendment

These Bylaws may be amended, altered, repealed, or restated by a vote of the majority of the board of directors then in office at a meeting of the Board, provided, however,

(a) that no amendment shall be made to these Bylaws which would cause the corporation to cease to qualify as an exempt corporation under Section 501 (c)(3) of the Internal Revenue Code of 1986, or the corresponding section of any future Federal tax code; and,

(b) that an amendment does not affect the voting rights of directors. An amendment that does

affect the voting rights of directors further requires ratification by a two-thirds (⅔) vote of a quorum of directors at a Board meeting.

(c) that all amendments be consistent with the Articles of Incorporation.

ARTICLE IX COUNTERTERRORISM AND DUE DILIGENCE POLICY

In furtherance of its exemption by contributions to other organizations, domestic or foreign, SENIORS UNLIMITED LIFESTYLES, INC. shall stipulate how the funds will be used and shall require the recipient to provide the corporation with detailed records and financial proof of how the funds were utilized.

Although adherence and compliance with the US Department of the Treasury's publication the "Voluntary Best Practice for US. Based Charities" is not mandatory, SENIORS UNLIMITED LIFESTYLES, INC. will fully and voluntarily recognize and put to practice these guidelines and suggestions to reduce, develop, re-evaluate and strengthen a risk-based approach to guard against the threat of diversion of charitable funds or exploitation of charitable activity by terrorist organizations and their support networks.

SENIORS UNLIMITED LIFESTYLES, INC. shall also comply and put into practice the federal guidelines, suggestion, laws and limitation set forth by pre-existing U.S. legal requirements related to combating terrorist financing, which include, but are not limited to, various sanctions programs administered by the Office of Foreign Assets Control (OFAC) in regard to its foreign activities.

ARTICLE X DOCUMENT RETENTION POLICY

10.01 Purpose

The purpose of this document retention policy is establishing standards for document integrity, retention, and destruction and to promote the proper treatment of SENIORS UNLIMITED LIFESTYLES, INC. records.

10.02 Policy

Section I. General Guidelines, Records should not be kept if they are no longer needed for the operation of the business or required by law. Unnecessary records should be eliminated from the files. The cost of maintaining records is an expense which can grow unreasonably if good housekeeping is not performed. A mass of records also makes it more difficult to find pertinent records.

From time to time, SENIORS UNLIMITED LIFESTYLES, INC. may establish retention or destruction policies or schedules for specific categories of records in order to ensure legal compliance, and also to accomplish other objectives, such as preserving intellectual property and cost management. Several categories of documents that warrant special consideration are identified below. While minimum retention periods are established, the retention of the documents identified below and of documents not included in the identified categories should be determined primarily by the application of the general guidelines affecting document retention, as well as the exception for litigation relevant documents and any other pertinent factors.

Section 2. Exception for Litigation Relevant Documents. SENIORS UNLIMITED LIFESTYLES, INC. expects all officers, directors, and employees to comply fully with any published records retention or destruction policies and schedules, provided that all officers, directors, and employees should note the following general exception to any stated destruction schedule: If you believe, or the informs you, that corporate records are relevant to litigation, or potential litigation (i.e. a dispute that could result in litigation), then you must preserve those records until it is determined that the records are no longer needed. That exception supersedes any previously or subsequently established destruction schedule for those records.

Section 3. Minimum Retention Periods for Specific Categories

(a) **Corporate Documents.** Corporate records include the corporation's Articles of Incorporation, By-Laws and IRS Form 1023 and Application for Exemption. Corporate records should be retained permanently. IRS regulations require that the Form 1023 be available for public inspection upon request.

(b) **Tax Records.** Tax records include, but may not be limited to, documents concerning payroll, expenses, proof of contributions made by donors, accounting procedures, and other documents concerning the corporation's revenues. Tax records should be retained for at least seven years from the date of filing the applicable return.

(c) **Employment Records/Personnel Records.** State and federal statutes require the corporation to keep certain recruitment, employment and personnel information. The corporation should also keep personnel files that reflect performance reviews and any complaints brought against the corporation or individual employees under applicable state and federal statutes. The corporation should also keep in the employee's personnel file all final memoranda and correspondence reflecting performance reviews and actions taken by or against personnel. Employment applications should be retained for three years. Retirement and pension records should be kept permanently. Other employment and personnel records should be retained for seven years.

(d) **Board and Board Committee Materials.** Meeting minutes should be retained in perpetuity in the corporation's minute book. A clean copy of all other Board and Board Committee materials should be kept for no less than three years by the corporation.

(e) **Press Releases/Public Filings.** The corporation should retain permanent copies of all press releases and publicly filed documents under the theory that the corporation should have its own copy to test the accuracy of any document a member of the public can theoretically produce against the corporation.

(f) Legal Files. Legal counsel should be consulted to determine the retention period of particular documents, but legal documents should generally be maintained for a period of ten years.

(g) Marketing and Sales Documents. The corporation should keep final copies of marketing and sales documents for the same period of time it keeps other corporate files, generally three years. An exception to the three-year policy may be sales invoices, contracts, leases, licenses, and other legal documentation. These documents should be kept for at least three years beyond the life of the agreement.

(h) Development/Intellectual Property and Trade Secrets. Development documents are often subject to intellectual property protection in their final form (e.g., patents and copyrights). The documents detailing the development process are often also of value to the corporation and are protected as a trade secret where the corporation:

- (i) derives independent economic value from the secrecy of the information; and
- (ii) has taken affirmative steps to keep the information confidential.

The corporation should keep all documents designated as containing trade secret information for at least the life of the trade secret.

(i) Contracts. Final, execution copies of all contracts entered into by the corporation should be retained. The corporation should retain copies of the final contracts for at least three years beyond the life of the agreement, and longer in the case of publicly filed contracts.

(j) Correspondence. Unless correspondence falls under another category listed elsewhere in this policy, correspondence should generally be saved for two years.

(k) Banking and Accounting. Accounts payable ledgers and schedules should be kept for seven years. Bank reconciliations, bank statements, deposit slips and checks (unless for important payments and purchases) should be kept for three years. Any inventories of products, materials, and supplies and any invoices should be kept for seven years.

(l) Insurance. Expired insurance policies, insurance records, accident reports, claims, etc. Should be kept at the determination of the board of directors

(m) Audit Records. External audit reports should be kept permanently. Internal audit reports should be kept for three years.

Section 4. Electronic Mail. E-mail that needs to be saved should be either:

- (i) printed in hard copy and kept in the appropriate file; or
- (ii) downloaded to a computer file and kept electronically or on disk as a separate file. The retention period depends upon the subject matter of the e-mail, as covered elsewhere in this policy.

ARTICLE XI

Transparency and Accountability
Disclosure of Financial Information With The General Public

11.01 Purpose

By making full and accurate information about its mission, activities, finances, and governance publicly available, SENIORS UNLIMITED LIFESTYLES, INC. practices and encourages transparency and accountability to the general public. This policy will:

- (a) indicate which documents and materials produced by the corporation are presumptively open to staff and/or the public
- (b) indicate which documents and materials produced by the corporation are presumptively closed to staff and/or the public
- (c) specify the procedures whereby the open/closed status of documents and materials can be altered.

The details of this policy are as follow:

11.02 Financial and IRS documents (The form 1023 and the form 990)

SENIORS UNLIMITED LIFESTYLES, INC. shall provide its Internal Revenue forms 990, 990-T, 1023 and 5227, bylaws, conflict of interest policy, and financial statements to the general public for inspection free of charge.

11.03 Means and Conditions of Disclosure

SENIORS UNLIMITED LIFESTYLES, INC. shall make "Widely Available" the aforementioned documents on its internet website: SENIORS UNLIMITED LIFESTYLES, INC. to be viewed and inspected by the general public.

- (a) The documents shall be posted in a format that allows an individual using the Internet to access, download, view and print them in a manner that exactly reproduces the image of the original document filed with the IRS (except information exempt from public disclosure requirements, such as contributor lists).
- (b) The website shall clearly inform readers that the document is available and provide instructions for downloading it.
- (c) SENIORS UNLIMITED LIFESTYLES, INC. shall not charge a fee for downloading the information. Documents shall not be posted in a format that would require special computer hardware or software (other than software readily available to the public free of charge).
- (d) SENIORS UNLIMITED LIFESTYLES, INC. shall inform anyone requesting the information where this information can be found, including the web address. This

information must be provided immediately for in-person requests and within 7 days for mailed requests.

11.04 IRS Annual Information Returns (Form 990)

SENIORS UNLIMITED LIFESTYLES, INC. shall submit the Form 990 to its board of directors prior to the filing of the Form 990. While neither the approval of the Form 990 or a review of the 990 is required under Federal law, the corporation's Form 990 shall be submitted to each member of the board of director's via (hard copy or email) at least 10 days before the Form 990 is filed with the IRS.

11.05 Board

- (a) All board deliberations shall be open to the public except where the board passes a motion to make any specific portion confidential.
- (b) All board minutes shall be open to the public once accepted by the board, except where the board passes a motion to make any specific portion confidential.
- (c) All papers and materials considered by the board shall be open to the public following the meeting at which they are considered, except where the board passes a motion to make any specific paper or material confidential.

11.06 Staff Records

- (a) All staff records shall be available for consultation by the staff member concerned or by their legal representatives.
- (b) No staff records shall be made available to any person outside the corporation except the authorized governmental agencies.
- (c) Within the corporation, staff records shall be made available only to those persons with managerial or personnel responsibilities for that staff member, except that
- (d) Staff records shall be made available to the board when requested.

11.07 Donor Records

- (a) All donor records shall be available for consultation by the members and donors concerned or by their legal representatives.
- (b) No donor records shall be made available to any other person outside the corporation except the authorized governmental agencies.
- (c) Within the corporation, donor records shall be made available only to those persons with managerial or personnel responsibilities for dealing with those donors, except that ;
- (d) donor records shall be made available to the board when requested.

ARTICLE XII
CODES OF ETHICS AND WHISTLEBLOWER POLICY

12.01 Purpose

SENIORS UNLIMITED LIFESTYLES, INC. requires and encourages directors, officers and employees to observe and practice high standards of business and personal ethics in the conduct of their duties and responsibilities. The employees and representatives of the corporation must practice honesty and integrity in fulfilling their responsibilities and comply with all applicable laws and regulations. It is the intent of SENIORS UNLIMITED LIFESTYLES, INC. to adhere to all laws and regulations that apply to the corporation and the underlying purpose of this policy is to support the corporation's goal of legal compliance. The support of all corporate staff is necessary to achieving compliance with various laws and regulations.

12.02 Reporting Violations

If any director, officer, staff or employee reasonably believes that some policy, practice, or activity of SENIORS UNLIMITED LIFESTYLES, INC. is in violation of law, a written complaint must be filed by that person with the vice president or the board president.

12.03 Acting in Good Faith

Anyone filing a complaint concerning a violation or suspected violation must be acting in good faith and have reasonable grounds for believing the information disclosed indicates a violation. Any allegations that prove not to be substantiated and which prove to have been made maliciously or knowingly to be false shall be subject to civil and criminal review.

12.04 Retaliation

Said person is protected from retaliation only if she/he brings the alleged unlawful activity, policy, or practice to the attention of SENIORS UNLIMITED LIFESTYLES, INC. and provides the SENIORS UNLIMITED LIFESTYLES, INC. with a reasonable opportunity to investigate and correct the alleged unlawful activity. The protection described below is only available to individuals that comply with this requirement.

SENIORS UNLIMITED LIFESTYLES, INC. shall not retaliate against any director, officer, staff or employee who in good faith, has made a protest or raised a complaint against some practice of SENIORS UNLIMITED LIFESTYLES, INC. or of another individual or entity with whom SENIORS UNLIMITED LIFESTYLES, INC. has a business relationship, on the basis of a reasonable belief that the practice is in violation of law, or a clear mandate of public policy.

SENIORS UNLIMITED LIFESTYLES, INC. shall not retaliate against any director, officer, staff or employee who disclose or threaten to disclose to a supervisor or a public body, any activity, policy, or practice of SENIORS UNLIMITED LIFESTYLES, INC. that the individual reasonably believes is in violation of a law, or a rule, or regulation mandated pursuant to law or is in violation of a clear mandate of public policy concerning the health, safety, welfare, or protection of the environment.

12.05 Confidentiality

Violations or suspected violations may be submitted on a confidential basis by the complainant or may be submitted anonymously. Reports of violations or suspected violations shall be kept confidential to the extent possible, consistent with the need to conduct an adequate investigation.

12.06 Handling of Reported Violations

The board president or vice president shall notify the sender and acknowledge receipt of the reported violation or suspected violation within five business days. All reports shall be promptly investigated by the board and its appointed committee and appropriate corrective action shall be taken if warranted by the investigation.

This policy shall be made available to all directors, officers, staffs or employees and they shall have the opportunity to ask questions about the policy.

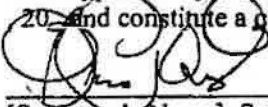
ARTICLE XIII
AMENDMENT OF ARTICLES OF INCORPORATION

13.01 Amendment

Any amendment to the Articles of Incorporation may be adopted by approval of two-thirds (2/3) of the board of directors.

CERTIFICATE OF ADOPTION OF BYLAWS

I do hereby certify that the above stated Bylaws of SENIORS UNLIMITED LIFESTYLES, INC. were approved by the SENIORS UNLIMITED LIFESTYLES, INC. board of directors on July 20, 2017 and constitute a complete copy of the Bylaws of the corporation.



[Secretary's Name], Secretary

Date: 9/9/2017

INTERNAL REVENUE SERVICE
P. O. BOX 2508
CINCINNATI, OH 45201

DEPARTMENT OF THE TREASURY

Date:

JUL 07 2006

SENIORS UNLIMITED LIFESTYLES INC
C/O ANGELA D WHITKREAD
453 LONGDALE CRESCENT
CHESAPEAKE, VA 23325-1531

Employer Identification Number:
56-2493920
EIN:
17053256005035
Contact Person:
KAREN T HOOD ID# 75069
Contact Telephone Number:
(877) 829-5500
Accounting Period Ending:
December 31
Public Charity Status:
179 (b) (1) (A) (vi)
Form 990 Required:
Yes
Effective Date of Exemption:
October 14, 2004
Contribution Deductibility:
Yes
Advance Ruling Ending Date:
December 31, 2008

Dear Applicant:

We are pleased to inform you that upon review of your application for tax exempt status we have determined that you are exempt from Federal income tax under section 501(c) (3) of the Internal Revenue Code. Contributions to you are deductible under section 170 of the Code. You are also qualified to receive tax deductible bequests, devises, transfers or gifts under section 2055, 2106 or 2522 of the Code. Because this letter could help resolve any questions regarding your exempt status, you should keep it in your permanent records.

Organizations exempt under section 501(c) (3) of the Code are further classified as either public charities or private foundations. During your advance ruling period, you will be treated as a public charity. Your advance ruling period begins with the effective date of your exemption and ends with advance ruling ending date shown in the heading of the letter.

Shortly before the end of your advance ruling period, we will send you Form 8734, Support Schedules for Advance Ruling Period. You will have 90 days after the end of your advance ruling period to return the completed form. We will then notify you, in writing, about your public charity status.

Please see enclosed Information for Exempt Organizations Under Section 501(c) (3) for some helpful information about your responsibilities as an exempt organization.

Letter 1045 (DO/CG)

SENIORS UNLIMITED LIFESTYLES INC

Sincerely,



Lois G. Lerner
Director, Exempt Organizations
Rulings and Agreements

Enclosures: Information for Organizations Exempt Under Section 501(c)(3)
Statute Extension

Letter 1045 (DO/CG)

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

AT RICHMOND, OCTOBER 14, 2004

The State Corporation Commission has found the accompanying articles submitted on behalf of
SENIORS UNLIMITED LIFESTYLES, INC.

to comply with the requirements of law, and confirms payment of all required fees. Therefore, it
is ORDERED that this

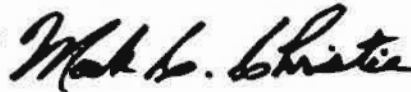
CERTIFICATE OF INCORPORATION

be issued and admitted to record with the articles of incorporation in the Office of the Clerk of
the Commission, effective October 14, 2004.

The corporation is granted the authority conferred on it by law in accordance with the articles,
subject to the conditions and restrictions imposed by law.


STATE CORPORATION COMMISSION

By



Commissioner

CORPACPT
CIS0313
04-10-14-0049



SULI OFFICERS/BOARD MEMBERS

Chief Executive Officer:
Angela Whitehead
453 Longdale Crescent
Chesapeake, VA 23325
Tel: 757-737-3713

President:
Kedron Springer, Esq.
2408 Amie Drive
Chesapeake, VA 23322
Tel: 757-297-6311

Vice President:
Monique Hitchcock
3129 Bloomfield Court
Virginia Beach, VA 23453
Tel: 757-288-0702

Treasurer:
Gerald Porter
1815 Cullen Ave.
Chesapeake, VA 23324
Tel: 757-395-9829

Secretary:
Katrina Griggs
705 Albertine Court
Chesapeake, VA 23320
Tel: 757-419-6443

Board Member:
Evelyn Cooper
1001 Rosemead Court
Virginia Beach, VA 23464
Tel: 757-375-5559

SULI Non-profit Questionnaire Nonprofit Involvement #3 Response, Page 4:

3. Nonprofit Involvement (page 4 of NPQ)

If this is a joint venture, (i.e. the non-profit is not the sole general partner/managing member), explain the nature and extent of the joint venture partner's involvement in the construction or rehabilitation and operation or management of the proposed development.

This is a co-development project. The Managing Member is made up of both nonprofits with VBCDC being the majority partner with decision making authority. VBCDC will provide construction oversight and property management and maintenance. Seniors Unlimited Lifestyles Inc. will provide voluntary services once the development is operational.

Tab J:

Relocation Plan and Unit Delivery Schedule
(MANDATORY-Rehab)

N/A

Tab K:

Documentation of Development Location:

Tab K.1

Revitalization Area Certification

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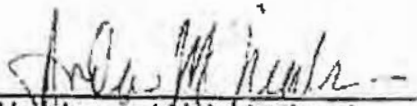
A RESOLUTION DECLARING THE PROPOSED
LOCATION OF TRANQUILITY AT THE LAKES II
TO BE A REVITALIZATION AREA IN ORDER TO
QUALIFY FOR VIRGINIA HOUSING FINANCING

WHEREAS, pursuant to Section 36-55.30:2(A) of the Code of Virginia, the City Council of the City of Virginia Beach, Virginia, desires to designate an area as shown on Exhibit A attached hereto (the "Area") as a revitalization area;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF VIRGINIA BEACH, VIRGINIA, THAT:

- 1. The Council makes the following determinations:
 - a. The industrial, commercial or other economic development of the Area will benefit the City but the Area lacks the housing needed to induce manufacturing, industrial, commercial, governmental, educational, entertainment, community development, healthcare or nonprofit enterprises or undertakings to locate or remain in the Area; and
 - b. Private enterprises and investment are not reasonably expected, without assistance, to produce the construction or rehabilitation of decent, safe and sanitary housing and supporting facilities that will meet the needs to low and moderate income persons and families in the Area and will induce other persons and families to live within the Area and thereby create a desirable economic mix of residents in the Area.
- 2. Pursuant to § 36-55.30:2(A) of the Code of Virginia, the Area is hereby designated as a revitalization area.

Adopted by the Council of the City of Virginia Beach, Virginia on the 16th day of March, 2021.

APPROVED AS TO CONTENT:

Housing and Neighborhood
Preservation

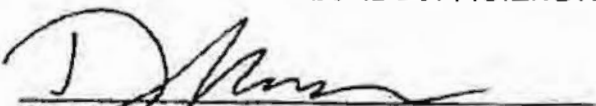
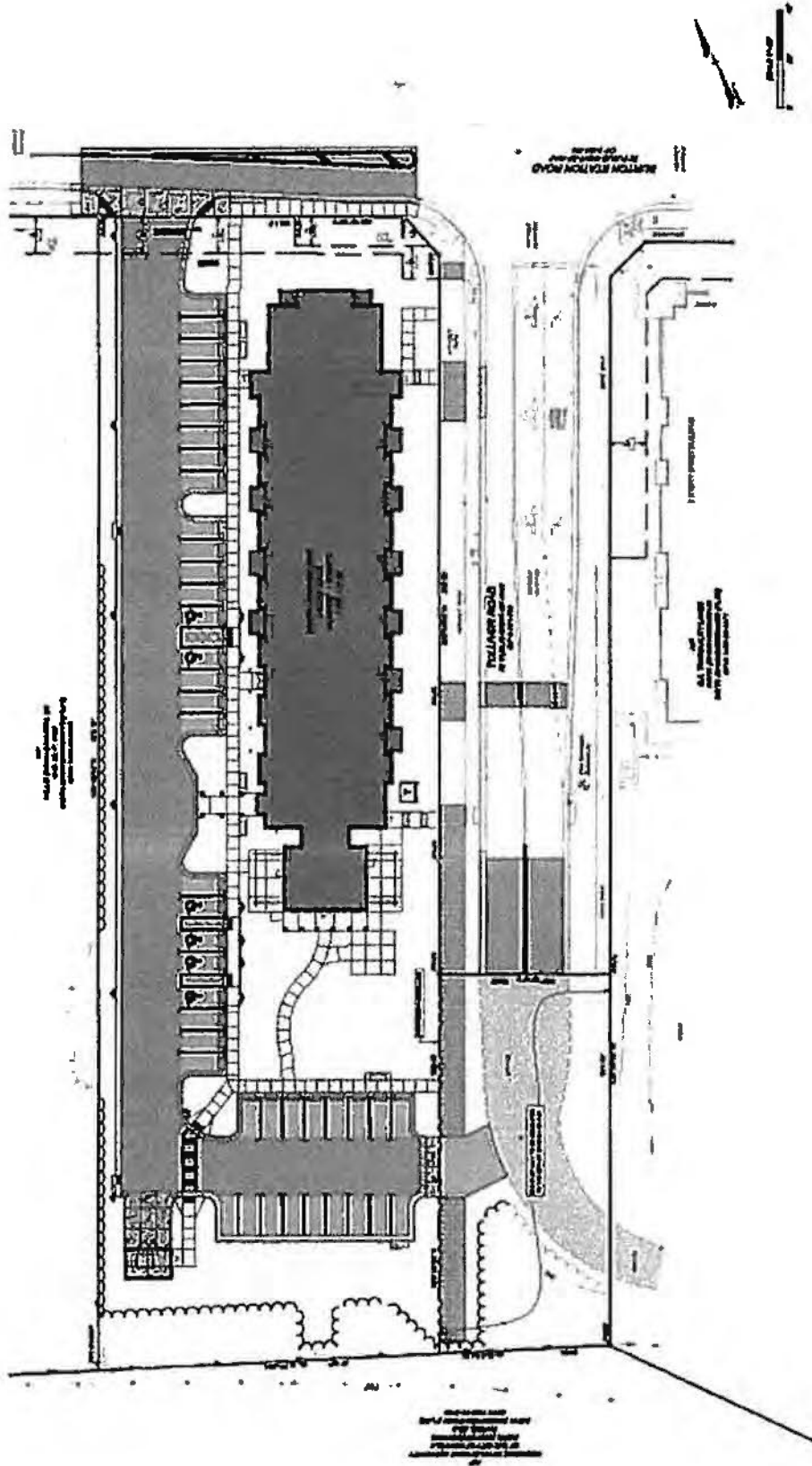
APPROVED AS TO LEGAL SUFFICIENCY:

City Attorney's Office

Exhibit A – Tranquility at the Lakes II



Location and Site Layouts – GPIN 1458-88-2715, 1458-88-2897, 1458-89-2090, 1458-89-3052, 1458-89-2065

Exhibit A – Tranquility at the Lakes II

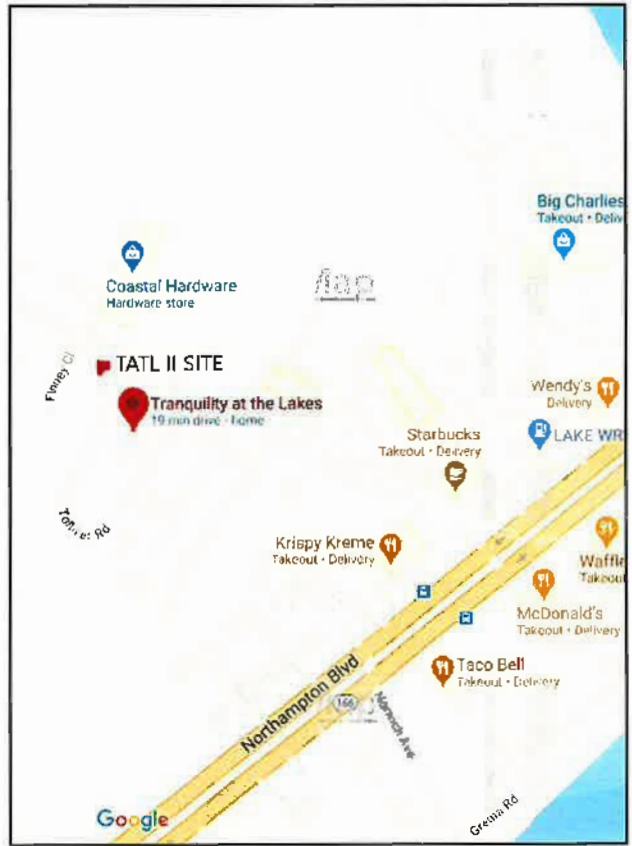
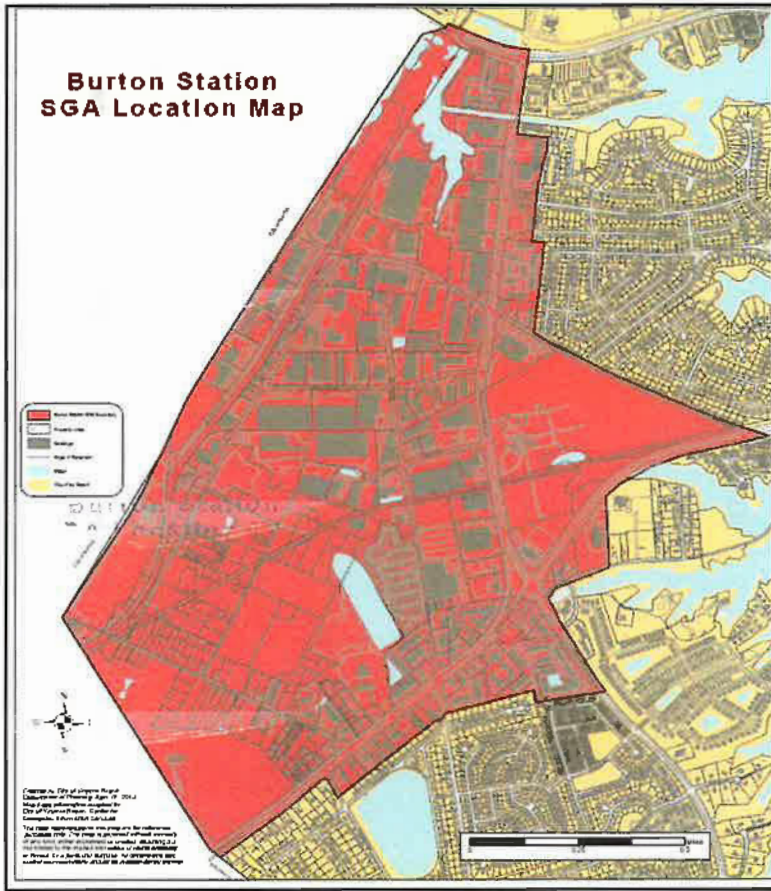


Location and Site Layouts – GPIN 1458-88-2715, 1458-88-2897, 1458-89-2090, 1458-89-3052, 1458-89-2065

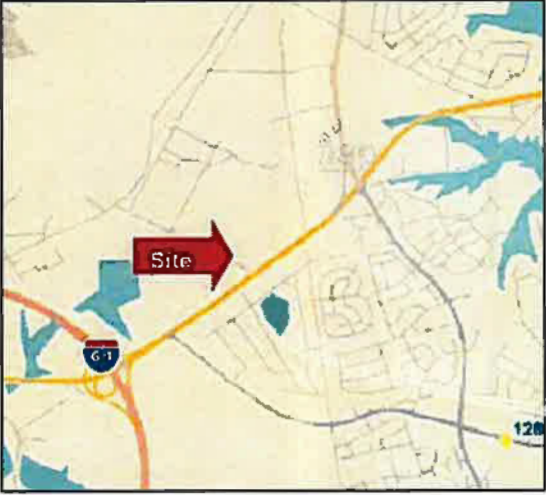
Tab K.2

Location Map

TAB K. 2: Tranquility At The Lakes II Location Map



1. BURTON STATION SGA LOCATION MAP



2. BURTON STATION SGA LOCATION MAP

3. BURTON STATION SGA LOCATION MAP

TAB K.2 : Location Map

Tranquility at the Lakes II

TATL II Location Map



TATL II Site Location



5837 Burton Station Road



5841 Burton Station Road



1012 Finney Circle



1020 Finney Circle



Tab K.3

Surveyor's Certification of Proximity To Public
Transportation

Surveyor's Certification of Proximity to Transportation

DATE: 03/02/2022

TO: Virginia Housing Development Authority
601 South Belvidere Street
Richmond, VA 23220-6500

RE: 2022 Tax Credit Reservation Request
Name of Development: Tranquility at the Lakes II
Name of Owner: SUL Tranquility Lakes II, LLC

Gentlemen:

This letter is submitted to you in support of the Owner's Application for Reservation of Low-Income Housing Tax Credits under Section 42 of the Internal Revenue Code of 1986, as amended.

Based upon due investigation of the site and any other matters as it deemed necessary this firm certifies that: the main street boundary entrance to the property is within:

- 2,640 feet or ½ mile of the nearest access point to an existing commuter rail, light rail or subway station; or
- 1,320 feet or ¼ mile of the nearest access point to an existing public bus stop.



Timmons Group
Firm Name

By:  _____

Its: Sr. Project Manager

Title

Tab L:

PHA / Section 8 Notification Letter



PHA or Section 8 Notification Letter

Development Name: Tranquility at the Lakes II
Tracking #: 2022-C-39

If you have any questions, please call the Tax Credit Department at (804) 343-5518.

General Instructions

1. Because of conflicting program requirements regarding waiting list procedures, this letter is not applicable to those developments that have project based Section 8 or project based vouchers.
2. This PHA or Section 8 Notification letter must be included with the application.
3. 'Development Address' should correspond to I.A.2 on page 1 of the Application.
4. 'Proposed Improvements' should correspond with I.B & D and III.A of the Application.
5. 'Proposed Rents' should correspond with VII.C of the Application.
6. 'Other Descriptive Information' should correspond with information in the application.

NOTE: Any change to this form letter may result in a reduction of points under the scoring system.

PHA or Section 8 Notification Letter

DATE: March 4, 2022

TO: Ruth Hill, Director, HNP
2424 Courthouse Drive, #18A
Virginia Beach, VA 23456

RE: PROPOSED AFFORDABLE HOUSING DEVELOPMENT

Name of Development: Tranquility at the Lakes II
Name of Owner: SUL Tranquility Lakes II, LLC

I would like to take this opportunity to notify you of a proposed affordable housing development to be completed in your jurisdiction. We are in the process of applying for federal low-income housing tax credits from the Virginia Housing Development Authority (VHDA). We expect to make a representation in that application that we will give leasing preference to households on the local PHA or Section 8 waiting list. Units are expected to be completed and available for occupancy beginning on January 2025 (date).

The following is a brief description of the proposed development:

Development Address:

5837 and 5841 Burton Station Road, 1012 and 1020 Finney Circle; and Finney Circle - Right of Way
GPINs: 1458-88-2897, 1458-89-3052, 1458-89-2090, 1458-88-2715, 1458-89-2065

Proposed Improvements:

<input checked="" type="checkbox"/> New Constr.:	<u>38</u>	# units	<u>1</u>	# Bldgs
<input type="checkbox"/> Adaptive Reuse:	<u> </u>	# units	<u> </u>	# Bldgs
<input type="checkbox"/> Rehabilitation:	<u> </u>	# units	<u> </u>	# Bldgs

Proposed Rents:

<input type="checkbox"/> Efficiencies:	\$ <u> </u>	/ month
<input checked="" type="checkbox"/> 1 Bedroom Units:	\$ <u>859,1126</u>	/ month
<input checked="" type="checkbox"/> 2 Bedroom Units:	\$ <u>1007,1297</u>	/ month
<input type="checkbox"/> 3 Bedroom Units:	\$ <u> </u>	/ month
<input type="checkbox"/> 4 Bedroom Units:	\$ <u> </u>	/ month

Other Descriptive Information:

New construction of a 38 unit senior housing development available to households at 40%, 50%, and 60% of the area median income.

PHA or Section 8 Notification Letter

We appreciate your assistance with identifying qualified tenants.

If you have any questions about the proposed development, please call me at (757)506-2745.

Please acknowledge receipt of this letter by signing below and returning it to me.

Sincerely yours,

Jessica Guglielmo

Name

President

Title

To be completed by the Local Housing Authority or Sec 8 Administrator:

Seen and Acknowledged By: Ruth D. Hill

Printed Name: *Ruth D. Hill*

Title: Director, Housing and Neighborhood Preservation

Phone: 757-385-5752

Date: March 4, 2022

Tab M:

Locality CEO Response Letter



City of Virginia Beach

VBgov.com

DEPARTMENT OF HOUSING AND
NEIGHBORHOOD PRESERVATION
MAIN: (757) 385-5750
FAX: (757) 385-1874
TTY: (757) 385-5794

MUNICIPAL CENTER
BUILDING 21, ROOM 144
2408 COURTHOUSE DRIVE
VIRGINIA BEACH, VA 23466-9083
WWW.VBGOV.COM/DEPT/HOUSING

March 7, 2022

Date

JD Bondurant
Virginia Housing Development
Authority 601 South Belvidere
Street Richmond, Virginia
23220

Virginia Housing Tracking Number: 2022-C-39
Development Name: Tranquility at the Lakes II
Name of Owner/Applicant: SUL Tranquility at the Lakes II, LLC.

Dear Mr. Bondurant:

The construction or rehabilitation of the above-named development and the allocation of federal housing tax credits available under IRC Section 42 for said development will help to meet the housing needs and priorities of the City of Virginia Beach. Accordingly, the City of Virginia Beach supports the allocation of federal housing tax credits requested by SUL Tranquility at the Lakes II, LLC., for this development.

Yours truly,

Signature

Ruth D. Hill
Director of Housing and Neighborhood
Preservation, City of Virginia Beach



City of Virginia Beach

LOUIS R. JONES
COUNCILMAN - BAYSIDE BOROUGH
(804) 583-0177

March 15, 2021

1008 WITCH POINT TRAIL
VIRGINIA BEACH, VIRGINIA 23455

Virginia Housing Development Authority
601 South Belvedere Street
Richmond, Virginia 23220

Dear Sirs:

Seniors Unlimited Lifestyles, Inc. built Tranquility At The Lakes in the Burton Station Community in 2016. It has been a tremendous success.

Senior Unlimited Lifestyles is desirous of building Tranquility At the Lakes II in Burton Station. We would welcome this tremendous addition to Burton Station and the Virginia Beach Community. It would be a much needed Asset to the Virginia Beach Community.

Please give serious and favorable consideration to Tranquility At The Lakes II. It is a much Needed Project for our Senior Citizens of Virginia Beach.

Best Wishes!

Louis R. Jones
Councilman, Bayside District
City of Virginia Beach

LRJ: jc



Seniors Unlimited Lifestyles, Inc.

January 29, 2020

Dear Burton Station Family,

Greetings from Seniors Unlimited Lifestyles Inc. Happy New Year to all of you!

SULI's Mission is to provide and sustain high quality affordable housing and services for the elderly and disabled in a safe secure environment.

As many of you know that in 2016 SULI broke ground right here in Burton Station Virginia Beach to build our first 40 unit senior living community called Tranquility at the Lakes Phase I. In the spring of 2017, Tranquility at the Lakes was move in ready, and was able to house 40 seniors. OF the 40 units we were able to house 11 residents that were homeless. However the need for more elderly housing is still so great, there is a waiting list of over 170 seniors that need housing. SULI is currently acquiring land to construct Tranquility at the Lakes Phase II senior community to house another 40 of our seniors right here in Burton Station.

We are proud to provide and sustain quality affordable housing for our seniors. Our seniors are the foundation of our communities they have paved the way for many of us, and this is an opportunity for us to support and help them live out the remainder of their lives with care, dignity and a place to call home. We are dedicated to expanding permanently, quality affordable, thoughtfully universal designed housing for our elderly.

Please consider supporting this continued vision. Your support will make a lasting difference. We need your signature of support. Thank you so much for supporting our mission and our Burton Station community.

With Gratitude,

Angela Whitehead
Chief Executive Officer



Seniors Unlimited Lifestyles, Inc.

January 29, 2020

SIGNATURE PAGE:

Robert J. Harris
 Willie D. Martin Sr.
 James K. Martin
 James D. Martin
 Danni Menser
 Nanda L. Lott
 Melvin C. Elliott
 Glenn B. Elliott
 Ciri Valente
 Aletha Mous
 Shundel Johnson
 Halil Elbr
 Don Bredber
 Baxter Slaton
 Johnnie Cowan
 Essie Bennett
 Doris Blount

Cathy L. Cuffee
 Robert Martin
 Janice Ballard
 Bob [unclear]
 Tom [unclear]
 Kaye [unclear]
 Vivian Housh
 Dawson [unclear]
 Kevin Wyatt
 [unclear]

[Handwritten signature]

[Handwritten signature]

Tab N:

Homeownership Plan

N/A

Tab O:

Plan of Development Certification Letter



City of Virginia Beach

VBgov.com

PLANNING AND COMMUNITY DEVELOPMENT DEPARTMENT
DEVELOPMENT SERVICES CENTER (DSC)
PHONE (757) 385-4621
FAX (757) 385-5789

2875 SABRE STREET, SUITE 500
VIRGINIA BEACH, VA 23452-7385
WWW.VBSOV.COM/PLANNING

Plan of Development Certification

DATE: March 17, 2021

TO: Virginia Housing Development Authority
601 South Belvidere Street
Richmond, VA 23320
Attn: JD Bondurant

RE: PLAN OF DEVELOPMENT CERTIFICATION

Name of Development: Tranquility at the Lakes II Apartments
Name of Owner/Applicant: SUL Tranquility Lakes II LLC
Name of Seller/Current Owner: City of Virginia Beach

The above-referenced Owner/Application has asked this office to complete this form letter regarding the site plan of the proposed Development (more fully described below). This certification is rendered solely for the purpose of confirming the status of the plan of development or site plan approval of the Department. It is understood that this letter will be used by the Virginia Housing Development Authority solely for the purpose of determining whether the Development qualifies for points available under VHDA's Qualified Allocation Plan.

DEVELOPMENT DESCRIPTION:

Development Address: 5837 and 5841 Burton Station Road; 1012 and 1020 Finney Circle; and Right-of-Way

Legal Description: GPINs 1458-88-2897-0000, 1458-89-3052-0000, 1458-89-2090-0000, 1458-88-2715-0000, 1458-89-2065-0000 - See Attached.

Plan of Development Number: TG Job #39258.002, Accela Record No. 2020-DSC-012862, DSC File #B04-012862-SP

Proposed Improvements:

<input checked="" type="checkbox"/> New Construction:	<u>38</u> # Units	<u>1</u> # Buildings	<u>36,216 Sq. Ft.</u>	Total Floor Area
<input type="checkbox"/> Adaptive Reuse:	<u> </u> # Units	<u> </u> # Buildings	<u> </u>	Total Floor Area
<input type="checkbox"/> Rehabilitation:	<u> </u> # Units	<u> </u> # Buildings	<u> </u>	Total Floor Area

Other Description Information:

New construction of 38-unit senior housing development available to households at 40%, 50%, and 60% area median income featuring 32 1-BR units and 6 2-BR units.

LOCAL CERTIFICATION:

- The proposed development described above has an approved final plan of development or site plan (as applicable to the site). No further plan of development or site plan approval is required before issuance of a building permit.
- The proposed development is an existing development with proposed renovations and no additional plan of development approval is needed.

The above plan of development approval is in effect until March 17, 2026.



Signed

Ronald M. Frink
Printed Name

DSC Project Coordinator
Title

(757) 385-5661
Phone

March 17, 2021
Date

NOTES TO LOCALITY:

1. Return this certification to the development for inclusion in the tax credit application package.
2. Any change in this form may result in a reduction of points under the scoring system. If you have any questions, please call the Tax Credit Allocation Department at (804) 343-5518.

Parcel 1: 1012 Finney Circle GPIN 1458-88-2715-0000

ALL THAT certain lot, tract or parcel of land together with improvements thereon belonging, lying, situated and being in the City of Virginia Beach, Virginia and designated and described as: "NOW OR FORMERLY CITY OF VIRGINIA BEACH INST. #20130102000003920, INST. #20121221001461910 1458-88-2715-0000" and further designated as "RESIDUAL AREA OF GPIN 1458-88-2715," as shown on that certain plat entitled: "PLAT SHOWING RIGHT OF WAY HEREBY ESTABLISHED BY CITY OF VIRGINIA BEACH FOR BURTON STATION ROAD IMPROVEMENTS VIRGINIA BEACH, VIRGINIA," Scale 1" = 40', dated April 19, 2018 and revised through January 8, 2019, to which reference is made for a more particular description.

RESERVING UNTO THE CITY all right, title and interest OF the City in and to any and all easements, rights of way, private roads and other rights of access, ingress and/or egress adjacent to, appurtenant to or in any way benefiting the City and/or public.

IT BEING a portion of the same property conveyed to the City of Virginia Beach from Kay Z. Kesser by Deed dated December 18, 2012 and recorded in the aforesaid Clerk's Office as Instrument Number 20130102000003920.

Parcel 2: 1020 Finney Circle GPIN 1458-88-2897-0000

ALL THAT certain lot, tract or parcel of land together with improvements thereon belonging, lying, situated and being in the City of Virginia Beach, VIRGINIA and designated and described as: "RESIDUAL AREA TO BE ACQUIRED BY THE CITY OF VIRGINIA BEACH AREA = 8,198 S.F. OR 0.1882 AC," and further designed as "RESIDUAL AREA TO BE ACQUIRED BY THE CITY OF VIRGINIA BEACH 8,198 SQUARE FEET 0.1882 ACRES" as shown on that certain plat entitled: "PLAT SHOWING RIGHT-OF-WAY AND PROPERTY TO BE ACQUIRED FROM ROBERT L. ELLOITT AND HELEN TYLER BY CITY OF VIRGINIA BEACH FOR BURTON STATION ROAD IMPROVEMENT CIP #9-081.003 VIRGINIA BEACH, VIRGINIA," Scale 1" = 40', dated January 11, 2011 and revised through September 26, 2013, which plat is recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia as Instrument Number 20130927001160920, to which reference is made for a more particular description.

RESERVING UNTO THE CITY all right, title and interest fo the City in and to any and all easements, rights of way, private roads and other rights of access, ingress and/or egress adjacent to, appurtenant to or in any way benefiting the City and/or public.

IT BEING a portion of the same property conveyed to the City of Virginia Beach from Robert L. Elliott and Helen Tyler dated September 18, 2013 and recorded in the aforesaid Clerk's Office as Instrument Number 20130930001163420.

IT FURTHER BEING a portion of the same property conveyed to the City of Virginia Beach by Deeds of Confirmation dated September 18, 2013 from Earl Littleton Elliott, Jr. recorded in the aforesaid Clerk's Office as Instrument Number 20160815000718630; form Romona S. Corprew as Instrument Number 20160809000693760; and from Adrian T. Elliott as Instrumber Number 20160727000644160.

Parcel 3: 5837 Burton Station Road GPIN 1458-89-3052-0000

ALL THAT certain lot, tract or parcel of land together with improvements thereon belonging, lying, situated and being in the City of Virginia Beach, Virginia and designated and described as: "NOW OR FORMERLY CITY OF VIRGINIA BEACH INSTRUMENT #20131017001240220 INSTR # 20131016001232250 (PLAT) 1458-89-3052" and further designated as "RESIDUAL AREA OF GPIN 1458-89-3052", as shown on that certain plat entitled "PLAT SHOWING EASEMENT TO BE ESTABLISHED BY CITY OF VIRGINIA BEACH FOR BURTON STATION ROAD IMPROVEMENTS CIP #9-081.003 VIRGINIA BEACH, VIRGINIA," Scale 1" = 40', dated August 29, 2016, which plat is recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia as Instrument Number 20180226000152270, to which reference is made for a more particular description.

LESS AND EXCEPT those certain Dominion Virginia Power, Verizon Virginia, Inc., Cox Communications Hampton Roads, LLC easements as shown on the aforesaid plat and recorded respectively as Instrument Numbers 20161026000968630, 20160726000641970, and 20160805000683460.

RESERVING UNTO THE CITY the public drainage easement as shown on the aforesaid plat as "PROPOSED PUBLIC DRAINAGE EASEMENT AREA = 930 S.F. OR 0.0213 AC." and further described as "PROPOSED DRAINAGE EASEMENT 930 SQUARE FEET 0.0213 ACRES," as shown on the aforesaid plat.

RESERVING UNTO THE CITY all right, title and interest fo the City in and to any and all easements, rights of way, private roads and other rights of access, ingress and/or egress adjacent to, appurtenant to or in any way benefiting the City and/or public.

IT BEING a portion of the same property conveyed to the City of Virginia Beach from Alphonso Elliott, Executor of the Estate of Martha Virginia Elliott by Deed dated October

9, 2013 and recorded in the aforesaid Clerk's Office as Instrument Number 20131017001240220.

Parcel 4: 5841 Burton Station Road GPIN 1458-89-2090-0000

ALL THAT certain lot, tract or parcel of land together with improvements thereon belonging, lying, situated and being in the City of Virginia Beach, Virginia and designated and described as: "NOW OR FORMERLY CITY OF VIRGINIA BEACH D.B. 3617, PG. 652, D.B. 429, PG. 271 (PLAT) 1458-89-2090" and further designated as "RESIDUAL AREA OF GPIN 1458-89-2090 9,430 SQUARE FEET 0.2165 ACRES," as shown on that certain plat entitled: "PLAT SHOWING RIGHT-OF-WAY HEREBY ESTABLISHED AND EASEMENTS TO BE CONVEYED BY CITY OF VIRGINIA BEACH FOR BURTON STATION ROAD IMPROVEMENTS CIP #9-081.003 VIRGINIA BEACH, VIRGINIA," Scale 1" = 40', dated January 11, 2011, and revised through February 25, 2014, which plat is recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia as Instrument Number 20150204000104180, to which reference is made for a more particular description.

LESS AND EXCEPT those certain Dominion Virginia Power, Verizon Virginia, Inc., Cox Communications Hampton Roads, LLC easements as shown on the aforesaid plat and recorded respectively as Instrument Numbers 20160630000559760, 20160726000642000, and 20160627000547020.

RESERVING UNTO THE CITY the public drainage easement as shown on the aforesaid plat as "PROPOSED PUBLIC DRAINAGE EASEMENT HEREBY ESTABLISHED AREA = 750 S.F. OR 0.0172 AC." And further described as "PROPOSED PUBLIC DRAINAGE EASEMENT HEREBY ESTABLISHED 750 SQUARE FEET 0.0172 ACRES," as shown on the aforesaid plat.

RESERVING UNTO THE CITY all right, title and interest fo the City in and to any and all easements, rights of way, private roads and other rights of access, ingress and/or egress adjacent to, appurtenant to or in any way benefiting the City and/or public.

IT BEING a portion of the same property conveyed to the City of Virginia Beach from George W. Elliott and Jennie A. Elliott, husband and wife, by Deed dated January 10, 1996 and recorded in the aforesaid Clerk's Office in Deed Book 3617, at Page 652.

Parcel 5: Private Right of Way GPIN 1458-89-2065-0000

ALL THAT certain lot, tract or parcel of land together with improvements thereon belonging, lying, situated and being in the City of Virginia Beach, Virginia and designated and described as: "RESIDUAL AREA TO BE ACQUIRED AREA = 7,913 S.F. OR 0.1817 AC." and further designated as "RESIDUAL AREA TO BE ACQUIRED 7,193 SQUARE

FEET 0.1817 ACRES" as shown on that certain plat entitled: "PLAT SHOWING PROPERTY TO BE ACQUIRED FROM GEORGE W. ELLIOTT BY THE CITY OF VIRGINIA BEACH FOR BURTON STATION ROAD IMPROVEMENTS CIP #9-081.003 VIRGINIA BEACH, VIRGINIA," Scale 1" = 40', dated March 18, 2013 and revised through March 26, 2013, which plat is recorded in the Clerk's Office fo the Circuit Court of the City of Virginia Beach, Virginia as Instrument Number 20130328000360010, to which reference is made for a more particular description.

LESS AND EXCEPT those certain Dominion Virginia Power, Verizon Virginia, Inc., Cox Communications Hampton Roads, LLC easements as shown on the aforesaid plat and recorded respectively as Instrument Numbers 20160412000297120, 20160804000675130, and 20160602000468670.

RESERVING UNTO THE CITY the public drainage easement as shown on the aforesaid plat as "PROPSOED PUBLIC DRAINAGE EASEMENT AREA = 450 S.F. OR 0.0103 AC." and further described as "PROPOSED PUBLIC DRAINAGE EASEMENT 450 SQUARE FEET 0.0103 ACRES," as shown on the aforesaid plat.

RESERVING UNTO THE CITY all right, title and interest fo the City in and to any and all easements, rights of way, private roads and other rights of access, ingress and/or egress adjacent to, appurtenant to or in any way benefiting the City and/or public.

IT BEING a portion of the same property conveyed to the City of Virginia Beach from George W. Elliott by Deed dated April 4, 2013 and recorded in the aforesaid Clerk's Office as Instrument Number 20130423000463620.

Tab P:

Developer Experience documentation and Partnership agreements

Tranquility at the Lakes II

Tab P – Developer Experience

Enclosed are the following documents evidencing Developer Experience points for Virginia Beach Community Development Corporation in accordance with the 2021 Tax Credit Manual:

- 8609s for Citywide Homes, Cedar Grove and Cypress Landing
- Operating/Partnership Agreements for Citywide Homes, Cedar Grove and Cypress Landing
- Organizational Charts for Citywide Homes, Cedar Grove and Cypress Landing

Statement of Number of Units for previously issued 8609s:

Citywide Homes – 32 LIHTC units

Cedar Grove – 32 LIHTC units

Cypress Landing – 50 LIHTC Units

**CITYWIDE HOMES 2001 LIMITED PARTNERSHIP,
A VIRGINIA LIMITED PARTNERSHIP**

SECOND AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP

As of March 1, 2002

THE LIMITED PARTNERSHIP INTERESTS EVIDENCED BY THIS SECOND AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP (THE "AGREEMENT") HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933 (THE "ACT") OR PURSUANT TO APPLICABLE STATE SECURITIES LAWS ("BLUE SKY LAWS"). ACCORDINGLY, THE LIMITED PARTNERSHIP INTERESTS CANNOT BE RESOLD OR TRANSFERRED BY ANY PURCHASER THEREOF WITHOUT REGISTRATION OF THE SAME UNDER THE ACT AND THE BLUE SKY LAWS OF SUCH STATE(S) AS MAY BE APPLICABLE, OR IN A TRANSACTION WHICH IS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE ACT AND THE BLUE SKY LAWS OR WHICH IS OTHERWISE IN COMPLIANCE THEREWITH. IN ADDITION, THE SALE OR TRANSFER OF SUCH LIMITED PARTNERSHIP INTERESTS IS SUBJECT TO CERTAIN RESTRICTIONS SET FORTH IN THIS AGREEMENT, INCLUDING WITHOUT LIMITATION, THE RESTRICTIONS SET FORTH IN ARTICLE IX HEREOF.

TABLE OF CONTENTS

	Page
ARTICLE I	
CONTINUATION OF PARTNERSHIP	2
1.01 Continuation	2
1.02 Name.....	2
1.03 Principal Place of Business.....	2
1.04 Agent for Service of Process	2
1.05 Withdrawal of Withdrawing Limited Partner and Admission of Limited Partner and Special Limited Partner.....	2
1.06 Term.....	2
1.07 Recording of Certificate.....	2
 ARTICLE II	
DEFINED TERMS	3
 ARTICLE III	
PURPOSE AND BUSINESS OF THE PARTNERSHIP	17
3.01 Purpose of the Partnership	17
3.02 Authority of the Partnership	17
 ARTICLE IV	
REPRESENTATIONS, WARRANTIES AND COVENANTS; DUTIES AND OBLIGATIONS.....	18
4.01 Representations, Warranties and Covenants Relating to the Project and the Partnership	18
4.02 Duties and Obligations Relating to the Project and the Partnership.....	27
4.03 Single Purpose Entity.....	31
 ARTICLE V	
PARTNERS, PARTNERSHIP INTERESTS AND OBLIGATIONS OF THE PARTNERSHIP.....	31
5.01 Partners; Capital Contributions; Partnership Interests.....	31
5.02 Return of Capital Contribution	40
5.03 Withholding of Capital Contribution Upon Default.....	40
5.04 Legal Opinions.....	41
5.05 Repurchase Obligation.....	42
5.06 Guaranteed Payments.....	43
5.07 LP Loans and GP Loans	43

ARTICLE VI

CHANGES IN GENERAL PARTNERS44

6.01 Withdrawal of the General Partner 44

6.02 Admission of a Successor or Additional General Partner 44

6.03 Effect of Bankruptcy, Death, Withdrawal, Dissolution or Incompetence of a
General Partner45

6.04 Restrictions on Transfer of General Partner's Interests.....46

6.05 Removal of the General Partner.....46

ARTICLE VII

ASSIGNMENT TO THE PARTNERSHIP.....49

ARTICLE VIII

RIGHTS, OBLIGATIONS AND POWERS OF THE GENERAL PARTNER50

8.01 Management of the Partnership 50

8.02 Limitations Upon the Authority of the General Partner51

8.03 Sale of Project.....54

8.04 Management Purposes55

8.05 Delegation of Authority55

8.06 General Partner or Affiliates Dealing with Partnership.....55

8.07 Other Activities.....56

8.08 Liability for Acts and Omissions56

8.09 Indemnification of Limited Partner and the Partnership.....56

8.10 Net Worth of General Partner57

8.11 Construction of the Project, Construction Cost Overruns, Operating Deficits;
Other General Partner Guarantees57

8.12 Development Fee59

8.13 Incentive Management Fee60

8.14 Withholding of Fee Payments.....60

8.15 Selection of Management Agent; Terms of Management Agreement60

8.16 Removal of the Management Agent61

8.17 Replacement of the Management Agent.....61

8.18 Loans to the Partnership.62

8.19 Affiliate Guaranty.62

8.20 Property Advisory Fee.62

8.21 Accounting Fee.62

8.22 Construction Management Incentive Fee.62

ARTICLE IX

**TRANSFERS AND RESTRICTIONS ON TRANSFERS OF INTERESTS OF
LIMITED PARTNERS**63

9.01 Restrictions on Transfer of Limited Partners' Interests.....63

9.02 Admission of Substitute Limited Partners63

9.03	Rights of Assignee of Partnership Interest.....	64
------	---	----

ARTICLE X

RIGHTS AND OBLIGATIONS OF LIMITED PARTNERS.....	65
10.01 Management of the Partnership	65
10.02 Limitation on Liability of Limited Partners.....	65
10.03 Other Activities.....	65

ARTICLE XI

PROFITS, LOSSES AND DISTRIBUTIONS	65
11.01 Allocation of Profits and Losses Other Than From Capital Transactions; Allocation of Credits.....	65
11.02 Distributions	66
11.03 Distributions and Allocations: General Provisions.....	67
11.04 Allocation of Gains and Losses	68
11.05 Distribution of Proceeds from Sale and Liquidation of Partnership Property	68
11.06 Capital Accounts.....	69
11.07 Authority of the General Partner to Vary Allocations to Preserve and Protect Partners' Intent	70
11.08 Designation of Tax Matters Partner.....	71
11.09 Authority of Tax Matters Partner.....	72
11.10 Expenses of Tax Matters Partner	73
11.11 Minimum Gain Provisions.....	73

ARTICLE XII

SALE, DISSOLUTION AND LIQUIDATION.....	74
12.01 Dissolution of the Partnership	74
12.02 Winding Up and Distribution	75

ARTICLE XIII

BOOKS AND RECORDS, ACCOUNTING, TAX ELECTIONS, ETC.	76
13.01 Books of Account	76
13.02 Financial Reports	76
13.03 Budgets and General Disclosure.....	77
13.04 Tax Information	78
13.05 Selection of Accountants	78
13.06 Section 754 Elections	78
13.07 Fiscal Year and Accounting Method	78
13.08 Late Report Penalties	79

ARTICLE XIV

AMENDMENTS	79
14.01 Proposal and Adoption of Amendments.....	79

ARTICLE XV

CONSENTS, VOTING AND MEETINGS79
15.01 Method of Giving Consent79
15.02 Submissions to Limited Partners79
15.03 Meetings: Submission of Matter for Voting.....80

ARTICLE XVI

GENERAL PROVISIONS.....80
16.01 Burden and Benefit80
16.02 Applicable Law80
16.03 Counterparts.....80
16.04 Separability of Provisions.....80
16.05 Entire Agreement.....80
16.06 Liability of the Limited Partner80
16.07 Environmental Protection81
16.08 Notices82
16.09 Headings83
16.10. Pronouns and Plurals83

**CITYWIDE HOMES 2001 LIMITED PARTNERSHIP
A VIRGINIA LIMITED PARTNERSHIP**

SECOND AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP

THIS SECOND AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP is made and entered into as of March 1, 2002, by and among Beach Properties Incorporated, a Virginia corporation (the "General Partner"), Virginia Affordable Housing Management Corporation, the withdrawing limited partner (the "Withdrawing Limited Partner"), and Housing Equity Fund of Virginia VII, L.L.C., a limited liability company formed under the laws of the Commonwealth of Virginia (the "Limited Partner") and Virginia Affordable Housing Management Corporation, a Virginia non-stock corporation (the "Special Limited Partner").

WHEREAS, Virginia Beach Community Development Corporation ("VBCDC"), as general partner, executed a Certificate of Limited Partnership (the "Certificate") for the formation of Citywide Homes 2001 Limited Partnership (the "Partnership") pursuant to the terms of the Revised Uniform Limited Partnership Act of the Commonwealth of Virginia (the "Act"), which Certificate was subsequently filed with the Clerk of the State Corporation Commission of Virginia (the "State of Formation") on February 14, 2001;

WHEREAS, VBCDC and Virginia Beach "HOME" Inc., as limited partner, have previously executed an Agreement of Limited Partnership (the "Original Agreement") of the Partnership;

WHEREAS, VBCDC subsequently withdrew as the initial general partner, and the General Partner was admitted as General Partner of the Partnership, and Virginia Beach "HOME" Inc. withdrew as limited partner and VAHMC was admitted as limited partner of the partnership, as all as set forth in that certain Amended and Restated Agreement of Limited Partnership dated as of October 2, 2001;

WHEREAS, the General Partner and the Limited Partner wish to continue the Partnership pursuant to the Act;

WHEREAS, the Partnership has been formed to develop, rehabilitate, own, maintain and operate 32 units of scattered-site single family townhomes and condominiums for rental to individuals and families of low-income and very-low income to be known as Citywide Homes 2001 Apartments and to be located in the City of Virginia Beach, Virginia (the "Project");

WHEREAS, the parties hereto now desire to enter into this Second Amended and Restated Agreement of Limited Partnership to (i) continue the Partnership under the Act; (ii) withdraw the Withdrawing Limited Partner from the Partnership; (iii) admit the Limited Partner and Special Limited Partner to the Partnership as limited partners; and (iv) set forth all of the provisions governing the Partnership;

NOW, THEREFORE, in consideration of the foregoing, of mutual promises of the parties hereto and of other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties hereby agree to continue the Partnership pursuant to the Act, as set forth in this Second Amended and Restated Agreement of Limited Partnership, which reads in its entirety as follows:

ARTICLE I
CONTINUATION OF PARTNERSHIP

1.01 Continuation. The undersigned hereby continue the Partnership as a limited partnership under the Act.

1.02 Name. The name of the Partnership is Citywide Homes 2001 Limited Partnership.

1.03 Principal Place of Business. The principal place of business of the Partnership shall be 629 Wesley Drive, Building 3, Suite 101, Virginia Beach, Virginia 23452. The Partnership may change the location of its principal place of business to such other place or places within the Commonwealth of Virginia as may hereafter be determined by the General Partner. The General Partner shall promptly notify all other Partners of any change in the principal place of business. The Partnership may maintain such other offices at such other place or places as the General Partner may from time to time deem advisable.

1.04 Agent for Service of Process. The name and address of the Agent for service of process is Louis G. Paulson, 1432 N. Great Neck Road, Suite 101, Virginia Beach, Virginia 23454.

1.05 Withdrawal of Withdrawing Limited Partner and Admission of Limited Partner and Special Limited Partner. The Withdrawing Limited Partner hereby withdraws as the sole limited partner of the Partnership. The Limited Partner and Special Limited Partner, as special limited partner, are hereby admitted to the Partnership as the sole limited partners.

1.06 Term. The term of the Partnership commenced as of the date of the filing of the Certificate with the Clerk of the State Corporation Commission of Virginia, and shall continue until December 31, 2040, unless the Partnership is sooner dissolved in accordance with the provisions of this Agreement.

1.07 Recording of Certificate. Upon the execution of this Second Amended and Restated Agreement of Limited Partnership by the parties hereto, the General Partner shall take all actions necessary to assure the prompt recording of an amendment to the Certificate if and as required by the Act, including filing with the Virginia State Corporation Commission. All fees for filing shall be paid out of the Partnership's assets. The General Partner shall take all other necessary action required by law to perfect and maintain the Partnership as a limited partnership under the laws of the State,

and shall register the Partnership under any assumed or fictitious name statute or similar law in force and effect in the Commonwealth of Virginia.

ARTICLE II DEFINED TERMS

In addition to the terms defined in the preamble to this Agreement, the following terms used in this Agreement shall have the meanings specified below:

"Accountants" means Dooley and Vicars or such other firm of independent certified public accountants as may be engaged by the General Partner, with the Consent of the Limited Partner, to prepare financial statements and provide other services to the Partnership. Dooley and Vicars (or other independent accountants approved by the Limited Partner) shall review and execute all tax returns for the Partnership.

"Accounting Fee" shall have the meaning set forth in Section 8.21.

"Act" means the Virginia Revised Uniform Limited Partnership Act, as may be amended from time to time during the term of the Partnership.

"Actual Credit" means as of any point in time, the total amount of the LIHTC allocated by the Partnership to the Limited Partner, representing ninety-nine and nine hundred ninety-nine thousandths percent (99.999%) of the aggregate LIHTC reported and claimed by the Partnership and its Partners on their respective federal information and income tax returns, and not disallowed by any taxing authority.

"Affiliate" means any Person that directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with the General Partner, or with another designated Person, as the context may require.

"Affiliate Guarantor" means Virginia Beach Community Development Corporation, which is an Affiliate of the General Partner.

"Affiliate Guaranty" means the guaranty of the performance of the obligations of the General Partner under this Agreement and the obligations of the Developer under the Development Agreement for the benefit of the Limited Partner given by the Affiliate Guarantor, which Affiliate Guaranty is in the form of Exhibit G.

"Agency" means the Virginia Housing Development Authority, in its capacity as the agency designated to allocate LIHTC, acting through any authorized representative.

"Agreement" means this Second Amended and Restated Agreement of Limited Partnership, as amended from time to time.

"Assumed Limited Partner Tax Liability" means for any given year the product of (i) the Profits, if any, allocated to the Limited Partner pursuant to Section 11.01(b) times (ii) a percentage equal to the sum of (A) the highest federal corporate tax rate for such year plus (B) the highest state corporate tax rate for such year.

"Authority" or "Authorities" means any nation or government, any state or other political subdivision thereof, and any entity exercising its executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including but not limited to, any federal, state or municipal department, commission, board, bureau, agency, court, tribunal or instrumentality.

"Bankruptcy" or "Bankrupt" as to any Person means the filing of a petition for relief as to any such Person as debtor or bankrupt under the Bankruptcy Act of 1898 or the Bankruptcy Code of 1978 or like provision of law (except if such petition is contested by such Person and has been dismissed within 60 days); insolvency of such Person as finally determined by a court proceeding; filing by such Person of a petition or application to accomplish the same or for the appointment of a receiver or a trustee for such Person or a substantial part of his assets; commencement of any proceedings relating to such Person under any other reorganization, arrangement, insolvency, adjustment of debt or liquidation law of any jurisdiction, whether now in existence or hereinafter in effect, either by such Person or by another, provided that if such proceeding is commenced by another, such Person indicates his approval of such proceeding, consents thereto or acquiesces therein, or such proceeding is contested by such Person and has not been finally dismissed within 60 days.

"Breakeven Operations" means the date following Final Closing upon which the gross operating revenues from the normal operation of the Project received on a cash basis (including all public subsidy payments due and payable at such time but not yet received by the Partnership) for a period of three (3) consecutive calendar months after Final Closing equals or exceeds all accrued operational costs of the Project, including, but not limited to, taxes, assessments, reserve fund for replacement deposits and debt service payments, the Accounting Fee and a ratable portion of the annual amount (as reasonably estimated by the General Partner) of those seasonal and/or periodic expenses (such as utilities, maintenance expenses and real estate taxes or service charges in lieu of real estate taxes) which might reasonably be expected to be incurred on an unequal basis during a full annual period of operation, for such period of three (3) consecutive calendar months on an annualized basis (based on projections of the Partnership), as evidenced by a certification of the General Partner with an accompanying unaudited balance sheet of the Partnership indicating that all trade payables have been satisfied (or with respect to trade payables within sixty (60) days of the date the services were performed or goods were delivered, the trade payables shall not be past due and the Partnership shall have an adequate cash reserve for the payment of such trade payables), all as shall be subject to the approval of the Limited Partner. For the purpose of calculating Breakeven Operations only, the following costs shall not be considered operating costs of the Project: (i)

payments on the Incentive Management Fee; and (ii) payments to be made under the Development Agreement.

"Capital Account" means the capital account of a Partner as described in Section 11.06.

"Capital Contribution" means the total amount of money or other property contributed or agreed to be contributed, as the context requires, to the Partnership by each Partner pursuant to the terms of this Agreement. Any reference to the Capital Contribution of a Partner shall include the Capital Contribution made by a predecessor holder of the Interest of such Partner.

"Capital Transaction" means any transaction out of the ordinary course of the Partnership's business which is capital in nature, including without limitation, the disposition, whether by sale (except when such sale proceeds are to be used pursuant to a plan or budget approved by all of the Partners), casualty (where the proceeds are not to be used for reconstruction), condemnation, refinancing or similar event of any part or all of the Project.

"Capital Transaction Administrative Fee" means the fee payable under Section 11.05(c).

"Carveouts" has the meaning set forth in Section 4.01(g).

"Certificate" means the Partnership's Certificate of Limited Partnership or any certificate of limited partnership or any other instrument or document which is required under the laws of the State of Formation to be signed and sworn to by the General Partner and filed in the appropriate public offices within the State of Formation to perfect or maintain the Partnership as a limited partnership under the laws of the State of Formation, to effect the admission, withdrawal or substitution of any Partner of the Partnership, or to protect the limited liability of the Limited Partners as limited partners under the laws of the Commonwealth of Virginia.

"Certified Credits" means ninety-nine and nine hundred ninety-nine thousandths percent (99.999%) of the annual LIHTC that the Accountants certify in writing to the Partnership that the Partnership will be able to claim during each full fiscal year during the Credit Period for all buildings in the Project assuming full compliance with the rent restrictions and income limitations of Section 42 of the Code. The calculation of the Certified Credits shall be based, among other things, on the Form(s) 8609 issued by the Agency for all the buildings comprising the Project and on the cost certification prepared in connection with the application by the Partnership for Form(s) 8609. Once the Certified Credits are determined, they shall not be adjusted during the term of this Agreement; provided, however, if with respect to an LIHTC Recapture Event the General Partner makes a payment under Section 8.11(c), then the Certified Credits shall be reduced prospectively by the annual reduction in LIHTC attributable to such LIHTC Recapture Event.

"Certified Credit Capital Adjustment" has the meaning set forth in Section 5.01(e)(i).

"Certified Credit Capital Decrease" has the meaning set forth in Section 5.01(e)(i).

"Certified Credit Capital Increase" has the meaning set forth in Section 5.01(e)(i).

"City" means the City of Virginia Beach, Virginia.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, or any corresponding provision or provisions of succeeding law.

"Compliance Termination Sale" has the meaning set forth in Section 8.03(a).

"Consent" means the prior written consent or approval of the Limited Partner and/or any other Person, as the context may require, to do the act or thing for which the consent is solicited.

"Construction Contract A" means the construction contract in the guaranteed maximum amount of \$486,476.46 (including all exhibits and attachments thereto) entered into between the Partnership and Contractor A, pursuant to which the following parcels of the Project are to be rehabilitated: [parcels 1, 2, 3, 4, 6, 7, 10, 11, 15, 17, 18, 21, 25, 26, 28, and 29 as listed on Exhibit C]. Such Construction Contract shall be subject to the Consent of the Limited Partner.

"Construction Contract B" means the construction contract in the guaranteed maximum amount of \$256,430.81 (including all exhibits and attachments thereto) entered into between the Partnership and Contractor B, pursuant to which the following parcels of the Project are to be rehabilitated: [parcels 9, 16, 22, 23, 24, 30, 31 and 32 as listed on Exhibit C]. Such Construction Contract shall be subject to the Consent of the Limited Partner.

"Construction Contract C" means the construction contract in the guaranteed maximum amount of \$261,046.35 (including all exhibits and attachments thereto) entered into between the Partnership and Contractor C, pursuant to which the following parcels of the Project are to be rehabilitated: [parcels 5, 8, 12, 13, 14, 19, 20, and 27 as listed on Exhibit C]. Such Construction Contract shall be subject to the Consent of the Limited Partner.

"Construction Contract D" means the construction contract in the guaranteed maximum amount of \$73,138.00 (including all exhibits and attachments thereto) entered into between the Partnership and Contractor D, pursuant to which the following parcels of the Project are to be rehabilitated: [parcels 1, 2, 3, 5, 6, 7, 8, 10, 11, 13, 14, 16, 17, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29 and 30 as listed on Exhibit C]. Such Construction Contract shall be subject to the Consent of the Limited Partner.

"Construction Contract E" means the construction contract in the guaranteed maximum amount of \$74,313.23 (including all exhibits and attachments thereto) entered into between the Partnership and Contractor E, pursuant to which the following parcels of the Project are to be rehabilitated: [parcels 1 through 32 as listed on Exhibit C]. Such Construction Contract shall be subject to the Consent of the Limited Partner.

"Contractor A" means Associated Contracting Services, a Virginia corporation, which is one of the five general construction contractors for the Project.

"Contractor B" means Coast Construction, a Virginia corporation, which is one of the five general construction contractors for the Project.

"Contractor C" means Woodmasters, Inc., a Virginia corporation, which is one of the five general construction contractors for the Project.

"Contractor D" means Princess Anne Cabinets, a Virginia corporation, which is one of the five general construction contractors for the Project.

"Contractor E" means Floorcrafters, a Virginia corporation, which is one of the five general construction contractors for the Project.

"Continued Compliance Sale" has the meaning set forth in Section 8.03(a).

"Counsel" or "Counsel for the Partnership" means collectively Paulson and Paulson P.L.C. and Kanady & Quinn, P.C., or such other attorney or law firm upon which the Limited Partner and the General Partner shall agree; provided, however, that if any section of this Agreement either (i) designates particular counsel for the purpose described therein, or (ii) provides that counsel for the purpose described therein shall be chosen by another method or by another Person, then such designation or provision shall prevail over this general definition.

"Credit Period" means the ten-year "credit period" as defined in and determined in accordance with Section 42(f) of the Code.

"Credit Reduction Guaranty Payment" shall have the meaning set forth in Section 5.01(e)(ii).

"Developer" means Virginia Beach Community Development Corporation, a Virginia non-stock corporation.

"Development Agreement" means the Development Agreement between the Partnership and the Developer as of even date herewith relating to the development of the Project and providing for the payment of the Development Fee, in the form set forth in Exhibit A.

"Development Budget" means the budget for the construction, development and financing of the Project, including without limitation the construction or rehabilitation of all improvements, the furnishing of all personalty in connection therewith, and the operation of the Project prior to Substantial Completion, which Budget is attached hereto as Exhibit K, and any amendments thereto made with the Consent of the Limited Partner. The Development Budget shall also include a calculation of the Projected LIHTC for the Project indicating the assumptions regarding basis which

underlie such calculation, a 15-year income/expense pro forma, profit/loss statement, cash flow statement, depreciation/amortization schedule, capital account, minimum gain and 30 year analysis and a calculation of net sale proceeds.

"Development Costs" means all of the following: (i) all direct or indirect costs paid or accrued by the Partnership related to the acquisition of the Land and the development or rehabilitation of the Project, including payment of the Development Fee, amounts due under the Construction Contract, any construction cost overruns, the cost of any change orders and all costs necessary to achieve Substantial Completion; (ii) all costs to achieve Initial Closing and Final Closing, and satisfy any escrow deposit requirements which are conditions to the Final Closing, including any amounts necessary for local taxes, utilities, mortgage insurance premiums, casualty and liability insurance premiums, and any applicable loan fees, discounts or other expenses; (iii) for the period prior to Breakeven Operations, all costs, payments and deposits needed to avoid a default under any Project Loan, including without limitation, all required deposits to satisfy any requirements of a Project Lender to keep a Project Loan "in balance"; (iv) all costs and expenses relating to remedying any environmental problem or condition or Hazardous Materials that existed on or prior to Final Closing; and (v) all Operating Deficits incurred by the Partnership prior to Breakeven Operations.

"Development Fee" means the fee payable by the Partnership to the Developer pursuant to Section 8.12 of this Agreement.

"Downward Capital Adjustment." has the meaning set forth in Section 5.01(e)(i).

"Environmental Consultant" has the meaning set forth in Section 5.01(j).

"Excess Development Costs" means all Development Costs in excess of the proceeds of the Project Loans and all Capital Contributions the Limited Partner is required to make hereunder.

"Extended Use Agreement" means the Extended Use Regulatory Agreement and Declaration of Restrictive Covenants to be executed by the Partnership and delivered to the Agency at or subsequent to the Initial Closing, setting forth certain terms and conditions under which the Project is to be operated.

"Fannie Mae" shall mean Federal National Mortgage Association.

"Final Adjustment" has the meaning set forth in Section 11.09(b).

"Final Closing" means the occurrence of all of the following: (i) Substantial Completion, (ii) approval by the Project Lenders of the Partnership's certification of actual costs as to the development and construction of the Project, (iii) disbursement by all Project Lenders of any previously undisbursed Project Loan proceeds including the funding of the Permanent Loan under

Documents acceptable to the Limited Partner, and (iv) commencement of amortization as to all Project Loans (to the extent any Project Loan requires principal amortization).

"Final Mortgage Amount" means the principal amount of all of the Project Loans, advanced at or prior to the Final Closing, before any reduction resulting from repayments of principal thereof.

"First Virginia Bank Loan" means the land acquisition and construction/rehabilitation revolving line of credit issued by First Virginia Bank – Hampton Roads to the Partnership in an amount not to exceed One Million Thirty-Two Thousand and No/100 Dollars (\$1,032,000.00) with an interest rate of 6.60% and a maturity date not to exceed December 31, 2003.

"40-60 Set-Aside Test" means the Minimum Set-Aside Test whereby at least 40% of the units in the Project must be occupied by individuals with incomes of 60% or less of area median income, as adjusted for family size.

"GP Loans" means the loans which may be made by the General Partner to the Partnership pursuant to Section 5.07(a) hereof, including any accrued interest thereon. Operating Deficit Loans shall not constitute GP Loans.

"General Partner" means Beach Properties Incorporated, a Virginia corporation, and any other Person admitted as a general partner pursuant to this Agreement, and their respective successors as any such successor may be admitted pursuant to this Agreement, including those Persons admitted pursuant the provisions of Sections 6.02 and 6.03.

"General Partner Pledge" has the meaning set forth in Section 8.19.

"General Partner's Special Capital Contribution" has the meaning set forth in Section 5.01(b).

"HCCV" means Housing Capital Corporation of Virginia, a Virginia corporation and the managing member of the Limited Partner.

"Hazardous Substances" has the meaning set forth in Section 16.07(e).

"Hazardous Waste Laws" has the meaning set forth in section 16.07(e).

"HOME Funds" means the \$550,000 of HOME monies provided by the City of Virginia Beach, Virginia to VBCDC pursuant to that certain Addendum to the HOME Program Contract to Provide Permanent Affordable Rental Housing Between the City of Virginia Beach and the Virginia Beach Community Development Corporation dated June 27, 2001, as amended. VBCDC will loan the HOME Funds to the Partnership through the VBCDC Home Acquisition Loan and the VBCDC Home Rehabilitation Loan.

"Incentive Management Fee" means the fee payable by the Partnership to the General Partner pursuant to Section 8.13 of this Agreement.

"Initial Closing" means the date upon which one or more of the Project Loans is closed and the initial disbursement is made thereunder. The Initial Closing is anticipated to occur on or before March 15, 2002.

"Initial Period" has the meaning set forth in Section 8.11(b).

"Interest" or "Partnership Interest" means the ownership interest of a Partner in the Partnership at any particular time, including the right of such Partner to any and all benefits to which such Partner may be entitled as provided in this Agreement and in the Act, together with the obligations of such Partner to comply with all the terms and provisions of this Agreement and of said Act.

"Land" means the tracts of land currently owned by the Partnership upon which the Project is located, as more particularly described on Exhibit C attached hereto.

"Late Delivery Capital Adjustment" has the meaning set forth in Section 5.01(e)(i).

"Lease-Up Reserve" has the meaning set forth in Section 4.02(s).

"LIHTC" means the low-income housing tax credit allowed for low-income housing projects pursuant to Section 42 of the Code.

"LIHTC Compliance Guaranty" has the meaning set forth in Section 8.11(c).

"LIHTC Recapture Event" means (a) the filing of a tax return by the Partnership evidencing a reduction in the qualified basis of the Project causing a recapture of LIHTC previously allocated to the Limited Partner, (b) a reduction in the qualified basis of the Project following an audit by the Internal Revenue Service which results in the assessment of a deficiency by the Internal Revenue Service against the Partnership with respect to any LIHTC previously claimed in connection with the Project, unless the Partnership shall timely file a petition with respect to such deficiency with the United States Tax Court and any other federal tax court of competent jurisdiction and the collection of such assessment shall be stayed pending the disposition of such petition, (c) a decision by the United States Tax Court or any other federal court of competent jurisdiction upholding the assessment of such deficiency against the Partnership with respect to any LIHTC previously claimed in connection with the Project, unless the Partnership shall timely appeal such decision and the collection of such assessment shall be stayed pending the disposition of such appeal, or (d) the decision of a federal court of competent jurisdiction affirming such decision.

"LIHTC Shortfall" means, as to any period of time, the difference between the Certified Credit for such period of time and the Actual Credit for such period of time. For purposes of

determining the amount of the LIHTC Shortfall for a particular period of time, if there is an adjustment to Capital Contributions under Section 5.01(e) because of a Late Delivery Capital Adjustment, the LIHTC Shortfall for such period of time shall be reduced by the Late Delivery Capital Adjustment.

"Limited Partner" means, initially, Housing Equity Fund of Virginia VII, L.L.C., a Virginia limited liability company.

"Limited Partner Due Diligence Costs" has the meaning set forth in Section 5.01(f).

"Liquidator" means the General Partner or, if there is none at the time in question, such other Person who may be appointed in accordance with applicable law and who shall be responsible for taking all action necessary or appropriate to wind up the affairs of, and distribute the assets of, the Partnership upon its dissolution.

"Loan Agreement" means any loan agreement and/or similar agreement with respect to the terms and conditions of the making of any of the Project Loans, which will be entered into between the Partnership and any one of the Project Lenders at or prior to the Final Closing.

"Management Agent" means the management and rental agent for the Project designated pursuant to Section 8.15.

"Management Agreement" means the agreement between the Partnership and the Management Agent providing for the marketing and management of the Project by the Management Agent.

"Minimum Set-Aside Test" means the set-aside test selected by the Partnership pursuant to Section 42(g) of the Code with respect to the percentage of units in its Project to be occupied by tenants with incomes equal to no more than a certain percentage of area median income. The Partnership has selected or will select the 20-50 Set-Aside Test as restricted by Code Section 42(i)(2)(E)(i) to require at least 20% of the units in the Project be occupied by individuals with incomes of 50% or less of area median income, as adjusted for family size, as the Minimum Set-Aside Test.

"Mortgage" means any deed of trust to be given by the Partnership in favor of any Project Lender as maker of a Project Loan, constituting a lien on the Project and securing a Project Loan.

"Net Cash Flow" means the sum of (i) all cash received from rents, lease payments and all other sources, but excluding (A) tenant security or other deposits (except to the extent forfeited to the Partnership), (B) Capital Contributions and interest thereon (other than if used to pay for an item deducted below in determining Net Cash Flow), (C) proceeds from Capital Transactions and (D) interest on reserves not available for distribution, (ii) the net proceeds of any insurance, other than fire and extended coverage and title insurance, to the extent not reinvested, and (iii) any other funds

deemed available for distribution by the General Partner with the approval of the Project Lenders, if required, less the sum of (x) all cash expenditures, and all expenses unpaid but properly accrued, which have been incurred in the operation of the Partnership's business (whether or not such expenditure is deducted, amortized or capitalized for tax purposes), including the management fee to the Management Agent and the Accounting Fee, (y) all payments on account of any loans made to the Partnership (whether such loan is made by a Partner or otherwise), but not including any amounts to be paid pursuant to the Development Agreement or pursuant to any loans made by any Partners where repayment of such loans is to be made out of Net Cash Flow, and (z) any cash reserves for working capital, capital expenditures, repairs, replacements and anticipated expenditures, in such amounts as may be required by the Project Lenders or the Limited Partner, or may be determined from time to time by the General Partner with the approval of the Limited Partner and the Project Lenders, if required, to be advisable for the operation of the Partnership.

"Net Projected Tax Liabilities" means, as determined by the Accountants, based on the Partnership's tax records, and any final adjustments made prior to the availability of proceeds of Capital Transaction(s) for distribution, the cumulative amounts of the respective projected liabilities (collectively, the "Projected Tax Liabilities") of the General Partner, the Limited Partner's partners, and members, and their respective partners and members, if any, (collectively, the "Partnership Taxpayers") for any and all federal, state, and local taxes, including any recapture of prior LIHTC, to be imposed on the Partnership Taxpayers by reason of all Capital Transactions of the Partnership from which the proceeds in question are to be distributed, any and all prior Capital Transactions of the Partnership (to the extent proceeds from such prior Capital Transactions equal to the Projected Tax Liabilities for such prior transactions were not distributed) and any liquidation of the Partnership. Such projections of liabilities shall estimate the applicable tax rate or rates for the General Partner (based on actual or projected taxable income) and shall assume the maximum applicable tax rate or rates for each of the Limited Partner's partners or members, if any (without regard to actual taxable income), in effect at the time of each Capital Transaction, in all cases without regard to the alternative minimum tax, limitations on the use of business tax credits, or other factors that may affect tax liability in particular cases, and without adjustment for any variance from actual tax liabilities that may later occur.

"New Allocation" has the meaning set forth in Section 11.07(b).

"Note" means any mortgage or deed of trust promissory note given by the Partnership in favor of a Project Lender evidencing a Project Loan.

"Notice" means a writing containing the information required by this Agreement to be communicated to a Partner and sent by express courier or telephone facsimile transmission, or by registered or certified mail, with postage prepaid and return receipt requested, to such Partner at such Partner's address as specified pursuant to Section 16.08, the date of receipt thereof (or the next business day if the date of receipt is not a business day) or, in the case of registered or certified mail, the date of registry thereof or the date of the certification receipt, as applicable, being deemed the date of such Notice; provided, however, that any written communication containing such information

sent to such Partner actually received by such Partner shall constitute Notice for all purposes of this Agreement.

"Operating Deficit" means the amount by which the gross receipts of the Partnership from rental payments made by tenants of the Project, and all other income and receipts of the Partnership (other than proceeds of any loans to the Partnership, Capital Contributions, and investment earnings not available for distribution on funds on deposit in the Reserve Fund for Replacements, and other such reserve or escrow funds or accounts not available for distribution) for a particular period of time, is exceeded by the sum of all the operating expenses, including all debt service, operating and maintenance expenses, required deposits into the Reserve Fund for Replacements, any fees to the Project Lenders and/or any applicable mortgage insurance premium payments and all other Partnership obligations or expenditures, and excluding payments for construction of the Project and fees and other expenses and obligations of the Partnership to be paid from the Capital Contributions of the Limited Partner to the Partnership pursuant to this Agreement during the same period of time.

"Operating Deficit Loan" shall have the meaning set forth in Section 8.11(b) of this Agreement.

"Operating Reserve" means the reserve referred to in Section 4.02(r).

"Partner" means any General Partner or Limited Partner.

"Partnership" means this Citywide Homes 2001 Limited Partnership, a Virginia limited partnership.

"Partnership Minimum Gain" has the meaning set forth in Section 11.11(a)

"Payment Date" means the date which is ninety (90) days after the end of the Partnership's fiscal year with respect to the preceding fiscal year.

"Percentage Interest" means the percentage Interest of each Partner as set forth in Sections 5.01(a) and (c).

"Permanent Loan" means the \$1,032,000.00 non-recourse loan to the Partnership by the Virginia Housing Partnership Revolving Fund, with a fixed interest rate of four percent (4%) per annum, a term of 15 years, 11 months, a 30 year amortization schedule and a debt service coverage ratio of 1.10, as more fully described on Exhibit F.

"Person" means any individual, partnership, corporation, trust, limited liability company or other entity.

"Plans and Specifications" means the plans and specifications for the Project which are subject to the approval of the Limited Partner, and any changes thereto made in accordance with the terms of this Agreement.

"Post Closing Obligations" means those conditions to the Limited Partner's obligation to fund all or any portion of its Capital Contribution as more fully described on the Post Closing Letter attached hereto as Exhibit K.

"Prime Rate" means a floating daily variable rate of interest announced from time to time by Wachovia Bank, N.A., or its successor, if applicable (the "Bank"), as its "Prime Lending Rate," without reference to prime interest rates of any other financial institutions. The prime rate may not necessarily be the lowest rate of interest charged by the Bank to any of its customers. Any change in the Prime Rate for purposes of this Agreement shall take effect on the day of the Bank's change in its Prime Rate. If such rate ceases to be announced, "Prime Rate" shall mean the prime lending rate generally charged by the bank having the largest amount of assets in Virginia to its most credit-worthy customers.

"Project" means the 32 parcels of land currently owned (or to be purchased) by the Partnership in the City of Virginia Beach, Virginia and the 32-unit scattered-site single family rental townhomes and condominium housing development and other improvements to be rehabilitated, owned and operated thereon by the Partnership, and to be known as Citywide Homes 2001 Apartments. A description of the Land on which the Project is located is provided in Exhibit C attached hereto.

"Project Documents" means and includes the Construction Contract, the Mortgage(s), Note(s), Loan Agreement(s), Regulatory Agreement, Extended Use Agreement, Management Agreement and all instruments delivered to (or required by) the Project Lenders or the Agency to the extent not otherwise listed in this definition.

"Project Lender" means any lender in its capacity as a lender of one of the Project Loans, or its successors and assigns in such capacity, acting through any authorized representative.

"Project Loans" means those loans set forth and described on Exhibit F hereto, including the Permanent Loan, VBCDC Loan, VBCDC HOME Acquisition Loan and VBCDC HOME Rehabilitation Loan.

"Projected LIHTC" has the meaning set forth in Section 4.01(p).

"Property Advisory Fee" has the meaning set forth in Section 8.20.

"Qualified Contract" has the meaning set forth in Section 42(b)(h)(F) of the Code.

"Qualified Occupancy" shall mean occupancy of a LIHTC unit by a Qualified Tenant.

"Qualified Tenants" shall mean tenants under executed leases of at least six (6) months who at the time of their initial occupancy of the Project satisfy the (i) rent restriction and (ii) minimum set-aside test selected by the Partnership pursuant to Section 42(g) of the Code with respect to the percentage of units in the Project to be occupied by tenants with incomes equal to no more than a certain percentage of area median income.

"Recapture Amount" has the meaning set forth in Section 11.04(c).

"Regulatory Agreement" means, to the extent applicable, and collectively, any regulatory agreements and/or any declaration of covenants and restrictions to be entered into between the Partnership and any Project Lender or any applicable government agency at or after the Initial Closing setting forth certain terms and conditions under which the Project is to be operated.

"Rent Restriction Test" means the test pursuant to Section 42(g) of the Code whereby the gross rent and utility expenses charged to tenants of the low-income units in the Project cannot exceed thirty percent (30%) of the imputed income limitation of the applicable units.

"Reserve Fund for Replacements" means the cash funded reserve for replacements required pursuant to Section 4.02 (q).

"Special Additional Capital Contribution" means the Special Additional Capital Contributions of the Limited Partner under Section 5.01(d)(v).

"Special Limited Partner" means Virginia Affordable Housing Management Corporation.

"State Designation" means, with respect to the Project, the allocation by the Agency of LIHTC, as evidenced by the receipt by the Partnership of either a carryover allocation of LIHTC meeting the requirements of Section 42(h)(1)(E) of the Code and Treasury Regulations or IRS Form 8609 executed by the Agency as to all building in the Project for which such form is required.

"Substantial Completion" means the date that the Partnership receives all necessary final unconditional inspection certificates (or inspection certificates which contain conditions or qualifications which are Consented to by the Limited Partner) from the applicable governmental jurisdiction(s) or authority(ies) for one hundred percent (100%) of the apartment units in the Project accompanied by certificates from the Developer certifying that all rehabilitation work for the 32 Project units has been substantially completed in accordance with the plans and specifications (provided that certificates of occupancy will not be issued or reissued for the 32 Project units following the completion of the rehabilitation work); provided further that Substantial Completion shall not be deemed to have occurred if on such date any liens or other encumbrances as to title to the Land and the Project exist, other than those securing such Project Loan and/or those Consented to by the Limited Partner.

"Substitute Limited Partner" means any Person admitted to the Partnership as a Limited Partner pursuant to Section 9.02.

"Surplus Cash" means any Net Cash Flow which, pursuant to the Project Documents or rules or regulations of the Agency, is permitted to be distributed to the Partners.

"Tax Credit Compliance Guaranty" has the meaning set forth in Section 8.11(c).

"Title Company" means Southern Title Insurance Company.

"Unpaid LIHTC Shortfall" means the outstanding amount of any LIHTC Shortfall for all the fiscal years of the Partnership, reduced by any amounts of Unpaid LIHTC Shortfall distributed to the Limited Partner pursuant to Article XI of this Agreement. The unpaid LIHTC Shortfall shall bear interest at the "long-term applicable Federal rate" (as defined in Section 1274 of the Code) determined as of the date of the Limited Partner's Third Capital Contribution, compounded monthly.

"VBCDC" means Virginia Beach Community Development Corporation, a Virginia non-stock corporation.

"VBCDC HOME Acquisition Loan" means (a) the \$429,520.00 loan of HOME Funds to the Partnership by VBCDC, the proceeds of which were used towards acquisition of eleven (11) parcels of the Land. The loan bears interest at 5.31% per annum, is repayable from net cash flow in accordance with Section 11.02(b) of this Agreement and has a 15 year term, and (b) the \$13,365 loan of HOME funds to the Partnership by VBCDC is repayable from net cash flow in accordance with Section 11.02(b), has a 15 year term, accrues interest at the applicable federal rate, and the proceeds of which were used for payment of property carrying costs relating to the acquisition of the eleven properties.

"VBCDC HOME Rehabilitation Loan" means the \$120,480 loan of HOME Funds by VBCDC to the Partnership, the proceeds of which are to be used for rehabilitation of the improvements on three (3) parcels of the Land. The loan shall bear interest at 0% per annum, will be non-amortizing and has a 15 year term.

"VBCDC Loan" means the \$282,971.90 seller financing loan from Virginia Beach Community Development Corporation to the Partnership, which loan is being provided by VBCDC to assist the partnership with its acquisition of 9 parcels of the Land and improvements thereon. This loan has an interest rate of 4.99%, a fifteen year term and is repayable from net cash flow in accordance with Section 11.02(b) of this Agreement.

ARTICLE III
PURPOSE AND BUSINESS OF THE PARTNERSHIP

3.01 Purpose of the Partnership. The Partnership has been organized exclusively to acquire the Land and to develop, finance, construct, own, maintain, operate and sell or otherwise dispose of the Project, in order to obtain long-term appreciation, cash income, LIHTC and tax losses.

3.02 Authority of the Partnership. In order to carry out its purpose, the Partnership is empowered and authorized to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of its purpose, and for the protection and benefit of the Partnership, including but not limited to the following:

- (a) acquire the Land on which the Project is to be located;
- (b) construct, operate, maintain, improve, buy, own, sell, convey, assign, mortgage, rent or lease any real estate and any personal property necessary to the operation of the Project;
- (c) provide housing, subject to the Minimum Set-Aside Test and the Rent Restriction Test and consistent with the requirements of the Extended Use Agreement, the Regulatory Agreement and the Loan Agreements so long as the Extended Use Agreement, the Regulatory Agreement and the Loan Agreements, as applicable, remain(s) in force;
- (d) enter into any kind of activity, and perform and carry out contracts of any kind necessary to, in connection with, or incidental to, the accomplishment of the purposes of the Partnership;
- (e) borrow money and issue evidences of indebtedness in furtherance of the Partnership business and secure any such indebtedness by mortgage, pledge, or other lien; provided, however, that the Project Loans, and any evidences of indebtedness thereof and any documents amending, modifying or replacing any of such loans shall have the legal effect that at and after Final Closing the Partnership and the Partners shall have no personal liability for the repayment of the principal of or payment of interest on any Project Loan, and that the sole recourse of any Project Lender, with respect to the principal thereof and interest thereon, shall be to the property securing such Project Loan, except for any Carveouts.
- (f) maintain and operate the Project, including hiring the Management Agent (which Management Agent may be any of the Partners or an Affiliate thereof) and entering into any agreement for the management of the Project during its rent-up and after its rent-up period;
- (g) subject to the approval of the Agency and/or the Project Lenders, if required, and to other limitations expressly set forth elsewhere in this Agreement, negotiate for and conclude

agreements for the sale, exchange, lease or other disposition of all or substantially all of the property of the Partnership, or for the refinancing of any mortgage loan on the property of the Partnership;

(h) enter into the Loan Agreement, the Regulatory Agreement and the Extended Use Agreement, providing for regulations with respect to rents, profits, dividends and the disposition of property;

(i) rent dwelling units in the Project from time to time, in accordance with the provisions of the Code applicable to LIHTC and in accordance with applicable federal, state and local regulations, collecting the rents therefrom, paying the expenses incurred in connection with the Project, and distributing the net proceeds to the Partners, subject to any requirements which may be imposed by the Extended Use Agreement, the Regulatory Agreement and/or the other Project Documents; and

(j) do any and all other acts and things necessary or proper in furtherance of the Partnership business.

ARTICLE IV
REPRESENTATIONS, WARRANTIES AND COVENANTS;
DUTIES AND OBLIGATIONS

4.01 Representations, Warranties and Covenants Relating to the Project and the Partnership. As of the date hereof, the General Partner hereby represents, warrants and covenants to the Partnership and to the Partners that:

(a) Due Authorizations, Execution and Delivery. The execution and delivery of this Agreement by the General Partner and the performance by the General Partner of the transactions contemplated hereby have been duly authorized by all requisite corporate, partnership or trust actions or proceedings. The General Partner is duly organized, validly existing and in good standing under the laws of the state of its formation with power to enter into this Agreement and to consummate the transactions contemplated hereby.

(b) Construction of Project. The construction and development of the Project shall be undertaken and shall be completed in a timely and workmanlike manner in accordance with (i) all applicable requirements of the Project Loans and the Project Documents, (ii) all applicable requirements of all appropriate governmental entities, and (iii) the Plans and Specifications of the Project that have been or shall be hereafter approved by the Limited Partner and, if required, the Project Lenders and any applicable governmental entities, as such Plans and Specifications may be materially changed from time to time with the approval of the Limited Partner and the Project Lenders, if required, and any applicable governmental entities, if such approval shall be required; it shall promptly provide copies of all change orders to the Limited Partner.

(c) **Zoning and Related Matters.** At the date hereof, at the Initial Closing and at the time of commencement of construction and thereafter continuously, the Land is and will be properly zoned for the Project, all consents, permissions and licenses required by all applicable governmental entities have been obtained, and the Project conforms and will conform to all applicable federal, state and local land use, zoning, environmental and other governmental laws and regulations.

(d) **Plans and Specifications.** The General Partner has sent (or as soon as available will send) to the Limited Partner the Plans and Specifications (including, without limitation, all working drawings) and all construction schedules, demolition, foundation and other building permits (as applicable), approved construction draws, certifications concerning occupancy, lien notices, project inspection reports, proposed changes and modifications to the Plans and Specifications, all Project Lender, Agency and municipal approvals of the Plans and Specifications, all documents pertaining to the Construction Loan and Permanent Loan and any other information which is relevant to the construction and development of the Project.

(e) **Public Utilities.** All appropriate public utilities, including sanitary and storm sewers, water, gas and electricity, are currently available and will be operating properly and in sufficient capacity for all units in the Project at the time of first occupancy of such units. The General Partner will keep all such utilities operating in a manner sufficient to service the Project.

(f) **Title Insurance.** An owner's title insurance policy issued by the Title Company, in an amount equal to the principal amount of the Project Loans and the Capital Contributions of the General Partner and the Limited Partner, in favor of the Partnership, will be issued at or prior to the Initial Closing subject only to such easements, covenants, restrictions and such other standard exceptions as are normally included in owner's title insurance policies and which are Consented to by the Limited Partner and with such endorsements to such policy as the Limited Partner may request. Good and marketable fee simple title to the Land will be held by the Partnership. The General Partner has not made any misrepresentation or failed to make any disclosure that will or could result in the Partnership lacking title insurance coverage based on imputation of knowledge of the General Partner to the Partnership or the General Partner's ability to perform its obligations hereunder.

(g) **Non-Recourse Loans.** At and after the Final Closing, there shall be no direct or indirect personal liability of the Partnership, any of the Partners, or any Affiliates of the Partnership or Partners for the repayment of the principal of or payment of interest on any Project Loan, and the sole recourse of any Project Lender under any Project Loan with respect to the principal thereof and interest thereon shall be to the property securing the indebtedness, except for any liability of the General Partner with respect to customary "carveouts" (the "Carveouts") to which the Limited Partner has Consented.

(h) **No Defaults.** The General Partner is not aware of any default or any circumstances which, with the giving of notice or the passage of time, would constitute a default,

under any agreement, contract, lease, or other commitment, or of any claim, demand, litigation, proceedings or governmental investigation pending or threatened against the General Partner, the Project or the Partnership, or related to the business or assets of the General Partner, the Project or Partnership, which claim, demand, litigation, proceeding or governmental investigation could result in any judgment, order, decree, or settlement which would materially and adversely affect the business or assets of the General Partner, the Project or Partnership.

(i) **No Violation.** The execution of this Agreement, the incurrence of the obligations set forth in this Agreement, and the consummation of the transactions contemplated by this Agreement do not violate any provision of law, any order, judgment or decree of any court binding on the Partnership or the General Partner or any Affiliate(s) thereof, any provision of any indenture, agreement, or other instrument to which the Partnership or the General Partner is a party or by which the Partnership, General Partner or the Project is affected, and is not in conflict with, and will not result in a breach of or constitute a default under any such indenture, agreement, or other instrument or result in creating or imposing any lien, charge, or encumbrance of any nature whatsoever upon the Project.

(j) **Construction Contracts.** Construction Contract A, Construction Contract B, Construction Contract C, and Construction Contract D have been entered into between the Partnership and the Contractor A, Contractor B, Contractor C and Contractor D, respectively; no other consideration or fee shall be paid to any of the Contractors in their respective capacities as the Contractors for the Project other than the amounts set forth in the Construction Contracts or as evidenced by change orders approved by the Project Lenders and as otherwise disclosed in writing to and approved by the Limited Partner; and all change orders to date have been paid in full. In addition, no consideration or fee shall be paid to the Developer or General Partner by any of the Contractors.

(k) **Performance Bond; Letter of Credit.** Either (i) one hundred percent (100%) payment and performance bonds issued by a nationally, financially recognized bonding company, in forms acceptable to the Project Lenders and the Limited Partner, and in amounts satisfactory to the Project Lenders and the Limited Partner, or (ii) a letter of credit in an amount and in a form, and from an issuer satisfactory to the Project Lenders and the Limited Partner, will be obtained by each of the Contractors at or before Initial Closing and shall remain in full force and effect under terms and conditions as shall be acceptable to the Project Lenders and the Limited Partner; in the alternative, the obligations of each of the Contractors will be guaranteed by the General Partner and the Affiliate Guarantors and secured by cash, letter of credit or other security acceptable to the Project Lenders and the Limited Partner.

(l) **Insurance.** The General Partner shall cause the Partnership to obtain and maintain insurance in accordance with the requirements of Exhibit I attached hereto.

(m) **No Undisclosed Financial Responsibilities.** Neither the Partnership, nor the General Partner, either individually or on behalf of the Partnership, has incurred any financial

Citywide

responsibility with respect to the Project prior to the date of execution of this Agreement, other than (i) that disclosed to the Limited Partner, or (ii) obligations which will be fully satisfied at or prior to the Initial Closing. As of the date hereof and hereafter continuously, unless the Limited Partner otherwise Consents or unless otherwise specifically provided for herein, the only indebtedness of the Partnership with respect to the Project are the Project Loans, if any, described on Exhibit I. Without limiting the generality of the foregoing, neither the General Partner, any of its Affiliates nor the Partnership, has entered, or shall enter, into any agreement or contract for any loans (other than the Project Loan) or for the payment of any Project Loan discounts, additional interest, yield maintenance or other interest charges or financing fees or any agreement providing for the guarantee of payment of any such interest charges or financing fees relating to any Project Loan.

(n) Valid Partnership; Power of Authority. The Partnership is and will continue to be a valid limited partnership, duly organized under the laws of the Commonwealth of Virginia, and shall have and shall continue to have full power and authority to acquire the Land and to develop, construct, operate and maintain the Project in accordance with the terms of this Agreement, and shall have taken and shall continue to take all action under the laws of the State of Formation and any other applicable jurisdiction that is necessary to protect the limited liability of the Limited Partners and to enable the Partnership to engage in its business.

(o) Restrictions on Sale or Refinancing. No restrictions on the sale or refinancing of the Project, other than restrictions that may be set forth in the Project Documents, exist as of the date hereof, and no such restrictions shall, at any time while the Limited Partner is a Limited Partner, be placed upon the sale or refinancing of the Project.

(p) Projected LIHTC. The Projected LIHTC applicable to the Project is \$174,151 for each year during the ten-year LIHTC Credit Period (provided that for any partial year during the LIHTC Credit Period, Projected LIHTC shall be adjusted to reflect such fact); the total Projected LIHTC is \$1,741,510. Of this total amount, the General Partner has projected that \$1,741,493 will be allocated to the Limited Partner, constituting ninety-nine and nine hundred ninety-nine thousandths percent (99.999%) of the Projected LIHTC applicable to the Project. For each year in the LIHTC Credit Period, the General Partner has projected that the Limited Partner will receive the following credits: \$166,439 for 2003, \$174,148 for each year 2004 through 2012, and \$7,710 for 2013. There is and at all times shall continue to be sufficient eligible basis (as defined in Section 42 of the Code) to provide the full amount of the Projected LIHTC.

(q) Acquisition Credits. The General Partner represents and warrants that parcels 1, 2, 3, 4, 5, 6, 7, 8, 9 and 20 listed on Exhibit C to this Agreement, in accordance with Sections 42(d)(2)(D) of the Code, have neither been placed in service nor have title to same been transferred (other than to the Partnership) in the ten (10) years prior to December 7, 2001, or in any such longer look-back period required by the Code, in a manner that would disqualify those parcels of Land for purposes of the acquisition LIHTC.

(r) **Compliance with Agreements.** To the best of its knowledge after due inquiry, the General Partner, either individually or on behalf of the Partnership, has fully complied with all applicable provisions and requirements of any and all contracts, options and other agreements with respect to the purchase of the Land and the development, financing and operation of the Project; it shall take, and/or cause the Partnership to take, all actions as shall be necessary to achieve and maintain continued compliance with the provisions, and fulfill all applicable requirements, of such agreements.

(s) **State Designation.** By no later than December 31, 2001, the Partnership will receive valid State Designation in the form of a carryover allocation agreement with respect to the Project in the amount of not less than \$1,741,510.00 for the Project's ten-year Credit Period. The Partnership timely submitted to the Agency the "Law Income Housing Tax Credits Election to Fix Applicable Credit Percentage" and has fixed the applicable credit percentage for acquisition credits as of July 2001 at 3.55% and has fixed the applicable credit percentage for rehabilitation credits as of July 2001 at 8.28%.

(t) **Applicable Income and Rent Restrictions.** The Project is being developed in a manner which satisfies, and shall continue to satisfy, all restrictions, including tenant income and rent restrictions, applicable to projects generating LIHTC under Section 42 of the Code. The Partnership will comply with the so-called "20-50 Set-Aside Test" of Code Section 42(g)(1)(A), as further enhanced by Code Section 42(i)(2)(E)(i), so that at least 20% of the units in the Project will be occupied by individuals with incomes of 50% or less of area median income, as adjusted for family size; the Project is not subject to any other rental restrictions under the Project Documents except as follows in order to generate the full amount of the Projected Credits. The Partnership has agreed to restrict (i) 7 units for rental to qualified tenants earning 40% or less of area median income (rents shall not exceed 30% of 40% of area median income for those units); (ii) 13 units for rental to qualified tenants earning 50% or less of area median income (rents shall not exceed 30% of 50% of area median income for those units); and (iii) 12 units for rental to qualified tenants earning 60% or less of area median income (rents shall not exceed 30% of 60% of area median income for those units).

(u) **Term of Extended Use Agreement.** The term of the Extended Use Agreement will not exceed 40 years and neither the Extended Use Agreement nor any other document, instrument or agreement to which the Partnership is a party shall restrict, limit or waive the right of the Partnership to cause a termination of the Extended Use Agreement prior to the end of such 40-year term in accordance with Code Section 42(h)(6)(E)(i)(II).

(v) **Ownership of General Partner.** VBCDC currently owns one hundred percent (100%) of all classes of interests of the General Partner and shall continue to own 100% of the General Partner interests except as provided hereinafter in this Subsection 4.01(v). VBCDC agrees to sell, upon request and at the direction of the Special Limited Partner, a twenty-one percent share of all classes of its interests in the General Partner to an entity designated by the Special Limited Partner. Upon and after the occurrence of such a sale of interests, VBCDC shall own and shall

continue to own throughout the remaining term of the Partnership seventy-nine percent (79%) of all classes of interest in the General Partner.

(w) Title to Project; Taxes and Assessments. The Partnership has and shall have at all times good and marketable title to the Project, subject only to permitted exceptions thereto to which the Limited Partner has given its Consent. All real estate taxes, assessments, water and sewer charges and other municipal charges, to the extent due and owing, have been paid in full on the Project.

(x) Taxpayer Certifications. On behalf of the Partnership, the General Partner will cause to be filed any and all certifications and other documents on a timely basis with the IRS, the Agency and all other Authorities, as have been and may be required to support the full amount of Projected Credits.

(y) Taxation and Limited Liability. No event has occurred that has caused, and the General Partner will not act in any manner that will cause (i) the Partnership to be treated for federal income tax purposes as an "association" taxable as a corporation, rather than as a Partnership; or (ii) the Limited Partner or the Special Limited Partner to be liable for the Partnership's obligations in excess of its Capital Contributions.

(z) No Tax-Exempt Use Property. No portion of the Project is or will be treated as "tax exempt use property" as defined in Section 168(h) of the Code.

(aa) No Abusive Tax Shelter. The General Partner has not received notice from the IRS that it has considered the General Partner to be involved in any abusive tax shelter and is not aware of any facts, which if known to the IRS, would cause such notice to be issued.

(bb) HOME Funds. General Partner represents and warrants after due inquiry that (1) VBCDC has received a grant of HOME Funds from the City of Virginia Beach, Virginia pursuant to that certain Addendum to the HOME Program Contract to Provide Permanent Affordable Rental Housing Between the City of Virginia Beach and the Virginia Beach Community Development Corporation ("Grant Agreement"), as amended; (2) under the terms of the Grant Agreement and all applicable statutory and regulatory provisions, VBCDC is permitted to make and has all requisite authority to make the VBCDC HOME Acquisition Loan and VBCDC HOME Rehabilitation Loan to the Partnership; and (3) the making of the VBCDC HOME Rehabilitation Loan and VBCDC HOME Acquisition Loan by VBCDC will not result in a breach of or constitute a default under any agreement or instrument, including the Grant Agreement, to which VBCDC is a party.

(cc) HOME Loan. The General Partner acknowledges that the VBCDC HOME Acquisition Loan and VBCDC HOME Rehabilitation Loan have been funded with the proceeds of HOME Program funds pursuant to the Cranston-Gonzalez National Affordable Housing Act of 1995, which is implemented by the HOME Investment Partnership Program, 24 CFR Part 92, as amended (collectively, the "HOME Act"). The General Partner shall cause the Partnership to comply in full

with the HOME Act, including, without limitation, rental restrictions and tenant income limitations, Davis-Bacon Act compliance requirements, and all requirements set forth in any regulatory agreement executed by the Partnership in connection with the HOME Loan. In addition, the General Partner shall cause the Partnership to comply with such requirements in a manner such that, pursuant to Code Sections 42(i)(2)(D) and (E), the assistance provided the Partnership under the HOME Act shall not constitute a "federal subsidy" within the meaning of Code Section 42(i), and shall cause at least 40% of the units in the Project to be occupied by individuals with incomes of 50% or less of area median incomes, as adjusted for family size, notwithstanding any other provision of this Agreement. The VBCDC HOME Acquisition Loan was used to acquire the following properties identified on Exhibit C: 20, 22, 23, 25 through 32, inclusive. The VBCDC Rehabilitation Loan will be used to pay eligible rehabilitation expenses for the rehabilitation of the improvements located on the following properties identified on Exhibit C: 27, 28 and 31. Those foregoing properties shall be subject to the HOME Act.

(dd) Relocation Act. The General Partner heretofore has complied with and will cause the Partnership to comply with all applicable provisions of the Uniform Relocation Assistance and Real Property Acquisitions Policies Act of 1970, as amended, and its implementing regulations, relating to the Project.

(ee) Required Consents; No Defaults Under Loan Documents. The Partnership has obtained all consents required for the admission of the Limited Partner to the Partnership, including but not limited to, the consent of the holder(s) of the Project Loans, if necessary, and any required consents of applicable Authorities.

(ff) Bankruptcy. No Bankruptcy, including, without limitation, attachments, execution proceedings, assignments for the benefit of creditors, insolvency, reorganization or other proceedings are pending or threatened against the Partnership, VBCDC or the General Partner. The General Partner will not permit such a Bankruptcy to occur.

(gg) Governmental Actions. To the best of the General Partner's knowledge, there is no official action of any Authority, pending or threatened, which in any way would (i) have a material adverse effect on the Partnership, the Project, the Limited Partner or the Tax Credits; (ii) involve any intended public improvements which improvements may result in any charge in excess of \$10,000 being levied against the Land; or (iii) any special assessment, being levied against or assessed upon the Land or the Project. There is no existing, proposed or contemplated, plan to widen, modify or realign any street or highway contiguous to the Land. The General Partner will promptly notify the Limited Partner of any such official actions or plans, if and as they arise.

(hh) Moratoria; Assignments; Dedications. There is no reassessment (except for real estate property taxes), reclassification, rezoning, proceeding, ordinance or regulation (including amendments and modifications to any of the foregoing) pending or proposed to be imposed, by any Authority or any public or private utility having jurisdiction over the Land which would have a Material Adverse Effect upon the use or occupancy of the Project. No special assessments have been

levied against the Project or by an Authority upon the commencement or completion of any construction, alteration or rehabilitation on or of the Project or any portion thereof. The General Partner will promptly notify the Limited Partner of any such actions, if and as they arise. Except as previously disclosed in writing to and approved by the Limited Partner, the completion of the improvements, alteration or rehabilitation on or to the Project or any portion thereof will not require the dedication of any portion of the Project by any Authority.

(ii) **No Defects, Compliance.** Upon completion of the Project, there will be no material physical or mechanical defects or deficiencies in the condition of the Project, including, but not limited to, the roofs, exterior walls or structural components of the Project and the heating, air conditioning, plumbing, ventilating, elevator, utility, sprinkler and other mechanical and electrical systems, apparatuses and appliances located in, or about, the Land which would materially and adversely affect the Project or any portion thereof, The Project is free from infestation by termites or other pests, insects, animals or other vermin and the General Partner will keep it so. The Project conforms (or will timely conform) to all governmental regulations, including, without limitation, all zoning, building, health, fire and environmental rules, regulations ordinances or requirements or environmental laws, regulations or procedures applicable to the Project where the failure to conform would result in a material adverse effect.

(jj) **No Defective Soils Conditions.** The best of the General Partner's knowledge after due inquiry, there are no defects or conditions of the soil that would have a Material Adverse Effect upon the use, occupancy and operation of the Project. The soil condition of the Land is such that it will support all of the improvements to be located thereon for its foreseeable life, without the need for unusual or new subsurface excavations, fill, footings, caissons or other installations. The improvements on the Land, as built, will be or are constructed in a manner compatible with the soil condition at the time of construction and all necessary excavations, fills, footings, caissons and other installations were then, have since been and will be provided.

(kk) **Rights of First Refusal; Options.** Except as contemplated by the Right of First Refusal Agreements executed by the Partnership on November 7, 2001 and December 10, 2001 and recorded thereafter with the Office of the Recorder of the City of Virginia Beach, Virginia, neither the General Partner nor the Partnership has entered into (nor will enter into) any contracts for the sale of the Project, the Tax Credits with respect thereto, or any interest in the Project or Partnership other than in contemplation of this Agreement, nor do there exist any rights of first refusal or options to purchase the Project, the Tax Credits with respect thereto, or any interest in the Partnership.

(ll) **Securities Law Compliance.** The General Partner has or will have timely complied or cause the timely compliance with all applicable Federal and state securities laws in connection with the offer and sale of the interest in the Partnership to the Limited Partner, including the preparation and filing with the IRS of a tax shelter registration form on behalf of the partnership.

(mm) **Truth and Completeness of Representations and Disclosures.** No representation, warranty or statement of the General Partner in this Agreement or in any document,

certificate or schedule furnished or to be furnished to the Limited Partner pursuant hereto contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements or facts contained therein not misleading. All material information concerning the Project known to the General Partner or any of its Affiliates, or which should have been known to any of them in the exercise of reasonable care, has been disclosed by the General Partner to the Limited Partner and there are no facts or information known to the General Partner or any of its Affiliates, or which should have been known to any of them in the exercise of reasonable care, which would make any of the facts or information submitted by the General Partner to the Limited Partner with respect to the Project inaccurate, incomplete or misleading in any material respect.

(nn) **Compliance with Fair Housing Act.** At all times during the term of this Agreement, the Partnership shall comply with the provisions of the Fair Housing Act, as amended.

(oo) **Fannie Mae Financing.** With respect to (i) any debt or bond financing, (ii) any other loan or financial assistance, (iii) any credit support, guarantee or loss sharing arrangement, (iv) any other credit support or enhancement, or (v) any deed of trust, mortgage, security interest, or other collateral lien directly or indirectly related to or for the benefit of the Partnership or the Project (collectively the "Financing"), the General Partner covenants and agrees that it shall obtain the prior written Consent of the Limited Partner prior to (1) obtaining any Financing directly or indirectly provided by or in any way related to or involving Fannie Mae ("Fannie Mae Financing") and (2) providing any consent to the sale, assignment, transfer or conveyance of any Financing (or any interest therein) by the Project Lender to Fannie Mae, or inclusion of such Financing (or any interest therein) by such Project Lender in a pool of loans to be sold, assigned, transferred or conveyed to Fannie Mae (collectively, "Fannie Mae Refinancing"). In connection with its request for the Limited Partner's consent, the General Partner shall provide a written opinion of tax counsel concluding that such Fannie Mae Financing or Fannie Mae Refinancing, as applicable, will not result in any reallocation of LIHTC, Losses or other tax benefits among the Partners of the Partnership or the members of the Limited Partner. Further, the General Partner covenants and agrees that all documents for any Financing must require the prior written consent of the Limited Partner to any Fannie Mae Refinancing.

(pp) **Development Budget.** The Development Budget attached hereto as Exhibit K is accurate and complete. The assumptions underlying the calculations therein are reasonable and based upon the General Partner's knowledge and experience.

(qq) **Survival of Representations and Warranties.** All of the representations, warranties and covenants contained herein shall be deemed to be re-made as of the date of each Capital Contribution made by the Limited Partner and shall survive the date of Final Closing and the funding date of each such Capital Contribution. The General Partner shall indemnify and hold harmless the Limited Partner against a breach of any of the foregoing representations, warranties and covenants and any damage, loss or claim caused thereby, including reasonable attorneys' fees and costs and expenses of litigation and collection.

4.02 Duties and Obligations Relating to the Project and the Partnership. The General Partner shall have the following duties and obligations with respect to the Project and the Partnership:

(a) Qualifying for LIHTC. It shall ensure that all requirements shall be met which are necessary to obtain or achieve (i) compliance with the Minimum Set-Aside Test, the Rent Restriction Test, and any other requirements necessary for the Project to initially qualify, and to continue to qualify, for LIHTC, including all applicable requirements set forth in the Regulatory Agreement and the Extended Use Agreement, (ii) issuance of IRS Form(s) 8609 with respect to the LIHTC, (iii) issuance of all necessary permanent, unconditional certificates of occupancy, including all governmental approvals required to permit occupancy of the Project, and (iv) Initial Closing and Final Closing.

(b) Tax Treatment of Partnership. While conducting the business of the Partnership, the General Partner shall not act in any manner which it knows or should have known after due inquiry will (i) cause the termination of the Partnership for federal income tax purposes without the Consent of the Limited Partner or (ii) cause the Partnership to be treated for federal income tax purposes as an association taxable as a corporation.

(c) Securities Law and Tax Shelter Registration Matters. The General Partner shall prepare and timely file all appropriate reports for the Partnership with the Securities and Exchange Commission and state securities administrators, and has prepared and timely filed with the IRS a tax shelter registration form on behalf of the Partnership.

(d) Limited Partnership Status. The General Partner shall (i) file such certificates and do such other acts as may be required to qualify and maintain the Partnership as a limited partnership under the Act and to qualify the Partnership to transact business in all such other jurisdictions as may be required under the applicable provisions of law, and (ii) take or cause the Partnership to take all reasonable steps deemed necessary by counsel to the Partnership to assure that the Partnership is at all times classified as a partnership for federal income tax purposes.

(e) Good Faith of General Partner. It shall exercise good faith in all activities relating to the conduct of the business of the Partnership, including the development, operation and maintenance of the Project, and the General Partner shall take no action with respect to the business and property of the Partnership which is not reasonably related to the achievement of the purpose of the Partnership.

(f) No Security Interests or Encumbrances. The General Partner shall ensure that all of (i) the fixtures, maintenance supplies, tools, equipment and the like now and to be owned by the Partnership or to be appurtenant to, or to be used in the operation of the Project, as well as (ii) the rents, revenues and profits earned from the operation of the Project, will be free and clear of all

security interests and encumbrances except for the Project Loans, the Mortgages, and any additional security agreements executed in connection therewith.

(g) **Basis Adjustments.** It will execute on behalf of the Partnership all documents necessary pursuant to Sections 732, 743 and 754 of the Code to elect to adjust the basis of the Partnership's property upon the request of the Limited Partner, if, in the sole opinion of the Limited Partner, such election would be advantageous to the Limited Partner.

(h) **Payment of Development Fee.** It guarantees payment by the Partnership of the Development Fee as provided in Section 5.01(b).

(i) **Tax Returns and Financial Statements.** It shall, during and after the period in which it is a Partner, provide the Partnership with such information and sign such documents as are necessary for the Partnership to make timely, accurate and complete submissions of federal and state income tax returns and shall provide the Limited Partner with the opportunity to review and Consent to drafts of all such returns at least twenty (20) days prior to their filing date, and will incorporate the changes of the Limited Partner. In addition, the General Partner shall provide the Limited Partner with the opportunity to have not less than twenty (20) days to review drafts of audited financial statements prior to their finalization and will incorporate the changes of the Limited Partner.

(j) **Compliance with Governmental and Contractor Obligations.** It shall comply and cause the Partnership to comply with the provisions of all applicable governmental and contractual obligations.

(k) **Tax Elections.** It has made (if applicable) and shall make such elections, or refrain from making such elections, with respect to the LIHTC, as are necessary to achieve and maintain the maximum allowable LIHTC to the Limited Partner, unless otherwise directed in writing by the Limited Partner.

(l) **Fines and Penalties.** It shall be responsible for the payment of any fines or penalties imposed by the Agency or any Project Lender pursuant to the Project Documents and any documents executed in connection with obtaining the LIHTC (other than with respect to payments of principal or interest under any Project Loan) attributable to any action or inaction of it or its Affiliates.

(m) **Notification of Default or IRS Proceedings.** It shall immediately notify the Limited Partner of any written or oral notice of (i) any default or failure of compliance with respect to any of the Project Loans or any other financial, contractual or governmental obligation of the Partnership or the General Partner, or (ii) any IRS proceeding regarding the Project or the Partnership.

(n) **Notification of Construction Delays.** If at any time during the rehabilitation of the Project, (i) rehabilitation stops or is suspended for a period of ten (10) consecutive days, or

(ii) rehabilitation has been delayed so that in the reasonable determination of the General Partner (A) Substantial Completion may not be achieved by the date set forth in the Construction Contract, or (B) the Projected Credits for any year during the Credit Period may not be achieved, the General Partner shall immediately send Notice of such occurrence, together with an explanation of the circumstances surrounding such occurrence, to the Limited Partner.

(o) Bank Accounts. The General Partner shall establish in the name and on behalf of the Partnership such bank accounts as shall be required to facilitate the operation of the Partnership's business. The Partnership's funds shall not be commingled with any other funds of the General Partner or any of its Affiliates, including, without limitation, any other partnership in which the General Partner is a general partner. Promptly upon the request of the Limited Partner, the General Partner shall obtain and deliver to the Limited Partner full, complete and accurate statements of the amount and status of all Partnership bank accounts and all withdrawals therefrom and deposits thereto.

(p) Sales Notice to State Agency. If necessary to obtain, maintain or avoid recapture of any LIHTC for the Partnership, upon written request of a Limited Partner, the General Partner shall, pursuant to Section 42(h)(6) of the Code, submit on behalf of the Partnership and its Partners a written request to the Agency (or other applicable housing credit agency) to find a Person to acquire the Project pursuant to a Qualified Contract.

(q) Reserve Fund for Replacements. It shall establish and maintain reasonable reserves to provide for working capital needs, improvements, replacements and any other contingencies of the Partnership (the "Reserve Fund for Replacements"). At a minimum, the General Partner shall cause the Partnership to deposit \$15,000 into a segregated reserve account concurrently with the occurrence of the Third Capital Contribution. The General Partner shall further cause the Partnership to deposit \$20,000 into the reserve account from either the proceeds of the Fourth Capital Contribution or the Partnership's gross operating revenues. Thereafter, the General Partner shall fund into the Reserve Fund for Replacement on a monthly basis from the Partnership's gross operating revenues an additional per unit amount of \$20.83 (i.e., \$250 per residential unit per year). Withdrawals from the Reserve Fund for Replacements shall require the consent and signature of the Limited Partner. The General Partner shall not increase the amount in the Reserve Fund for Replacements materially above the amount required to be maintained by this Section 4.02(q) without the consent of the Limited Partner, which consent shall not be unreasonably withheld. Notwithstanding anything to the contrary in this Section 4.02(q), however, the amount of the Reserve Fund for Replacements shall be increased if necessary to satisfy the requirements of any creditor of the Partnership or any federal, state or local governmental agency or similar authority having jurisdiction over the Project.

(r) Operating Reserves. In addition to the requirements of Section 4.02 (q), in order to meet operating expenses of the Partnership which exceed operating income available for the payment thereof, the General Partner shall cause the Partnership to deposit in installments an initial amount of Eighty Thousand and No/100 Dollars (\$80,000.00) (or such greater amount as may be

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required by the Project Lenders) into a segregated interest-bearing reserve account (the "Operating Reserve") to fund operating expenses and debt service in excess of operating revenues. The Operating Reserve shall be funded concurrently with the occurrence of the Third Capital Contribution pursuant to Section 5.01(d)(iii) of this Agreement from the proceeds of said Capital Contribution and/or the proceeds of the Project Loan provided, however, that if there are insufficient funds from the aforementioned sources when the Operating Reserve is required to be funded, the General Partner shall be required to fund the Operating Reserve. Disbursements from the Operating Reserve for the aforementioned purposes shall constitute GP Loans by the General Partner only to the extent of amounts funded by it into the Operating Reserve pursuant to the previous sentence. Additionally, the General Partner shall cause the Partnership to deposit into the Operating Reserve amounts sufficient to maintain a minimum balance of \$80,000.00, using gross operating revenues after payment of debt service, throughout the term of the Partnership. Withdrawals from the Operating Reserve shall require the prior approval of the Special Limited Partner. In addition, the General Partner will make additional deposits into the Operating Reserve in accordance with Section 11.02(b)(vii) of this Agreement.

(s) Lease-Up Reserve. Concurrently with the occurrence of the Second Capital Contribution pursuant to Section 5.01(d)(iii) of this Agreement, the General Partner shall establish and cause the Partnership to fund and maintain a lease-up reserve (the "Lease-Up Reserve") in the name of the Partnership and maintained in a segregated interest-bearing Partnership account established for this purpose. The amount of the Lease-Up Reserve shall be Fifteen Thousand and No/100 Dollars (\$15,000.00). Withdrawals from the Lease-up Reserve account shall require the consent and signature of the Limited Partner. At such time as the Project Property shall have achieved full qualified occupancy of all units and Breakeven Operations and has maintained for a period of at least six months at least 95% occupancy (measured by both physical occupancy and "paid" occupancy based upon the then current rents for apartment units), any unused portion of the Lease-Up Reserve shall be paid to the General Partner as a lease-up management incentive fee in consideration for General Partner's services to the Partnership of obtaining and maintaining tax credit qualified low-income tenants.

(t) Pre-Development Activities. The General Partner shall be specifically and solely responsible for the following duties:

- (1) Analyzing the Qualified Allocation Plan ("QAP") for targeted areas within a state.
- (2) Identifying potential land sites.
- (3) Analyzing the demographics of potential sites.
- (4) Analyzing a site's economy and forecast future growth potential.
- (5) Determining the site's zoning status and possible rezoning actions.

- (6) Contacting local government officials concerning access to utilities, public transportation, impact fees and local ordinances.
- (7) Performing environmental tests on selected sites.
- (8) Negotiating the purchase of the land upon which the Project is located and its related financing.
- (9) Performing any other duties or activities relating to the acquisition of the land upon which the Project is located.

(u) **Permanent Loan Documents.** In accordance with Section 8.02(b) of this Agreement, the General Partner shall provide copies of the draft Permanent Loan Documents to the Limited Partner for its review, and the General Partner shall not execute any Permanent Loan Documents without the Consent of the Limited Partner.

4.03 **Single Purpose Entity.** The General Partner shall engage in no other business or activity other than that of being the General Partner of the Partnership. The General Partner was formed exclusively for the purpose of acting as the General Partner of the Partnership and has never engaged in any other activity, business or endeavor. As of the date of this Agreement, the General Partner has no liabilities or indebtedness other than its liability for the debts of the Partnership, and the General Partner shall not incur any indebtedness other than its liability for the debts of the Partnership. If the General Partner determines it needs additional funds for any purpose, it shall obtain such funds solely from capital contributions from its shareholders. The General Partner has observed and shall continue to observe all necessary or appropriate corporate formalities in the conduct of its business. The General Partner shall keep its books and records separate and distinct from those of its shareholders and affiliates. The General Partner shall clearly identify itself as a legal entity separate and distinct from its shareholders and its affiliates in all dealings with other Persons. The General Partner has been adequately capitalized for the purposes of conducting its business and will not make distributions at a time when it would have unreasonably small capital for the continued conduct of its business.

ARTICLE V
PARTNERS, PARTNERSHIP INTERESTS
AND OBLIGATIONS OF THE PARTNERSHIP

5.01 **Partners; Capital Contributions; Partnership Interests.**

(a) **Initial General Partner Contribution.** The General Partner, its principal address or place of business, its Capital Contribution and its Percentage Interest are as follows:

(i) Name and Address:
Beach Properties Incorporated
c/o Virginia Beach Community Development Corporation
629 Wesley Drive
Virginia Beach, VA 23452

(ii) Capital Contribution: \$10.00, plus all of its rights, title and interest in, to and under all agreements, licenses, approvals, permits, LIHTC applications and allocations and any other tangible or intangible personal property which is related to the Project or which is required to permit the Partnership to pursue its business and carry out its purposes as contemplated in this Partnership Agreement. A description of the property contributed to the capital of the partnership by the General Partner and its agreed fair market value (if any) is set forth on Exhibit M.

(iii) Percentage Interest: 0.001%

(b) General Partner's Special Capital Contribution. In the event that the Partnership has not paid all or part of the amounts due under the Development Agreement on or before the earlier of (i) the thirteenth (13th) anniversary of the date of placement in service of the Project, or (ii) the date required under the Development Agreement, the General Partner shall contribute to the Partnership an amount equal to any such remaining payments (the "General Partner's Special Capital Contribution") and the Partnership shall thereupon make a payment in an equal amount to pay off all amounts due under the Development Agreement.

(c) Limited Partners.

(i) The Limited Partner, its principal office and place of business, and its Percentage Interest are as follows:

Housing Equity Fund of Virginia VII, L.L.C.	99.99%
114 E. Cary Street, Suite 101	
Richmond, Virginia 23219	

(ii) The Special Limited Partner, its principal office and place of business, its Percentage Interest and its Capital Contribution are as follows:

Virginia Affordable Housing Management Corporation	0.009%	\$90.00
114 E. Cary Street, Suite 101		
Richmond, Virginia 23219		

(d) Limited Partner Capital Contributions. Subject to the provisions of this Agreement, including, without limitation, the provisions of Sections 5.01(e) and 5.03, the Limited Partner shall be obligated to make Capital Contributions in the total amount of One Million Four

Hundred Eighteen Thousand Eight Hundred Forty-Nine and No/100 Dollars (\$1,418,849.00) to the Partnership in installments as follows:

(i) First Capital Contribution. The amount of the First Capital Contribution shall be Four Hundred Sixty-Eight Thousand Eight Hundred Forty-Nine and No/100 Dollars (\$468,849.00). After satisfaction of all of the conditions set forth below, and review and approval of the items described below, the Limited Partner shall make the First Capital Contribution. A portion of the First Capital Contribution in the amount of \$68,849.00 shall be used to pay the Property Advisory Fee and a portion in the amount of \$15,000.00 shall be used to pay the Limited Partner Due Diligence Costs; the balance of the First Capital Contribution shall be used to pay for approved costs of the development of the Project.

- (A) Title Policy. The title insurance company shall have issued the Partnership's title policy in an amount equal to the acquisition and development cost of the Project as shown in the Project Budget, showing the Partnership as owner of fee simple title to the Land and subject to only such exceptions as are acceptable to the Limited Partner, and containing fairways, non-imputation, creditors' rights, zoning, survey, access, tax parcel and such other endorsements as the Limited Partner may require.
- (B) Environmental Matters. The Limited Partner shall have received a reports satisfactory to the Limited Partner for all 32 units confirming no material adverse environmental conditions.
- (C) Legal Opinion. The Limited Partner shall have received a legal opinion as set forth in Section 5.04.
- (D) Permanent Loan. Limited Partner shall have received a copy of the commitment letter or other document evidencing Virginia Department of Housing and Community Development's agreement to make the Permanent Loan to the Partnership on terms to which the Limited Partner Consents.
- (E) Permits. Limited Partner shall receive evidence satisfactory to it that the only condition to the City's issuance of building/rehabilitation permits for all of the 32 townhomes comprising the Project is receipt of the respective permit fee payments by the Partnership. Limited Partner shall also receive copies of permits necessary for the rehabilitation of at least 8 of the 32 properties.
- (F) Other Documentation. The Limited Partner shall have received such other documentation as it may reasonably request to satisfy its due diligence requirements including, without limitation, (i) those documents listed on the Limited Partner's closing checklist, a copy of which has been previously delivered to the General Partner; (ii) the Post Closing Obligations, if any, as set forth on Exhibit K attached hereto; and (iii) such additional items requested by the Limited Partner to otherwise

verify the accuracy of the General Partner's representations and warranties and compliance with the covenants, duties and obligations set forth in Article IV.

The Partnership shall use the proceeds of the First Capital Contribution, in part, to repay a portion of the First Virginia Loan.

(ii) **Second Capital Contribution.** The amount of the Second Capital Contribution shall not exceed Six Hundred Thousand and No/100 Dollars (\$600,000.00). After satisfaction of all of the conditions set forth below, and review and approval by the Limited Partner of the items described below, the Limited Partner shall make the Second Capital Contribution in the amount requested by the General Partner in the manner set forth below, to repay an equal amount of the First Virginia Loan. If the General Partner requests less than \$600,000 as and for the Second Capital Contribution, the Limited Partner shall fund the remaining balance of the Second Capital Contribution as part of its Third Capital Contribution.

- (A) **First Capital Contribution Paid.** The occurrence of the Limited Partner's First Capital Contribution.
- (B) **Fifty Percent Completion.** A construction specialist approved by the Limited Partner must certify that the construction is at least fifty percent (50%) completed;
- (C) **Sworn Statements.** The Limited Partner shall have received a written request for disbursement of the Second Capital Contribution from the General Partner in form satisfactory to the Limited Partner, accompanied by current owner's and contractor's sworn statements.
- (D) **General Partner's Certificate.** The Limited Partner shall have received a certificate from the General Partner that the representations, warranties and covenants in Sections 4.01 and 4.02 are true and accurate as of the date of the proposed Second Capital Contribution, that the Partnership has obtained all consents required to admit the Limited Partner to this Partnership, including but not limited to any required consents of the Project Lenders and applicable governmental authorities, and that the General Partner and the Partnership are not in default of any of their obligations hereunder and under the Project Documents as of the date of the proposed Second Capital Contribution.
- (E) **Physical Inspection.** A construction consultant selected by the Limited Partner shall have prepared a physical inspection report and certified that the amount requested by the General Partner is in accordance with the labor and materials in place.
- (F) **Title Policy.** The title insurance company shall have issued the following endorsements to the Partnership's title policy: (1) an endorsement indicating that the Partnership owns fee simple title to the Land; (2) a "date down" endorsement to the

title policy extending the effective date of the title policy to the date of funding and showing no exceptions to the title other than the exceptions reflected on the title policy as of Initial Closing, except as shall be acceptable to the Limited Partner; (3) an endorsement to the Partnership's title policy affording mechanics lien coverage; and (4) such other endorsements as the Limited Partner may reasonably require.

- (G) Permits. The Limited Partner shall have received permits for at least 16 of the 32 properties, and the City shall confirm that there remain no conditions to the issuance of the remaining 16 permits other than payment by the Partnership of the permit fee.
- (H) Other Documentation. The Limited Partner shall have received such other documentation as it may reasonably request to verify the accuracy of the representations and warranties and compliance with the covenants, duties and obligations set forth in Article IV.

All amounts disbursed pursuant to Sections 5.01(d)(i) and (ii), and any amount under Section 5.01(d)(iii) used to pay for the costs of construction or rehabilitation, shall be disbursed through an escrow agreement in form and substance satisfactory to the Limited Partner. All investment earnings on the Limited Partner's Capital Contributions disbursed through an escrow shall inure to the benefit and belong to the Limited Partner.

(iii) Third Capital Contribution. The amount of the Third Capital Contribution shall be Two Hundred Thousand and No/100 Dollars (\$200,000.00). The Limited Partner shall make the Third Capital Contribution to the Partnership following (and conditioned upon):

- (A) Second Capital Contribution Paid. The occurrence of the Limited Partner's Second Capital Contribution;
- (B) Final Closing. Simultaneously with Final Closing, provided that the Limited Partner has received fifteen (15) days' prior written notice of the date of Final Closing;
- (C) As Built Plans and Specifications. The General Partner shall have submitted to the Limited Partner a written document executed by the General Partner, the construction specialist approved by the Limited Partner and the Contractor certifying no material change was made during the course of construction to the "for-construction" Plans and Specifications previously approved by the Project Lenders and Limited Partner.
- (D) Permits, Licenses and Certificates of Occupancy. The Limited Partner shall have received a copy of any remaining building/rehabilitation permits and copies of any permits and licenses which are required for the operation and use of the Project and a copy of the final and unconditional certificate or certificates of occupancy, or the equivalent, issued by the appropriate governmental authorities for the Project in its entirety.

- (E) **General Partner Certificate.** Receipt of a certificate from the General Partner that (1) the representations, warranties and covenants in Sections 4.01 and 4.02 continue to be true and accurate through the date of the proposed Third Capital Contribution and (2) the Partnership and the General Partner are not in default of any of their obligations with respect to the Partnership or the Project at such time;
- (F) **Legal Opinion.** The Limited Partner shall have received an update of the legal opinion previously delivered to the Limited Partner in connection with its making the Initial Capital Contribution; and
- (G) **Evidence of Applicable Fraction.** The Limited Partner shall have received satisfactory evidence that the Applicable Fraction (as defined in Code Section 42(c)(1)(B)) for the Project equals one hundred percent (100%) determined as of the date of the proposed Third Capital Contribution.
- (H) **Certificate of Substantial Completion.** The General Partner shall have delivered to the Limited Partner a certificate of substantial completion from the construction specialist approved by the Limited Partner in the form requested by the Limited Partner.
- (I) **Payment of Taxes.** The Limited Partner shall have received satisfactory evidence (which may be included in the title policy described in subparagraph (J) immediately below) that all real property taxes and assessments for the Project due and payable through the date of funding have been timely and fully paid.
- (J) **Title Policy.** The title insurance company shall have issued a final date down endorsement to the title policy extending the date of the title policy through the date of final funding of the Project Loans and the Third Capital Contribution and showing no exceptions to title other than those exceptions reflected on the title policy as of Initial Closing and other exceptions as may be acceptable to the Limited Partner.
- (K) **Other Documentation.** The Limited Partner shall have received such other documentation as it may reasonably request to verify the accuracy of the representations and warranties and compliance with the covenants, duties and obligations set forth in Article IV

A portion of the proceeds of the Third Capital Contribution shall be used to fund the Reserve Fund for Replacements, Operating Reserve and Lease-Up Reserve in accordance with Subsections 4.02(q), (r) and (s) of this Agreement.

(iv) **Fourth Capital Contribution.** The amount of the Fourth Capital Contribution shall be equal to One Hundred Fifty Thousand and No/100 Dollars (\$150,000.00). The

Limited Partner shall make the Fourth Capital Contribution to the Partnership following (and conditioned upon):

- (A) **Third Capital Contribution Paid.** The occurrence of the Limited Partner's Third Capital Contribution;
- (B) **Qualified Occupancy.** Achievement of occupancy of ninety-five percent (95%) of the residential units in the Project by Qualified Tenants, and the General Partner, if requested by the Limited Partner, shall demonstrate such occupancy by submitting to the Limited Partner certified rent rolls and tenant qualification forms that confirm that such tenants qualify under Section 42 of the Code;
- (C) **Breakeven Operation.** The last day of the month following the month in which Breakeven Operations occurs;
- (D) **General Partner Certificate.** The Limited Partner shall have received a certificate from the General Partner that (1) the representations, warranties and covenants in Sections 4.01 and 4.02 are true and accurate as of the date of the proposed Fourth Capital Contribution and (2) the Partnership and the General Partner are not in default of any of their obligations with respect to the Partnership or Project at such time; and
- (E) **Cost Certification.** Receipt of an audited cost certification of Eligible Basis (as defined in Code Section 42(d)) for the Project prepared by the Accountants;
- (F) **8609s.** Receipt of the Form(s) 8609 for the entire Project executed by the Agency whether in the form of one 8609 for the entire Project or thirty-two separate 8609 forms;
- (G) **Extended Use Agreement.** Receipt by the Limited Partner of a copy of an as-recorded Extended Use Agreement;
- (H) **Environmental Matters.** The General Partner shall have provided the Limited Partner evidence that the rehabilitation of the Project did not result in the filling or disturbance of any wetlands and that any actions recommended to be taken which were contained in any environmental assessment reports prepared in conjunction with the development of the Project have been appropriately completed in a manner that fully complies with such recommendations and all laws, regulations, ordinances, orders or decrees pertaining to environmental matters.
- (I) **Tax Return.** The Limited Partner shall have received a copy of and consented to the Partnership's 2002 United States partnership tax return.

- (J) **Other Documentation.** The Limited Partner shall have received such other documentation as it may reasonably request to verify the accuracy of the representations and warranties and compliance with the covenants, duties and obligations set forth in Article IV.

(v) **Limited Partner's Special Additional Capital Contributions.** If, in any fiscal year of the Partnership, the Limited Partner's Capital Account balance may be reduced to or below zero, the Limited Partner may, in its sole and absolute discretion, make a Special Additional Capital Contribution to the Partnership, in an amount reasonably required to avoid the reduction of the Limited Partner's Capital Account balance to or below zero. If the Limited Partner makes a Special Additional Capital Contribution to the Partnership pursuant to this paragraph, the Limited Partner shall receive a guaranteed payment pursuant to Section 5.06 for the use of its Special Additional Capital Contribution. Whenever the Limited Partner makes a Special Additional Capital Contribution to the Partnership pursuant to this paragraph, the General Partner shall have the option, in its sole and absolute discretion, to make Special Additional Capital Contributions to the Partnership, up to the same amount and on the same terms in the aggregate as the Special Additional Capital Contribution made by the Limited Partner at that time.

(e) **Adjustment to Capital Contributions of Limited Partner.** Following determination of Certified Credits, the Accountants shall calculate the Downward Capital Adjustment. If events subsequent to such calculation result in a decrease due to a Late Delivery Capital Adjustment, then the Accountants shall recalculate the Downward Capital Adjustment and the Partners or the Partnership, as appropriate, shall make payments pursuant to Section 5.01(e)(i) to reflect such recalculation.

(i) The following definitions shall apply for purposes of determining adjustments to Capital Contributions:

- A. "Certified Credit Capital Adjustment" shall equal the product of (A) Certified Credits for the Credit Period (excluding any LIHTC resulting from an increase in qualified basis under Code Section 42(f)(3)), minus \$1,741,493 [i.e., amount of Projected Credits set forth in 4.01(p)], and (B) \$0.775. The Certified Credit Capital Adjustment may be a positive or negative number.
- B. "Certified Credit Capital Decrease" means a negative Certified Credit Capital Adjustment.
- C. "Certified Credit Capital Increase" means a positive Certified Credit Capital Adjustment.
- D. "Downward Capital Adjustment" shall mean the following: (A) if either there is a Certified Credit Capital Decrease or if the Certified Credit Capital Adjustment is zero, then the Certified Credit Capital Decrease plus the Late Delivery Capital

Adjustment; or (B) if there is a Certified Credit Capital Increase, the positive amount, if any, by which the Late Delivery Capital Adjustment exceeds the Certified Credit Capital Increase.

- E. "Late Delivery Capital Adjustment" shall mean for calendar year 2003 the amount, if any, by which \$ 166,439.00 exceeds Actual Credits for such year.

(ii) If there is a Downward Capital Adjustment, then the Capital Contributions of the Limited Partner shall be immediately reduced by the Downward Capital Adjustment. The Downward Capital Adjustment shall first reduce the Second Capital Contribution (if it has not previously been funded), and then to the extent necessary, the Third Capital Contribution, and then to the extent necessary, the Fourth Capital Contribution. If the Downward Capital Adjustment exceeds the total of all unfunded Capital Contributions (prior to the reduction under this provision), then the General Partner shall make a payment immediately to the Partnership equal to the amount of such excess, and the Partnership shall immediately distribute such amount to the Limited Partner as a return of its Capital Contributions. Such payment by the General Partner shall constitute a non-reimbursable funding by it of Excess Development Costs and shall not give rise to any right as a loan or Capital Contribution or result in any increase in the Capital Account of the General Partner. Should General Partner fail to fund these Excess Development Costs, such amount shall be payable out of Net Cash Flow and proceeds of Capital Transactions, as provided under Sections 11.02 and 11.05. Any payment required to be paid to the Limited Partner pursuant to the preceding sentence out of Net Cash Flow and the proceeds of Capital Transactions shall be referred to as a "Credit Reduction Guaranty Payment".

- F. Early Delivery Capital Adjustment. For any Unit-Month (as hereinafter defined) delivered by the General Partner in 2002 such that the Partnership commences its delivery of the tax credits for the Project in 2002 rather than in 2003 as currently projected, the Limited Partners shall pay an Early Delivery Capital Adjustment to the Partnership in the amount of \$175 per Unit Month. For the purposes of this provision, a "Unit Month" means the product of the Low-Income Units multiplied by the number of months each such Unit has been occupied by a Qualified Tenant in the twelve month period of January through December 2002 (e.g., if there are 32 Low-Income Units, 30 of which become occupied in November and December of 2002, and 2 additional Low-Income Units become occupied in December of 2002, the Unit-Month total for 2002 shall equal 62 (i.e., 30 units fully leased x 2 months + 2 more units fully leased x 1 month = 62). Any Early Delivery Capital Adjustment shall be paid by the Limited Partner in conjunction with the Fourth Capital Contribution pursuant to Section 5.01(d)(iv) of this Agreement; provided, however, that the Limited Partner shall not be obligated to pay any Early Delivery Capital Adjustment if the Partnership fails to achieve 100% Qualified Occupancy for all 32 low income

tax credit units by May 1, 2003, and further provided that the amount of any Early Delivery Capital Adjustment paid by the Limited Partner pursuant to this Agreement shall not exceed Twenty Thousand and No/100 Dollars (\$20,000.00).

(f) **Payment of Limited Partner Due Diligence Costs.** The General Partner shall pay the costs and expenses incurred by the Limited Partner in connection with the due diligence activities of the Limited Partner and the closing of the transactions described herein, including Limited Partner's legal fees and expenses, such Limited Partner Due Diligence Costs not to exceed \$15,000.00.

(g) **Additional Limited Partners.** Without the Consent of all of the Partners, no additional Persons may be admitted as additional Limited Partners and Capital Contributions may be accepted only as and to the extent expressly provided for in this Article V.

(h) **Deposit of Capital Contributions.** Except as otherwise provided in Section 5.01(d) herein, the cash portion of the Capital Contributions of each Partner shall be deposited at the General Partner's discretion in a checking, savings and/or money market or similar account to be established and maintained in the name of the Partnership or invested in government securities or certificates of deposit issued by any bank. Thereafter, such amounts shall be utilized for the conduct of the Partnership business pursuant to the terms of this Agreement.

(i) **No Liability for Limited Partner.** Except as may otherwise be provided under applicable law, no Limited Partner shall be bound by, or personally liable for, the expenses, liabilities or obligations of the Partnership.

(j) **Payment of Environmental Assessment Consultant Fees.** The General Partner acknowledges that, on behalf of the Limited Partner, the Limited Partner or its Affiliate may retain an environmental consultant (the "Environmental Consultant") to review and give recommendations related to environmental reports that are provided to the Limited Partner by the General Partner (including, but not limited to, Phase I and Phase II environmental assessments, wetlands reports, lead and asbestos reports, abatement reports and other environmental reports required by the Environmental Consultant, to the reasonable satisfaction of the Environmental Consultant) for the Land, or the rehabilitation of existing buildings, if the reports indicate the possible presence of hazardous materials on or near the Project or if such reports appear incomplete or inadequate for purposes of making such a determination. The Partnership shall be solely responsible for the payment of the fees of the Environmental Consultant.

5.02 **Return of Capital Contribution.** Except as provided in this Agreement, no Partner shall be entitled to demand or receive the return of his Capital Contribution.

5.03 **Withholding of Capital Contribution Upon Default.**

(a) **Conditions Giving Rise to Withholding.** In the event that (a) the General Partner, or any successor General Partner shall not have substantially complied with any material provisions under this Agreement, after Notice from the Limited Partner of such noncompliance and failure to cure such noncompliance within a period of thirty (30) days from and after the date of such Notice, or (b) any Project Lender shall have declared the Partnership to be in default under any Project Loan, or (c) foreclosure proceedings shall have been commenced against the Project or against the Project, then the Partnership and the General Partner shall be in default of this Agreement, and the Limited Partner, at its sole election, may cause the withholding of payment of any Capital Contribution otherwise payable to the Partnership.

(b) **Release to Partnership Following Cure.** All amounts so withheld by the Limited Partner under this Section 5.03 shall be promptly released to the Partnership only after the General Partner or the Partnership have cured the default justifying the withholding, as demonstrated by evidence reasonably acceptable to the Limited Partner.

5.04 Legal Opinions. As a condition precedent to the Limited Partner's obligation to make its Capital Contributions hereunder, the Limited Partner must receive the opinions of Paulson and Paulson P.L.C., with respect to Sections 5.04(a) through (i), and Kanady & Quinn with respect to Section 5.04(j), both of whom are special counsel to the Partnership and the General Partner, which opinions shall expressly state that Applegate & Thorne-Thomsen, P.C. of Chicago, Illinois, counsel to the Limited Partner, may rely upon it, that:

(a) the Partnership is a duly formed and validly existing limited partnership under the Act, and the Partnership has full power and authority to own and operate the Project and to conduct its business hereunder; the Partnership is duly qualified to transact its business in the Commonwealth of Virginia; the Limited Partner has been validly admitted as a Limited Partner of the Partnership entitled to all the benefits of a Limited Partner under this Agreement, and the Interest of the Limited Partner in the Partnership is the Interest of a limited partner with no personal liability for the obligations of the Partnership, and the exercise of the rights and remedies of the Limited Partner under the Partnership Agreement do not constitute participating in the control of the business of the Partnership;

(b) the General Partner is duly and validly organized and is validly existing in good standing as a corporation/limited liability company under the laws of the State of Formation, with full power and authority to enter into and perform its obligations hereunder and under the General Partner Pledge; the General Partner is duly qualified to transact its business in the State of Formation;

(c) there is and shall be no direct or indirect personal liability of the Partnership or of any of the Partners or their Affiliates for the repayment of the principal of and payment of interest on any Project Loan, and the sole recourse of the Project Lender, with respect to the principal thereof and interest thereon, shall be to the assets of the Partnership securing such indebtedness;

(d) execution of this Agreement and the General Partner Pledge by the General Partner has been duly and validly authorized by or on behalf of such General Partner and, having been executed and delivered in accordance with its terms, this Agreement and the General Partner Pledge constitute the valid and binding agreement of the General Partner, enforceable in accordance with their respective terms, and execution hereof and thereof by the General Partner is not in violation of any contract, agreement, charter, bylaw, resolution, judgment, order, decree, law or regulation to which the General Partner is bound or as to which it is subject;

(e) based solely on the title insurance policy issued to the Partnership and identified in Section 4.01(f), the Partnership owns fee simple title to the Project, subject only to the Project Loans, the Mortgages, and such other liens, charges, easements, restrictions and encumbrances as are set forth in the title insurance policy issued to the Partnership;

(f) to the best of its knowledge after due inquiry, there are no defaults existing with respect to any of the Project Documents;

(g) to the best of its knowledge after due inquiry, no event of Bankruptcy has occurred with respect to the Partnership or the General Partner; and

(h) the Affiliate Guaranty has been duly executed by the Affiliate Guarantor and constitutes the valid and binding obligation of the Affiliate Guarantor, enforceable in accordance with its terms;

(i) the Partnership has received a reservation of LIHTC for the Projected Credits from the Agency, which is the appropriate state of local authority for the jurisdiction in which the Project is located;

(j) addresses, in an overall tax opinion (a "will" opinion), all material tax issues and indicates that the financial projections and tax credit calculation contained in the Development Budget appear reasonable and complete.

5.05 Repurchase Obligation.

(a) Conditions for Repurchase. If (i) the entire Project is not placed in service by December 31, 2003 (or such later date as may be Consented to by the Limited Partner); (ii) the Partnership has not received State Designation in 2001 or the IRS Form(s) 8609 (is) (are) not issued by the Agency by December 31, 2003, so as to allow the Credit Period to commence as of January 1, 2003; (iii) Final Closing has not occurred by December 31, 2003 (or such later date as may be Consented to by the Limited Partner); (iv) the Partnership fails to meet the Minimum Set-Aside Test and the Rent Restriction Test by the close of the first year of the Credit Period or at any time thereafter; or (v) the Partnership's basis in the Project for federal income tax purposes, as finally determined by the Accountants or pursuant to an audit by the Internal Revenue Service, as of December 31, 2001, shall have been less than ten percent (10%) of the Partnership's reasonably

expected basis in the Project, as required pursuant to Section 42(h)(1)(E) of the Code, (vi) an Extended Use Agreement is not in effect before the end of the first year of the Credit Period, or (vii) the Project has not generated at least 95% of the Projected LIHTC for the year 2003, then the General Partner shall, within fifteen (15) days of the occurrence thereof, send to the Limited Partner Notice of such event and of its obligation to purchase the Interest of the Limited Partner hereunder and return to the Limited Partner its Capital Contributions in the event the Limited Partner, in its sole discretion, requires in a Notice to the General Partner such purchase of the Interest of the Limited Partner. Thereafter, the General Partner, within thirty (30) days of the mailing date of Notice by the Limited Partner of such election, shall acquire the entire Interest of the Limited Partner in the Partnership by making payment to the Limited Partner, in cash, of an amount equal to the sum of its Capital Contributions, plus interest on such amount at the rate of fourteen percent (14%) per annum, but in no event higher than the highest rate permitted by applicable law.

(b) Upon receipt by the Limited Partner of any such payment of its Capital Contributions, the Interest of the Limited Partner and all further obligations of the Limited Partner hereunder shall terminate, and, to the extent that the Limited Partner has acted in accordance with the terms of this Agreement, the General Partner shall indemnify and hold harmless the Limited Partner from any losses, damages, and/or liabilities, to or as a result of claims of Persons other than Partners or Affiliates thereof, to which the Limited Partner (as a result of its respective participation hereunder) may be subject.

5.06 **Guaranteed Payments.** No later than ninety (90) days after the end of the Partnership's fiscal year, any Partner who has made a Special Additional Capital Contribution pursuant to Section 5.01(d)(v) shall receive, as a guaranteed payment for the use of its capital, an amount equal to the annual interest earned by the Partnership, if any, on such Special Additional Capital Contributions. The Partnership shall invest any amounts contributed pursuant to Section 5.01(d)(v) as reasonably directed by the contributing Partner. Any guaranteed payment due to a Partner shall be deemed an expense of the Partnership for purposes of determining Net Cash Flow. Any guaranteed payment which is not paid when due shall remain a liability of the Partnership and shall bear interest as set forth above.

5.07 **GP Loans.**

(a) **GP Loans.** The General Partner shall have the right, but not the obligation, after funding all other obligations under this Partnership Agreement, including, without limitation, its obligation to fund Excess Development Costs under its Construction Completion Guaranty under Section 8.11(a) or Operating Deficit under its Operating Deficit Guaranty under Section 8.11(b) hereof, to make "GP Loans" pursuant to this Section 5.07(a) to fund Operating Deficits of the Partnership or to fund other reasonable and necessary obligations of the Partnership. GP Loans shall be on the following terms: (i) no interest shall accrue on the GP Loans; and (ii) GP Loans shall be repayable solely as set forth in Sections 11.02 and 11.05 of this Agreement.

(b) Documentation of GP Loans. At the request of a Partner, which request may be made quarterly, any GP Loan shall be evidenced by a non-negotiable promissory note or notes reflecting any such GP Loans made during the preceding calendar quarter. GP Loans shall be unsecured loans. GP Loans shall not be considered Capital Contributions and shall not increase such Partner's Capital Account.

(c) Usury Savings Clause. Notwithstanding anything to the contrary herein or in any note evidencing a GP Loan, in no event shall interest accrue on any GP Loan at a rate in excess of the highest rate permitted by applicable law, and if such designated interest rate should be in excess of such interest rate, the interest rate designated hereunder shall be reduced to the maximum rate of interest permitted by such law.

ARTICLE VI CHANGES IN GENERAL PARTNERS

6.01 Withdrawal of the General Partner.

(a) The General Partner may withdraw from the Partnership or sell, transfer or assign its Interest as General Partner only with the prior Consent of the Limited Partner, and of the Agency and the Project Lenders, if required, and only after being given written approval by the necessary parties as provided in Section 6.02, and by the Agency and the Project Lenders, if required, of the General Partner(s) to be substituted for it or to receive all or part of its Interest as General Partner.

(b) In the event that a General Partner withdraws from the Partnership or sells, transfers or assigns its entire Interest pursuant to Section 6.01(a), it shall be and shall remain liable for all obligations and liabilities incurred by it as General Partner before such withdrawal, sale, transfer or assignment shall have become effective, but shall be free of any obligation or liability incurred on account of the activities of the Partnership from and after the time such withdrawal, sale, transfer or assignment shall have become effective.

6.02 Admission of a Successor or Additional General Partner. A Person shall be admitted as a General Partner of the Partnership only if the following terms and conditions are satisfied:

(a) the admission of such Person shall have been Consented to by the General Partner and the Limited Partner, and consented to by the Agency and the Project Lenders, if required;

(b) the successor or additional Person shall have accepted and agreed to be bound by (i) all the terms and provisions of this Agreement by executing a counterpart thereof, (ii) all the terms and provisions of the Loan Agreement and the Project Documents by executing counterparts thereof or an assumption agreement, if requested by the Project Lenders, and (iii) all the terms and provisions of such other documents or instruments as may be required or appropriate in order to

effect the admission of such Person as a General Partner, and a certificate of amendment to the certificate of limited partnership evidencing the admission of such Person as a General Partner shall have been filed, and all other actions required by Section 1.07 in connection with such admission shall have been performed;

(c) if the successor or additional Person is a corporation, it shall have provided the Partnership with evidence satisfactory to counsel for the Partnership of its authority to become a General Partner, to do business in the Commonwealth of Virginia and to be bound by the terms and provisions of this Agreement; and

(d) Counsel for the Partnership shall have rendered an opinion that the admission of the successor or additional Person is in conformity with the Act and that none of the actions taken in connection with the admission of the successor Person will cause the termination or dissolution of the Partnership or will cause it to be classified other than as a partnership for federal income tax purposes.

6.03 Effect of Bankruptcy, Death, Withdrawal, Dissolution or Incompetence of a General Partner.

(a) In the event of the Bankruptcy of a General Partner or the withdrawal, death or dissolution of a General Partner, or an adjudication that a General Partner is incompetent (which term shall include, but not be limited to, insanity) the business of the Partnership shall be continued by the other General Partner(s); provided, however, that if the withdrawn, Bankrupt, deceased, dissolved or incompetent General Partner is then the sole General Partner, or if such General Partner withdraws from the Partnership in contravention of the provisions of Section 6.01(a) of this Agreement, then the Partnership shall be terminated, unless within ninety (90) days after receiving Notice of such Bankruptcy, withdrawal, death, dissolution or adjudication of incompetence or breach of Section 6.01(a), the Limited Partner elects to designate the Special Limited Partner or such other entity as the Limited Partner may desire as a successor General Partner and continue the Partnership upon the conversion of such Special Limited Partner to the General Partner of the Partnership. Consequences of the removal of the General Partner shall be determined under Section 6.05 hereof.

(b) Upon the Bankruptcy, death, dissolution or adjudication of incompetence of a General Partner or breach of Section 6.01(a), such General Partner shall immediately cease to be a General Partner and its Interest shall without further action be converted to a Limited Partner Interest; provided, however, that, if such Bankrupt, dissolved, incompetent, deceased or defaulted General Partner is the sole remaining General Partner, such General Partner shall cease to be a General Partner only upon the expiration of ninety (90) days after Notice to the Limited Partner of the Bankruptcy, death, dissolution, declaration of incompetence or default of such General Partner; and provided further that, if such Bankrupt, dissolved, incompetent, deceased or defaulted General Partner is the sole remaining General Partner, the converted Partnership Interest of such replaced General Partner shall be ratably reduced to the extent necessary to insure that the substitute General Partner(s) holds a 0.01% Percentage Interest (as set forth in Section 5.01).

(c) Except as set forth above, such conversion of a General Partner Interest to a Limited Partner Interest shall not affect any rights, obligations or liabilities (including without limitation, any of the General Partner's obligations under Section 8.11 herein) of the Bankrupt, deceased, dissolved, removed, incompetent or defaulted General Partner existing prior to the Bankruptcy, death, dissolution, removal, incompetence or default of such person as a General Partner (whether or not such rights, obligations or liabilities were known or had matured).

(d) If, at the time of the withdrawal, Bankruptcy, death, dissolution, adjudication of incompetence or default under Section 6.01(a) of a General Partner, the Bankrupt, withdrawn, deceased, dissolved, incompetent or defaulted General Partner was not the sole General Partner of the Partnership, the remaining General Partner or General Partners shall immediately (i) give Notice to the Limited Partners of such Bankruptcy, death, dissolution, adjudication of incompetence or default, and (ii) make such amendments to this Agreement and execute and file such amendments or documents or other instruments as are necessary to reflect the conversion of the Interest of the Bankrupt, deceased, dissolved, incompetent or defaulted General Partner and his having ceased to be a General Partner. The remaining General Partner or General Partners are hereby granted an irrevocable power of attorney, coupled with an interest, to execute any or all documents on behalf of the Partners and the Partnership and to file such documents as may be required to effectuate the provisions of this Section 6.03.

6.04 Restrictions on Transfer of General Partner's Interests. This is an agreement under which applicable law excuses the Limited Partner from accepting performance from (i) any General Partner which is a debtor in a case under the Bankruptcy Code, 11 U.S.C. § 101 et seq., (ii) a trustee of any such debtor, (iii) and/or the assignee of any such debtor or trustee. The Limited Partner has entered into this Agreement with the General Partner in reliance upon the unique knowledge, experience and expertise of the General Partner, and its officers in the planning and implementation of the acquisition of the Project and in the area of affordable housing and development in general. The foregoing restriction on transfer is based in part on the above factors. The General Partner expressly agrees that the Limited Partner shall not be required to accept performance under this agreement from any person other than the General Partner, including, without limitation, any trustee of the General Partner appointed under the Bankruptcy Code, 11 U.S.C. § 101 et seq., and any assignee of any such trustee.

6.05 Removal of the General Partner.

(a) Conditions for Removal. The Special Limited Partner shall have the right to remove the General Partner:

(i) for any fraud, gross negligence, intentional misconduct or failure to exercise reasonable care with respect to any material matter in the discharge of its duties and obligations as General Partner (provided that such violation results in, or is likely to result in, a material detriment to or an impairment of the Project or assets of the Partnership), or

(ii) upon the occurrence of any of the following:

(A) the General Partner shall have violated any material provisions of the Regulatory Agreement, the Extended Use Agreement and/or the Loan Agreement, or any material provisions of any other Project Document or other document required in connection with any Project Loan or any material provisions of a Project Lender and/or Agency requirements applicable to the Project, which violation has not been explicitly waived in writing by the applicable Project Lender or the Agency, as applicable;

(B) the General Partner shall have (i) violated any material provision of this Agreement, including, without limitation, any of its guarantees or payment obligations under Sections 5.01(e), 5.05 and/or 8.11, (ii) violated any material provision of applicable law, or (iii) the representation and warranty contained in Section 4.01(u) becomes false or inaccurate;

(C) the General Partner shall have caused any Project Loan to go into default, which default remains uncured after the expiration of any applicable cure period;

(D) the General Partner shall have conducted its own affairs or the affairs of the Partnership in such manner as would:

(1) cause the termination of the Partnership for federal income tax purposes;

(2) cause the Partnership to be treated for federal income tax purposes as an association, taxable as a corporation;

(3) in the reasonable opinion of the Special Limited Partner, cause a recapture or reduction in Certified Credits;

(4) violate any federal or state securities laws; or

(5) cause the Limited Partner to be liable for Partnership obligations in excess of its Capital Contributions.

(E) the amount of Actual Credits for any year are, or are projected by the Accountants to be, less than ninety percent (90%) of the Projected Credits for that year; or less than ninety percent (90%) of Certified Credits if Certified Credits have been determined and adjustments to the capital

contribution of the Limited Partner have been made as may be required under Section 5.01(e);

(F) the General Partner fails to timely and promptly discharge the Management Agent if at any time cause for such removal exists;

(G) Bankruptcy or similar creditor's action filed by or against the Partnership, the General Partner or any Affiliate Guarantor; or

(H) any default by the Affiliate Guarantor under the Affiliate Guaranty;

(I) failure of the Affiliate Guarantor to maintain a minimum net worth of \$5,000,000.00; or

(J) failure of the Partnership to achieve Breakeven Operations within six months of the Partnership's achievement of 95% occupancy.

(b) Procedure for Removal. The Special Limited Partner shall give Notice to all Partners and to the Project Lenders of its determination that the General Partner shall be removed. The General Partner shall have ten (10) days after receipt of such Notice to cure any default or other reason for such removal, in which event it shall remain as General Partner. If, at the end of ten (10) days, the General Partner has not cured any default or other reason for such removal, it shall cease to be General Partner and the powers and authorities conferred on it as General Partner under this Agreement shall cease and the Interests of such General Partner shall be transferred to the Limited Partner or its designee which, without further action, shall become the General Partner; in such event, upon becoming the General Partner, such designee shall be bound by all applicable terms and conditions of this Agreement and of the Project Documents.

(c) General Partner Obligations and Liability Following Removal.

(i) In the event that the General Partner is removed as aforesaid prior to the Final Closing, it shall be and shall remain liable for all obligations and liabilities incurred by it as General Partner of the Partnership before such removal shall become effective, including but not limited to the obligations and liabilities of the General Partner with respect to its obligations set forth in Section 8.11 of this Agreement; provided however, that if amounts otherwise payable to the General Partner as fees are applied to meet the obligations of the General Partner as stated in Sections 5.01, 5.05 and 8.11 of this Agreement, such application shall serve to reduce any such liabilities of the General Partner or any successor, except for any liability incurred as the result of its negligence, misconduct, fraud or breach of its fiduciary duties as General Partner of the Partnership. If the General Partner is removed as Partner of the Partnership prior to the Final Closing as aforesaid, the General Partner shall not be entitled to payment of any further installments of the Incentive

Management Fee, or other fees which otherwise would have been due and payable under or pursuant to various Sections of this Article VI or Article VIII.

(ii) In the event that the General Partner is removed as aforesaid after the Final Closing, it shall be and shall remain liable for all obligations and liabilities incurred by it as General Partner of the Partnership before such removal shall become effective, including but not limited to the General Partner's obligations and liabilities under Section 8.11(b) of this Agreement; provided, however, that if amounts otherwise payable to the General Partner or Affiliates thereof as fees are applied by the Partnership to pay Operating Deficits, such application shall serve to reduce any such liabilities after the Final Closing, except for any liability incurred as the result of its negligence, misconduct, fraud or breach of its fiduciary duty as General Partner of the Partnership. If the General Partner is removed as Partner of the Partnership at any time after the Final Closing, the Developer or its successor(s), shall continue to be paid subsequent to such removal, in accordance with the terms and conditions of this Agreement, any installments of the Development Fee which would have otherwise been due and payable to it pursuant to Section 8.12 and which are not otherwise being withheld; provided, however, upon any such removal of the General Partner after the Final Closing, no further installments of the Incentive Management Fee shall be paid which are attributable to any period after such removal.

(d) Power of Attorney. The Special Limited Partner hereby is granted an irrevocable power of attorney, coupled with an interest, to execute any and all documents on behalf of the Partners and the Partnership as shall be legally necessary and sufficient to effect all of the foregoing provisions of this Section 6.05. The election by the Limited Partner to remove the General Partner under this Section shall not limit or restrict the availability and use of any other remedy which the Limited Partner or any other Partner might have with respect to the General Partner in connection with its undertakings and responsibilities under this Agreement.

ARTICLE VII ASSIGNMENT TO THE PARTNERSHIP

The General Partner hereby transfers and assigns to the Partnership all of its right, title and interest in and to the Project, including the following:

(a) all contracts with architects, contractors and supervising architects with respect to the development of the Project;

(b) all plans, specifications and working drawings, heretofore prepared or obtained in connection with the Project and all governmental approvals obtained, including planning, zoning and building permits;

(c) any and all commitments with respect to the Project Loans and the LIHTC;

(d) any and all rights under and pursuant to the Project Documents; and

- (e) any other work product related to the Project.

ARTICLE VIII
RIGHTS, OBLIGATIONS AND POWERS
OF THE GENERAL PARTNER

8.01 Management of the Partnership.

(a) Except as otherwise set forth in this Agreement, the General Partner, within the authority granted to it under this Agreement, shall have full, complete and exclusive discretion to manage and control the business of the Partnership for the purposes stated in Article III, shall make all decisions affecting the business of the Partnership and shall manage and control the affairs of the Partnership to the best of its ability and use its best efforts to carry out the purpose of the Partnership. In so doing, the General Partner shall take all actions necessary or appropriate to protect the interests of the Limited Partner, Special Limited Partner and of the Partnership. The General Partner shall devote such time as is necessary to the affairs of the Partnership.

(b) Except as otherwise set forth in this Agreement and subject to the applicable Project Lender and/or Agency rules and regulations and the provisions of the Loan Agreement, the General Partner (acting for and on behalf of the Partnership), in extension and not in limitation of the rights and powers given by law or by the other provisions of this Agreement, shall, in its sole discretion, have the full and entire right, power and authority in the management of the Partnership business to do any and all acts and things necessary, proper, convenient or advisable to effectuate the purpose of the Partnership. In furtherance and not in limitation of the foregoing provisions, the General Partner is specifically authorized and empowered to execute and deliver, on behalf of the Partnership, the Loan Agreements, the Regulatory Agreement, the Extended Use Agreement, the Notes, the Mortgages, and the other Project Documents, and to execute any and all other instruments and documents, and amendments thereto provided the Limited Partner shall be provided with the opportunity to review and Consent to any such documents prior to their execution by the General Partner, as shall be required in connection with the Project Loans, including, but not limited to, executing any mortgage, note, contract, building loan agreement, bank resolution and signature card, release, discharge, or any other document or instrument in any way related thereto or necessary or appropriate in connection therewith; provided, however, that copies of all applications for advances of proceeds of the Project Loans shall be provided to the Limited Partner prior to the disbursement of any funds pursuant thereto and shall be subject to the Consent of the Limited Partner; and provided further that any such applications which provide for the disbursement of funds of the Partnership in lieu of or in addition to the proceeds of the Project Loans shall be subject to the Consent of the Limited Partner. All decisions made for and on behalf of the Partnership by the General Partner shall be binding upon the Partnership. No person dealing with the General Partner shall be required to determine its authority to make any undertaking on behalf of the Partnership, nor to determine any facts or circumstances bearing upon the existence of such authority.

8.02 Limitations Upon the Authority of the General Partner.

(a) The General Partner shall not have any authority to:

(i) perform any act in violation of any applicable law or regulation thereunder;

(ii) perform any act in violation of the provisions of the Regulatory Agreement, the Extended Use Agreement, the Loan Agreements, or any other Project Documents;

(iii) do any act required to be approved or ratified in writing by the Limited Partners under the Act unless the right to do so is expressly otherwise given in this Agreement;

(iv) knowingly rent apartments in the Project such that the Project would not meet the requirements of the Rent Restriction Test or Minimum Set-Aside Test;

(v) borrow from the Partnership or commingle Partnership funds with funds of any other Person; or

(vi) execute or deliver any general assignment for the benefit of creditors or file a petition or acquiesce in the filing of a petition for Bankruptcy.

(b) The General Partner shall not, without the Consent of the Limited Partner, have any authority to:

(i) sell or otherwise dispose of, at any time, all or substantially all of the assets of the Partnership;

(ii) amend the terms of any Project Loan to be other than those set forth on Exhibit I attached hereto;

(iii) borrow in excess of \$10,000.00 in the aggregate at any one time outstanding on the general credit of the Partnership, except GP Loans and Operating Deficit Loans, and except as and to the extent provided for in an approved budget pursuant to Section 8.20;

(iv) following Final Closing, construct any new or replacement capital improvements on the Project which substantially alter the Project or its use or which are at a cost in excess of \$10,000.00 in a single Partnership fiscal year, or rebuild the Project with the use of insurance proceeds, except (a) replacements and remodeling in the ordinary course of business or under emergency conditions, or (b) reconstruction paid for from insurance proceeds, or (c) as and to the extent provided for in an approved budget pursuant to Section 13.03;

- (v) acquire any real property in addition to the Project other than easements reasonable and necessary for the operation of the Project;
- (vi) following Final Closing, refinance any Project Loan;
- (vii) confess a judgment against the Partnership in excess of \$5,000.00, or compromise any claim or liability in excess of \$5,000 owed by or to the Partnership;
- (viii) admit any person as a General Partner or a Limited Partner, or withdraw as General Partner;
- (ix) submit to arbitration any dispute concerning the Partnership involving an amount in excess of \$10,000.00;
- (x) execute or deliver any assignment for the benefit of the creditors of the Partnership;
- (xi) transfer or hypothecate the General Partner's interest as a General Partner in the Partnership, including its interest in Partnership allocations or distributions, except as otherwise provided in this Agreement;
- (xii) dissolve the Partnership or take any action which would result in dissolution;
- (xiii) refinance, prepay or materially modify the terms of any mortgage or long-term liability of the Partnership, or sell, grant an option to acquire, exchange, mortgage, encumber, pledge or otherwise transfer all or any portion of any interest in the Partnership or the Partnership's interest in the Project, or borrow funds or participate in a merger or consolidation with any other entity;
- (xiv) change the nature of the business of the Partnership, or do any act which would make it impossible to carry on the ordinary business of the Partnership;
- (xv) materially change any accounting method or practice of the Partnership;
- (xvi) file a voluntary petition for bankruptcy of the Partnership;
- (xvii) make any expenditure or incur any liability on behalf of the Partnership which is not identified in the budget provided by the General Partner to the Limited Partner;
- (xviii) borrow funds from the Partnership;

(xix) enter into or materially modify the Construction Contract (or any other construction contract), or agree to any change order under the Construction Contract (or any other construction contract) if any such change order is for \$10,000 or more, or is proposed when the amount of previous change orders plus the proposed change order would exceed \$20,000 (over the life of the Partnership);

(xx) commingle Partnership funds or assets with the funds or assets of the General Partner or any Partnership or other entity owned or operated by the General Partner to the Limited Partner;

(xxi) possess Partnership property or assign rights in specific property for other than a business;

(xxii) take any action which would cause the termination of the Partnership for federal income tax purposes under Code Section 708;

(xxiii) make, amend or revoke any tax election required of or permitted to be made by the Partnership under the Code of Regulations, including, without limitation, any election under Section 42 (including an election to treat any year other than 2003 as the first year of the Credit Period (as defined in Code Section 42) for the Project, or Section 754 of the Code or any other tax election affecting the amount, timing, availability or allocation of any Tax Credit;

(xxiv) enter into any agreement or take any action without the prior consent of the Limited Partner with respect to any matters for which the prior consent of the Limited Partner is a prerequisite therefore, including the hiring or retention of any Person to manage the Project (or portion thereof) or the Partnership's business;

(xxv) approve any increase in fees to the General Partner or any affiliate of the General Partner;

(xxvi) change in ownership, control or management of the General Partner;

(xxvii) allow this Agreement to be amended;

(xxviii) execute the Permanent Loan Documents; or

(xxix) perform any act that would subject any Limited Partner to liability as a general partner in any jurisdiction.

8.03 Sale of Project.

(a) **Limited Partner Request for Sale.** Notwithstanding the foregoing Section 8.02, and subject to all Agency regulations then in effect and the receipt of all required approvals and consents of the Project Lenders, and subject further to the extended use requirements applicable pursuant to Section 42(h)(6) of the Code, at any time after the fourteenth (14th) anniversary of the first day of the first taxable year of the applicable LIHTC compliance period the Limited Partner may request that the Partnership do one of the following: (i) sell the Project subject to the Extended Use Agreement (a "Continued Compliance Sale"); or (ii) request that the Agency arrange for the sale of the Project after receipt of a Qualified Contract (a "Compliance Termination Sale").

(b) **Continued Compliance Sale.** After receipt of a request for a Continued Compliance Sale, the General Partner shall use its best efforts to find a third party purchaser for the Project and to cause the Partnership to consummate a sale of the Project subject to the Extended Use Agreement and on terms Consented to by the Limited Partner. If such efforts are not successful on terms reasonably satisfactory to the Limited Partner within four (4) months, the Limited Partner shall have the right thereafter to locate a purchaser for the Project. If the Limited Partner locates such a purchaser, the General Partner or its Affiliate shall be given a right of first refusal to purchase the Project on the same terms and conditions as would be applicable to such purchaser. If such right of first refusal is not exercised by the General Partner or its Affiliate within thirty (30) days, then the General Partner shall be obligated to consent to the sale to such purchaser so long as the purchase price and other terms offered by such purchaser are at least as favorable to the Partnership as the best offer, if any, located by the General Partner. If the Limited Partner requests that the Compliance Termination Sale be conducted in a manner that would result in the conversion of the Project to a condominium regime of ownership and the sale of individual condominium units, the General Partner shall use diligent efforts to accomplish such conversion on such terms which are reasonably satisfactory to the Limited Partner.

(c) **Compliance Termination Sale.** After receipt of a request for a Compliance Termination Sale, the General Partner shall make a request to the Agency to obtain a buyer who is willing to operate the low-income units of the Project as a qualified low-income building and who will submit a Qualified Contract for the Project, and if no Qualified Contract is submitted within one year of the date of the General Partner's request to the Agency, the General Partner shall use its best efforts to find a third party purchaser and to cause the Partnership to consummate a sale of the Project to such purchaser on terms Consented to by the Limited Partner and free of the restrictions imposed by the Extended Use Agreement. If such efforts are not successful on terms reasonably satisfactory to the Limited Partner within six (6) months, the Limited Partner shall have the right thereafter to locate a purchaser for the Project. If the Limited Partner locates such a purchaser, the General Partner or its Affiliate shall be given a right of first refusal to purchase the Project on the same terms and conditions as would be applicable to such purchaser. If such right of first refusal is not exercised by the General Partner or its Affiliate within thirty (30) days, then the General Partner shall be obligated to consent to the sale to such purchaser so long as the purchase price and other terms offered by such purchaser are at least as favorable to the Partnership as the best offer, if any,

located by the General Partner. If the Limited Partner requests that the Compliance Termination Sale be conducted in a manner that would result in the conversion of the Project to a condominium regime of ownership and the sale of individual condominium units, the General Partner shall use diligent efforts to accomplish such conversion on such terms which are reasonably satisfactory to the Limited Partner.

(d) **Special General Partner Option.** Subject to the Rights of First Refusal Agreements between the Partnership and VBCDC previously recorded on November 7, 2001 and December 10, 2001 with respect to the 32 properties legally described in Exhibit C, the General Partner, if it is a qualified non-profit under the terms of Section 42(i)(7) of the Code at the end of the low-income housing tax credit compliance period, shall have the right of first refusal to purchase the Project at the end of the low-income housing tax credit compliance period, in accordance with said Section 42(i) (7) of the Code, for an amount equal to at least the sum of (i) \$1.00, plus (ii) all outstanding debt of the Partnership, including debt encumbering the Project, plus (iii) the aggregate federal, state and local (if any) income tax liabilities which would be incurred by the partners of the Limited Partner as a consequence of such purchase.

8.04 Management Purposes. In conducting the business of the Partnership, the General Partner shall be bound by the Partnership's purposes set forth in Article III.

8.05 Delegation of Authority. The General Partner may delegate all or any of its powers, rights and obligations hereunder, and may appoint, employ, contract or otherwise deal with any Person for the transaction of the business of the Partnership, which Person may, under supervision of the General Partner, perform any acts or services for the Partnership as the General Partner may approve.

8.06 General Partner or Affiliates Dealing with Partnership. The General Partner or any Affiliates thereof shall have the right to contract or otherwise deal with the Partnership for the sale of goods or services to the Partnership in addition to those set forth herein, if (a) compensation paid or promised for such goods or services is reasonable (i.e., at fair market value) and is paid only for goods or services actually furnished to the Partnership, (b) the goods or services to be furnished shall be reasonable for and necessary to the Partnership, (c) the fees, terms and conditions of such transaction are at least as favorable to the Partnership as would be obtainable in an arm's-length transaction, (d) no agent, attorney, accountant or other independent consultant or contractor who also is employed on a full-time basis by the General Partner or any Affiliate shall be compensated by the Partnership for his services. Any contract covering such transactions shall be in writing and shall be terminable without penalty on sixty (60) days Notice. Any payment made to the General Partner or any Affiliate for such goods or services shall be fully disclosed to all Limited Partners in the reports required under Section 13.02. Neither the General Partner nor any Affiliate shall, by the making of lump sum payments to any other Person for disbursement by such other Person, circumvent the provisions of this Section 8.06.

8.07 Other Activities. Except as limited in Section 8.06, Affiliates of the General Partner may engage in or possess interests in other business ventures of every kind and description for their own account, including, without limitation, serving as general partner of other partnerships which own, either directly or through interests in other partnerships, government assisted housing developments similar to the Project. Neither the Partnership nor any of the Partners shall have any rights by virtue of this Agreement in or to such other business ventures or to the income or profits derived therefrom.

8.08 Liability for Acts and Omissions. No General Partner or Affiliate thereof shall be liable, responsible or accountable in damages or otherwise to any of the Partners for any act or omission performed or omitted by it in good faith on behalf of the Partnership and in a manner reasonably believed by it to be within the scope of the authority granted to it by this Agreement and in the best interest of the Partnership, provided that the protection afforded the General Partner pursuant to this Section 8.08 shall not apply in the case of negligence, misconduct, fraud or any breach of fiduciary duty as General Partner with respect to such acts or omissions. Any loss or damage incurred by any General Partner or Affiliate thereof by reason of any act or omission performed or omitted by it or any of them in good faith on behalf of the Partnership and in a manner reasonably believed by it to be within the scope of the authority granted by this Agreement and in the best interests of the Partnership (but not, in any event, any loss or damage incurred by the General Partner or Affiliate thereof by reason of negligence, misconduct or fraud of the General Partner or Affiliate thereof, or any breach of fiduciary duty as General Partner, with respect to such acts or omissions) shall be paid from Partnership assets to the extent available (but the Limited Partners shall not have any personal liability to the General Partner or Affiliate(s) thereof under any circumstances on account of any such loss or damage incurred by the General Partner or Affiliate(s) thereof or on account of the payment thereof).

8.09 Indemnification of Limited Partner and the Partnership. The General Partner and the Partnership shall, jointly and severally, indemnify, defend, and save harmless the Limited Partner and Special Limited Partner from and against any claim, loss, expense, action or damage, including without limitation, reasonable costs and expenses of litigation and appeal (and the reasonable fees and expenses of counsel) asserted against the Limited Partner or Special Limited Partner based on any act, omission, malfeasance or nonfeasance of the Partnership or the General Partner, including without limitation any claim that the Limited Partner or Special Limited Partner is liable for any indebtedness of the Partnership and excluding only liability directly caused by the Limited Partner's gross negligence or bad faith conduct. In addition, the General Partner and the Partnership shall, jointly and severally, indemnify, defend, save and hold harmless the Limited Partner, the Special Limited Partner, and their representatives, from and against any and all costs, losses, liabilities, damages, lawsuits, proceedings (whether formal or informal), investigations, judgments, orders, settlements, recoveries, obligations, deficiencies, claims and expenses (whether or not arising out of third party claims), including, without limitation, interest, penalties, attorneys' fees and all amounts paid in investigation, or settlement of any of the foregoing, incurred in connection with or arising out of or resulting from the operations of the General Partner, the Partnership or the Project prior to the date of this Agreement.

8.10 Net Worth of General Partner. The General Partner shall maintain a minimum net worth in an amount as may be necessary to assure that the Partnership will be taxed as a partnership, and not as an association taxable as a corporation, for federal income tax purposes.

8.11 Construction of the Project, Construction Cost Overruns, Operating Deficits; Other General Partner Guarantees.

(a) Construction Completion Guaranty.

(i) The Partnership has entered into the Construction Contract. The General Partner shall be responsible for:

(A) achieving completion of construction of the Project on a timely basis in accordance with the Plans and Specifications for the Project, the terms of this Agreement and the Project Documents;

(B) meeting all requirements for obtaining all necessary unconditional certificates of occupancy for all the apartment units in the Project;

(C) fulfilling all actions required of the Partnership to assure that the Project satisfies the Minimum Set-Aside Test and the Rent Restriction Test;

(D) causing the making of the Project Loans by the respective Project Lenders; and

(E) achieving Final Closing.

(ii) The General Partner hereby is obligated to pay all Excess Development Costs; the Partnership shall have no obligation to pay any Excess Development Costs. Any amounts paid by the General Partner pursuant to this clause (ii) shall not be repaid by the Partnership, nor shall such amounts be considered or treated as Capital Contributions of the General Partner to the Partnership.

(iii) In the event that the General Partner shall fail to pay any such Excess Development Costs as required in this Section 8.11(a), the total of any remaining unpaid installments of the Development Fee due pursuant to Section 8.12 shall be suspended by the Partnership until such obligations are met by the General Partner.

(iv) Any suspension of funds otherwise payable pursuant to Section 8.12 as aforesaid shall not constitute reductions in amounts owed pursuant to Section 8.12 and the

Development Agreement, and the General Partner shall have the obligation to make a Capital Contribution pursuant to the Section 5.01(b) of this Agreement sufficient to make such installment payments as they become due under the Development Agreement.

(b) **Operating Deficit Guaranty.** In the event that, at any time during the period commencing on achievement of Breakeven Operations and ending on the fifteenth anniversary of such date (the "Initial Period"), an Operating Deficit shall exist, the General Partner shall provide such funds to the Partnership as shall be necessary to pay such Operating Deficit(s). Funds provided after the achievement of Breakeven Operations shall be in the form of a loan to the Partnership (the "Operating Deficit Loan(s)"). Any Operating Deficit Loan shall be on the following terms: (i) it shall be unsecured; (ii) it shall not bear interest; (iii) it shall be repayable solely from Net Cash Flow and proceeds of a Capital Transaction at the time and in the amounts set forth in Sections 11.02(b), 11.05 and 12.02(a) of this Agreement; and (iv) Operating Deficit Loans shall be fully subordinated to payment of Project Loans, GP Loans, indebtedness of the Partnership to all Persons other than Partners. In the event that the General Partner shall fail to make any such Operating Deficit Loan as aforesaid, the Partnership shall suspend amounts otherwise payable as installments of the Development Fee pursuant to Section 8.12 of this Agreement until the General Partner has fulfilled its obligation to fund such Operating Deficit Loan. Any amounts of the Development Fee so suspended shall not constitute reductions of amounts owed pursuant to Section 8.12 and the Development Agreement, and the General Partner shall have the obligation to make a Capital Contribution pursuant to Section 5.01(b) sufficient make such installment payments as they become due under the Development Agreement. For the purpose of this Section 8.11(b), all expenses shall be paid on a sixty (60) day current basis.

(c) **LIHTC Compliance Guaranty.** (i) If with respect to any fiscal year of the Partnership there is a Tax Credit Shortfall, the General Partner shall, within forty-five (45) days following the close of such fiscal year, pay the Limited Partner an amount equal to (A) the amount of the Tax Credit Shortfall for the fiscal year immediately preceding the payment due date, (B) all penalties and interest imposed by the Code and assessed against the Limited Partner by the Internal Revenue Service with respect to any Tax Credit Shortfall, and (C) an amount sufficient to pay any tax liability owed by the Limited Partner resulting from the receipt of the amounts specified in the foregoing clauses (A), (B) and this clause (C) of this Section 8.11(c)(i) (such calculation to be made assuming the Limited Partner is subject to the highest federal and state tax rates imposed on corporate tax payers under the Code at that time for the taxable year of the Limited Partner in which such payment is taken into income by the Limited Partner, together with interest on such amounts at the Prime Rate accruing from such payment due date.

(ii) The General Partner irrevocably and unconditionally guarantees payments specified in this Section 8.11(c)(ii) to the Limited Partner if there is a Tax Credit Recapture Event. The payments required by this Section 8.11(c)(ii) shall be the sum of the following amounts: (A) the amount of Tax Credits previously allocated to the Limited Partner and subsequently disallowed because of such Tax Credit Recapture Event; (B) the "credit recapture amount" (as defined in Code Section 42(j)(2)) allocated to the Limited Partner because of such Tax

Credit Recapture Event; (C) all penalties and interest imposed by the Code and assessed against the Limited Partner by the Internal Revenue Service with respect to such Tax Credit Recapture Event; (D) an amount sufficient to pay any tax liability owed by the Limited Partner resulting from the receipt of the amounts specified in the foregoing clauses (A), (B), (C) and this clause (D) of this Section 8.11(c)(ii) (such calculation to be made assuming the Limited Partner is subject to the highest federal and state tax rate imposed on corporate taxpayers under the Code at that time for the taxable year of the Limited Partner in which such payment is taken into income by the Limited Partner, together with interest on such amounts at the Prime Rate accruing from the date the Limited Partner remits funds to a taxing authority with respect to a Tax Credit Recapture Event; and (E) if the cause of the Tax Credit Recapture Event will, in determination of the Limited Partner, decrease the maximum amount of Tax Credits that will be available to the Partnership and allocated to the Limited Partner during the remainder of the compliance period under Section 42 of the Code, assuming full compliance with Section 42 of the Code, then an amount equal to the total amount of such decrease. The General Partner shall make such payment to the Limited Partner within forty-five (45) days of the Tax Credit Recapture Event.

(iii) The Tax Credit Compliance Guaranty set forth herein shall not apply to amounts due solely to the transfer by the Limited Partner of all or a portion of its Interest in the Partnership or to changes in the tax law after the date hereof with which the General Partner is unable to comply despite the exercise of its good faith and reasonable efforts.

(d) Project Loan Funding Guaranty. The General Partner irrevocably and unconditionally guarantees and covenants that the Partnership shall receive (i) full funding of the Permanent Loan on or before Final Closing on the terms set forth in Exhibit F attached hereto; and (ii) full funding of the Project Loans (excluding the Permanent Loan) on or before Initial Closing, on the terms set forth on Exhibit F and (iii) full funding of the First Virginia Loan on or before Initial Closing on terms set forth in this Agreement. The General Partner represents and warrants that the source of funds for the Project Loans do not include, in whole or in part, "federal subsidies" within the meaning of Code Section 42(i). The Project Loan documents shall contain such other terms as may be Consented to by the Limited Partner.

8.12 Development Fee. The Partnership has entered into a Development Agreement of even date herewith with the Developer for its services in connection with the development and construction of the Project. In consideration for such services, a Development Fee in a total amount equal to Four Hundred Ten Thousand and No/100 Dollars (\$410,000.00) shall be payable by the Partnership to VBCDC, in accordance with the terms of the Development Agreement and Article XI of this Agreement. If the Development Fee, including any deferred amount thereof, has not been fully repaid by the twelfth anniversary of the date of the Project's placement in service, then, at the option of the Limited Partner, the General Partner shall use its best efforts to refinance the Project Loans at rates and upon terms acceptable to the Limited Partner in order to obtain funds for payment of the Development Fee.

8.13 Incentive Management Fee. The Partnership has entered into an Incentive Management Fee Agreement in the form attached hereto as Exhibit B, with the General Partner of even date herewith for its services in managing the business of the Partnership for the period from the date hereof throughout the term of the Partnership. In no event shall the Incentive Management Fee be cumulative. Payment of such fee shall be in accordance with any applicable requirements of the Project Lenders.

8.14 Withholding of Fee Payments.

(a) Conditions for Withholding. In the event that (i) the General Partner or any successor General Partner shall not have substantially complied with any material provisions under this Agreement, or under the partnership agreement with respect to an Affiliated Partnership, after Notice from the Limited Partner of such noncompliance and failure to cure such noncompliance within a period of thirty (30) days from and after the date of such Notice, or (ii) any Project Lender shall have declared the Partnership to be in default under any Project Loan or under any of the mortgage loans as to an Affiliated Partnership, or (iii) foreclosure proceedings shall have been commenced against the Project or against an Project owned by the Affiliated Partnership, then (A) the General Partner shall be in default of this Agreement, and the Partnership shall withhold payment of any installment of fees and/or allowance payable pursuant to Sections 8.12 and/or 8.13, and (B) the General Partner shall be liable for the Partnership's payment of any and all installments of the Development Fee payable pursuant to Section 8.12.

(b) Release of Fees. All amounts so withheld by the Partnership under this Section 8.14 shall be promptly released to the payees thereof only after the General Partner has cured the default justifying the withholding, as demonstrated by evidence reasonably acceptable to the Limited Partner.

8.15 Selection of Management Agent; Terms of Management Agreement. The Partnership shall engage such person, firm or company as the General Partner may select, and as the Limited Partner may approve, which approval shall not be unreasonably withheld (hereinafter referred to as "Management Agent") to manage the operation of the Project during the rent up period and following Final Closing. The Management Agent shall be paid a management fee subject to the approval of the Agency and/or the Project Lenders, if required, and the Limited Partner, but in no event will the annual management fee be greater than seven percent (7%) of the annual gross revenues of the Project. The contract between the Partnership and the Management Agent and the management plan for the Project shall be in the form set forth in Exhibit J, with such changes acceptable to the Agency and/or the Project Lenders, if required, and reasonably acceptable to the Limited Partner. Such contract shall provide, among other things, that its term shall not exceed two (2) years, it shall be cancelable upon thirty (30) days' prior notice from the Partnership, and that the Management Agent will accrue the management fee to the extent necessary at any time to prevent a default under any Project Loan. Whenever the management agent for the Project is the General Partner or an Affiliate of the General Partner, the management agreement shall provide that it is immediately terminable at the election of the Limited Partner or Special Limited Partner in the event of (a) the removal or

withdrawal of the General Partner, or (b) any material breach of or noncompliance with any provision of this Partnership Agreement by the General Partner or any Affiliate of the General Partner. Any other agreement entered into by the Partnership and any General Partner or any Affiliate thereof shall specifically provide that such agreement shall be immediately terminable at the election of the Limited Partner or Special Limited Partner if the General Partner is removed or withdraws from the Partnership.

The Partnership approves Virginia Beach Community Development Corporation, a Virginia non-stock corporation, as the Initial Management Agent. VBCDC is an Affiliate of the General Partner.

8.16 Removal of the Management Agent. The General Partner:

(a) may, upon receiving any required approval of the Project Lenders and the Limited Partner, dismiss the Management Agent as the entity responsible for the Project under the terms of the contract between the Partnership and the Management Agent, and

(b) shall, at the request of the Limited Partner or Special Limited Partner, remove the Management Agent if the Special Limited Partner determines that the same is necessary to protect the interest of the Partnership or if the Management Agent is declared Bankrupt, is dissolved, or makes an assignment for the benefit of its creditors, or for any intentional misconduct by the Management Agent or its negligence in the discharge of its duties and obligations as Management Agent (subject to the fulfillment and expiration of any notice and/or opportunity to cure provisions of the Management Agreement), including, without limitation, for any action or failure to take any action which:

(i) violates in any material respect any provision of the Management Agreement entered into with the Partnership and approved by the Project Lenders, if required, and/or any material provision of the Project Documents and/or the Loan Documents applicable to the Project, or the Project Lenders-approved management plan for the Project;

(ii) violates in any material respect any provision of this Agreement or provision of applicable law; or

(iii) causes the Project to be operated in a manner which if continued would give rise to an event which would cause or would likely cause a recapture of LIHTC.

8.17 Replacement of the Management Agent. Upon the removal of the Management Agent as the entity responsible for the management of the Project, a substitute Management Agent which is not an Affiliate of the General Partner shall be named by the General Partner, subject to the approval of the Project Lenders, if required, and the approval of the Limited Partner.

8.18 Loans to the Partnership. The Partnership is authorized to receive Operating Deficit Loans and GP Loans on the terms set forth in this Agreement. In addition, if (a) additional funds are required by the Partnership for any purpose relating to the business of the Partnership or for any of its obligations, expenses, costs or expenditures, and (b) the Partnership has not received an Operating Deficit Loan, or GP Loan to pay such amounts, then the Partnership may borrow such funds as are needed from a Person or organization, other than a Partner or an Affiliate of a Partner, in accordance with the terms of this Section 8.18, for such period of time and on such terms as the General Partner and the Limited Partner may agree; provided, however, that no such additional loans shall be secured by any mortgage or other encumbrance on the property of the Partnership without the prior approval of the Limited Partner except that such approvals shall not be required in the case of the hypothecation of personal property purchased by the Partnership and not included in the security agreements executed by the Partnership at the time of Initial Closing. Nothing in this Section 8.18 shall modify or affect the obligation of the General Partner to make Operating Deficit Loans and to perform its obligations when and as required by this Agreement.

8.19 Affiliate Guaranty. Concurrently with the execution of this Agreement, the General Partner shall deliver to the Limited Partner (a) the Affiliate Guaranty fully executed by the Affiliate Guarantor, (b) a pledge and security agreement executed by the General Partner in the form of Exhibit H attached hereto (the "General Partner Pledge"), wherein the General Partner pledges and grants a security interest in its general partnership interest in the Partnership to secure its obligation under this Agreement, and (c) an opinion of counsel to the Affiliate Guarantor in form satisfactory to the Limited Partner regarding the Affiliate Guaranty and the General Partner Pledge.

8.20 Property Advisory Fee. A property advisory fee of Sixty-Eight Thousand Eight Hundred Forty-Nine and No/100 Dollars (\$68,849.00) shall be paid to Virginia Community Development Corporation, or its assigns, upon execution of this Partnership Agreement, in consideration of Virginia Community Development Corporation's services in assisting and overseeing the Developer in performing its obligations under the Development Agreement.

8.21 Accounting Fee. An accounting fee shall be paid to Housing Capital Corporation of Virginia under the Agreement to Provide Accounting and Reporting Services, the form of which is attached hereto as Exhibit J.

8.22 Construction Management Incentive Fee. In consideration for services not otherwise compensated relating to its construction management oversight of the Project and each of the four Contractors, the General Partner shall receive a construction management incentive fee equal to the balance of any unpaid construction contingency (as identified in the Project Budget) remaining following construction completion and unspent as of the occurrence of the Fourth Capital Contribution pursuant to Section 5.01(d)(iv).

ARTICLE IX
TRANSFERS AND RESTRICTIONS ON TRANSFERS
OF INTERESTS OF LIMITED PARTNERS

9.01 Restrictions on Transfer of Limited Partners' Interests.

(a) Under no circumstances will any offer, sale, transfer, assignment, hypothecation or pledge of any Limited Partner Interest be permitted unless the General Partner, in its sole discretion, shall have Consented thereto, and the Project Lenders, if required, also shall have Consented thereto, provided however, that the General Partner shall not unreasonably withhold its Consent to the pledge by the Limited Partner of its Limited Partner Interest or a transfer of its right to receive distributions hereunder, so long as no pledgee or transferee shall have any right to become a Substitute Limited Partner in the Partnership or exercise any voting rights of the Limited Partner.

(b) The Limited Partner whose interest is being transferred shall pay such reasonable expenses as may be incurred by the Partnership in connection with such transfer.

(c) Nothing in this Section 9.01 shall limit the authority of the Limited Partner to sell, transfer and/or assign interests within the Limited Partner or to transfer Interests of the Limited Partner to (i) any Affiliate of the Limited Partner, in the sole discretion of the Limited Partner, at any time and from time to time, or (ii) to any other Person once during the term of this Agreement upon Notice to the General Partner(s).

9.02 Admission of Substitute Limited Partners.

(a) Subject to the other provisions of this Article IX, an assignee of the Interest of a Limited Partner (which shall be understood to include any purchaser, transferee, donee, or other recipient of any disposition of such Interest) shall be deemed admitted as a Substitute Limited Partner of the Partnership only upon the satisfactory completion of the following:

(i) Consent of the General Partner (which may be withheld in its sole discretion), and the consent of the Project Lenders, if required, shall have been given; such Consent of the General Partner may be evidenced by the execution by the General Partner of an amended Agreement and/or Certificate evidencing the admission of such Person as a Limited Partner pursuant to the requirements to the Act, provided, however, that no Consent shall be required for any sale, transfer or assignment pursuant to Section 9.01 (c);

(ii) the assignee shall have accepted and agreed to be bound by the terms and provisions of this Agreement by executing a counterpart thereof or an appropriate amendment hereto, and such other documents or instruments as the General Partner may require in order to effect the admission of such Person as a Limited Partner;

(iii) an amended Agreement and/or Certificate evidencing the admission of such Person as a Limited Partner shall have been filed for recording pursuant to the requirements of the Act;

(iv) if the assignee is a corporation, the assignee shall have provided the General Partner with evidence satisfactory to Counsel for the Partnership of its authority to become a Limited Partner under the terms and provisions of this Agreement; and

(v) the assignee or the assignor shall have reimbursed the Partnership for all reasonable expenses, including all reasonable legal fees and recording charges, incurred by the Partnership in connection with such assignment.

(b) For the purpose of allocation of profits, losses and credits, and for the purpose of distributing cash of the Partnership, a Substitute Limited Partner shall be treated as having become, and as appearing in, the records of the Partnership as a Partner upon his signing of an amendment to this Agreement agreeing to be bound hereby.

(c) If the General Partner has determined it will Consent to the admission, the General Partner shall cooperate with the Person seeking to become a Substitute Limited Partner by preparing the documentation required by this Section and making all official filings and publications. In such event, the Partnership shall take all such action, including the filing, if required, of any amended Agreement and/or Certificate evidencing the admission of any Person as a Limited Partner, and the making of any other official filings and publications, as promptly as practicable after the satisfaction by the assignee of the Interest of a Limited Partner of the conditions contained in this Article IX to the admission of such Person as a Limited Partner of the Partnership. Any cost or expense incurred in connection with such admission shall be borne by the Substitute Limited Partner.

9.03 Rights of Assignee of Partnership Interest.

(a) Except as provided in this Article and as required by operation of law, the Partnership shall not be obligated for any purpose whatsoever to recognize the assignment by any Limited Partner of its Interest until the Partnership has received actual Notice thereof.

(b) Any Person who is the assignee of all or any portion of a Limited Partner's Interest, but does not become a Substitute Limited Partner, and who desires to make a further assignment of such Interest, shall be subject to all the provisions of this Article IX to the same extent and in the same manner as any Limited Partner desiring to make an assignment of its Interest.

ARTICLE X
RIGHTS AND OBLIGATIONS OF LIMITED PARTNERS

10.01 Management of the Partnership. No Limited Partner shall take part in the management or control of the business of the Partnership nor transact any business in the name of the Partnership. Except as otherwise expressly provided in this Agreement, no Limited Partner shall have the power or authority to bind the Partnership or to sign any agreement or document in the name of the Partnership. No Limited Partner shall have any power or authority with respect to the Partnership except insofar as the consent of any Limited Partner shall be expressly required and except as otherwise expressly provided in this Agreement.

10.02 Limitation on Liability of Limited Partners. The liability of each Limited Partner is limited to its Capital Contribution as and when payable under the provisions of this Agreement, and as provided under the Act. No Limited Partner shall have any other liability to contribute money to, or in respect of the liabilities or obligations of, the Partnership, nor shall any Limited Partner be personally liable for any obligations of the Partnership, except as and to the extent provided in the Act. No Limited Partner shall be obligated to make loans to the Partnership.

10.03 Other Activities. Any Limited Partner may engage in or possess interests in other ventures of every kind and description for its own account, including without limitation, serving as general or limited partner of other partnerships which own, either directly or through interests in other partnerships, government-assisted housing projects similar to the Project. Neither the Partnership nor any of the Partners shall have any right by virtue of this Agreement in or to such other business ventures to the income or profits derived therefrom.

ARTICLE XI
PROFITS, LOSSES AND DISTRIBUTIONS

11.01 Allocation of Profits and Losses Other Than From Capital Transactions; Allocation of Credits.

(a) Manner of Determination. Profits, losses and credits for all purposes of this Agreement shall be determined in accordance with the accrual accounting method and in accordance with applicable Code sections and Treasury Regulations governing same.

(b) Allocations. All profits, losses and credits, except those items in Sections 11.04, 11.07 and 11.11 below, shall be allocated to the Partners in accordance with their Percentage Interests. Every item of income, gain, loss, deduction, credit or tax preference entering into the computation of such profits or losses, or applicable to the period during which such profits and losses were realized, shall be considered allocated to each Partner in the same proportion as profits and losses are allocated to such Partner.

11.02 Distributions.

(a) **Determination of Net Cash Flow.** Net Cash Flow shall be determined separately for each fiscal year or portion thereof commencing on the day after Final Closing and shall not be cumulative. Wherever there is a reference to the distribution of Net Cash Flow pursuant to the provisions of this Agreement, Net Cash Flow shall be deemed to be limited to Surplus Cash available for distribution. Income received by the Partnership from the period commencing with the date of receipt of the initial certificate of occupancy with respect to the Project and ending on the date of the Final Closing shall not be distributed during such period and shall be treated as Net Cash Flow with respect to the first Payment Date following Final Closing.

(b) **Manner of Distribution.** Subject to the approval of the Project Lenders, if required, Net Cash Flow shall be applied and/or distributed on each Payment Date in the following priority:

(i) first, to the Partners in accordance with their respective Percentage Interests until the aggregate amount of distributions made to the Limited Partner under this Section 11.02(b)(i) for the current and all prior years equals the Assumed Limited Partner Tax Liability for the current and all prior years;

(ii) second, to the Limited Partner in an amount equal to any Credit Reduction Guaranty Payment;

(iii) third, to the Limited Partner in an amount equal to any LIHTC Shortfall and any Unpaid LIHTC Shortfall (applied first to accrued but unpaid interest and then principal);

(iv) fourth, until all amounts due under the Development Agreement have been paid in full, seventy percent (70%) to the payment of such amounts;

(v) fifth, to the pro rata payment of any outstanding Operating Deficit Loans and GP Loans, based upon the respective outstanding balances of each;

(vi) sixth, one hundred percent (100%) to the payment of the Incentive Management Fee provided, however, that the amount of the Incentive Management Fee may not exceed ten percent (10%) of the annual gross amount of tenant collections actually received;

(vii) seventh, eighty percent to the Operating Reserve established pursuant to Section 4.02(r);

(viii) eighth, fifty percent toward payment of the VBCDC HOME Acquisition Loan, until the outstanding balance is paid in full;

(ix) ninth, fifty percent toward payment of the VBCDC Loan, until the outstanding balance is paid in full; and thereafter

(x) ninety-nine and ninety-nine hundredths percent (99.99%) to the Limited Partner, nine-thousandths percent (0.009%) to the Special Limited Partner, and one-thousandths percent (0.001%) to the General Partner.

(c) Distributions to be Subject to Regulatory Restrictions. Notwithstanding the foregoing, during such time as regulations of the Project Lenders are applicable to the Project, the total amount of Net Cash Flow which may be so distributed to the Partners with respect to any fiscal year shall not exceed such amounts as such regulations permit to be distributed.

11.03 Distributions and Allocations: General Provisions.

(a) In any year in which a Partner sells, assigns or transfers all or any portion of an Interest to any Person who during such year is admitted as a substitute Partner, the share of all profits and losses allocated to, and of all Net Cash Flow and of all cash proceeds distributable under Section 11.05 distributed to, all Partners which is attributable to the Interest sold, assigned or transferred shall be divided between the assignor and the assignee ratably on the basis of the number of monthly periods in such year before, and the number of monthly periods on and after, the first day of the month during which such Person is admitted as a substitute Partner.

(b) The Partnership shall, subject to any applicable limitation on the distribution of Net Cash Flow and any required approval by the Project Lenders, distribute Net Cash Flow not less frequently than annually in the manner provided in Section 11.02(b).

(c) In the event that there is a determination that there is any original issue discount or imputed interest attributable to the Capital Contribution of any Partner, or any loan between a Partner and the Partnership, any income or deduction of the Partnership attributable to such imputed interest or original issue discount on such Capital Contribution or loan (whether stated or unstated) shall be allocated solely to such Partner.

(d) In the event that the deduction of all or a portion of any fee paid or incurred by the Partnership to a Partner or an Affiliate of a Partner is disallowed for federal income tax purposes by the Internal Revenue Service with respect to a taxable year of the Partnership, the Partnership shall then allocate to such Partner an amount of gross income of the Partnership for such year equal to the amount of such fee as to which the deduction is disallowed.

(e) If any Partner's Interest in the Partnership is reduced but not eliminated because of the admission of new Partners or otherwise, or if any Partner is treated as receiving any items of property described in Section 751(a) of the Code, the Partner's Interest in such items of Section 751(a) property that was property of the Partnership while such Person was a Partner shall

not be reduced, but shall be retained by the Partner so long as the Partner has an Interest in the Partnership and so long as the Partnership has an Interest in such property.

(f) In accordance with Section 704(c) of the Code (relating to allocations with respect to appreciated contributed property) and the Regulations thereunder, income, gain, loss, and deduction with respect to any property contributed to the capital of the Partnership shall be allocated, solely for tax purposes, among the Partners so as to take account of any variation between the adjusted basis of such property to the Partnership for federal income tax purposes and its fair market value. Any elections or other decisions relating to such allocations shall be made by the General Partner in any manner that reasonably reflects the purpose and intention of this Agreement.

(g) In the event that the General Partner makes any Operating Deficit Loans pursuant to Section 8.11(b), any deductions or losses of the Partnership attributable to the use of those funds shall be specially allocated to the General Partner.

11.04 Allocation of Gains and Losses. Except to the extent provided in Sections 11.07 and 11.11 below, gains and losses recognized by the Partnership upon a Capital Transaction shall be allocated in the following manner:

(a) Gains shall be allocated (i) first, to the Partners with negative Capital Account balances, that portion of gains (including any gains treated as ordinary income for federal income tax purposes) which is equal in amount to, and in proportion to, such Partners' respective negative Capital Accounts in the Partnership; provided that no gain shall be allocated under this Section 11.04(a)(i) to a Partner once such Partner's Capital Account is brought to zero and (ii) second, gains in excess of the amount allocated under (i) shall be allocated to the Partners in the amounts and to the extent necessary to increase the Partners' respective Capital Accounts so that the proceeds distributed under Section 11.05(e) will be distributed in accordance with the Partners' respective Capital Accounts.

(b) Losses shall be allocated (i) first, to the extent and in such proportions as the respective positive balances in all Partners' Capital Accounts, and (ii) second, any remaining loss to the Partners in accordance with the manner in which they bear the economic risk of loss associated with such loss or, if none, to the Partners in accordance with their Partnership Interests.

(c) Any portion of the gains treated as ordinary income for federal income tax purposes under Sections 1245 and 1250 of the Code ("Recapture Amount") shall be allocated on a dollar for dollar basis to those Partners to whom the items of Partnership deduction or loss giving rise to the Recapture Amount had been previously allocated.

11.05 Distribution of Proceeds from Sale and Liquidation of Partnership Property. Except as may be required under Section 12.02(b), the proceeds resulting from the liquidation of the Partnership assets pursuant to Section 12.02, and the net proceeds resulting from any Capital Transaction, as the case may be, shall be distributed and applied in the following order of priority:

(a) to the payment of all matured debts and liabilities of the Partnership (including amounts due pursuant to any Project Loan and all expenses of the Partnership incident to any such sale or refinancing), excluding (i) debts and liabilities of the Partnership to Partners or any Affiliates, and (ii) all unpaid fees owing to the General Partner under this Agreement;

(b) to the payment of any debts and liabilities (including unpaid fees) owed to the Partners or any Affiliates by the Partnership for Partnership obligations; provided, however, that the foregoing debts and liabilities owed to Partners and their Affiliates shall be paid or repaid, as applicable, in the following order of priority, if and to the extent applicable: (i) to the Limited Partner, an amount equal to any Credit Reduction Guaranty Payment; (ii) to the Limited Partner, an amount equal to any LIHTC Shortfall; (iii) to the Limited Partner, an amount equal to any Unpaid LIHTC Shortfall (applied first to accrued but unpaid interest and then principal); (iv) to the payment of any outstanding accrued and unpaid Accounting Fee; (v) to the payment of any accrued Management Fee; (vi) to the payment of any outstanding GP Loans; (vii) amounts due under the Development Agreement; (viii) amounts due with respect to Operating Deficit Loans, if any; and (ix) any other such debts and liabilities, including the Construction Management Incentive Fee, if any.

(c) to the setting up of any reserves which the Liquidator (or the General Partner if the distribution is not pursuant to the liquidation of the Partnership) deems reasonably necessary for contingent, unmatured or unforeseen liabilities or obligations of the Partnership;

(d) to the General Partner and Limited Partners in proportion to the relative amounts of Net Projected Tax Liabilities of the General Partner and the Limited Partner's partners or members and their respective partners or members until they each have received, cumulatively, an amount equal to their respective Net Projected Tax Liabilities;

(e) to the Partners in amounts equal to and pro rata in accordance with their respective Special Additional Capital Contributions, if any;

(f) the balance nine-thousandths percent (0.009%) to the General Partner, ninety-nine and ninety-nine hundredths percent (99.99%) to the Limited Partner and one-thousandths percent (0.001%) to the Special Limited Partner.

11.06 Capital Accounts.

(a) Establishment and Maintenance. A separate Capital Account shall be maintained and adjusted for each Partner. There shall be credited to each Partner's Capital Account the amount of its Capital Contribution, the fair market value of any property contributed to the Partnership (net of any liabilities secured by such property) and such Partner's distributive share of the profits for tax purposes of the Partnership; and there shall be charged against each Partner's Capital Account the amount of all cash flow distributed to such Partner, the fair market value of any

property distributed to such Partner (net of any liabilities secured by such property), the net proceeds resulting from the liquidation of the Partnership's assets or from any sale or refinancing of the Project distributed to such Partner, and such Partner's distributive share of the losses for tax purposes of the Partnership. Each Partner's Capital Account shall be maintained and adjusted in accordance with the Code and the Treasury Regulations thereunder. The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Treas. Reg. § 1.704-1(b), and shall be interpreted and applied in a manner consistent with such regulations.

It is the intention of the Partners that the Capital Accounts maintained under this Agreement be determined and maintained throughout the full term of this Agreement in accordance with the accounting rules of Treas. Reg. § 1.704-1(b)(2)(iv).

(b) **Deficit Capital Accounts; Regulatory Liquidation.** In the event that the Partnership is liquidated within the meaning of Treasury Reg. Section 1.704-1(b)(2)(ii)(g), if the General Partner's Capital Account has a deficit balance (after giving effect to all contributions, distributions and allocations), the General Partner shall make Capital Contributions in the amount of such deficit in compliance with Regulations Section 1.704-1(b)(2)(ii)(b)(3). In the event that the Limited Partner's Capital Account should have a deficit balance at such time, it shall have no obligation to fund or otherwise contribute capital to the Partnership in connection with such deficit. Notwithstanding the foregoing, in the event the Partnership is liquidated within the meaning of Treas. Reg. § 1.704-1(b)(2)(ii)(g) but no event has occurred under Section 12.01 to dissolve the Partnership, the Partnership assets shall not be liquidated, the Partnership's liabilities shall not be paid or discharged, and the Partnership's affairs shall not be wound up. Instead, the Partnership shall be deemed to have distributed its assets in-kind to the Partners who shall be deemed to have assumed and taken subject to all Partnership liabilities, all in accordance with their respective Capital Accounts. Immediately thereafter, the Partners shall be deemed to have recontributed the assets in-kind to the Partnership, which shall be deemed to have assumed and taken subject to all such liabilities.

11.07 Authority of the General Partner to Vary Allocations to Preserve and Protect Partners' Intent.

(a) It is the intent of the Partners that each Partner's distributive share of income, gain, loss, deduction, or credit (or item thereof) shall be determined and allocated in accordance with this Article XI to the fullest extent permitted by Section 704(b) of the Code. In order to preserve and protect the determinations and allocations provided for in this Article XI, the General Partner, shall upon the direction of the Special Limited Partner, allocate income, gain, loss, deduction, or credit (or item thereof) arising in any year differently than otherwise provided for in this Article XI as necessary to (i) ensure that all allocations to the General Partner constitute "qualified allocations" under Section 168(h)(6)(B) of the Code if the failure of any such allocations to constitute qualified allocations would prevent the Limited Partner from being allocated the deductions and credits shown as being allocated to the Limited Partner in the financial projections approved by the Limited Partner, and (ii) ensure that all allocations of income, gain, loss, deduction or credit (or item thereof) to the Partners are permitted by Section 704(b) of the Code and Treasury Regulations promulgated

thereunder. Any allocation made pursuant to this Section 11.07 shall be deemed to be a complete substitute for any allocation otherwise provided for in this Article XI and no amendment of this Agreement or approval of any Partner shall be required.

(b) In making any allocation (the "new allocation") under Section 11.07(a), the General Partner is authorized to act only upon the direction of the Special Limited Partner or the Limited Partner

(c) If the General Partner receives a recommendation from the Accountants to make any new allocation in a manner less favorable to the Limited Partner than is otherwise provided for in this Article XI, then the General Partner shall do so only with the Limited Partner's or the Special Limited Partner's Consent and only after having given the Limited Partner and the Special Limited Partner the opportunity to discuss such allocation with the Accountants, and only after the General Partner has been advised by the Accountants that it is permitted by Section 704(b) of the Code, to allocate income, gain, loss, deduction, or credit (or item thereof) arising in later years in such manner so as to bring the allocations of income, gain, loss, deduction, or credit (or item thereof) to the Limited Partners as nearly as possible to the allocations thereof otherwise contemplated by this Article XI.

11.08 Designation of Tax Matters Partner. The General Partner hereby is designated as Tax Matters Partner of the Partnership, and shall engage in such undertakings as are required of the Tax Matters Partner of the Partnership, as provided in regulations pursuant to Section 6231 of the Code. Each Partner, by its execution of this Agreement, Consents to such designation of the Tax Matters Partner and agrees to execute, certify, acknowledge, deliver, swear to, file and record at the appropriate public offices such documents as may be necessary or appropriate to evidence such Consent. Notwithstanding any other provision of this Agreement, the Special Limited Partner hereby is granted authority at any time to be admitted as a general partner by converting all or portion of its limited partner Interest to a general partner Interest for the purpose of acting as the Tax Matters Partner with all the authority and powers given to the General Partner as Tax Matters Partner of the Partnership under the Code and under this Agreement. Unless otherwise specifically provided or agreed, the new Tax Matters Partner General Partner in these circumstances will not be responsible for or have the right to conduct any operational or managerial functions of the Partnership besides those required to discharge its responsibilities as Tax Matters Partner. The Special Limited Partner may exercise its right to assume the Tax Matters Partner responsibilities for the Partnership, as provided herewith, upon ten (10) days notice to the then existing Tax Matters Partner and General Partner and may continue as Tax Matters Partner indefinitely. In the event that the Special Limited Partner exercises its right to become a general partner and to assume duties of the Tax Matters Partner, the pre-existing Tax Matters Partner will resign in accordance with Treas. Reg. § 301.6231(a)(7)-1(i) and will redesignate the new general partner as Tax Matters Partner in accordance with Treas. Reg. § 301.6231(a)(7)-1(e). Each Partner, by its execution of this Agreement Consents to such admission and designation and agrees to execute, certify, acknowledge, deliver, swear to, file and record at the appropriate public offices such documents as may be necessary or appropriate to evidence such Consent. The Special Limited Partner shall, upon such

admission, replace the General Partner as Tax Matters Partner and shall have thereafter all the authority and powers given to the General Partner as Tax Matters Partner of the Partnership under the Code and under this Agreement.

11.09 Authority of Tax Matters Partner. (a) The Tax Matters Partner shall have and perform all of the duties required under the Code, including the following duties:

(i) Furnish the name, address, profits interest, and taxpayer identification number of each Partner to the Internal Revenue Service (the "Service"); and

(ii) Within five calendar days after the receipt by the General Partner or an Affiliate thereof or the Partnership of any correspondence or communication relating to the Partnership or a Partner or an Affiliate of a Partner from the Service, the Tax Matters Partner shall forward to each Partner a photocopy of all such correspondence or communication(s). The Tax Matters Partner shall, within five calendar days thereafter, advise each Partner in writing of the substance and form of any conversation or communication held with any representative of the Service.

(b) The Tax Matters Partner shall, upon request by the Limited Partner, permit the Limited Partner to include its attorney in the power of attorney (Form 2848) for the Partnership for any taxable years under a tax audit or in a tax administrative Appeals process.

(c) The Tax Matters Partner shall not without the Consent of the Special Limited Partner:

(i) Extend the statute of limitations for assessing or computing any tax liability against the Partnership (or the amount or character of any Partnership tax items);

(ii) Engage an accounting firm or counsel to represent the Partnership before the Internal Revenue Service;

(iii) Settle any audit with the Service concerning the adjustment or readjustment of any partnership item(s) (within the meaning of Section 6231(a)(3) of the Code);

(iv) File a request for an administrative adjustment with the Service at any time or file a petition for judicial review with respect to any such request;

(v) Initiate or settle any judicial review or action concerning the amount or character of any partnership tax item(s) (within the meaning of Section 6231(a)(3) of the Code);

(vi) Intervene in any action brought by any other Partner for judicial review of a final partnership administrative adjustment; or

(vii) Take any other action not expressly permitted by this Section 11.10 on behalf of the Partners of the Partnership in connection with any administrative or judicial tax proceeding.

(d) In the event of any Partnership-level proceeding instituted by the Service pursuant to Sections 6221 through 6233 of the Code, the Tax Matters Partner shall consult with the Special Limited Partner regarding the nature and content of all action and defense to be taken by the Partnership in response to such proceeding. The Tax Matters Partner also shall consult with the Special Limited Partner regarding the nature and content of any proceeding pursuant to Sections 6221 through 6233 of the code instituted by or on behalf of the Partnership (including the decision to institute proceedings, whether administrative or judicial, and whether in response to a previous Service proceeding against the Partnership or otherwise).

11.10 Expenses of Tax Matters Partner. The Partnership shall indemnify and reimburse the Tax Matters Partner for all expenses, including legal and accounting fees, claims, liabilities, losses and damages incurred in connection with any administrative or judicial proceeding with respect to the tax liability of the Partners. The payment of all such expenses shall be made before any distributions are made from Net Cash Flow or any discretionary reserves are set aside by the General Partner. The General Partner shall have the obligation to provide funds for such purpose to the extent that Partnership funds are not otherwise available therefor. The taking of any action and the incurring of any expense by the Tax Matters Partner in connection with any such proceeding, except to the extent required by law, is a matter in the sole discretion of the Tax Matters Partner and the provisions on limitations of liability of the General Partner and indemnification set forth in Section 8.08 of this Agreement shall be fully applicable to the Tax Matters Partner in its capacity as such.

11.11 Minimum Gain Provisions.

(a) Notwithstanding any other provision of this Agreement, no allocation of loss or deduction (or item thereof) attributable to any Nonrecourse Liability, as defined in Treas. Reg. § 1.704-2(b)(3), of the Partnership shall be made by the Partnership to a Partner if such allocation would cause the sum of the deficit Capital Account balances of the Partner or Partners otherwise receiving such allocation (excluding the portion of such deficit balances that must be restored (or which the Partner is deemed to have to restore) to the Partnership under this Agreement, if any) to exceed the Partner's share of "Partnership Minimum Gain" (as defined in Treas. Reg. § 1.704-2(b)(2) and § 1.704-2(d), and determined at the end of the Partnership taxable year to which the allocation relates).

(b) Notwithstanding any other provision of this Agreement, if there is a net decrease in Partnership Minimum Gain during a Partnership taxable year, all Partners with deficit Capital Account balances at the end of such year (reduced by the portion of such deficit balances (i)

that must be restored upon liquidation, if any, and (ii) that would be eliminated under applicable Regulations if the Partnership were liquidated at such time, and increased by the items described in Treas. Reg. § 1.704-1 (b)(2)(ii)(d)(4), (5) and (6)) shall be allocated items of income and gain for such year (and if necessary, for future years) in the amount and in the proportions needed to eliminate such deficits, before any other allocation is made under this Agreement.

(c) In the event any Partner unexpectedly receives any adjustments, allocations or distributions described in Treas. Reg. § 1.704-1(b)(2)(ii)(d)(4), (5) or (6), items of Partnership income and gain shall be specially allocated to each such Partner in an amount and manner sufficient to eliminate (to the extent required by the Regulations under Code Section 704(b)) the deficit balance in each such Partner's Capital Account as quickly as possible, provided that an allocation pursuant to this Section 11.11(c) shall be made if and only to the extent that such Partner would have a deficit Capital Account after all other allocations provided for in this Article XI have been tentatively made as if this Section 11.11(c) were not in the Agreement.

(d) In the event any Partner has a deficit Capital Account at the end of any fiscal year in excess of the sum of (i) the amount that such Partner must restore to the Partnership upon liquidation, if any, and (ii) the amount such Partner is deemed obligated to restore pursuant to the penultimate sentence of Treas. Reg. § 1.704-2(g) and § 1.704-2(i)(5), such Partner shall be specially allocated items of Partnership income and gain in the amount of such excess as quickly as possible, provided that an allocation pursuant to this Section 11.11(d) shall be made if and only to the extent that such Partner would have a deficit Capital Account in excess of such sum after all other allocations provided for in this Article XI have been tentatively made as if this Section 11.11(d) and Section 11.11(c) hereof were not in the Agreement.

(e) In the event that income, loss or items thereof are allocated to one or more Partners pursuant to Sections 11.11(b), (c) or (d), subsequent income, loss or items thereof shall be allocated (subject to the provisions of Sections 11.11(b), (c) or (d)) to the Partners so that, to the extent possible in the judgment of the General Partner, the net amount of allocations shall be equal to the amount that would have been allocated had Section 11.11 not been applied.

ARTICLE XII SALE, DISSOLUTION AND LIQUIDATION

12.01 Dissolution of the Partnership. The Partnership shall be dissolved upon the earlier of the expiration of the term of the Partnership, or upon:

(a) the withdrawal, Bankruptcy, death, dissolution or adjudication of incompetency of the General Partner who is at that time the sole General Partner, subject to the provisions of Section 6.03, unless a majority in interest of the other Partners, within ninety (90) days after receiving Notice of such withdrawal, Bankruptcy, death, dissolution or adjudication of incompetence, elects to designate a successor General Partner(s) and continue the Partnership upon the admission of such successor General Partner(s) to the Partnership;

(b) the sale or other disposition of all or substantially all of the assets of the Partnership, subject to the provisions of Section 6.03;

(c) the election by the General Partner, with the Consent of a majority in interest of the other Partners; or

(d) any other event causing the dissolution of the Partnership under the laws of the Commonwealth of Virginia.

12.02 Winding Up and Distribution.

(a) Upon the dissolution of the Partnership pursuant to Section 12.01, (i) a Certificate of Cancellation shall be filed in such offices within the Commonwealth of Virginia as may be required or appropriate and (ii) the Partnership business shall be wound up and its assets liquidated as provided in this Section 12.02 and the net proceeds of such liquidation, except as provided in Section 12.02(b) below, shall be distributed in accordance with Section 11.05.

(b) It is the intent of the Partners that, upon liquidation of the Partnership, any liquidation proceeds available for distribution to the Partners be distributed in accordance with the Partners' respective Capital Account balances and the Partners believe that distributions under Section 11.05 will effectuate such intent. In the event that, upon liquidation, there is any conflict between a distribution pursuant to the Partners' respective Capital Account balances and the intent of the Partners with respect to distribution of proceeds as provided in Section 11.05, the Liquidator shall, notwithstanding the provisions of Sections 11.01, 11.02, 11.03 and 11.04, allocate the Partnership's gains, profits and losses in a manner that will cause the distribution of liquidation proceeds to the Partners to be in accordance both with the Partners' economic expectations as set forth in Section 11.05 and their respective Capital Account balances.

(c) The Liquidator shall file all certificates and notices of the dissolution of the Partnership required by law. The Liquidator shall proceed without any unnecessary delay to sell and otherwise liquidate the Partnership's property and assets; provided, however, that if the Liquidator shall determine that an immediate sale of part or all of the Partnership property would cause undue loss to the Partners, then in order to avoid such loss, the Liquidator may, except to the extent provided by the Act, defer the liquidation as may be necessary to satisfy the debts and liabilities of the Partnership to Persons other than the Partners. Upon the complete liquidation and distribution of the Partnership assets, the Partners shall cease to be Partners of the Partnership, and the Liquidator shall execute, acknowledge and cause to be filed all certificates and notices required by the law to terminate the Partnership.

(d) Upon the dissolution of the Partnership pursuant to Section 12.01, the Accountants shall promptly prepare, and the Liquidator shall furnish to each Partner, a statement setting forth the assets and liabilities of the Partnership upon its dissolution. Promptly following the

complete liquidation and distribution of the Partnership property and assets, the Accountants shall prepare, and the Liquidator shall furnish to each Partner, a statement showing the manner in which the Partnership assets were liquidated and distributed.

ARTICLE XIII
BOOKS AND RECORDS, ACCOUNTING,
TAX ELECTIONS, ETC.

13.01 Books of Account. The General Partner shall keep proper and complete books of account for the Partnership. Such books of account shall be kept at the principal office of the Partnership and shall be open at all times for examination and copying by the Limited Partner or its authorized representatives. The General Partner shall retain such books of account for six years after the later of the termination of the Partnership or the end of all applicable compliance periods under the Regulations. All decisions as to the fiscal year and accounting methods to be used by the Partnership shall be made only with the prior written consent of the Limited Partner. In addition, the General Partner shall comply with all record keeping and record retention requirements applicable to low-income housing projects under the Code and Regulations, and shall provide such information to the Partners for their compliance.

13.02 Financial Reports.

(a) Agreement with HCCV. The Partnership shall enter into an agreement with HCCV, essentially in the form attached hereto as Exhibit J, pursuant to which HCCV will provide certain accounting and reporting services to the Partnership.

(b) Monthly Reports. Within ten days after the end of each month, the General Partner shall deliver to the Partners with respect to such month a cash flow statement for the Partnership, with a detailed itemization of all Partnership receipts and expenses, and with such additional information as shall be reasonably requested by the Partners (the foregoing, collectively, the "Cash Flow Report"). Notwithstanding the foregoing, if the Limited Partner believes that the Project is experiencing or may experience adverse operating results or any other material adverse condition, the Limited Partner, by notice to the General Partner, may require the delivery of Cash Flow Reports within five days after the end of each month, until such time as the Limited Partner believes that the adverse condition affecting the Project is no longer present or threatened. At Limited Partner's request, copies of all leases and tenant income certification information for the initial occupant of each dwelling unit shall be delivered concurrently with such Cash Flow Report prior to execution thereof by the Partnership.

(c) Governmental and Lender Reports. The General Partner shall also deliver to the Limited Partner any financial or performance report required to be provided by the Partnership to any federal, state or local governmental agency or to any Partnership lender. Any such report shall be

delivered to the Limited Partners within five days after such report is filed with any such governmental agency or Partnership lender.

13.03 **Budgets and General Disclosure.** The General Partner shall prepare and deliver to the Limited Partner no later than the 60 days prior to the beginning of each fiscal year of the Partnership a detailed annual operating and capital improvements budget for the operation of the Project during such fiscal year. Such budgets shall specifically list all budgeted expenses in all major categories including, but not limited to, administration, operation, repairs and maintenance, utilities, taxes, insurance, interest, debt service with respect to the Project Loans, capital improvements, and all budgeted expenses which are to be paid to the General Partner or its Affiliates. Such a budget shall be deemed "approved" for purposes of this Partnership Agreement only when such budget has been approved by the Limited Partner. The General Partner shall keep the Limited Partner informed concerning the general state of the business and financial condition of the Partnership and shall, upon the reasonable request of the Limited Partner, furnish to the Limited Partner full information, accounts and documentation concerning the state of the business and financial condition of the Partnership. The General Partner shall also provide the following statements or disclosures to the Limited Partners:

(a) **Semiannual Reports.** Semiannually, within 45 days after the end of the second and fourth fiscal quarters of the Partnership, until the later to occur of the following events: (i) all Capital Contribution installments of the Limited Partner have been made, or (ii) the Project is placed in service, a report on the status of the Partnership. Such report will include the following, and will contain updated and revised information if there has been any change in facts previously reported.

(i) a description of the Project, including the status of construction or rehabilitation to be performed in connection with the Project (which information shall be provided on the Project until construction or rehabilitation is complete);

(ii) a description of the financing for the Project, including mortgage financing, any state or local government loans, any operating deficit guaranty, the Limited Partner's Capital Contributions to the Partnership and any other contributions or loans to the Partnership;

(iii) a description of any applicable rental subsidy for the Project;

(iv) the terms of any performance bonds, development cost guarantees, operating deficit guarantees and other credit enhancements provided in connection with the Project;

(v) the fees, and other financial incentives provided to the General Partner and its Affiliates; and

(vi) any draw or call upon or demand for payment of or under any operating deficit guarantee, operating reserve, contractor performance bonds or completion guarantee.

(b) **Annual Reports.** Within 100 days after the end of each fiscal year of the Partnership, a statement prepared by the General Partner, which statement shall include the following:

(i) a report summarizing the fees, commissions, compensation and other remuneration and reimbursed expenses paid by the Partnership for such fiscal year to the General Partner or any Affiliates of the General Partner and the services performed;

(ii) a report of the activities and investments of the Partnership during the period covered by the report; and

(iii) a comparison of actual and projected tax benefits for the year.

(c) **Demands for Payment.** Within three business days of the exercise thereof, any draw or call upon or demand for payment of or under any operating deficit guarantee, operating reserve, contractor performance bonds or completion guarantee.

(d) **Notices of Default.** Immediately upon notice of such a default, any default by the Partnership in any loan, including any state or local government loan or other financial obligation, of the Partnership or its General Partner.

(e) **Notices of IRS Proceedings.** Immediately upon receipt of such notice, any notice of any IRS proceeding involving the Partnership.

13.04 **Tax Information.** The General Partner shall file all necessary tax forms related to the formation of the Partnership, including, if required, Form 8264 (related to the registration of a tax shelter). HCCV shall also provide such federal tax information as required under its agreement with the Partnership as set forth on Exhibit J.

13.05 **Selection of Accountants.** The Limited Partner shall be entitled to select the firm of certified public accountants which will prepare the Partnership's year-end financial statements and the Partnership's annual tax returns. The fee of such accountants shall be paid by the Limited Partner out of the accounting fee payable to it pursuant to Section 8.21 of this Partnership Agreement.

13.06 **Section 754 Elections.** In the event of a transfer of all or any part of the Interest of a General Partner or of a Limited Partner, the Partnership may elect, pursuant to Sections 743 and 754 of the Code (or any corresponding provision of succeeding law), to adjust the basis of the Partnership property if, in the opinion of the Limited Partner, based upon the advice of the Accountants, such election would be most advantageous to the Limited Partner. Each Partner agrees to furnish the Partnership with all information necessary to give effect to such election.

13.07 **Fiscal Year and Accounting Method.** The fiscal year of the Partnership shall be the fiscal year of the Limited Partner, which ends at December 31; provided, however, that upon request

from the Limited Partner, the fiscal year of the Partnership shall become the calendar year. All Partnership accounts shall be determined on an accrual basis.

13.08 Late Report Penalties. . (i) In the event that the reports of information provided for in Sections 13.02(b) or 13.03 above are, at any time, not provided within the time frames set forth therein, the General Partner shall be obligated to pay to the Limited Partner the sum of \$200.00 per day, as liquidated damages, for each day from the date upon which such report(s) or information is (are) due pursuant to the provisions of the aforesaid Sections until the date upon which such report(s) or information is (are) provided in form acceptable to the Limited Partner. In the event that the reporting requirements set forth in any of the above provisions of this Article XIII are not met, the Limited Partner, in its reasonable discretion, may direct the General Partner to dismiss the Accountants, and to designate successor Accountants, subject to the approval of the Limited Partner; provided, however, that if the General Partner and the Limited Partner cannot agree on the designation of successor Accountants, the successor Accountants shall be designated by the Limited Partner in its sole reasonable discretion, and the fees of such successor Accountants shall be paid by the General Partner.

ARTICLE XIV AMENDMENTS

14.01 Proposal and Adoption of Amendments. This Agreement may be amended by the General Partner with the Consent of the Limited Partner; provided that such Consent shall not be unreasonably withheld as to any proposed amendment which does not affect the obligations of the General Partner or the rights of any of the Partners under this Agreement; and further provided that, if the Limited Partner proposes an amendment to this Agreement which either (a) increases or imposes upon the Limited Partner the obligation to restore a deficit balance in its Capital Account, or (b) prospectively decreases the obligation of the Limited Partner to restore a deficit balance in its Capital Account in a subsequent Fiscal Year of the Partnership, the General Partner shall effectuate the adoption of such amendment; provided, however, that the General Partner shall not be liable to the Limited Partner for any adverse tax consequences that may result from any such increase or decrease.

ARTICLE XV CONSENTS, VOTING AND MEETINGS

15.01 Method of Giving Consent. Any Consent required by this Agreement may be given by a written Consent given by the consenting Partner and received by the General Partner at or prior to the doing of the act or thing for which the Consent is solicited.

15.02 Submissions to Limited Partners. The General Partner shall give the Limited Partner Notice of any proposal or other matter required by any provision of this Agreement or by law to be submitted for consideration and approval of the Limited Partners. Such Notice shall include any information required by the relevant provision or by law.

15.03 Meetings: Submission of Matter for Voting. A majority in Interest of the Limited Partners shall have the authority to convene meetings of the Partnership and to submit matters to a vote of the Partners.

ARTICLE XVI GENERAL PROVISIONS

16.01 Burden and Benefit. The covenants and agreements contained herein shall be binding upon and inure to the benefit of the heirs, executors, administrators, successors and assigns of the respective parties hereto.

16.02 Applicable Law. This Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Virginia.

16.03 Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original copy and all of which together shall constitute one agreement binding on all parties hereto, notwithstanding that all the parties shall not have signed the same counterpart.

16.04 Separability of Provisions. Each provision of this Agreement shall be considered separable, and if for any reason any provision which is not essential to the effectuation of the basic purposes of this Agreement is determined to be invalid and contrary to any existing or future law, such invalidity shall not impair the operation of or affect those provisions of this Agreement which are valid.

16.05 Entire Agreement. This Agreement sets forth all (and is intended by all parties to be an integration of all) of the representations, promises, agreements and understandings among the parties hereto with respect to the Partnership, the Partnership business and the property of the Partnership, and there are no representations, promises, agreements or understandings, oral or written, express or implied, among them other than as set forth or incorporated herein.

16.06 Liability of the Limited Partner. Notwithstanding anything to the contrary contained herein, neither the Limited Partner nor any of its partners, general or limited, shall have any personal liability to any of the parties to this Agreement with regard to the representations and covenants extended, or the obligations undertaken, by the Limited Partner under this Agreement, except that the Limited Partner shall be personally obligated to fund its Capital Contributions when, as and if required by this Agreement and subject to any defenses and offsets it may have with respect to the funding of such Capital Contributions. In the event that the Limited Partner shall be in default under any of the terms of this Agreement, the sole recourse of any party hereto for any indebtedness due hereunder, or for any damages resulting from any such default by the Limited Partner, shall be either against the Interest of the Limited Partner and the capital contributions of the investor limited partners of the Limited Partner (either directly or through another Limited Partner) allocated to, and

remaining for investment in, the Partnership; provided, however, that under no circumstances shall the liability of the Limited Partner for any such default be in excess of the amount of Capital Contribution payable by the Limited Partner to the Partnership, under the terms of this Agreement, at the time of such default, less the value of the Interest of the Limited Partner, if such Interest is claimed as compensation for damages.

16.07 Environmental Protection.

(a) The General Partner represents and warrants that (i) it has no knowledge of any deposit, storage, disposal, burial, discharge, spillage, uncontrolled loss, seepage or filtration of any Hazardous Substances at, upon, under or within the Land or any contiguous real estate and (ii) it has not caused or permitted to occur, and it shall not permit to exist, any condition which may cause a discharge of any Hazardous Substances at, upon, under or within the Land or on any contiguous real estate.

(b) The General Partner further represents and warrants that (i) neither it nor, to the best of its knowledge, any other party has been, is or will be involved in operations at or, pursuant to the General Partner's best knowledge, near the Land, which operations could lead to (A) a determination of liability under the Hazardous Waste Laws as to the Partnership or (B) the creation of a lien on the Land under the Hazardous Waste Laws or under any similar laws or regulations; and (ii) the General Partner has not permitted, and will use best efforts not to permit, any tenant or occupant of the Project to engage in any activity that could impose liability under the Hazardous Waste Laws on such tenant or occupant, on the Land or on any other owner of the Project.

(c) The General Partner shall comply strictly and in all respects with all material requirements of the Hazardous Waste Laws and related regulations and with all similar laws and regulations.

(d) It shall at all times indemnify and hold harmless the Limited Partner against and from any and all claims, suits, actions, debts, damages, costs, charges, losses, obligations, judgments and expenses, of any nature whatsoever, suffered or incurred by the Limited Partner and arising from its investment in the Partnership, under or on account of the Hazardous Waste Laws or any similar laws or regulations, including the assertion of any lien thereunder.

(e) For purposes of this Section 16.07, the term "Hazardous Substances" shall mean and include, without limitation, any hazardous, toxic or dangerous substance, waste or material, specifically including for purposes of this Agreement any petroleum or crude oil or fraction thereof, friable asbestos or asbestos containing material, polychlorinated biphenyls or urea formaldehyde foam insulation defined as such in , regulated by or for the purpose of, or in violation of any Hazardous Laws. As used in this Agreement, the term "Hazardous Waste Laws" shall mean any governmental requirements pertaining to land use, air, soil, subsoil, surface water, groundwater (including the quality of, protection, clean-up, removal, remediation or damage of or to land, air, soil, subsoil, surface water and groundwater), including, without limitation, the following laws as the

same may be from time to time amended: the Comprehensive Environmental Response Liability and Compensation Act, 42 U.S.C. § 9601, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. §6901, et seq., the Toxic Substances Control Act, 15 U.S.C. § 2601 et seq., the Federal Water Pollution Control Act, 33 U.S.C. §1251 et seq., the Safe Drinking Water Act, 42 U.S.C. § 300f et seq., the Clean Air Act, 42 U.S.C. § 7401 et seq., the Rivers and Harbors Act, 33 U.S.C. § 401 et seq., the Transportation Safety Act of 1974, portions of which are located at 49 U.S.C. § 1801 et seq., the Endangered Species Act, 16 U.S.C. § 1531 et seq., or any so-called "superfund" or "superlien" law, together with any other foreign or domestic laws (federal, state, provincial or local), common law, local rule, regulation (including, without limitation, any future change in judicial or administrative decisions interpreting or applying any of the laws, rules or regulations referred to herein) relating to emissions, discharges, release or threatened releases of any Hazardous Substances into ambient air, land, soil, subsoil, surface water, groundwater, personal property or structures, or otherwise relating to the manufacture, processing distribution, use treatment, storage, disposal, transport, discharge or handling of any Hazardous Substances, now or at any time hereafter in effect.

16.08 Notices. All notices, demands, requests or other communications to be sent by one party to the other hereunder or required by law shall be in writing and shall be deemed to have been validly given or served by delivery of same in person to the addressee or by depositing same with Federal Express for next business day delivery or by depositing same in the United States mail, postage prepaid, registered or certified mail, return receipt requested, addressed as follows:

(a) To the Limited Partner:

Housing Equity Fund of Virginia VII, L.L.C.
c/o Housing Capital Corporation of Virginia
114 E. Cary Street
Suite 101
Richmond, Virginia 23219-1321
Attention: Christine F. Melson

with a copy to:

Applegate & Thorne-Thomsen, P.C.
322 South Green Street
Suite 412
Chicago, Illinois 60607
Attention: Thomas Thorne-Thomsen, P.C.

(b) To the General Partner:
Beach Properties Incorporated
629 Wesley Drive
Virginia Beach, Virginia 23452
Attention: Mary Kay Horoszewski

With a copy to:

Kanady & Quinn, P.D.
7130 Glen Forest Drive, Suite 402
Richmond, VA 23226
Attention: Johnson Kanady

All notices, demands and requests shall be effective upon such personal delivery or upon being deposited with Federal Express or in the United States mail as required above. However, with respect to notices, demands or requests so deposited with Federal Express or in the United States mail, the time period in which a response to any such notice, demand or request must be given shall commence to run from the next business day following any such deposit with Federal Express or, in the case of a deposit in the United States mail as provided above, the date on the return receipt of the notice, demand or request reflecting the date of delivery or rejection of the same by the addressee thereof. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice, demand or request sent. By giving to the other party hereto at least 30 days' written notice thereof in accordance with the provisions hereof, the parties hereto shall have the right from time to time to change their respective addresses and each shall have the right to specify as its address any other address within the United States of America.

16.09 Headings. All section headings are for convenience only and shall not be taken into consideration in interpreting or otherwise construing this Agreement.

16.10. Pronouns and Plurals. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural, as the identity of the person or persons may require.

IN WITNESS WHEREOF, the parties have affixed their signatures and seals to this Second Amended and Restated Agreement of Limited Partnership of Citywide Homes 2001 Limited Partnership as of the date first written above.

GENERAL PARTNER:

Beach Properties Incorporated,
a Virginia corporation

By: *Mary Kay Horoszewski*
Mary Kay Horoszewski
Title: President

LIMITED PARTNER:

Housing Equity Fund of Virginia VII, L.L.C., a
Virginia limited liability company

By: Housing Capital Corporation of
Virginia, its managing member

By: _____
Name: _____
Title: _____

SPECIAL LIMITED PARTNER:

Virginia Affordable Housing Management Corporation

By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF, the parties have affixed their signatures and seals to this Second Amended and Restated Agreement of Limited Partnership of Citywide Homes 2001 Limited Partnership as of the date first written above.

GENERAL PARTNER:

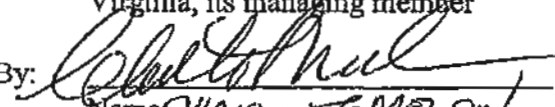
Beach Properties Incorporated,
a Virginia corporation

By: _____
Mary Kay Horoszewski
Title: President

LIMITED PARTNER:


Housing Equity Fund of Virginia VII, L.L.C., a
Virginia limited liability company

By: Housing Capital Corporation of
Virginia, its managing member

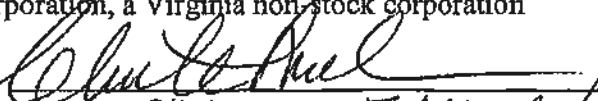
By: 
Name: CHRISTINE F. MELSON
Title: VICE PRESIDENT

SPECIAL LIMITED PARTNER:

Virginia Affordable Housing Management Corporation

By: 
Name: CHRISTINE F. MELSON
Title: PRESIDENT

WITHDRAWING LIMITED PARTNER:
Virginia Affordable Housing Management
Corporation, a Virginia non-stock corporation

By: 
Name: CHRISTINE F. MELSER
Title: PRESIDENT

City of Virginia Beach
COUNTY OF)
COMMONWEALTH OF VIRGINIA)

ss.

Before me, the undersigned Notary Public in and for the aforesaid County and State, personally appeared Mary Kay Horoszewski in her capacity as President of Beach Properties Incorporated, a Virginia corporation, the General Partner of Citywide Homes 2001 Limited Partnership, a Virginia limited partnership, and being duly sworn, acknowledged the execution of the foregoing Second Amended and Restated Agreement of Limited Partnership.

Witness my hand and notarial seal this 12th day of March, 2002.

My Commission Expires: 12-31-03

Notary Public
Patricia C. Jones

COUNTY OF)
COMMONWEALTH OF VIRGINIA) ss.

Before me, the undersigned Notary Public in and for the aforesaid County and State, personally appeared _____, in his/her capacity as _____ of Housing Capital Corporation of Virginia, as managing member of Housing Equity Fund of Virginia VII, L.L.C., a Virginia limited liability company, as Limited Partner of Citywide Homes 2001 Limited Partnership, a Virginia limited partnership, and being duly sworn, acknowledged the execution of the foregoing Second Amended and Restated Agreement of Limited Partnership.

Witness my hand and notarial seal this _____ day of March, 2002.

Notary Public

My Commission Expires:

COUNTY OF)
)
COMMONWEALTH OF VIRGINIA) ss.

Before me, the undersigned Notary Public in and for the aforesaid County and State, personally appeared Mary Kay Horoszewski in her capacity as President of Beach Properties Incorporated, a Virginia corporation, the General Partner of Citywide Homes 2001 Limited Partnership, a Virginia limited partnership, and being duly sworn, acknowledged the execution of the foregoing Second Amended and Restated Agreement of Limited Partnership.

Witness my hand and notarial seal this _____ day of March, 2002.

Notary Public

My Commission Expires:

~~COUNTY OF~~ ^{CITY} RICHMOND)
) ss.
COMMONWEALTH OF VIRGINIA)

Before me, the undersigned Notary Public in and for the aforesaid County and State, personally appeared CHRISTINE MELSON, in his/her capacity as VICE PRESIDENT of Housing Capital Corporation of Virginia, as managing member of Housing Equity Fund of Virginia VII, L.L.C., a Virginia limited liability company, as Limited Partner of Citywide Homes 2001 Limited Partnership, a Virginia limited partnership, and being duly sworn, acknowledged the execution of the foregoing Second Amended and Restated Agreement of Limited Partnership.

Witness my hand and notarial seal this 5th day of March, 2002.

Notary Public 

My Commission Expires:

My Commission Expires February 28, 2003

CITY
COUNTY OF RICHMOND)
) ss.
COMMONWEALTH OF VIRGINIA)

Before me, the undersigned Notary Public in and for the aforesaid County and State, personally appeared CHRISTINE MELSON, in his/her capacity as PRESIDENT of Virginia Affordable Housing Management Corporation, the Withdrawing Limited Partner of Citywide Homes 2001 Limited Partnership, a Virginia limited partnership, and being duly sworn, acknowledged the execution of the foregoing Second Amended and Restated Agreement of Limited Partnership.

Witness my hand and notarial seal this 5th day of March, 2002.

Notary Public *André Trent*

My Commission Expires:
My Commission Expires February 28, 2003

CITY
COUNTY OF RICHMOND)
) ss.
COMMONWEALTH OF VIRGINIA)

Before me, the undersigned Notary Public in and for the aforesaid County and State, personally appeared CHRISTINE MELSON, in his/her capacity as the Special Limited Partner of Virginia Affordable Housing Management Corporation, a Virginia corporation, and being duly sworn, acknowledged the execution of the foregoing Second Amended and Restated Agreement of Limited Partnership.

Witness my hand and notarial seal this 5th day of March, 2002.

Notary Public *André Trent*

My Commission Expires:
My Commission Expires February 28, 2003

TABLE OF EXHIBITS

- A Development Agreement
- B Incentive Management Fee Agreement
- C Description of Land
- D Affiliate Guaranty
- E Pledge and Security Agreement of General Partner
- F Summary of Project Loan Terms
- G Management Agreement
- H Development Budget
- I Insurance Requirements
- J Agreement to Provide Accounting and Reporting Services
- K Post Closing Obligations

**EXHIBIT A
TO PARTNERSHIP AGREEMENT**

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (this "Agreement") made as of March 1, 2002 by and between Citywide Homes 2001 Limited Partnership, a Virginia limited partnership (the "Partnership"), and Virginia Beach Community Development Corporation, a Virginia nonstock corporation (the "Developer").

Recitals

WHEREAS, the Partnership was formed to acquire, construct, develop, improve, maintain, own, operate, lease, dispose of and otherwise deal with 32 townhomes and condominium units located in the City of Virginia Beach, Virginia, known collectively as Citywide Homes 2001 Apartments (the "Project").

WHEREAS, the Project, following the completion of construction, is expected to constitute a "qualified low-income housing project" (as defined in Section 42(g)(1) of the Code).

WHEREAS, the Developer has provided and will continue to provide certain services with respect to the Project during the acquisition, development, rehabilitation and initial operating phases thereof.

WHEREAS, in consideration for such services, the Partnership has agreed to pay to the Developer certain fees computed in the manner stated herein.

WHEREAS, capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Second Amended and Restated Agreement of Limited Partnership of the Partnership of even date herewith (the "Partnership Agreement").

NOW, THEREFORE, in consideration of the recitals, covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties agree as follows:

Section 1. Development Services.

(a) The Developer has performed certain services relating to the development of the Project and shall oversee the development and construction of the Project, and shall perform the services and carry out the responsibilities with respect to the Project as are set forth herein, and

such additional duties and responsibilities as are reasonably within the general scope of such services and responsibilities and are designated from time to time by the Partnership.

(b) The Developer's services shall be performed in the name and on behalf of the Partnership and shall consist of the duties set forth in subparagraphs (i)-(xiii) below of this Section 1(b) and as provided elsewhere in this Agreement; provided, however, that if the performance of any duty of the Developer set forth in this Agreement is beyond the reasonable control of the Developer, the Developer shall nonetheless be obligated to (i) use its best efforts to perform such duty and (ii) promptly notify the Partnership that the performance of such duty is beyond its reasonable control. The Developer has performed or shall perform the following:

(i) Negotiate and cause to be executed in the name and on behalf of the Partnership any agreements for architectural, engineering, testing or consulting services for the Project, and any agreements for the construction of any improvements or tenant improvements to be constructed or installed by the Partnership or the furnishing of any supplies, materials, machinery or equipment therefor, or any amendments thereof, provided that no agreement shall be executed nor binding commitment made until the terms and conditions thereof and the party with whom the agreement is made have been approved by the General Partner unless the terms, conditions, and parties comply with guidelines issued by the General Partner concerning such agreements;

(ii) Assist the Partnership in identifying sources of construction financing for the Project and negotiate the terms of such financing with lenders;

(iii) Establish and implement appropriate administrative and financial controls for the design and construction of the Project, including but not limited to:

(A) coordination and administration of the Project architect, the general contractor, and other contractors, professionals and consultants employed in connection with the design or rehabilitation of the Project;

(B) administration of any construction contracts on behalf of the Partnership;

(C) participation in conferences and the rendering of such advice and assistance as will aid in developing economical, efficient and desirable design and construction procedures;

(D) the rendering of advice and recommendations as to the selection of subcontractors and suppliers;

(E) the review and submission to the Partnership for approval of all requests for payments under any architectural agreement, general contractor's agreement, or any loan agreements with any lending institutions providing funds for the benefit of the Partnership for the design or construction of any improvements;

(F) the submission of any suggestions or requests for changes which could in any reasonable manner improve the design, efficiency or cost of the Project;

(G) applying for the maintaining in full force and effect any and all governmental permits and approvals required for the lawful construction of the Project;

(H) compliance with all terms and conditions applicable to the Partnership or the Project contained in any governmental permit or approval required or obtained for the lawful construction of the Project, or in any insurance policy affecting or covering the Project, or in any surety bond obtained in connection with the Project;

(I) furnishing such consultation and advice relating to the Project as may be reasonably requested from time to time by the Partnership;

(J) keeping the Partnership fully informed on a regular basis of the progress of the design and construction of the Project, including the preparation of such reports as are provided for herein or as may reasonably be requested by the Partnership and which are of a nature generally requested or expected of construction managers or similar owner's representatives on similar projects;

(K) giving or making the Partnership's instructions, requirements, approvals and payments provided for in the agreements with the Project architect, general contractor, and other contractors, professionals and consultants retained for the Project; and

(L) at the Partnership's expense, filing on behalf of and as the attorney-in-fact for the Partnership any notices of completion required or permitted to be filed upon the completion of any improvement(s) and taking such actions as may be required to obtain any certificates of occupancy or equivalent documents required to permit the occupancy of the Project.

(iv) Inspect the progress of the course of construction of the Project, including verification of the materials and labor being furnished to and on such construction so as to be fully competent to approve or disapprove requests for payment made by the Project architect and the general contractor, or by any other parties with respect to the design or construction of the Project, and in addition to verify that the construction is being carried out substantially in accordance with the plans and specifications approved by the Partnership or, in the event construction is not being so carried out, to promptly notify the Partnership;

(v) If requested to do so by the Partnership, perform on behalf of the Partnership all obligations of the Partnership with respect to the design or construction of the Project contained in any loan agreement or security agreement in connection with the Project, or in any lease or rental agreement relating to space in the Project, or in any agreement entered into with any governmental body or agency relating to the terms and conditions of such construction, provided that copies of such agreements have been provided by the Partnership to the Developer or the Partnership has otherwise notified the Developer in writing of such obligations;

(vi) To the extent requested to do so by the Partnership, prepare and distribute to the Partnership a critical path schedule, and periodic updates thereto as necessary to reflect any material changes, but in any event not less frequently than quarterly, other design or construction cost estimates as required by the Partnership, and financial accounting reports, including monthly progress reports on the quality, progress and cost of construction and recommendations as to the drawing of funds from any loans arranged by the Partnership to cover the cost of design and construction of the Project, or as to the providing of additional capital contributions should such loan funds for any reason be unavailable or inadequate;

(vii) At the Partnership's expense, obtain and maintain insurance coverage for the Project, the Partnership, the Management Agent, and the Developer and its employees, at all times until final completion of construction of the Project, in accordance with an insurance schedule approved by the Partnership, which insurance shall include general public liability insurance covering claims for personal injury, including but not limited to bodily injury, or property damage, occurring in or upon the Property or the streets, passageways, curbs and vaults adjoining the Property. Such insurance shall be in a liability amount approved by the Partnership;

(viii) Comply with all applicable present and future laws, ordinances, orders, rules, regulations and requirements (hereinafter in this subparagraph (ix) called "laws") of all federal, state and municipal governments, courts, departments, commissions, boards and offices, any national or local Board of Fire

Underwriters or Insurance Services. Offices having jurisdiction in the county in which the Project is located or any other body exercising functions similar to those of any of the foregoing, or any insurance carriers providing any insurance coverage for the Partnership or the Project, which may be applicable to the Project or any part thereof. Any such compliance undertaken by the Developer on behalf of and in the name of the Partnership, in accordance with the provisions of this Agreement, shall be at the Partnership's expense. The Developer shall likewise ensure that all agreements between the Partnership and independent contractors performing work in connection with the Project shall include the agreement of said independent contractors to comply with all such applicable laws;

(ix) Assemble and retain all contracts, agreements and other records and data as may be necessary to carry out the Developer's functions hereunder. Without limiting the foregoing, the Developer will prepare, accumulate and furnish to the Partnership and the appropriate governmental authorities, as necessary, data and information sufficient to identify the market value of improvements in place as of each real property tax lien date, and will take application for appropriate exclusions from the capital costs of the Project for purposes of real property ad valorem taxes;

(x) Coordinate and administer the design and construction of all interior tenant improvements to the extent required under any leases or other occupancy agreements to be constructed or furnished by the Partnership with respect to the initial leasing of space in the Project, whether involving building standard or non-building standard work;

(xi) Use its best efforts to accomplish the timely completion of the Project in accordance with the approved plans and specifications and the time schedules for such completion approved by the Partnership;

(xii) At the direction of the Partnership, implement any decisions of the Partnership made in connection with the design, development and construction of the Project or any policies and procedures relating thereto, exclusive of leasing activities; and

(xiii) Perform and administer any and all other services and responsibilities of the Developer which are set forth in any other provisions of this Agreement, or which are requested to be performed by the Partnership and are within the general scope of the services described herein.

Section 2. Limitations and Restrictions. Notwithstanding any provisions of this Agreement, the Developer shall not take any action, expend any sum, make any decision, give any consent, approval or authorization, or incur any obligation with respect to any of the following matters unless and until the same has been approved by the Partnership:

(a) Approval of all construction and architectural contracts and all architectural plans, specifications and drawings prior to the construction and/or alteration of any improvements contemplated thereby, except for such matters as may be expressly delegated in writing to the Developer by the Partnership;

(b) Any proposed change in the work of the construction of the Project, or in the plans and specifications therefor as previously approved by the Partnership, or in the cost thereof, or any other change which would affect the design, cost, value or quality of the Project, except for such matters as may be expressly delegated in writing to the Developer by the Partnership;

(c) Making any expenditure or incurring any obligation by or on behalf of the Partnership or the Project involving a sum in excess of \$25,000 or involving a sum of less than \$5,000 where the same relates to a component part of any work, the combined cost of which exceeds \$25,000, except for expenditures made and obligations incurred pursuant to and specifically set forth in a construction budget approved by the Partnership (the "Construction Budget") or for such matters as may be otherwise expressly delegated to the Developer by the Partnership;

(d) Making any expenditure or incurring any obligation which, when added to any other expenditure, exceeds the Construction Budget or any line item specified in the Construction Budget, except for such matters as may be otherwise expressly delegated in writing to the Developer by the Partnership; or

(e) Expending more than what the Developer in good faith believes to be the fair and reasonable market value at the time and place of contracting for any goods purchased or leased or services engaged on behalf of the Partnership or otherwise in connection with the Project.

Section 3. Accounts and Records.

(a) The Developer on behalf of the Partnership, shall keep such books of account and other records as may be required and approved by the Partnership, including, but not limited to, records relating to the costs of construction advances. The Developer shall keep vouchers, statements, receipted bills and invoices and all other records, in the form approved by the Partnership, covering all collections, if any, disbursements and other data in connection with the Project prior to final completion of construction. All accounts and records relating to the Project, including all correspondence, shall be surrendered to the Partnership, upon demand without charge therefor.

(b) The Developer shall cooperate with the Management Agent to facilitate the timely preparation by the Management Agent of such reports and financial statements as the Management Agent is required to furnish pursuant to the Management Agreement.

(c) All books and records prepared or maintained by the Developer shall be kept and maintained at all times at the place or places approved by the Partnership, and shall be available for and subject to audit, inspection and copying by the Management Agent, the Partnership or any representative or auditor thereof or supervisory or regulatory authority, at the times and in the manner set forth in the Partnership Agreement.

Section 4. Obligation To Complete Construction and to Pay Development Costs.

The Developer shall complete the construction of the Project or cause the same to be completed in a good and workmanlike manner, free and clear of all mechanics', materialmen's or similar liens, and shall equip the Project or cause the same to be equipped with all necessary and appropriate fixtures, equipment and articles of personal property, including refrigerators and ranges, provided for in the Project Documents and the Plans and Specifications. The Developer also shall cause the achievement of Final Closing in accordance with the terms of the Partnership Agreement. If the Specified Proceeds as available from time to time are insufficient to cover all Development Costs and achieve Final Closing, the Developer shall advance or cause to be advanced to the Partnership from time to time as needed all such funds as are required to pay such deficiencies. Any such advances ("Development Advances") shall, to the extent permitted under the Project Documents and any applicable regulations or requirements of any Project Lender or Agency, be reimbursed at or prior to Final Closing only out of Specified Proceeds available from time to time after payment of all Development Costs. Any balance of the amount of each Development Advance not reimbursed through Final Closing shall not be reimbursable, shall not be credited to the Capital Account of any Partner, or otherwise change the interest of any Person in the Partnership, but shall be borne by the Developer under the terms of this Agreement.

Section 5. Development Amount.

Any Development Advances made by the Developer shall be reimbursed from Specified Proceeds as set forth in Section 4. As reimbursement for any additional Development Advances and as a fee for its services in connection with the development of the Project and the supervision of the rehabilitation of the Project, the Developer shall be paid an amount (the "Development Amount") equal to the lesser of (a) Four Hundred Ten Thousand and No/100 Dollars (\$410,000.00); or (b) the maximum amount which conforms to the developer fee standards imposed by the Virginia Housing Development Authority. The Development Amount shall be deemed to have been earned as follows:

- (i) Twenty percent (20%) on Initial Closing;
- (ii) Forty percent (40%) upon Substantial Completion of the Project;
- (iii) Forty percent (40%) upon satisfaction of the conditions to the payment of the Limited Partner's Second Capital Contribution.

The Development Amount shall be paid from and only to the extent of Net Cash Flow as provided in the Partnership Agreement, in installments as follows:

- (i) Twenty percent (20%) on Initial Closing;
- (ii) Forty percent (40%) upon Substantial Completion of the Project;
- (iii) Twenty percent (20%) upon achievement of 95% occupancy;
- (iv) Twenty percent (20%) upon receipt of IRS Form 8609 for the entire Project.

Any installment of the Development Amount not paid when otherwise due hereunder shall be deferred without interest and shall be paid from next available Net Cash Flow in the priority set forth in Section 11.02 (b) of the Partnership Agreement; provided, however, that any unpaid balance of the Development Amount shall be due and payable in all events on the thirteenth anniversary of the Final Closing.

Section 6. Applicable Law.

This Agreement, and the application or interpretation hereof, shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

Section 7. Binding Agreement.

This Agreement shall be binding on the parties hereto, their heirs, executors, personal representatives, successors and assigns. As long as the Developer is not in default under this Agreement, the obligation of the Partnership to pay the Development Amount shall not be affected by any change in the identity of the General Partner of the Partnership.

Section 8. Headings.

All section headings in this Agreement are for convenience of reference only and are not intended to qualify the meaning of any section.

Section 9. Terminology.

All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders, the singular shall include the plural, and vice versa as the context may require.

For purposes of this Agreement, the following terms have the following meanings:

"Development Costs" means any and all costs and expenses necessary to (i) cause the construction of the Project to be completed, in a good and workmanlike manner, free and clear of

all mechanics', materialmen's or similar liens, in accordance with the Plans and Specifications, (ii) equip the Project with all necessary and appropriate fixtures, equipment and articles of personal property (including, without limitation, refrigerators and ranges), (iii) obtain all required certificates of occupancy for the apartment units and other space in the Project, (iv) finance the construction of the Project and achieve Final Closing in accordance with the provisions of the Project Documents, (v) discharge all Partnership liabilities and obligations arising out of any casualty occurring prior to Final Closing generating insurance proceeds for the Partnership, (vi) fund any Partnership reserves required hereunder or under any of the Project Documents at or prior to Final Closing, (vii) repay and discharge the construction loan from First Virginia Bank, and (viii) pay any other costs or expenses necessary to achieve the Completion Date and Final Closing.

"Specified Proceeds" means (i) the proceeds of all Project Loans, (ii) the net rental income, if any, generated by the Project prior to Final Closing which is permitted by the Project Lenders to be applied to the payment of Development Costs, (iii) the Capital Contributions of the Limited Partner, (iv) the Capital Contributions of the General Partner in the amounts set forth in Section 5.01(a) of the Partnership Agreement as of the Initial Closing, and (v) any insurance proceeds arising out of casualties occurring prior to Final Closing.

Section 10. Benefit of Agreement.

The obligations and undertakings of the Developer set forth in this Agreement are made for the benefit of the Partnership and its Partners and shall not inure to the benefit of any creditor of the Partnership other than a Partner, notwithstanding any pledge or assignment by the Partnership of this Agreement of any rights hereunder.

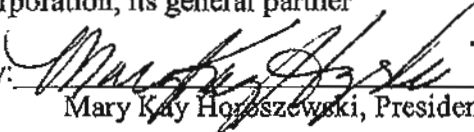
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IN WITNESS WHEREOF, the parties have caused this Development Agreement to be duly executed as of the date first written above.

PARTNERSHIP:

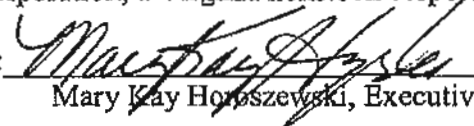
Citywide Homes 2001 Limited Partnership, a Virginia Limited Partnership

By: Beach Properties Incorporated, a Virginia corporation, its general partner

By: 
Mary Kay Horszewski, President

DEVELOPER:

Virginia Beach Community Development Corporation, a Virginia nonstock corporation

By: 
Mary Kay Horszewski, Executive Director

**EXHIBIT B
TO PARTNERSHIP AGREEMENT**

INCENTIVE MANAGEMENT FEE AGREEMENT

THIS INCENTIVE MANAGEMENT FEE AGREEMENT (this "Agreement") made as of March 1, 2002, by and between Citywide Homes 2001 Limited Partnership, a Virginia limited partnership (the "Partnership") and Beach Properties Incorporated, a Virginia corporation, as the General Partner (the "General Partner").

Recitals

WHEREAS, General Partner and Housing Equity Fund of Virginia VII, L.L.C. (the "Limited Partner"), as the Limited Partner, have formed or, simultaneously herewith are forming, the Partnership pursuant to the Revised Uniform Limited Partnership Act of the Commonwealth of Virginia (the "Act"); and

WHEREAS, the Partnership has been formed to develop, construct, own, maintain and operate 32 units of townhomes and condominiums intended for rental to low-income individuals and families, to be known collectively as Citywide Homes 2001 Apartments, and to be located in the City of Virginia Beach, Virginia (the "Project"); and

WHEREAS, the Partnership is governed by its Second Amended and Restated Agreement of Limited Partnership of even date herewith (the "Partnership Agreement"); and

WHEREAS, the Partnership desires that the General Partner provide certain management services with respect to the business of the Partnership for the period commencing as of the date hereof and continuing throughout the term of the Partnership,

NOW, THEREFORE, in consideration of the recitals, covenants and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties agree as follows:

1. **Appointment.** The Partnership hereby appoints the General Partner to render services in managing and administering the Partnership during the term of the Partnership and for as long as the General Partner is the general partner of the Partnership as herein contemplated. The appointment of the General Partner hereunder shall terminate on the earlier of (i) the date the General Partner withdraws as the general partner of the Partnership, including, without limitation, its removal as General Partner, or (ii) the expiration of the term of the Partnership.

2. **Authority.** In conformity with the provisions of the Partnership Agreement, throughout the term of the Partnership, the General Partner shall have the authority and the

obligation, which authority and obligation may, subject to the provisions of the Partnership Agreement, be exercised by the General Partner to:

(i) administer, manage and direct the business of the Partnership, and take such further action as it may deem necessary or desirable to further the interest of the Partnership in accordance with the provisions of the Partnership Agreement;

(ii) monitor the day-to-day operations of the Project and make recommendations with respect thereto;

(iii) investigate and make recommendations with respect to the selection and conduct of relations with consultants and technical advisors (including, without limitation, accountants and other similar advisors, attorneys, corporate fiduciaries, escrow agents, depositories, custodians, agents for collection, insurers, insurance agents and banks) and persons acting in any other capacity in connection with the Partnership;

(iv) maintain appropriate books and records of the Partnership in accordance with sound federal income tax accounting principles and in conformity with the requirements of the Project Lenders, including information relating to the sale by the General Partner or any Affiliate of goods or services to the Partnership;

(v) be responsible for the safekeeping and use of all funds and assets of the Partnership, including the maintenance of bank accounts in accordance with Section 4.02(o) of the Partnership Agreement;

(vi) provide reports to Partners required pursuant to Sections 13.02 and 13.03 of the Partnership Agreement;

(vii) furnish or cause to be furnished to the Partners copies of any and all financial reports that may be requested by any party(ies) to any of the Project Documents or any governmental agencies having jurisdiction, including copies of any financial statements required by the Project Lenders;

(viii) furnish or cause to be furnished to the Partners and/or any party(ies) to any of the Project Documents all such information as they may reasonably request from time to time with respect to the financial and administrative conditions of the Project and the Partnership; and

(ix) provide office space, support staff and administrative services as required by the Partnership.

3. Fees. For services to be performed under this Incentive Partnership Management Fee Agreement, from and after Breakeven Operations and achievement of 100% Qualified Occupancy, the Partnership shall pay the General Partner solely from the Net Cash Flow of the Partnership specifically designated for payment of the Incentive Partnership Management Fee pursuant to Section 8.13 and 11.02(b) of the Partnership Agreement, an annual, noncumulative Incentive Partnership Management Fee of up to one hundred percent (100%) of the Net Cash Flow remaining after payment of the items described in Section 11.02(b)(i) through (v) under the Partnership Agreement to a maximum amount of ten percent (10%) of the annual gross amount of tenant rent collections actually received for the time period for which the foregoing fee is to be paid.

4. Withholding of Fee Payments. In the event that (i) the General Partner or any successor General Partner shall not have substantially complied with any material provisions under this Agreement and the Partnership Agreement, or (ii) the General Partner shall have withdrawn or been removed pursuant to Article VI of the Partnership Agreement, then such General Partner shall be in default of this Agreement and the Partnership shall withhold payment of all or any installment of fees payable to such General Partner pursuant to Section 3 of this Agreement and Section 8.13 of the Partnership Agreement.

All amounts so withheld by the Partnership under this Section 4 shall be promptly released to the General Partner, only after the General Partner has cured the default justifying the withholding, unless the General Partner shall have been removed pursuant to the Partnership Agreement, in which event this Agreement shall terminate in accordance with Section 5 below and all further obligations of the Partnership hereunder shall cease as of the date of such removal of the General Partner.

5. Successors and Assigns; Termination. This Agreement shall be binding on the parties hereto, their heirs, successors and assigns. If the Partnership Interests of a General Partner, as General Partner, are transferred pursuant to Section 6.02 of the Partnership Agreement, further payment of the Incentive Management Fee from the Partnership to such General Partner pursuant to Section 3 above shall be governed by such Section 8.13, provided that such successor has assumed the obligations of the General Partner hereunder pursuant to an assumption agreement in form acceptable to the Limited Partner. The parties hereto may terminate this Agreement upon mutual consent to do so.

6. Defined Terms. Capitalized terms used in this Agreement and not specifically defined herein shall have the same meanings assigned to them as in the Partnership Agreement.

7. Separability of Provisions. Each provision of this Agreement shall be considered separable and if for any reason any provision which is not essential to the effectuation of the basic purposes of this Agreement is determined to be invalid and contrary to any existing or future law, such invalidity shall not impair the operation of or affect those provisions of this Agreement which are valid.

8. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original copy and all of which together shall constitute one agreement binding on all parties hereto, notwithstanding that all the parties shall not have signed the same counterpart.

9. No Continuing Waiver. The waiver of any party of any breach of this Agreement shall not operate or be construed to be a waiver of any subsequent breach.

10. Applicable Law. This Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Virginia.

11. Third Party Beneficiary. Limited Partner is a third party beneficiary of this Agreement, and the Partnership and General Partner hereby expressly agree that any amendment to this Agreement shall not be effective unless and until same is consented to by Limited Partner.


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IN WITNESS WHEREOF, the parties have caused this Incentive Management Fee Agreement to be duly executed as of the date as first written above.

PARTNERSHIP:

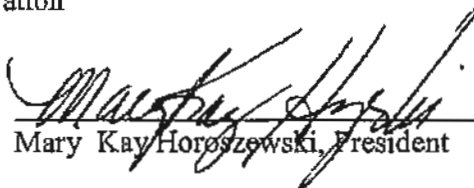
Citywide Homes 2001 Limited Partnership,
a Virginia limited partnership

By: Beach Properties Incorporated, a Virginia
corporation

By: 
Mary Kay Horoszewski, President

GENERAL PARTNER:

Beach Properties Incorporated, a Virginia
corporation

By: 
Mary Kay Horoszewski, President

**EXHIBIT C
TO PARTNERSHIP AGREEMENT**

DESCRIPTIONS OF THE LAND

PARCEL 1

LEGAL DESCRIPTION: All that certain lot, piece or parcel of land, with the improvements thereon, and the appurtenances belonging, lying, situate and being in the Bayside Borough, Virginia Beach, Virginia, known, numbered and designated as Lot 32, as shown on that certain plat entitled "Subdivision of Lynbrook Landing, Section 5", dated May, 1983, made by Basgier and Associates and recorded in the Office of the Clerk of the Circuit Court of the City of Virginia Beach, Virginia, in Map Book 168, at pages 41 and 42.

Commonly known as: 604 CEDAR SPRINGS COURT, VIRGINIA BEACH, VA

PARCEL 2

LEGAL DESCRIPTION: All that certain lot, piece or parcel of land, with the buildings and improvements thereon and the appurtenances thereunto belonging, lying, situate and being in the City of Virginia Beach, Virginia, known, numbered and designated as Lot 6, in Block L, as shown on that certain plat entitled "Resubdivision of Block 'H' and 'J' and Easement Dedication Plat for Green Run Subdivision Section M-2, Part 2, Princess Anne Borough, Virginia Beach, Virginia", made by Talbot and Associates, Ltd., Engineers-Planners-Surveyors, Virginia Beach, Virginia, which plat is recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia, in Map Book 110, at page 26. Reference to which plat is hereby made for a more particular description of the property.

Commonly known as: 3511 MOUNTAIN DRIVE, VIRGINIA BEACH, VA

PARCEL 3

LEGAL DESCRIPTION: All that certain lot, piece or parcel of land, lying, being and situate in the City of Virginia Beach, Virginia, and being known, numbered and designated as Lot 37, as shown upon that certain plat entitled, "Green Run P.U.D. Subdivision, Section B-3, Kempsville Borough, Virginia Beach, Virginia, in Map Book 150, at Page 11.

Commonly known as: 1608 FAIRFAX DRIVE, VIRGINIA BEACH, VA

PARCEL 4

LEGAL DESCRIPTION: All that certain lot, piece or parcel of land, with all the buildings and improvements thereon, situate, lying and being in the City of Virginia Beach, Virginia, being known, numbered and designated as Lot 45, Block J, as shown on that certain plat entitled "Kempsville Lake, Phase 3, Part 2-B", which plat is duly of record in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia, in Map Book 168, at page 52.

Commonly known as: 4544 MARLWOOD WAY, VIRGINIA BEACH, VA

PARCEL 5

LEGAL DESCRIPTION: All that certain lot, piece or parcel of land, with the buildings and improvements thereon, situate, lying and being in the City of Virginia Beach, Virginia, and being known, numbered and designated as Lot 4A, Site 5, Block 1, as shown on that certain plat entitled "Resubdivision Plat of Lots 1 through 8, Site 5, Block 1, Jamestown, Phase III-A, for Chapel Hill Builders, Kempsville Borough, Virginia Beach, Virginia", which plat is duly recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia, in Map Book 2531, at page 1156.

Commonly known as: 791 WHITEHURST LANDING ROAD, VIRGINIA BEACH, VA

PARCEL 6

LEGAL DESCRIPTION: All that certain lot, piece or parcel of land, with the buildings and improvements thereon, situate, lying and being in the City of Virginia Beach, Virginia, being known, numbered and designated as Lot 4, in Site 3, Block 1, as shown on that certain plat entitled "Subdivision of property of Jamestowne, Phase III-A for Chapel Hill Builders, Kempsville Borough, Virginia Beach, Virginia", which plat is duly recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia, in Map Book 186 at page 35 and 36.

Commonly known as: 704 KENNESAW COURT, VIRGINIA BEACH, VA

PARCEL 7

LEGAL DESCRIPTION: All that certain lot, piece or parcel of land, with the buildings and improvements thereon, situate, lying and being in the City of Virginia Beach, Virginia and being known, numbered and designated as Lot 4, Block E as shown on that certain plat entitled Subdivision of Salem Villages, Section One, Part 2, Kempsville Borough, Virginia Beach, Virginia, which said plat is duly recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia, in Map Book 144, at Page 50 and 51.

Commonly known as: 1765 AQUAMARINE DRIVE, VIRGINIA BEACH, VA

PARCEL 8

LEGAL DESCRIPTION: All that certain lot, piece or parcel of land, together with any improvements thereon, lying, situate and being in the City of Virginia Beach, Virginia, and being known, numbered and designated as Lot 117, as shown on that certain plat entitled "Green Run PUD Subdivision, Section C-5, Part 1, Kempsville Borough, Virginia Beach, Virginia", which said plat is duly recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia, in Map Book 170, at page 50.

Commonly known as: 3911 BUCHANAN DRIVE, VIRGINIA BEACH, VA

PARCEL 9

LEGAL DESCRIPTION: All that certain lot, piece or parcel of land, together with the buildings and improvements thereon, situate, lying and being in the City of Virginia Beach, Virginia, and being known, numbered and designated as Lot 39, as shown on that certain plat entitled, "INDIAN LAKES, SECTION K-2/L-2, PART 2, KEMPSVILLE BOROUGH, VIRGINIA BEACH, VIRGINIA", which said plat is duly recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia, in Map Book 176, at page 25.

Commonly known as: 5220 SETTLERS PARK DRIVE, VIRGINIA BEACH, VA

PARCEL 10

LEGAL DESCRIPTION: All that certain lot, piece or parcel of land, with the buildings and improvements thereon, situate, lying and being in the City of Virginia Beach, State of Virginia, and known, numbered and designated as Lot 14, in Block B, as shown on that certain plat entitled, "Subdivision Plat of The Lakes, Section 1, Part C, Princess Anne Borough, Virginia Beach, Virginia", dated July 25, 1975, recorded August 21, 1975, made by Talbot and Associates, Ltd., Engineers, Planners, Surveyors, Virginia Beach, Virginia, and recorded in the

Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia, in Map Book 111, at page 7.

Commonly known as: 3225 TURTLE ROCK DRIVE, VIRGINIA BEACH, VA

PARCEL 11

LEGAL DESCRIPTION: All that certain lot, piece or parcel of land, with the buildings and improvements thereon, situate, lying and being in the City of Virginia Beach, Virginia, being known, numbered and designated as Lot 6, Block U, as shown on that certain plat entitled, "SUBDIVISION OF CAMPUS EAST TOWNHOMES, SECTION FOUR", which plat is duly recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia, in Map Book 174, at pages 3 and 4.

Commonly known as: 5526 BACCALAUREATE DRIVE, VIRGINIA BEACH, VA

PARCEL 12

LEGAL DESCRIPTION: All that certain lot, piece or parcel of land, together with the buildings and improvements thereon and the appurtenances thereunto belonging, lying, situate and being in the City of Virginia Beach, Virginia, known, numbered and designated as Lot 14, as shown on that certain plat entitled "Sub-division of Timberlake, Section Fifteen - Kempsville Borough, Virginia Beach, Virginia", dated March, 1980, Scale: 1" = 40', made by Marsh and Basgier, Inc., P.C., recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia, in Map Book 141, at page 6A.

Commonly known as: 721 SPENCE CIRCLE, VIRGINIA BEACH, VA

PARCEL 13

LEGAL DESCRIPTION: All that certain lot, piece or parcel of land, with the buildings and improvements thereon, lying, situate and being in the City of Virginia Beach, Virginia and being known, numbered and designated as Lot 8, in Block 5, as shown on that certain plat entitled, Plat of Green Run Subdivision, Section B-2, Part 4", which plat is duly recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia, in Map Book 124, at Page 11.

Commonly known as: 3668 SYLVAN LANE, VIRGINIA BEACH, VA

PARCEL 14

LEGAL DESCRIPTION: All that certain lot, piece or parcel of land, with the buildings and improvements thereon, situate in the City of Virginia Beach, Virginia and known, numbered and designated as 1408-105 Wendfield Drive in the Condominium Community known as Manchester Village, located in the City of Virginia Beach, Virginia and designated and described in the Master Deed made by Summit Enterprises, Inc., a Virginia Corporation, dated June 26, 1974, establishing a plan for condominium ownership of such buildings and the land on which it is erected (such land described in reference) and recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia in Deed Book 1429, at Page 548; together with a percentage of interest in the common areas and facilities subject to change as set forth in Schedule B of the Master Deed and described therein to be appurtenant to such unit, and by amendments of record.

Commonly known as: 1408 WENDFIELD DRIVE, #105, VIRGINIA BEACH, VA

PARCEL 15

LEGAL DESCRIPTION: All that certain lot, piece or parcel of land, with the buildings and improvements thereon, lying, being and situate in the City of Virginia Beach, Virginia, and being known, numbered and designated as Lot 1, in Block A, as shown on that certain plat entitled, "Campus East Townhomes, Section Three", which said plat is duly recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia, in Map Book 167, at Page 3 8.

Commonly known as 801 GRADUATE COURT, VIRGINIA BEACH, VA

PARCEL 16

LEGAL DESCRIPTION: ALL THAT CERTAIN LOT, PIECE OR PARCEL OF LAND, WITH THE BUILDINGS AND IMPROVEMENTS THEREON, SITUATE LYING AND BEING IN THE CITY OF VIRGINIA BEACH, VIRGINIA, AND BEING KNOWN, NUMBERED AND DESIGNATED AS LOT 53A, AS SHOWN ON THAT CERTAIN PLAT ENTITLED, "RESUBDIVISION OF LOTS 44-53, PHASE II, THE TOWNHOMES AT THALIA MEADOWS, KEMPSVILLE BOROUGH, VIRGINIA BEACH, VIRGINIA", WHICH SAID PLAT IS DULY RECORDED IN THE CLERK'S OFFICE OF THE CIRCUIT COURT OF THE CITY OF VIRGINIA BEACH, VIRGINIA, AS DOCUMENT NUMBER 17333.

Commonly known as: 101 MAJESTIC COURT, VIRGINIA BEACH, VA

PARCEL 17

LEGAL DESCRIPTION: All that certain lot, piece or parcel of land, together with the appurtenances thereunto belonging, lying, situate and being in the City of Virginia Beach, Virginia, and being known, numbered and designated as Lot 47, as shown on that certain plat entitled "Subdivision of Timberlake, Section Sixteen, Kempsville Borough - Virginia Beach, Virginia", dated July, 1980, made by Marsh and Basgier, Inc., P.C. Engineers-Surveyors-Planners and recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia, in Map Book 144, at Page 34.

Commonly known as: 787 SPENCE CIRCLE, VIRGINIA BEACH, VA

PARCEL 18

LEGAL DESCRIPTION: All those certain lots, pieces or parcels of land, with the buildings and improvements thereon, situate, lying and being in the City of Virginia Beach, Virginia, and being in the City of Virginia Beach, Virginia, and being known, numbered and designated as Lot 56, as shown on that certain plat entitled "Resubdivision of Lots 51-56, Green Run P.U.D. Subdivision, Section B-3 (M.B. 150, P. 11)," which said plat is duly recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia, in Map Book 155, page 48.

Commonly known as: 1646 FAIRFAX DRIVE, VIRGINIA BEACH, VA

PARCEL 19

LEGAL DESCRIPTION: All that certain lot, piece or parcel of land, with the buildings and improvements thereon, situate in the City of Virginia Beach, Virginia and known, numbered and designated as Lot 18, in Block 'B', as shown on the plat of Kempsville Lake, Phase One, which said plat is duly recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia, in Map Book 154, at pages 8, 9 and 10.

Commonly known as: 4711 SWEETWOOD COURT, VIRGINIA BEACH, VA

PARCEL 20

LEGAL DESCRIPTION: All that certain lot, piece or parcel of land, with the buildings and improvements thereon, situate, lying, and being in the City of Virginia Beach, Virginia, and known, numbered and designated as Site Six (6) in Lot 47, as shown on the plat entitled "Subdivision of Lake Edward West, Section Three (3)", which said plat is duly recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia, in Map Book 79, at Page 16.

Commonly known as: 5820 W. HASTINGS ARCH, VIRGINIA BEACH, VA

PARCEL 21

LEGAL DESCRIPTION: ALL THAT certain lot, piece or parcel of land, situated, lying and being in the City of Virginia Beach, Virginia, being known, numbered and designated as Lot 5, as shown on that certain plat entitled "Subdivision of Scarborough Square, Section Four D-1, Princess Anne Borough - Virginia Beach, Virginia", which said plat is duly recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia, in Map Book 168, at Page 35 and rerecorded in the aforesaid Clerk's Office on August 1, 1983 in Map Book 169 at page 48.

Commonly known as: 1090 OLD CLUBHOUSE ROAD, VIRGINIA BEACH, VA

PARCEL 22

LEGAL DESCRIPTION All that certain lot, piece or parcel of land, with the buildings and improvements thereon, lying, situate and being in the City of Virginia Beach, Virginia, and being known, numbered and designated as Lot 8, Block 1, as shown on that certain plat entitled "Plat Of Green Run P.U.D. Subdivision, Section B-2, Part 4, Princess Anne Borough, Virginia Beach, Virginia", which said plat is duly recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia, in Map Book 124, at Page 11.

Commonly known as: 3614 SYLVAN LANE, VIRGINIA BEACH, VA

PARCEL 23

LEGAL DESCRIPTION: All that certain lot, piece or parcel of land, with the buildings and improvements thereon, lying, situate and being in the City Of Virginia Beach, Virginia, and being known, numbered and designated as Lot 78, Block S, as shown on that certain plat entitled "The Lakes, Phase III-C, Part 3", which plat is duly recorded in the Clerk's Office of the Circuit

Court of the City of Virginia Beach, Virginia, in Map Book 135, at Page 23, (incorrectly previously reported as being in Map Book 133 at Page 53).

Commonly known as: 3325 BOYNTON COURT, VIRGINIA BEACH, VA

PARCEL 24

LEGAL DESCRIPTION: All that lot, piece or parcel of land, with the buildings and improvements thereon situate, lying and being in the City of Virginia Beach, and being known numbered and designated as Lot 48, as shown on that certain plat entitled, "Subdivision of Scarborough Square, Section Four B-2, Princess Anne Borough, Virginia Beach, Virginia", which said plat is duly recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia, in Map Book 165, page 30.

Commonly known as: 3316 SCARBOROUGH WAY, VIRGINIA BEACH, VA

PARCEL 25

LEGAL DESCRIPTION: All that certain lot, piece or parcel of land, with the buildings and improvements thereon, lying, situate and being in the City of Virginia Beach, Virginia, known, numbered and designated as Lot 1, in Block CC, as shown on the plat entitled, "Subdivision of Northridge, Section One", which plat is duly recorded in the Clerk's Office of the City of Virginia Beach, Virginia, in Map Book 141, Page 13.

Commonly known as: 5211 RICHARD ROAD, VIRGINIA BEACH, VA

PARCEL 26

LEGAL DESCRIPTION: All that certain lot, piece or parcel of land, with the buildings and improvements thereon and the appurtenances thereunto belonging, situate, lying and being in the City of Virginia Beach, Virginia, and being known, numbered and designated as Lot 259, as shown on that certain plat entitled "Resubdivision of Lots 256-260, INDIAN LAKES, Section G-2, Part 2, Kempsville Borough, Virginia Beach, Virginia" signed by John R. Saunders, III on August 6, 1981, prepared by Talbot & Associates, Ltd., Engineers-Planners-Surveyors, Virginia Beach, Virginia, which said plat is duly recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia, in Map Book 153, at Page 52.

Commonly known as: 1403 DOE COURT, VIRGINIA BEACH, VA

PARCEL 27

LEGAL DESCRIPTION: All that certain lot, piece or parcel of land, with the buildings and improvements thereon now numbered 6440 Dillard Place, situate, lying and being in the City of Virginia Beach, Virginia and designated as Site R-4 on the plat entitled "Amended Sub-Division of Dorchester Village" of record in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia in Map Book 86, at Pages 10 and 11.

Commonly known as: 6440 DILLARD PLACE, VIRGINIA BEACH, VA

PARCEL 28

LEGAL DESCRIPTION: All that certain lot, piece or parcel of land, together with the buildings and improvements thereon, lying, situate and being in the City of Virginia Beach, Virginia, and known, numbered and designated as Lot 4, Site 4, as shown on that certain plat entitled "Subdivision of Arrowhead, Section Nine, Kempsville Borough, Virginia Beach, Virginia," dated August 1, 1968, made by F. D. Tarrall, Jr. and Associates, and filed for record in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia, in Map Book 77, at Page 15.

Commonly known as: 5613 COLTER COURT, VIRGINIA BEACH, VA

PARCEL 29

LEGAL DESCRIPTION: All that certain lot, piece or parcel of land, together with the buildings and improvements thereon and the appurtenances thereunto belonging, lying, situate and being in the City of Virginia Beach, Virginia, and being known, numbered and designated as Lot Four (4), in Block E, as shown on that certain plat of Green Run P.U.D. Subdivision Plat, Section LM-5A, which said plat is duly recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia, in Map Book 84, at Page 7.

Commonly known as: 1345 GREEN CEDAR LANE, VIRGINIA BEACH, VA

PARCEL 30

LEGAL DESCRIPTION: All that certain lot, piece or parcel of land, together with the buildings and improvements thereon, and the appurtenances thereunto belonging, lying, situate, and being in the City of Virginia Beach, Virginia, and being known, numbered and designated as Site 5, Lot 19, as shown on that certain plat entitled "Subdivision of Lake Edward North, Section Three", which plat is duly recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia, in Map Book 87, at Page 34.

Commonly known as: 5609 FANSHAW COURT, VIRGINIA BEACH, VA

PARCEL 31

LEGAL DESCRIPTION: All that certain lot, piece or parcel of land, with the buildings and improvements thereon, lying, situate and being in the City of Virginia Beach, Virginia, known, numbered and designated as Site 6, Lot 25, as shown on that plat entitled "Lake Edward West, Section Two", which said plat is duly recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia, in Map Book 75 at page 41.

Commonly known as: 5845 EAST HASTINGS ARCH, VIRGINIA BEACH, VA

PARCEL 32

LEGAL DESCRIPTION: All that certain lot, piece or parcel of land, together with the buildings and improvements thereon, situate, lying, and being in the Bayside Borough of the City of Virginia Beach, Virginia, numbered and designated as Site 4, Lot 13, as shown on that certain plat entitled "Subdivision of Lake Edward North, Section Three," dated December, 1970, made by Marsh and Basgier, Engineers and Surveyors, which plat is duly recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia, in Map Book 87, at Page 34.

Commonly known as: 5659 DODINGTON COURT, VIRGINIA BEACH, VA

**EXHIBIT D
TO PARTNERSHIP AGREEMENT**

AFFILIATE GUARANTY

THIS GUARANTY AGREEMENT (this "Guaranty Agreement"), made as of March 1, 2002, is by Virginia Beach Community Development Corporation, a Virginia nonstock corporation, ("Guarantor"), for the benefit of Housing Equity Fund of Virginia VII, L.L.C., a Virginia limited liability company ("Virginia HEF VII").

Recitals

WHEREAS, Beach Properties Incorporated, a Virginia corporation (the "General Partner"), is the general partner of Citywide Homes 2001 Limited Partnership, a Virginia limited partnership (the "Partnership");

WHEREAS, the Partnership is governed by its Second Amended and Restated Agreement of Limited Partnership dated as of the date hereof (the "Partnership Agreement");

WHEREAS, Virginia Beach Community Development Corporation ("Developer") and the Partnership have entered into that certain Development Agreement dated as of the date hereof (the "Development Agreement");

WHEREAS, Virginia HEF VII has been requested to enter into the Partnership Agreement and the Partnership with the General Partner;

WHEREAS, the Guarantor is an Affiliate of the General Partner, and believes it shall substantially benefit, directly or indirectly, from Virginia HEF VII's entering into the Partnership Agreement and the Partnership with the General Partner; and

WHEREAS, as a condition to entering into the Partnership Agreement and the Partnership, Virginia HEF VII has required the Guarantor to guarantee to Virginia HEF VII the obligations of the General Partner under the Partnership Agreement and certain other items as herein set forth;

NOW, THEREFORE, in order to induce Virginia HEF VII to enter into the Partnership Agreement and the Partnership in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the Guarantor hereby covenants and agrees as follows:

1. The Guarantor irrevocably and unconditionally fully guarantees the due, prompt and complete performance of each and every one of the following obligations: (a) the payment and performance by the General Partner of each and every obligation of the General Partner due under the Partnership Agreement; and (b) the payment and performance by the Developer of each and every obligation of the Developer under the Development Agreement; and (c) the due, prompt and complete payment of all costs and expenses (including, without limitation, reasonable attorneys' fees) incurred by Virginia HEF VII in collection of the enforcement of this Guaranty Agreement against the Guarantor (the obligations described in this Paragraph 1 are hereinafter collectively referred to as the "Indebtedness").

2. Guarantor hereby grants to Virginia HEF VII, in the uncontrolled discretion of Virginia HEF VII, and without notice to Guarantor, the power and authority to deal in any lawful manner with the Indebtedness and the other obligations guaranteed hereby, and without limiting the generality of the foregoing, further power and authority, from time to time:

(a) to renew, compromise, extend, accelerate or otherwise change the time or place of payment of or to otherwise change the terms of the Indebtedness;

(b) to modify or to waive any of the terms of the Partnership Agreement, the Development Agreement and/or any other obligations guaranteed hereby;

(c) to take and hold security for the payment of the Indebtedness and/or performance of the other obligations guaranteed hereby and to impair, exhaust, exchange, enforce, waive or release any such security;

(d) to direct the order or manner of sale of any such security as Virginia HEF VII, in its discretion, may determine;

(e) to grant any indulgence, forbearance or waiver with respect to the Indebtedness or any of the other obligations guaranteed hereby;

(f) to release or waive rights against any one or more Guarantors without releasing or waiving any rights against any other Guarantor; and/or

(g) to agree to any valuation by Virginia HEF VII of any collateral securing payment of any of the Indebtedness in any proceedings under the United States Bankruptcy Code concerning Virginia HEF VII or any Guarantor.

The liability of Guarantor hereunder shall not be affected, impaired or reduced in any way by any action taken by Virginia HEF VII under the foregoing provisions or any other provision hereof, or by any delay, failure or refusal of Virginia HEF VII to exercise any right or remedy it may have against the General Partner or any other person, firm or corporation, including other guarantors, if any, liable for all or any part of the Indebtedness or any of the other obligations guaranteed hereby.

3. Guarantor agrees that if any of the Indebtedness is not fully and timely paid or performed according to the tenor thereof, whether by acceleration or otherwise, the Guarantor shall immediately upon receipt of written demand therefor from Virginia HEF VII pay all of the Indebtedness hereby guaranteed in like manner as if the Indebtedness constituted the direct and primary obligation of the Guarantor. The Guarantor shall not have any right of subrogation as a result of any payment hereunder or any other payment made by the Guarantor on account of the Indebtedness, and the Guarantor hereby waives, releases and relinquishes any claim based on any right of subrogation, any claim for unjust enrichment or any other theory that would entitle a Guarantor to a claim against the General Partner based on any payment made hereunder or otherwise on account of the Indebtedness.

4. This Guaranty Agreement and the obligations of the Guarantor hereunder shall be continuing and irrevocable until the Indebtedness has been satisfied in full. Notwithstanding the foregoing or anything else set forth herein, and in addition thereto, if at any time all or any part of any payment received by Virginia HBF VII from a Guarantor under or with respect to this Guaranty Agreement is or must be rescinded or returned for any reason whatsoever (including, but not limited to, determination that said payment was a voidable preference or fraudulent transfer under insolvency, bankruptcy or reorganization laws), then Guarantor's obligations hereunder shall, to the extent of the payment rescinded or returned, be deemed to have continued in existence, notwithstanding such previous receipt of payment by Virginia HEF VII, and Guarantor's obligations hereunder shall continue to be effective or be reinstated as to such payment, all as though such previous payment to Virginia HEF VII had never been made. The provisions of the foregoing sentence shall survive termination of this Guaranty Agreement, and shall remain a valid and binding obligation of each Guarantor until satisfied.

5. Guarantor hereby waives notice of acceptance of this Guaranty Agreement by Virginia HEF VII and this Guaranty Agreement shall immediately be binding upon Guarantor. Any Guarantor who executes this Agreement shall be fully bound hereby regardless of whether or not any other guarantor subsequently executes this Guaranty Agreement.

6. Guarantor hereby waives and agrees not to assert or take advantage of:

(a) any right to require the General Partner to proceed against any other person or to proceed against or exhaust any security held by the General Partner at any time or to pursue any other remedy in the General Partner's power before proceeding against any one or more Guarantors hereunder;

(b) any right to require Virginia HEF VII to proceed against the General Partner or any other person or to proceed against or exhaust any security held by Virginia HEF VII at any time or to pursue any other remedy in Virginia HEF VII's power before proceeding against any Guarantor hereunder;

(c) the defense of the statute of limitations in any action hereunder or in any action for the collection of the Indebtedness or the performance of any other obligations guaranteed hereby;

(d) any defense that may arise by reason of the incapacity, lack of authority, death or disability of any other person or persons or the failure of Virginia HEF VII to file or enforce a claim against the estate (in administration, bankruptcy or any other proceeding) of any other person or persons;

(e) demand, presentment for payment, notice of non-payment, protest, notice of protest and all other notices of any kind, including, without limitation, notice of the existence, creation or incurring of any new or additional indebtedness or obligation or of any action or non-action on the part of Virginia HEF VII or any endorser or creditor of Virginia HEF VII or any Guarantor or on the part of any other person whomsoever under this or any other instrument in connection with any obligation or evidence of indebtedness held by Virginia HEF VII or in connection with the Indebtedness;

(f) any defense based upon an election of remedies by Virginia HEF VII, the right of any Guarantor to proceed against Virginia HEF VII for reimbursement, or both, or if contrary to the express agreement of the parties, Virginia law is deemed to apply to this Guaranty, any rights or benefits under the bankruptcy or insolvency laws of the Commonwealth of Virginia, or under Sections 364 and 1111 of the U.S. Bankruptcy Code as same may be amended or replaced from time to time;

(g) any election by Virginia HEF VII to exercise any right or remedy it may have against the Partnership or any security held by Virginia HEF VII, including, without limitation, the right to foreclose upon any such security by judicial or non-judicial sale, without affecting or impairing in any way the liability of any Guarantor hereunder, except to the extent the indebtedness has been paid, and the Guarantor waives any default arising out of the absence, impairment or loss of any right of reimbursement, contribution or subrogation or any other right or remedy of any Guarantor against the Partnership or any such security whether resulting from such election by Virginia HEF VII or otherwise. The Guarantor understands that if all or any part of the liability of the Partnership to Virginia HEF VII for the Indebtedness is secured by real property the Guarantor shall be liable for the full amount of its liability hereunder, notwithstanding foreclosure on such real property by trustee sale or any other reason impairing any Guarantor's right to proceed against the Partnership; and

(h) all duty or obligation on the part of Virginia HEF VII to perfect, protect, not impair, retain or enforce any security for the payment of the Indebtedness or performance of any of the other obligations guaranteed hereby.

7. All existing and future indebtedness of the General Partner to the Guarantor or to any person controlled or owned in whole or in part by the Guarantor and, the right of any Guarantor to withdraw or to cause or permit any person controlled or owned in whole or in part

by the Guarantor to withdraw any capital invested by such Guarantor or such person in the General Partner, is hereby subordinated to the Indebtedness at any time after a default exists under the Indebtedness. Furthermore, without the prior written consent of Virginia HEF VII, such subordinated indebtedness shall not be paid and such capital shall not be withdrawn in whole or in part nor shall any Guarantor accept or cause or permit any person controlled or owned in whole or in part by a Guarantor to accept any payment of or on account of any such subordinated indebtedness or as a withdrawal of capital at any time after a default exists under the Indebtedness. Any payment received by any Guarantor in violation of this Guaranty Agreement shall be received by the person to whom paid in trust for Virginia HEF VII, and such Guarantor shall cause the same to be paid to Virginia HEF VII immediately on account of the Indebtedness. No such payment shall reduce or affect in any manner the liability of the Guarantor under this Guaranty Agreement.

8. The amount of Guarantor's liability and all rights, powers and remedies of Virginia HEF VII hereunder shall be cumulative and not alternative and such rights, powers and remedies shall be in addition to all rights, powers and remedies given to Virginia HEF VII under the Partnership Agreement, any document or agreement relating in any way to the terms and provisions thereof or otherwise by law. With respect to the Guarantor, this Guaranty Agreement is in addition to and exclusive of the guaranty of any other Guarantor executing this Guaranty Agreement or any other person or entity which guarantees the Indebtedness and/or the other obligations guaranteed hereby.

9. The liability of Guarantor under this Guaranty Agreement shall be an absolute, direct, immediate and unconditional guarantee of payment and not of collectability. The obligations of each Guarantor hereunder are independent of the obligations of the General Partner or any other party which may be initially or otherwise responsible for performance or payment of the obligations hereunder guaranteed and each other Guarantor, and, in the event of any default hereunder, a separate action or actions may be brought and prosecuted against any one or more Guarantor, whether or not the General Partner is joined therein or a separate action or actions are brought against the General Partner. Virginia HEF VII may maintain successive actions for other defaults. Virginia HEF VII's rights hereunder shall not be exhausted by its exercise of any of its rights or remedies or by any such action or by any number of successive actions until and unless the Indebtedness has been paid in full.

10. Virginia HEF VII, in its sole discretion, may at any time enter into agreements with the General Partner or with any other person to amend, modify or change the Partnership Agreement or any document or agreement relating in any way to the terms and provisions thereof, or may at any time waive or release any provision or provisions thereof and, with reference thereto, may make and enter into all such agreements as Virginia HEF VII may deem proper or desirable, without any notice or further assent from any Guarantor and without in any manner impairing or affecting this Guaranty Agreement or any of the rights of Virginia HEF VII or any Guarantor's obligations hereunder.

11. The Guarantor hereby agrees to pay to Virginia HEF VII, upon demand, reasonable attorneys' fees and all costs and other expenses which Virginia HEF VII expends or incurs in collecting or compromising the Indebtedness or in enforcing this Guaranty Agreement against the Guarantor whether or not suit is filed, including, without limitation, all costs, attorneys' fees and expenses incurred by Virginia HEF VII in connection with any insolvency, bankruptcy, reorganization, arrangement or other similar proceedings involving a Guarantor which in any way affect the exercise by Virginia HEF VII of its rights and remedies hereunder. Any and all such costs, attorneys' fees and expenses not so paid shall bear interest at an annual interest rate equal to the lesser of (i) 18%, or (ii) the highest rate permitted by applicable law, from the date incurred by Virginia HEF VII until paid by the Guarantor.

12. Should any one or more provisions of this Guaranty Agreement be determined to be illegal or unenforceable, all other provisions nevertheless shall be effective.

13. No provision of this Guaranty Agreement or right of Virginia HEF VII hereunder can be waived nor can any Guarantor be released from such Guarantor's obligations hereunder except by a writing duly executed by Virginia HEF VII. This Guaranty Agreement may not be modified, amended, revised, revoked, terminated, changed or varied in any way whatsoever except by the express terms of a writing duly executed by Virginia HEF VII.

14. When the context and construction so require, all words used in the singular herein shall be deemed to have been used in the plural, and the masculine shall include the feminine and neuter and vice versa. The word "person" as used herein shall include any individual, company, firm, association, partnership, corporation, trust or other legal entity of any kind whatsoever.

15. If any or all of the Indebtedness is assigned by Virginia HEF VII, this Guaranty Agreement shall automatically be assigned therewith in whole or in part, as applicable, without the need of any express assignment and when so assigned, each Guarantor shall be bound as set forth herein to the assignee(s) without in any manner affecting any Guarantor's liability hereunder for any part of the Indebtedness retained by such Virginia HEF VII.

16. Each Guarantor is jointly and severally liable with each other Guarantor.

17. This Guaranty Agreement shall inure to the benefit of and bind the heirs, legal representatives, administrators, executors, successors and assigns of Virginia HEF VII and each Guarantor.

18. This Guaranty Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia without regard to principles of conflicts of law, except to the extent that any of such laws may now or hereafter be preempted by Federal law, in which case, such Federal law shall so govern and be controlling. In any action brought under or arising out of this Guaranty Agreement, Guarantor hereby consents to the jurisdiction of any competent court within the Commonwealth of Virginia and consents to service of process by any

means authorized by the laws of such state. Except as provided in any other written agreement now or at any time hereafter in force between Virginia HEF VII and Guarantor, this Guaranty Agreement shall constitute the entire agreement of the Guarantor with Virginia HEF VII with respect to the subject matter hereof, and no representation, understanding, promise or condition concerning the subject matter hereof shall be binding upon Virginia HEF VII or any Guarantor unless expressed herein.

19. All notices, demands, requests or other communications to be sent by one party to the other hereunder or required by law shall be in writing and shall be deemed to have been validly given or served by delivery of same in person to the addressee or by depositing same with Federal Express for next business day delivery or by depositing same in the United States mail, postage prepaid, registered or certified mail, return receipt requested, addressed as follows:

Virginia HBF VII: Housing Equity Fund of Virginia VII, L.L.C.
c/o Housing Capital Corporation of Virginia
114 East Cary Street
Suite 101
Richmond, Virginia 23219
Attention: Christine F. Melson

with a copy to:

Applegate & Thorne-Thomsen, P.C.
322 South Green Street
Suite 412
Chicago, Illinois 60607
Attention: Thomas Thorne-Thomsen

Guarantor: Virginia Beach Community
Development Corporation
629 Wesley Drive
Virginia Beach, VA 23452
Attention: Mary Kay Horoszewski

with a copy to: Kanady & Quinn, P.C.
7130 Glen Forest Drive
Suite 402
Richmond, VA 23226
Attention: Johnson Kanady

All notices, demands and requests shall be effective upon such personal delivery or upon being deposited with Federal Express or in the United States mail as required above. However, with respect to notices, demands or requests so deposited with Federal Express or in the United

States mail, the time period in which a response to any such notice, demand or request must be given shall commence to run from the next business day following any such deposit with Federal Express or, in the case of a deposit in the United States mail as provided above, the date on the return receipt of the notice, demand or request reflecting the date of delivery or rejection of the same by the addressee thereof. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice, demand or request sent. By giving to the other party hereto at least 30 days' written notice thereof in accordance with the provisions hereof, the parties hereto shall have the right from time to time to change their respective addresses and each shall have the right to specify as its address any other address within the United States of America.

20. Guarantor hereby agrees that this Guaranty Agreement, the Indebtedness and all other obligations guaranteed hereby, shall remain in full force and effect at all times hereinafter until paid and/or performed in full notwithstanding any action or undertakings by, or against, Virginia HEF VII, any Guarantor, and/or any member of Virginia HEF VII in any proceeding in the United States Bankruptcy Court, including, without limitation, any proceeding relating to valuation of collateral, election or imposition of secured or unsecured claim status upon claims by Virginia HEF VII pursuant to any Chapter of the Bankruptcy Code or the Rules of Bankruptcy Procedure as same may be applicable from time to time.

21. Any married person who signs this Guaranty hereby agrees that recourse may be had against his or her separate property for all of his or her obligations.

22. This Guaranty Agreement may be executed in any number of counterparts, each of which shall be effective only upon delivery and thereafter shall be deemed an original, and all of which shall be taken to be one and the same instrument, with the same effect as if all parties hereto had signed the same signature page. Any signature page of this Guaranty Agreement may be detached from any counterpart of this Guaranty Agreement without impairing the legal effect of any signatures thereon and may be attached to another counterpart of this Guaranty Agreement identical in form hereto but having attached to it one or more additional signature pages. Execution by any Guarantor shall bind such Guarantor regardless of whether any one or more other Guarantor execute this Guaranty Agreement.

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IN WITNESS WHEREOF, the undersigned Guarantor has executed this Guaranty Agreement as of the day and year first above written.

GUARANTOR:

Virginia Beach Community Development Corporation, a Virginia nonstock corporation

By: Mary Kay Horoszewski
Mary Kay Horoszewski, Executive Director

COMMONWEALTH OF VIRGINIA)
City of Virginia Beach)
COUNTY OF) ss

The foregoing Affiliate Guaranty was acknowledged before me this 12th day of March, 2002, by Mary Kay Horoszewski, the Executive Director of Virginia Beach Community Development Corporation.

Pamela C. Jones
Notary Public

My commission expires:

12-31-03

**EXHIBIT E
TO PARTNERSHIP AGREEMENT**

PLEDGE AND SECURITY AGREEMENT

THIS PLEDGE AND SECURITY AGREEMENT (this "Agreement") made as of March 1, 2002, by Beach Properties Incorporated, a Virginia corporation ("Pledgor"), having an office at 629 Wesley Drive, Virginia Beach, VA 23452, for the benefit of Housing Equity Fund of Virginia VII, L.L.C., a Virginia limited liability company ("Pledgee"), having an office at 114 E. Cary Street, Suite 101, Richmond, Virginia 23219-1321.

Recitals

WHEREAS, Pledgor is the General Partner in Citywide Homes 2001 Limited Partnership (the "Partnership"), and the Partnership is governed by its Second Amended and Restated Agreement of Limited Partnership dated as of March 1, 2002 (the "Partnership Agreement") (capitalized terms not otherwise defined herein shall have the definitions given them in the Partnership Agreement).

WHEREAS, Pledgee is a limited partner of the Partnership; and

WHEREAS, in order to secure the full payment and performance by Pledgor of all of Pledgor's obligations, duties, expenses and liabilities under or in connection with the Partnership Agreement as such Partnership Agreement may be now or hereafter amended, modified or restated (such obligations, duties, expenses and liabilities under and in connection with the Partnership Agreement and all other sums of any kind which may or shall become due thereunder together with all actual attorney's fees and costs of collection including attorney's fees incurred in bankruptcy are collectively referred to herein as the "Obligations"), Pledgor is entering into this Agreement for the benefit of Pledgee.

NOW, THEREFORE, in consideration of the recitals, covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties hereby agree as follows:

1. Definitions.

(a) "Collateral" shall mean:

(i) All of Pledgor's right, title and interest in the Partnership, whether now owned or hereafter acquired, including, without limitation, its general partner interest in the Partnership and any voting rights and right to receive distributions, allocations and payments under the

Partnership Agreement, as such Partnership Agreement may be modified from time to time with the consent of the Pledgee;

(ii) All fees and charges to be paid by the Partnership to the Pledgor, whether now owned or hereafter acquired, whether arising under the Partnership Agreement or otherwise, including, without limitation, the Incentive Partnership Management Fee;

(iii) All indebtedness of the Partnership to Pledgor of any kind or description, including without limitation, Pledgor's right to receive payment of Operating Deficit Loans or other loans to the Partnership;

(iv) All products and proceeds, whether cash proceeds or noncash proceeds, and products of any and all of the foregoing.

(b) "Event of Default" shall mean an event of default described in Paragraph 8 herein.

2. Pledge of Collateral and Grant of Security Interest Pledgor does hereby unconditionally and irrevocably assign, pledge, convey, transfer, deliver, set over and grant unto Pledgee, its successors and assigns, as security for Pledgor's complete and timely payment and performance of the Obligations, a continuing first priority security interest under the Uniform Commercial Code of the Commonwealth of Virginia in the Collateral. Pledgor hereby further grants to the Pledgee all rights in the Collateral as are available to a secured party of such collateral under the Uniform Commercial Code of the Commonwealth of Virginia (being the principal place of business of Pledgor and the location of Pledgor's chief executive office) and, concurrently herewith, shall deliver to Pledgee duly executed UCC- 1 Financing Statements suitable for filing in the Commonwealth of Virginia with respect to the Collateral and agrees, upon request, to deliver any other documents which Pledgee may reasonably request with respect thereto.

3. Delivery to Pledgee.

(a) Pledgor agrees to execute and to cause all other necessary parties, and any successors and assigns thereof, to execute and deliver to Pledgee such other agreements, instruments and documentation as Pledgee may reasonably request from time to time to effect the conveyance, transfer, and grant to Pledgee of each and all of Pledgor's right, title and interest in and to the Collateral as security for the Obligations.

(b) Pledgor covenants to execute, if required by Pledgee, an amendment to the Partnership Agreement in such form as Pledgee may require to reflect the substitution of the Pledgee in place of Pledgor as a general partner in the Partnership. Pledgor further agrees to execute and to cause the other partners of the Partnership to execute and deliver to Pledgee such other agreements, instruments and documentation as Pledgee

may reasonably request from time to time to effectuate the conveyance, transfer, assignment and grant to Pledgee of all of Pledgor's right, title and interest in and to the Collateral and to evidence the substitution of the Pledgee in place of Pledgor as a general partner in the Partnership.

4. Proceeds and Products of the Collateral.

(a) Unless and until there occurs an Event of Default, Pledgee agrees to forbear in exercising its right to receive all benefits pertaining to the Collateral, and the Pledgor shall be permitted to exercise all rights and to receive all benefits of the Collateral, including, without limitation, the right to exercise all voting, approval, consent and similar rights of Pledgor pertaining to the Collateral, payments due under, proceeds, whether cash proceeds or noncash proceeds, and products of the Collateral and retain and enjoy the same, provided, however, that Pledgor shall not cast any vote or give any approval, consent, waiver or ratification or take any action which would be inconsistent with or violate any provision of this Agreement.

(b) Pledgor acknowledges and agrees with the Pledgee, that unless Pledgee otherwise consents, in Pledgee's sole discretion, Pledgor shall not exercise any voting, approval, consent or other rights with respect to the Collateral at any time (i) after the occurrence of an Event of Default, and (ii) after delivery of notice from the Pledgee instructing Pledgor not to exercise any such voting, approval, consent or other rights with respect to the Collateral; provided, however, that Pledgor shall exercise any such right it may have under the Partnership Agreement with respect to the business affairs of the Partnership as is reasonably necessary to protect and preserve the Collateral.

(c) Upon or at any time after the occurrence of an Event of Default, Pledgee, at its option to be exercised in its sole discretion, may exercise all rights and remedies granted under this Agreement, including, without limitation, the right to require the obligors under the Collateral to make all payments due under and to pay all proceeds, whether cash proceeds or noncash proceeds, and products of the Collateral to Pledgee. Upon the giving of any such notice, the security constituted by this Agreement shall become immediately enforceable by the Pledgee, without any presentment, further demand, protest or other notice of any kind, all of which are hereby expressly and irrevocably waived by Pledgor. Pledgor hereby authorizes and directs each respective obligor under the agreements constituting the Collateral, that upon receipt of written notice from Pledgee of an Event of Default by Pledgor hereunder, to assign, set over, transfer, distribute, pay and deliver any and all Collateral or said payments, proceeds or products of the Collateral to Pledgee, at such address as Pledgee may direct, at such time and in such manner as the

Collateral and such payments, proceeds and products of the Collateral would otherwise be distributed, transferred, paid or delivered to Pledgor. The respective obligors under the agreements constituting the Collateral shall be entitled to conclusively rely on such notice and make all such assignments and transfers of the Collateral and all such payments with respect to the Collateral and pay all such proceeds and products of the Collateral to Pledgee and shall have no liability to Pledgor for any loss or damage Pledgor may incur by reason of said reliance.

5. No Assumption. Notwithstanding any of the foregoing, whether or not an Event of Default shall have occurred, and whether or not Pledgee elects to foreclose on its security interest in the Collateral as set forth herein, neither the execution of this Agreement, receipt by Pledgee of any of Pledgor's right, title and interest in and to the Collateral and the payments, proceeds and products of the Collateral, now or hereafter due to Pledgor from any obligor of the Collateral, nor Pledgee's foreclosure of its security interest in the Collateral, shall in any way be deemed to obligate Pledgee to assume any of Pledgor's obligations, duties, expenses or liabilities under the Collateral or any agreements constituting the Collateral, as presently existing or as hereafter amended, or under any and all other agreements now existing or hereafter drafted or executed (collectively, the "Pledgor's Liabilities"), unless Pledgee otherwise agrees to assume any or all of Pledgor's Liabilities in writing. In the event of foreclosure by Pledgee of its security interest in the Collateral, Pledgor shall remain bound and obligated to perform its Pledgor's Liabilities and Pledgee shall not be deemed to have assumed any of Pledgor's Liabilities, except as provided in the preceding sentence. In the event the entity or person acquiring the Collateral at a foreclosure sale elects to assume Pledgor's Liabilities, such assignee shall agree in writing to be bound by the terms and provisions of the applicable agreement.

6. Indemnification. Pledgor hereby agrees to indemnify, defend and hold Pledgee, its successors and assigns harmless from and against any and all damages, losses, claims, costs or expenses (including reasonable attorneys' fees) and any other liabilities whatsoever that Pledgee or its successors or assigns may incur by reason of this Agreement or by reason of any assignment of Pledgor's right, title and interest in and to any or all of the Collateral.

7. Representations, Warranties and Covenants. In addition to the representations made by Pledgor in the Partnership Agreement, Pledgor makes the following representations and warranties, which shall be deemed to be continuing representations and warranties in favor of Pledgee, and covenants and agrees to perform all acts necessary to maintain the truth and correctness, in all material respects, of the following:

- (a) Pledgor owns the Collateral free and clear of any claim, lien or encumbrance.

(b) Pledgor has delivered to Pledgee true and complete copies of the Partnership Agreement, the Incentive Management Fee Agreement and any other agreements pertinent to the Collateral, and such agreements are currently in full force and effect and have not been amended or modified except as disclosed to Pledgee in writing.

(c) Pledgor has the full right and title to its interest in the Collateral and has the full power, legal right and authority to pledge, convey, transfer and assign such interest. None of the Collateral is subject to any existing or subsequent assignment, claim, lien, pledge, transfer or other security interest of any character, or to any attachment, levy, garnishment or other judicial process or to any claim for set-off, counterclaim, deduction or discount. Pledgor shall not, without the prior written consent of Pledgee, which consent may be granted or denied in Pledgee's sole discretion, further convey, transfer, set over or pledge to any party any of its interests in the Collateral. Pledgor agrees to (i) warrant and defend its title to the Collateral and the security interest created by this Agreement against all claims of all persons (other than Pledgee and persons claiming through Pledgee), and (ii) maintain and preserve the Collateral and such security interests.

(d) Pledgor's Employer Identification Number is 54-2050976, and its principal place of business is located at the address set forth above.

(e) Pledgor agrees that it shall not, without at least thirty (30) days' prior written notification to Pledgee, move or otherwise change its principal place of business.

(f) Pledgor shall not exercise any voting rights, or give any approvals, consents, waivers or other ratifications in respect to the Collateral which would result in liquidation of the Partnership or affect the value of the Collateral or violate or contravene, or which would cause or otherwise authorize Pledgor to violate or contravene, any provision of this Agreement.

8. Event of Default. Each of the following shall constitute an Event of Default hereunder:

(a) A default or event of default shall have occurred under the Partnership Agreement or the Incentive Management Fee Agreement, and such default shall not have been cured within any applicable grace period provided therein; or

(b) Any warranty, representation or statement of the Pledgor in this Agreement proves to have been false in any material respect when made or furnished; or

(c) There occurs the issuance of a writ, order of attachment or garnishment with respect to any of the Collateral and such writ, order of attachment or garnishment is not dismissed and removed within fifteen (15) days thereafter; or

(d) A material breach or violation of any covenant or agreement contained herein shall have occurred, which is not cured within ten (10) days after notice has been given to Pledgor by Pledgee.

Any Event of Default under this Agreement shall be an event of default by Pledgor under the Partnership Agreement.

9. Remedies.

(a) Upon the occurrence of an Event of Default, Pledgee may by giving notice of such Event of Default, at its option, do any one or more of the following:

(i) Declare all of the Obligations secured hereby to be immediately due and payable, whereupon all unpaid principal and interest on said Obligations and other amounts declared due and payable shall become immediately due and payable without presentment, demand, protest or notice of any kind; and

(ii) Take possession of all or any of the Collateral, collect, and apply against the Obligations, all payments due, proceeds, whether cash proceeds or noncash proceeds, and products from any obligor under the agreements constituting the Collateral, that would otherwise be paid to the Pledgor; and

(iii) Either personally, or by means of a court appointed receiver, take possession of all or any of the Collateral and exclude therefrom Pledgor and all others claiming under Pledgor, and thereafter exercise all rights and powers of Pledgor with respect to the Collateral or any part thereof. In the event Pledgee demands, or attempts to take possession of any of the Collateral in the exercise of any rights under this Agreement, Pledgor promises and agrees to promptly turn over and deliver complete possession thereof to Pledgee; and

(iv) Without notice to or demand upon Pledgor, make such payments and do such acts as Pledgee may deem necessary to protect its security interest in the Collateral, including, without limitation, paying, purchasing, contesting or compromising any encumbrance, charge or lien which is prior to or superior to the security interest granted hereunder, and

in exercising any such powers or authority to pay all expenses incurred in connection therewith; and

(v) Require Pledgor to take all actions necessary to deliver such Collateral to Pledgee, or an agent or representative designated by it. Pledgee, and its agents and representatives, shall have the right to enter upon any or all of Pledgor's premises and property to exercise Pledgee's rights hereunder; and

(vi) Foreclose upon this Agreement as herein provided or in any manner permitted by law, and exercise any and all of the rights and remedies conferred upon Pledgee by the Partnership Agreement, or in any other document executed by Pledgor in connection with the Obligations secured hereby, either concurrently or in such order as Pledgee may determine; and sell or cause to be sold in such order as Pledgee may determine, as a whole or in such parcels as Pledgee may determine, the Collateral, without affecting in any way the rights or remedies to which Pledgee may be entitled under the other such instruments; and

(vii) Sell or otherwise dispose of the Collateral at public sale, without having the Collateral at the place of sale, and upon terms and in such manner as Pledgee may determine. Pledgee may be a purchaser at any sale; and

(viii) Exercise any remedies of a secured party under the Uniform Commercial Code of the Commonwealth of Virginia or any other applicable law; and

(ix) Exercise any remedies available to Pledgee under the Partnership Agreement, including, but not limited to, the removal of the Pledgor as a General Partner of the Partnership and exercise of any rights of offset in favor of the Pledgee as a general partner of the Partnership; and

(x) Notwithstanding anything to the contrary contained in this Agreement at any time after an Event of Default, the Pledgee may, by delivering written notice to the Partnership and to the Pledgor, succeed, or designate its nominee or designee to succeed, to all right, title and interest of Pledgor (including, without limitation, the right, if any, to vote on or take any action with respect to Partnership matters) as a general partner of the Partnership in respect of the Collateral. The Pledgor hereby irrevocably authorizes and directs the Partnership on receipt of any such notice (a) to deem and treat the Pledgee or such nominee or designee in all respects as a general partner (and not merely an assignee of a general partner) of the Partnership, entitled to exercise all the rights, powers and privileges (including the right to vote on or take any action with respect to

Partnership matters pursuant to the Partnership Agreement, to receive all distributions, to be credited with the capital account and to have all other rights, powers and privileges appertaining to the Collateral to which Pledgor would have been entitled had the Collateral not been transferred to the Pledgee or such nominee or designee), and (b) to file an amended certificate of partnership, if required, admitting the Pledgee or such nominee or designee as general partner of the Partnership in place of Pledgor; and

(xi) The rights granted to the Pledgee under this Agreement are of a special, unique, unusual and extraordinary character. The loss of any of such rights cannot reasonably or adequately be compensated by way of damages in any action at law, and any material breach by Pledgor of any of Pledgor's covenants, agreements or obligations under this Agreement will cause the Pledgee irreparable injury and damage. In the event of any such breach, the Pledgee shall be entitled, as a matter of right, to injunctive relief or other equitable relief in any court of competent jurisdiction to prevent the violation or contravention of any of the provisions of this Agreement or to compel compliance with the terms of this Agreement by Pledgor. The Pledgee is absolutely and irrevocably authorized and empowered by Pledgor to demand specific performance of each of the covenants and agreements of Pledgor in this Agreement. Pledgor hereby irrevocably waives any defense based on the adequacy of any remedy at law which might otherwise be asserted by Pledgor as a bar to the remedy of specific performance in any action brought by the Pledgee against Pledgor to enforce any of the covenants or agreements of Pledgor in this Agreement.

(b) Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Pledgee shall give Pledgor at least ten (10) days' prior written notice of the time and place of any public sale of the Collateral subject to this Agreement or other intended disposition thereof to be made. Such notice shall be conclusively deemed to have been delivered to Pledgor at the address set forth in paragraph 7(c) of this Agreement, unless Pledgor shall notify Pledgee in writing of its change of its principal place of business and provide Pledgee with the address of its new principal place of business.

(c) The proceeds of any sale under Subparagraphs 9(a)(vi) and (vii) above shall be applied as follows:

(i) To the repayment of the costs and expenses of retaking, holding and preparing for the sale and the selling of the Collateral (including actual legal expenses and attorneys' fees) and the discharge of all assessments, encumbrances, charges or liens, if any, on the Collateral prior to the lien hereof (except any taxes, assessments, encumbrances, charges or liens subject to which such sale shall have been made);

(ii) To the payment of the whole amount then due and unpaid of the Obligations;

(iii) To the payment of all other amounts then secured hereby; and

(iv) The aggregate surplus, if any, shall be paid to Pledgor in a lump sum, without recourse to Pledgee, or as a court or competent jurisdiction may direct.

(d) Pledgee shall have the right to enforce one or more remedies hereunder under this Agreement and under the Partnership Agreement, successively or concurrently, and such action shall not operate to estop or prevent Pledgee from pursuing any further remedy which it may have, and any repossession or retaking or sale of the Collateral pursuant to the terms hereof shall not operate to release Pledgor until full payment of any deficiency has been made in cash.

(e) PLEDGOR ACKNOWLEDGES THAT PLEDGEE MAY BE UNABLE TO EFFECT A PUBLIC SALE OF ALL OR ANY PART OF THE COLLATERAL AND MAY BE COMPELLED TO RESORT TO ONE OR MORE PRIVATE SALES TO A RESTRICTED GROUP OF PURCHASERS WHO WILL BE OBLIGATED TO AGREE, AMONG OTHER THINGS, TO ACQUIRE THE COLLATERAL FOR THEIR OWN ACCOUNT, FOR INVESTMENT AND NOT WITH A VIEW TO THE DISTRIBUTION OR RESALE THEREOF. PLEDGOR FURTHER ACKNOWLEDGES THAT ANY SUCH PRIVATE SALES MAY BE AT PRICES AND ON TERMS LESS FAVORABLE THAN THOSE OF PUBLIC SALES, AND AGREES THAT SUCH PRIVATE SALES SHALL BE DEEMED TO HAVE BEEN MADE IN A COMMERCIALY REASONABLE MANNER AND THAT PLEDGEE HAS NO OBLIGATION TO DELAY SALE OF ANY COLLATERAL TO PERMIT THE ISSUER THEREOF TO REGISTER IT FOR PUBLIC SALE UNDER THE SECURITIES ACT OF 1933. PLEDGOR AGREES THAT PLEDGEE SHALL BE PERMITTED TO TAKE SUCH ACTIONS AS PLEDGEE DEEMS REASONABLY NECESSARY IN DISPOSING OF THE COLLATERAL TO AVOID CONDUCTING A PUBLIC DISTRIBUTION OF SECURITIES IN VIOLATION OF THE SECURITIES ACT OF 1933 OR THE SECURITIES LAWS OF ANY STATE, AS NOW ENACTED OR AS THE SAME MAY IN THE FUTURE BE AMENDED, AND ACKNOWLEDGES THAT ANY SUCH ACTIONS SHALL BE COMMERCIALY REASONABLE. IN ADDITION, PLEDGOR AGREES TO EXECUTE, FROM TIME TO TIME, ANY AMENDMENT TO THIS AGREEMENT OR OTHER DOCUMENT AS PLEDGEE MAY REASONABLY REQUIRE TO

EVIDENCE THE ACKNOWLEDGMENTS AND CONSENTS OF
PLEDGOR SET FORTH IN THIS PARAGRAPH.

10. Attorneys Fees. Pledgor agrees to pay to Pledgee, without demand, reasonable attorneys' fees and all costs and other expenses which Pledgee expends or incurs in collecting any amounts payable by Pledgor hereunder or in enforcing this Agreement against Pledgor whether or not suit is filed.

11. Further Documentation. Pledgor hereby agrees to execute, from time to time, one or more financing statements and such other instruments as may be required to perfect the security interest created hereby, including any continuation or amendments of such financing statements, and pay the cost of filing or recording the same in the public records specified by Pledgee.

12. Waiver and Estoppel. Pledgor represents and acknowledges that it knowingly waives each and every one of the following rights, and agrees that it will be estopped from asserting any argument to the contrary: (a) any promptness in making any claim or demand hereunder; (b) any defense that may arise by reason of the incapacity, lack of authority, death or disability of Pledgor or the failure to file or enforce a claim against Pledgor's estate (in administration, bankruptcy or any other proceeding); (c) any defense based upon an election of remedies by Pledgee which destroys or otherwise impairs any or all of the Collateral; (d) the right of Pledgor to proceed against Pledgee or any other person, for reimbursement; and (e) all duty or obligation of the Pledgee to perfect, protect, retain or enforce any security for the payment of amounts payable by Pledgor hereunder.

TO THE FULLEST EXTENT PERMITTED BY LAW, EACH PARTY TO THIS AGREEMENT SEVERALLY, KNOWINGLY, IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY AND ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, SUIT OR COUNTERCLAIM BROUGHT BY ANY PARTY TO THIS AGREEMENT ARISING IN CONNECTION WITH, OUT OF OR OTHERWISE RELATING TO THIS AGREEMENT.

No delay or failure on the part of Pledgee in the exercise of any right or remedy against Pledgor or any other party against whom Pledgee may have any rights, shall operate as a waiver of any agreement or obligation contained herein, and no single or partial exercise by Pledgee of any rights or remedies hereunder shall preclude other or further exercise thereof or other exercise of any other right or remedy whether contained in this Agreement or in any of the other documents regarding the Obligations, including without limitation the Partnership Agreement. No waiver of the rights of Pledgee hereunder or in connection herewith and no release of Pledgor shall be effective unless in writing executed by Pledgee. No actions of Pledgee permitted under this Agreement shall in any way impair or affect the enforceability of any agreement or obligation contained herein.

13. Independent Obligations. The obligations of Pledgor are independent of the obligations of any other party which may be initially or otherwise responsible for performance or payment of the Obligations, and a separate action or actions for payment, damages or performance may be brought and prosecuted by Pledgee against Pledgor, individually, for the full amount of the Obligations then due and payable, whether or not an action is brought against any other party, whether or not the Pledgee is involved in any proceedings and whether or not the Pledgee or the Pledgor or other person is joined in any action or proceedings.

14. No Offset Rights of Pledgor. No lawful act of commission or omission of any kind or at any time upon the part of Pledgor shall in any way affect or impair the rights of the Pledgee to enforce any right, power or benefit under this Agreement, and no set-off, recoupment, counterclaim, claim, reduction or diminution of any obligation or any defense of any kind or nature which Pledgor has or may have against Pledgee or against any other party shall be available against Pledgee in any suit or action brought by Pledgee to enforce any right, power or benefit under this Agreement.

15. Power of Attorney. Pledgor hereby appoints Pledgee as its attorney-in-fact to execute and file, effective upon the occurrence of an Event of Default, on its behalf any financing statements, continuation statements or other documentation required to perfect or continue the security interest created hereby. This power, being coupled with an interest, shall be irrevocable until all amounts secured hereby have been paid, satisfied and discharged in full. Pledgor acknowledges and agrees that the exercise by Pledgee of its rights under this Paragraph 15 will not be deemed a satisfaction of any amounts owed Pledgee unless Pledgee so elects.

16. **GOVERNING LAW.** THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF VIRGINIA WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. SUCH PARTIES FURTHER AGREE THAT IN THE EVENT OF DEFAULT, THIS AGREEMENT MAY BE ENFORCED IN ANY COURT OF COMPETENT JURISDICTION IN THE COMMONWEALTH OF VIRGINIA AND THEY DO HEREBY SUBMIT TO THE JURISDICTION OF ANY AND ALL SUCH COURT REGARDLESS OF THEIR RESIDENCE OR WHERE THIS AGREEMENT MAY BE EXECUTED.

17. Successors and Assigns. All agreements, covenants, conditions and provisions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties hereto.

18. Notices. Whenever any party hereto shall desire to, or be required to, give or serve any notice, demand, request or other communication with respect to this Agreement, each such notice, demand, request or communication shall be in writing and shall be effective only if the same is delivered by personal service (including, without limitation, courier or express service) or mailed certified or registered mail, postage prepaid, return receipt requested, or sent by telegram to the parties at the addresses shown

throughout this Agreement or such other addresses which the parties may provide to one another in accordance herewith. If notice is sent to Pledgee, a copy of such notice shall also be given to Thomas Thorne-Thomsen, Applegate & Thorne-Thomsen, P.C. 322 S. Green Street, Suite 412, Chicago, Illinois 60607.

Notices delivered personally will be effective upon delivery to an authorized representative of the party at the designated address; notices sent by mail in accordance with the above paragraph will be effective two days after their deposit in the mail.

19. Consent of Pledgor. Pledgor consents to the exercise by Pledgee of any rights of Pledgor in accordance with the provisions of this Agreement.

20. Severability. Every provision of this Agreement is intended to be severable. In the event any term or provision hereof is declared by a court of competent jurisdiction to be illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the legality or validity of the balance of the terms and provisions hereof, which terms and provisions shall remain binding and enforceable.

21. Amendment. This Agreement may be modified or rescinded only by a writing expressly relating to this Agreement and signed by all of the parties.

22. Termination. This Agreement shall terminate, and shall be of no further force or effect, upon the earlier to occur of the repayment in full of the Obligations of the Pledgor or upon the mutual consent of Pledgor and the Pledgee.

23. Expenses. Pledgor shall pay all reasonable out-of-pocket fees and charges incurred by Pledgee in connection with this Agreement and the transaction contemplated by this Agreement and the documents entered into in connection therewith, including, without limitation, reasonable attorneys' fees incurred by Pledgee.

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IN WITNESS WHEREOF, the parties hereto have executed this Pledge and Security Agreement as of the date first above written.

Beach Properties Incorporated, a Virginia corporation

By: *Mary Kay Horoszewski*
Mary Kay Horoszewski, President

COMMONWEALTH OF VIRGINIA)
City of Virginia Beach) ss.
COUNTY OF *Virginia Beach*)

The foregoing Pledge and Security Agreement was sworn to and acknowledged before me this *12th* day of March, 2002 by Mary Kay Horoszewski, the President of Beach Properties Incorporated.

WITNESS my hand and official seal.

(SEAL)

Pamela C. Jones
Notary Public
my Commission expires 12-31-03

**EXHIBIT F
TO PARTNERSHIP AGREEMENT**

SUMMARY OF PROJECT LOAN TERMS

Construction Loan

Lender: First Virginia Bank – Hampton Roads
Amount: \$1,032,000 (revolving line of credit)
Interest Rate: 6.60%
Repayment Terms:
Maturity Date: December 31, 2003

Senior Permanent Loan

Lender: Virginia Housing Partnership Revolving Fund
Amount: \$1,032,000.00
Interest Rate: 4%
Repayment Terms: 30 year amortization
Term: 15 years, 11 months
Debt Service Coverage Ratio: 1.10

Sponsor Seller Financing

Lender: Virginia Beach Community Development Corporation
Amount: \$282,971.90
Interest Rate: 4.99%
Repayment Terms: 15 year term; repayment from available Net Cash Flow as provided in section 11.02(b) of the Partnership Agreement

VBCDC Home Acquisition Loan

Lender: Virginia Beach Community Development Corporation
Amount: \$429,520.00
Interest Rate: 5.31%
Repayment Terms: 15 year term; repayment from available Net Cash Flow as provided in section 11.02(b) of the Partnership Agreement

Lender: Virginia Beach Community Development Corporation
Amount: \$13,365.00
Interest Rate: Applicable Federal Rate
Repayment Terms: 15 year term; repayment from available Net Cash Flow as provided in section 11.02(b) of the Partnership Agreement

VBCDC Home Rehabilitation Loan

Lender: Virginia Beach Community Development Corporation
Amount: \$107,115.00
Interest Rate: 0%
Repayment Terms: 15 year term; non-amortizing

Deferred Developer Fee

Lender: Virginia Beach Community Development Corporation
Amount: \$285,093
Interest Rate: 0%
Repayment Terms: Via Net Cash Flow per section 11.02(b)(iv) of Partnership Agreement. General Partner has guaranteed full payment of Deferred Developer Fee by occurrence of 13th anniversary of the Project's placement in service date.

**EXHIBIT G
TO PARTNERSHIP AGREEMENT**

MANAGEMENT AGREEMENT

VIRGINIA HOUSING PARTNERSHIP REVOLVING FUND
MULTI-FAMILY PROGRAM
HOUSING MANAGEMENT AGREEMENT

THIS AGREEMENT is made this 15th day of February, 2002 by and between Citywide Homes 2001, L.P. (the "Owner") and Virginia Beach Community Development Corp. (the "Agent"). In consideration of the mutual covenants hereinafter set forth, the Parties agree as follows:

ARTICLE I

SCOPE

Section 1.01 **Appointment and Acceptance.** The Owner appoints the Agent as exclusive agent for the management of the Property described in Section 1.02 of this Agreement, and the Agent accepts the appointment, on the basis of the terms and conditions set forth herein.

Section 1.02 **Description of Property.** The property to be managed by the Agent under this Agreement is a housing development identified as City Wide Homes 2001 (the "Development"), consisting of land, one or more buildings, and other improvements.

Section 1.03 **Rights of the Fund.**

- (a) It is hereby recognized and agreed by the Owner and the Agent that the Development is to be financed by a mortgage loan, deferred loan and/or energy grant (collectively, the "Mortgage Loan") from the Virginia Housing Partnership Revolving Fund ("the Fund") secured by a deed of trust (the "Deed of Trust"). Nothing herein contained shall in any way be construed as limiting the rights of the Fund or the obligations of the Owner as set forth in the Deed of Trust, and the provisions of this Agreement are hereby made subject to the Deed of Trust to the effect that at all times the Agent shall comply with all the terms of the applicable provisions of the Deed of Trust.
- (b) For the purpose of protecting its interests as lender under its enabling act, the Fund has been granted certain rights hereunder. Furthermore, in order to assure compliance with the covenants and provisions herein and to protect its interests as aforesaid, the Fund shall have the right (but shall not be obligated) in the event of any breach hereunder by one of the parties hereto to exercise any and all of the rights and remedies which the other party may have hereunder or in law or at equity. In addition, in the event that the Fund determines that there exists an identity of interest between the parties hereto, the Fund may (but shall not be obligated to) at any time thereafter and upon written notice to the Owner and Agent assume the rights, duties and functions of the Owner with respect to any or all provisions of this Agreement for the purpose of ensuring performance thereof.
- (c) In the event of a default by the Owner under the Deed of Trust securing the Mortgage Loan, the Fund may (but shall not be obligated to) take possession of the Development and/or otherwise pursue its rights and remedies thereunder. In such event, the Agent shall, at the election of the Fund, continue to be bound by the terms of this Agreement, and all rights, privileges and benefits of the Owner hereunder shall accrue to the Fund.

Section 1.04 **Fund Guidelines.** The Owner shall comply with all applicable provisions of the Fund Guidelines, regardless of whether specific reference is made thereto in any particular provision of this Agreement.

ARTICLE II

GENERAL FUNCTIONS OF AGENT

Section 2.01 **On-Site Management.** If provided for in the Operating Budget, the Agent shall maintain a management office in the Development.

Compensation, including but not limited to usual and customary fringe benefits, payable to the Resident Manager will be considered an Operating Expense of the Development.

Section 2.02 **Insurance.**

- (a) The Owner will inform the Agent of insurance to be carried with respect to the Development and its operations and the Agent will use its best efforts to cause such insurance to be placed and kept in effect at all times with such companies, on such terms and conditions, in such amounts, and with such beneficial interest appearing thereon as shall be acceptable to or required by the Owner and the Fund. Said insurance shall include, without limitation, workmen's compensation, "all risk" property coverage, public liability, general liability, boiler explosion (if appropriate), flood (if applicable) payroll hold-up, and burglary and theft insurance coverage, with the Agent designated as one of the insured.

- (b) Premiums shall be treated as Operating Expenses and, unless otherwise required by the Fund, shall be paid out of the Project Account (see Section 4.01 (b) of this Agreement).
- (c) The Agent shall investigate all accidents, claims, and potential claims for damages relating to the Development and shall cooperate with the Owner, the Fund and the insurers in connection therewith.

Section 2.03 Non-Discrimination in Employment

- (a) The Agent will not discriminate against any employee or applicant for employment because of race, religion, color, sex or national origin, except where religion, sex or national origin is a bona fide occupational qualification reasonably necessary to the normal operation of the Agent. The Agent agrees to post in conspicuous places, available to employees and applicants for employees, notices setting forth the provisions of this subsection (a).
- (b) The Agent will, in all solicitations or advertisements for employees placed by or on behalf of the Agent, state that the Agent is an equal opportunity employer.
- (c) Notices, advertisements and solicitations placed in accordance with federal law, rule or regulation shall be deemed sufficient for the purpose of meeting the requirements of subsections (a) and (b) of this Section.
- (d) The Agent shall comply with the provisions of all applicable federal, state and local laws and ordinances prohibiting discrimination in employment on the grounds of race, color, religion, sex, national origin, disability or otherwise, all applicable regulations and orders issued pursuant thereto and any applicable amendments and superseding legislation, ordinances, regulations or orders. The requirements of this subsection (d) shall be in addition to, and shall not in any way limit or be limited by, the requirements set forth in subsections (a), (b) and (c) of this Section.
- (e) The Agent will include the provisions of subsections (a), (b), (c) and (d) of this Section in every subcontract or purchase order in excess of \$10,000 so that the provisions thereof will be binding upon each such subcontractor or vendor.

Section 2.04 Non-Discrimination in Housing. The Agent shall comply with the provisions of all applicable federal, state and local laws prohibiting discrimination in housing on the grounds of race, color, creed, national origin, sex, disability, familial status or other basis, all applicable regulations and orders issued pursuant thereto and any applicable amendments and superseding legislation, regulations or orders.

ARTICLE II

RENTALS

Section 3.01 Rentals.

- (a) The Agent shall use its best efforts to rent the dwelling units and, if appropriate and so agreed, parking spaces, commercial areas, and other facilities and concessions, in the Development and thereafter to keep the same fully rented.
- (b) The Agent shall coordinate the plans of residents for moving their personal effects into or out of the Development, with a view towards scheduling such movements so that there will be a minimum of inconvenience to other residents.

Section 3.02 Resident Selection Policy.

- (a) The Agent shall show the premises to prospective residents and shall follow the tenant selection plan prepared by the Owner and approved by the Fund.
- (b) Admission to the Development shall be limited to persons whose incomes do not exceed the limits prescribed in Section 3.06 hereof.

Section 3.03 Applications.

- (a) The Agent shall receive and process applications for occupancy. If an application is rejected, the applicant shall be notified in writing of the reason for rejection. The application (with the reason for rejection noted thereon) shall be kept on file for a period of not less than one year. The Agent shall maintain a current waiting list of prospective residents.
- (b) Unless approved in writing by the Fund, no fees or funds will be required of prospective residents other than for security deposits.

Section 3.04 Lease Forms. The Agent shall prepare all leases for dwelling units. If required by the Fund, the leases shall be in such form and/or shall include such addendum or addenda as are prescribed by the Fund. The Agent shall execute such leases in its name, identified as Agent of the Owner.

Section 3.05 Rent Schedules.

- (a) The Owner shall furnish the Agent and the Agent shall comply with the schedule of rents for dwelling units and charges for facilities and services as from time to time are established by the Owner and, if required by the Deed of Trust, approved by the Fund. No other rents or charges shall be made of the residents for dwelling units, facilities or services unless they are approved in advance by the Owner and the Fund.
- (b) The Agent shall advise all prospective residents regarding eligibility pursuant to the Fund criteria.
- (c) The Agent shall prepare and verify eligibility certifications and recertifications on the basis specified by the Fund. The Agent shall obtain written evidence substantiating information given on residents' certifications and recertifications of income. Such information shall be retained for a period of not less than two years.

Section 3.06 Compliance with Certain Provisions of the Deed of Trust. The criteria, procedures and requirements with respect to tenant eligibility and occupancy of the Development shall be as set forth in and in accordance with the Fund Guidelines, the Deed of Trust, and this Agreement, and no person or family has been approved or shall be approved for occupancy, or shall be permitted to occupy any dwelling unit in the Development or any portion thereof, unless such person or family satisfies said criteria, procedures and requirements. Within thirty (30) days after initial occupancy of any unit in the Development by any person or family, the Agent shall provide the Owner and the Fund with such documents and information as they may require to determine compliance with said criteria, procedures and requirements.

ARTICLE IV

COLLECTION AND DEPOSIT OF RENTS

Section 4.01 Project Account.

- (a) The Agent shall collect when due all rents, fees, and other charges receivable in connection with the management and operation of the Development.
- (b) Such receipts (except for residents' security deposits) shall be deposited in an account, separate from all other accounts and funds, with a bank whose deposits are insured by the Federal Deposit Insurance Corporation. This account shall be carried in the Agent's name and shall be designated of record as being the Project Account for the Development.

Section 4.02 Security Deposits.

- (a) The Agent shall collect, deposit, and disburse residents' security deposits in accordance with the terms of the respective leases and state law.
- (b) Residents' security deposits shall be deposited by the Agent in an interest-bearing account, separate from all other accounts and funds, with a bank or other financial institution whose deposits are insured by an agency of the United States Government, and interest due on said security deposit shall be reimbursed to each resident to the extent required by state law.
- (c) This account shall be carried in the Agent's name and shall be designated of record as being the Security Deposit Account of the Development.
- (d) The Agent shall cause the amount of the Security Deposit Account to equal or exceed at all times the aggregate of all outstanding obligations by the Owner with respect to security deposits.

Section 4.03 Enforcement of Leases.

- (a) The Agent shall secure full compliance by each resident with the terms of the lease.
- (b) Subject to the terms of the respective lease agreement, the Agent may lawfully terminate any tenancy when, in the Agent's judgment, sufficient cause occurs.
- (c) The Agent is authorized to consult with legal counsel designated by the Owner, to bring actions for eviction, and to execute notices to vacate and commence appropriate judicial proceedings; provided, however, that the Agent shall keep the Owner informed of such actions and shall follow such instructions as the Owner.
- (d) Subject to the Owner's approval, costs incurred in connection with such actions shall be paid out of the Project Account as Development expenses.
- (e) The Agent shall not, without the prior written consent of the Owner and without determining that the sublessee or assignee is eligible under the Fund's requirements, allow the subleasing of any unit in the Development or the assignment of any lease.
- (f) The Agent shall see that all residents are informed with respect to such rules, regulations, and notices as may be promulgated by the Owner or Agent.
- (g) In order to minimize losses due to vacancy, the Agent shall use its best efforts to renew leases with those

residents who have complied in all respects with their leases.

ARTICLE V

MAINTENANCE AND REPAIRS

Section 5.01 Agent's Responsibilities. The Agent shall cause the Development to be maintained in accordance with the Deed of Trust, the Fund's standards and local codes and in a condition at all times acceptable to the Owner and the Fund, including but not limited to cleaning, painting, decorating, plumbing, heating, roofing, carpentry, grounds care, and such other maintenance and repair work as may be necessary.

Section 5.02 Residents' Service Requests. The Agent shall systematically and promptly receive and investigate all service requests, and take such action thereon as may be justified, and shall keep records of the same. Emergency requests shall be responded to as promptly as possible but, in all cases, within twenty-four hours. Complaints of a serious nature will be reported to the Owner after investigation.

Section 5.03 Agent's Authority.

- (a) The Agent is authorized to purchase all materials, equipment, tools, appliances, supplies, and services necessary for proper maintenance and repair of the buildings, equipment, and grounds.
- (b) Notwithstanding the foregoing provision, the prior approval of the Owner is required for any expenditure which exceeds \$1,500 in any one instance for labor, materials, or otherwise, in connection with the maintenance and repair of the Development except for recurring expenses within the limits of the Operating Budget, emergency repairs involving manifest danger to persons or property, or repairs required to avoid suspension of any necessary service to the Development. In the latter events, the Agent shall inform the Owner of the facts as soon as possible.
- (c) The Agent shall use all available techniques to ensure the most economical purchase of goods and services on behalf of the Development. All goods and services purchased by the Agent for the Development shall be limited solely for use at or for the Development. No charges shall be made to the account of the Development for goods and services other than for the Development, even on a reimbursable basis.

Section 5.04 Compliance with Government Orders. The Agent shall take such action as may be necessary to comply promptly with all statutes, ordinances, regulations, orders, or other requirements affecting the Development; provided, however, that the Agent will take no action so long as the Owner is contesting or has affirmed its intention to contest the same. The Agent shall notify the Owner in writing of any and all notices of such requirements within 72 hours after receipt.

Section 5.05 Utilities and Services. In accordance with the Operating Budget, the Agent shall make arrangements for water, electricity, gas, fuel oil, sewage and trash disposal, vermin extermination, decorating, laundry facilities, telephone, and other utilities and services. Subject to Owner's prior approval, the Agent shall make such contracts as may be necessary to secure appropriate utilities and services. The Agent and any person or entity having an interest in Agent or subject to Agent's control shall not engage in any business activity or concession for the development, for which the Agent or such person or entity receives compensation outside of that provided by this Agreement, without first obtaining the approval of the Owner and the Fund.

Section 5.06 Bids and Discounts. The Agent shall obtain contracts, materials, supplies, utilities, and services on the most advantageous terms, and shall solicit bids, either formal or informal, for such items and credit to the Owner all discounts, rebates, or commissions obtainable with respect to purchases, service contracts, and all other transactions on the Owner's behalf.

Section 5.07 Safety and Health Regulations.

- (a) The Agent shall take such action as may be necessary to assure that the Owner and the Agent are at all times in compliance with wage, hour, health, safety, and other federal, state, and local laws, ordinances, regulations, notices and orders of courts or other administrative bodies relating to the Owner's and Agent's employees who furnish service in connection with the Development.
- (b) The Agent agrees to indemnify and hold harmless the Owner and the Fund with respect to any losses or fines which may be incurred by reason of alleged noncompliance with any of the foregoing.

ARTICLE VI

DISBURSEMENTS FROM PROJECT ACCOUNT

Section 6.01 Payments Due Mortgagee. Unless otherwise specified by the Fund, the Agent shall make, from the Project Account, the aggregate monthly payment due to the Fund, including the amounts required to be paid under the mortgage for principal, interest, ground rents, taxes and assessments, fire and other hazard insurance premiums, and the amount specified in the Deed of Trust for allocation to the Reserve for Replacements.

Section 6.02 Agent's Compensation.

- (a) The Agent shall be compensated for its services under this Agreement by monthly fees to be paid out of the Project Account as expenses of the Development.
- (b) Each monthly fee shall be in an amount equal to seven percent (7%) of gross rent collections received during the current month.

Section 6.03 Other Project Expenses. The Agent shall pay from the Project Account all other operating expenses of the Development, including insurance premiums, advertising and other direct renting expenses, maintenance and repair services and materials furnished by independent contractors, utilities, fuel, licenses, permits, auditors' fees, and eviction expenses.

Section 6.04 Owner's Directions. Except for the items described in Sections 6.01 through 6.03 hereof, funds shall be disbursed or transferred from the Project Account only pursuant to the written direction of the Owner.

Section 6.06 Operating Budget.

- (a) An annual Operating Budget for the Development shall be prepared by the Agent, and a copy of same shall be provided the Owner and the Fund at least sixty days (60) before the beginning of each fiscal year.
- (b) The proposed Operating Budget shall set forth the anticipated development income from all sources and a detailed estimate of expenses.
- (c) The Agent shall keep the Owner and the Fund informed of any deviation from the receipts or disbursements stated in the approved Operating Budget.
- (d) Upon the written direction of the Fund, the Agent shall incur and pay, on behalf of the Owner, from the income of the Development any operating expenses (whether or not included in the annual operating budget) which are determined by the Fund to be necessary to provide for the proper maintenance and operation of the Development.

ARTICLE VII

RECORDS AND REPORTS

Section 7.01 Books of Account.

- (a) The Agent shall at all times keep and maintain complete and accurate books, records, and accounts in a manner satisfactory to the Owner and the Fund, which records shall be subject to examination by their authorized representatives at all reasonable hours.
- (b) Unless otherwise specified, the Agent shall have the responsibility for maintaining and safeguarding the management and operating records of the Development, such as repair records and supporting documents for receipts and disbursements. Such records shall not be destroyed without the prior written permission of the Owner and the Fund.
- (c) The Agent shall maintain adequate controls to ensure against losses or improper recording of transactions.

Section 7.02 Reports. In addition to requirements specified in other provisions of this Agreement, the Agent shall prepare and deliver to the Owner and the Fund information in a format acceptable to both, as may be requested by the Owner or the Fund from time to time with respect to the overall financial, physical, or operational condition of the Development.

Section 7.03 Annual Financial Statement.

- (a) The Agent shall deliver to the Owner and the Fund, within ninety (90) days after the end of the Development's fiscal year, an annual financial report prepared in accordance with the requirements of the Fund. If required by the Fund, such report shall be prepared and certified to by an independent certified public accountant acceptable to the Fund.
- (b) The cost of such audit shall be paid out of the Project Account as an expense of the Development.

Section 7.04 Tax Returns. The Agent shall assist in the preparation of all income and other tax returns of the Development and shall ensure that all such returns, approved and executed by the Owner, are filed in a timely manner.

Section 7.05 Owner's Right to Reallocate Functions. If the Owner or the Fund determines that the books of account of the Development are not being maintained in accordance with acceptable standards or that reporting timetables or standards have not been met or are not likely to be met, the Owner or the Fund may, at the expense of the Agent, cause such functions to be performed by personnel selected by the Owner or the Fund.

Section 7.06 Auditors. Auditors of the Development's financial statements shall be selected by the Owner. If the Fund is dissatisfied with the work of the auditors, the auditors may be replaced by the Fund without concurrence of the

Agent or Owner.

Section 7.07 Agent's Overhead. Except as otherwise provided in this Agreement, all bookkeeping, clerical, and other management and overhead expenses of the Agent's home office (including, but not limited to, costs of office supplies and equipment, postage, transportation for managerial personnel, telephone services and, unless a monthly fee is provided in Section 6.02(c), data processing services) will be borne by the Agent out of its own funds and will not be treated as a Development expense.

ARTICLE VIII

TERM OF AGREEMENT

Section 8.01 Initial Term. This Agreement shall be in effect for a period of one year(s) commencing on and ending on March 1. However, this Agreement shall not be binding until endorsed by the Fund.

Section 8.02 Extension. This Agreement shall continue in force after the expiration of the initial term, upon the same conditions, for a successive term or terms, no one of which shall exceed one year, unless the Owner (acting with the prior written consent of the Fund) or the Agent gives notice of cancellation to the other and to the Fund not less than 30 days prior to the date of expiration of such successive term.

Section 8.03 Termination by the Parties. This Agreement may be terminated by the mutual consent of the Parties as of the end of any calendar month; provided that not less than 30 days advance written notice is given to the Fund and that the Fund consents to such termination. This Agreement may also be terminated by either party, with the prior written consent of the Fund, for a breach of the terms hereof upon five (5) days written notice to the other party and to the Fund.

Section 8.04 Termination by the Fund.

- (a) This Agreement may be terminated by the Fund immediately upon the mailing of notice thereof to the Owner and Agent, if the Owner is in default under the Deed of Trust.
- (b) This Agreement may also be terminated by the Fund on thirty (30) days written notice to the Owner and the Agent in the event that the Fund determines that a breach of the terms hereof has occurred or that there has occurred other just cause for termination.
- (c) The Fund shall not be subject to liability for any loss, expense, or damage caused by termination by it of this Agreement.

Section 8.05 Termination on Sale. This Agreement may be terminated by the Owner on 30 days written notice to the Agent in the event of a bona fide agreement of sale of the Development.

Section 8.06 Obligations After Termination. Upon termination of the Agreement for any reason, the Agent shall: (i) remit to the Owner (or in the case of a termination under Section 8.04(a), to the Fund), within twenty-four hours after such termination, all monies due the Owner, including monies in the Project Account; (ii) notify all residents to make future rent payments to the Owner or the Owner's designee (or, in the case of a termination under Section 8.04(a), to the Fund); and (iii) submit to the Owner and the Fund any financial statements, records, titles or documents required by either of them.

ARTICLE IX

ADDITIONAL PROVISIONS

Section 9.01 Successors. Any reference in this Agreement, by name or number, to a government agency, statute, program or form shall include any successor agency, statute, program, or form.

Section 9.02 Notices. Any notice, demand, or request required or permitted to be given or made hereunder shall be in writing and shall be deemed given or made when delivered or sent by certified or registered mail, return receipt requested, at the last business address known to him who gives the notice.

Section 9.03 Titles and Captions. All articles or section titles or captions in this Agreement are for convenience only. They shall not be deemed part of this Agreement and in no way define, limit, extend, or describe the scope or intent of any provisions hereof.

Section 9.04 Further Action. The Parties shall execute and deliver all documents, provide all information, and take or forbear from all such action as may be necessary or appropriate to achieve the purpose of this Agreement.

Section 9.05 Applicable Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Virginia.

Section 9.06 Amendment. This Agreement may be modified or amended only with the written approval of both parties and the Fund.

Section 9.07 Assignment. This Agreement, and the rights and obligations herein set forth, shall not be assigned by either party without prior written consent of the Fund.

Section 9.08 Waiver. No failure by either party to insist upon the strict performance of any covenant, duty, agreement, or condition of the Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute a waiver of any such breach or any other covenant, agreement, term, or condition. Either party, by notice to the other and with the prior written approval of the Fund, may waive any of its rights or any conditions to its obligations hereunder, or any duty, obligation, or covenant of the other party. No waiver shall affect or alter the remainder of this Agreement, but each and every covenant, agreement, term, and condition of this Agreement shall continue in full force and effect with respect to any other then existing or subsequent breach thereof.

Section 9.09 Third Parties. It is understood and agreed that the covenants and terms of this Agreement are not intended, and shall not be construed, to benefit or protect any person or entity, other than the parties hereto, the Fund and their successors and assigns, or to provide any such person or entity with any rights or remedies against the parties hereto. It is further understood and agreed that no such person or entity shall be entitled to rely on the implementation or enforcement of any term or provision of this Agreement by the parties hereto.

Section 9.10 Severability. Any provision of the Deed of Trust or any applicable law which supersedes any provision hereof shall not affect the validity of the balance of this Agreement, and the remaining provisions shall be enforced as if the invalid provisions were deleted.

Section 9.11 Other Agreements. This Agreement supersedes all other agreements, oral or written, heretofore made by the Owner and the Agent.

Section 9.12 Counterparts. This Agreement may be executed in counterparts and shall constitute one Agreement binding on all the Parties notwithstanding that all the Parties are not signatories to the original or the same counterpart. Each Party shall become bound by this Agreement immediately upon affixing its signature hereto, independently of the signature of any other Party.

IN WITNESS WHEREOF, the Parties (by their duly authorized officers) have executed this Agreement as of the date set forth above.

OWNER: Citywide Homes 2001, L.P.
ADDRESS: 629 Wesley Dr., Suite 101
Virginia Beach, VA 23452

Citywide Homes 2001 Limited Partnership, a Virginia limited partnership
By: Beach Properties, Incorporated, a Virginia corporation, its General Partner

By: Mary Kay Holoszewski
Mary Kay Holoszewski, President

AGENT: Virginia Beach Community Development Corp.
ADDRESS: 629 Wesley Drive, Suite 101
Virginia Beach, VA 23452

By: Mary Kay Holoszewski
Mary Kay Holoszewski, Executive Director

ENDORSEMENT BY THE FUND

DATE: _____

The Virginia Housing Partnership Revolving Fund hereby consents to the foregoing Management Agreement, dated the _____ day of _____, 20____, by and between Citywide Homes 2001, L.P. (Owner) and _____ (Agent).

VIRGINIA HOUSING PARTNERSHIP REVOLVING FUND
By: Department of Housing and Community Development

BY: 
ITS: Authorized Officer

ADDENDUM TO PROPERTY MANAGEMENT AGREEMENT

This Addendum is attached to and made a part of the Management Agreement between Virginia Beach Community Development Corporation ("Agent") and Citywide Homes 2001 Limited Partnership ("Owner") dated as of February 15, 2002 (the "Agreement"), relating to the Property described therein.

In consideration of Ten and No/100 Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, and the prior verbal understandings of the parties as to the matters covered herein, and the undersigned Owner's continued reliance on the undersigned Agent to lease and manage the Property under the Agreement, and to induce Owner's Limited Partner to contribute equity capital to Owner for the development and operation of the Property, the parties further agree as follows:

A. Low-Income Housing

1. Tax Credit Requirements. Agent acknowledges that Owner is required under its limited partnership agreement to use best efforts to lease one hundred percent (100%) of the 31 townhomes and 1 condominium unit in the Apartment Complex (the "Credit Units") to tenants whose income and rent levels qualify such apartments for inclusion in determining federal low-income housing tax credits (the "Credits") for the Property, and that the Credits will have substantial economic value to Owner and its partners. Owner shall furnish Agent with written descriptions of such requirements as they relate to Agent's leasing and management duties hereunder.
2. Tenant Certification. For all Credit Units, Agent shall require each prospective tenant to complete, execute, and deliver the forms of Low-Income Lease Addendum and Tenant Income Certification, and shall obtain from each prospective tenant's employee the completed and executed form of Employer Verification, all attached hereto as Exhibit A, subject to the updating and revision of maximum allowable household income amounts as described hereinbelow, in order to provide necessary certification and verification of the amount of such tenant's annual family income, family size, and any other information reasonably requested by Owner in writing in connection with the Credits. Agent shall require tenants to certify in writing as to such matters on an annual basis, prior to such time as the information is required for reporting purposes. Owner shall give Agent advance written notice of such requirements. Prior to executing each Lease of any of the Credit Units, Agent shall deliver copies of the applicable Lease, rider, certification, and verification for each such Credit Unit to Owner and to Owner's Limited Partner, and Agent shall not execute any Lease with respect to any of the Credit Units without having received the prior written consent of Owner with respect to each such Lease, rider, certification, and verification.

3. Maximum Income. Owner shall from time to time furnish Agent with an updated and revised schedule of maximum allowable household income to qualify for the Credits, and Agent shall update and revise the form of Low-Income Lease Rider attached hereto as Exhibit A accordingly, as and when changes in such income levels are announced.
4. Maximum Rent. Owner shall from time to time furnish Agent with a written schedule of maximum allowable rents for the apartments to qualify for the Credits, depending on family size, as and when changes in such rent levels are announced. Without Owner's express prior written consent, Agent shall not enter into any lease on behalf of owner at a rental amount exceeding the applicable maximum.
5. Record Keeping. Agent shall maintain and preserve all written records of tenant family income and size, and any other information reasonably requested by Owner in writing in connection with the Credits, throughout the term of the Agreement, and shall turn all such records over to Owner upon the termination or expiration of the Agreement.
6. Report Preparation. If requested by owner in writing, Agent shall prepare reports of low-income leasing and occupancy in form suitable for submission in connection with the Credits.
7. HUD Requirements. Agent shall be responsible for or shall assist Owner in the certification and recertification of tenants covered by any Housing Assistance Payments Contract that may be applicable to the Property with respect to federal Section 8 rent subsidies, following procedures required by the U.S. Department of Housing and Urban Development ("HUD"). Agent shall also be responsible for or shall assist Owner in assuring compliance with the HOME Regulations promulgated at 24 CFR 92, as amended, for any Credit Units that are subject to such regulations.
8. Local Code Compliance. Agent shall cause the Project to be maintained in compliance with all local health, safety, and building codes to the extent of available funds, and shall promptly give written notice to Owner and to Owner's Limited Partner if Agent receives notice of any such code violation relating to the Property.

B. Other Provisions

1. Records System. Agent shall establish and maintain a comprehensive system of records, books, and accounts, including computerized systems, in accordance with the Plan and in a manner satisfactory to Owner. All records, books, and accounts shall be subject to examination at reasonable hours by any authorized representative of Owner, or of Owner's Limited Partner.

2. Monthly Reports. Agent shall prepare all monthly reports required pursuant to Section 13.04(a) of Owner's Amended and Restated Agreement of Limited Partnership, a copy of which Agent has received.
3. Additional Information. Agent shall promptly furnish such additional information (including monthly occupancy reports) as may be requested from time to time by Owner or Owner's Limited Partner with respect to the renting and financial, physical, or operational condition of the Property.
4. Fidelity Bond. Agent shall furnish and maintain, at the expense of the Property, for the duration of the Agreement and any extensions thereof, plus thirty (30) days after the expiration or termination thereof, a commercial blanket bond in favor of Owner, in an amount not less than the sum of (a) two (2) months, potential maximum gross rents for the Property plus (b) aggregate tenant security deposits held from time to time, both in amounts as determined by Owner, and in a form and with a company acceptable to Owner, which commercial blanket bond shall cover Agent and all employees hired by Agent in connection with the Agreement. Such fidelity bond shall cover losses discovered by Owner within two (2) years after the occurrence of such losses. Such fidelity bond shall contain a written provision that owner shall be given at least ten (10) days, prior written notice of cancellation.
5. Insurance. Agent shall at all times keep its employees and contractors insured for statutory workers, compensation and other employee benefits required by all applicable laws, and Agent shall maintain employer's liability insurance for an amount not less than \$1,000,000.00 covering claims and suits by or on behalf of employees and others, not otherwise covered by statutory workers' compensation insurance. Owner and its partners shall be protected in all such insurance by specific inclusion of owner under an additional insured or alternate employer rider. Agent shall provide Owner with a certificate of insurance evidencing that workers, compensation and employer's liability insurance is in force and providing not less than ten (10) days, notice to Owner prior to cancellation.
6. Indemnity. To the extent permitted by law, Agent agrees to defend, indemnify, and save harmless Owner and its partners from all claims, investigations, and suits, or from actions or failures to act of Agent, with respect to any alleged or actual violation of state or federal labor or other laws pertaining to employees, it being expressly agreed and understood that as between owner and Agent, all persons employed in connection with the premises are employees of Agent, not Owner.
7. Reserves and Escrow. To the extent funds are available, Agent shall make all deposits into the replacement reserve for the Property and any other necessary

or advisable reserves or escrows for the Property, as specified in Owner's partnership agreement.

8. Compliance with Laws. In the performance of its obligations under the Agreement, Agent shall comply with applicable local, state, and federal laws and regulations.

9. Termination of Agreement. The Agreement shall be subject to the following additional conditions:

(a) In the event Agent fails to perform any of its duties under the Agreement hereunder or to comply with any of the provisions thereof or hereof, Owner shall notify Agent in writing and Agent shall have ten (10) days thereafter within which to cure such default to the reasonable satisfaction of Owner. Notwithstanding the foregoing, if the default cannot be cured within such ten (10) day period, Agent shall have such additional time as may be reasonably necessary to cure the same provided that Agent demonstrates to the continuing satisfaction of Owner that it is diligently pursuing all necessary actions to cure such default and that the same will be cured within a reasonable time without damage or expense to Owner. Failure to cure the default within the permitted time to cure shall constitute grounds for immediate termination of the Agreement by the Owner without further notice to the Agent.

(b) In the event a petition in bankruptcy is filed by or against Owner or Agent, or in the event owner or Agent makes an assignment for the benefit of creditors or takes advantage of any insolvency act, Owner or Agent may terminate this Agreement without notice to the other.

(c) In the event (i) Agent for any reason fails to be actively involved in the management of the Property for any period of more than thirty (30) days, or (ii) a majority of the shares of stock of Agent, measured by number of shares, monetary value, or voting control, are transferred to any person or entity other than the current shareholders owning the greatest interests in Agent as determined by any of the measures described above, or (iii) any affiliate of Agent is a general partner of Owner and such affiliate withdraws or is removed as such general partner, then Owner may terminate this Agreement immediately upon notice to Agent.

(d) Owner will terminate this Agreement if HUD or the Virginia Housing Development Authority direct the Owner to do so.

(e) The Agreement may be canceled by the Partnership upon thirty (30) days' prior notice.

- (f) Within five (5) days after the termination of the Agreement, Agent shall close all accounts and pay the balances or assign all certificates of deposit regarding the Property to Owner. Within ten (10) days after the termination of the Agreement, Agent shall deliver to Owner all plans and surveys of the Property in its possession and all books and records concerning the Property.
- (g) Within thirty (30) days after the termination of the Agreement, Agent shall submit to Owner all reports required under paragraph 2 above to the date of such termination, and Agent and Owner shall account to each other with respect to all matters outstanding as of the date of termination.

10. Compliance with Regulatory Agreements. Agent agrees that it shall lease all units in compliance with the income restrictions, rent restrictions and unit mix information set forth in the all Deeds of Trust (including the forthcoming deed of trust to be recorded by the Owner in favor of the Virginia Housing Development Authority), any other regulatory agreement and the Extended Use Agreement, as amended, that encumber the Property. Agent acknowledges that it has received copies of the Extended Use Agreement and the Amendment to the Extended Use Agreement recorded in Book 4612 page 0281.

11. Term. The Agreement shall have an initial term of two (2) years, and shall be renewed automatically thereafter for successive additional terms of two (2) years each, provided, however, that either party shall have the right to terminate the Agreement upon thirty (30) days written notice.

12. Compensation. In accordance with Section 8.15 of the Partnership Agreement, if and to the extent necessary at any time to prevent a default by the Owner under the terms of any Project Loan (as defined in the Partnership Agreement) between Owner and any lender relating to the Project, Manager agrees to subordinate payment of its Management Fee to the payment of required debt service under the Project Loans and hereby agrees to defer receipt of payment of the Management Fee from Owner under such circumstances. Payment of the Management Fee shall be cumulative to the extent it is not paid in full in any month due to such a deferral. Owner shall endeavor to provide Manager with thirty days notice of any need for the Manager to defer receipt of payment of the Management Fee as provided herein.

C. Miscellaneous

- 1. Agreement. References herein to the Agreement mean the Agreement as amended by this Addendum.
- 2. Notices. Copies of all notices or other communications required or desired to be given under the Agreement shall be concurrently mailed to Owner's Limited Partner at its address set forth on the signature page hereof. In the event of a

change of such mailing address, Owner's Limited Partner may give notice of a new or forwarding address within seven (7) days of the effective date of said change, whereupon subsequent notices shall be addressed to such new or forwarding address.

3. Amendment. No amendment or modification of the Agreement shall be valid or enforceable without the prior written consent of Owner's Limited Partner.

4. Enforceability. The invalidity of any clause, part, or provision of the Agreement shall not affect the validity of the remaining portions thereof. Owner's remedies under the Agreement shall be cumulative, and the exercise of one remedy shall not be deemed an election of remedies nor foreclose the exercise of Owner's other remedies. No waiver by owner of any breach of the Agreement shall be deemed to be a waiver of any other or subsequent breach. Owner or Agent may apply to any court, state or federal, for specific performance of the Agreement, for an injunction against any violation of the Agreement, or for such other relief as may be appropriate, since the injury arising from a default under any of the terms of the Agreement would be irreparable and the amount of damage would be difficult to ascertain.

5. Regulatory Provisions. Notwithstanding anything to the contrary in this Addendum, any provision hereof that is or whose performance would be in violation of (a) any agreement between the Owner or the Agent and HUD, (b) any HUD or any state or local housing or other regulatory authority requirements concerning the Property, or (c) any applicable HUD or state or local regulatory authority regulations, shall be void and have no force or effect. The foregoing shall not, however, affect the enforceability of any other provisions of this Addendum.

6. Conflicts. Except as provided in paragraph 5 above, those provisions which impose more stringent obligations upon the Agent or provide greater benefits to the Owner or Owner's Limited Partner shall prevail and control.

7. Successors and Assigns. The Agreement shall inure to the benefit of and constitute a binding obligation upon Owner and Agent and their respective successors and assigns; provided, however, that Agent shall not assign the Agreement, or any of its duties thereunder, without the prior written consent of Owner. In the event Owner's General Partner described below or any general partner of Owner is removed as general partner in accordance with Owner's partnership agreement, any successor general partner selected in accordance with such partnership agreement shall have authority to act hereunder on behalf of Owner, and until such successor is selected Owner's Limited Partner shall have temporary authority to act hereunder on behalf of Owner.

[Remainder of Page Intentionally Left Blank]

In Witness Whereof, the parties have executed this Addendum to the Management Agreement as of the date first written above.

OWNER

Citywide Homes 2001 Limited Partnership, a Virginia limited partnership

By: Beach Properties Incorporated, its General Partner

By: Mary Kay Horoszewski
Mary Kay Horoszewski, President

AGENT

Virginia Beach Community Development Corporation

By: Mary Kay Horoszewski
Mary Kay Horoszewski, Executive Director

EXHIBIT TO ADDENDUM TO PROPERTY MANAGEMENT AGREEMENT

EXHIBIT A
LOW-INCOME LEASE ADDENDUM

THIS ADDENDUM, AN INCOME CERTIFICATION, AND AN EMPLOYER VERIFICATION MUST BE OBTAINED FROM ALL TENANTS OF APARTMENTS FOR WHICH LOW-INCOME HOUSING TAX CREDITS ARE REQUIRED. PARAGRAPH 4 OF THIS RIDER MUST BE UPDATED AND REVISED FROM TIME TO TIME IN ACCORDANCE WITH SECTION A, PARAGRAPH 3 OF THE ADDENDUM TO PROPERTY MANAGEMENT AGREEMENT.

THIS RESIDENTIAL LEASE ADDENDUM (hereinafter referred to as the "Addendum") is made and entered into this ___ day of _____, 200_, to that certain Residential Lease dated _____, 200_ (hereinafter referred to as the "Lease") entered into by and between Citywide Homes 2001 Limited Partnership (hereinafter referred to as "Lessor") and _____ (hereinafter referred to as "Lessee") who resides at _____, Virginia Beach, Virginia (the "Premises").

NOW, THEREFORE, not withstanding any other provisions to the contrary contained in the Lease, the parties hereto covenant and agree that the Lease shall be modified and amended as follows:

LESSEE ACKNOWLEDGES and agrees that the subject Premises are specifically identified and under the administrative control of the Section 42 Low Income Housing Tax Credit Program (hereinafter referred to as the "Program"), which limits occupants to an annual income level and provides lower rent rates to households who meet certain Program criteria (hereinafter referred to as "Qualified Households").

LESSEE ACKNOWLEDGES and agrees that participation in the Program allows the owner or its agent to increase the monthly rent rate based upon maximum allowable rents annually revised and published by the U.S. Department of Housing and Urban Development ("HUD"). Lessor reserves the right to increase rent rates in accordance with Program guidelines, subject to thirty (30) days written notice to Lessee, effective for the balance of said lease term.

LESSEE ACKNOWLEDGES and agrees that participation in the Program also requires that Qualified Households must meet certain income limitations based upon the number of persons residing in the Premises and Lessee(s) agrees to notify Lessor immediately of any increases or decreases in the number of persons residing in the Premises.

LESSEE ACKNOWLEDGES and agrees that participation in the Program requires re-certification by the Lessee every twelve (12) months as required by the Program. Lessee(s) agrees to submit all necessary documentation required by the Program to Lessor for the purpose of insuring that Lessee(s) remains a Qualified Household. In the event that Lessee(s) fails to deliver such information thirty (30) days prior to re-certification deadline, Lessor reserves the right to issue a written Notice to Vacate to Lessee(s). Lessee acknowledges that he/she has received the information on the Program re-certification and understands such requirements.

LESSEE certifies as follows to Lessor (If there is more than one adult occupant, each one must complete and sign a the Addendum and attachments.):

1. **Income Certification.** My attached income certification is true, correct, and complete. I agree to provide a similar certification annually upon request during the term of my occupancy.
2. **Employer Verification.** The landlord or property manager has my permission to verify my income from my employer, using the attached form, now and on an annual basis.
3. **False or Missing Statements.** If my income certification and/or any lease application submitted by me is false, or if I fail to provide annual certifications or if any of them is false, the landlord or property manager will have the right to terminate my lease and take possession of my apartment immediately.
4. **Maximum Household Income.** If the actual COMBINED TOTAL INCOME FOR ALL HOUSEHOLD MEMBERS required to be disclosed on my income certification, when properly calculated, currently exceeds the applicable MAXIMUM HOUSEHOLD INCOME allowable for my household size, according to the table on the next page, the landlord or property manager may have the right to increase my rent.

HOUSEHOLD SIZE

MAXIMUM HOUSEHOLD INCOME

[40/50/60%] of Area Median Gross Income

1 Person

2 Persons

3 Persons

4 Persons

5 Persons

6 Persons

7 Persons

8 Persons

9 Persons

10 Persons

I understand that the landlord and property manager are relying on my income certification in accepting me as a tenant, and that the landlord will be seriously harmed if my income does not qualify the apartment for low-income housing tax credits.

LESSOR:

LESSEE(S):

Citywide Homes 2001 Limited Partnership

By: Beach Properties Incorporated, its
General Partner

Printed Name: _____

By: _____

Date:

Date:

To Be Attached:

- A. Tenant Income Certification
- B. Employer Verification Form

26641

INCOME CERTIFICATION FEDERAL TAX CREDIT PROGRAM

Property Name _____ Move-in Certification _____
 Unit Number _____ Number of Bedrooms _____ Annual Recertification _____
 Unit Rent \$ _____ Utility Allowance Estimate \$ _____
 Effective Date of Certification _____ (must be on or after date of signatures on page 2)

1. List all occupants of the unit, their-relationship to each other (if any), ages, and whether they are students:

Occupant	Relationship	Social Security Number	Age	Full-Time Student?
1 _____	_____	_____	_____	_____
2 _____	_____	_____	_____	_____
3 _____	_____	_____	_____	_____
4 _____	_____	_____	_____	_____
5 _____	_____	_____	_____	_____
6 _____	_____	_____	_____	_____

Do you expect any change in the above-listed household composition in the next 12 months? Yes _____ No _____. If yes, describe the change _____

2. Are all the occupants noted above full-time students? Yes _____ No _____
 (Definition of student: anyone who has been or will be a full-time student at an educational institution with regular facilities and students during 5 months of this Certification year, other than correspondence school).
 If yes, are the students married and filing a joint tax return? Yes _____ No _____
 If yes, does the household receive Aid for Dependent Children or TANF? Yes _____ No _____
 If yes, is the household comprised of a single parent & child(ren) none of whom is a dependent of a third party? Yes _____ No _____
 If yes, are the students enrolled in a job training program under the Job Training Partnership Act? Yes _____ No _____

3. Please answer each of the following questions. For each "Yes" answer provide details in the chart(s) below.

Question	Yes	No	Annual Amount
Will any member of your household be employed full-time, part-time or seasonally in the next 12 months?	<input type="checkbox"/>	<input type="checkbox"/>	_____
Does any member of your household work for someone who pays them in cash?	<input type="checkbox"/>	<input type="checkbox"/>	_____
Does any member of your household now receive or expect to receive:			
Child support?	<input type="checkbox"/>	<input type="checkbox"/>	_____
Spousal support?	<input type="checkbox"/>	<input type="checkbox"/>	_____
Social Security (or SSI) benefits?	<input type="checkbox"/>	<input type="checkbox"/>	_____
Income from a pension or annuity?	<input type="checkbox"/>	<input type="checkbox"/>	_____
Unemployment or Worker's Comp benefits?	<input type="checkbox"/>	<input type="checkbox"/>	_____
Public assistance (AFDC/Welfare, etc.)?	<input type="checkbox"/>	<input type="checkbox"/>	_____
Regular cash contributions from individuals not living in the unit?	<input type="checkbox"/>	<input type="checkbox"/>	_____
Is any member of your household on leave of absence from work due to lay-off, medical, maternity or military leave?	<input type="checkbox"/>	<input type="checkbox"/>	_____
Does any member of your household receive income from assets including interest on checking or savings accounts, interest and dividends from certificates of deposit, stocks or bonds, or income from the rental of property? If yes, list interest in chart on page 2	<input type="checkbox"/>	<input type="checkbox"/>	_____

FAMILY MEMBER	SOURCE OF INCOME/EMPLOYER NAME	ANTICIPATED ANNUAL INCOME	DO YOU HAVE MORE THAN ONE JOB?
1			
2			
3			
4			
5			
6			

4. List all checking and savings accounts (including IRA's, Keogh accounts and Certificates of Deposit) of all household members, including accounts disposed of during the past two years.

FINANCIAL INSTITUTION	ACCOUNT NUMBER	BALANCE	\$ AMOUNT OF INTEREST RECEIVED

5 List the value of all stocks, bonds, trusts, pension contributions, whole life insurance policies, or other assets: _____

6 Do you own a home or other real estate? Yes _____ No _____

7 Did you have any assets in the last two years not listed above? Yes _____ No _____

If yes, did you dispose of the assets for less than fair market value? (This means that the assets were either given away or sold for less than market value.) Yes _____ No _____

If yes, what were the assets, the market value at the time of disposition, the amount received and the date you disposed of the assets?

Any assets disposed of for less than fair market value in the two years before the effective date of this Certification will be counted as assets if the difference between the market value and the amount received exceeds \$1,000.

8 The total combined asset value for this household is less than \$5,000: Yes _____ No _____

RESIDENT'S STATEMENT: I understand that the above information has been collected to determine my eligibility for residency. I certify that I have revealed all income received and assets currently held or previously disposed of and that I have no other assets than those listed on this form (other than personal property). I further certify that the statements made in this Certification are true and complete to the best of my knowledge and belief and am aware that false statements may be cause for termination of my lease and may be punishable under Federal law.

Signature of Head: _____ Date: _____
Signature of Co-Tenant: _____ Date: _____
Signature of Co-Tenant: _____ Date: _____
Signature of Co-Tenant: _____ Date: _____

OWNER'S STATEMENT: Based on the representations herein and upon the proof and documentation obtained, the household defined in this Certification is eligible under the provisions of Section 42 of the Internal Revenue Code, as amended, to live in a unit in this development. Based on the representations herein and upon the proofs and documentation obtained, the household is tax credit qualified with anticipated annual income for the next twelve months which does not exceed \$ _____ (Maximum qualifying income)

Management Representative: _____ Date: _____

For Development Use Only

Total Anticipated Annual Household Income \$ _____

If Total Value of Assets is Less than \$5,000, insert Actual Income from Assets: \$ _____
(If value totals more than \$5,000, insert 0 and see next line.)

If Total Value of Assets is More than \$5,000, insert
Actual Income from Assets = \$ _____
Total Asset Value x Imputed Rate of 2% = \$ _____

For Assets with a total Value of More than \$5,000.
Add to Total Income the Greater of Actual or Imputed Income \$ _____

Total Annual Household Income: \$ _____

**EXHIBIT H
TO PARTNERSHIP AGREEMENT**

DEVELOPMENT BUDGET

Citywide Homes 2001, Virginia Beach

PROJECT ASSUMPTIONS

Project Sponsor	Citywide Homes 2001
Community	Virginia Beach

OPERATING ASSUMPTIONS

PROJECT TIMING	
Closing	Feb-02
Construction Start	Feb-02
Construction Completion	Dec-02
Full Qualified Occupancy	May-03
Closing Month of the Year	11
Operating Months Year	2.5
Ave. Qual. Occupancy Mo. Year	2 NA

Credit Allocation	174,151
(Insert - 0 - if prior to allocation)	
Credit Calculated	182,591
Credit Used	174,151

PROJECT OPERATING ASSUMPTIONS

GENERAL			
Management Fee	7.00%	Replacement Reserve \$/Unit	250
Vacancy Rate	5.00%	Operating Cost/Unit	3298
Inflation Income	2.50%		
Inflation Expenses	4.00%		
Initial Partnership Admin. Fee	\$6,000		
Year 1 Bulking Expenses	\$94,825 (W/O REP. RES., MGMT.)		

PROJECT INCOME ASSUMPTIONS			
Unit Type	# Units	Net \$/Mo.	Gross Pot. Ann Inc.
2 Bedroom (40%)	4	325.00	15600
3 Bedroom (40%)	3	309.00	11124
3 Bedroom (50%)	13	426.00	66456
3 Bedroom (60%)	9	627.00	67716
4 Bedroom	3	576.00	20736
Other			0
Other Income Monthl Offices		0.00	0.00
Total Apartment Units	32		181632

PROPERTY/RENTAL INCOME ANALYSIS										
Unit Type	Tenant Pd	Utilities	Sq. Ft.	Net \$/Mo.	Utility Allow	Adjusted Rent	Program Maximum	Dollars Below	FMR	Dollars Below
2 Bedroom (40%)	Not W/S		870	325.00	121.00	448.00	499.00	53.00	580.00	134.00
3 Bedroom (40%)	Not W/S		1262	309.00	139.00	448.00	576.00	128.00	809.00	361.00
3 Bedroom (50%)	Not W/S		1478	426.00	139.00	565.00	640.00	75.00	809.00	244.00
3 Bedroom (60%)	All		0	627.00	139.00	766.00	766.00	2.00	809.00	43.00
4 Bedroom				576.00	194.00	770.00	858.00	88.00	951.00	181.00
Other				0.00		0.00		0.00		0.00
Other Income Monthly				0.00						0.00

Citywide Homes 2001, Virginia Beach

OPERATING EXPENSES

	Annual Expense	\$/Unit
ADMINISTRATIVE		
Advertising/Marketing	500	16
Office Salaries	1070	33
Office supplies	246	8
Office/Model Apartment Management Fee	7.00% EGI	0
Manager Salaries	12079	377
Staff Inits	3373	105
Legal	500	16
Audit	0	0
Bookkeeping/Accounting	3785	118
Telephone	259	8
VHDA Monitoring	640	20
Other Administrative	1769	55
TOTAL ADMINISTRATIVE	24221	757
UTILITIES		
Fuel Oil	0	0
Electricity	1150	36
Water	0	0
Sewer	0	0
Gas	0	0
TOTAL UTILITIES	1150	36
OPERATING / MAINTENANCE		
Janitor/Cleaning Payroll	0	0
Janitor/Cleaning Supplies	0	0
Janitor/Cleaning/Cleaning Contract	0	0
Exterminating	2400	75
Trash Removal	0	0
Security/Payroll	0	0
Grounds Payroll	0	0
Grounds Supplies	0	0
Grounds Contract	0	0
Maintenance/Repairs Payroll	6603	203
Repairs Material	8000	250
Elevator Maintenance	9600	300
Heating Cooling Repairs and Maintenance	0	0
Pool Maintenance	0	0
Snow Removal	0	0
Decorating/Payroll/Contract	0	0
Decorating Supplies	0	0
Miscellaneous	3600	119
TOTAL OPERATING / MAINTENANCE	30303	947

	Annual Expense	\$/Unit
EXPENSE ANALYSIS		
Administrative W/O Mgmt, Audit, VHDA	11502	359
Utilities	1150	36
Maintenance	30303	947
Real Estate Taxes	23721	741
Insurance	14000	438
Other Taxes / Insurance	4149	130
TOTAL Building Expense	84825	2651
Replacement Res. Management	8000	250
VHDA Monitoring	12079	377
Partnership Management/Audit	6000	188
Total Annual Expenses	111544	3505

	Annual Expense	\$/Unit
TAXES AND INSURANCE		
Real Estate Taxes	23721	741
Payroll Taxes	0	0
Miscellaneous Taxes / Licenses / Permits	4000	125
Property and Liability Insurance	14000	438
Fidelity Bond	149	5
Workman's Compensation	0	0
Health Insurance and Employee Benefits	0	0
Other Insurance	0	0
TOTAL TAXES AND INSURANCE	41870	1308
Replacement Reserves	\$250.00 \$/Unit/yr	250
TOTAL OPERATING EXPENSES	105544	3298

Citywide Homes 2001, Virginia Beach

CASH FLOW STATEMENT/RESERVE ACCOUNT BALANCE

Operating Pro-Forma 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
GROSS RENT																		
2 Bedroom (40%)	3250	15600	15990	16390	16799	17219	17650	18091	18543	19007	19482	19969	20469	20980	21505	22042	22593	
3 Bedroom (40%)	2318	11124	11402	11687	11979	12279	12588	12900	13223	13554	13892	14240	14596	14961	15335	15718	16111	
3 Bedroom (50%)	13845	66456	68117	69820	71566	73355	75189	77069	78995	80970	82994	85069	87196	89378	91610	93901	96248	
3 Bedroom (50%)	14108	67716	69409	71144	72923	74746	76614	78530	80493	82505	84568	86682	88849	91070	93347	95681	98073	
4 Bedroom	4320	20736	21254	21786	22330	22899	23461	24047	24649	25265	25896	26544	27207	27888	28585	29299	30032	
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Other Income Monthly	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
TOTAL	37840	181632	186173	190827	195598	200488	205500	206637	210637	215903	221301	226833	232504	238317	244275	250382	256641	263057
VACANCY	1892	9082	9309	9541	9780	10024	10275	10532	10795	11065	11342	11625	11916	12214	12519	12832	13153	
Lease Up Vacancy	15000																	
EFFECTIVE GROSS INCOME	20948	172550	176884	181286	185818	190463	195225	200106	205108	210236	215492	220879	226401	232061	237863	243809	249904	
OPERATING EXPENSES																		
Building Expenses	17672	84825	88218	91747	95417	99233	103203	107331	111624	116089	120732	125562	130564	135808	141240	146889	152755	
Management fee	2516	12079	12380	12690	13007	13332	13666	14007	14358	14717	15084	15462	15848	16244	16650	17067	17493	
Replacement Reserve	1667	8000	8000	8000	8000	8000	8000	8000	8000	8000	8000	8000	8000	8000	8000	8000	8000	
Real Estate Tax Abatement	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
TOTAL OPERATING EXP.	21855	104904	108598	112437	116424	120566	124868	129338	133981	138805	143817	149023	154432	160062	165890	171956	178258	
NET OPERATING INCOME	-907	67647	68266	68849	69394	69898	70357	70767	71127	71431	71675	71856	71969	72009	71972	71853	71846	
DEBT SERVICE																		
DHCD VHPF	12317	59123	59123	59123	59123	59123	59123	59123	59123	59123	59123	59123	59123	59123	59123	59123	59123	
Sponsor HOME / Seller Finance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
HOME Rehab	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Seller Financing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Sponsor Loan	0	1599	1857	2084	2276	2432	2549	2624	2655	2637	2589	2447	2268	0	0	0	0	
OPERATING CASH FLOW	-13224	6925	7285	7642	7995	8342	8684	9020	9349	9670	9983	10266	10578	12886	12849	12730	12523	
ADJUSTMENTS																		
Less: Frtnship Admin fee	6000	6240	6490	6749	7019	7300	7592	7896	8211	8540	8881	9237	9606	9990	10390	10806	11238	
Distributable Cash Flow	-19224	685	796	893	976	1042	1092	1125	1138	1130	1101	1049	972	2896	2459	1924	1285	
Incentive Mgmt Fee	0	685	796	893	976	1042	1092	1125	1138	1130	1101	1049	972	2896	2459	1924	1285	
Plus: Opr Reserve 1	446	1930	1979	2029	2080	2133	2187	2242	2299	2357	2417	2478	2540	2605	2671	2738	2808	
Rep Reserve Int	187	1034	1263	1497	1738	1987	2242	2504	2772	3044	3321	3604	3893	4187	4487	4792	5102	
ADJUSTED CASH FLOW	-18591	2984	3242	3526	3818	3270	2708	2579	2871	2761	3033	2983	2930	3207	3167	3127	3408	

Citywide Homes 2001, Virginia Beach

Operating and Replacement Reserve Account Analysis

OPERATING RESERVE	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Beginning Balance	95000	76222	78151	80130	82158	84238	86371	88558	90800	93098	95455	97872	100350	102890	105495	108166	110904
Reserve Interest	446	1930	1979	2029	2080	2133	2187	2242	2299	2357	2417	2478	2540	2605	2671	2738	2808
Distributable Cash Flow	-19224	685	796	893	976	1042	1092	1125	1138	1130	1101	1049	972	2896	2459	1924	1285
Loss-Incentive Fee	-0	-685	-796	-893	-976	-1042	-1092	-1125	-1138	-1130	-1101	-1049	-972	-2896	-2459	-1924	-1285
Deferred To Reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ENDING BALANCE	76222	78151	80130	82158	84238	86371	88558	90800	93098	95455	97872	100350	102890	105495	108166	110904	113712
Deferred Reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
REPLACEMENT RESERVE																	
Beginning Balance	35000	36854	45868	55151	64649	74386	16576	25097	33833	11956	20360	28976	11402	19792	28395	11336	19724
Interest Income	187	1034	1263	1497	1738	1137	521	737	572	404	617	505	390	602	497	388	501
Reserve Deposits	1667	8000	8000	8000	8000	8000	8000	8000	8000	8000	8000	8000	8000	8000	8000	8000	8000
Capital Expenditures						68948			30450			26079			25555		
ENDING BALANCE	36854	45888	55151	64649	74386	16576	25097	33833	11956	20360	28976	11402	19792	28395	11336	19724	28325
Use of Replacement Reserves	1	1=yes															
														90.00%			

Citywide Homes 2001, Virginia Beach

USES OF FUNDS

USES OF FUNDS	Total	Sub Tot % Of Tot	Sub Tot	Stunt	Sub Tot	COMMENTS
Purchase of land	350297	9.90%	38,97%	10944	43057	
Purchase Building	1027630	1377837	29.06%	32113		Includes acquisition closing costs of 20000
Off-Site Improvements	0	0.00%		0		
Site Improvements	0	0.00%		0		
Unit Structures (New)	0	0.00%		0		
Unit Structures (Rehab)	970880	27.46%		30340		
Asbestos, Demolition, Other	0	0.00%		0		
General Conditions, Overhead, Profit	135120	3.82%		4223		
Bonding Fee	20000	0.57%		625		
Fixtures and Equipment	20000	0.57%	32.41%	625	35813	
Building permit	4000	0.11%		125		
A&E Fees (Design and Supervision)	60000	1.70%		1875		
Tap Fees	0	0.00%		0		
Soil Borings	0	0.00%		0		
Construction Loan Fee	0	0.00%		0		
Construction Interest	60000	1.70%		1875		
Bridge Interest During Const	35724	1.01%		1116		
Taxes During Construction	23800	0.67%		744		
Insurance During construction	8800	0.25%		275		
Cost Certification	3500	0.10%		109		
Legal Fees Permanent	10000	0.28%		313		
Legal Fees Construction	15300	0.44%		484		
Legal Fees Partnership	9500	0.27%		297		
Legal Fees Syndication	15000	0.42%		469		
Survey / Title	45000	1.27%		1406		
Permanent Loan Fees	10320	0.29%		323		
Credit Enhancement / Mortgage Banker	0	0.00%		0		
Environmental Study	7050	0.20%		220		
Structural Study	0	0.00%		0		
Appraisal Fee	0	0.00%		0		
Market Study	4050	0.11%		127		
Tax Credit Fee	8708	0.25%		272		
Contingency	99000	2.80%		3094		
Replacement Reserve	35000	0.99%		1094		
Lease Up	15000	0.42%		469		
Operating Reserve	80000	2.28%	15.55%	2500	17186	
Developer's Fees	410000	11.60%		12813		
Relocation	52000	1.47%		1625		
PROJECT TOTAL	3535788	100.00%		110493		

3500065

Citywide Homes 2001, Virginia Beach

SOURCES OF FUNDS

PROJECT SOURCES OF FUNDS		Amount	% of Tot	Rate	Amount	Term	Ann. D/S	D/S Cover
MORTGAGES								
DHCD VHPF		1032000	29.19%	4.00%	30	15	59123	1.14
Sponsor HOME / Seller Finance*		442885	12.53%	5.31%	15		0	1.14
HOME Rehab		107715	3.03%	0.00%	15		Only from available cash flow	
Seller Financing		282972	8.00%	4.99%	15		Only from available cash flow	
Sponsor Loan		285093	8.06%	0.00%	15		Only from available cash flow	
TOTAL MORTGAGES		2150065	60.81%					
Bridge Interest During Construction		35724						
Grants		0	0.00%					
Project Investment		1350000	38.18%					
Special Limited Partner Equity		0	0.00%					
TOTAL FINANCING		3535789	100.00%					
PROJECT GAP		-0	-0.00%					
TOTAL PROJECT COST		3535788	100.00%					

*Two notes \$429,520 - \$13,385

77.52%

ERR: EQUAL PAYMENT FORMULA
0 INTEREST ONLY FORMULA

	State Tax Credit	Historic	Housing
State Tax Credit	0	0	0
State Benefit	0	0	0
Est. State Credit Equity	0	0	0

Citywide Homes 2001, Virginia Beach

Depreciation and Amortization Schedules

ANNUAL AMORTIZATION Expense Category	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Total	10000	333	333	333	333	333	333	333	333	333	333	333	333	333	333	333	333
Permanent Legal	9500	396	1900	1900	1900	1504	344	344	344	344	344	344	344	344	344	615	615
Legal Partnership	10320	72	344	344	344	344	344	344	344	344	344	344	344	344	344	0	0
Permanent Loan Fee	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Credit EnvyBroker	4050	169	810	810	810	641	0	0	0	0	0	0	0	0	0	0	0
Market Study	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	33870	706	3387	3387	3387	2823	677	677	677	677	677	677	677	677	677	950	950
Tot From Sched.	33870																
ANNUAL DEPRECIATION	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Building	23148	11111	11111	11111	11111	11111	11111	11111	11111	11111	11111	11111	11111	11111	11111	11111	11111
FF&E	4000	6400	3940	2304	2304	1784	0	0	0	0	0	0	0	0	0	0	0
Commercial Depreciation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	27148	117511	114951	113415	113415	112895	111111	111111	111111	111111	111111	111111	111111	111111	111111	111111	111111

4% Acquisition	488126
9% Basis	1995930
No Credit Depreciable	591504
Total Building	3075560
Commercial Depreciable	0
FF&E	200000
Housing Historic	0
Commercial Historic	0
27.5 year property	3055560
39 year property	0

Tax Credit Rates:	
4%	3.55%
9%	8.28%
Annual Tax Credit	174,151
Credit Allocated to Project	174,151
Credit Calculated for Project	182591
Applicable Percentage	100.00%
Qualified Census Tracts	0.00%

Basis (from Page 7)	1995930	Acquisition Basis	488126
Applicable Percentage	100%	Applicable %	100%
Adjustments	0		
Basis Boost	0	Basis Boost	488126
Credit Basis	1995930	Credit Basis	3,55%
Credit Rate	8.28%	Credit Rate	17328
Calculated Rehab Credit	165253	Calc. Acquisit Credit	17328
Total	182591		

Historic Credit	0
Grants	0
Federal Financing	0
Other	0
TOTAL	0

Historic Credit Basis	0	Housing Percent	100.00%
Federal Historic Credit	0	Housing Portion	0
State Historic Credit	0		25.00%
State historic benefit	0		0

Citywide Homes 2001, Virginia Beach

DHCD VHPF	1032000
Principal Balance	4.00%
Interest Rate	30
Term	59123
Annual Debt Serv.	

Sponsor HOME / Seller Finance*	442385
Principal Balance	5.31%
Interest Rate	15
Term	0
Annual Debt Serv.	

HOME Rehab	107715
Principal Balance	0.00%
Interest Rate	15
Term	0
Annual Debt Serv.	

MORTGAGE AMORTIZATION

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
--	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------	------

DHCD VHPF	12317	59123	59123	59123	59123	59123	59123	59123	59123	59123	59123	59123	59123	59123	59123	59123	59123
Payment	8584	40763	40014	39234	38422	37577	36698	35783	34830	33838	32806	31732	30614	29451	28240	26979	25667
Interest	3733	18360	19109	19889	20701	21546	22425	23340	24293	25285	26317	27381	28508	29672	30884	32144	33456
Principal	1028267	1009908	990799	970910	950209	928663	906238	882898	858605	833320	807003	779613	751104	721431	690548	658404	624948
Year End Bal.																	

Sponsor HOME / Seller Finance*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Payment	4927	24427	25760	27165	28647	30209	31857	33595	35428	37360	39398	41547	43813	46203	48724	51381	54184
Interest	-4927	-24427	-25760	-27165	-28647	-30209	-31857	-33595	-35428	-37360	-39398	-41547	-43813	-46203	-48724	-51381	-54184
Principal	447812	472239	497999	525164	553911	584020	616877	649472	684900	722260	761658	803205	847019	893222	941946	993327	1047511
Year End Bal.																	

HOME Rehab	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Payment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Principal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Year End Bal.	107115	107115	107115	107115	107115	107115	107115	107115	107115	107115	107115	107115	107115	107115	107115	107115	107115

Seller Financing	282972																
Principal Balance	4.99%																
Interest Rate	15																
Term	0																
Annual Debt Service																	

Payment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest	2367	14633	15382	16169	16996	17866	18781	19742	20752	21814	22931	24104	25338	26634	27997	29430	30936
Principal	-2967	-14633	-15382	-16169	-16996	-17866	-18781	-19742	-20752	-21814	-22931	-24104	-25338	-26634	-27997	-29430	-30936
Year End Bal.	285929	300562	315944	332113	349109	366976	385756	405498	426250	448064	470995	495099	520437	547071	575068	604499	635436

Sponsor Loan	285093																
Principal Balance	0.00%																
Interest Rate	15																
Term	0																
Annual Debt Service																	

257096 GP Capital Contribution

Payment	0	1599	1867	2084	2276	2432	2549	2624	2655	2637	2569	2447	2268	257096	0	0	0
Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Principal	0	1599	1867	2084	2276	2432	2549	2624	2655	2637	2569	2447	2268	257096	0	0	0
Year End Bal.	285093	283494	281637	279654	277277	274845	272296	269672	267017	264380	261811	259364	257096	0	0	0	0

Citywide Homes 2001, Virginia Beach

Installation Number	1					2					3					4					5					6					Total			
	Project Date					02/01/2002					03/15/2002					06/30/2002					09/15/2002					12/30/2002						06/15/2003		
Gross Contribution	400000					0	600000					0	200000				150000							1350000	1350000	0								
Distribution																																		
Other	0					0	0				0	0	0			0	0																	
Project Development	400000					0	585000				0	105000				1706								1091706										
Developers' Fee (cash)	0					0	0				0	0				128294								128294										
Operating Reserve	0					0	0				0	80000				0								80000										
Lease Up Reserve	0					0	15000				0	0				0								15000										
Replacement Reserve	0					0	0				0	15000				20000								35000										
TOTAL	400000					0	600000				0	200000				150000							1350000	1350000	0									

Draws for Load

167204

Citywide Homes 2001, Virginia Beach

CAPITAL ACCOUNT ANALYSIS

Project Investment	2002	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Dev Advisory Fee	68849	1350000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Bridge Int. During Const	35724	1350000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital Investment	104572	1350000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Project Profits	0	-48924	-129024	-127260	-126625	-127638	-128533	-126732	-128189	-130137	-132267	-134185	-136606	-139219	-143732	-146444	-149587	-152302
Historic Tax Credits	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Capital Change	104572	1301076	-129824	-127260	-126625	-127638	-128533	-126732	-128189	-130137	-132267	-134185	-136606	-139219	-143732	-146444	-149587	-152302
Capital Acc. Balance	104572	1405648	1276624	1149364	1022739	895101	766567	639835	511666	381529	249262	115078	-21528	-160747	-304479	-450923	-600510	-752812

Minimum Gain

Project Basis	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Beginning Balance (inc. land)	3425767	3398619	3281107	3166156	3052741	2939326	2826430	2715319	2604208	2493097	2381985	2270874	2159763	2048651	1937540	1826429	1715318
Depreciation	2148	112811	114961	113415	112345	112885	111111	111111	111111	111111	111111	111111	111111	111111	111111	111111	111111
Ending Balance	3398619	3281107	3166156	3052741	2939326	2826430	2715319	2604208	2493097	2381985	2270874	2159763	2048651	1937540	1826429	1715318	1604206
Nonrecourse Debt																	
DHCD VHPF	1	1028267	1009908	990799	970910	950209	928663	906238	882898	858605	833320	807003	779613	751104	721431	690248	658404
Sponsor HOME Seller	1	447812	472239	497999	525164	553811	584020	615877	649472	684900	722260	761658	803205	847019	895222	941946	993327
HOME Rehab	1	107115	107115	107115	107115	107115	107115	107115	107115	107115	107115	107115	107115	107115	107115	107115	107115
Seller Financing	1	285929	300562	315944	332113	349109	366976	385756	405498	426250	448064	470995	495099	520437	547071	575068	604499
Sponsor Loan	0	1869123	1889824	1912856	1935301	1960244	1986774	2014987	2044983	2076870	2110759	2146771	2185032	2225674	2268839	2314677	2363344
Building Basis	3398619	3281107	3166156	3052741	2939326	2826430	2715319	2604208	2493097	2381985	2270874	2159763	2048651	1937540	1826429	1715318	1604206
Reserves Pledged	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating Reserve	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Replacement Reserve	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Minimum Gain	-1529496	-1391284	-1254300	-1117440	-979082	-839656	-700322	-589225	-462827	-321226	-124103	25669	177022	331299	488248	648027	810803

Citywide Homes 2001, Virginia Beach

30 Year Analysis		2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
DHCD VHPF		1023267	1009908	990799	970910	950209	928663	906238	882898	858605	833520	807003	779613	751104	721431	690548	658404
Sponsor HOME / Seller Finance*		447812	472239	497999	525164	553811	584020	615877	649472	684900	722260	761658	802205	847019	893222	941945	993327
HOME Rehab		107115	107115	107115	107115	107115	107115	107115	107115	107115	107115	107115	107115	107115	107115	107115	107115
Seller Financing		285929	300562	313944	332113	349109	366976	385756	405498	426250	448064	470995	495099	520437	547071	575068	604499
Sponsor Loan		285093	283494	281637	279554	277277	274845	272296	269672	267017	264380	261811	259364	257096	257096	257096	257096
Total Debt		2154216	217318	2193494	2214855	2237521	2261619	2287283	2314655	2343887	2375139	2408582	2444395	2482770	2525935	2571773	2630440
Value	0.02	2900000	2958000	3017160	3077503	3139053	3201834	3265871	3331188	3397812	3465768	3535084	3605785	3677901	3751439	3825488	3903018
	0.03	2980000	2987000	3078610	3168998	3263976	3361895	3462752	3566634	3673653	3783842	3897358	4014278	4134707	4258748	4386510	4518106
	0.04	2900000	3016000	3135640	3262106	3392390	3528293	3669425	3816202	3968850	4127604	4297708	4464417	4642993	4828713	5021862	5222736
	0.05	2900000	3045000	3197250	3357113	3524868	3701217	3886277	4080691	4284621	4498852	4723794	4959984	5207983	5466583	5741802	6028892
DHCD VHPF		625617	591518	556056	519175	480839	440929	399443	356297	311426	264760	216227	165753	113280	58688	1891	0
Sponsor HOME / Seller Finance*		1046073	1101619	1160115	1221717	1286590	1354908	1426854	1502620	1582409	1666435	1754023	1848109	1946244	2049589	2158423	2273035
HOME Rehab		107115	107115	107115	107115	107115	107115	107115	107115	107115	107115	107115	107115	107115	107115	107115	107115
Seller Financing		634663	666333	699583	734492	771143	809623	850023	892439	936972	983727	1032815	1084352	1138462	1195271	1254915	1317535
Sponsor Loan		257096	257096	257096	257096	257096	257096	257096	257096	257096	257096	257096	257096	257096	257096	257096	257096
Total Debt		2670563	2723681	2779965	2839595	2902763	2969671	3040331	3115568	3195018	3279133	3368176	3462406	3562177	3667739	3779440	38954781
Value	0.02	3981079	4060700	4141914	4224752	4309247	4395432	4483241	4573008	4664468	4757757	4852913	4949971	5048970	5149950	5252949	5358008
	0.03	4653649	4793258	4937056	5085168	5237723	5394854	5556700	5723401	5895103	6071956	6254115	6441738	6634990	6834040	7039061	7250233
	0.04	5431646	5648911	5874888	6109863	6354827	6608427	6872764	7147675	7433582	7730925	8040162	8361769	8696240	9044089	9405853	9782087
	0.05	6330336	6648853	6979195	7328156	7694563	8079292	8482356	8907419	9352790	9820429	10311451	10827023	11368375	11936793	12535653	13160315

Citywide Homes 2001, Virginia Beach

Seller's Exit Tax Liability and Net Benefit

EXIT TAX LIABILITY	
Outstanding Loans	
DHCD VHPF	624,948
Sponsor HOME / Seller Finance*	1,047,511
HOME Rehab	1,071,115
Seller Financing	635,435
Sponsor Loan	0
TOTAL OUTSTANDING LOANS	2,415,009
Special Limited Partner Equity	0
GP Capital Account	257,096
Exit tax Liability	405,477
Cash on Hand	-142,037
GROSS SALE PROCEEDS	2,935,545
Total Development Costs	360,463
Capital Improvements from Replacement Re	149,032
Less:	
Historic Credit	0
Total Depreciation	182,156
Total Amortization	250,73
Expensed	0
Initial Replacement Reserve	35,000
Initial Lease Up Reserve	15,000
Initial Operating Reserve	80,000
REMAINING BASIS	1,777,035
Forgone losses	0
Capital Gain From Sale	1,158,510
Tax on gain	35.00%
	405,477

Cash On Hand	
Operating Reserve Account	1,137,12
Replacement Reserve Account	283,25
TOTAL CASH ON HAND	1,420,37

NET BENEFIT (LIABILITY) ON SALE	
Unallocated Cash on Hand	0
Payment for Exit Tax Liability	405,477
Less: Tax on Gain	405,477
Potential Net Benefit	0

Really this won't be distributed

Capital Account Check	
Original Capital Contributions	14,188,49
Bridge Interest During Construction	36,724
Total Passive Losses	2,207,605
Historic Rehab Credit	0
Cash Distribution of Incentive Fee	0
Cash Distribution at Sale (Exit Tax)	405,477
Unamortized Bridge Interest	0
Estimated Reserves Expended During Operation	0
Development Financing (Surplus) Deficit	0
Capital Account Balance	-1,158,510
Gain/(Loss) On sale	1,158,510
Variance	0

cap diff
-7,528,12 -4,056,99

**EXHIBIT I
TO PARTNERSHIP AGREEMENT**

INSURANCE REQUIREMENTS

Immediately upon purchase of the Project, and throughout the term of this Agreement, General Partner shall obtain, and maintain in full force and effect, the following policies of insurance:

- Commercial General Liability insurance, insuring for legal liability of the Partnership, and caused by bodily injury, property damage, personal injury or advertising injury, arising out of the ownership or management of the Project and including the costs to defend such actions brought against the Partnership. The policy shall include endorsements adding the Limited Partner and Special Limited Partner as additional insureds, and shall be primary coverage for the additional insureds, without contribution from other valid insurance policies which may be carried directly by the additional insureds. Limits of the policy shall be at least \$1 million per occurrence and \$2 million in the aggregate.
- Automobile Liability insurance, insuring for legal liability of the Partnership, and caused by bodily injury, property damage, or personal injury arising out of the ownership or use of motor vehicles, including vehicles not owned by the Partnership, and including the costs to defend such actions brought against the Partnership. The policy shall include endorsements adding the Limited Partner and Special Limited Partner as additional insureds, and shall be primary coverage for the additional insureds, without contribution from other valid insurance policies which may be carried directly by the additional insureds. Limits of the policy shall be at least \$1 million combined single limits per accident.
- Worker's Compensation insurance, insuring for occupational disease or injury and employer's liability, and covering the Partnership's full liability for statutory compensation to any person or persons who perform work for the Partnership or perform duties on the site of the Project, and liability to the dependents of such persons. The policy will be in a form which complies with the worker's compensation acts and safety laws of the state in which the Project is located. Worker's Compensation limits shall be statutory; Employer's Liability limits shall be at least \$1 million per occurrence.
- Umbrella/Excess Liability insurance, with the Commercial General Liability, Automobile Liability and Employers Liability policies scheduled as underlying

policies. Limits of the policy shall be at least \$4 million per occurrence and in the annual aggregate.

- Other forms or types of insurance which the Limited Partner or Special Limited Partner may now or hereafter require.

Prior to the commencement of any construction of the Project, General Partner shall obtain (or cause to be obtained by the Contractor) and keep in force until the Final Closing:

- Builder's Risk insurance, insuring for all risks of physical loss of or damage (excluding the perils of earthquake and flood, unless specifically required by the Limited Partner or Special Limited Partner) to the real property comprising or intended to comprise the Project construction, and personal property of the Partnership used to maintain or service the Project construction, whether located at the site or elsewhere, including while in-transit Coverage and limits shall be extended to include the loss of anticipated rents sustained due to an insured loss, for a period of at least twelve months from the date of such loss. The Policy shall provide for claims to be paid based upon replacement cost of the lost or damaged property without deduction for depreciation and for any additional architectural or engineering fees incurred as a result of an insured loss; loss payment shall be to the Partnership. Limits of policy will be at least the estimated replacement value of the completed Project. The policy shall have a deductible of no greater than \$10,000 per occurrence. The policy shall carry no coinsurance provisions. The policy shall include an endorsement naming the Limited Partner and Special Limited Partner as Loss Payees, as their interests may appear, and as additional insureds, and shall allow the Limited Partner and Special Limited Partner to be associated in the adjustment of any claim.
- Evidence from the Contractor of Worker's Compensation insurance, insuring for occupational disease or injury and employer's liability, and covering the Contractor's full liability for statutory compensation to any person or persons who perform work in, on, or about the Project construction, including the employees of sub-contractors of any tier, and liability to the dependents of such persons. The policy will be in a form which complies with the worker's compensation acts and safety laws of the state in which the Project is located. Worker's Compensation limits shall be statutory; Employer's Liability Limits shall be at least \$1 million per occurrence.

Prior to any occupancy of the Project, General Partner shall obtain, and shall maintain in full force and effect throughout the term of this Agreement, the following policies of insurance:

- Property Damage insurance, insuring for all risks of physical loss of or damage (excluding the perils of earthquake and flood, unless specifically required by the Limited Partner) to the real property comprising the Project, personal property of

the Partnership used to maintain or service the Project, and new construction, additions, alterations and repairs to structures. The Policy shall provide for claims to be paid based upon replacement cost of the lost or damaged property without deduction for depreciation; loss payment shall be to the Partnership. Limits of policy will be at least the replacement value of the Project (excluding the value of the Project, site utilities, foundations and architectural and engineering expenses). The policy shall have a deductible of no greater than \$10,000 per occurrence. The policy shall carry no coinsurance provisions. Coverage and limits shall be extended to include the actual loss of rents sustained due to an insured loss, for a period of at least twelve months from the date of such loss. Coverage shall be further extended to include debris removal, outdoor trees, shrubs, plants and lawns, and Ordinance or Law coverage for the increased costs of construction caused by the enforcement of building, zoning or Project use law. The policy shall include an endorsement naming the Limited Partner and Special Limited Partner as Loss Payees, as their interests may appear, and as additional insureds, and shall allow the Limited Partner and Special Limited Partner to be associated in the adjustment of any claim.

- Evidence of Worker's Compensation insurance from any contractor performing work for the Partnership, insuring for occupational disease or injury and employer's liability, and covering the Contractor's full liability for statutory compensation to any person or persons who perform work in, on, or about the Project, including the employees of sub-contractors of any tier, and liability to the dependents of such persons. The policy will be in a form which complies with the worker's compensation acts and safety laws of the state in which the Project is located. Worker's Compensation limits shall be statutory; Employer's Liability limits shall be at least \$1 million per occurrence.

All such policies shall be underwritten by companies licensed to write such insurance in the state in which the Project is located, and shall be rated in the latest A.M. Best's Insurance Rating Guide with a rating of at least A, and be in a financial category of at least X. The General Partner shall furnish to the Limited Partner and Special Limited Partner a complete copy of each such policy of insurance. If the policy is not available prior to the Final Closing, then certificates of insurance detailing the policy terms and conditions as noted above shall be provided, but the policies must then be provided within sixty days. All such policies shall include endorsements requiring at least 30 days prior written notice to the Limited Partner and Special Limited Partner of any cancellation, termination or reduction of coverage therein. Notice of the renewal of any policy shall be made at least 10 days prior to the scheduled date of such renewal, and shall be in the form of endorsement to the policy. Notice to the Limited Partner and Special Limited Partner of any replacement of any policy shall be made at least 10 days prior to such replacement, and shall be in the form of a copy of the replacement policy, or by certificate, as noted above.

The General Partner hereby releases and relieves the Limited Partner and Special Limited Partner for any and all liability, and waives its entire right of recovery against them, with

respect to any loss or damage of property or for property damage, bodily injury or personal injury to third-parties arising out of or incident to any loss or peril insured against under any for the foregoing policies, and any other perils for which the General Partner has arranged insurance

EXHIBIT J

AGREEMENT TO PROVIDE ACCOUNTING AND REPORTING SERVICES

THIS AGREEMENT TO PROVIDE ACCOUNTING AND REPORTING SERVICES ("Agreement") made as of March 1, 2002 by and between Citywide Homes 2001 Limited Partnership, a Virginia limited partnership (the "Partnership"), and Housing Capital Corporation of Virginia ("HCCV").

RECITALS

1. The Partnership was formed to acquire, rehabilitate, develop, improve, maintain, own, operate, lease, dispose of and otherwise deal with an apartment project to be known as Citywide Homes 2001 Apartments, located in Virginia Beach, Virginia (the "Project").
2. The Partnership is governed by the terms of that certain Second Amended and Restated Agreement of Limited Partnership dated as of March 1, 2002 ("Partnership Agreement") by and between Beach Properties Incorporated, as general partner, and Housing Equity Fund of Virginia VII, L.L.C., as limited partner.
3. The Project, following the completion of rehabilitation, is expected to constitute a "qualified low-income housing project" (as defined in Section 42(g)(1) of the Code).
4. The Partnership desires to engage the services of HCCV in connection with certain accounting and reporting matters of the Partnership, and HCCV desires to perform such services on the terms and conditions more fully set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and conditions set forth herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

Section 1. Definitions.

Unless indicated to the contrary herein, capitalized terms used herein shall have the same meaning as set forth in the Partnership Agreement.

Section 2. Reports.

(a) Within 60 days after the end of each fiscal year of the Partnership, HCCV shall cause to be delivered to the Partners with respect to such fiscal year the following financial statements:

(i) Audited financial statements for the Partnership (consisting of a balance sheet, income statement and statement of cash flows) prepared in accordance with generally accepted accounting principles, consistently applied;

(ii) A statement and reconciliation of each Partner's Capital Account;

(iii) A statement of the tax basis for the computation of the Tax Credits and depreciation deductions;

(iv) A cash flow statement for such year, which includes a detailed itemization of all Partnership receipts and expenses, including the amount of fees, expenses and other compensation paid by the Partnership to the General Partner and its Affiliates; and

(v) A narrative report summarizing the status of the Partnership's operations.

(b) Within 45 days after the end of each fiscal year of the Partnership, HCCV shall deliver or cause to be delivered to the Partners with respect to such fiscal year a statement showing all items of income, gain, loss, deduction and credit of the Partnership for federal income tax purposes and each Partner's allocable share thereof. The Partners shall have a period of 10 days after their receipt of the aforementioned tax statement to review the same and give any comments thereon to HCCV; it being the express understanding of the parties hereto that HCCV will in no event file or cause any tax returns or reports of the Partnership to be filed prior to the expiration of the aforementioned 10-day period. After the expiration of the aforementioned 10-day period (and any longer period of time which shall be necessary to respond to the changes thereto requested by a Partner) , but in no event later than the date prescribed by law therefor, HCCV shall cause all tax returns and reports required to be filed by the Partnership to be prepared and timely filed with the appropriate authorities and shall furnish to the Partners such tax returns and reports, and all information necessary for the preparation by the Partners, and their partners and shareholders, of their federal, state and local, if any, income tax returns. The General Partner shall retain such tax returns and reports for the Partnership for as long as is required by applicable law, but not less than five years.

(c) The obligations of HCCV hereunder are conditioned upon the General Partner promptly providing to HCCV any information concerning Partnership affairs related to, or required for, the performance of such obligations.

Section 2. Accounting Services Fee

As a fee for its services performed hereunder, HCCV shall be paid a fee equal to Six Thousand and No/100 Dollars (\$6,000) for each calendar year (or portion thereof), increasing annually at the rate of four percent (4%) per annum.

Section 3. Applicable Law.

This Agreement, and the application or interpretation hereof, shall be governed by and construed in accordance with the laws of the State of Virginia.

Section 4. Binding Agreement.

This Agreement shall be binding on the parties hereto, their heirs, executors, personal representatives, successors and assigns. As long as HCCV is not in default under this Agreement, the obligation of the Partnership to pay the Accounting Services Amount shall not be affected by any change in the identity of the general partner of the Partnership.

Section 5. Headings.

All section headings in this Agreement are for convenience of reference only and are not intended to qualify the meaning of any section.

Section 6. Terminology.

All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders, the singular shall include the plural, and vice versa as the context may require.

Section 7. Benefit of Agreement.

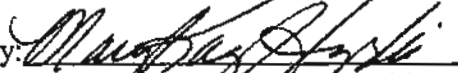
The obligations and undertakings of HCCV set forth in this Agreement are made for the benefit of the Partnership and its Partners and shall not inure to the benefit of any creditor of the Partnership other than a Partner, notwithstanding any pledge or assignment by the Partnership of this Agreement of any rights hereunder.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first written above.

PARTNERSHIP:

CITYWIDE HOMES 2001 LIMITED PARTNERSHIP, a Virginia limited partnership

By: Beach Properties Incorporated,
a Virginia corporation, General Partner

By: 
Mary Kay Horoszewski, President

HCCV:

Housing Capital Corporation of Virginia, a
Virginia not-for-profit corporation

By: _____
Title: _____

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first written above.

PARTNERSHIP:

CITYWIDE HOMES 2001 LIMITED PARTNERSHIP, a Virginia limited partnership

By: Beach Properties Incorporated,
a Virginia corporation, General Partner

By: _____
Mary Kay Horoszewski, President

HCCV:

Housing Capital Corporation of Virginia, a
Virginia not-for-profit corporation


By: 
Title: VICE PRESIDENT

EXHIBIT K

POST CLOSING OBLIGATIONS

23288 v4

L-B-1

POST CLOSING AGREEMENT

March 18, 2002

Housing Equity Fund of Virginia VII, L.L.C.
c/o Virginia Community Development Corporation
114 E. Cary Street, Suite 101
Richmond, VA 23219-1321

Re: Citywide Homes 2001 Limited Partnership ("Partnership")

Ladies and Gentlemen:

As a material inducement for the Housing Equity Fund of Virginia VII, L.L.C. ("Limited Partner") to execute the Second Amended and Restated Agreement of Limited Partnership of the Partnership dated as of March 1, 2002 (the "Partnership Agreement") and to be admitted to the Partnership as the Limited Partner, the Limited Partner requires that this Post Closing Agreement ("Agreement") be executed and delivered to it. Capitalized terms not defined elsewhere in this Agreement shall have the meanings set forth in the Partnership Agreement entered into by and between Beach Properties Incorporated ("General Partner"), the Limited Partner and Virginia Affordable Housing Management Corporation ("Special Limited Partner").

The Limited Partner has due diligence requirements that must be satisfied as a condition to the closing of the Partnership Agreement. In order to facilitate the closing of the Partnership Agreement, the Limited Partner has agreed to accept certain due diligence items after the closing of the Partnership Agreement. In regard to the Partnership Agreement, the Partnership and General Partner agree with each other and the Limited Partners as follows:

(a) Attached hereto as Schedule A is a schedule of due diligence items ("Post Closing Requirements") which must be delivered to and approved by the Limited Partner, in its reasonable discretion, prior to the earlier of May 31, 2002 or the date of the Second Capital Contribution pursuant to the Partnership Agreement (the "Delivery Date"). If the Post Closing Requirements are not satisfied by the Delivery Date, the Limited Partners may, in their reasonable discretion, grant the Partnership an extension of time to meet or comply with the Post Closing Requirements.

(b) In the event that the Partnership fails to satisfy the Post Closing Requirements set forth on Schedule A by the Delivery Date, the Limited Partners shall not be obligated to fund the Second Capital Contribution pursuant to 5.01(d)(ii) of the Partnership Agreement until such compliance occurs. If the General Partner fail to deliver the Post Closing Requirements, such failure shall be deemed to be a breach of the Partnership Agreement and all remedies provided therein and herein shall be available to the Limited Partner.

(c) Time is of the essence as to this Agreement and there shall be no cure or

grace period as to any such breach of the Partnership Agreement.

(d) Guarantor executes this Agreement to evidence its consent and agreement to guaranty the General Partner's and the Partnership's obligations hereunder and under the Partnership Agreement.

(e) Nothing in this Agreement shall be deemed to be a waiver or limitation on any rights of Limited Partners provided in any of the Partnership Documents. Limited Partners shall continue to have all rights and privileges provided in the Partnership Agreement.

(f) This Agreement shall survive the execution of the Partnership Agreement.

(g) Any notice required to be given hereunder shall be in writing and either hand delivered or mailed by certified mail, postage prepaid or delivered by overnight service, or by facsimile, simultaneously to all parties at the addresses set forth below. Each party shall have the right to change its address for the receipt of notices, upon the giving of proper notice to all other parties hereto.

If to Limited
Partners:

Housing Equity Fund of Virginia VII, L.L.C.
c/o Virginia Community Development Corporation
114 E. Cary Street, Suite 101
Richmond, VA 23219
Attention: Ms. Christine Melson
Telephone: (804) 343-1200
Facsimile: (804) 343-1043

With a copy to:

Applegate & Thorne-Thomsen, P.C.
322 S. Green Street, Suite 412
Chicago, IL 60607
Attention: Warren P. Wenzloff, Esq.
Telephone: (312) 421-8400
Facsimile (312) 421-6162

If to the Partnership,
the General Partner
or Guarantor

Citywide Homes 2001 Limited Partnership
c/o Virginia Beach Community Development
Corporation
629 Wesley Drive
Virginia Beach, Virginia 23452
Attention: Mary Kay Horoszewski
Telephone: (757) 463-9516
Facsimile: (757) 463-1382

Beach Properties Incorporated

C/o Virginia Beach Community Development
Corporation
629 Wesley Drive
Virginia Beach, Virginia 23452
Attention: Mary Kay Horoszewski
Telephone: (757) 463-9516
Facsimile: (757) 463-1382

With a copy to:

Kanady & Quinn, P.C.
7130 Glen Forest Drive, Suite 402
Richmond, VA 23226
Attention: Johnson Kanady
Telephone: (804) 282-8494
Facsimile: (804) 282-8496

(remainder of page left blank intentionally)

Very truly yours,

Citywide Homes 2001 Limited Partnership

By: Mary Kay Horoszewski
Mary Kay Horoszewski, President
Beach Properties Incorporated

Beach Properties Incorporated

By: Mary Kay Horoszewski
Mary Kay Horoszewski, President

ACKNOWLEDGED AND CONSENTED TO

This 19th day of March, 2002

Virginia Beach Community Development Corporation

By: Mary Kay Horoszewski
Mary Kay Horoszewski, Executive Director

ACKNOWLEDGED, AGREED AND CONSENTED

To this ___th day of March, 2002

Housing Equity Fund of Virginia VII, L.L.C.

By: Housing Capital Corporation of Virginia,
its managing member

By: _____
Name:
Title:

Virginia Affordable Housing Management Corporation

By: _____
Name:
Title:

Very truly yours,

Citywide Homes 2001 Limited Partnership

By: _____
Mary Kay Horoszewski, President
Beach Properties Incorporated

Beach Properties Incorporated

By: _____
Mary Kay Horoszewski, President

ACKNOWLEDGED AND CONSENTED TO

This ___th day of March, 2002

Virginia Beach Community Development Corporation

By: _____
Mary Kay Horoszewski, Executive Director

ACKNOWLEDGED, AGREED AND CONSENTED

To this 14th day of March, 2002

Housing Equity Fund of Virginia VII, L.L.C.

By: Housing Capital Corporation of Virginia,
its managing member

By: _____
Name: _____
Title: TREASURER

Virginia Affordable Housing Management Corporation

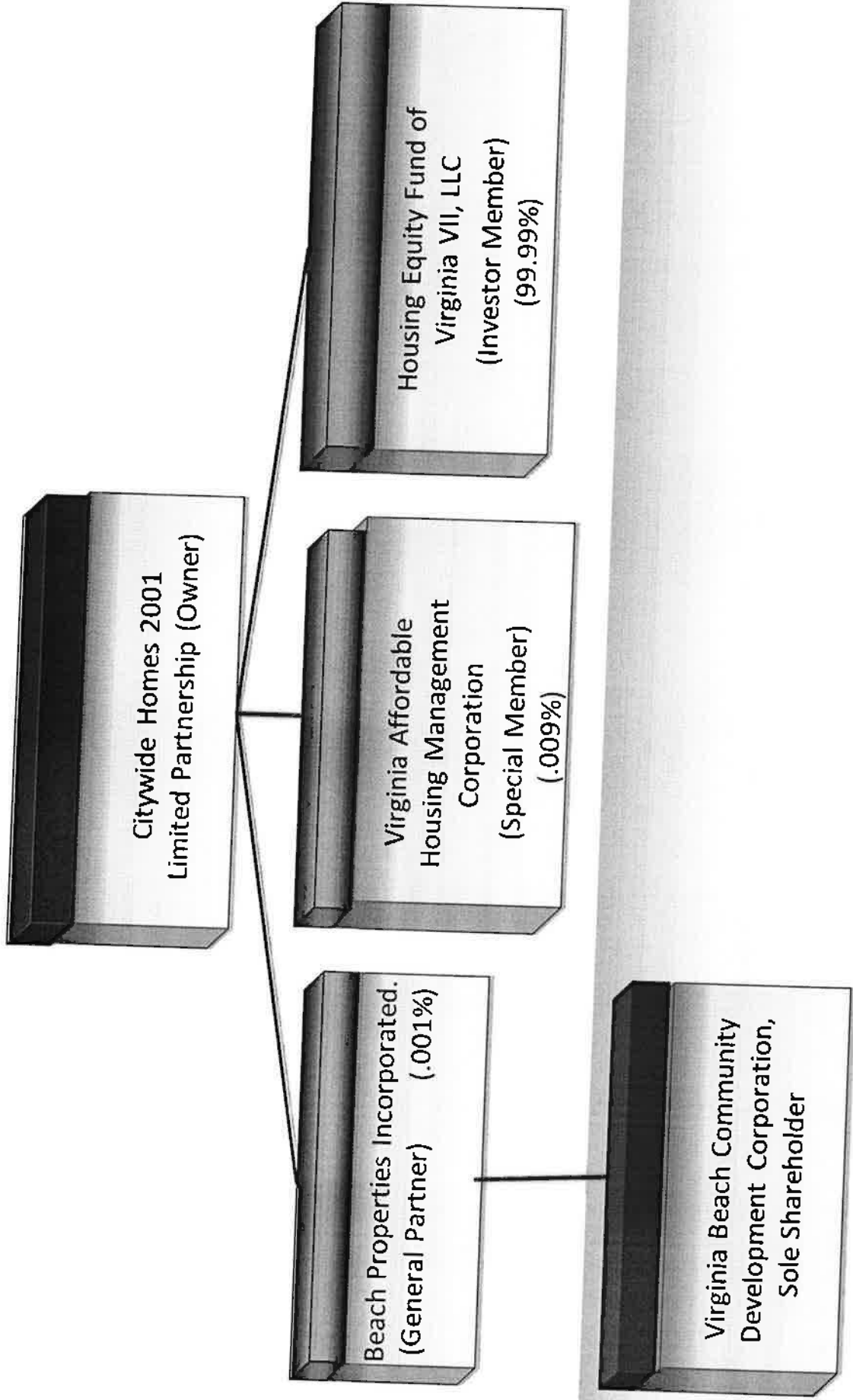
By: _____
Name: _____
Title: TREASURER

SCHEDULE A

1. Copy of issued building permits for all properties that do not receive funding for rehabilitation expenditures from the First Capital Contribution (permits are to be provided to the Limited Partner when issued; this requirement is not subject to the May 31, 2002 Delivery Date);
2. Copy of executed agreement between City of Virginia Beach and VBCDC regarding HUD Rehabilitation Grant Agreement;
3. Delivery of issued title insurance policy;
4. Copies of deeds of correction for First Virginia Bank for legal description of 3225 Boynton;
5. Copies of deeds of correction for Extended Use Agreement for legal description of 3225 Boynton;
6. Copy of amended tax shelter registration executed by VBCDC or Beach Properties (to be received by September 1, 2002, or such later date to which the Limited Partner consents);
7. Copies of the two UCC financing statements reported by the UCC search of the Virginia Corporation Commission for which VBCDC is the debtor
8. Copies of the following recorded documents: Parcel 11: Deed Book 2054, page 215; Deed Book 2143, page 37; Deed Book 2020, Page 748; Deed Book 2025, Page 19; Parcel 12: Deed Book 1095, Page 363; Deed Book 1197, Page 398; Parcel 19: Deed Book 1407, page 697; Parcel 32: Deed Book 1969, page 207; Deed Book 2059, page 591. In addition, copies of the recorded Deed of Trust securing the Deed of Trust Note in the amount of \$13,365, the Deed of Trust securing the Deed of Trust Note in the amount of \$107,115, and the Deed of Correction relating to 3225 Boynton.

27040

CITYWIDE HOMES ORGANIZATIONAL CHART



EXECUTION COPY

**CEDAR GROVE 2011 LIMITED PARTNERSHIP,
A VIRGINIA LIMITED PARTNERSHIP**

AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP

As of June 28, 2012

THE PARTNERSHIP INTERESTS EVIDENCED BY THIS AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP (THE "AGREEMENT") HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933 (THE "ACT") OR PURSUANT TO APPLICABLE STATE SECURITIES LAWS ("BLUE SKY LAWS"). ACCORDINGLY, THE PARTNERSHIP INTERESTS CANNOT BE RESOLD OR TRANSFERRED BY ANY PURCHASER THEREOF WITHOUT REGISTRATION OF THE SAME UNDER THE ACT AND THE BLUE SKY LAWS OF SUCH STATE(S) AS MAY BE APPLICABLE, OR IN A TRANSACTION WHICH IS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE ACT AND THE BLUE SKY LAWS OR WHICH IS OTHERWISE IN COMPLIANCE THEREWITH. IN ADDITION, THE SALE OR TRANSFER OF SUCH PARTNERSHIP INTERESTS IS SUBJECT TO CERTAIN RESTRICTIONS SET FORTH IN THIS AGREEMENT, INCLUDING WITHOUT LIMITATION, THE RESTRICTIONS SET FORTH IN ARTICLE IX HEREOF.

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I <u>CONTINUATION OF PARTNERSHIP</u>	2
1.01 Continuation	2
1.02 Name	2
1.03 Principal Place of Business	2
1.04 Agent for Service of Process	2
1.05 Withdrawal of Withdrawing Member and Admission of Investor Member and Special Member.....	2
1.06 Term	3
1.07 Recording of Articles	3
ARTICLE II <u>DEFINED TERMS</u>	3
ARTICLE III <u>PURPOSE AND BUSINESS OF THE PARTNERSHIP</u>	18
3.01 Purpose of the Partnership.....	18
3.02 Authority of the Partnership	18
ARTICLE IV <u>REPRESENTATIONS, WARRANTIES AND COVENANTS; DUTIES AND OBLIGATIONS</u>	19
4.01 Representations, Warranties and Covenants Relating to the Project and the Partnership.....	19
4.02 Duties and Obligations Relating to the Project and the Partnership	28
4.03 Single Purpose Entity	32
ARTICLE V <u>PARTNERS, PARTNERSHIP INTERESTS AND OBLIGATIONS OF THE PARTNERSHIP</u>	33
5.01 Partners; Capital Contributions; Partnership Interests	33
5.02 Return of Capital Contribution.....	45
5.03 Withholding of Capital Contribution Upon Default.....	45
5.04 Legal Opinions	45
5.05 Repurchase Obligation	46
5.06 Guaranteed Payments	47
5.07 GP Loans	47
ARTICLE VI <u>CHANGES IN GENERAL PARTNERS</u>	48
6.01 Withdrawal of the General Partner	48
6.02 Admission of a Successor or Additional General Partner	49
6.03 Effect of Bankruptcy, Death, Withdrawal, Dissolution or Incompetence of a General Partner	49
6.04 Restrictions on Transfer of General Partner's Interests	50
6.05 Removal of the General Partner	51
ARTICLE VII <u>ASSIGNMENT TO THE PARTNERSHIP</u>	54
ARTICLE VIII <u>RIGHTS, OBLIGATIONS AND POWERS OF THE GENERAL PARTNER</u>	54
8.01 Management of the Partnership.....	54

8.02	Limitations Upon the Authority of the General Partner	55
8.03	Sale of Project	58
8.04	Management Purposes	59
8.05	Delegation of Authority	59
8.06	General Partner or Affiliates Dealing with Partnership	60
8.07	Other Activities	60
8.08	Liability for Acts and Omissions	60
8.09	Indemnification of Limited Partner and the Partnership	61
8.10	Net Worth of General Partner	61
8.11	Construction of the Project, Construction Cost Overruns, Operating Deficits; Other General Partner Guarantees	61
8.12	Development Fee	64
8.13	Incentive Management Fee	65
8.14	Withholding of Fee Payments	65
8.15	Selection of Management Agent; Terms of Management Agreement	65
8.16	Removal of the Management Agent	66
8.17	Replacement of the Management Agent	66
8.18	Loans to the Partnership	67
8.19	Affiliate Guaranty	67
8.20	Intentionally Deleted	67
8.21	Accounting Fee	67
8.22	Public Relations	67
ARTICLE IX TRANSFERS AND RESTRICTIONS ON TRANSFERS OF INTERESTS		
<u>OF LIMITED PARTNERS</u>		68
9.01	Restrictions on Transfer of Limited Partners' Interests	68
9.02	Admission of Substitute Limited Partners	68
9.03	Rights of Assignee of Partnership Interest	69
ARTICLE X RIGHTS AND OBLIGATIONS OF LIMITED PARTNERS		69
10.01	Management of the Partnership	70
10.02	Limitation on Liability of Limited Partners	70
10.03	Other Activities	70
ARTICLE XI PROFITS, LOSSES AND DISTRIBUTIONS		70
11.01	Allocation of Profits and Losses Other Than From Capital Transactions	70
11.02	Allocation of Profits and Losses from Capital Transactions	71
11.03	Distributions: Net Cash Flow	71
11.04	Distributions: Capital Transactions and and Liquidation of Partnership Property	72
11.05	Distributions and Allocations: General Provisions	73
11.06	Capital Accounts	75
11.07	Special Allocations	75
11.08	Designation of Tax Matters Partner	79
11.09	Authority of Tax Matters Partner	80

11.10	Expenses of Tax Matters Partner.....	81
ARTICLE XI <u>SALE, DISSOLUTION AND LIQUIDATION</u>		81
12.01	Dissolution of the Partnership.....	81
12.02	Winding Up and Distribution.....	82
ARTICLE XII <u>BOOKS AND RECORDS, ACCOUNTING, TAX ELECTIONS, ETC</u>		83
13.01	Books of Account.....	83
13.02	Financial Reports.....	83
13.03	Budgets and General Disclosure.....	84
13.04	Tax Information.....	85
13.05	Selection of Accountants.....	85
13.06	Section 754 Elections.....	86
13.07	Fiscal Year and Accounting Method.....	86
13.08	Late Report Penalties.....	86
ARTICLE XIII <u>AMENDMENTS</u>		86
14.01	Proposal and Adoption of Amendments.....	86
ARTICLE XIV <u>CONSENTS, VOTING AND MEETINGS</u>		87
15.01	Method of Giving Consent.....	87
15.02	Submissions to Limited Partners.....	87
15.03	Meetings: Submission of Matter for Voting.....	87
ARTICLE XV <u>GENERAL PROVISIONS</u>		87
16.01	Burden and Benefit.....	87
16.02	Applicable Law.....	87
16.03	Counterparts.....	87
16.04	Separability of Provisions.....	87
16.05	Entire Agreement.....	87
16.06	Liability of the Limited Partner.....	88
16.07	Environmental Protection.....	88
16.08	Notices.....	90
16.09	Headings.....	91
16.10	Pronouns and Plurals.....	91
16.11	VHDA Mortgage Requirements.....	91

**CEDAR GROVE 2011 LIMITED PARTNERSHIP
A VIRGINIA LIMITED PARTNERSHIP**

AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP

THIS AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP is made and entered into as of June 28, 2012, by and among Vets' Housing, Inc., a Virginia corporation (the "General Partner"), Virginia Beach Community Development Corporation, a Virginia non-stock corporation ("VBCDC"), Southeastern Virginia Housing Corporation, a Virginia non-stock corporation, the withdrawing limited partner (the "Withdrawing Limited Partner"), Housing Equity Fund of Virginia XV, L.L.C., a Virginia limited liability company (the "Limited Partner"), VAHM, L.L.C., a Virginia limited liability company (the "Special Limited Partner").

WHEREAS, VBCDC, as the prior general partner, executed a Certificate of Limited Partnership (the "Certificate") for the formation of Cedar Grove 2011 Limited Partnership (the "Partnership") pursuant to the terms of the Revised Uniform Limited Partnership Act of the Commonwealth of Virginia (the "Act"), which Certificate was subsequently filed with the State Corporation Commissioner of the Commonwealth of Virginia (the "State of Formation") on April 16, 2011. VBCDC withdrew from the Partnership and was replaced by General Partner on October 6, 2011 pursuant to an amended certificate filed with the Commissioner on October 6, 2011;

WHEREAS, VBCDC and the Withdrawing Limited Partner have previously executed an Agreement of Limited Partnership of the Partnership dated as of April 19, 2011 (the "Original Agreement");

WHEREAS, the Limited Partner wishes to join the Partnership as the Limited Partner, and the Special Limited Partner wishes to join the Partnership as the Special Limited Partner;

WHEREAS, the Withdrawing Limited Partner wishes to withdraw from the Partnership;

WHEREAS, the General Partner and VBCDC wish to memorialize VBCDC's previous withdrawal and substitution by the General Partner.

WHEREAS, the General Partner, the Special Limited Partner and the Limited Partner wish to continue the Partnership pursuant to the Act by amending and restating the Original Agreement in its entirety;

WHEREAS, the Partnership has been formed to develop, construct, own, maintain and operate a 32-unit apartment complex located in Virginia Beach, Virginia (the "Project");

WHEREAS, the parties hereto now desire to enter into this Amended and Restated Agreement of Limited Partnership to (i) continue the Partnership under the Act; (ii) withdraw the Withdrawing Limited Partner from the Partnership; (iii) memorialize the withdrawal of VBCDC and the substitution of it by the General Partner; (iv) admit the Limited Partner and Special Limited Partner to the Partnership as Partners; and (v) set forth all of the provisions governing the Partnership;

NOW, THEREFORE, in consideration of the foregoing, of mutual promises of the parties hereto and of other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties hereby agree to continue the Partnership pursuant to the Act, as set forth in this Amended and Restated Agreement of Limited Partnership, which reads in its entirety as follows:

ARTICLE I CONTINUATION OF PARTNERSHIP

1.01 Continuation. The undersigned hereby continue the Partnership as a limited partnership under the Act.

1.02 Name. The name of the Partnership is Cedar Grove 2011 Limited Partnership.

1.03 Principal Place of Business. The principal place of business of the Partnership shall be 2400 Potters Road, Virginia Beach, VA 23454. The Partnership may change the location of its principal place of business to such other place or places within the Commonwealth of Virginia as may hereafter be determined by the General Partner. The General Partner shall promptly notify all other Partners of any change in the principal place of business. The Partnership may maintain such other offices at such other place or places as the General Partner may from time to time deem advisable.

1.04 Agent for Service of Process. The name of the Agent for service of process is Louis G. Paulson, who is a resident of Virginia and a member of the Virginia State Bar, and whose address is 1432 N. Great Neck Road, Suite 101, Virginia Beach, VA 23454, in the county of Virginia Beach.

1.05 Withdrawal of Withdrawing Limited Partner and Admission of Limited Partner and Special Limited Partner. The Withdrawing Limited Partner hereby withdraws as a Partner of the Partnership. VBCDC certifies that it withdrew as the general partner and General Partner was substituted for it as of October 6, 2011. Both Withdrawing Limited Partner and VBCDC represent and warrant for itself that it has no interest in the Partnership and is not entitled to any fees, distributions, compensation or payments from the Partnership and that it has no interest in any property or assets of the Partnership. The Limited Partner and Special Limited Partner are hereby admitted to the Partnership as the sole Limited Partner and Special Limited Partner.

1.06 Term. The term of the Partnership commenced as of the date of the filing of the Certificate with the Secretary of the Commonwealth of Virginia, and shall continue until April 19, 2061, unless the Partnership is sooner dissolved in accordance with the provisions of this Agreement.

1.07 Recording of Articles. Upon the execution of this Amended and Restated Agreement of Limited Partnership by the parties hereto, the General Partner shall take all actions necessary to assure the prompt recording of an amendment to the Certificate if and as required by the Act, including filing with the State Corporation Commission of the Commonwealth of Virginia. All fees for filing shall be paid out of the Partnership's assets. The General Partner shall take all other necessary action required by law to perfect and maintain the Partnership as a limited partnership under the laws of the State, and shall register the Partnership under any assumed or fictitious name statute or similar law in force and effect in the Commonwealth of Virginia.

ARTICLE II DEFINED TERMS

In addition to the terms defined in the preamble to this Agreement, the following terms used in this Agreement shall have the meanings specified below:

"Accountants" means Dooley & Vicars or such other firm of independent certified public accountants as may be engaged by the General Partner, with the Consent of the Limited Partner, to prepare financial statements and provide other services to the Partnership. Dooley & Vicars (or other independent accountants approved by the Limited Partner) shall review and execute all tax returns for the Partnership.

"Accounting Fee" shall have the meaning set forth in Section 8.21.

"Act" means the Virginia Limited Partnership Act, as may be amended from time to time during the term of the Partnership.

"Actual Credit" means as of any point in time, the total amount of the LIHTC allocated by the Partnership to the Limited Partner, representing ninety-nine and ninety-nine hundredths percent (99.99%) of the aggregate LIHTC reported and claimed by the Partnership and its Partners on their respective federal information and income tax returns, and not disallowed by any taxing authority.

"Adjusted Capital Account Deficit" means, with respect to any Partner, the deficit balance, if any, in such Partner's Capital Account as of the end of the relevant fiscal period after giving effect to the following adjustments: (a) the credit to such Capital Account of any amounts which such Partner is obligated to restore under this Agreement or is deemed to be obligated to restore pursuant to either (i) the penultimate sentences of Treas. Reg. §1.704-2(g)(1) and Treas. Reg. §1.704-2(i)(5), or (ii) amounts that the Partner is treated as obligated to restore under Treas. Reg. §1.704-1(b)(2)(ii)(c); and (b) the debit to such Capital Account of the amounts described in Treas. Reg. §1.704-1(b)(2)(ii)(d)(4), (5) and

(6). The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Treas. Reg. §1.704-1(b)(2)(i)(d) and shall be interpreted consistently therewith.

"Affiliate" of a specified Person means (i) any Person directly or indirectly controlling, controlled by or under common control with the Person specified, (ii) any Person owning or controlling ten percent (10%) or more of the outstanding voting securities or beneficial interests of the Person specified, (iii) any officer, director, partner, trustee or member of the immediate family of the Person specified, (iv) if the Person specified is an officer, director, partner, managing member or trustee, any corporation, limited partnership, limited liability company or trust for which that Person acts in that capacity, or (v) any Person who is an officer, director, managing member, general partner, trustee or holder of ten percent (10%) or more of the outstanding voting securities or beneficial interests of any Person described in clauses (i) through (iv). The term "control" (including the term "controlled by" and "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Affiliate Guarantor" means Virginia Beach Community Development Corporation, which is an Affiliate of the General Partner.

"Affiliate Guaranty" means the guaranty of the performance of the obligations of the General Partner under this Agreement and the obligations of the Developer under the Development Agreement for the benefit of the Limited Partner given by the Affiliate Guarantor, which Affiliate Guaranty is in the form of **Exhibit D**.

"Affiliated Partnership" means a limited partnership in which the General Partner or an Affiliate thereof is a general partner or a limited liability company in which the General Partner or an Affiliate is a managing member, and in which the Limited Partner or an Affiliate of the Limited Partner is a Partner or limited partner.

"Agency" means the Virginia Housing Development Authority, in its capacity as the agency designated to allocate LIHTC, acting through any authorized representative.

"Agreement" means this Amended and Restated Agreement of Limited Partnership, as amended from time to time.

"AHAP" means, the Agreement to enter into a Housing Assistance Payments between the Partnership and the City of Virginia Beach Department of Housing and Neighborhood Preservation with respect to all Project units.

"Articles" means the Partnership's Certificate or any other instrument or document which is required under the laws of the State of Formation to be signed by the General Partner and filed in the appropriate public offices within the State of Formation to perfect or maintain the Partnership as a limited partnership under the laws of the State of Formation, to effect the admission, withdrawal or

substitution of any Partner of the Partnership, or to protect the limited liability of the limited partners as Partners under the laws of the Commonwealth of Virginia.

"Assumed General Partner Tax Liability" means for any given year the product of (i) the sum of (A) the Profits, if any, allocated to the General Partner pursuant to Section 11.01(b) plus (B) any items of income, gain, loss, deduction or credit which are specially allocated to the General Partner pursuant to Sections 11.07(a) and (d) through (j) times (ii) a percentage equal to the sum of (C) the highest federal corporate tax rate for such year plus (D) the highest state corporate tax rate for such year.

"Assumed Limited Partner Tax Liability" means for any given year the product of (i) the sum of (A) the Profits, if any, allocated to the Limited Partner pursuant to Section 11.01(b) plus (B) any items of income, gain, loss, deduction or credit which are specially allocated to the Limited Partner pursuant to Sections 11.07(a) and (d) through (j) times (ii) a percentage equal to the sum of (C) the highest federal corporate tax rate for such year plus (D) the highest state corporate tax rate for such year.

"Authority" or **"Authorities"** means any nation or government, any state or other political subdivision thereof, and any entity exercising its executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including but not limited to, any federal, state or municipal department, commission, board, bureau, agency, court, tribunal or instrumentality.

"Bankruptcy" or **"Bankrupt"** as to any Person means the filing of a petition for relief as to any such Person as debtor or bankrupt under the Bankruptcy Act of 1898 or the Bankruptcy Code of 1978 or like provision of law (except if such petition is contested by such Person and has been dismissed within 60 days); insolvency of such Person as finally determined by a court proceeding; filing by such Person of a petition or application to accomplish the same or for the appointment of a receiver or a trustee for such Person or a substantial part of his assets; commencement of any proceedings relating to such Person under any other reorganization, arrangement, insolvency, adjustment of debt or liquidation law of any jurisdiction, whether now in existence or hereinafter in effect, either by such Person or by another, provided that if such proceeding is commenced by another, such Person indicates his approval of such proceeding, consents thereto or acquiesces therein, or such proceeding is contested by such Person and has not been finally dismissed within 60 days.

"Breakeven Operations" means the date following Final Closing upon which the gross operating revenues from the normal operation of the Project received on a cash basis (including all public subsidy payments due and payable at such time but not yet received by the Partnership) for a period of six (6) consecutive calendar months after Final Closing equals or exceeds all accrued operational costs of the Project, including, but not limited to, taxes, assessments, reserve fund for replacement deposits and debt service payments, the Accounting Fee and a ratable portion of the annual amount (as reasonably estimated by the General Partner) of those seasonal and/or periodic expenses (such as utilities, maintenance expenses and real estate taxes or service charges in lieu of

real estate taxes) which might reasonably be expected to be incurred on an unequal basis during a full annual period of operation, for such period of six (6) consecutive calendar months on an annualized basis (based on projections of the Partnership), as evidenced by a certification of the General Partner with an accompanying unaudited balance sheet of the Partnership indicating that all trade payables have been satisfied (or with respect to trade payables within sixty (60) days of the date the services were performed or goods were delivered, the trade payables shall not be past due and the Partnership shall have an adequate cash reserve for the payment of such trade payables), all as shall be subject to the approval of the Limited Partner. For the purpose of calculating Breakeven Operations only, the following costs shall not be considered operating costs of the Project: (i) payments on the Incentive Management Fee; and (ii) payments to be made under the Development Agreement.

"Bridge Loan Interest" means the interest expense incurred by Limited Partner in connection with any loan obtained by such Limited Partner which is secured by the deferred capital contribution obligations of any of the members of such Limited Partner.

"Capital Account" means the capital account of a Partner as described in Section 11.06.

"Capital Contribution" means the total amount of money or other property contributed or agreed to be contributed, as the context requires, to the Partnership by each Partner pursuant to the terms of this Agreement. Any reference to the Capital Contribution of a Partner shall include the Capital Contribution made by a predecessor holder of the Interest of such Partner.

"Capital Transaction" means any transaction out of the ordinary course of the Partnership's business which is capital in nature, including without limitation, the disposition, whether by sale (except when such sale proceeds are to be used pursuant to a plan or budget approved by all of the Partners), casualty (where the proceeds are not to be used for reconstruction), condemnation, refinancing or similar event of any part or all of the Project.

"Capitalized Bridge Loan Interest" means any Bridge Loan Interest required to be capitalized by the Partnership pursuant to Code Section 263A.

"Carveouts" has the meaning set forth in Section 4.01(g).

"Certificate" has the meaning set forth in the Recitals hereof.

"Certified Credits" means ninety-nine and ninety-nine hundredths percent (99.99%) of the annual LIHTC that the Accountants certify in writing to the Partnership that the Partnership will be able to claim during each full fiscal year during the Credit Period for all buildings in the Project assuming full compliance with the rent restrictions and income limitations of Section 42 of the Code. The calculation of the Certified Credits shall be based, among other things, on the Form(s) 8609 issued by the Agency for all the buildings comprising the Project and on the cost certification prepared in connection with the application by the Partnership for Form(s) 8609. Once the Certified Credits are determined, they shall not be adjusted during the term of this Agreement; provided,

however, if with respect to an LIHTC Recapture Event the General Partner makes a payment under Section 8.11(c), then the Certified Credits shall be reduced prospectively by the annual reduction in LIHTC attributable to such LIHTC Recapture Event.

"Certified Credit Capital Adjustment" has the meaning set forth in Section 5.01(e)(i)

"Certified Credit Capital Decrease" has the meaning set forth in Section 5.01(e)(i).

"Certified Credit Capital Increase" has the meaning set forth in Section 5.01(e)(i).

"Code" means the Internal Revenue Code of 1986, as amended from time to time, or any corresponding provision or provisions of succeeding law.

"Completion Loan" has the meaning set forth in Section 8.11(a).

"Compliance Termination Sale" has the meaning set forth in Section 8.03(a).

"Consent" means the prior written consent or approval of the Limited Partner and/or any other Person, as the context may require, to do the act or thing for which the consent is solicited.

"Construction Contract" means the construction contract in the guaranteed maximum amount of \$3,978,251 (including all exhibits and attachments thereto) to be entered into between the Partnership and the Contractor, pursuant to which the Project is to be constructed. Such Construction Contract shall be subject to the Consent of the Limited Partner.

"Construction Loan" means the Project Loan from a private lender identified on **Exhibit F** hereto.

"Construction Period Management Incentive Fee" has the meaning set forth in Section 4.02(s).

"Contractor" means Community Housing Partners Corporation, a Virginia corporation, which is the general construction contractor for the Project.

"Continued Compliance Sale" has the meaning set forth in Section 8.03(a).

"Counsel" or "Counsel for the Partnership" means Kanady & Quinn, P.C., or such other attorney or law firm upon which the Limited Partner and the General Partner shall agree; provided, however, that if any section of this Agreement either (i) designates particular counsel for the purpose described therein, or (ii) provides that counsel for the purpose described therein shall be chosen by another method or by another Person, then such designation or provision shall prevail over this general definition.

"Credit Period" means the ten-year "credit period" as defined in and determined in accordance with Section 42(f) of the Code.

"Debt Service Coverage Ratio" shall mean a fraction, the numerator of which is the difference between all cash actually received by the Partnership on a cash basis from normal operations, less all accrued operational costs of the Project, including any required deposits to a capital replacement reserve, and the denominator of which is all debt service, reserve, mortgage insurance premium and/or other cash requirements imposed by the Project Loan documents properly allocable to a particular period on an annualized basis, as determined by the Accountants (but not including loans to be repaid solely from available Net Cash Flow).

"Developer" means Virginia Beach Community Development Corporation.

"Development Agreement" means the Development Agreement between the Partnership and the Developer as of even date herewith relating to the development of the Project and providing for the payment of the Development Fee, in the form set forth in Exhibit A.

"Development Budget" means the acquisition, construction, rehabilitation, development and financing budget for the acquisition, construction, rehabilitation, development, financing and operation of the Project, including without limitation the construction or rehabilitation of all improvements, the furnishing of all personalty in connection therewith, and the operation of the Project which Budget is attached hereto as Exhibit H, and any amendments thereto made with the Consent of the Limited Partner. The Development Budget shall also include a calculation of the Projected LIHTC for the Project indicating the assumptions regarding basis which underlie such calculation, a 15-year income/expense pro forma, profit/loss statement, cash flow statement, depreciation/amortization schedule, capital account, minimum gain and 30 year analysis and a calculation of net sale proceeds.

"Development Costs" means all of the following: (i) all direct or indirect costs paid or accrued by the Partnership related to the acquisition of the Land (and any improvements thereon) and the development or rehabilitation of the Project, including payment of the Development Fee, amounts due under the Construction Contract, any construction cost overruns, the cost of any change orders and all costs necessary to achieve Substantial Completion; (ii) all costs to achieve Initial Closing and Final Closing, and satisfy any escrow deposit requirements which are conditions to the Final Closing, including any amounts necessary for local taxes, utilities, mortgage insurance premiums, casualty and liability insurance premiums, and any applicable loan fees, discounts or other expenses; (iii) for the period prior to Breakeven Operations, all costs, payments and deposits needed to avoid a default under any Project Loan, including without limitation, all required deposits to satisfy any requirements of a Project Lender to keep a Project Loan "in balance"; (iv) all costs and expenses relating to remedying any environmental problem or condition or Hazardous Materials that existed on or prior to Final Closing; and (v) all Operating Deficits incurred by the Partnership prior to Breakeven Operations and the achievement of at least 95% physical and economic occupancy during the three-month period while Breakeven Operations are achieved.

"Development Fee" means the fee payable by the Partnership to the Developer pursuant to Section 8.12 of this Agreement.

"Downward Capital Adjustment." has the meaning set forth in Section 5.01(e)(i).

"Early Delivery Capital Adjustment" has the meaning set forth in Section 5.01(e)(i).

"Economic Risk of Loss" has the meaning specified in Treas. Reg. §1.752-2.

"Environmental Consultant" has the meaning set forth in Section 5.01(j).

"Excess Development Costs" means all Development Costs in excess of the proceeds of the Project Loans and all Capital Contributions the General Partner and Limited Partner are required to make hereunder.

"Extended Use Agreement" means the Extended Use Regulatory Agreement and Declaration of Restrictive Covenants executed by the Partnership and delivered to the Agency prior to the Initial Closing, setting forth certain terms and conditions under which the Project is to be operated.

"Final Closing" means the occurrence of all of the following: (i) Substantial Completion, (ii) approval by the Project Lenders, if any, of the Partnership's certification of actual costs as to the development and construction or rehabilitation of the Project, (iii) disbursement by all Project Lenders of any and all previously undisbursed Project Loan proceeds including the funding of the Permanent Loan under Documents acceptable to the Limited Partner, and (iv) commencement of amortization as to all Project Loans (to the extent any Project Loan requires principal amortization).

"Final Mortgage Amount" means the principal amount of all of the Project Loans, advanced at or prior to the Final Closing, before any reduction resulting from repayments of principal thereof.

"40-60 Set-Aside Test" means the Minimum Set-Aside Test whereby at least 40% of the units in the Project must be occupied by individuals with incomes of 60% or less of area median income, as adjusted for family size.

"General Partner" means Vets' Housing, Inc., a Virginia corporation, and any other Person admitted as a General Partner pursuant to this Agreement, and their respective successors as any such successor may be admitted pursuant to this Agreement, including those Persons admitted pursuant the provisions of Sections 6.02 and 6.03.

"General Partner Pledge" has the meaning set forth in Section 8.19.

"General Partner's Special Capital Contribution" has the meaning set forth in Section 5.01(b).

"GP Loans" means the loans which may be made by the General Partner to the Partnership pursuant to Section 5.07(a) hereof, including any accrued interest thereon. Operating Deficit Loans shall not constitute GP Loans.

"Guarantor LIHTC Compliance Loan" has the meaning set forth in Section 8.11(c)(v).

"HAP" means, the Housing Assistance Payment Contract between the Partnership and the City of Virginia Beach Department of Housing and Neighborhood Preservation with respect to all Project units.

"Hazardous Substances" has the meaning set forth in Section 16.07(e).

"Hazardous Waste Laws" has the meaning set forth in section 16.07(e).

"Incentive Management Fee" means the fee payable by the Partnership to the General Partner pursuant to Section 8.13 of this Agreement.

"Initial Amount" has the meaning set forth in Section 4.02(q).

"Initial Closing" means the date upon which one or more of the Project Loans is closed and the initial disbursement is made thereunder. The Initial Closing is anticipated to occur on June 28, 2012.

"Initial Period" has the meaning set forth in Section 8.11(b).

"Interest" or "Partnership Interest" means the ownership interest of a Partner in the Partnership at any particular time, including the right of such Partner to any and all benefits to which such Partner may be entitled as provided in this Agreement and in the Act, together with the obligations of such Partner to comply with all the terms and provisions of this Agreement and of said Act.

"IRS" means the Internal Revenue Service of the United States or any successor agency.

"Land" means the tract of land currently owned or to be purchased by the Partnership upon which the Project will be located, as more particularly described on Exhibit C attached hereto.

"Late Delivery Capital Adjustment" has the meaning set forth in Section 5.01(e)(i).

"Lease-Up Reserve" has the meaning set forth in Section 4.02(s).

"LIHTC" means the low-income housing tax credit allowed for low-income housing projects pursuant to Section 42 of the Code.

"LIHTC Compliance Guaranty" means, collectively, the General Partner obligations set forth in Section 8.11(c).

"LIHTC Recapture Event" means (a) the filing of a tax return by the Partnership evidencing a reduction in the qualified basis of the Project causing a recapture of LIHTC previously allocated to the Limited Partner, (b) a reduction in the qualified basis of the Project following an audit by the IRS which results in the assessment of a deficiency by the IRS against the Partnership with respect to any LIHTC previously claimed in connection with the Project, unless the Partnership shall timely file a petition with respect to such deficiency with the United States Tax Court and any other federal tax court of competent jurisdiction and the collection of such assessment shall be stayed pending the disposition of such petition, (c) a decision by the United States Tax Court or any other federal court of competent jurisdiction upholding the assessment of such deficiency against the Partnership with respect to any LIHTC previously claimed in connection with the Project, unless the Partnership shall timely appeal such decision and the collection of such assessment shall be stayed pending the disposition of such appeal, or (d) the decision of a federal court of competent jurisdiction affirming such decision.

"LIHTC Reduction Guaranty Payment" has the meaning set forth in Section 5.01(e)(ii).

"LIHTC Shortfall" means, as to any period of time, the difference between the Certified Credit for such period of time and the Actual Credit for such period of time. For purposes of determining the amount of the LIHTC Shortfall for a particular period of time, if there is an adjustment to Capital Contributions under Section 5.01(e) because of a Late Delivery Capital Adjustment, the LIHTC Shortfall for such period of time shall be reduced by the Late Delivery Capital Adjustment.

"Limited Partner" means, initially, Housing Equity Fund of Virginia XV, L.L.C., a Virginia limited liability company.

"Limited Partner Due Diligence Costs" has the meaning set forth in Section 5.01(f).

"Liquidator" means the General Partner or, if there is none at the time in question, such other Person who may be appointed in accordance with applicable law and who shall be responsible for taking all action necessary or appropriate to wind up the affairs of, and distribute the assets of, the Partnership upon its dissolution.

"Loan Agreement" means any loan agreement and/or similar agreement with respect to the terms and conditions of the making of any of the Project Loans, which will be entered into between the Partnership and any one of the Project Lenders at or prior to the Final Closing.

"Losses" has the meaning set forth in the definition of "Profits" and "Losses."

"Management Agent" means the management and rental agent for the Project designated pursuant to Section 8.15.

"Management Agreement" means the agreement between the Partnership and the Management Agent providing for the marketing and management of the Project by the Management Agent.

"Minimum Gain" means the amount determined by computing with respect to each Nonrecourse Debt the amount of gain, if any, that would be realized by the Partnership if it disposed of the asset securing such liability (in a taxable transaction) in full satisfaction thereof (and for no other consideration), and by then aggregating the amounts so computed. For purposes of determining the amount of such gain with respect to a liability, the adjusted basis for federal income tax purposes of the asset securing the liability shall be allocated among all the liabilities that the asset secures in the manner set forth in Treas. Reg. §1.704-2(d)(2).

"Minimum Set-Aside Test" means the set-aside test selected by the Partnership pursuant to Section 42(g) of the Code with respect to the percentage of units in its Project to be occupied by tenants with incomes equal to no more than a certain percentage of area median income. The Partnership has selected or will select the 40–60 Set-Aside Test as restricted by Code Section 42(g)(1) to require at least 40% of the units in the Project be occupied by individuals with incomes of 60% or less of area median income, as adjusted for family size, as the Minimum Set-Aside Test.

"Mortgage" means any deed of trust to be given by the Partnership in favor of any Project Lender as maker of a Project Loan, constituting a lien on the Project and securing a Project Loan.

"Net Cash Flow" means the sum of (i) all cash received from rents, lease payments and all other sources, but excluding (A) tenant security or other deposits (except to the extent forfeited to the Partnership), (B) Capital Contributions and interest thereon (other than if used to pay for an item deducted below in determining Net Cash Flow), (C) proceeds from Capital Transactions and (D) interest on reserves not available for distribution, (ii) the net proceeds of any insurance, other than fire and extended coverage and title insurance, to the extent not reinvested, and (iii) any other funds deemed available for distribution by the General Partner with the approval of the Project Lenders, if required, **less** the sum of (x) all cash expenditures, and all expenses unpaid but properly accrued, which have been incurred in the operation of the Partnership's business (whether or not such expenditure is deducted, amortized or capitalized for tax purposes), including the management fee to the Management Agent and the Accounting Fee, (y) all payments on account of any loans made to the Partnership (whether such loan is made by a Partner or otherwise), but not including any amounts to be paid pursuant to the Development Agreement or pursuant to any loans made by any Partners where repayment of such loans is to be made out of Net Cash Flow, and (z) any cash reserves for working capital, capital expenditures, repairs, replacements and anticipated expenditures, in such amounts as may be required by the Project Lenders or the Limited Partner, or may be determined from time to time by the General Partner with the approval of the Limited Partner and the Project Lenders, if required, to be advisable for the operation of the Partnership.

"Net Projected Tax Liabilities" means, as determined by the Accountants, based on the Partnership's tax records, and any final adjustments made prior to the availability of proceeds of Capital Transaction(s) for distribution, the cumulative amounts of the respective projected liabilities (collectively, the "Projected Tax Liabilities") of the General Partner, the Limited Partner's members, and their respective partners and members, if any (collectively, the "Partnership Taxpayers"), for any and all federal, state, and local taxes, including any recapture of prior LIHTC, to be imposed on the Partnership Taxpayers by reason of all Capital Transactions of the Partnership from which the proceeds in question are to be distributed, any and all prior Capital Transactions of the Partnership (to the extent proceeds from such prior Capital Transactions equal to the Projected Tax Liabilities for such prior transactions were not distributed) and any liquidation of the Partnership. Such projections of liabilities shall estimate the applicable tax rate or rates for the General Partner (based on actual or projected taxable income) and shall assume the maximum applicable tax rate or rates for each of the Limited Partner's partners or members, if any (without regard to actual taxable income), in effect at the time of each Capital Transaction, in all cases without regard to the alternative minimum tax, limitations on the use of business tax credits, or other factors that may affect tax liability in particular cases, and without adjustment for any variance from actual tax liabilities that may later occur.

"New Allocation" has the meaning set forth in Section 11.07(m)(ii).

"Nonrecourse Debt" means any Partnership liability that is considered nonrecourse for purposes of Treas. Reg. §1.1001-2 (without regard to whether such liability is a recourse liability under Treas. Reg. §1.752-1(a)(1)).

"Nonrecourse Deductions" has the meaning set forth in Treas. Reg. §1.704-2(b)(1).

"Nonrecourse Liability" means any Partnership liability (or portion thereof) for which no Partner or related Person (within the meaning of Treas. Reg. §1.752-4(b)) bears (or is deemed to bear) the Economic Risk of Loss.

"Note" means any mortgage or deed of trust promissory note given by the Partnership in favor of a Project Lender evidencing a Project Loan.

"Notice" means a writing containing the information required by this Agreement to be communicated to a Partner and sent by any manner set forth in Section 16.08, to such Partner at such Partner's address as specified pursuant to Section 16.08, the date of receipt thereof (or the next business day if the date of receipt is not a business day) or, in the case of registered or certified mail, the date of registry thereof or the date of the certification receipt, as applicable, being deemed the date of such Notice; provided, however, that any written communication containing such information sent to such Partner actually received by such Partner shall constitute Notice for all purposes of this Agreement.

"Operating Deficit" means the amount by which the gross receipts of the Partnership from lease payments, and all other income and receipts of the Partnership (other than proceeds of any loans to the Partnership, Capital Contributions, and investment earnings not available for distribution on funds on deposit in the Reserve Fund for Replacements, and other such reserve or escrow funds or accounts not available for distribution) for a particular period of time, is exceeded by the sum of all the operating expenses, including all debt service, operating and maintenance expenses, required deposits into the Reserve Fund for Replacements, any fees to the Project Lenders and/or any applicable mortgage insurance premium payments and all other Partnership obligations or expenditures, and excluding payments for construction of the Project and fees and other expenses and obligations of the Partnership to be paid from the Capital Contributions of the Limited Partner to the Partnership pursuant to this Agreement during the same period of time.

"Operating Deficit Loan" shall have the meaning set forth in Section 8.11(b) of this Agreement.

"Operating Reserve" means the reserve referred to in Section 4.02(r).

"Partner" means any General Partner, Limited Partner or Special Limited Partner.

"Partner Nonrecourse Debt" means any Nonrecourse Debt (or portion thereof) for which a Partner or related Person (within the meaning of Treas. Reg. §1.752-4(b)) bears (or is deemed to bear) the Economic Risk of Loss.

"Partner Nonrecourse Deductions" has the meaning set forth in Treas. Reg. §1.704-2(i)(2), and the amount of Partner Nonrecourse Deductions with respect to a Partner Nonrecourse Debt for a fiscal year shall be determined in accordance with the rules of Treas. Reg. §1.704-2(i)(2).

"Partnership" means Cedar Grove 2011 Limited Partnership, a Virginia limited partnership.

"Payment Date" means the date which is ninety (90) days after the end of the Partnership's fiscal year with respect to the preceding fiscal year.

"Percentage Interest" means the percentage Interest of each Partner as set forth in Sections 5.01(a) and (c).

"Permanent Loan" means the loans set forth on **Exhibit F** hereto and described as permanent loans.

"Person" means any individual, partnership, corporation, trust, limited liability company or other entity.

"Plans and Specifications" means the plans and specifications for the Project stamped with the seal of an architect and/or engineer, which are subject to the approval of the Limited Partner, and any changes thereto made in accordance with the terms of this Agreement.

"Post Closing Obligations" means those conditions to the Limited Partner's obligation to fund all or any portion of its Capital Contribution as more fully described on the Post Closing Letter attached hereto as **Exhibit K**.

"Prime Rate" means the interest rate announced from time to time by The Wall Street Journal as the prime lending rate expressed as a percent per annum. The "Prime Rate" shall be adjusted semi-annually on January 1 and July 1 of each year.

"Profits" and **"Losses"** mean, for each fiscal year of the Partnership, an amount equal to the Partnership's taxable income or loss for such period from all sources, determined in accordance with §703(a) of the Code, adjusted in the following manner: (a) the income of the Partnership that is exempt from federal income tax shall be added to such taxable income or loss; (b) any expenditures of the Partnership which are not deductible in computing its taxable income and not properly chargeable to capital account under either §705(a)(2)(B) of the Code or the regulations promulgated under §704(b) of the Code shall be subtracted from such taxable income or loss; (c) in the event any Partnership asset is revalued in accordance with Treas. Reg. §1.704-1(b)(2)(iv)(f), then the amount of any adjustment to the value of such Partnership asset shall be taken into account as gain or loss from the disposition of such Partnership asset for purposes of computing Profits or Losses; (d) gain or loss resulting from any disposition of Partnership asset which has been revalued pursuant to Treas. Reg. §1.704-1(b)(2)(iv)(f) and with respect to which gain or loss is recognized for Federal income tax purposes shall be computed by reference to the adjusted value of such Partnership asset, notwithstanding that the adjusted tax basis of such Partnership asset differs from the adjusted value; (e) any depreciation, amortization or other cost recovery deductions taken into account in computing such taxable income or loss shall be recomputed based upon the adjusted value of any Partnership asset which has been revalued in accordance with Treas. Reg. §1.704-1(b)(2)(iv)(f); and (f) any items of income, gain, loss, deduction or credit which are specially allocated pursuant to Sections 11.07(b) through (n) shall not be taken into account in computing Profits or Losses.

"Project" means the land currently owned by the Partnership in Virginia Beach, Virginia and the improvements to be constructed, owned and operated thereon by the Partnership, and to be known as Cedar Grove Apartments.

"Project Documents" means and includes the Construction Contract, the Mortgages, Notes, Loan Agreements, Regulatory Agreement, AHAP, HAP, Extended Use Agreement, Management Agreement and all instruments delivered to (or required by) the Project Lenders or the Agency to the extent not otherwise listed in this definition.

"Project Lender" means any lender in its capacity as a lender of one of the Project Loans, or its successors and assigns in such capacity, acting through any authorized representative.

"Project Loans" means those loans set forth and described on Exhibit F hereto.

"Projected LIHTC" has the meaning set forth in Section 4.01(p).

"Qualified Contract" has the meaning set forth in Section 42(b)(h)(F) of the Code.

"Qualified Occupancy" shall mean occupancy of a LIHTC unit by a Qualified Tenant.

"Qualified Tenants" shall mean tenants under executed leases of at least six (6) months who at the time of their initial occupancy of the Project satisfy the (i) rent restriction and (ii) minimum set-aside test selected by the Partnership pursuant to Section 42(g) of the Code with respect to the percentage of units in the Project to be occupied by tenants with incomes equal to no more than a certain percentage of area median income.

"Recapture Amount" has the meaning set forth in Section 11.02(c).

"Regulations" or "Treasury Regulations" or "Treas.Reg." means the Income Tax Regulations issued under the Code.

"Regulatory Agreement" means, to the extent applicable, and collectively, any regulatory agreements and/or any declaration of covenants and restrictions to be entered into between the Partnership and any Project Lender or any applicable government agency, whether prior to, at or after the Initial Closing, setting forth certain terms and conditions under which the Project is to be operated.

"Rent Restriction Test" means the test pursuant to Section 42(g) of the Code whereby the gross rent charged to tenants of the low-income units in the Project cannot exceed thirty percent (30%) of the imputed income limitation of the applicable units.

"Reserve Fund for Replacements" means the cash funded reserve for replacements required pursuant to Section 4.02 (q).

"Special Additional Capital Contribution" means the Special Additional Capital Contributions of the Limited Partner under Section 5.01(d)(viii).

"Special Limited Partner" means VHMC, LLC, a Virginia limited liability company.

"State Designation" means, with respect to the Project, the allocation by the Agency of LIHTC, as evidenced by the receipt by the Partnership of either a carryover allocation of LIHTC meeting the requirements of Section 42(h)(1)(E) of the Code and Treasury Regulations or IRS Form 8609 executed by the Agency as to all building in the Project for which such form is required.

"Substantial Completion" means the date that the Partnership receives all necessary permanent certificate(s) of occupancy (or certificates of occupancy which contain conditions or qualifications which are Consented to by the Limited Partner) from the applicable governmental jurisdictions or authority(ies); provided, however, that Substantial Completion shall not be deemed to have occurred if on such date any liens or other encumbrances as to title to the Land and the Project exist, other than those securing any Project Loan and/or those Consented to by the Limited Partner.

"Substitute Limited Partner" means any Person admitted to the Partnership as a Limited Partner pursuant to Section 9.02.

"Surplus Cash" means any Net Cash Flow which, pursuant to the Project Documents or rules or regulations of any Project Lenders or the Agency, is permitted to be distributed to the Partners.

"Title Company" means Old Republic National Title Insurance Company.

"Unpaid Fee" has the meaning set forth in Section 5.01(b).

"Unpaid LIHTC Shortfall" means the outstanding amount of any LIHTC Shortfall for all the fiscal years of the Partnership, reduced by any amounts of Unpaid LIHTC Shortfall distributed to the Limited Partner pursuant to Article XI of this Agreement. The unpaid LIHTC Shortfall shall bear interest at the "long-term applicable Federal rate" (as defined in Section 1274 of the Code) determined as of the date of the Limited Partner's First Capital Contribution, compounded monthly.

"VBCDC" means Virginia Beach Community Development Corporation, a Virginia non-stock company.

"VBCDC Loans" means those certain loans as set forth in **Exhibit F** hereof

"VHCC" means Virginia Housing Capital Corporation, a Virginia corporation and the managing member of the Limited Partner.

"Withdrawing Limited Partner" means Southeastern Virginia Housing Corporation, a Virginia non-stock corporation.

ARTICLE III
PURPOSE AND BUSINESS OF THE PARTNERSHIP

3.01 Purpose of the Partnership. The Partnership has been organized exclusively to acquire the Land and to develop, finance, construct, own, maintain, lease, operate and sell or otherwise dispose of the Project, in order to obtain long-term appreciation, cash income, LIHTC and tax losses. The Partnership will operate the Project in a manner that furthers the charitable purpose of VBCDC by providing decent, safe, sanitary and affordable housing for disabled and/or homeless veterans. In the event of the conflict between the operation of the Project in a manner consistent with such charitable purpose and any duty of the General Partner to operate the Project in order to maximize profits for the Limited Partners, such charitable purpose shall prevail; provided, however, that in operating the Project no decision shall be made inconsistent with the requirements of any Regulatory Agreement.

3.02 Authority of the Partnership. In order to carry out its purpose, the Partnership is empowered and authorized to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of its purpose, and for the protection and benefit of the Partnership, including but not limited to the following:

- (a) acquire the Land on which the Project is to be located and any improvements thereon;
- (b) construct, rehabilitate, operate, maintain, improve, buy, own, sell, convey, assign, mortgage, rent or lease any real estate and any personal property necessary to the operation of the Project;
- (c) provide housing, subject to the Minimum Set-Aside Test and the Rent Restriction Test and consistent with the requirements of the Extended Use Agreement, the Regulatory Agreement and the Loan Agreements so long as the Extended Use Agreement, the Regulatory Agreement and the Loan Agreements, as applicable, remain(s) in force;
- (d) enter into any kind of activity, and perform and carry out contracts of any kind necessary to, in connection with, or incidental to, the accomplishment of the purposes of the Partnership;
- (e) borrow money and issue evidences of indebtedness in furtherance of the Partnership business and secure any such indebtedness by mortgage, pledge, or other lien; provided, however, that unless otherwise specifically allowed under this Agreement or otherwise Consented to by the Limited Partner, any Project Loans, and any evidences of indebtedness thereof and any documents amending, modifying or replacing any of such loans shall have the legal effect that at and after Final Closing the Partnership and the Partners shall have no personal liability for the repayment of the principal of or payment of interest on any Project Loan, and that the sole recourse of any

Project Lender, with respect to the principal thereof and interest thereon, shall be to the property securing such Project Loan, except for any Carveouts;

(f) maintain and operate the Project, including hiring the Management Agent (which Management Agent may be any of the Partners or an Affiliate thereof) and entering into any agreement for the management of the Project during its rent-up and after its rent-up period;

(g) subject to the approval of the Agency and/or the Project Lenders, if required, and to other limitations expressly set forth elsewhere in this Agreement, negotiate for and conclude agreements for the sale, exchange, lease or other disposition of all or substantially all of the property of the Partnership, or for the refinancing of any mortgage loan on the property of the Partnership;

(h) enter into the Loan Agreement, the Regulatory Agreement and the Extended Use Agreement, providing for regulations with respect to rents, profits, dividends and the disposition of property;

(i) rent dwelling units in the Project from time to time, in accordance with the provisions of the Code applicable to LIHTC and in accordance with applicable federal, state and local regulations, collecting the rents therefrom, paying the expenses incurred in connection with the Project, and distributing the net proceeds to the Partners, subject to any requirements which may be imposed by the Extended Use Agreement, the Regulatory Agreement and/or the other Project Documents; and

(j) do any and all other acts and things necessary or proper in furtherance of the Partnership business.

ARTICLE IV
REPRESENTATIONS, WARRANTIES AND COVENANTS;
DUTIES AND OBLIGATIONS

4.01 Representations, Warranties and Covenants Relating to the Project and the Partnership. As of the date hereof, the General Partner hereby represents, warrants and covenants to the Partnership and to the Partners that:

(a) Due Authorizations, Execution and Delivery. The execution and delivery of this Agreement by the General Partner and the performance by the General Partner of the transactions contemplated hereby have been duly authorized by all requisite corporate, partnership, limited liability company or trust actions or proceedings. The General Partner is duly organized, validly existing and in good standing under the laws of the state of its formation with power to enter into this Agreement and to consummate the transactions contemplated hereby.

(b) Construction of Project. The construction and development of the Project shall be undertaken and shall be completed in a timely and workmanlike manner in accordance with (i) all applicable requirements of the Project Loans and the Project Documents, (ii) all applicable requirements of all appropriate governmental entities, and (iii) the Plans and Specifications of the Project that have been or shall be hereafter approved by the Limited Partner and, if required, the Project Lenders and any applicable governmental entities, as such Plans and Specifications may be changed from time to time with the approval of the Limited Partner and the Project Lenders, if required, and any applicable governmental entities, if such approval shall be required; it shall promptly provide copies of all change orders to the Limited Partner.

(c) Zoning and Related Matters. At the date hereof, at the Initial Closing and at the time of commencement of construction and thereafter continuously, the Land is and will be properly zoned for the Project, all consents, permissions and licenses required by all applicable governmental entities have been obtained, and the Project conforms and will conform to all applicable federal, state and local land use, zoning, environmental and other governmental laws and regulations.

(d) Plans and Specifications. The General Partner has sent to the Limited Partner the Plans and Specifications (including, without limitation, all working drawings) and all construction schedules, approved construction draws, certifications concerning occupancy, lien notices, project inspection reports, proposed changes and modifications to the Plans and Specifications, all documents pertaining to the Project Loan and any other information that is relevant to the construction and development of the Project.

(e) Public Utilities. All appropriate public utilities, including sanitary and storm sewers, water, gas and electricity, are currently available and will be operating properly and in sufficient capacity for the Project at the time of certificate of occupancy. The General Partner will keep all such utilities operating in a manner sufficient to service the Project.

(f) Title Insurance. An owner's title insurance policy of a financially responsible institution acceptable to the Limited Partner, in an amount equal to the principal amount of the Project Loans and the Capital Contributions of the General Partner and the Limited Partner, in favor of the Partnership, will be issued at or prior to the Initial Closing subject only to such easements, covenants, restrictions and such other standard exceptions as are normally included in owner's title insurance policies and which are Consented to by the Limited Partner and with such endorsements to such policy as the Limited Partner may request. Good and marketable fee simple title to the Land will be held by the Partnership. The General Partner has not made any misrepresentation or failed to make any disclosure that will or could result in the Partnership lacking title insurance coverage based on imputation of knowledge of the General Partner to the Partnership or the General Partner's ability to perform its obligations hereunder.

(g) Non-Recourse Loans. Except as otherwise provided herein, at and after the Final Closing, there shall be no direct or indirect personal liability of the Partnership, any of the

Partners, or any Affiliates of the Partnership or Partners for the repayment of the principal of or payment of interest on any Project Loan, and the sole recourse of any Project Lender under any Project Loan with respect to the principal thereof and interest thereon shall be to the property securing the indebtedness, except for any liability of the General Partner with respect to customary "carveouts" that are set forth in loan documents relating to the Project Loans (the "Carveouts") to which the Limited Partner has Consented. However, the General Partner shall be personally liable for the obligations of the Partnership under the loans from VBCDC and Southeastern Virginia Housing Corporation, as described in **Exhibit F**.

(h) **No Defaults.** The General Partner is not aware of any default or any circumstances which, with the giving of notice or the passage of time, would constitute a default, under any agreement, contract, lease, or other commitment, or of any claim, demand, litigation, proceedings or governmental investigation pending or threatened against the General Partner, the Project or the Partnership, or related to the business or assets of the General Partner, the Project or Partnership, which claim, demand, litigation, proceeding or governmental investigation could result in any judgment, order, decree, or settlement which would materially and adversely affect the business or assets of the General Partner, the Project or Partnership.

(i) **No Violation.** The execution of this Agreement, the incurrence of the obligations set forth in this Agreement, and the consummation of the transactions contemplated by this Agreement do not violate any provision of law, any order, judgment or decree of any court binding on the Partnership or the General Partner or any Affiliate(s) thereof, any provision of any indenture, agreement, or other instrument to which the Partnership or the General Partner is a party or by which the Partnership, General Partner or the Project is affected, and is not in conflict with, and will not result in a breach of or constitute a default under any such indenture, agreement, or other instrument or result in creating or imposing any lien, charge, or encumbrance of any nature whatsoever upon the Project.

(j) **Construction Contract.** The Construction Contract has been entered into between the Partnership and the Contractor; no other consideration or fee shall be paid to the Contractor in its capacity as the Contractor for the Project other than the amounts set forth in the Construction Contract or as evidenced by change orders approved by the Project Lenders and as otherwise disclosed in writing to and approved by the Limited Partner; and all change orders to date have been paid in full. In addition, no consideration or fee shall be paid to the Developer or General Partner by the Contractor.

(k) **Performance Bond; Letter of Credit.** Either (i) one hundred percent (100%) payment and performance bonds issued by a nationally, financially recognized bonding company, in forms acceptable to the Project Lenders and the Limited Partner, and in amounts satisfactory to the Project Lenders and the Limited Partner, or (ii) a letter of credit in an amount and in a form, and from an issuer satisfactory to the Project Lenders and the Limited Partner, will be obtained by the Contractor at or before Initial Closing and shall remain in full force and effect under terms and conditions as shall be acceptable to the Project Lenders and the Limited Partner; in the alternative,

the obligations of the Contractor will be guaranteed by the General Partner and the Affiliate Guarantors and secured by cash, letter of credit or other security acceptable to the Project Lenders and the Limited Partner.

(l) Insurance. The General Partner shall cause the Partnership to obtain and maintain insurance in accordance with the requirements of Exhibit I attached hereto.

(m) No Undisclosed Financial Responsibilities. Neither the Partnership, nor the General Partner, either individually or on behalf of the Partnership, has incurred any financial responsibility with respect to the Project prior to the date of execution of this Agreement, other than (i) that disclosed to the Limited Partner, or (ii) obligations which will be fully satisfied at or prior to the Initial Closing. As of the date hereof and hereafter continuously, unless the Limited Partner otherwise Consents or unless otherwise specifically provided for herein, the only indebtedness of the Partnership with respect to the Project are the Project Loans, if any, described on Exhibit F. Without limiting the generality of the foregoing, neither the General Partner, any of its Affiliates nor the Partnership, has entered, or shall enter, into any agreement or contract for any loans (other than the Project Loan) or for the payment of any Project Loan discounts, additional interest, yield maintenance or other interest charges or financing fees or any agreement providing for the guarantee of payment of any such interest charges or financing fees relating to any Project Loan.

(n) Valid Partnership; Power of Authority. The Partnership is and will continue to be a valid limited partnership, duly organized under the laws of the Commonwealth of Virginia, and shall have and shall continue to have full power and authority to acquire the Land and to develop, construct, operate and maintain the Project in accordance with the terms of this Agreement, and shall have taken and shall continue to take all action under the laws of the State of Formation and any other applicable jurisdiction that is necessary to protect the limited liability of the Limited Partners and to enable the Partnership to engage in its business.

(o) Restrictions on Sale or Refinancing. No restrictions on the sale or refinancing of the Project, other than restrictions that may be set forth in the Project Documents, exist as of the date hereof, and no such restrictions shall, at any time while the Limited Partner is a Limited Partner, be placed upon the sale or refinancing of the Project.

(p) Projected LIHTC. The Projected LIHTC applicable to the Project is \$75,980 for 2013, \$405,227 for each year 2014 through 2022, and \$329,247 for 2023 which equals the amount of LIHTC the General Partner has projected will be allocated to the Limited Partner, constituting ninety-nine and ninety-nine hundredths percent (99.99%) of the LIHTC which the General Partner has projected will be available to the Partnership.

(q) Compliance with Agreements. To the best of its knowledge after due inquiry, the General Partner, either individually or on behalf of the Partnership, has fully complied with all applicable provisions and requirements of any and all contracts, options and other agreements with respect to the purchase of the Land and the development, financing and operation of the Project,

including all Project Documents; it shall take, and/or cause the Partnership to take, all actions as shall be necessary to achieve and maintain continued compliance with the provisions, and fulfill all applicable requirements, of such agreements.

(r) State Designation. On January 26, 2012, the Partnership received a valid State Designation with respect to the Project in the amount of \$4,052,680 for the Project's ten-year Credit Period.

(s) Applicable Income and Rent Restrictions. The Project is being developed in a manner which satisfies, and shall continue to satisfy, all restrictions, including tenant income and rent restrictions, applicable to projects generating LIHTC under Section 42 of the Code. The Partnership will comply with the so-called "40-60 Set-Aside Test" of Code Section 42(g)(1)(B), so that at least 40% of the units in the Project will be occupied by individuals with incomes of 60% or less of area median income, as adjusted for family size; the Project is not subject to any other rental restrictions under the Project Documents except to the extent that more than 40% of the residential units in the Project will be rent and income restricted in order to generate the full amount of the Projected Credits, and except that the Extended Use Agreement requires that 100% of the Project units are to be occupied by individuals with income of 50% or less of area median income (as adjusted for family size), and that 50% of the Project Units are to be occupied by individuals with income of 40% or less of area median income (as adjusted for family size).

(t) Term of Extended Use Agreement. The term of the Extended Use Agreement will not exceed 30 years and neither the Extended Use Agreement nor any other document, instrument or agreement to which the Partnership is a party shall restrict, limit or waive the right of the Partnership to cause a termination of the Extended Use Agreement prior to the end of such 30-year term in accordance with Code Section 42(h)(6)(E)(i)(II).

(u) Ownership of General Partner. VBCDC owns and shall continue to own at all times during the term of the Partnership one hundred percent (100%) of all classes of interests of the General Partner.

(v) Title to Project; Taxes and Assessments. The Partnership has and shall have at all times good and marketable title to the Project, subject only to permitted exceptions thereto to which the Limited Partner has given its Consent. All real estate taxes, assessments, water and sewer charges and other municipal charges, to the extent due and owing, have been paid in full on the Project.

(w) Taxpayer Certifications. On behalf of the Partnership, the General Partner will cause to be filed any and all certifications and other documents on a timely basis with the IRS, the Agency and all other Authorities, as have been and may be required to support the full amount of Projected Credits.

(x) Taxation and Limited Liability. No event has occurred that has caused, and the General Partner will not act in any manner that will cause (i) the Partnership to be treated for federal income tax purposes as an "association" taxable as a corporation, rather than as a partnership; or (ii) the Limited Partner or the Special Limited Partner to be liable for the Partnership's obligations in excess of its Capital Contributions.

(y) No Tax-Exempt Use Property. No portion of the Project is or will be treated as "tax exempt use property" as defined in Section 168(h) of the Code. In the event the General Partner or any member or shareholder of the General Partner is controlled by a tax-exempt entity, such entity will make the election permitted under Section 168(h)(6)(F) of the Code. The General Partner shall not allow the Partnership to enter into any lease with a tax-exempt entity without the prior written approval of the Special Limited Partner.

(z) No Abusive Tax Shelter. The General Partner has not received notice from the IRS that it has considered the General Partner to be involved in any abusive tax shelter and is not aware of any facts, which if known to the IRS, would cause such notice to be issued.

(aa) Required Consents; No Defaults Under Loan Documents. The Partnership has obtained all consents required for the admission of the Limited Partner to the Partnership, including but not limited to, the consent of the holder(s) of the Project Loans, if necessary, and any required consents of applicable Authorities.

(ab) Bankruptcy. No Bankruptcy, including, without limitation, attachments, execution proceedings, assignments for the benefit of creditors, insolvency, reorganization or other proceedings are pending or threatened against the Partnership or the General Partner. The General Partner will not permit such a Bankruptcy to occur.

(ac) Governmental Actions. To the best of the General Partner's knowledge, there is no official action of any Authority, pending or threatened, which in any way would (i) have a material adverse effect on the Partnership, the Project, the Limited Partner or the LIHTC; (ii) involve any intended public improvements which improvements may result in any charge in excess of \$10,000 being levied against the Land; or (iii) any special assessment, being levied against or assessed upon the Land or the Project. There is no existing, proposed or contemplated, plan to widen, modify or realign any street or highway contiguous to the Land. The General Partner will promptly notify the Limited Partner of any such official actions or plans, if and as they arise.

(ad) Moratoria; Assignments; Dedications. There is no reassessment (except for real estate property taxes), reclassification, rezoning, proceeding, ordinance or regulation (including amendments and modifications to any of the foregoing) pending or proposed to be imposed, by any Authority or any public or private utility having jurisdiction over the Land which would have a material adverse effect upon the use or occupancy of the Project. No special assessments have been levied against the Project or by an Authority upon the commencement or completion of any construction, alteration or rehabilitation on or of the Project or any portion thereof. The General

Partner will promptly notify the Limited Partner of any such actions, if and as they arise. Except as previously disclosed in writing to and approved by the Limited Partner, the completion of the improvements, alteration or rehabilitation on or to the Project or any portion thereof will not require the dedication of any portion of the Project by any Authority.

(ae) No Defects, Compliance. Upon completion of the Project, there will be no material physical or mechanical defects or deficiencies in the condition of the Project, including, but not limited to, the roofs, exterior walls or structural components of the Project and the heating, air conditioning, plumbing, ventilating, elevator, utility, sprinkler and other mechanical and electrical systems, apparatuses and appliances located in, or about, the Land which would materially and adversely affect the Project or any portion thereof. The Project is free from infestation by termites or other pests, insects, animals or other vermin and the General Partner will keep it so. The Project conforms (or will timely conform) to all governmental regulations, including, without limitation, all zoning, building, health, fire and environmental rules, regulations ordinances or requirements or environmental laws, regulations or procedures applicable to the Project where the failure to conform would result in a material adverse effect.

(af) No Defective Soils Conditions. To the best of the General Partner's knowledge after due inquiry, there are no defects or conditions of the soil that would have a material adverse effect upon the use, occupancy and operation of the Project. The soil condition of the Land is such that it will support all of the improvements to be located thereon for its foreseeable life, without the need for unusual or new subsurface excavations, fill, footings, caissons or other installations. The improvements on the Land, as built, will be or are constructed in a manner compatible with the soil condition at the time of construction and all necessary excavations, fills, footings, caissons and other installations were then, have since been and will be provided.

(ag) Rights of First Refusal; Options. Except as contemplated by the Right of First Refusal Agreement set forth in Exhibit L attached hereto, neither the General Partner nor the Partnership has entered into (nor will enter into) any contracts for the sale of the Project, the LIHTC with respect thereto, or any interest in the Project or Partnership other than in contemplation of this Agreement, nor do there exist any rights of first refusal or options to purchase the Project, the LIHTC with respect thereto, or any interest in the Partnership.

(ah) Securities Law Compliance. The General Partner has or will have timely complied or cause the timely compliance with all applicable Federal and state securities laws in connection with the offer and sale of the interest in the Partnership to the Limited Partner.

(ai) Truth and Completeness of Representations and Disclosures. No representation, warranty or statement of the General Partner in this Agreement or in any document, certificate or schedule furnished or to be furnished to the Limited Partner pursuant hereto contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements or facts contained therein not misleading. All material information concerning the Project known to the General Partner or any of its Affiliates, or which should have

been known to any of them in the exercise of reasonable care, has been disclosed by the General Partner to the Limited Partner and there are no facts or information known to the General Partner or any of its Affiliates, or which should have been known to any of them in the exercise of reasonable care, which would make any of the facts or information submitted by the General Partner to the Limited Partner with respect to the Project inaccurate, incomplete or misleading in any material respect.

(aj) Compliance with Fair Housing Act. At all times during the term of this Agreement, the Partnership shall comply with the provisions of the Fair Housing Act, as amended.

(ak) Lenders to Project Entities Generally. Subject to provisions of this Agreement with respect to related party loans, a limited partner member, including without limitation the Federal Home Loan Mortgage Corporation (such investor member or member being referred to herein as a "Mortgagee"), in any entity that is a Partner herein at any time may make, guarantee, own, acquire, or otherwise credit enhance, in whole or in part, a loan secured by a mortgage, deed of trust, trust deed, or other security instrument encumbering the Project owned by the Partnership (any such loan being referred to as a "Mortgage Loan"). Under no circumstances will a Mortgagee be considered to be acting on behalf or as an agent or the alter ego of such Partner. A Mortgagee may take any actions that the Mortgagee, in its discretion, determines to be advisable in connection with a Mortgage Loan (including in connection with the enforcement of a Mortgage Loan). By acquiring an interest in the Partnership, each Partner acknowledges that no Mortgagee owes the Partnership or any Partner any fiduciary duty or other duty or obligation whatsoever by virtue of such Mortgagee being a limited partner or member in a Partner. Neither the Partnership nor any Partner will make any claim against a Mortgagee, or against the Partner in which the Mortgagee is a member or partner, relating to a Mortgage Loan and alleging any breach of any fiduciary duty, duty of care, or other duty whatsoever to the Partnership or to any Partner based in any way upon the Mortgagee's status as a limited partner or member of a Partner.

(al) Partner Loans. No Partner or any Affiliate of a Partner shall make or purchase a loan to the Partnership unless the Partnership receives an opinion of competent tax counsel to the effect that such loan will have no adverse tax consequences to any of the Partners.

(am) [intentionally omitted].

(an) Development Budget. The Development Budget attached hereto as Exhibit H is accurate and complete. The assumptions underlying the calculations therein are reasonable and based upon the General Partner's knowledge and experience.

(ao) Reportable Transactions. The Partnership and its Partners shall be permitted to disclose to any and all Persons, without limitation of any kind, the "tax treatment and tax structure" (as defined in Treasury Regulation Section 1.6011-4(c)) of the transaction contemplated by this Agreement and all materials of any kind (including opinions or other tax analyses) relating to such tax treatment and tax structure. The General Partner shall (A) promptly notify the Limited

Partner of any “reportable transaction” under Code Section 6707(A)(c) or Treasury Regulation Section 1.6011-4 in which the Partnership shall engage or which it reports under Code Section 6111, and (B) maintain investor lists with respect to the Partnership as required under Code Section 6112. The General Partner shall be responsible for its expenses or penalties attributable to its failure to report a reportable transaction or maintain lists (in accordance with Code Section 6112) as required by the General Partner or the Partnership under the Code and applicable Treasury Regulations. Material advisors are required to supplement information disclosed to the IRS if the information provided in a filed disclosure is not longer accurate, in such instances, the General Partner agrees to provide timely supplemental information about the Project to the IRS and the Investor.

(ap) Reasonableness of Fees. All fees to be paid to the General Partner or any Affiliate of the General Partner hereunder or otherwise in connection with the development of the Project are reasonable in amount and consistent with standard practice in the industry.

(aq) REAC and HUD Reports. The General Partner shall advise the Limited Partner of any REAC (Real Estate Assessment Center) inspection reports it receives with respect to the Project as well as any notices from HUD indicating any adverse findings with respect to the Project, including, but not limited to, the following:

- (i) management review findings;
- (ii) Section 8 HAP contract violations; and
- (iii) HUD Regulatory Agreement violations.

(ar) Governmental Review and Approvals/HUD 2530 Language. The Partnership shall not acquire or proceed with the development of the Project unless approval is obtained from HUD if such approval is required in connection with such development or acquisition. If the acquisition or development of the Project necessitates the filing of a Form 2530 Previous Participation Certificate with HUD (a "Previous Participation Certification"), the General Partner shall so notify the Limited Partner and such acquisition or development shall not proceed without the required Form 2530 filing. The General Partner shall also provide adequate information to the Limited Partner to enable any of its members to file any additional documents that may be required by HUD. Such information shall include but not be limited to the following:

- (i) type of financing and governmental agency providing such assistance, FHA project number, Section 8 contract number or other agency identification number (if any);
- (ii) closing date/date of receipt of assistance;
- (iii) date that the Project is intended to be acquired and/or the development is to be financed by the Partnership;

(iv) property address and last inspection date/rating;

(v) status of any pre-existing loan on the project (current, defaulted, assigned or foreclosed) and if ever defaulted, an explanation as to the causes of such default/foreclosure.

(as) OFAC Requirements. The General Partner and its Affiliates are (i) in compliance with all applicable anti-money laundering laws, including, without limitation, the USA Patriot Act and the laws administered by the United States Treasury Department's Office of Foreign Assets Control ("OFAC"), including, without limitation, Executive Order 13224, (ii) not on the Specially Designated Nationals and Blocked Persons List maintained by OFAC, and (iii) not otherwise identified by a government entity or legal authority as a Person with whom a U.S. Person is prohibited from transacting business. "U.S. Person" shall mean any United States citizen, any permanent resident alien, any entity organized under the laws of the United States (including foreign branches), or any person in the United States.

(at) Survival of Representations and Warranties. All of the representations, warranties and covenants contained herein shall be deemed to be re-made as of the date of each Capital Contribution made by the Limited Partner and shall survive the date of Final Closing and the funding date of each such Capital Contribution. The General Partner shall indemnify and hold harmless the Limited Partner against a breach of any of the foregoing representations, warranties and covenants and any damage, loss or claim caused thereby, including reasonable attorneys' fees and costs and expenses of litigation and collection.

4.02 Duties and Obligations Relating to the Project and the Partnership. The General Partner shall have the following duties and obligations with respect to the Project and the Partnership:

(a) Qualifying for LIHTC. It shall ensure that all requirements shall be met which are necessary to obtain or achieve (i) compliance with the Minimum Set-Aside Test, the Rent Restriction Test, and any other requirements necessary for the Project to initially qualify, and to continue to qualify, for LIHTC, including all applicable requirements set forth in the Regulatory Agreement and the Extended Use Agreement, (ii) issuance of IRS Form(s) 8609 with respect to the LIHTC, (iii) issuance of all necessary permanent, unconditional certificates of occupancy, including all governmental approvals required to permit occupancy of the Project, and (iv) Initial Closing and Final Closing.

(b) Tax Treatment of Partnership. While conducting the business of the Partnership, the General Partner shall not act in any manner which it knows or should have known after due inquiry will (i) cause the termination of the Partnership for federal income tax purposes without the Consent of the Limited Partner or (ii) cause the Partnership to be treated for federal income tax purposes as an association taxable as a corporation.

(c) Securities Law Matters. The General Partner shall prepare and timely file all appropriate reports for the Partnership with the Securities and Exchange Commission and state securities administrators.

(d) Limited Partnership Status. The General Partner shall (i) file such certificates and do such other acts as may be required to qualify and maintain the Partnership as a limited partnership under the Act and to qualify the Partnership to transact business in all such other jurisdictions as may be required under the applicable provisions of law, and (ii) take or cause the Partnership to take all reasonable steps deemed necessary by counsel to the Partnership to assure that the Partnership is at all times classified as a partnership for federal income tax purposes.

(e) Good Faith of General Partner. It shall exercise good faith in all activities relating to the conduct of the business of the Partnership, including the development, operation and maintenance of the Project, and the General Partner shall take no action with respect to the business and property of the Partnership which is not reasonably related to the achievement of the purpose of the Partnership.

(f) No Security Interests or Encumbrances; Debt Service Coverage Ratio. The General Partner shall ensure that all of (i) the fixtures, maintenance supplies, tools, equipment and the like now and to be owned by the Partnership or to be appurtenant to, or to be used in the operation of the Project, as well as (ii) the rents, revenues and profits earned from the operation of the Project, will be free and clear of all security interests and encumbrances except for the Project Loans, the Mortgages, and any additional security agreements executed in connection therewith. From and after the Final Closing, the Project shall maintain a Debt Service Coverage Ratio of at least 1.15:1.0.

(g) Basis Adjustments. It will execute on behalf of the Partnership all documents necessary pursuant to Sections 732, 743 and 754 of the Code to elect to adjust the basis of the Partnership's property upon the request of the Limited Partner, if, in the sole opinion of the Limited Partner, such election would be advantageous to the Limited Partner.

(h) Payment of Development Fee. It guarantees payment by the Partnership of the Development Fee as provided in Section 5.01(b).

(i) Tax Returns and Financial Statements. It shall, during and after the period in which it is a Partner, provide the Partnership with such information and sign such documents as are necessary for the Partnership to make timely, accurate and complete submissions of federal and state income tax returns and shall provide the Limited Partner with the opportunity to review and Consent to drafts of all such returns at least twenty (20) days prior to their filing date, and will incorporate the changes of the Limited Partner. In addition, the General Partner shall provide the Limited Partner with the opportunity to have not less than twenty (20) days to review drafts of audited financial statements prior to their finalization and will incorporate the changes of the Limited Partner.

(j) Compliance with Governmental and Contractor Obligations. It shall comply and cause the Partnership to comply with the provisions of all applicable governmental and contractual obligations, including any Regulatory Agreement, the AHAP and the HAP.

(k) Tax Elections. It has made (if applicable) and shall make such elections, or refrain from making such elections, with respect to the LIHTC, as are necessary to achieve and maintain the maximum allowable LIHTC to the Limited Partner, unless otherwise directed in writing by the Limited Partner. The General Partner will make the election to be taxable under Section 168(h) of the Code.

(l) Fines and Penalties. It shall be responsible for the payment of any fines or penalties imposed by any applicable governmental authority or any Project Lender pursuant to the Project Documents and any documents executed in connection with obtaining the LIHTC (other than with respect to payments of principal or interest under any Project Loan) attributable to any action or inaction of it or its Affiliates.

(m) Notification of Default or IRS Proceedings. It shall immediately notify the Limited Partner of any written or oral notice of (i) any default or failure of compliance with respect to any of the Project Loans or any other financial, contractual or governmental obligation of the Partnership or the General Partner, or (ii) any IRS proceeding regarding the Project or the Partnership

(n) Notification of Construction Delays. If at any time during the construction or rehabilitation of the Project, (i) construction or rehabilitation stops or is suspended for a period of ten (10) consecutive days, or (ii) construction or rehabilitation has been delayed so that in the reasonable determination of the General Partner (A) Substantial Completion may not be achieved by the date set forth in the Construction Contract, or (B) the Projected Credits for any year during the Credit Period may not be achieved, the General Partner shall immediately send Notice of such occurrence, together with an explanation of the circumstances surrounding such occurrence, to the Limited Partner

(o) Bank Accounts. The General Partner shall establish in the name and on behalf of the Partnership such bank accounts as shall be required to facilitate the operation of the Partnership's business. The Partnership's funds shall not be commingled with any other funds of the General Partner or any of its Affiliates, including, without limitation, any other limited partnership in which the General Partner is a general partner. Promptly upon the request of the Limited Partner, the General Partner shall obtain and deliver to the Limited Partner full, complete and accurate statements of the amount and status of all Partnership bank accounts and all withdrawals therefrom and deposits thereto.

(p) Sales Notice to State Agency. If necessary to obtain, maintain or avoid recapture of any LIHTC for the Partnership, upon written request of a Limited Partner, the General Partner shall, pursuant to Section 42(h)(6) of the Code, submit on behalf of the Partnership and its Partners, and in accordance with the rules and regulations of the Agency, a written request to the

Agency (or other applicable housing credit agency) to find a Person to acquire the Project pursuant to a Qualified Contract.

(q) Reserve Fund for Replacements. It shall establish and maintain a segregated replacement reserve, in a lending institution acceptable to the Special Limited Partner, to provide for working capital needs, improvements, replacements and any other contingencies of the Partnership. The initial \$20,000 of the Reserve Fund for Replacements shall be funded from the Fifth Capital Contribution. At a minimum thereafter, the General Partner shall cause the Partnership to annually deposit into a segregated reserve account, commencing upon Substantial Completion, \$300 per unit per year from the Partnership's gross operating revenues into the Reserve Fund for Replacements ("Initial Amount"). Thereafter, the General Partner shall, each year, further fund the Reserve Fund for Replacement. Withdrawals from the Reserve Fund for Replacements shall require the consent and signature of the Limited Partner or Special Limited Partner. The General Partner shall not increase the amount in the Reserve Fund for Replacements materially above the amount required to be maintained by this Section 4.02(q) without the consent of the Limited Partner, which consent shall not be unreasonably withheld. Notwithstanding anything to the contrary in this Section 4.02(q), however, the amount of the Reserve Fund for Replacements shall be increased if necessary to satisfy the requirements of any creditor of the Partnership or any Authority having jurisdiction over the Project.

(r) Operating Reserves. In addition to the requirements of Section 4.02 (q), in order to meet operating expenses of the Partnership which exceed operating income available for the payment thereof, the General Partner shall cause the Partnership to deposit an initial amount of \$250,000 (or such greater amount as may be required by the Project Lenders) into a segregated reserve account in a lending institution acceptable to the Special Limited Partner (the "Operating Reserve") to fund operating expenses and debt service in excess of operating revenues and to pay any Unpaid Fee, as that term is defined in Paragraph 5.01(b) hereof. The initial \$250,000 of the Operating Reserve shall be funded from the proceeds of the Seventh Capital Contribution and/or the proceeds of the Project Loans; provided, however, that if there are insufficient funds from the aforementioned sources after May 1, 2017, the General Partner shall be required to fund the Operating Reserve. Disbursements from the Operating Reserve for the aforementioned purposes shall constitute GP Loans by the General Partner only to the extent of amounts funded by it into the Operating Reserve pursuant to the previous sentence. Additionally, the General Partner shall cause the Partnership to deposit into the Operating Reserve amounts sufficient to maintain a balance of \$250,000, from Net Cash Flow as set forth in Section 11.03(b) hereof. Withdrawals from the Operating Reserve shall require the prior written approval of the Special Limited Partner.

(s) Lease-Up Reserve. By the time of certificate of occupancy, the General Partner shall establish and cause the Partnership to fund and maintain a lease-up reserve (the "Lease-Up Reserve") in the name of the Partnership and maintained in a segregated Partnership account established for this purpose. The amount of the Lease-Up Reserve shall be \$30,000 and shall be fully funded by the proceeds of the Fourth Capital Contribution. Withdrawals from the Lease-up Reserve account shall require the consent and signature of the Limited Partner. At such time as the

Project Property shall have achieved and maintained for a period of at least six months at least 95% occupancy (measured by both physical occupancy and "paid" occupancy based upon the then current rents for apartment units), any unused portion of the Lease-Up Reserve shall be paid to the General Partner (or the nominee if so directed by the General Partner) as a construction period management incentive fee ("Construction Period Management Incentive Fee").

(t) Pre-Development Activities. The General Partner shall be specifically and solely responsible for the following duties:

- (1) Analyzing the Qualified Allocation Plan ("QAP") for targeted areas within a state.
- (2) Identifying potential land sites.
- (3) Analyzing the demographics of potential sites.
- (4) Analyzing a site's economy and forecast future growth potential.
- (5) Determining the site's zoning status and possible rezoning actions.
- (6) Contacting local government officials concerning access to utilities, public transportation, impact fees and local ordinances.
- (7) Performing environmental tests on selected sites.
- (8) Negotiating the purchase of the land upon which the Project is located and its related financing.
- (9) Performing any other duties or activities relating to the acquisition of the land upon which the Project is located.

4.03 Single Purpose Entity. The General Partner shall engage in no other business or activity other than that of being the General Partner of the Partnership. The General Partner was formed exclusively for the purpose of acting as the General Partner of the Partnership and has never engaged in any other activity, business or endeavor. As of the date of this Agreement, the General Partner has no liabilities or indebtedness other than its liability for the debts of the Partnership, and the General Partner shall not incur any indebtedness other than its liability for the debts of the Partnership. If the General Partner determines it needs additional funds for any purpose, it shall obtain such funds solely from capital contributions from its shareholders or members. The General Partner has observed and shall continue to observe all necessary or appropriate corporate formalities in the conduct of its business. The General Partner shall keep its books and records separate and distinct from those of its shareholders, members and affiliates. The General Partner shall clearly identify itself as a legal entity separate and distinct from its shareholders, members and its affiliates

in all dealings with other Persons. The General Partner has been adequately capitalized for the purposes of conducting its business and will not make distributions at a time when it would have unreasonably small capital for the continued conduct of its business.

ARTICLE V
PARTNERS, PARTNERSHIP INTERESTS
AND OBLIGATIONS OF THE PARTNERSHIP.

5.01 Partners; Capital Contributions; Partnership Interests.

(a) Initial General Partner Contribution. The General Partner, its principal address or place of business, its Capital Contribution and its Percentage Interest are as follows:

(i) Name and Address:
Vets' Housing, Inc.
2400 Potters Road
Virginia Beach, VA 23454

(ii) Capital Contribution: \$100.00, plus all of its rights, title and interest in, to and under all agreements, licenses, approvals, permits, LIHTC applications and allocations and any other tangible or intangible personal property which is related to the Project or which is required to permit the Partnership to pursue its business and carry out its purposes as contemplated in this Agreement.

(iii) Percentage Interest: 0.009%

(b) General Partner's Special Capital Contribution. In the event that the Partnership has not paid all or part of the amounts due under the Development Agreement ("Unpaid Fee") on or before the earlier of (i) the thirteenth (13th) anniversary of placement in service of the Project, or (ii) the date required under the Development Agreement, the General Partner shall contribute to the Partnership an amount equal to any such Unpaid Fee (the "General Partner's Special Capital Contribution") and the Partnership shall thereupon make a payment in an equal amount to the Unpaid Fee; provided, however, that prior to the making of the General Partner's Special Capital Contribution, funds in the Operating Reserve may be used to pay the Unpaid Fee, subject to approval by the Limited Partner, and after application of the approved portion of the Operating Reserve, any remaining Unpaid Fee shall be paid using the General Partner's Special Capital Contribution.

(c) Limited Partners. The Limited Partner and the Special Limited Partner, respectively, their principal officer and places of business and Percentage Interests are as follows:

(i) The Limited Partner, its principal office and place of business, and its Percentage Interest are as follows:

Housing Equity Fund of Virginia XV, L.L.C. 1840 West Broad Street Suite 200 Richmond, Virginia 23220	Capital Contribution of the Limited Partner is as set Set forth in subparagraph (d) immediately below, as increased for purposes of the Partnership's books of Account by the amount of the Capitalized Bridge Loan Interest allocable to the Limited Partner, also as set forth in subparagraph (d) immediately below.	99.99%
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(ii) The Special Limited Partner, its principal office and place of business, its Percentage Interest and its Capital Contribution are as follows:

VAHM, L.L.C. 1840 West Broad Street Suite 200 Richmond, Virginia 23220	\$10.00	0.001%
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(d) Limited Partner Capital Contributions. Subject to the provisions of this Agreement, including, without limitation, the provisions of Sections 5.01(e) and 5.03, the Limited Partner shall be obligated to make Capital Contributions to the Partnership in the amount of \$3,500,000 payable in installments as follows. However, in addition to such Contributions, the Capital Contributions of the Limited Partners shall be deemed to include, and their respective Capital Accounts shall so reflect, each Limited Partner's allocable share of Capitalized Bridge Loan Interest as determined by the Partnership's Accountants in consultation with each Limited Partner.)

(i) First Capital Contribution. The amount of the first Capital Contribution shall be Five Hundred Thousand and No/100 Dollars (\$500,000). After satisfaction of all of the conditions set forth below, and review and approval of the items described below, the Limited Partner shall make the First Capital Contribution. The First Capital Contribution may be paid in installments. A portion of the First Capital Contribution in the amount of \$28,000 shall be used to pay the Limited Partner's Due Diligence Costs and an additional portion of the First Capital Contribution shall be used to pay for approved costs of the Development of the Project.

- (A) Title Policy. The Title Company shall have issued the Partnership's title policy in an amount equal to the acquisition and development cost of the Project, showing the Partnership as owner of fee simple title to the Land and subject to only such exceptions as are acceptable to the Limited Partner, and containing fairways, non-imputation, creditors' rights, zoning, survey, access, tax parcel and such other endorsements as the Limited Partner may require;
- (B) Environmental Matters. The Limited Partner shall have received a report satisfactory to the Limited Partner confirming no material adverse environmental conditions, including, without limitation, evidence that radon gas is not present in any of the

apartment units at a level above the recommended permitted safe level as determined by the Environmental Protection Agency or any other applicable governmental authority;

- (C) Legal Opinion. The Limited Partner shall have received a legal opinion as set forth in Section 5.04;
- (D) Permanent Financing. The Limited Partner shall have received copies of all commitment letters or agreements from all of the Partnership's anticipated financing sources necessary to meet the Partnership's financial needs for the Project.
- (E) Survey. The Limited Partner shall have received and approved an ALTA Survey, dated no more than ninety (90) days prior to the date of funding;
- (F) Plans and Specifications. The Limited Partner shall have received and approved Plans and Specifications for the Project;
- (G) Permits. The Limited Partner shall have received a copy of all permits and licenses required for the construction and rehabilitation of the Project, issued by the appropriate governmental authorities;
- (H) Construction Financing. Evidence that all construction financing proceeds are available, including copies of all executed construction financing documents;
- (I) Credits. Evidence from the Agency that the Project will qualify for annual LIHTC of at least \$405,268;
- (J) Construction Contract. The general construction contract, in form and substance acceptable to the Limited Partner and with a fixed price or maximum upset price acceptable to the Limited Partner, and with a general contractor reasonably acceptable to the Limited Partner;
- (K) Financials. Current financial statements of the Developer, verification of background information to be provided to the Limited Partner by the General Partner and there having been no changes in the tax laws or treasury regulations or pronouncements or interpretations of existing tax issues that would materially and adversely affect the Limited Partner's investment in the Partnership;
- (L) AHAP. The General Partner shall have an executed copy of the AHAP, satisfactory to the Limited Partner; and
- (M) Other Documentation. The Limited Partner shall have received such other documentation as it may reasonably request to satisfy its due diligence requirements

including, without limitation, (I) those documents listed on the Limited Partner's closing checklist, a copy of which has been previously delivered to the General Partner; (ii) the Post Closing Obligations, if any, as set forth on **Exhibit K** attached hereto; and (iii) such additional items requested by the Limited Partner to otherwise verify the accuracy of the representations and warranties and compliance with the covenants, duties and obligations set forth in Article IV.

(ii) **Second Capital Contribution.** The amount of the Second Capital Contribution shall be Six Hundred Thousand and No/100 Dollars (\$600,000). The Second Capital Contribution may be paid in installments. After satisfaction of all of the conditions set forth below, and review and approval by the Limited Partner of the items described below, the Limited Partner shall make the Second Capital Contribution in the amount requested by the General Partner in the manner set forth below, to pay for the cost of construction or rehabilitation of the Project.

- (A) **First Capital Contribution Paid.** The occurrence of the Limited Partner's First Capital Contribution;
- (B) **Sworn Statements.** The Limited Partner shall have received a written request for an advance from the General Partner in form satisfactory to the Limited Partner, accompanied by current owner's and contractor's sworn statements;
- (C) **General Partner's Certificate.** The Limited Partner shall have received a certificate from the General Partner that the representations, warranties and covenants in Sections 4.01 and 4.02 are true and accurate as of the date of the proposed Second Capital Contribution, and that the General Partner and the Partnership are not in default of any of their obligations hereunder and under the Project Documents as of the date of the proposed Second Capital Contribution;
- (D) **Physical Inspection.** A construction consultant selected by the Limited Partner shall have prepared a physical inspection report and certified that 25% of the work has been completed in accordance with the Plans and Specifications;
- (E) **Title Policy.** The Title Company shall have issued: (1) a "date down" endorsement to the title policy extending the effective date of the title policy to the date of funding and showing no exceptions to the title other than the exceptions reflected on the title policy as of Initial Closing, except as shall be acceptable to the Limited Partner; (2) an endorsement affording mechanics lien coverage; and (3) such other endorsements as the Limited Partner may reasonably require;
- (F) **10% Cost Certification.** The Limited Partner shall have received a copy of the cost certification the Partnership or Affiliate Guarantor delivered to the Virginia Housing Development Authority in connection with any carryover of LIHTC, with copies of all invoices and backup information; and

- (G) Other Documentation. The Limited Partner shall have received such other documentation as it may reasonably request to verify the accuracy of the representations and warranties and compliance with the covenants, duties and obligations set forth in Article IV.

(iii) Third Capital Contribution. The amount of the Third Capital Contribution shall be Six Hundred Thousand and No/100 Dollars (\$600,000). The Third Capital Contribution may be paid in installments. After satisfaction of all of the conditions set forth below, and review and approval by the Limited Partner of the items described below, the Limited Partner shall make the Third Capital Contribution in the amount requested by the General Partner in the manner set forth below, to pay for the cost of construction or rehabilitation of the Project.

- (A) Second Capital Contribution Paid. The occurrence of the Limited Partner's Second Capital Contribution;
- (B) Sworn Statements. The Limited Partner shall have received a written request for an advance from the General Partner in form satisfactory to the Limited Partner, accompanied by current owner's and contractor's sworn statements;
- (C) General Partner's Certificate. The Limited Partner shall have received a certificate from the General Partner that the representations, warranties and covenants in Sections 4.01 and 4.02 are true and accurate as of the date of the proposed Third Capital Contribution, and that the General Partner and the Partnership are not in default of any of their obligations hereunder and under the Project Documents as of the date of the proposed Third Capital Contribution;
- (D) Physical Inspection. A construction consultant selected by the Limited Partner shall have prepared a physical inspection report and certified that 50% of the work has been completed in accordance with the Plans and Specifications;
- (E) Title Policy. The Title Company shall have issued: (1) a "date down" endorsement to the title policy extending the effective date of the title policy to the date of funding and showing no exceptions to the title other than the exceptions reflected on the title policy as of Initial Closing, except as shall be acceptable to the Limited Partner; (2) an endorsement affording mechanics lien coverage; and (3) such other endorsements as the Limited Partner may reasonably require; and
- (F) Other Documentation. The Limited Partner shall have received such other documentation as it may reasonably request to verify the accuracy of the representations and warranties and compliance with the covenants, duties and obligations set forth in Article IV.

(iv) Fourth Capital Contribution. The amount of the Fourth Capital Contribution shall be Six Hundred Thousand and No/100 Dollars (\$600,000). The Fourth Capital Contribution may be paid in installments. After satisfaction of all of the conditions set forth below, and review and approval by the Limited Partner of the items described below, the Limited Partner shall make the Fourth Capital Contribution in the amount requested by the General Partner in the manner set forth below, to pay for the cost of construction or rehabilitation of the Project and to fund the Lease-Up Reserve in an amount equal to \$30,000.

- (A) Third Capital Contribution Paid. The occurrence of the Limited Partner's Third Capital Contribution;
- (B) Sworn Statements. The Limited Partner shall have received a written request for an advance from the General Partner in form satisfactory to the Limited Partner, accompanied by current owner's and contractor's sworn statements;
- (C) General Partner's Certificate. The Limited Partner shall have received a certificate from the General Partner that the representations, warranties and covenants in Sections 4.01 and 4.02 are true and accurate as of the date of the proposed Fourth Capital Contribution, and that the General Partner and the Partnership are not in default of any of their obligations hereunder and under the Project Documents as of the date of the proposed Second Capital Contribution;
- (D) Physical Inspection. A construction consultant selected by the Limited Partner shall have prepared a physical inspection report and certified that 75% of the work has been completed in accordance with the Plans and Specifications;
- (E) Title Policy. The Title Company shall have issued: (1) a "date down" endorsement to the title policy extending the effective date of the title policy to the date of funding and showing no exceptions to the title other than the exceptions reflected on the title policy as of Initial Closing, except as shall be acceptable to the Limited Partner; (2) an endorsement affording mechanics lien coverage; and (3) such other endorsements as the Limited Partner may reasonably require; and
- (F) Other Documentation. The Limited Partner shall have received such other documentation as it may reasonably request to verify the accuracy of the representations and warranties and compliance with the covenants, duties and obligations set forth in Article IV.

(v) Fifth Capital Contribution. The amount of the Fifth Capital Contribution shall be Six Hundred Fifty Thousand and No/100 Dollars (\$650,000). After satisfaction of all of the conditions set forth below, and review and approval by the Limited Partner of the items described below, the Limited Partner shall make the Fifth Capital Contribution in the amount requested by the

General Partner in the manner set forth below, to pay for the cost of construction or rehabilitation of the Project or to repay the Construction Loan. \$20,000 of such Contribution will be used to initially fund the Replacement Reserve and \$253,597 will be used to pay a portion of the Developer Fee.

- (A) Fourth Capital Contribution Paid. The occurrence of the Limited Partner's Fifth Capital Contribution;
- (B) Final Closing. Simultaneously with Final Closing, provided that the Limited Partner has received fifteen (15) days' prior written notice of the date of Final Closing, and has received copies of any loan documents (including loan riders) executed in connection with the permanent financing that have not been previously delivered to the Limited Partner;
- (C) Substantial Completion. Substantial Completion of the Project shall have occurred;
- (D) Survey. The Limited Partner shall have received and approved an updated and recertified as-built survey satisfactory to the Limited Partner dated no more than thirty (30) days prior to the date of funding;
- (E) As Built Plans and Specifications. The General Partner shall have submitted to the Limited Partner a written document executed by the General Partner, the architect and the Contractor certifying no material change to the "for-construction" Plans and Specifications previously approved by the Project Lenders and Limited Partner;
- (F) Permits, Licenses and Certificates of Occupancy. The Limited Partner shall have received a copy of any permits and licenses which are required for the operation and use of the Project and a copy of the final and unconditional certificate or certificates of occupancy, or the equivalent, issued by the appropriate governmental authorities for the Project in its entirety;
- (G) Draft Cost Certification. Receipt and approval of a draft cost certification of Eligible Basis (as defined in Code Section 42(d)) for the Project prepared by the Accountants;
- (H) Environmental Matters. The General Partner shall have provided the Limited Partner evidence that the construction of the Project did not result in the filling or disturbance of any wetlands and that any actions recommended to be taken which were contained in any environmental assessment reports prepared in conjunction with the development of the Project have been appropriately completed in a manner that fully complies with such recommendations and all laws, regulations, ordinances, orders or decrees pertaining to environmental matters;
- (I) Extended Use Agreement. Receipt by the Limited Partner of a copy of an as-recorded Extended Use Agreement;

- (J) General Partner Certificate. Receipt of a certificate from the General Partner that (1) the representations, warranties and covenants in Sections 4.01 and 4.02 continue to be true and accurate through the date of the proposed Third Capital Contribution and (2) the Partnership and the General Partner are not in default of any of their obligations with respect to the Partnership or the Project at such time;
- (K) Legal Opinion. The Limited Partner shall have received an update of the legal opinion previously delivered to the Limited Partner in connection with its making the Initial Capital Contribution;
- (L) Evidence of Applicable Fraction. The Limited Partner shall have received satisfactory evidence that the Applicable Fraction (as defined in Code Section 42(c)(1)(B)) for the Project equals or exceeds forty percent (40%) determined as of the date of the proposed Third Capital Contribution;
- (M) Architect's Certificate. The General Partner shall have delivered to the Limited Partner an architect's certificate of substantial completion in the form requested by the Limited Partner;
- (N) Payment of Taxes. The Limited Partner shall have received satisfactory evidence (which may be included in the title policy described below) that all real property taxes and assessments for the Project due and payable through the date of funding have been timely and fully paid;
- (O) Title Policy. The Title Company shall have issued a final date down endorsement to the title policy extending the date of the title policy through the date of final funding of the Project Loans and the Third Capital Contribution and showing no exceptions to title other than those exceptions reflected on the title policy as of Initial Closing and other exceptions as may be acceptable to the Limited Partner;
- (N) Other Documentation. The Limited Partner shall have received such other documentation as it may reasonably request to verify the accuracy of the representations and warranties and compliance with the covenants, duties and obligations set forth in Article IV;
- (P) HAP Contract. Executed copy of the HAP Contract, satisfactory to the General Partner; and
- (Q) General Partner Elections. The General Partner will provide evidence that it has made the election to be taxable under Code Section 168(h)(6)(F)(ii) and that such election was effective prior to placement in service of the Project.

(vi) **Sixth Capital Contribution.** The amount of the Sixth Capital Contribution shall be Three Hundred Thousand and No/100 Dollars (\$300,000). After satisfaction of all of the conditions set forth below, and review and approval by the Limited Partner of the items described below, the Limited Partner shall make the Sixth Capital Contribution in the amount requested by the General Partner in the manner set forth below, to pay the Developer Fee.

- (A) **Fifth Capital Contribution Paid.** The occurrence of the Limited Partner's Fifth Capital Contribution;
- (B) **Qualified Occupancy.** Achievement of occupancy of one hundred percent (100%) of the residential units in the Project by Qualified Tenants, and the General Partner, if requested by the Limited Partner, shall demonstrate such occupancy by submitting to the Limited Partner certified rent rolls and tenant qualification forms that confirm that such tenants qualify under Section 42 of the Code;
- (C) **Breakeven Operation.** The last day of the month following the month in which Breakeven Operations occurs (with the Project having achieved at least 95% physical and economic occupancy for the six-month period in which Breakeven Operations has been achieved);
- (D) **General Partner Certificate.** The Limited Partner shall have received a certificate from the General Partner that (1) the representations, warranties and covenants in Sections 4.01 and 4.02 are true and accurate as of the date of the proposed Sixth Capital Contribution and (2) the Partnership and the General Partner are not in default of any of their obligations with respect to the Partnership or Project at such time;
- (E) **Cost Certification.** Receipt of an audited cost certification of Eligible Basis (as defined in Code Section 42(d)) for the Project prepared by the Accountants;
- (F) **§609's.** Receipt of the Form(s) 8609 for the entire Project executed by the Agency;
- (G) **Partnership Tax Return.** The Limited Partner shall have received a complete copy of the Partnership's 2013 tax return; and
- (H) **Other Documentation.** The Limited Partner shall have received such other documentation as it may reasonably request to verify the accuracy of the representations and warranties and compliance with the covenants, duties and obligations set forth in Article IV.

(vii) **Seventh Capital Contribution.** The amount of the Seventh Capital Contribution shall be Two Hundred Fifty Thousand and No/100 Dollars (\$250,000). After satisfaction of all of the conditions set forth below, and review and approval by the Limited Partner

of the items described below, the Limited Partner shall make the Seventh Capital Contribution in the amount requested by the General Partner in the manner set forth below to fund the Operating Reserve. Such Contribution shall not be made earlier than May 1, 2017, unless such date is waived by the Limited Partner.

- (A) Sixth Capital Contribution Paid. The occurrence of the Limited Partner's Sixth Capital Contribution;
- (B) General Partner's Certificate. The Limited Partner shall have received a certificate from the General Partner that the representations, warranties and covenants in Sections 4.01 and 4.02 are true and accurate as of the date of the proposed Seventh Capital Contribution, and that the General Partner and the Partnership are not in default of any of their obligations hereunder and under the Project Documents as of the date of the proposed Second Capital Contribution;
- (C) Other Documentation. The Limited Partner shall have received such other documentation as it may reasonably request to verify the accuracy of the representations and warranties and compliance with the covenants, duties and obligations set forth in Article IV.

(viii) Limited Partner's Special Additional Capital Contributions. If, in any fiscal year of the Partnership, the Limited Partner's Capital Account balance may be reduced to or below zero, the Limited Partner may, in its sole and absolute discretion, make a Special Additional Capital Contribution to the Partnership, in an amount reasonably required to avoid the reduction of the Limited Partner's Capital Account balance to or below zero. If the Limited Partner makes a Special Additional Capital Contribution to the Partnership pursuant to this paragraph, the Limited Partner shall receive a guaranteed payment pursuant to Section 5.06 for the use of its Special Additional Capital Contribution. Whenever the Limited Partner makes a Special Additional Capital Contribution to the Partnership pursuant to this paragraph, the General Partner shall have the option, in its sole and absolute discretion, to make Special Additional Capital Contributions to the Partnership, up to the same amount and on the same terms in the aggregate as the Special Additional Capital Contribution made by the Limited Partner at that time.

(e) Adjustment to Capital Contributions of Limited Partner. Following determination of Certified Credits, the Accountants shall make a determination as to whether there is a Downward Capital Adjustment. If events subsequent to such determination result in a decrease in the Capital Contributions of the Limited Partner due to a Late Delivery Capital Adjustment, then the Accountants shall recalculate the Downward Capital Adjustment to take into account such Late Delivery Capital Adjustment. Following the determination of a Downward Capital Adjustment and/or a Late Delivery Capital Adjustment, the General Partner or the Partnership, as appropriate, shall make payments as required under Section 5.01(e)(ii).

(i) The following definitions shall apply for purposes of determining adjustments to Capital Contributions:

- A. "Certified Credit Capital Adjustment" shall equal the product of (A) Certified Credits for the Credit Period (excluding any LIHTC resulting from an increase in qualified basis under Code Section 42(f)(3)), minus \$4,052,680, and (B) \$0.8636. The Certified Credit Capital Adjustment may be a positive or negative number.
- B. "Certified Credit Capital Decrease" means a negative Certified Credit Capital Adjustment.
- C. "Certified Credit Capital Increase" means a positive Certified Credit Capital Adjustment.
- D. "Downward Capital Adjustment" shall mean the following: (A) if either there is a Certified Credit Capital Decrease or if the Certified Credit Capital Adjustment is zero, then the Certified Credit Capital Decrease plus the Late Delivery Capital Adjustment; or (B) if there is a Certified Credit Capital Increase, the positive amount, if any, by which the Late Delivery Capital Adjustment exceeds the Certified Credit Capital Increase.
- E. "Late Delivery Capital Adjustment" shall mean for calendar year 2013 the amount, if any, by which \$75,980 exceeds Actual Credits for such year.
- F. "Early Delivery Capital Adjustment" shall mean the product of (a) \$0.50 and (b) the amount, if any, by which Actual Credits for calendar year 2013 exceed \$75,980 (but in no event shall the total Early Delivery Capital Adjustment exceed \$15,000); provided, however, that if the Project does not achieve 100% Qualified Occupancy by December 31, 2013, then the Limited Partner shall not be obligated to make an Early Delivery Capital Adjustment despite the delivery of Actual Credit as described herein.

(ii) If there is a Downward Capital Adjustment, then the Capital Contributions of the Limited Partner shall be immediately reduced by the Downward Capital Adjustment. The Downward Capital Adjustment shall first reduce the Second Capital Contribution (if it has not previously been funded), and then to the extent necessary, the Third Capital Contribution, and then to the extent necessary, the Fourth Capital Contribution. If the Downward Capital Adjustment exceeds the total of all unfunded Capital Contributions (prior to the reduction under this provision), then the General Partner shall make a payment immediately to the Partnership equal to the amount of such excess, and the Partnership shall immediately distribute such amount to the Limited Partner as a return of its Capital Contributions. Such payment by the General Partner shall constitute a non-reimbursable funding by it of Excess

Development Costs and shall not give rise to any right as a loan or Capital Contribution or result in any increase in the Capital Account of the General Partner. In the event that the General Partner fails to make such payment in full and the Limited Partner, in its sole discretion, elects not to exercise its remedies under Sections 5.05 or 6.05, as applicable, any amount not so paid by the General Partner as required shall be payable out of Net Cash Flow and proceeds of Capital Transactions, as provided under Sections 11.03 and 11.04. Any payment required to be paid to the Limited Partner pursuant to the preceding sentence out of Net Cash Flow and the proceeds of Capital Transactions shall be referred to as a "LIHTC Reduction Guaranty Payment". The Early Delivery Capital Adjustment shall be paid with the Sixth Capital Contribution.

(f) Payment of Limited Partner Due Diligence Costs. The General Partner shall pay the costs and expenses incurred by the Limited Partner in connection with the due diligence activities of the Limited Partner and the closing of the transactions described herein , including Limited Partner's legal fees and expenses, such Limited Partner Due Diligence Costs not to exceed \$28,000.

(g) Additional Limited Partners. Without the Consent of all of the Partners, no additional Persons may be admitted as additional Limited Partners and Capital Contributions may be accepted only as and to the extent expressly provided for in this Article V.

(h) Deposit of Capital Contributions. Except as otherwise provided in Section 5.01(d) herein, the cash portion of the Capital Contributions of each Partner shall be deposited at the General Partner's discretion in a checking, savings and/or money market or similar account to be established and maintained in the name of the Partnership or invested in government securities or certificates of deposit issued by any bank. Thereafter, such amounts shall be utilized for the conduct of the Partnership business pursuant to the terms of this Agreement.

(i) No Liability for Limited Partner or Special Limited Partner. Except as may otherwise be provided under applicable law, no Limited Partner or Special Limited Partner shall be bound by, or personally liable for, the expenses, liabilities or obligations of the Partnership.

(j) Payment of Environmental Assessment Consultant Fees. The General Partner acknowledges that, on behalf of the Limited Partner, the Limited Partner or Affiliate may retain an environmental consultant (the "Environmental Consultant") to review and give recommendations related to environmental reports that are provided to the Limited Partner by the General Partner (including, but not limited to, Phase I and Phase II environmental assessments, wetlands reports, lead and asbestos reports, abatement reports and other environmental reports required by the Environmental Consultant, to the reasonable satisfaction of the Environmental Consultant) for the Land, or the construction and rehabilitation of existing buildings, if the reports indicate the possible presence of hazardous materials on or near the Project or if such reports appear incomplete or

inadequate for purposes of making such a determination. The Partnership shall be solely responsible for the payment of the fees of the Environmental Consultant.

5.02 Return of Capital Contribution. Except as provided in this Agreement, no Partner shall be entitled to demand or receive the return of his Capital Contribution.

5.03 Withholding of Capital Contribution Upon Default.

(a) Conditions Giving Rise to Withholding. In the event that (a) the General Partner, or any successor General Partner shall not have substantially complied with any material provisions under this Agreement or the limited partnership agreement as to an Affiliated Partnership, after Notice from the Limited Partner of such noncompliance and failure to cure such noncompliance within a period of thirty (30) days from and after the date of such Notice, or (b) any Project Lender shall have declared the Partnership to be in default under any Project Loan or under any of the mortgage loans as to an Affiliated Partnership, or (c) foreclosure proceedings shall have been commenced against the Project or against the Project owned by an Affiliated Partnership, then the Partnership and the General Partner shall be in default of this Agreement, and the Limited Partner, at its sole election, may cause the withholding of payment of any Capital Contribution otherwise payable to the Partnership (including while any cure period is in effect).

(b) Release to Partnership Following Cure. All amounts so withheld by the Limited Partner under this Section 5.03 shall be promptly released to the Partnership only after the General Partner or the Partnership have cured the default justifying the withholding, as demonstrated by evidence reasonably acceptable to the Limited Partner.

5.04 Legal Opinions. As a condition precedent to the Limited Partner's obligation to make its Capital Contributions hereunder, the Limited Partner must receive the opinion of Kanady & Quinn, P.C., Counsel for the Partnership and the General Partner, which opinion shall explicitly state that Applegate & Thorne-Thomsen, P.C. of Chicago, Illinois, counsel to the Limited Partner, may explicitly rely upon it, that:

(a) the Partnership is a duly formed and validly existing limited partnership under the Act, and the Partnership has full power and authority to own and operate the Project and to conduct its business hereunder; the Partnership is duly qualified to transact its business in the Commonwealth of Virginia; the Limited Partner has been validly admitted as a Limited Partner of the Partnership entitled to all the benefits of a Limited Partner under this Agreement, and the Interest of the Limited Partner in the Partnership is the Interest of a limited partner with no personal liability for the obligations of the Partnership, and the exercise of the rights and remedies of the Limited Partner under this Agreement do not constitute participating in the control of the business of the Partnership;

(b) the General Partner is duly and validly organized and is validly existing in good standing as a corporation/limited liability company under the laws of the Commonwealth of

Virginia, with full power and authority to enter into and perform its obligations hereunder and under the General Partner Pledge; the General Partner is duly qualified to transact its business in the Commonwealth of Virginia;

(c) unless otherwise permitted under this Agreement, there is and shall be no direct or indirect personal liability of the Partnership or of any of the Partners or their Affiliates for the repayment of the principal of and payment of interest on any Project Loan, and the sole recourse of the Project Lender, with respect to the principal thereof and interest thereon, shall be to the assets of the Partnership securing such indebtedness;

(d) execution of this Agreement and the General Partner Pledge by the General Partner has been duly and validly authorized by or on behalf of such General Partner and, having been executed and delivered in accordance with its terms, this Agreement and the General Partner Pledge constitute the valid and binding agreement of the General Partner, enforceable in accordance with their respective terms, and execution hereof and thereof by the General Partner is not in violation of any contract, agreement, charter, bylaw, resolution, judgment, order, decree, law or regulation to which the General Partner is bound or as to which it is subject;

(e) the Partnership owns fee simple title to the Project, subject only to the Project Loans, the Mortgages, and such other liens, charges, easements, restrictions and encumbrances as are set forth in the title insurance policy issued to the Partnership. Such opinion may be based on a review of the title insurance policy issued in accordance with Section 4.01 herein, provided Counsel has no actual knowledge to the contrary;

(f) to the best of its knowledge after due inquiry, there are no defaults existing with respect to any of the Project Documents;

(g) to the best of its knowledge after due inquiry, no event of Bankruptcy has occurred with respect to the Partnership or the General Partner; and

(h) the Affiliate Guaranty has been duly executed by the Affiliate Guarantor and constitutes the valid and binding obligation of the Affiliate Guarantor, enforceable in accordance with its terms; and

(i) the Partnership has received a carryover allocation of LIHTC for the Projected Credits from the Agency, which is the appropriate state of local authority for the jurisdiction in which the Project is located.

In addition, the Limited Partner shall have received from counsel to Limited Partner an overall tax opinion, addressing all material tax issues and indicating that the financial projections and tax credit calculation contained in the Development Budget appear reasonable and complete.

5.05 Repurchase Obligation.

(a) Conditions for Repurchase. If (i) Final Closing has not occurred by December 31, 2013 (or such later date as may be Consented to by the Limited Partner); (ii) the Partnership has not received State Designation in 2011 or the IRS Form 8609 is not issued by the Agency by December 31, 2013, so as to allow the Credit Period to commence as of January 1, 2013; (iii) the Partnership fails to meet the Minimum Set-Aside Test and the Rent Restriction Test by the close of the first year of the Credit Period or at any time thereafter; (iv) the Partnership's basis in the Project for federal income tax purposes, as finally determined by the Accountants or pursuant to an audit by the IRS, as of December 31, 2012, shall have been less than ten percent (10%) of the Partnership's reasonably expected basis in the Project, as required pursuant to Section 42(h)(1)(E) of the Code; (v) an Extended Use Agreement is not in effect before the end of the first year of the Credit Period; or (vi) the Project has not generated at least 95% of the Projected LIHTC for the year 2013, then the General Partner shall, within fifteen (15) days of the occurrence thereof, send to the Limited Partner Notice of such event and of its obligation to purchase the Interest of the Limited Partner hereunder and return to the Limited Partner its Capital Contributions in the event the Limited Partner, in its sole discretion, requires in a Notice to the General Partner such purchase of the Interest of the Limited Partner. Thereafter, the General Partner, within thirty (30) days of the mailing date of Notice by the Limited Partner of such election, shall acquire the entire Interest of the Limited Partner in the Partnership by making payment to the Limited Partner, in cash, of an amount equal to the sum of its Capital Contributions, plus interest on such amount at the rate of fourteen percent (14%) per annum, but in no event higher than the highest rate permitted by applicable law.

(b) Upon receipt by the Limited Partner of any such payment of its Capital Contributions, the Interest of the Limited Partner and all further obligations of the Limited Partner hereunder shall terminate, and, to the extent that the Limited Partner has acted in accordance with the terms of this Agreement, the General Partner shall indemnify and hold harmless the Limited Partner from any losses, damages, and/or liabilities, to or as a result of claims of Persons other than Partners or Affiliates thereof, to which the Limited Partner (as a result of its respective participation hereunder) may be subject.

5.06 Guaranteed Payments. No later than ninety (90) days after the end of the Partnership's fiscal year, any Partner who has made a Special Additional Capital Contribution hereunder shall receive, as a guaranteed payment for the use of its capital, an amount equal to the annual interest earned by the Partnership, if any, on such Special Additional Capital Contributions. The Partnership shall invest any amounts contributed as a Special Additional Capital Contribution as reasonably directed by the contributing Partner. Any guaranteed payment due to a Partner shall be deemed an expense of the Partnership for purposes of determining Net Cash Flow. Any guaranteed payment which is not paid when due shall remain a liability of the Partnership and shall bear interest as set forth above.

5.07 GP Loans.

(a) GP Loans. The General Partner shall have the right, but not the obligation, after funding all other obligations under this Agreement, including, without limitation, its obligation to fund Excess Development Costs under its Construction Completion Guaranty under Section 8.11(a) or Operating Deficit under its Operating Deficit Guaranty under Section 8.11(b) hereof, to make "GP Loans" pursuant to this Section 5.07(a) to fund Operating Deficits of the Partnership or to fund other reasonable and necessary obligations of the Partnership, provided, however, that the General Partner shall not enter into any such GP Loan with the Partnership if such GP Loan would cause a reallocation of LIHTC or tax benefits among the Partners. GP Loans shall be on the following terms: (i) interest shall accrue on the GP Loans at an annual interest rate of eight percent (8%), compounded annually; (ii) GP Loans shall be repayable solely as set forth in Sections 11.03 and 11.04 of this Agreement.

(b) Documentation of GP Loans. At the request of a Partner, which request may be made quarterly, any GP Loan shall be evidenced by a non-negotiable promissory note or notes reflecting any such GP Loans made during the preceding calendar quarter. GP Loans shall be unsecured loans. GP Loans shall not be considered Capital Contributions and shall not increase such Partner's Capital Account.

(c) Usury Savings Clause. Notwithstanding anything to the contrary herein or in any note evidencing a GP Loan, in no event shall interest accrue on any GP Loan at a rate in excess of the highest rate permitted by applicable law, and if such designated interest rate should be in excess of such interest rate, the interest rate designated hereunder shall be reduced to the maximum rate of interest permitted by such law.

ARTICLE VI CHANGES IN GENERAL PARTNERS

6.01 Withdrawal of the General Partner.

(a) The General Partner may withdraw from the Partnership or sell, transfer or assign its Interest as General Partner only with the prior Consent of the Limited Partner, and of the Agency and the Project Lenders, if required, and only after being given written approval by the necessary parties as provided in Section 6.02, and by the Agency and the Project Lenders, if required, of the General Partner(s) to be substituted for it or to receive all or part of its Interest as General Partner.

(b) In the event that a General Partner withdraws from the Partnership or sells, transfers or assigns its entire Interest pursuant to Section 6.01(a), it shall be and shall remain liable for all obligations and liabilities incurred by it as General Partner before such withdrawal, sale, transfer or assignment shall have become effective, but shall be free of any obligation or liability incurred on account of the activities of the Partnership from and after the time such withdrawal, sale, transfer or assignment shall have become effective.

6.02 Admission of a Successor or Additional General Partner. A Person shall be admitted as a General Partner of the Partnership only if the following terms and conditions are satisfied:

(a) the admission of such Person shall have been Consented to by the General Partner and the Limited Partner, and consented to by the Agency and the Project Lenders, if required;

(b) the successor or additional Person shall have accepted and agreed to be bound by (i) all the terms and provisions of this Agreement by executing a counterpart thereof, (ii) all the terms and provisions of the Loan Agreement and the Project Documents by executing counterparts thereof or an assumption agreement, if requested by the Project Lenders, and (iii) all the terms and provisions of such other documents or instruments as may be required or appropriate in order to effect the admission of such Person as a General Partner, and a certificate of amendment to the certificate of limited partnership evidencing the admission of such Person as a General Partner shall have been filed, and all other actions required by Section 1.07 in connection with such admission shall have been performed;

(c) if the successor or additional Person is a corporation, it shall have provided the Partnership with evidence satisfactory to counsel for the Partnership of its authority to become a General Partner, to do business in the Commonwealth of Virginia and to be bound by the terms and provisions of this Agreement; and

(d) Counsel for the Partnership shall have rendered an opinion that the admission of the successor or additional Person is in conformity with the Act and that none of the actions taken in connection with the admission of the successor Person will cause the termination or dissolution of the Partnership or will cause it to be classified other than as a partnership for federal income tax purposes.

6.03 Effect of Bankruptcy, Death, Withdrawal, Dissolution or Incompetence of a General Partner.

(a) In the event of the Bankruptcy of a General Partner or the withdrawal, death or dissolution of a General Partner, or an adjudication that a General Partner is incompetent (which term shall include, but not be limited to, insanity) the business of the Partnership shall be continued by the other General Partner(s); provided, however, that if the withdrawn, Bankrupt, deceased, dissolved or incompetent General Partner is then the sole General Partner, or if such General Partner withdraws from the Partnership in contravention of the provisions of Section 6.01(a) of this Agreement, then the Partnership shall be terminated, unless within ninety (90) days after receiving Notice of such Bankruptcy, withdrawal, death, dissolution or adjudication of incompetence or breach of Section 6.01(a), the Limited Partner elects to designate the Special Limited Partner or such other entity as the Limited Partner may desire as a successor General Partner and continue the Partnership upon the conversion of such Special Limited Partner to the General Partner of the Partnership. Consequences of the removal of the General Partner shall be determined under Section 6.05 hereof.

(b) Upon the Bankruptcy, death, dissolution or adjudication of incompetence of a General Partner or breach of Section 6.01(a), such General Partner shall immediately cease to be a General Partner and its Interest shall without further action be converted to a Limited Partner Interest; provided, however, that, if such Bankrupt, dissolved, incompetent, deceased or defaulted General Partner is the sole remaining General Partner, such General Partner shall cease to be a General Partner only upon the expiration of ninety (90) days after Notice to the Limited Partner of the Bankruptcy, death, dissolution, declaration of incompetence or default of such General Partner; and provided further that, if such Bankrupt, dissolved, incompetent, deceased or defaulted General Partner is the sole remaining General Partner, the converted Partnership Interest of such replaced General Partner shall be ratably reduced to the extent necessary to insure that the substitute General Partner(s) holds a .009% Percentage Interest (as set forth in Section 5.01).

(c) Except as set forth above, such conversion of a General Partner Interest to a Limited Partner Interest shall not affect any rights, obligations or liabilities (including, without limitation, any of the General Partner's obligations under Section 8.11 herein) of the Bankrupt, deceased, dissolved, removed, incompetent or defaulted General Partner existing prior to the Bankruptcy, death, dissolution, removal, incompetence or default of such person as a General Partner (whether or not such rights, obligations or liabilities were known or had matured).

(d) If, at the time of the withdrawal, Bankruptcy, death, dissolution, adjudication of incompetence or default under Section 6.01(a) of a General Partner, the Bankrupt, withdrawn, deceased, dissolved, incompetent or defaulted General Partner was not the sole General Partner of the Partnership, the remaining General Partner or General Partners shall immediately (i) give Notice to the Limited Partners of such Bankruptcy, death, dissolution, adjudication of incompetence or default, and (ii) make such amendments to this Agreement and execute and file such amendments or documents or other instruments as are necessary to reflect the conversion of the Interest of the Bankrupt, deceased, dissolved, incompetent or defaulted General Partner and his having ceased to be a General Partner. The remaining General Partner or General Partners are hereby granted an irrevocable power of attorney, coupled with an interest, to execute any or all documents on behalf of the Partners and the Partnership and to file such documents as may be required to effectuate the provisions of this Section 6.03.

6.04 Restrictions on Transfer of General Partner's Interests. This is an agreement under which applicable law excuses the Limited Partner from accepting performance from (i) any General Partner which is a debtor in a case under the Bankruptcy Code, 11 U.S.C. § 101 *et seq.*, (ii) a trustee of any such debtor, (iii) and/or the assignee of any such debtor or trustee. The Limited Partner has entered into this Agreement with the General Partner in reliance upon the unique knowledge, experience and expertise of the General Partner, and its officers in the planning and implementation of the acquisition of the Project and in the area of affordable housing and development in general. The foregoing restriction on transfer is based in part on the above factors. The General Partner expressly agrees that the Limited Partner shall not be required to accept performance under this Agreement from any person other than the General Partner, including, without limitation, any trustee

of the General Partner appointed under the Bankruptcy Code, 11 U.S.C. § 101 et seq., and any assignee of any such trustee.

6.05 Removal of the General Partner.

(a) Conditions for Removal. The Limited Partner shall have the right to remove the General Partner:

(i) for (A) any fraud, gross negligence or intentional misconduct, or (B) failure to exercise reasonable care with respect to any material matter in the discharge of its duties and obligations as General Partner (provided that such violation results in, or is likely to result in, a material detriment to or an impairment of the Project or assets of the Partnership), or

(ii) upon the occurrence of any of the following:

(A) the General Partner or the Partnership shall have violated any material provisions of the Regulatory Agreement, the Extended Use Agreement and/or the Loan Agreement, or any material provisions of any other Project Document or other document required in connection with any Project Loan or any material provisions of a Project Lender and/or Agency requirements applicable to the Project, which violation has not been explicitly waived in writing by the applicable Project Lender or the Agency, as applicable;

(B) the General Partner or the Partnership shall have (i) violated any material provision of this Agreement, including, without limitation, any of its guarantees or payment obligations under Sections 5.01(e), 5.05 and/or 8.11, (ii) violated any material provision of applicable law, or (iii) the representation and warranty contained in Section 4.01(u) are and/or becomes false or inaccurate;

(C) the General Partner or the Partnership shall have caused any Project Loan to go into default, which default remains uncured after the expiration of any applicable cure period;

(D) the General Partner shall have conducted its own affairs or the affairs of the Partnership in such manner as would:

(1) cause the termination of the Partnership for federal income tax purposes;

(2) cause the Partnership to be treated for federal income tax purposes as an association, taxable as a corporation;

(3) in the reasonable opinion of the Limited Partner, cause a recapture or reduction in Certified Credits;

(4) violate any federal or state securities laws;

(5) cause the Limited Partner to be liable for Partnership obligations in excess of its Capital Contributions; or

(E) the amount of Actual Credits for any year are, or are projected by the Accountants to be, less than ninety percent (90%) of the Projected Credits for that year; or less than ninety percent (90%) of Certified Credits if Certified Credits have been determined and adjustments to the capital contribution of the Limited Partner have been made as may be required under Section 5.01(e);

(F) cause for removal as a general partner of an Affiliated Partnership shall exist pursuant to the limited partnership agreement of an Affiliated Partnership;

(G) the General Partner fails to timely and promptly discharge the Management Agent if at any time cause for such removal exists;

(H) Bankruptcy or similar creditor's action is filed by or against the Partnership, the General Partner or any Affiliate Guarantor; or

(I) any default by the Affiliate Guarantor under the Affiliate Guaranty;

(J) failure of the Affiliate Guarantor to maintain a minimum net worth of \$1,000,000;

(K) failure of the Partnership to achieve Breakeven Operations within six months of the Partnership's achievement of 95% occupancy; or

(L) any act or omission by the General Partner that would substantially reduce tax benefits, or substantially increase tax liabilities, of the Limited Partner.

(b) **Procedure for Removal.** The Limited Partner shall give Notice to all Partners and to the Project Lenders of its determination that the General Partner shall be removed. The General Partner shall have ten (10) days after receipt of such Notice to cure any default or other reason for such removal, in which event it shall remain as General Partner. If, at the end of ten (10)

days, the General Partner has not cured any default or other reason for such removal, it shall cease to be General Partner and the powers and authorities conferred on it as General Partner under this Agreement shall cease and the Interests of such General Partner shall be transferred to the Special Limited Partner or its designee which, without further action, shall become the General Partner; in such event, upon becoming the General Partner, such designee shall be bound by all applicable terms and conditions of this Agreement and of the Project Documents.

(c) General Partner Obligations and Liability Following Removal.

(i) In the event that the General Partner is removed as aforesaid prior to the Final Closing, it shall be and shall remain liable for all obligations and liabilities incurred by it as General Partner of the Partnership before such removal shall become effective, including but not limited to the obligations and liabilities of the General Partner with respect to its obligations set forth in Section 8.11 of this Agreement; provided however, that if amounts otherwise payable to the General Partner as fees are applied to meet the obligations of the General Partner as stated in Sections 5.01, 5.05 and 8.11 of this Agreement, such application shall serve to reduce any such liabilities of the General Partner or any successor, except for any liability incurred as the result of its negligence, misconduct, fraud or breach of its fiduciary duties as General Partner of the Partnership. If the General Partner is removed as Partner of the Partnership prior to the Final Closing as aforesaid, the General Partner shall not be entitled to payment of any further installments of the Incentive Management Fee, or other fees which otherwise would have been due and payable under or pursuant to various Sections of this Article VI or Article VII.

(ii) In the event that the General Partner is removed as aforesaid after the Final Closing, it shall be and shall remain liable for all obligations and liabilities incurred by it as General Partner of the Partnership before such removal shall become effective, including but not limited to the General Partner's obligations and liabilities under Section 8.11(b) of this Agreement; provided, however, that if amounts otherwise payable to the General Partner or Affiliates thereof as fees are applied by the Partnership to pay Operating Deficits, such application shall serve to reduce any such liabilities after the Final Closing, except for any liability incurred as the result of its negligence, misconduct, fraud or breach of its fiduciary duty as General Partner of the Partnership. If the General Partner is removed as Partner of the Partnership at any time after the Final Closing, the Developer or its successor(s) shall continue to be paid subsequent to such removal, in accordance with the terms and conditions of this Agreement, any installments of the Development Fee which would have otherwise been due and payable to it pursuant to Section 8.12 and which are not otherwise being withheld; provided, however, upon any such removal of the General Partner after the Final Closing, no further installments of the Incentive Management Fee shall be paid which are attributable to any period after such removal.

(d) Power of Attorney. The Limited Partner hereby is granted an irrevocable power of attorney, coupled with an interest, to execute any and all documents on behalf of the Partners and the Partnership as shall be legally necessary and sufficient to effect all of the foregoing provisions of this Section 6.05. The election by the Limited Partner to remove the General Partner

under this Section shall not limit or restrict the availability and use of any other remedy which the Limited Partner or any other Partner might have with respect to the General Partner in connection with its undertakings and responsibilities under this Agreement.

ARTICLE VII
ASSIGNMENT TO THE PARTNERSHIP

The General Partner hereby transfers and assigns to the Partnership all of its right, title and interest in and to the Project, including the following:

- (a) all contracts with architects, contractors and supervising architects with respect to the development of the Project;
- (b) all plans, specifications and working drawings, heretofore prepared or obtained in connection with the Project and all governmental approvals obtained, including planning, zoning and building permits;
- (c) any and all commitments with respect to the Project Loans and the LIHTC;
- (d) any and all rights under and pursuant to the Project Documents; and
- (c) any other work product related to the Project.

ARTICLE VIII
RIGHTS, OBLIGATIONS AND POWERS
OF THE GENERAL PARTNER

8.01 Management of the Partnership.

(a) Except as otherwise set forth in this Agreement, the General Partner, within the authority granted to it under this Agreement, shall have full, complete and exclusive discretion to manage and control the business of the Partnership for the purposes stated in Article III, shall make all decisions affecting the business of the Partnership and shall manage and control the affairs of the Partnership to the best of its ability and use its best efforts to carry out the purpose of the Partnership. In so doing, the General Partner shall take all actions necessary or appropriate to protect the interests of the Limited Partner, Special Limited Partner and of the Partnership. The General Partner shall devote such time as is necessary to the affairs of the Partnership.

(b) Except as otherwise set forth in this Agreement and subject to the applicable Project Lender and/or Agency rules and regulations and the provisions of the Loan Agreement, the General Partner (acting for and on behalf of the Partnership), in extension and not in limitation of the rights and powers given by law or by the other provisions of this Agreement, shall, in its sole

discretion, have the full and entire right, power and authority in the management of the Partnership business to do any and all acts and things necessary, proper, convenient or advisable to effectuate the purpose of the Partnership. In furtherance and not in limitation of the foregoing provisions, the General Partner is specifically authorized and empowered to execute and deliver, on behalf of the Partnership, the Loan Agreements, the Regulatory Agreement, the Extended Use Agreement, the Notes, the Mortgages, and the other Project Documents, and to execute any and all other instruments and documents, and amendments thereto provided the Limited Partner shall be provided with the opportunity to review and Consent to any such documents prior to their execution by the General Partner, as shall be required in connection with the Project Loans, including, but not limited to, executing any mortgage, note, contract, building loan agreement, bank resolution and signature card, release, discharge, or any other document or instrument in any way related thereto or necessary or appropriate in connection therewith; provided, however, that copies of all applications for advances of proceeds of the Project Loans shall be provided to the Limited Partner prior to the disbursement of any funds pursuant thereto and shall be subject to the Consent of the Limited Partner; and provided further that any such applications which provide for the disbursement of funds of the Partnership in lieu of or in addition to the proceeds of the Project Loans shall be subject to the Consent of the Limited Partner. Limited Partner hereby Consents to the General Partner's execution of, on behalf of the Partnership, the Construction Loan documents which are in a form and substance acceptable to the Limited Partner. All decisions made for and on behalf of the Partnership by the General Partner shall be binding upon the Partnership. No person dealing with the General Partner shall be required to determine its authority to make any undertaking on behalf of the Partnership, nor to determine any facts or circumstances bearing upon the existence of such authority.

8.02 Limitations Upon the Authority of the General Partner.

- (a) The General Partner shall not have any authority to:
 - (i) perform any act in violation of any applicable law or regulation thereunder;
 - (ii) perform any act in violation of the provisions of the Regulatory Agreement, the Extended Use Agreement, the Loan Agreements, or any other Project Documents;
 - (iii) do any act required to be approved or ratified in writing by the Limited Partners under the Act unless the right to do so is expressly otherwise given in this Agreement;
 - (iv) knowingly rent apartments in the Project such that the Project would not meet the requirements of the Rent Restriction Test or Minimum Set-Aside Test;
 - (v) borrow from the Partnership or commingle Partnership funds with funds of any other Person; or

(vi) execute or deliver any general assignment for the benefit of creditors or file a petition or acquiesce in the filing of a petition for Bankruptcy.

(b) The General Partner shall not, without the Consent of the Limited Partner (which Consent shall not be unreasonably withheld, with the parties hereto agreeing and acknowledging that withholding such Consent would be reasonable if the action would likely be inconsistent with preserving the Project as a low-income housing project), have any authority to:

(i) sell or otherwise dispose of, at any time, all or substantially all of the assets of the Partnership;

(ii) amend the terms of any Project Loan to be other than those set forth on **Exhibit F** attached hereto;

(iii) borrow in excess of \$10,000.00 in the aggregate at any one time outstanding on the general credit of the Partnership, except GP Loans and Operating Deficit Loans, and except as and to the extent provided for in an approved budget pursuant to Section 8.20;

(iv) following Final Closing, construct any new or replacement capital improvements on the Project which substantially alter the Project or its use or which are at a cost in excess of \$10,000.00 in a single Partnership fiscal year, or rebuild the Project with the use of insurance proceeds, except (a) replacements and remodeling in the ordinary course of business or under emergency conditions, or (b) reconstruction paid for from insurance proceeds, or (c) as and to the extent provided for in an approved budget pursuant to Section 13.03;

(v) acquire any real property in addition to the Project other than easements reasonable and necessary for the operation of the Project;

(vi) following Final Closing, refinance any Project Loan;

(vii) confess a judgment against the Partnership in excess of \$5,000;

(viii) admit any person as a General Partner or a Limited Partner, or withdraw as General Partner, except as otherwise set forth in this Agreement;

(ix) do any act in contravention of this Agreement or any other agreement to which Partnership is a party;

(x) execute or deliver any assignment for the benefit of the creditors of the Partnership;

(xi) transfer or hypothecate the General Partner's interest as a General Partner in the Partnership, including its interest in Partnership allocations or distributions, except as otherwise provided in this Agreement;

(xii) dissolve the Partnership or take any action which would result in dissolution;

(xiii) refinance, prepay or materially modify the terms of any mortgage or long-term liability of the Partnership, or sell, grant an option to acquire, exchange, mortgage, encumber, pledge or otherwise transfer all or any portion of any interest in the Partnership or the Partnership's interest in the Project, or borrow funds or participate in a merger or consolidation with any other entity;

(xiv) change the nature of the business of the Partnership, or do any act which would make it impossible to carry on the ordinary business of the Partnership;

(xv) materially change any accounting method or practice of the Partnership;

(xvi) file a voluntary petition for bankruptcy of the Partnership;

(xvii) make any expenditure or incur any liability on behalf of the Partnership in excess of \$10,000.00 which is not identified in the budget provided by the General Partner to the Limited Partner;

(xviii) borrow funds from the Partnership;

(xix) enter into or materially modify the Construction Contract (or any other construction contract), or agree to any change order under the Construction Contract (or any other construction contract) if any such change order is for \$10,000 or more, or is proposed when the amount of previous change orders plus the proposed change order would exceed \$20,000 (over the life of the Partnership);

(xx) commingle Partnership funds or assets with the funds or assets of the General Partner or any Partnership or other entity owned or operated by the General Partner to the Limited Partner;

(xxi) possess Partnership property or assign rights in specific property for other than a business purpose of the Partnership;

(xxii) take any action which would cause the termination of the Partnership for federal income tax purposes under Code Section 708;

(xxiii) make, amend or revoke any tax election required of or permitted to be made by the Partnership under the Code or Regulations, including, without limitation, any election under Section 42 (including an election to treat any year other than 2013 as the first year of the Credit Period (as defined in Code Section 42) for the Project) or Section 754 of the Code or any other tax election affecting the amount, timing, availability or allocation of any LIHTC;

(xxiv) enter into any agreement or take any action without the prior consent of the Limited Partner with respect to any matters for which the prior consent of the Limited Partner is a prerequisite therefore;

(xxv) approve any increase in fees to the General Partner or any affiliate of the General Partner;

(xxvi) change in ownership, control or management of the General Partner; or

(xxvii) allow this Agreement to be amended.

(xxviii) invest assets of the Partnership in (A) investments specifically not contemplated by this Agreement, or (B) in investments other than U.S. Treasury Bills, Notes or Bonds, or bank accounts, money market accounts or certificates of deposit in institutions insured by the Federal Deposit Insurance Corporation. However, investment of such assets may be expanded upon approval by the Limited Partner.

8.03 Sale of Project.

(a) Limited Partner Request for Sale. Notwithstanding the foregoing Section 8.02, and subject to all Agency regulations then in effect and the receipt of all required approvals and consents of the Project Lenders, and subject further to the extended use requirements applicable pursuant to Section 42(h)(6) of the Code, at any time after the fourteenth (14th) anniversary of the first day of the first taxable year of the applicable LIHTC compliance period the Limited Partner may request that the Partnership do one of the following: (i) sell the Project subject to the Extended Use Agreement (a "Continued Compliance Sale"); or (ii) request that the Agency arrange for the sale of the Project after receipt of a Qualified Contract (a "Compliance Termination Sale").

(b) Continued Compliance Sale. After receipt of a request for a Continued Compliance Sale, the General Partner shall use its best efforts to find a third party purchaser for the Project and to cause the Partnership to consummate a sale of the Project subject to the Extended Use Agreement and on terms Consented to by the Limited Partner. If such efforts are not successful on terms reasonably satisfactory to the Limited Partner within four (4) months, the Limited Partner shall have the right thereafter to locate a purchaser for the Project. If the Limited Partner locates such a purchaser, the General Partner shall be given a right of first refusal to purchase the Project on the same terms and conditions as would be applicable to such purchaser. If such right of first refusal is not exercised by the General Partner within thirty (30) days, then the General Partner shall be

obligated to consent to the sale to such purchaser so long as the purchase price and other terms offered by such purchaser are at least as favorable to the Partnership as the best offer, if any, located by the General Partner. If the Limited Partner requests that the Continued Compliance Sale be conducted in a manner that would result in the conversion of the Project to a condominium regime of ownership and the sale of individual condominium units, the General Partner shall use diligent efforts to accomplish such conversion on such terms which are reasonably satisfactory to the Limited Partner.

(c) Compliance Termination Sale. After receipt of a request for a Compliance Termination Sale, the General Partner shall make a request to the Agency to obtain a buyer who is willing to operate the low-income units of the Project as a qualified low-income building and who will submit a Qualified Contract for the Project, and if no Qualified Contract is submitted within one year of the date of the General Partner's request to the Agency, the General Partner shall use its best efforts to find a third party purchaser and to cause the Partnership to consummate a sale of the Project to such purchaser on terms Consented to by the Limited Partner and free of the restrictions imposed by the Extended Use Agreement. If such efforts are not successful on terms reasonably satisfactory to the Limited Partner within six (6) months, the Limited Partner shall have the right thereafter to locate a purchaser for the Project. If the Limited Partner locates such a purchaser, the General Partner shall be given a right of first refusal to purchase the Project on the same terms and conditions as would be applicable to such purchaser. If such right of first refusal is not exercised by the General Partner within thirty (30) days, then the General Partner shall be obligated to consent to the sale to such purchaser so long as the purchase price and other terms offered by such purchaser are at least as favorable to the Partnership as the best offer, if any, located by the General Partner. If the Limited Partner requests that the Compliance Termination Sale be conducted in a manner that would result in the conversion of the Project to a condominium regime of ownership and the sale of individual condominium units, the General Partner shall use diligent efforts to accomplish such conversion on such terms which are reasonably satisfactory to the Limited Partner.

(d) General Partner Option. The General Partner, if it is a qualified non-profit under the terms of Section 42(i)(7) of the Code, shall have the right of first refusal to purchase the Project at the end of the low-income housing tax credit compliance period, in accordance with said Section 42(i) (7) of the Code, for an amount equal to at least the sum of (i) \$1.00, plus (ii) all outstanding debt of the Partnership, including debt encumbering the Project, plus (iii) the aggregate federal, state and local (if any) income tax liabilities which would be incurred by the members of the Limited Partner as a consequence of such purchase, on the terms set forth in Exhibit L attached hereto.

8.04 Management Purposes. In conducting the business of the Partnership, the General Partner shall be bound by the Partnership's purposes set forth in Article III.

8.05 Delegation of Authority. The General Partner may delegate all or any of its powers, rights and obligations hereunder, and may appoint, employ, contract or otherwise deal with any Person for the transaction of the business of the Partnership, which Person may, under supervision of

the General Partner, perform any acts or services for the Partnership as the General Partner may approve.

8.06 General Partner or Affiliates Dealing with Partnership. The General Partner or any Affiliates thereof shall have the right to contract or otherwise deal with the Partnership for the sale of goods or services to the Partnership in addition to those set forth herein, if (a) compensation paid or promised for such goods or services is reasonable (i.e., at fair market value) and is paid only for goods or services actually furnished to the Partnership, (b) the goods or services to be furnished shall be reasonable for and necessary to the Partnership, (c) the fees, terms and conditions of such transaction are at least as favorable to the Partnership as would be obtainable in an arm's-length transaction, (d) no agent, attorney, accountant or other independent consultant or contractor who also is employed on a full-time basis by the General Partner or any Affiliate shall be compensated by the Partnership for his services. Any contract covering such transactions shall be in writing and shall be terminable without penalty on sixty (60) days Notice. Any payment made to the General Partner or any Affiliate for such goods or services shall be fully disclosed to all Limited Partners in the reports required under Section 13.02. Neither the General Partner nor any Affiliate shall, by the making of lump sum payments to any other Person for disbursement by such other Person, circumvent the provisions of this Section 8.06.

8.07 Other Activities. Except as limited in Section 8.06, Affiliates of the General Partner may engage in or possess interests in other business ventures of every kind and description for their own account, including, without limitation, serving as general partner of other limited partnerships or the managing member of limited liability companies which own, either directly or through interests in other companies or partnerships, government assisted housing developments similar to the Project. Neither the Partnership nor any of the Partners shall have any rights by virtue of this Agreement in or to such other business ventures or to the income or profits derived therefrom.

8.08 Liability for Acts and Omissions. No General Partner or Affiliate thereof shall be liable, responsible or accountable in damages or otherwise to any of the Partners for any act or omission performed or omitted by it in good faith on behalf of the Partnership and in a manner reasonably believed by it to be within the scope of the authority granted to it by this Agreement and in the best interest of the Partnership, provided that the protection afforded the General Partner pursuant to this Section 8.08 shall not apply in the case of negligence, misconduct, fraud or any breach of fiduciary duty as General Partner with respect to such acts or omissions. Any loss or damage incurred by any General Partner or Affiliate thereof by reason of any act or omission performed or omitted by it or any of them in good faith on behalf of the Partnership and in a manner reasonably believed by it to be within the scope of the authority granted by this Agreement and in the best interests of the Partnership (but not, in any event, any loss or damage incurred by the General Partner or Affiliate thereof by reason of negligence, misconduct or fraud of the General Partner or Affiliate thereof, or any breach of fiduciary duty as General Partner, with respect to such acts or omissions) shall be paid from Partnership assets (except for reserves) to the extent available (but the Limited Partners shall not have any personal liability to the General Partner or Affiliate(s) thereof

under any circumstances on account of any such loss or damage incurred by the General Partner or Affiliate(s) thereof or on account of the payment thereof).

8.09 Indemnification of Limited Partner and the Partnership. The General Partner and the Partnership shall, jointly and severally, indemnify, defend, and save harmless the Limited Partner and Special Limited Partner from and against any claim, loss, expense, action or damage, including without limitation, reasonable costs and expenses of litigation and appeal (and the reasonable fees and expenses of counsel) asserted against the Limited Partner or Special Limited Partner based on any act, omission, malfeasance or nonfeasance of the Partnership or the General Partner, including without limitation any claim that the Limited Partner or Special Limited Partner is liable for any indebtedness of the Partnership and excluding only liability directly caused by the Limited Partner or Special Limited Partner's gross negligence or bad faith conduct. In addition, the General Partner and the Partnership shall, jointly and severally, indemnify, defend, save and hold harmless the Limited Partner and Special Limited Partner, and their representatives, from and against any and all costs, losses, liabilities, damages, lawsuits, proceedings (whether formal or informal), investigations, judgments, orders, settlements, recoveries, obligations, deficiencies, claims and expenses (whether or not arising out of third party claims), including, without limitation, interest, penalties, attorneys' fees and all amounts paid in investigation, or settlement of any of the foregoing, incurred in connection with or arising out of or resulting from the operations of the General Partner, the Partnership or the Project prior to the date of this Agreement.

8.10 Net Worth of General Partner. The General Partner shall maintain a minimum net worth in an amount as may be necessary to assure that the Partnership will be taxed as a partnership, and not as an association taxable as a corporation, for federal income tax purposes.

8.11 Construction of the Project, Construction Cost Overruns, Operating Deficits; Other General Partner Guarantees.

(a) Construction Completion Guaranty.

(i) The Partnership has entered into the Construction Contract. The General Partner shall be responsible for:

(A) achieving completion of construction of the Project on a timely basis in accordance with the Plans and Specifications for the Project, the terms of this Agreement, the Project Documents and all legal requirements;

(B) meeting all requirements for obtaining all necessary unconditional certificate(s) of occupancy for all the apartment units in the Project;

(C) fulfilling all actions required of the Partnership to assure that the Project satisfies the Minimum Set-Aside Test and the Rent Restriction Test;

(D) causing the making of the Project Loans by the respective Project Lenders; and

(E) achieving Final Closing.

(ii) The General Partner hereby is obligated to pay all Excess Development Costs; the Partnership shall have no obligation to pay any Excess Development Costs. Any amounts paid by the General Partner pursuant to this subsection (a) shall be in the form of a loan to the Partnership (a "Completion Loan"). Any Completion Loan will be in the following terms: (A) it shall be unsecured; (B) it shall not bear interest; (C) it shall be repayable solely from Net Cash Flow and proceeds of a Capital Transaction at the time and in the amounts set forth in Sections 11.03(b), 11.04 and 12.02(a) of this Agreement; and (D) a Completion Loan shall be fully subordinated to payment of Project Loans, GP Loans, and indebtedness of the Partnership to all Persons other than Partners.

(iii) In the event that the General Partner shall fail to pay any such Excess Development Costs as required in this Section 8.11(a), an amount not in excess of the total of any remaining unpaid installments of the Development Fee due pursuant to Section 8.12 shall be suspended by the Partnership until such obligations are met by the General Partner.

(b) Operating Deficit Guaranty. In the event that, at any time during the period commencing on the end of the Construction Completion Guaranty period set forth in subsection (a) above, and ending on the fifteenth anniversary of such date (the "Initial Period"), an Operating Deficit shall exist, the General Partner shall provide such funds to the Partnership as shall be necessary to pay such Operating Deficit(s) after available funds in the Operating Reserve have been exhausted. Funds provided under this subsection (b) shall be in the form of a loan to the Partnership (the "Operating Deficit Loan(s)"). Any Operating Deficit Loan shall be on the following terms: (i) it shall be unsecured; (ii) it shall not bear interest; (iii) it shall be repayable solely from Net Cash Flow and proceeds of a Capital Transaction at the time and in the amounts set forth in Sections 11.03(b), 11.04 and 12.02(a) of this Agreement; and (iv) Operating Deficit Loans shall be fully subordinated to payment of Project Loans, GP Loans, and indebtedness of the Partnership to all Persons other than Partners. In the event that the General Partner shall fail to make any such Operating Deficit Loan as aforesaid, the Partnership shall utilize amounts otherwise payable as installments of the Development Fee pursuant to Section 8.12 of this Agreement to meet the obligations of the General Partner pursuant to this Section 8.11(b). Amounts so utilized shall also constitute payment and satisfaction of installments of the Development Fee payable under the aforesaid Section of this Agreement, and the obligation of the Partnership to make such installment payments pursuant to such Sections, as well as the Limited Partner's obligation to make future

Capital Contributions, shall be reduced correspondingly. For the purpose of this Section 8.11(b), all expenses shall be paid on a sixty (60) day current basis.

(c) LIHTC Compliance Guaranty. (i) If with respect to any fiscal year of the Partnership there is a LIHTC Shortfall, the General Partner shall, within forty-five (45) days following the close of such fiscal year, pay the Limited Partner an amount equal to (A) the amount of the LIHTC Shortfall for the fiscal year immediately preceding the payment due date, (B) all penalties and interest imposed by the Code and assessed against the Limited Partner by the IRS with respect to any LIHTC Shortfall, and (C) an amount sufficient to pay any tax liability owed by the Limited Partner resulting from the receipt of the amounts specified in the foregoing clauses (A), (B) and this clause (C) of this Section 8.11(c)(i) (such calculation to be made assuming the Limited Partner is subject to the highest federal and state tax rates imposed on corporate tax payers under the Code at that time for the taxable year of the Limited Partner in which such payment is taken into income by the Limited Partner), together with interest on such amounts at the Prime Rate accruing from such payment due date.

(ii) The General Partner irrevocably and unconditionally guarantees payments specified in this Section 8.11(c)(ii) to the Limited Partner if there is a LIHTC Recapture Event. The payments required by this Section 8.11(c)(ii) shall be the sum of the following amounts: (A) the amount of LIHTC previously allocated to the Limited Partner and subsequently disallowed because of such LIHTC Recapture Event; (B) the "credit recapture amount" (as defined in Code Section 42(j)(2)) allocated to the Limited Partner because of such LIHTC Recapture Event; (C) all penalties and interest imposed by the Code and assessed against the Limited Partner by the IRS with respect to such LIHTC Recapture Event; (D) an amount sufficient to pay any tax liability owed by the Limited Partner resulting from the receipt of the amounts specified in the foregoing clauses (A), (B), (C) and this clause (D) of this Section 8.11(c)(ii) (such calculation to be made assuming the Limited Partner is subject to the highest federal and state tax rate imposed on corporate taxpayers under the Code at that time for the taxable year of the Limited Partner in which such payment is taken into income by the Limited Partner), together with interest on such amounts at the Prime Rate accruing from the date the Limited Partner remits funds to a taxing authority with respect to a LIHTC Recapture Event; and (E) if the cause of the LIHTC Recapture Event will, in determination of the Limited Partner, decrease the maximum amount of LIHTC that will be available to the Partnership and allocated to the Limited Partner during the remainder of the compliance period under Section 42 of the Code, assuming full compliance with Section 42 of the Code, then an amount equal to the total amount of such decrease. The General Partner shall make such payment to the Limited Partner within forty-five (45) days of the LIHTC Recapture Event.

(iii) The LIHTC Compliance Guaranty set forth herein shall not apply to amounts due solely to the transfer by the Limited Partner of all or a portion of its Interest in the Partnership, condemnation, casualty loss (unless the General Partner has failed to maintain the insurance required by this Agreement), or to changes in the tax law after the date hereof with which the General Partner is unable to comply despite the exercise of its good faith and reasonable efforts.

(iv) The General Partner may use funds in the Operating Reserve to make payments required by this Section 8.11(c) prior to using its own funds. If any amounts are owed under this Section 8.11(c) prior to the time that the Limited Partner has made all of its Capital Contributions, any future Capital Contributions shall be reduced by the amount to be paid hereunder.

(v) Funds provided by the Affiliate Guarantor with respect to the General Partner's obligations under subparagraphs (i) or (ii) above shall be in the form of a loan to the Partnership (the "Guarantor LIHTC Compliance Loan"). Any Guarantor LIHTC Compliance Loan shall be on the following terms: (i) it shall be unsecured; (ii) it shall bear no interest; and (iii) it shall be repayable solely from proceeds of a Capital Transaction or liquidation at the time and in the amounts set forth in Sections 11.04 and 12.02(a) of this Agreement. Notwithstanding the foregoing, the Limited Partner shall have the authority to treat any guarantee payment made on behalf of the Partnership by its General Partner or the Affiliate Guarantor as (i) a capital contribution to the capital of the Partnership by the General Partner in the amount of such guarantee payment that is matched with a corresponding upward adjustment to such General Partner's capital account in the Partnership or (ii) as a loan (as described above) by the General Partner in the amount of such guarantee payment, so as to minimize any possible unintended increase in the amount of depreciation and tax credits allocated to the General Partner; provided that any losses or other deductions, other than depreciation, relating to such capital contribution or loan, shall be allocated to the General Partner making such guarantee payment.

(d) **Project Loan Funding Guaranty.** The General Partner irrevocably and unconditionally guarantees and covenants that the Partnership shall receive full funding of the Project Loans on or before December 31, 2013, on the terms set forth on **Exhibit F** attached hereto. The General Partner represents and warrants that the source of funds for the Project Loans do not include, in whole or in part, "federal subsidies" within the meaning of Code Section 42(i) (i.e. the source of funds for the Project Loans does not include, in whole or in part, a "tax-exempt obligation," an obligation the interest on which is exempt from tax under Code Section 103). The Project Loan documents shall contain such other terms as may be Consented to by the Limited Partner.

8.12 **Development Fee.**

(a) The Partnership has entered into a Development Agreement (materially in the form of **Exhibit A** attached hereto) of even date herewith with the Developer for its services in connection with the development and construction of the Project. In consideration for such services, a Development Fee in a total amount equal to \$715,000 shall be payable by the Partnership, in accordance with the terms of the Development Agreement and Article XI of this Agreement. In no event shall full payment of the Development Fee be later than the thirteenth anniversary of placement in service. It is anticipated that \$161,403 of the Development Fee will be deferred and paid pursuant to Article XI.

(b) The Partnership has entered into a Construction Incentive Management Fee Agreement of even date herewith with the General Partner in the form attached hereto as **Exhibit M** for its services in connection with value engineering of the construction of the Project. Payment of any fee due under such Agreement shall be subject to the requirements of the Project Lenders and consent of the Limited Partner.

8.13 **Incentive Management Fee.** The Partnership has entered into an Incentive Management Fee Agreement in the form attached hereto as **Exhibit B**, with the General Partner of even date herewith for its services in managing the business of the Partnership for the period from the date hereof throughout the term of the Partnership. In no event shall the Incentive Management Fee be cumulative. Payment of such fee shall be in accordance with any applicable requirements of the Project Lenders.

8.14 **Withholding of Fee Payments.**

(a) **Conditions for Withholding.** In the event that (i) the General Partner or any successor General Partner shall not have substantially complied with any material provisions under this Agreement, or under the limited partnership agreement with respect to an Affiliated Partnership, after Notice from the Limited Partner of such noncompliance and failure to cure such noncompliance within a period of thirty (30) days from and after the date of such Notice, or (ii) any Project Lender shall have declared the Partnership to be in default under any Project Loan or under any of the mortgage loans as to an Affiliated Partnership, or (iii) foreclosure proceedings shall have been commenced against the Project or against an Project owned by the Affiliated Partnership, then (A) the General Partner shall be in default of this Agreement, and the Partnership shall withhold payment of any installment of fees and/or allowance payable pursuant to Sections 4.02(s), 8.12 and/or 8.13 and (B) the General Partner shall be liable for the Partnership's payment of any and all installments of the Development Fee payable pursuant to Section 8.12.

(b) **Release of Fees.** All amounts so withheld by the Partnership under this Section 8.14 shall be promptly released to the payees thereof only after the General Partner has cured the default justifying the withholding, as demonstrated by evidence reasonably acceptable to the Limited Partner.

8.15 **Selection of Management Agent; Terms of Management Agreement.** The Partnership shall engage such person, firm or company as the General Partner may select, and as the Limited Partner may approve, which approval shall not be unreasonably withheld (hereinafter referred to as "Management Agent") to manage the operation of the Project during the rent up period and following Final Closing. The Management Agent must be a VHDA certified property manager. The Management Agent shall be paid a management fee subject to the approval of the Agency and/or the Project Lenders, if required, and the Special Limited Partner, but in no event will the annual management fee be greater than seven percent (7%) of the annual gross revenues of the Project. The contract between the Partnership and the Management Agent and the management plan for the Project shall be in the form set forth in **Exhibit G**, with such changes acceptable to the Agency

and/or the Project Lenders, if required, and reasonably acceptable to the Special Limited Partner. Such contract shall provide, among other things, that it shall be cancelable upon thirty (30) days' prior notice from the Partnership, and that the Management Agent will accrue the management fee to the extent necessary at any time to prevent a default under any Project Loan. Whenever the management agent for the Project is the General Partner or an Affiliate of the General Partner, the management agreement shall provide that it is immediately terminable at the election of the Limited Partner or Special Limited Partner in the event of (a) the removal or withdrawal of the General Partner, or (b) any material breach of or noncompliance with any provision of this Agreement by the General Partner or any Affiliate of the General Partner. Any other agreement entered into by the Partnership and any General Partner or any Affiliate thereof shall specifically provide that such agreement shall be immediately terminable at the election of the Limited Partner or Special Limited Partner if the General Partner is removed or withdraws. Virginia Beach Community Development Corporation is approved by the parties hereto as the initial Management Agent.

8.16 Removal of the Management Agent. The General Partner:

(a) may, upon receiving any required approval of the Project Lenders and the Limited Partner, dismiss the Management Agent as the entity responsible for the Project under the terms of the contract between the Partnership and the Management Agent, and

(b) shall, at the request of the Limited Partner, remove the Management Agent if the Special Limited Partner determines that the same is necessary to protect the interest of the Partnership or if the Management Agent is declared Bankrupt, is dissolved, or makes an assignment for the benefit of its creditors, or for any intentional misconduct by the Management Agent or its negligence in the discharge of its duties and obligations as Management Agent (subject to the fulfillment and expiration of any notice and/or opportunity to cure provisions of the Management Agreement), including, without limitation, for any action or failure to take any action which:

(i) violates in any material respect any provision of the Management Agreement entered into with the Partnership and approved by the Project Lenders, if required, and/or any material provision of the Project Documents and/or the Loan Documents applicable to the Project, or the Project Lenders-approved management plan for the Project;

(ii) violates in any material respect any provision of this Agreement or provision of applicable law; or

(iii) causes the Project to be operated in a manner which if continued would give rise to an event which would cause or would likely cause a recapture of LIHTC.

8.17 Replacement of the Management Agent. Upon the removal of the Management Agent as the entity responsible for the management of the Project, a substitute Management Agent which is not an Affiliate of the General Partner shall be named by the General Partner, subject to the approval of the Project Lenders, if required, and the approval of the Limited Partner.

8.18 **Loans to the Partnership** The Partnership is authorized to receive Operating Deficit Loans and GP Loans on the terms set forth in this Agreement. In addition, if (a) additional funds are required by the Partnership for any purpose relating to the business of the Partnership or for any of its obligations, expenses, costs or expenditures, and (b) the Partnership has not received an Operating Deficit Loan, or GP Loan to pay such amounts, then the Partnership may borrow such funds as are needed from a Person or organization, other than a Partner or an Affiliate of a Partner, in accordance with the terms of this Section 8.18, for such period of time and on such terms as the General Partner and the Limited Partner may agree; provided, however, that no such additional loans shall be secured by any mortgage or other encumbrance on the property of the Partnership without the prior approval of the Limited Partner except that such approvals shall not be required in the case of the hypothecation of personal property purchased by the Partnership and not included in the security agreements executed by the Partnership at the time of Initial Closing. Nothing in this Section 8.18 shall modify or affect the obligation of the General Partner to make Operating Deficit Loans and to perform its obligations when and as required by this Agreement.

8.19 **Affiliate Guaranty**. Concurrently with the execution of this Agreement, the General Partner shall deliver to the Limited Partner (a) the Affiliate Guaranty fully executed by each Affiliate Guarantor, (b) a pledge and security agreement executed by the General Partner in the form of **Exhibit E** attached hereto (the "General Partner Pledge"), wherein the General Partner pledges and grants a security interest in its General Partner interest in the Partnership and in each Affiliated Partnership to secure its obligation under this Agreement, and (c) an opinion of counsel to the Affiliate Guarantors in form satisfactory to the Limited Partner regarding the Affiliate Guaranty and the General Partner Pledge.

8.20 [Intentionally Deleted]

8.21 **Accounting Fee**. An accounting fee shall be paid to Virginia Housing Capital Corporation under the Agreement to Provide Accounting and Reporting Services, the form of which is attached hereto as **Exhibit J**.

8.22 **Public Relations**. The General Partner shall provide written and timely notice of any groundbreaking, ribbon-cutting or other public relations ceremonies for the Project to the Limited Partner and recognize the Limited Partner and the Limited Partner's members at such public relations ceremonies.

ARTICLE IX
TRANSFERS AND RESTRICTIONS ON TRANSFERS
OF INTERESTS OF LIMITED PARTNERS

9.01 Restrictions on Transfer of Limited Partners' Interests.

(a) Under no circumstances will any offer, sale, transfer, assignment, hypothecation or pledge of any Limited Partner Interest be permitted unless the General Partner, in its sole discretion, shall have Consented thereto, and the Project Lenders, if required, also shall have Consented thereto, provided however, that the General Partner shall not unreasonably withhold its Consent to the pledge by the Limited Partner of its Limited Partner Interest or a transfer of its right to receive distributions hereunder, so long as no pledgee or transferee shall have any right to become a Substitute Limited Partner in the Partnership or exercise any voting rights of the Limited Partner.

(b) The Limited Partner whose interest is being transferred shall pay such reasonable expenses as may be incurred by the Partnership in connection with such transfer.

(c) Nothing in this Section 9.01 shall limit the authority of the Limited Partner to sell, transfer and/or assign interests within the Limited Partner or to transfer Interests of the Limited Partner to (i) any Affiliate of the Limited Partner or Special Limited Partner, in the sole discretion of the Limited Partner, at any time and from time to time, or (ii) to any other Person once during the term of this Agreement upon Notice to the General Partner(s).

9.02 Admission of Substitute Limited Partners.

(a) Subject to the other provisions of this Article IX, an assignee of the Interest of a Limited Partner (which shall be understood to include any purchaser, transferee, donee, or other recipient of any disposition of such Interest) shall be deemed admitted as a Substitute Limited Partner of the Partnership only upon the satisfactory completion of the following:

(i) Consent of the General Partner (which may be withheld in its sole discretion), and the consent of the Project Lenders, if required, shall have been given; such Consent of the General Partner may be evidenced by the execution by the General Partner of an amended Agreement and/or certificate evidencing the admission of such Person as a Limited Partner pursuant to the requirements of the Act, provided, however, that no Consent shall be required for any sale, transfer or assignment pursuant to Section 9.01 (c);

(ii) the assignee shall have accepted and agreed to be bound by the terms and provisions of this Agreement by executing a counterpart thereof or an appropriate amendment hereto, and such other documents or instruments as the General Partner may require in order to effect the admission of such Person as a Limited Partner;

(iii) an amended Agreement and/or certificate evidencing the admission of such Person as a Limited Partner shall have been filed for recording pursuant to the requirements of the Act;

(iv) if the assignee is a corporation, the assignee shall have provided the General Partner with evidence satisfactory to Counsel for the Partnership of its authority to become a Limited Partner under the terms and provisions of this Agreement; and

(v) the assignee or the assignor shall have reimbursed the Partnership for all reasonable expenses, including all reasonable legal fees and recording charges, incurred by the Partnership in connection with such assignment.

(b) For the purpose of allocation of profits, losses and credits, and for the purpose of distributing cash of the Partnership, a Substitute Limited Partner shall be treated as having become, and as appearing in, the records of the Partnership as a Partner upon his signing of an amendment to this Agreement agreeing to be bound hereby.

(c) If the General Partner has determined it will Consent to the admission, the General Partner shall cooperate with the Person seeking to become a Substitute Limited Partner by preparing the documentation required by this Section and making all official filings and publications. In such event, the Partnership shall take all such action, including the filing, if required, of any amended Agreement and/or certificate evidencing the admission of any Person as a Limited Partner, and the making of any other official filings and publications, as promptly as practicable after the satisfaction by the assignee of the Interest of a Limited Partner of the conditions contained in this Article IX to the admission of such Person as a Limited Partner of the Partnership. Any cost or expense incurred in connection with such admission shall be borne by the Substitute Limited Partner.

9.03 Rights of Assignee of Partnership Interest.

(a) Except as provided in this Article and as required by operation of law, the Partnership shall not be obligated for any purpose whatsoever to recognize the assignment by any Limited Partner of its Interest until the Partnership has received actual Notice thereof.

(b) Any Person who is the assignee of all or any portion of a Limited Partner's Interest, but does not become a Substitute Limited Partner, and who desires to make a further assignment of such Interest, shall be subject to all the provisions of this Article IX to the same extent and in the same manner as any Limited Partner desiring to make an assignment of its Interest.

ARTICLE X RIGHTS AND OBLIGATIONS OF LIMITED PARTNERS

10.01 Management of the Partnership. No Limited Partner shall take part in the management or control of the business of the Partnership nor transact any business in the name of the Partnership. Except as otherwise expressly provided in this Agreement, no Limited Partner shall have the power or authority to bind the Partnership or to sign any agreement or document in the name of the Partnership. No Limited Partner shall have any power or authority with respect to the Partnership except insofar as the consent of any Limited Partner shall be expressly required and except as otherwise expressly provided in this Agreement.

10.02 Limitation on Liability of Limited Partners. The liability of each Limited Partner is limited to its Capital Contribution as and when payable under the provisions of this Agreement, and as provided under the Act. No Limited Partner shall have any other liability to contribute money to, or in respect of the liabilities or obligations of, the Partnership, nor shall any Limited Partner be personally liable for any obligations of the Partnership, except as and to the extent provided in the Act. No Limited Partner shall be obligated to make loans to the Partnership.

10.03 Other Activities. Any Limited Partner may engage in or possess interests in other ventures of every kind and description for its own account, including without limitation, serving as general partner or managing member of other limited partnerships or limited liability companies which own, either directly or through interests in other limited liability companies or limited partnerships, government-assisted housing projects similar to the Project. Neither the Partnership nor any of the Partners shall have any right by virtue of this Agreement in or to such other business ventures to the income or profits derived therefrom.

ARTICLE XI PROFITS, LOSSES AND DISTRIBUTIONS

11.01 Allocation of Profits and Losses Other Than From Capital Transactions.

(a) Manner of Determination. Profits, Losses and credits for all purposes of this Agreement shall be determined in accordance with the definition of the same under Article II of the Agreement (as applicable) and in accordance with the accrual accounting method and in accordance with applicable Code sections and Treasury Regulations governing same.

(b) Allocations. All Profits and Losses, except those items in Sections 11.02, 11.05 and 11.07 below, shall be allocated to the Partners in accordance with their Percentage Interests. Every item of income, gain, loss, deduction, or tax preference entering into the computation of such Profits and Losses, or applicable to the period during which such Profits and Losses were realized, shall be considered allocated to each Partner in the same proportion as Profits and Losses are allocated to such Partner.

(c) Special Limited Partner Allocation. Notwithstanding any provisions in the Agreement to the contrary, in no event shall the Special Limited Partner be allocated more than its Percentage Interest, determined as of the date hereof, of any item of Partnership income, gain, loss, deduction, credit or basis.

11.02 Allocation of Profits and Losses from Capital Transactions. Except to the extent provided in Sections 11.07, Profits and Losses recognized by the Partnership upon a Capital Transaction shall be allocated in the following manner:

(a) Profits shall be allocated (i) first, to the Partners with negative Capital Account balances, that portion of gains (including any gains treated as ordinary income for federal income tax purposes) which is equal in amount to, and in proportion to, such Partners' respective negative Capital Accounts in the Partnership; provided that no gain shall be allocated under this Section 11.02(a)(i) to a Partner once such Partner's Capital Account is brought to zero and (ii) second, gains in excess of the amount allocated under (i) shall be allocated to the Partners in the amounts and to the extent necessary to increase the Partners' respective Capital Accounts so that the proceeds distributed under Section 11.04(d) and (f) will be distributed in accordance with the Partners' respective Capital Accounts.

(b) Losses shall be allocated (i) first, to the extent and in such proportions as the respective positive balances in all Partners' Capital Accounts, and (ii) second, any remaining loss to the Partners in accordance with the manner in which they bear the economic risk of loss associated with such loss or, if none, to the Partners in accordance with their Partnership Interests.

(c) Any portion of the Profits treated as ordinary income for federal income tax purposes under Sections 1245 and 1250 of the Code ("Recapture Amount") shall be allocated on a dollar for dollar basis to those Partners to whom the items of Partnership deduction or loss giving rise to the Recapture Amount had been previously allocated.

11.03 Distributions: Net Cash Flow.

(a) Determination of Net Cash Flow. Net Cash Flow shall be determined separately for each fiscal year or portion thereof commencing on the day after Final Closing and shall not be cumulative. Wherever there is a reference to the distribution of Net Cash Flow pursuant to the provisions of this Agreement, Net Cash Flow shall be deemed to be limited to Surplus Cash available for distribution. Income received by the Partnership from the period commencing with the date of receipt of the initial certificate of occupancy with respect to the Project and ending on the date of the Final Closing shall not be distributed during such period and shall be treated as Net Cash Flow with respect to the first Payment Date following Final Closing.

(b) Manner of Distribution. Subject to the approval of the Project Lenders, if required, Net Cash Flow shall be applied and/or distributed on each Payment Date in the following priority:

(i) first, to the Limited Partner until the aggregate amount of distributions made to the Limited Partner under this Section 11.03(b)(i) for the current and all prior years equals the Assumed Limited Partner Tax Liability for the current and all prior years;

(ii) second, to the Limited Partner in an amount equal to any LIHTC Reduction Guaranty Payment or Unpaid LIHTC Shortfall;

(iii) third, to the General Partner until the aggregate amount of distributions made to the General Partner under this Section 11.03(b)(iii) for the current and all prior years equals the Assumed General Partner Tax Liability for the current and all prior years;

(iv) fourth, to replenish the Operating Reserve to an amount not to exceed \$250,000 or to fund additional monies to the Operating Reserve or other Project reserves as mutually agreed to by the Partners;

(v) fifth, to the Developer until all amounts due under the Development Agreement have been paid in full;

(vi) sixth, following the full payment of amounts due under the Development Agreement, to the pro rata payment of any outstanding Operating Deficit Loans and GP Loans, based upon the respective outstanding balances of each;

(vii) seventh, the balance to the payment of the VBCDC Loan, and then to payment of the loan from Southeastern Virginia Housing Corporation; and

(viii) eighth, eighty percent (80%) to the payment of the Incentive Management Fee; and

(ix) thereafter, 99.99% to the Limited Partner; .009% to the General Partner; and .001% to the Special Limited Partner.

(c) Distributions to be Subject to Regulatory Restrictions. Notwithstanding the foregoing, during such time as regulations of the Project Lenders are applicable to the Project, the total amount of Net Cash Flow which may be so distributed to the Partners with respect to any fiscal year shall not exceed such amounts as such regulations permit to be distributed.

11.04 Distributions: Capital Transactions and Liquidation of Partnership. Except as may be required under Section 12.02(b), the proceeds resulting from the liquidation of the Partnership assets pursuant to Section 12.02, and the net proceeds resulting from any Capital Transaction, as the case may be, shall be distributed and applied in the following order of priority:

(a) to the payment of all matured debts and liabilities of the Partnership (including

amounts due pursuant to any Project Loan and all expenses of the Partnership incident to any such sale or refinancing), excluding (1) debts and liabilities of the Partnership to Partners or any Affiliates, and (2) all unpaid fees owing to the General Partner under this Agreement;

(b) to the setting up of any reserves which the Liquidator (or the General Partner if the distribution is not pursuant to the liquidation of the Partnership) deems reasonably necessary for contingent, unmatured or unforeseen liabilities or obligations of the Partnership;

(c) to the payment of any debts and liabilities (including unpaid fees) owed to the Partners or any Affiliates by the Partnership for Partnership obligations; provided, however, that the foregoing debts and liabilities owed to Partners and their Affiliates shall be paid or repaid, as applicable, in the following order of priority, if and to the extent applicable: (i) to the Limited Partner, an amount equal to any outstanding LIHTC Reduction Guaranty Payment, or any Unpaid LIHTC Shortfall (applied first to accrued but unpaid interest (at the Default Rate) and then principal); (ii) to the Limited Partner, an amount equal to any Special Additional Capital Contribution; (iii) to the payment of any outstanding GP Loans and loans made by the General Partner pursuant to Section 8.11(a)(i) and/or 8.11(a)(ii) pro rata based on their respective outstanding balances, if applicable; (iv) amounts due under the Development Agreement; (v) amounts due with respect to Operating Deficit Loans, if any; and (vi) any other such debts and liabilities;

(d) to the General Partner and Limited Partners in proportion to the relative amounts of Net Projected Tax Liabilities of the General Partner and the Limited Partner's members or partners and their respective members or partners until they each have received, cumulatively, an amount equal to their respective Net Projected Tax Liabilities;

(e) to payment of the Guarantor LIHTC Compliance Loan (or, if funds provided are a capital contribution under Section 8.11(c)(v), as a return of such capital); and

(f) the balance, (.009%) to the General Partner, (99.99%) to the Limited Partner, and (.001%) to the Special Limited Partner.

Written determination of the proposed distributions of proceeds of Capital Transactions, showing all relevant calculations and assumptions, shall be delivered to the Limited Partner and Special Limited Partner not later than twenty (20) days prior to the Partnership entering into any agreement for a Capital Transaction, and written confirmation or any revision thereof shall be delivered to the Limited Partner and Special Limited Partner not later than twenty (20) days prior to the making of any such distribution. Distributions hereunder shall be made within five (5) days of the Partnership's receipt of such proceeds.

11.05 Distributions and Allocations: General Provisions.

(a) In any year in which a Partner sells, assigns or transfers all or any portion of an Interest to any Person who during such year is admitted as a substitute Partner, the share of all profits

and losses allocated to, and of all Net Cash Flow and of all cash proceeds distributable under Section 11.04 distributed to, all Partners which is attributable to the Interest sold, assigned or transferred shall be divided between the assignor and the assignee ratably on the basis of the number of monthly periods in such year before, and the number of monthly periods on and after, the first day of the month during which such Person is admitted as a substitute Partner.

(b) The Partnership shall, subject to any applicable limitation on the distribution of Net Cash Flow and any required approval by the Project Lenders, distribute Net Cash Flow not less frequently than annually in the manner provided in Section 11.03(b).

(c) In the event that there is a determination that there is any original issue discount or imputed interest attributable to the Capital Contribution of any Partner, or any loan between a Partner and the Partnership, any income or deduction of the Partnership attributable to such imputed interest or original issue discount on such Capital Contribution or loan (whether stated or unstated) shall be allocated solely to such Partner.

(d) In the event that the deduction of all or a portion of any fee paid or incurred by the Partnership to a Partner or an Affiliate of a Partner is disallowed for federal income tax purposes by the IRS with respect to a taxable year of the Partnership, the Partnership shall then allocate to such Partner an amount of gross income of the Partnership for such year equal to the amount of such fee as to which the deduction is disallowed.

(e) If any Partner's Interest in the Partnership is reduced but not eliminated because of the admission of new Partners or otherwise, or if any Partner is treated as receiving any items of property described in Section 751(a) of the Code, the Partner's Interest in such items of Section 751(a) property that was property of the Partnership while such Person was a Partner shall not be reduced, but shall be retained by the Partner so long as the Partner has an Interest in the Partnership and so long as the Partnership has an Interest in such property.

(f) In accordance with Section 704(c) of the Code (relating to allocations with respect to appreciated contributed property) and the Regulations thereunder, income, gain, loss, and deduction with respect to any property contributed to the capital of the Partnership shall be allocated, solely for tax purposes, among the Partners so as to take account of any variation between the adjusted basis of such property to the Partnership for federal income tax purposes and its fair market value. Any elections or other decisions relating to such allocations shall be made by the General Partner in any manner that reasonably reflects the purpose and intention of this Agreement.

(g) In the event that the General Partner makes any Operating Deficit Loans pursuant to Section 8.11(b), any deductions or losses of the Partnership attributable to the use of those funds shall be specially allocated to the General Partner.

(h) Any income attributable to the Capital Contribution of the General Partner will be allocated to the General Partner.

(i) Any income attributable to the modification of any of the Project Loan(s) shall be allocated 100% to the General Partner.

11.06 Capital Accounts.

(a) Establishment and Maintenance. A separate Capital Account shall be maintained and adjusted for each Partner. There shall be credited to each Partner's Capital Account the amount of its Capital Contribution, the fair market value of any property contributed to the Partnership (net of any liabilities secured by such property) and such Partner's distributive share of the income and gain for tax purposes of the Partnership, including income or gain exempt from tax; and there shall be charged against each Partner's Capital Account the amount of all cash flow distributed to such Partner, the fair market value of any property distributed to such Partner (net of any liabilities secured by such property), the net proceeds resulting from the liquidation of the Partnership's assets or from any sale or refinancing of the Project distributed to such Partner, and such Partner's distributive share of the losses for tax purposes of the Partnership. Each Partner's Capital Account shall be maintained and adjusted in accordance with the Code and the Treasury Regulations thereunder. The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Treas. Reg. § 1.704-1(b), and shall be interpreted and applied in a manner consistent with such regulations. It is the intention of the Partners that the Capital Accounts maintained under this Agreement be determined and maintained throughout the full term of this Agreement in accordance with the accounting rules of Treas. Reg. § 1.704-1(b)(2)(iv).

(b) Deficit Capital Accounts; Regulatory Liquidation. In the event that the Partnership is liquidated within the meaning of Treas. Reg. § 1.704-1(b)(2)(ii)(g), if the General Partner's Capital Account has a deficit balance (after giving effect to all contributions, distributions and allocations), the General Partner shall make Capital Contributions in the amount of such deficit in compliance with Treas. Reg. § 1.704-1(b)(2)(ii)(b)(3). In the event that the Limited Partner's Capital Account should have a deficit balance at such time, it shall have no obligation to fund or otherwise contribute capital to the Partnership in connection with such deficit. Notwithstanding the foregoing, in the event the Partnership is liquidated within the meaning of Treas. Reg. § 1.704-1(b)(2)(ii)(g) but no event has occurred under Section 12.01 to dissolve the Partnership, the Partnership assets shall not be liquidated, the Partnership's liabilities shall not be paid or discharged, and the Partnership's affairs shall not be wound up. Instead, the Partnership shall be deemed to have contributed all of its assets and liabilities to a new limited partnership in exchange for an interest in the new limited partnership. Immediately thereafter, the terminated Partnership shall be deemed to have distributed interests in the new limited partnership to the Partners of the terminated Partnership in proportion to their respective interests in the terminated Partnership in liquidation of the terminated Partnership.

11.07 Special Allocations. Notwithstanding anything to the contrary contained in Section 11.01(a) or (b), the following special allocations in all events apply in determining the allocation of

Profits and Losses among the Partners and are made prior to the allocations required under §11.01(a) and (b):

(a) Depreciation and LIHTC.

(i) Depreciation (cost recovery) deductions and LIHTC are allocated to the Partners in accordance with their Percentage Interests.

(ii) Any recapture of LIHTC is allocated to the Partners that were allocated (or whose predecessors-in-interest were allocated) the depreciation/cost recovery deduction and LIHTC associated therewith.

(b) Limitation on Allocations of Losses.

(i) To the extent the allocation of any Losses to a Partner would cause that Partner to have an Adjusted Capital Account Deficit at the end of any fiscal year of the Partnership, then those Losses will not be allocated to that Partner, but rather will be specially allocated to the remaining Partners in proportion with their relative interests in the Partnership.

(ii) In the event some but not all of the Partners would have Adjusted Capital Account Deficits due to an allocation of Losses, the limitation set forth in this Section 11.07(b) shall be applied on a Partner-by-Partner basis so as to allocate the maximum permissible Losses to each Partner who is not a General Partner under Treas. Reg. §1.704-1(b)(2)(ii)(d). All Losses in excess of the limitation set forth in this Section 11.07(b) shall be allocated to the General Partner.

(c) Profit Chargeback. To the extent any Losses are specially allocated to a Partner in accordance with Section 11.07(b), then Profits will thereafter first be specially allocated to such Partner in proportion to and in an amount (1) up to but not exceeding the amount of any such special allocation of Losses away from such Partner under such subparagraph (b) but (2) not to the extent that Losses or depreciation deductions would be allocated to the remaining Partners in excess of the amount permitted by 11.07(b).

(d) Nonrecourse Deductions. Nonrecourse Deductions for any fiscal year shall be allocated to the Partners in accordance with their Percentage Interests.

(e) Partner Nonrecourse Deductions. Any Partner Nonrecourse Deductions for any fiscal year shall be specially allocated to the Partner or Partners that bear the Economic Risk of Loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable in accordance with Treas. Reg. §1.704-2(b)(4) and Treas. Reg. §1.704-2(i).

(f) Partnership Minimum Gain Chargeback. Notwithstanding any other provision of this Agreement, if there is a net decrease in the Partnership's Minimum Gain attributable to

Nonrecourse Liabilities during any taxable year, each Partner shall be specially allocated a *pro rata* portion of each of the Partnership's items of income and gain for such year (and, if necessary for subsequent years) in proportion to, and to the extent of, an amount equal to such Partner's share of the net decrease in such Minimum Gain during such taxable year as determined in accordance with the provisions of Treas. Reg. §1.704-2(g)(2). In the event that such net decrease in the Partnership's Minimum Gain occurs in connection with the disposition of all or any portion of the Project, then any items of Partnership income or gain allocated in accordance with the previous sentence shall first consist of gain recognized by the Partnership as a result of such disposition. It is the intent that the allocations provided in this Section 11.07(f) shall be determined in accordance with and only to the extent required by Treas. Reg. §1.704-2(f) and (j)(2)(i).

(g) Partner Minimum Gain Chargeback. Notwithstanding any other provision of this Agreement, if there is a net decrease in the amount of the Partnership's Minimum Gain during any taxable year with respect to a Partner Nonrecourse Debt, the Partner bearing the Economic Risk of Loss with respect to such Partner Nonrecourse Debt shall be specially allocated a *pro rata* portion of each of the Partnership's items of income and gain for such taxable year (and, if necessary, for subsequent years) in proportion to, and to the extent of the amount of such Partner's share of the net decrease in such Minimum Gain during such taxable year as determined in accordance with the provisions of Treas. Reg. §1.704-2(i)(4). In the event that such net decrease in the Partner's Minimum Gain occurs in connection with the disposition of all or any portion of Project, then any items of Partnership income or gain allocated in accordance with the previous sentence shall first consist of gain recognized by the Partnership as a result of such disposition. It is the intent that the allocations provided in this Section 11.07(g) shall be determined in accordance with and only to the extent required by the provisions of Treas. Reg. §1.704-2(i) and (j)(2)(ii).

(h) Qualified Income Offset. If a Partner unexpectedly receives any adjustments, allocations, or distributions described in §1.704-1(b)(2)(ii)(d)(4), (5) or (6) of the Regulations, then items of Partnership income or gain will be specially allocated to that Partner in an amount and manner sufficient to eliminate, to the extent required by the Regulations, the Adjusted Capital Account Deficit of that Partner as quickly as possible. The special allocations required pursuant to this subparagraph (h) are made only if and to the extent that such Partner would have an Adjusted Capital Account Deficit after all other allocations provided for in this Article 11 have been tentatively made as if this subparagraph (h) were not in the Agreement. This subparagraph (h) is intended to comply with the qualified income offset requirements of §1.704-1(b)(2)(ii)(d) of the Regulations and will be interpreted consistently therewith.

(i) Gross Income Allocation. In the event any Partner has a deficit Capital Account at the end of any fiscal year in excess of the sum of (i) the amount that such Partner must restore pursuant to any provision of this Agreement, if any, and (ii) the amount such Partner is deemed obligated to restore pursuant to the penultimate sentence of Treas. Reg. § 1.704-2(g) and § 1.704-2(i)(5), such Partner shall be specially allocated items of Partnership income and gain in the amount of such excess as quickly as possible, provided that an allocation pursuant to this Section 11.07(i) shall be made if and only to the extent that such Partner would have a deficit Capital

Account in excess of such sum after all other allocations provided for in this Article XI have been tentatively made as if this Section 11.07(i) and Section 11.07(h) hereof were not in the Agreement.

(j) §754 Adjustment. To the extent an adjustment to the adjusted tax basis of any Partnership Property undertaken pursuant to §734(b) or 743(b) of the Code is required to be taken into account in determining the Capital Accounts of the Partners under Treas. Reg. §1.704-1(b)(2)(iv)(m), then the amount of such adjustment to the Capital Accounts will be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss will be specially allocated to the Partners in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to the aforementioned section of the regulations.

(k) Curative Allocations. In the event that income, loss or items thereof are allocated to one or more Partners pursuant to Sections 11.07(h) through (i), subsequent income, loss or items thereof shall be allocated (subject to the provisions of Sections 11.07(h) and (i)) to the Partners so that, to the extent possible in the judgment of the General Partner, the net amount of allocations shall be equal to the amount that would have been allocated had Section 11.07 not been applied. Notwithstanding the foregoing, the allocation of depreciation deductions will be governed by Section 11.07(a) and this section 11.07(k) shall not apply to allocations of depreciation deductions.

(l) Excess Nonrecourse Liabilities. Solely for purposes of determining a Partner's proportionate share of the "excess nonrecourse liabilities" of the Partnership within the meaning of Treas. Reg. §1.752-3(a)(3), the Partners' respective interests in Partnership Profits shall equal their Percentage Interests (determined without regard to Section 11.07(a)-(k)).

(m) Authority to Vary Allocations to Preserve and Protect Partners' Intent

(i) It is the intent of the Partners that each Partner's distributive share of income, gain, loss, deduction, or credit (or item thereof) shall be determined and allocated in accordance with this Article XI to the fullest extent permitted by Section 704(b) of the Code. In order to preserve and protect the determinations and allocations provided for in this Article XI, the General Partner, shall upon the direction in writing of the Special Limited Partner, allocate income, gain, loss, deduction, or credit (or item thereof) arising in any year differently than otherwise provided for in this Article XI as necessary to ensure that all allocations of income, gain, loss, deduction or credit (or item thereof) to the Partners are permitted by Section 704(b) of the Code and Treasury Regulations promulgated thereunder. Any allocation made pursuant to this Section 11.07 shall be deemed to be a complete substitute for any allocation otherwise provided for in this Article XI and no amendment of this Agreement or approval of any Partner shall be required.

(ii) In making any allocation (the "new allocation") under Section 11.07(m)(i), the General Partner is authorized to act only upon the direction in writing of the Special Limited Partner or the Limited Partner.

(iii) If the General Partner receives a recommendation from the Accountants to make any new allocation in a manner less favorable to the Limited Partner than is otherwise provided for in this Article XI, then the General Partner shall do so only with the Limited Partner's or the Special Limited Partner's Consent and only after having given the Limited Partner and the Special Limited Partner the opportunity to discuss such allocation with the Accountants, and only after the General Partner has been advised by the Accountants that it is permitted by Section 704(b) of the Code, to allocate income, gain, loss, deduction, or credit (or item thereof) arising in later years in such manner so as to bring the allocations of income, gain, loss, deduction, or credit (or item thereof) to the Limited Partners as nearly as possible to the allocations thereof otherwise contemplated by this Article XI.

(n) Grant Income. Any income recognized as a result of any receipt of grants by the Partnership shall be allocated one hundred percent (100%) to the General Partner. The Limited Partner shall be allocated one hundred percent (100%) of any non-taxable income derived from receipt of the funds derived from Section 1602 of the American Recovery and Reinvestment Act of 2009. However, if the General Partner is exempt from federal income taxation under Code Section 501(c)(3) or any other Code provision, then the allocations to the General Partner under this Section 11.07(n) shall be limited to the highest percentage of the Partnership's property treated as tax-exempt use property, as reflected in the Projections.

11.08 Designation of Tax Matters Partner. The General Partner hereby is designated as Tax Matters Partner of the Partnership, and shall engage in such undertakings as are required of the Tax Matters Partner of the Partnership, as provided in regulations pursuant to Section 6231 of the Code. Each Partner, by its execution of this Agreement, Consents to such designation of the Tax Matters Partner and agrees to execute, certify, acknowledge, deliver, swear to, file and record at the appropriate public offices such documents as may be necessary or appropriate to evidence such Consent. Notwithstanding the foregoing, the Limited Partner has the right to approve and disapprove all substantial actions that may be taken by the General Partner in its capacity as Tax Matters Partner. Notwithstanding any other provision of this Agreement, the Special Limited Partner hereby is granted authority at any time to be admitted as a General Partner by converting all or portion of its Limited Partner Interest to a General Partner Interest for the purpose of acting as the Tax Matters Partner with all the authority and powers given to the General Partner as Tax Matters Partner of the Partnership under the Code and under this Agreement. The Special Limited Partner may exercise its right to assume the Tax Matters Partner responsibilities for the Partnership, as provided herewith, upon ten (10) days notice to the then existing Tax Matters Partner and General Partner and may continue as Tax Matters Partner indefinitely. In the event that the Special Limited Partner exercises its right to become a General Partner and to assume duties of the Tax Matters Partner, the pre-existing Tax Matters Partner will resign in accordance with Treas. Reg. § 301.6231(a)(7)-1(i) and will redesignate the new General Partner as Tax Matters Partner in accordance with Treas. Reg. § 301.6231(a)(7)-1(e). Each Partner, by its execution of this Agreement Consents to such admission and designation and agrees to execute, certify, acknowledge, deliver, swear to, file and record at the appropriate public offices such documents as may be necessary or appropriate to evidence such

Consent. The Special Limited Partner shall, upon such admission, replace the General Partner as Tax Matters Partner and shall have thereafter all the authority and powers given to the General Partner as Tax Matters Partner of the Partnership under the Code and under this Agreement. Unless otherwise specifically provided or agreed, the new Tax Matters Partner in these circumstances will not be responsible for or have the right to conduct any operational or managerial functions of the Partnership besides those required to discharge its responsibilities as Tax Matters Partner.

11.09 Authority of Tax Matters Partner.

(a) The Tax Matters Partner shall have and perform all of the duties required under the Code, including the following duties:

(i) Furnish the name, address, profits interest, and taxpayer identification number of each Partner to the IRS; and

(ii) Within five calendar days after the receipt by the General Partner or an Affiliate thereof or the Partnership of any correspondence or communication relating to the Partnership or a Partner or an Affiliate of a Partner from the IRS, the Tax Matters Partner shall forward to each Partner a photocopy of all such correspondence or communication(s). The Tax Matters Partner shall, within five calendar days thereafter, advise each Partner in writing of the substance and form of any conversation or communication held with any representative of the IRS.

(b) The Tax Matters Partner shall, upon request by the Limited Partner, permit the Limited Partner to include its attorney in the power of attorney (Form 2848) for the Partnership for any taxable years under a tax audit or in a tax administrative Appeals process.

(c) The Tax Matters Partner shall not without the Consent of the Special Limited Partner:

(i) Extend the statute of limitations for assessing or computing any tax liability against the Partnership (or the amount or character of any Partnership tax items);

(ii) Engage an accounting firm or counsel to represent the Partnership before the IRS;

(iii) Settle any audit with the IRS concerning the adjustment or readjustment of any Partnership item(s) (within the meaning of Section 6231(a)(3) of the Code);

(iv) File a request for an administrative adjustment with the IRS at any time or file a petition for judicial review with respect to any such request or select the forum for judicial review of any IRS determination;

(v) Initiate or settle any judicial review or action concerning the amount or

character of any Partnership tax item(s) (within the meaning of Section 6231(a)(3) of the Code);

(vi) Intervene in any action brought by any other Partner for judicial review of a final Partnership administrative adjustment; or

(vii) Take any other action not expressly permitted by this Section 11.09 on behalf of the Partners of the Partnership in connection with any administrative or judicial tax proceeding.

(d) In the event of any Partnership-level proceeding instituted by the IRS pursuant to Sections 6221 through 6233 of the Code, the Tax Matters Partner shall consult with the Special Limited Partner regarding the nature and content of all action and defense to be taken by the Partnership in response to such proceeding. The Tax Matters Partner also shall consult with the Special Limited Partner regarding the nature and content of any proceeding pursuant to Sections 6221 through 6233 of the Code instituted by or on behalf of the Partnership (including the decision to institute proceedings, whether administrative or judicial, and whether in response to a previous IRS proceeding against the Partnership or otherwise).

11.10 Expenses of Tax Matters Partner. The Partnership shall indemnify and reimburse the Tax Matters Partner for all expenses, including legal and accounting fees, claims, liabilities, losses and damages incurred in connection with any administrative or judicial proceeding with respect to the tax liability of the Partners. The payment of all such expenses shall be made before any distributions are made from Net Cash Flow or any discretionary reserves are set aside by the General Partner. The General Partner shall have the obligation to provide funds for such purpose to the extent that Partnership funds are not otherwise available therefor. The taking of any action and the incurring of any expense by the Tax Matters Partner in connection with any such proceeding, except to the extent required by law, is a matter in the sole discretion of the Tax Matters Partner and the provisions on limitations of liability of the General Partner and indemnification set forth in Section 8.08 of this Agreement shall be fully applicable to the Tax Matters Partner in its capacity as such.

ARTICLE XII SALE, DISSOLUTION AND LIQUIDATION

12.01 Dissolution of the Partnership. The Partnership shall be dissolved upon the earlier of the expiration of the term of the Partnership, or upon:

(a) the withdrawal, Bankruptcy, death, dissolution or adjudication of incompetency of the General Partner who is at that time the sole General Partner, subject to the provisions of Section 6.03, unless a majority in interest of the other Partners, within ninety (90) days after receiving Notice of such withdrawal, Bankruptcy, death, dissolution or adjudication of incompetence, elects to designate a successor General Partner(s) and continue the Partnership upon the admission of such successor General Partner(s) to the Partnership;

(b) the sale or other disposition of all or substantially all of the assets of the Partnership, subject to the provisions of Section 6.03;

(c) the election by the General Partner, with the Consent of a majority in interest of the other Partners; or

(d) any other event causing the dissolution of the Partnership under the laws of the Commonwealth of Virginia.

12.02 Winding Up and Distribution.

(a) Upon the dissolution of the Partnership pursuant to Section 12.01, (i) a Certificate of Cancellation shall be filed in such offices within the Commonwealth of Virginia as may be required or appropriate and (ii) the Partnership business shall be wound up and its assets liquidated as provided in this Section 12.02 and the net proceeds of such liquidation, except as provided in Section 12.02(b) below, shall be distributed in accordance with Section 11.04.

(b) It is the intent of the Partners that, upon liquidation of the Partnership, any liquidation proceeds available for distribution to the Partners be distributed in accordance with the Partners' respective positive Capital Account balances and in accordance with Treas. Reg. §1.704-1(b)(2)(ii)(b)(2). The Partners believe that distributions under Section 11.04 will effectuate such intent. In the event that, upon liquidation, there would otherwise be any conflict between a distribution pursuant to the Partners' respective positive Capital Account balances and the intent of the Partners with respect to distribution of proceeds as provided in Section 11.04, the Liquidator shall, notwithstanding the provisions of Sections 11.01, 11.02, 11.03 and 11.05, allocate the Partnership's gains, profits and losses in a manner that will, as nearly as possible, cause the distribution of liquidation proceeds to the Partners to be in accordance both with the Partners' economic expectations as set forth in Section 11.04 and their respective Capital Account balances. If the Partnership's gains, profits and losses are insufficient to cause the Partners' Capital Accounts to be in such amounts as will permit liquidation proceeds to be distributed both in accordance with the Partners' respective positive Capital Account balances and Section 11.04, then liquidation proceeds shall be distributed in accordance with the Partners' respective positive Capital Account balances after the allocations described herein have been made.

(c) The Liquidator shall file all certificates and notices of the dissolution of the Partnership required by law. The Liquidator shall proceed without any unnecessary delay to sell and otherwise liquidate the Partnership's property and assets; provided, however, that if the Liquidator shall determine that an immediate sale of part or all of the Partnership property would cause undue loss to the Partners, then in order to avoid such loss, the Liquidator may, except to the extent provided by the Act, defer the liquidation as may be necessary to satisfy the debts and liabilities of the Partnership to Persons other than the Partners. Upon the complete liquidation and distribution of the Partnership assets, the Partners shall cease to be Partners of the Partnership, and the Liquidator

shall execute, acknowledge and cause to be filed all certificates and notices required by the law to terminate the Partnership.

(d) Upon the dissolution of the Partnership pursuant to Section 12.01, the Accountants shall promptly prepare, and the Liquidator shall furnish to each Partner, a statement setting forth the assets and liabilities of the Partnership upon its dissolution. Promptly following the complete liquidation and distribution of the Partnership property and assets, the Accountants shall prepare, and the Liquidator shall furnish to each Partner, a statement showing the manner in which the Partnership assets were liquidated and distributed.

ARTICLE XIII
BOOKS AND RECORDS, ACCOUNTING,
TAX ELECTIONS, ETC.

13.01 Books of Account. The General Partner shall keep proper and complete books of account for the Partnership. Such books of account shall be kept at the principal office of the Partnership and shall be open at all times for examination and copying by the Limited Partner or its authorized representatives. The General Partner shall retain such books of account for six years after the later of the termination of the Partnership or the end of all applicable compliance periods under the Regulations. All decisions as to the fiscal year and accounting methods to be used by the Partnership shall be made only with the prior written consent of the Limited Partner. In addition, the General Partner shall comply with all record keeping and record retention requirements applicable to low-income housing projects under the Code and Regulations, and shall provide such information to the Partners for their compliance.

13.02 Financial Reports.

(a) Agreement with VHCC. The Partnership shall enter into an agreement with Virginia Housing Capital Corporation ("VHCC"), essentially in the form attached hereto as Exhibit J, pursuant to which VHCC will provide certain accounting and reporting services to the Partnership.

(b) Monthly Reports. Within ten days after the end of each month, the General Partner shall deliver to the Partners with respect to such month a cash flow statement for the Partnership, with a detailed itemization of all Partnership receipts and expenses, and with such additional information as shall be reasonably requested by the Partners (the foregoing, collectively, the "Cash Flow Report"). Notwithstanding the foregoing, if the Limited Partner believes that the Project is experiencing or may experience adverse operating results or any other material adverse condition, the Limited Partner, by notice to the General Partner, may require the delivery of Cash Flow Reports within five days after the end of each month, until such time as the Limited Partner believes that the adverse condition affecting the Project is no longer present or threatened. At Limited Partner's request, copies of all proposed leases and tenant income certification information for the initial

occupant of each dwelling unit shall be delivered concurrently with such Cash Flow Report prior to execution thereof by the Partnership.

(c) Governmental and Lender Reports. The General Partner shall also deliver to the Limited Partner any financial or performance report required to be provided by the Partnership to any federal, state or local governmental agency or to any Partnership lender. Any such report shall be delivered to the Limited Partner within five days after such report is filed with any such governmental agency or Partnership lender.

13.03 Budgets and General Disclosure. The General Partner shall prepare and deliver to the Limited Partner no later than the 60 days prior to the beginning of each fiscal year of the Partnership a detailed annual operating and capital improvements budget for the operation of the Project during such fiscal year. Such budgets shall specifically list all budgeted expenses in all major categories including, but not limited to, administration, operation, repairs and maintenance, utilities, taxes, insurance, interest, debt service with respect to the Project Loans, capital improvements, and all budgeted expenses which are to be paid to the General Partner or its Affiliates. Such a budget shall be deemed "approved" for purposes of this Agreement only when such budget has been approved by the Limited Partner. The General Partner shall keep the Limited Partner informed concerning the general state of the business and financial condition of the Partnership and shall, upon the reasonable request of the Limited Partner, furnish to the Limited Partner full information, accounts and documentation concerning the state of the business and financial condition of the Partnership. The General Partner shall also provide the following statements or disclosures to the Limited Partners:

(a) Semiannual Reports. Semiannually, within 45 days after the end of the second and fourth fiscal quarters of the Partnership, until the later to occur of the following events: (i) all Capital Contribution installments of the Limited Partner have been made, or (ii) the Project is placed in service, a report on the status of the Partnership. Such report will include the following, and will contain updated and revised information if there has been any change in facts previously reported.

(i) a description of the Project, including the status of construction or rehabilitation to be performed in connection with the Project (which information shall be provided on the Project until construction or rehabilitation is complete);

(ii) a description of the financing for the Project, including mortgage financing, any state or local government loans, any operating deficit guaranty, the Limited Partner's Capital Contributions to the Partnership and any other contributions or loans to the Partnership;

(iii) a description of any applicable rental subsidy for the Project;

(iv) the terms of any performance bonds, development cost guarantees, operating deficit guarantees and other credit enhancements provided in connection with the Project;

(v) the fees, and other financial incentives provided to the General Partner and its Affiliates; and

(vi) any draw or call upon or demand for payment of or under any operating deficit guarantee, operating reserve, contractor performance bonds or completion guarantee.

(b) Annual Reports. Within 100 days after the end of each fiscal year of the Partnership, a statement prepared by the General Partner, which statement shall include the following:

(i) a report summarizing the fees, commissions, compensation and other remuneration and reimbursed expenses paid by the Partnership for such fiscal year to the General Partner or any Affiliates of the General Partner and the services performed;

(ii) a report of the activities and investments of the Partnership during the period covered by the report; and

(iii) a comparison of actual and projected tax benefits for the year.

The statement will be accompanied by audited financial statements of any Affiliate Guarantor.

(c) Demands for Payment. Within three business days of the exercise thereof, any draw or call upon or demand for payment of or under any operating deficit guarantee, operating reserve, contractor performance bonds or completion guarantee.

(d) Notices of Default. Immediately upon notice of such a default, any default by the Partnership in any loan, including any state or local government loan or other financial obligation, of the Partnership or its General Partner.

(e) Notices of IRS Proceedings. Immediately upon receipt of such notice, any notice of any IRS proceeding or any other audit, review or inspection by an federal, state or local governmental agency or Project Lender involving the Partnership.

13.04 Tax Information. The General Partner shall file all necessary tax forms related to the formation of the Partnership, including, if required, Form 8264 (related to the registration of a tax shelter). VHCC shall also provide such federal tax information as required under its agreement with the Partnership as set forth on Exhibit J.

13.05 Selection of Accountants. The Limited Partner shall be entitled to select a firm of certified public accountants that are experienced in LIHTC and that will prepare the Partnership's year-end financial statements and the Partnership's annual tax returns. The fee of such accountants shall be paid by the Limited Partner out of the accounting fee payable to it pursuant to Section 8.21 of this Agreement.

13.06 Section 754 Elections. In the event of a transfer of all or any part of the Interest of a General Partner or of a Limited Partner, the Partnership may elect, pursuant to Sections 743 and 754 of the Code (or any corresponding provision of succeeding law), to adjust the basis of the Partnership property if, in the opinion of the Limited Partner, based upon the advice of the Accountants, such election would be most advantageous to the Limited Partner. Each Partner agrees to furnish the Partnership with all information necessary to give effect to such election.

13.07 Fiscal Year and Accounting Method. The fiscal year of the Partnership shall be the fiscal year of the Limited Partner, which ends at December 31; provided, however, that upon request from the Limited Partner, the fiscal year of the Partnership shall become the calendar year. All Partnership accounts shall be determined on an accrual basis.

13.08 Late Report Penalties. (i) In the event that the reports of information provided for in Sections 13.02(b) or 13.03 above are, at any time, not provided within the time frames set forth therein, the General Partner shall be obligated to pay to the Limited Partner the sum of \$200.00 per day, as liquidated damages, for each day from the date upon which such report(s) or information is (are) due pursuant to the provisions of the aforesaid Sections until the date upon which such report(s) or information is (are) provided in form acceptable to the Limited Partner. In the event that the reporting requirements set forth in any of the above provisions of this Article XIII are not met, the Limited Partner, in its reasonable discretion, may direct the General Partner to dismiss the Accountants, and to designate successor Accountants, subject to the approval of the Limited Partner; provided, however, that if the General Partner and the Limited Partner cannot agree on the designation of successor Accountants, the successor Accountants shall be designated by the Limited Partner in its sole reasonable discretion, and the fees of such successor Accountants shall be paid by the General Partner.

ARTICLE XIV AMENDMENTS

14.01 Proposal and Adoption of Amendments. This Agreement may be amended by the General Partner with the Consent of the Limited Partner; provided that such Consent shall not be unreasonably withheld as to any proposed amendment which does not affect the obligations of the General Partner or the rights of any of the Partners under this Agreement; and further provided that, if the Limited Partner proposes an amendment to this Agreement which either (a) increases or imposes upon the Limited Partner the obligation to restore a deficit balance in its Capital Account, or (b) prospectively decreases the obligation of the Limited Partner to restore a deficit balance in its Capital Account in a subsequent Fiscal Year of the Partnership, the General Partner shall effectuate the adoption of such amendment; provided, however, that the General Partner shall not be liable to the Limited Partner for any adverse tax consequences that may result from any such increase or decrease.

ARTICLE XV
CONSENTS, VOTING AND MEETINGS

15.01 Method of Giving Consent. Any Consent required by this Agreement may be given by a written Consent given by the consenting Partner and received by the General Partner at or prior to the doing of the act or thing for which the Consent is solicited.

15.02 Submissions to Limited Partners. The General Partner shall give the Limited Partner Notice of any proposal or other matter required by any provision of this Agreement or by law to be submitted for consideration and approval of the Limited Partners. Such Notice shall include any information required by the relevant provision or by law.

15.03 Meetings: Submission of Matter for Voting. A majority in Interest of the Limited Partners shall have the authority to convene meetings of the Partnership and to submit matters to a vote of the Partners.

ARTICLE XVI
GENERAL PROVISIONS

16.01 Burden and Benefit. The covenants and agreements contained herein shall be binding upon and inure to the benefit of the heirs, executors, administrators, successors and assigns of the respective parties hereto.

16.02 Applicable Law. This Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Virginia.

16.03 Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original copy and all of which together shall constitute one agreement binding on all parties hereto, notwithstanding that all the parties shall not have signed the same counterpart.

16.04 Separability of Provisions. Each provision of this Agreement shall be considered separable, and if for any reason any provision which is not essential to the effectuation of the basic purposes of this Agreement is determined to be invalid and contrary to any existing or future law, such invalidity shall not impair the operation of or affect those provisions of this Agreement which are valid.

16.05 Entire Agreement. This Agreement sets forth all (and is intended by all parties to be an integration of all) of the representations, promises, agreements and understandings among the parties hereto with respect to the Partnership, the Partnership business and the property of the

Partnership, and there are no representations, promises, agreements or understandings, oral or written, express or implied, among them other than as set forth or incorporated herein.

16.06 Liability of the Limited Partner. Notwithstanding anything to the contrary contained herein, neither the Limited Partner nor any of its members shall have any personal liability to any of the parties to this Agreement with regard to the representations and covenants extended, or the obligations undertaken, by the Limited Partner under this Agreement, except that the Limited Partner shall be personally obligated to fund its Capital Contributions when, as and if required by this Agreement and subject to any defenses and offsets it may have with respect to the funding of such Capital Contributions. In the event that the Limited Partner shall be in default under any of the terms of this Agreement, the sole recourse of any party hereto for any indebtedness due hereunder, or for any damages resulting from any such default by the Limited Partner, shall be either against the Interest of the Limited Partner and the capital contributions of the members of the Limited Partner (either directly or through another Limited Partner) allocated to, and remaining for investment in, the Partnership; provided, however, that under no circumstances shall the liability of the Limited Partner for any such default be in excess of the amount of Capital Contribution payable by the Limited Partner to the Partnership, under the terms of this Agreement, at the time of such default, less the value of the Interest of the Limited Partner, if such Interest is claimed as compensation for damages.

16.07 Environmental Protection.

(a) The General Partner warrants and represents that to the best of the General Partner's knowledge, after diligent inquiry, there presently are not, in, on, or under the Project nor will there be, in, on, or under the Project, upon completion of the construction: (i) any "hazardous substance" as that term is defined under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. §9601, et seq., as amended ("CERCLA"), or any other hazardous or toxic substance, waste or material or any other substance or pollutant that poses a risk to human health or the environment, including, but not limited to, petroleum in any form, lead-based paint, asbestos, urea formaldehyde insulation, methane gas, polychlorinated biphenyls ("PCBs") or radon, except for ordinary and necessary quantities of office supplies, cleaning materials and pest control supplies stored in a safe and lawful manner and petroleum products contained in motor vehicles (the "Hazardous Substances"); (ii) any underground storage tanks; (iii) accumulations of debris, mining spoil, spent batteries, except for ordinary garbage stored in receptacles for regular removal; (iv) or any other condition which could result in liability for an owner or operator of the Project under any federal, state, or local law, rule, regulation, or ordinance.

(b) The General Partner further represents and warrants that (i) neither it nor, to the best of its knowledge, any other party has been, is or will be involved in operations at or, pursuant to the General Partner's best knowledge, near the Land, which operations could lead to (A) a determination of liability under the Hazardous Waste Laws as to the Partnership or (B) the creation of a lien on the Land under the Hazardous Waste Laws or under any similar laws or regulations; and (ii) the General Partner has not permitted, and will use best efforts not to permit, any tenant or

occupant of the Project to engage in any activity that could impose liability under the Hazardous Waste Laws on such tenant or occupant, on the Land or on any other owner of the Project.

(c) The General Partner further warrants and represents to the best of the General Partner's knowledge that the Project is in compliance with all applicable Hazardous Waste Laws, and the General Partner has not received notice of any violations of the Hazardous Waste Laws. The General Partner covenants and agrees to take all necessary action within its control to ensure that the Project is in compliance with the Hazardous Waste Laws at all times and that the Project remains free from the presence of any Hazardous Substances in, on or under the Project. The General Partner will promptly deliver any notice it may receive of any violation of the Hazardous Waste Laws to the Limited Partner and the Special Limited Partner.

(d) The General Partner agrees to indemnify and hold harmless the Partnership, the Limited Partner, the Special Limited Partner, and any member of the Limited Partner (the "Indemnified Parties") from and against all claims, actions, causes of action, liability, and expense (including, without limitation, attorneys' fees, court costs, and remedial and response costs) incurred or suffered by, or asserted by any person, entity, or governmental agency against the Indemnified Parties due to breach of the General Partner of the Partnership's representations, warranties, or covenants, or a violation of the Hazardous Waste Laws, or the presence of Hazardous Substances in, on, or under the Project. The foregoing indemnification shall be a recourse obligation of the General Partner and shall (to the full extent permitted by law) survive the dissolution of the Partnership and the death, dissolution, retirement, incompetency, insolvency, bankruptcy, or withdrawal of the General Partner.

(e) For purposes of this Agreement, the term "Hazardous Waste Laws" shall mean any governmental requirements pertaining to land use, air, soil, subsoil, surface water, groundwater (including the quality of, protection, clean-up, removal, remediation or damage of or to land, air, soil, subsoil, surface water and groundwater), including, without limitation, the following laws as the same may be from time to time amended: the Comprehensive Environmental Response Liability and Compensation Act, 42 U.S.C. § 9601, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. §6901, et seq., the Toxic Substances Control Act, 15 U.S.C. § 2601 et seq., the Federal Water Pollution Control Act, 33 U.S.C. §1251 et seq., the Safe Drinking Water Act, 42 U.S.C. § 300f et seq., the Clean Air Act, 42 U.S.C. § 7401 et seq., the Rivers and Harbors Act, 33 U.S.C. § 401 et seq., the Transportation Safety Act of 1974, portions of which are located at 49 U.S.C. § 1801 et seq., the Endangered Species Act, 16 U.S.C. § 1531 et seq., or any so-called "superfund" or "superlien" law, together with any other foreign or domestic laws (federal, state, provincial or local), common law, local rule, regulation (including, without limitation, any future change in judicial or administrative decisions interpreting or applying any of the laws, rules or regulations referred to herein) relating to emissions, discharges, release or threatened releases of any Hazardous Substances into ambient air, land, soil, subsoil, surface water, groundwater, personal property or structures, or otherwise relating to the manufacture, processing distribution, use treatment, storage, disposal, transport, discharge or handling of any Hazardous Substances, now or at any time hereafter in effect.

16.08 Notices. All notices, demands, requests or other communications to be sent by one party to the other hereunder or required by law shall be in writing and shall be deemed to have been validly given or served by delivery of same in person to the addressee or by depositing same with Federal Express (or another nationally recognized overnight delivery service) for next business day delivery or by depositing same in the United States mail, postage prepaid, registered or certified mail, return receipt requested, addressed as follows:

(a) To the Limited Partner:

Housing Equity Fund of Virginia XV, L.L.C.
c/o Virginia Housing Capital Corporation
1840 West Broad Street, Suite 200
Richmond, Virginia 23220-2151
Attn: Arild O. Trent

with a copy to:

Applegate & Thorne-Thomsen, P.C.
322 South Green Street
Suite 400
Chicago, Illinois 60607
Attention: Thomas Thorne-Thomsen

(b) To the General Partner:

Vets' Housing, Inc.
2400 Potters Road
Virginia Beach, VA 23454
Attention: Mary Kay Horoszewski

With a copy to:

Kanady & Quinn
9200 Forest Hill Avenue, Suite C
Richmond, VA 23235
Attention: Johnson Kanady, P.C.

All notices, demands and requests shall be effective upon such personal delivery or upon being deposited with Federal Express (or another nationally recognized overnight delivery service) or in the United States mail as required above. However, with respect to notices, demands or requests so deposited with Federal Express (or another nationally recognized overnight delivery service) or in the United States mail, the time period in which a response to any such notice, demand or request must be given shall commence to run from the next business day following any such deposit with

Federal Express (or another nationally recognized overnight delivery service) or, in the case of a deposit in the United States mail as provided above, the date on the return receipt of the notice, demand or request reflecting the date of delivery or rejection of the same by the addressee thereof. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice, demand or request sent. By giving to the other party hereto at least 30 days' written notice thereof in accordance with the provisions hereof, the parties hereto shall have the right from time to time to change their respective addresses and each shall have the right to specify as its address any other address within the United States of America.

16.09 Headings. All section headings are for convenience only and shall not be taken into consideration in interpreting or otherwise construing this Agreement.

16.10. Pronouns and Plurals. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural, as the identity of the person or persons may require.

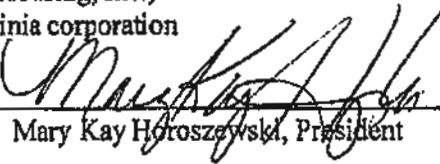
16.11. VHDA Mortgage Requirements. Notwithstanding any other provision of this Agreement, this limited partnership and the Partners shall be subject to regulation and supervision by the Virginia Housing Development Authority ("VHDA") in accordance with the Virginia Housing Development Authority Act, the Rules and Regulations of VHDA, and the Deed of Trust executed or to be executed by the Partnership for the benefit of VHDA and shall be further subject to the exercise by VHDA of the rights and powers conferred on VHDA thereby. Notwithstanding any other provision of this Agreement, VHDA may rely upon the continuing effect of this provision which shall not be amended, altered, waived, supplemented or otherwise changed without the prior written consent of VHDA.

IN WITNESS WHEREOF, the parties have affixed their signatures and seals to this Amended and Restated Agreement of Limited Partnership of Cedar Grove 2011 Limited Partnership as of the date first written above.

GENERAL PARTNER:

Vets' Housing, Inc.,
a Virginia corporation

By: _____



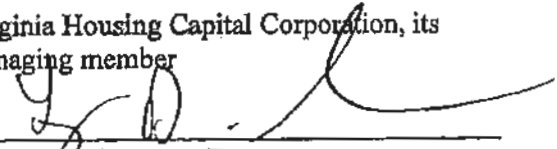
Mary Kay Horoszewski, President

119558

LIMITED PARTNER:

Housing Equity Fund of Virginia XV, L.L.C., a
Virginia limited liability company

By: Virginia Housing Capital Corporation, its
managing member

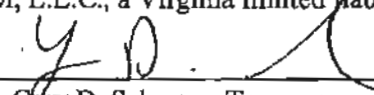
By: 

Gary D. Schwam, Treasurer

SPECIAL LIMITED PARTNER:

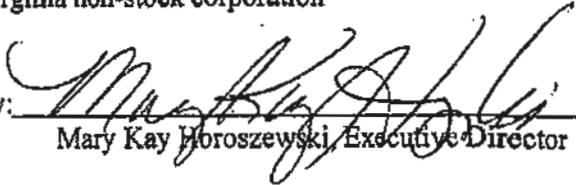
VAHM, L.L.C., a Virginia limited liability company

By: _____


Gary D. Schwam, Treasurer

WITHDRAWING LIMITED PARTNER:

Southeastern Virginia Housing Corporation, a
Virginia non-stock corporation

By: 
Mary Kay Hroszewski, Executive Director

Execution Copy

TABLE OF EXHIBITS

- A Development Agreement
- B Incentive Management Fee Agreement
- C Description of Land
- D Affiliate Guaranty
- E Pledge and Security Agreement of General Partner
- F Summary of Project Loan Terms
- G Property Management Agreement
- H Development Budget
- I Insurance Requirements
- J Form of Agreement to Provide Accounting and Reporting Services
- K Post Closing Obligations
- L Right of First Refusal Agreement
- M Construction Incentive Management Fee Agreement

**EXHIBIT A
TO PARTNERSHIP AGREEMENT**

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (this "Agreement") made as of June 28, 2012 by and between Cedar Grove 2011 Limited Partnership, a Virginia limited partnership ("the Partnership") and Virginia Beach Community Development Corporation a Virginia non-stock corporation (the "Developer").

Recitals

WHEREAS, the Partnership was formed to acquire, construct, develop, improve, maintain, own, operate, lease, dispose of and otherwise deal with an apartment project located in Virginia Beach, Virginia, known as Cedar Grove Apartments (the "Project").

WHEREAS, the Project, following the completion of construction, is expected to constitute a "qualified low-income housing project" (as defined in Section 42(g)(1) of the Code).

WHEREAS, the Developer has provided and will continue to provide certain services with respect to the Project during the acquisition, development, rehabilitation and initial operating phases thereof.

WHEREAS, in consideration for such services, the Partnership has agreed to pay to the Developer certain fees computed in the manner stated herein.

WHEREAS, capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Amended and Restated Agreement of Limited Partnership of the Partnership of even date herewith (the "Partnership Agreement").

NOW, THEREFORE, in consideration of the recitals, covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties agree as follows:

Section 1. Development Services.

(a) The Developer has performed certain services relating to the development of the Project and shall oversee the development and construction of the Project, and shall perform the services and carry out the responsibilities with respect to the Project as are set forth herein, and such additional duties and responsibilities as are reasonably within the general scope of such services and responsibilities and are designated from time to time by the Partnership.

(b) The Developer's services shall be performed in the name and on behalf of the Partnership and shall consist of the duties set forth in subparagraphs (i)-(xiii) below of this Section 1(b) and as provided elsewhere in this Agreement; provided, however, that if the performance of any duty of the Developer set forth in this Agreement is beyond the reasonable control of the Developer, the Developer shall nonetheless be obligated to (i) use its best efforts to perform such duty and (ii) promptly notify the Partnership that the performance of such duty is beyond its reasonable control. The Developer has performed or shall perform the following:

(i) Negotiate and cause to be executed in the name and on behalf of the Partnership any agreements for architectural, engineering, testing or consulting services for the Project, and any agreements for the construction of any improvements or tenant improvements to be constructed or installed by the Partnership or the furnishing of any supplies, materials, machinery or equipment therefor, or any amendments thereof, provided that no agreement shall be executed nor binding commitment made until the terms and conditions thereof and the party with whom the agreement is made have been approved by the General Partner unless the terms, conditions, and parties comply with guidelines issued by the General Partner concerning such agreements;

(ii) Assist the Partnership in identifying sources of construction financing for the Project and negotiate the terms of such financing with lenders;

(iii) Establish and implement appropriate administrative and financial controls for the design and construction of the Project, including but not limited to:

(A) coordination and administration of the Project architect, the general contractor, and other contractors, professionals and consultants employed in connection with the design or rehabilitation of the Project;

(B) administration of any construction contracts on behalf of the Partnership;

(C) participation in conferences and the rendering of such advice and assistance as will aid in developing economical, efficient and desirable design and construction procedures;

(D) the rendering of advice and recommendations as to the selection of subcontractors and suppliers;

(E) the review and submission to the Partnership for approval of all requests for payments under any architectural agreement, general contractor's agreement, or any loan agreements

with any lending institutions providing funds for the benefit of the Partnership for the design or construction of any improvements;

(F) the submission of any suggestions or requests for changes which could in any reasonable manner improve the design, efficiency or cost of the Project;

(G) applying for the maintaining in full force and effect any and all governmental permits and approvals required for the lawful construction of the Project;

(H) compliance with all terms and conditions applicable to the Partnership or the Project contained in any governmental permit or approval required or obtained for the lawful construction of the Project, or in any insurance policy affecting or covering the Project, or in any surety bond obtained in connection with the Project;

(I) furnishing such consultation and advice relating to the Project as may be reasonably requested from time to time by the Partnership;

(J) keeping the Partnership fully informed on a regular basis of the progress of the design and construction of the Project, including the preparation of such reports as are provided for herein or as may reasonably be requested by the Partnership and which are of a nature generally requested or expected of construction managers or similar owner's representatives on similar projects;

(K) giving or making the Partnership's instructions, requirements, approvals and payments provided for in the agreements with the Project architect, general contractor, and other contractors, professionals and consultants retained for the Project; and

(L) at the Partnership's expense, filing on behalf of and as the attorney-in-fact for the Partnership any notices of completion required or permitted to be filed upon the completion of any improvement(s) and taking such actions as may be required to obtain any certificates of occupancy or equivalent documents required to permit the occupancy of the Project.

(iv) Inspect the progress of the course of construction of the Project, including verification of the materials and labor being furnished to and on such

construction so as to be fully competent to approve or disapprove requests for payment made by the Project architect and the general contractor, or by any other parties with respect to the design or construction of the Project, and in addition to verify that the construction is being carried out substantially in accordance with the plans and specifications approved by the Partnership or, in the event construction is not being so carried out, to promptly notify the Partnership;

(v) If requested to do so by the Partnership, perform on behalf of the Partnership all obligations of the Partnership with respect to the design or construction of the Project contained in any loan agreement or security agreement in connection with the Project, or in any lease or rental agreement relating to space in the Project, or in any agreement entered into with any governmental body or agency relating to the terms and conditions of such construction, provided that copies of such agreements have been provided by the Partnership to the Developer or the Partnership has otherwise notified the Developer in writing of such obligations;

(vi) To the extent requested to do so by the Partnership, prepare and distribute to the Partnership a critical path schedule, and periodic updates thereto as necessary to reflect any material changes, but in any event not less frequently than quarterly, other design or construction cost estimates as required by the Partnership, and financial accounting reports, including monthly progress reports on the quality, progress and cost of construction and recommendations as to the drawing of funds from any loans arranged by the Partnership to cover the cost of design and construction of the Project, or as to the providing of additional capital contributions should such loan funds for any reason be unavailable or inadequate;

(vii) At the Partnership's expense, obtain and maintain insurance coverage for the Project, the Partnership, the Management Agent, and the Developer and its employees, at all times until final completion of construction of the Project, in accordance with an insurance schedule approved by the Partnership, which insurance shall include general public liability insurance covering claims for personal injury, including but not limited to bodily injury, or property damage, occurring in or upon the Property or the streets, passageways, curbs and vaults adjoining the Property. Such insurance shall be in a liability amount approved by the Partnership;

(viii) Comply with all applicable present and future laws, ordinances, orders, rules, regulations and requirements (hereinafter in this subparagraph (ix) called "laws") of all federal, state and municipal governments, courts, departments, commissions, boards and offices, any national or local Board of Fire Underwriters or Insurance Services. Offices having jurisdiction in the county in which the Project is located or any other body exercising functions similar to those of any of the foregoing, or any insurance carriers providing any insurance

coverage for the Partnership or the Project, which may be applicable to the Project or any part thereof. Any such compliance undertaken by the Developer on behalf of and in the name of the Partnership, in accordance with the provisions of this Agreement, shall be at the Partnership's expense. The Developer shall likewise ensure that all agreements between the Partnership and independent contractors performing work in connection with the Project shall include the agreement of said independent contractors to comply with all such applicable laws;

(ix) Assemble and retain all contracts, agreements and other records and data as may be necessary to carry out the Developer's functions hereunder. Without limiting the foregoing, the Developer will prepare, accumulate and furnish to the Partnership and the appropriate governmental authorities, as necessary, data and information sufficient to identify the market value of improvements in place as of each real property tax lien date, and will take application for appropriate exclusions from the capital costs of the Project for purposes of real property ad valorem taxes;

(x) Coordinate and administer the design and construction of all interior tenant improvements to the extent required under any leases or other occupancy agreements to be constructed or furnished by the Partnership with respect to the initial leasing of space in the Project, whether involving building standard or non-building standard work;

(xi) Use its best efforts to accomplish the timely completion of the Project in accordance with the approved plans and specifications and the time schedules for such completion approved by the Partnership;

(xii) At the direction of the Partnership, implement any decisions of the Partnership made in connection with the design, development and construction of the Project or any policies and procedures relating thereto, exclusive of leasing activities; and

(xiii) Perform and administer any and all other services and responsibilities of the Developer which are set forth in any other provisions of this Agreement, or which are requested to be performed by the Partnership and are within the general scope of the services described herein.

Section 2. Limitations and Restrictions. Notwithstanding any provisions of this Agreement, the Developer shall not take any action, expend any sum, make any decision, give any consent, approval or authorization, or incur any obligation with respect to any of the following matters unless and until the same has been approved by the Partnership:

(a) Approval of all construction and architectural contracts and all architectural plans, specifications and drawings prior to the construction and/or alteration of any improvements

contemplated thereby, except for such matters as may be expressly delegated in writing to the Developer by the Partnership;

(b) Any proposed change in the work of the construction of the Project, or in the plans and specifications therefor as previously approved by the Partnership, or in the cost thereof, or any other change which would affect the design, cost, value or quality of the Project, except for such matters as may be expressly delegated in writing to the Developer by the Partnership;

(c) Making any expenditure or incurring any obligation by or on behalf of the Partnership or the Project involving a sum in excess of \$25,000 or involving a sum of less than \$5,000 where the same relates to a component part of any work, the combined cost of which exceeds \$25,000, except for expenditures made and obligations incurred pursuant to and specifically set forth in a construction budget approved by the Partnership (the "Construction Budget") or for such matters as may be otherwise expressly delegated to the Developer by the Partnership;

(d) Making any expenditure or incurring any obligation which, when added to any other expenditure, exceeds the Construction Budget or any line item specified in the Construction Budget, except for such matters as may be otherwise expressly delegated in writing to the Developer by the Partnership; or

(e) Expending more than what the Developer in good faith believes to be the fair and reasonable market value at the time and place of contracting for any goods purchased or leased or services engaged on behalf of the Partnership or otherwise in connection with the Project.

Section 3. Accounts and Records.

(a) The Developer on behalf of the Partnership, shall keep such books of account and other records as may be required and approved by the Partnership, including, but not limited to, records relating to the costs of construction advances. The Developer shall keep vouchers, statements, receipted bills and invoices and all other records, in the form approved by the Partnership, covering all collections, if any, disbursements and other data in connection with the Project prior to final completion of construction. All accounts and records relating to the Project, including all correspondence, shall be surrendered to the Partnership, upon demand without charge therefor.

(b) The Developer shall cooperate with the Management Agent to facilitate the timely preparation by the Management Agent of such reports and financial statements as the Management Agent is required to furnish pursuant to the Management Agreement.

(c) All books and records prepared or maintained by the Developer shall be kept and maintained at all times at the place or places approved by the Partnership, and shall be available for and subject to audit, inspection and copying by the Management Agent, the Partnership or

any representative or auditor thereof or supervisory or regulatory authority, at the times and in the manner set forth in the Partnership Agreement.

Section 4. Obligation To Complete Construction and to Pay Development Costs.

The Developer shall complete the construction of the Project or cause the same to be completed in a good and workmanlike manner, free and clear of all mechanics', materialmen's or similar liens, and shall equip the Project or cause the same to be equipped with all necessary and appropriate fixtures, equipment and articles of personal property, including refrigerators and ranges, provided for in the Project Documents and the Plans and Specifications. The Developer also shall cause the achievement of Final Closing in accordance with the terms of the Partnership Agreement. If the Specified Proceeds as available from time to time are insufficient to cover all Development Costs and achieve Final Closing, the Developer shall advance or cause to be advanced to the Partnership from time to time as needed all such funds as are required to pay such deficiencies. Any such advances ("Development Advances") shall, to the extent permitted under the Project Documents and any applicable regulations or requirements of any Project Lender or Agency, be reimbursed at or prior to Final Closing only out of Specified Proceeds available from time to time after payment of all Development Costs. Any balance of the amount of each Development Advance not reimbursed through Final Closing shall not be reimbursable, shall not be credited to the Capital Account of any Partner, or otherwise change the interest of any Person in the Partnership, but shall be borne by the Developer under the terms of this Agreement.

Section 5. Development Amount.

Any Development Advances made by the Developer shall be reimbursed from Specified Proceeds as set forth in Section 4. As reimbursement for any additional Development Advances and as a fee for its services in connection with the development of the Project and the supervision of the construction/rehabilitation of the Project, the Developer shall be paid an amount (the "Development Amount") equal to the lesser of (a) Seven Hundred Fifteen Thousand and No/100 Dollars (\$715,000); or (b) the maximum amount which conforms to the developer fee standards imposed by the Virginia Housing Development Authority. The Development Amount shall be deemed to have been earned as follows:

- (i) Twenty percent (20%) on November 1, 2011;
- (ii) Forty percent (40%) upon Substantial Completion of the Project;
- (iii) Forty percent (40%) upon satisfaction of the conditions to the payment of the Limited Partner's Fourth Capital Contribution.

The Development Amount shall be paid from and only to the extent of Specified Proceeds as provided in the Partnership Agreement, in installments as follows:

(i) \$253,597 to be paid upon the satisfaction to the conditions for the Limited Partner's Fifth Capital Contribution; and

(ii) the remaining fee of \$461,403 to be paid upon the satisfaction to the conditions for the Limited Partner's Sixth Capital Contribution.

Any installment of the Development Amount not paid when otherwise due hereunder shall be deferred without interest and shall be paid from next available Net Cash Flow in the priority set forth in Section 11.03(b) of the Partnership Agreement; provided, however, that any unpaid balance of the Development Amount shall be due and payable in all events on the thirteenth anniversary of placement in service.

Section 6. Applicable Law.

This Agreement, and the application or interpretation hereof, shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

Section 7. Binding Agreement.

This Agreement shall be binding on the parties hereto, their heirs, executors, personal representatives, successors and assigns. As long as the Developer is not in default under this Agreement, the obligation of the Partnership to pay the Development Amount shall not be affected by any change in the identity of the General Partner of the Partnership.

Section 8. Headings.

All section headings in this Agreement are for convenience of reference only and are not intended to qualify the meaning of any section.

Section 9. Terminology.

All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders, the singular shall include the plural, and vice versa as the context may require.

For purposes of this Agreement, the following terms have the following meanings:

"Development Costs" means any and all costs and expenses necessary to (i) cause the construction of the Project to be completed, in a good and workmanlike manner, free and clear of all mechanics', materialmen's or similar liens, in accordance with the Plans and Specifications, (ii) equip the Project with all necessary and appropriate fixtures, equipment and articles of personal property (including, without limitation, refrigerators and ranges), (iii) obtain all required certificates of occupancy for the apartment units and other space in the Project, (iv) finance the

construction of the Project and achieve Final Closing in accordance with the provisions of the Project Documents, (v) discharge all Partnership liabilities and obligations arising out of any casualty occurring prior to Final Closing generating insurance proceeds for the Partnership, (vi) fund any Partnership reserves required hereunder or under any of the Project Documents at or prior to Final Closing, (vii) repay and discharge the construction loan from Towne Bank, and (viii) pay any other costs or expenses necessary to achieve the Completion Date and Final Closing.

"Specified Proceeds" means (i) the proceeds of all Project Loans, (ii) the net rental income, if any, generated by the Project prior to Final Closing which is permitted by the Project Lenders to be applied to the payment of Development Costs, (iii) the Capital Contributions of the Limited Partner, (iv) the Capital Contributions of the General Partner in the amounts set forth in Section 5.01(a) of the Partnership Agreement as of the Initial Closing, and (v) any insurance proceeds arising out of casualties occurring prior to Final Closing.

Section 10. Benefit of Agreement.

The obligations and undertakings of the Developer set forth in this Agreement are made for the benefit of the Partnership and its Partners and shall not inure to the benefit of any creditor of the Partnership other than a Partner, notwithstanding any pledge or assignment by the Partnership of this Agreement of any rights hereunder.

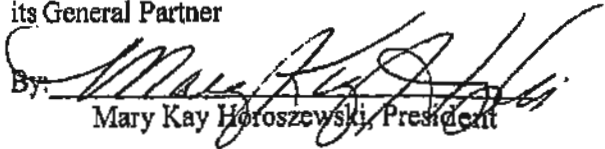
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IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first written above.

PARTNERSHIP:

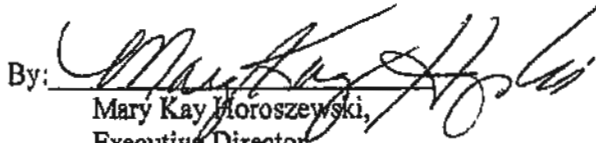
Cedar Grove 2011 Limited Partnership, a Virginia limited partnership

By: Vets' Housing, Inc.
its General Partner

By: 
Mary Kay Horoszewski, President

DEVELOPER:

Virginia Beach Community Development Corporation, a Virginia non-stock corporation

By: 
Mary Kay Horoszewski,
Executive Director

**EXHIBIT B
TO PARTNERSHIP AGREEMENT**

INCENTIVE MANAGEMENT FEE AGREEMENT

THIS INCENTIVE MANAGEMENT FEE AGREEMENT (this "Agreement") made as of June 28, 2012, by and between Cedar Grove 2011 Limited Partnership, a Virginia limited partnership (the "Partnership") and Vets' Housing, Inc., a Virginia corporation, as the General Partner (the "General Partner").

Recitals

WHEREAS, General Partner and Housing Equity Fund of Virginia XV, L.L.C. (the "Limited Partner"), as the Limited Partner have formed or, simultaneously herewith are forming, the Partnership pursuant to the Limited Partnership Act of the Commonwealth of Virginia (the "Act"); and

WHEREAS, the Partnership has been formed to develop, construct, own, maintain and operate an 32-unit multifamily apartment complex intended for rental to low income individuals and families, to be known as Cedar Grove Apartments, and to be located in 2400 Potters Road, Virginia Beach, Virginia 23454 (the "Project"); and

WHEREAS, the Partnership is governed by its Amended and Restated Agreement of Limited Partnership of even date herewith (the "Partnership Agreement"); and

WHEREAS, the Partnership desires that the General Partner provide certain management services with respect to the business of the Partnership for the period commencing as of the date hereof and continuing throughout the term of the Partnership.

NOW, THEREFORE, in consideration of the recitals, covenants and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties agree as follows:

1. **Appointment**. The Partnership hereby appoints the General Partner to render services in managing and administering the Partnership during the term of the Partnership and for as long as the General Partner is the general partner of the Partnership as herein contemplated. The appointment of the General Partner hereunder shall terminate on the earlier of (i) the date the General Partner withdraws as the general partner of the Partnership, including, without limitation, its removal as General Partner, or (ii) the expiration of the term of the Partnership.

2. **Authority**. In conformity with the provisions of the Partnership Agreement, throughout the term of the Partnership, the General Partner shall have the authority and the

obligation, which authority and obligation may, subject to the provisions of the Partnership Agreement, be exercised by the General Partner to:

(i) administer, manage and direct the business of the Partnership, and take such further action as it may deem necessary or desirable to further the interest of the Partnership in accordance with the provisions of the Partnership Agreement;

(ii) monitor the day-to-day operations of the Project and make recommendations with respect thereto;

(iii) investigate and make recommendations with respect to the selection and conduct of relations with consultants and technical advisors (including, without limitation, accountants and other similar advisors, attorneys, corporate fiduciaries, escrow agents, depositories, custodians, agents for collection, insurers, insurance agents and banks) and persons acting in any other capacity in connection with the Partnership;

(iv) maintain appropriate books and records of the Partnership in accordance with sound federal income tax accounting principles and in conformity with the requirements of the Project Lenders, including information relating to the sale by the General Partner or any Affiliate of goods or services to the Partnership;

(v) be responsible for the safekeeping and use of all funds and assets of the Partnership, including the maintenance of bank accounts in accordance with Section 4.02(o) of the Partnership Agreement;

(vi) provide reports to Partners required pursuant to Sections 13.02 and 13.03 of the Partnership Agreement;

(vii) furnish or cause to be furnished to the Partners copies of any and all financial reports that may be requested by any party(ies) to any of the Project Documents or any governmental agencies having jurisdiction, including copies of any financial statements required by the Project Lenders;

(viii) furnish or cause to be furnished to the Partners and/or any party(ies) to any of the Project Documents all such information as they may reasonably request from time to time with respect to the financial and administrative conditions of the Project and the Partnership; and

(ix) provide office space, support staff and administrative services as required by the Partnership.

3. Fees. For services to be performed under this Incentive Management Fee Agreement, from and after Breakeven Operations and achievement of 100% Qualified Occupancy, the Partnership shall pay the General Partner solely from the Net Cash Flow of the Partnership specifically designated for payment of the Incentive Management Fee pursuant to Section 8.13 and 11.03(b) of the Partnership Agreement, an annual, noncumulative Incentive Management Fee of up to eighty percent (80%) of the Net Cash Flow remaining after payment of the items described in Section 11.03(b)(i) through (vii) under the Partnership Agreement.

4. Withholding of Fee Payments. In the event that (i) the General Partner or any successor General Partner shall not have substantially complied with any material provisions under this Agreement and the Partnership Agreement, or (ii) the General Partner shall have withdrawn or been removed pursuant to Article VI of the Partnership Agreement, then such General Partner shall be in default of this Agreement and the Partnership shall withhold payment of all or any installment of fees payable to such General Partner pursuant to Section 3 of this Agreement and Section 8.13 of the Partnership Agreement.

All amounts so withheld by the Partnership under this Section 4 shall be promptly released to the General Partner, only after the General Partner has cured the default justifying the withholding, unless the General Partner shall have been removed pursuant to the Partnership Agreement, in which event this Agreement shall terminate in accordance with Section 5 below and all further obligations of the Partnership hereunder shall cease as of the date of such removal of the General Partner.

5. Successors and Assigns; Termination. This Agreement shall be binding on the parties hereto, their heirs, successors and assigns. If the Partnership Interests of a General Partner, as General Partner, are transferred pursuant to Section 6.02 of the Partnership Agreement, further payment of the Incentive Management Fee from the Partnership to such General Partner pursuant to Section 3 above shall be governed by such Section 8.13, provided that such successor has assumed the obligations of the General Partner hereunder pursuant to an assumption agreement in form acceptable to the Limited Partner. The parties hereto may terminate this Agreement upon mutual consent to do so.

6. Defined Terms. Capitalized terms used in this Agreement and not specifically defined herein shall have the same meanings assigned to them as in the Partnership Agreement.

7. Separability of Provisions. Each provision of this Agreement shall be considered separable and if for any reason any provision which is not essential to the effectuation of the basic purposes of this Agreement is determined to be invalid and contrary to any existing or future law, such invalidity shall not impair the operation of or affect those provisions of this Agreement which are valid.

8. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original copy and all of which together shall constitute one

agreement binding on all parties hereto, notwithstanding that all the parties shall not have signed the same counterpart.

9. No Continuing Waiver. The waiver of any party of any breach of this Agreement shall not operate or be construed to be a waiver of any subsequent breach.

10. Applicable Law. This Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Virginia.

11. Third Party Beneficiary. Limited Partner is a third party beneficiary of this Agreement, and the Partnership and General Partner hereby expressly agree that any amendment to this Agreement shall not be effective unless and until same is consented to by Limited Partner.

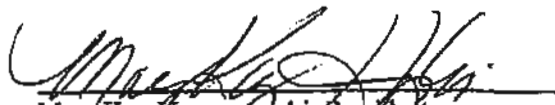
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IN WITNESS WHEREOF, the parties have caused this Incentive Management Fee Agreement to be duly executed as of the date as first written above.

PARTNERSHIP:

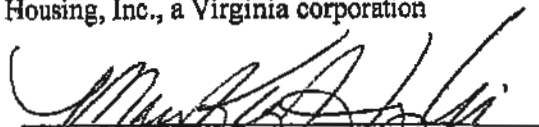
Cedar Grove 2011 Limited Partnership, a Virginia limited partnership

By: Vets' Housing, Inc., a Virginia corporation

By: 
Mary Kay Horoszewski, President

GENERAL PARTNER:

Vets' Housing, Inc., a Virginia corporation

By: 
Mary Kay Horoszewski, President

**EXHIBIT C
TO PARTNERSHIP AGREEMENT**

DESCRIPTION OF LAND

All that certain lot, piece, or parcel of land, with the buildings and improvements thereon, situate, lying, and being in the City of Virginia Beach, Virginia, being more particularly described as follows:

THE POINT OF BEGINNING is described as starting at a pin in the northern right-of-way of Newtown Road in the dividing line of the property of Robert H. DeFord Sr., and that now or formerly belonging to the Virginia Beach School Board; thence North 05 degrees 40'42" East 707.33 feet to the true point of beginning; thence South 87 degrees 11'4" West 218.51 feet to a point; thence North 00 degrees 32'48" West 69.34 feet to a point; thence South 65 degrees 55'06" West 55.53 feet to a point; thence along a curve to the left having a radius of 430.00 feet a distance of 20.00 feet to a point; thence North 65 degrees 55'06" East 64.25 feet to a point; thence North 00 degrees 32'48" West 36.84 feet to a point; thence North 88 degrees 38'27" East 231.74 feet to a point; thence South 05 degrees 40'42" West 123.36 feet to the true point of beginning.

**EXHIBIT D
TO PARTNERSHIP AGREEMENT**

AFFILIATE GUARANTY

THIS GUARANTY AGREEMENT (this "Guaranty Agreement"), made as of June 28, 2012, is by Virginia Beach Community Development Corporation, a Virginia non-stock corporation ("Guarantor"), for the benefit of Housing Equity Fund of Virginia XV, L.L.C. a Virginia limited liability company ("HEF").

Recitals

WHEREAS, Vets' Housing, Inc., a Virginia corporation (the "General Partner"), is the General Partner of Cedar Grove 2011 Limited Partnership, a Virginia limited partnership (the "Partnership");

WHEREAS, the Partnership is governed by its Amended and Restated Agreement of Limited Partnership dated as of June 28, 2012 (the "Partnership Agreement");

WHEREAS, Virginia Beach Community Development Corporation ("Developer") and the Partnership have entered into that certain Development Agreement dated as of the date hereof (the "Development Agreement");

WHEREAS, HEF has been requested to enter into the Partnership Agreement and the Partnership with the General Partner;

WHEREAS, the Guarantor is an affiliate of the General Partner, and believes it shall substantially benefit, directly or indirectly, from HEF's entering into the Partnership Agreement and the Partnership with the General Partner; and

WHEREAS, as a condition to entering into the Partnership Agreement and the Partnership, HEF has required the Guarantor to guarantee to HEF the obligations of the General Partner under the Partnership Agreement and certain other items as herein set forth;

NOW, THEREFORE, in order to induce HEF to enter into the Partnership Agreement and the Partnership in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the Guarantors hereby covenant and agree as follows:

1. Guarantor irrevocably and unconditionally fully guarantees the due, prompt and complete performance of each and every one of the following obligations: (a) the payment and performance by the General Partner of each and every obligation of the General Partner due under the Partnership Agreement, and (b) the payment and performance by the Developer of

each and every obligation of the Developer under the Development Agreement; and (c) the due, prompt and complete payment of all costs and expenses (including, without limitation, reasonable attorneys' fees) incurred by HEF in collection of the enforcement of this Guaranty Agreement against the Guarantors (the obligations described in this Paragraph 1 are hereinafter collectively referred to as the "Indebtedness"). Notwithstanding the foregoing, certain obligations of under this Guaranty Agreement are limited as follows: (i) with respect to the obligation to fund Operating Deficits under Section 8.11(b) of the Partnership Agreement, from and after the later of fifth anniversary of commencement of such Guaranty and two consecutive years of Breakeven Operations ("Unlimited Guaranty Period"), the obligation of the Guarantor shall not exceed six months of Operating Expenses (defined below) of the Project (the obligation to fund Operating Deficits during the Unlimited Guaranty Period shall remain unlimited); (ii) with respect to the obligation to repay to HEF excess Capital Contributions (as a result of a Downward Capital Adjustment) under Section 5.01(e)(ii) of the Partnership Agreement, the obligation of Guarantor shall not exceed the sum of the Development Fee (in the amount of \$715,000, including any deferred portion), the Incentive Management Fee, the Construction Management Incentive Fee and any other fee paid or to be paid to the Guarantor, the General Partner with respect to the Project; (iii) with respect to the obligation to pay to HEF the amounts provided under Section 8.11(c) of the Partnership Agreement, the obligation of the Guarantor shall not exceed the sum of the Development Fee (in the amount of \$715,000, including any deferred portion), the Incentive Management Fee, the Construction Incentive Management Fee and any other fee paid or to be paid to the Guarantor, the General Partner or an Affiliate with respect to the Project; and (iv) with respect to the obligation to repurchase the Interest of HEF in the Partnership pursuant to Section 5.05(a) of the Partnership Agreement, the Guarantor shall not be required to pay interest on the sum of the Capital Contributions. As used herein, the term "Operating Expenses" shall mean the sum of (A) operating expenses of the Project, maintenance expenses, required deposits into the Reserve Fund for Replacements or any other reserves required under a Loan Agreement or the Partnership Agreement and all other Partnership obligations or expenditures (excluding debt service and other fees and payments set forth in clause (B) below), for the most recent six months prior to the time that this Guaranty Agreement is enforced by HEF, and (B) the current amount of all debt service on Project Loans, as well as any fees to the Project Lenders and/or any applicable mortgage insurance premium payments, to be paid in the six month period beginning at the time that this Guaranty Agreement is enforced by HEF.

2. The Guarantor hereby grants to HEF, in the uncontrolled discretion of HEF, and without notice to any Guarantor, the power and authority to deal in any lawful manner with the Indebtedness and the other obligations guaranteed hereby, and without limiting the generality of the foregoing, further power and authority, from time to time:

(a) to renew, compromise, extend, accelerate or otherwise change the time or place of payment of or to otherwise change the terms of the Indebtedness;

(b) to modify or to waive any of the terms of the Partnership Agreement, the Development Agreement and/or any other obligations guaranteed hereby;

(c) to take and hold security for the payment of the Indebtedness and/or performance of the other obligations guaranteed hereby and to impair, exhaust, exchange, enforce, waive or release any such security;

(d) to direct the order or manner of sale of any such security as HEF, in its discretion, may determine;

(e) to grant any indulgence, forbearance or waiver with respect to the Indebtedness or any of the other obligations guaranteed hereby;

(f) to release or waive rights against any one or more Guarantors without releasing or waiving any rights against any other Guarantor; and/or

(g) to agree to any valuation by HEF of any collateral securing payment of any of the Indebtedness in any proceedings under the United States Bankruptcy Code concerning HEF or any Guarantor.

The liability of the Guarantor hereunder shall not be affected, impaired or reduced in any way by any action taken by HEF under the foregoing provisions or any other provision hereof, or by any delay, failure or refusal of HEF to exercise any right or remedy it may have against the General Partner or any other person, firm or corporation, including other guarantors, if any, liable for all or any part of the Indebtedness or any of the other obligations guaranteed hereby.

3. The Guarantor agrees that if any of the Indebtedness is not fully and timely paid or performed according to the tenor thereof, whether by acceleration or otherwise, the Guarantors shall immediately upon receipt of written demand therefor from HEF pay all of the Indebtedness hereby guaranteed in like manner as if the Indebtedness constituted the direct and primary obligation of the Guarantor. The Guarantor shall not have any right of subrogation as a result of any payment hereunder or any other payment made by the Guarantor on account of the Indebtedness, and the Guarantor hereby waives, releases and relinquishes any claim based on any right of subrogation, any claim for unjust enrichment or any other theory that would entitle the Guarantor to a claim against the General Partner based on any payment made hereunder or otherwise on account of the Indebtedness.

4. This Guaranty Agreement and the obligations of the Guarantor hereunder shall be continuing and irrevocable until the Indebtedness has been satisfied in full. Notwithstanding the foregoing or anything else set forth herein, and in addition thereto, if at any time all or any part of any payment received by HEF from the Guarantor under or with respect to this Guaranty Agreement is or must be rescinded or returned for any reason whatsoever (including, but not limited to, determination that said payment was a voidable preference or fraudulent transfer under insolvency, bankruptcy or reorganization laws), then Guarantors' obligations hereunder shall, to the extent of the payment rescinded or returned, be deemed to have continued in

existence, notwithstanding such previous receipt of payment by HEF, and Guarantors' obligations hereunder shall continue to be effective or be reinstated as to such payment, all as though such previous payment to HEF had never been made. The provisions of the foregoing sentence shall survive termination of this Guaranty Agreement, and shall remain a valid and binding obligation of each Guarantor until satisfied.

5. The Guarantor hereby waives notice of acceptance of this Guaranty Agreement by HEF and this Guaranty Agreement shall immediately be binding upon each Guarantor. Any Guarantor who executes this Agreement shall be fully bound hereby regardless of whether or not any other Guarantor subsequently executes this Guaranty Agreement.

6. The Guarantor hereby waives and agrees not to assert or take advantage of:

(a) any right to require the General Partner to proceed against any other person or to proceed against or exhaust any security held by the General Partner at any time or to pursue any other remedy in the General Partner's power before proceeding against any one or more Guarantors hereunder;

(b) any right to require HEF to proceed against the General Partner or any other person or to proceed against or exhaust any security held by HEF at any time or to pursue any other remedy in HEF's power before proceeding against any Guarantor hereunder;

(c) the defense of the statute of limitations in any action hereunder or in any action for the collection of the Indebtedness or the performance of any other obligations guaranteed hereby;

(d) any defense that may arise by reason of the incapacity, lack of authority, death or disability of any other person or persons or the failure of HEF to file or enforce a claim against the estate (in administration, bankruptcy or any other proceeding) of any other person or persons;

(e) demand, presentment for payment, notice of non-payment, protest, notice of protest and all other notices of any kind, including, without limitation, notice of the existence, creation or incurring of any new or additional indebtedness or obligation or of any action or non-action on the part of HEF or any endorser or creditor of HEF or the Guarantor or on the part of any other person whomsoever under this or any other instrument in connection with any obligation or evidence of indebtedness held by HEF or in connection with the Indebtedness;

(f) any defense based upon an election of remedies by HEF, the right of any Guarantor to proceed against HEF for reimbursement, or both, or if contrary to the express agreement of the parties, Virginia law is deemed not to apply to this Guaranty, any rights or benefits under the bankruptcy or insolvency laws of the Commonwealth of Virginia, or under Sections 364 and 1111 of the U.S. Bankruptcy Code as same may be amended or replaced from time to time;

(g) any election by HEF to exercise any right or remedy it may have against the Partnership or any security held by HEF, including, without limitation, the right to foreclose upon any such security by judicial or non-judicial sale, without affecting or impairing in any way the liability of any Guarantor hereunder, except to the extent the indebtedness has been paid, and the Guarantors waive any default arising out of the absence, impairment or loss of any right of reimbursement, contribution or subrogation or any other right or remedy of any Guarantor against the Partnership or any such security whether resulting from such election by HEF or otherwise. The Guarantors understand that if all or any part of the liability of the Partnership to HEF for the Indebtedness is secured by real property the Guarantors shall be liable for the full amount of their liability hereunder, notwithstanding foreclosure on such real property by trustee sale or any other reason impairing any Guarantor's right to proceed against the Partnership; and

(h) all duty or obligation on the part of HEF to perfect, protect, not impair, retain or enforce any security for the payment of the Indebtedness or performance of any of the other obligations guaranteed hereby.

7. All existing and future indebtedness of the General Partner to the Guarantor or to any person controlled or owned in whole or in part by any of the Guarantors and, the right of any Guarantor to withdraw or to cause or permit any person controlled or owned in whole or in part by any of the Guarantors to withdraw any capital invested by such Guarantor or such person in the General Partner, is hereby subordinated to the Indebtedness at any time after a default exists under the Indebtedness. Furthermore, without the prior written consent of HEF, such subordinated indebtedness shall not be paid and such capital shall not be withdrawn in whole or in part nor shall any Guarantor accept or cause or permit any person controlled or owned in whole or in part by a Guarantor to accept any payment of or on account of any such subordinated indebtedness or as a withdrawal of capital at any time after a default exists under the Indebtedness. Any payment received by any Guarantor in violation of this Guaranty Agreement shall be received by the person to whom paid in trust for HEF, and such Guarantor shall cause the same to be paid to HEF immediately on account of the Indebtedness. No such payment shall reduce or affect in any manner the liability of the Guarantor under this Guaranty Agreement.

8. The amount of the Guarantor's liability and all rights, powers and remedies of HEF hereunder shall be cumulative and not alternative and such rights, powers and remedies shall be in addition to all rights, powers and remedies given to HEF under the Partnership Agreement, any document or agreement relating in any way to the terms and provisions thereof or otherwise by law. With respect to the Guarantor, this Guaranty Agreement is in addition to and exclusive of the guaranty of any other Guarantor executing this Guaranty Agreement or any other person or entity which guarantees the Indebtedness and/or the other obligations guaranteed hereby.

9. The liability of the Guarantor under this Guaranty Agreement shall be an absolute, direct, immediate and unconditional guarantee of payment and not of collectability. The obligations of each Guarantor hereunder are independent of the obligations of the General

Partner or any other party which may be initially or otherwise responsible for performance or payment of the obligations hereunder guaranteed and each other Guarantor, and, in the event of any default hereunder, a separate action or actions may be brought and prosecuted against any one or more Guarantor, whether or not the General Partner is joined therein or a separate action or actions are brought against the General Partner. HEF may maintain successive actions for other defaults. HEF's rights hereunder shall not be exhausted by its exercise of any of its rights or remedies or by any such action or by any number of successive actions until and unless the Indebtedness has been paid in full.

10. HEF, in its sole discretion, may at any time enter into agreements with the General Partner or with any other person to amend, modify or change the Partnership Agreement or any document or agreement relating in any way to the terms and provisions thereof, or may at any time waive or release any provision or provisions thereof and, with reference thereto, may make and enter into all such agreements as HEF may deem proper or desirable, without any notice or further assent from any Guarantor and without in any manner impairing or affecting this Guaranty Agreement or any of the rights of HEF or any Guarantor's obligations hereunder.

11. The Guarantor hereby agree to pay to HEF, upon demand, reasonable attorneys' fees and all costs and other expense which HEF expends or incurs in collecting or compromising the Indebtedness or in enforcing this Guaranty Agreement against the Guarantor whether or not suit is filed, including, without limitation, all costs, attorneys' fees and expenses incurred by HEF in connection with any insolvency, bankruptcy, reorganization, arrangement or other similar proceedings involving the Guarantor which in any way affect the exercise by HEF of its rights and remedies hereunder. Any and all such costs, attorneys' fees and expenses not so paid shall bear interest at an annual interest rate equal to the lesser of (i) 18%, or (ii) the highest rate permitted by applicable law, from the date incurred by HEF until paid by the Guarantor.

12. Should any one or more provisions of this Guaranty Agreement be determined to be illegal or unenforceable, all other provisions nevertheless shall be effective.

13. No provision of this Guaranty Agreement or right of HEF hereunder can be waived nor can the Guarantor be released from such Guarantor's obligations hereunder except by a writing duly executed by HEF. This Guaranty Agreement may not be modified, amended, revised, revoked, terminated, changed or varied in any way whatsoever except by the express terms of a writing duly executed by HEF.

14. When the context and construction so require, all words used in the singular herein shall be deemed to have been used in the plural, and the masculine shall include the feminine and neuter and vice versa. The word "person" as used herein shall include any individual, partnership, firm, association, limited liability company, corporation, trust or other legal entity of any kind whatsoever.

15. If any or all of the Indebtedness is assigned by HEF, this Guaranty Agreement shall automatically be assigned therewith in whole or in part, as applicable, without the need of

All notices, demands and requests shall be effective upon such personal delivery or upon being deposited with Federal Express or in the United States mail as required above. However, with respect to notices, demands or requests so deposited with Federal Express or in the United States mail, the time period in which a response to any such notice, demand or request must be given shall commence to run from the next business day following any such deposit with Federal Express or, in the case of a deposit in the United States mail as provided above, the date on the return receipt of the notice, demand or request reflecting the date of delivery or rejection of the same by the addressee thereof. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice, demand or request sent. By giving to the other party hereto at least 30 days' written notice thereof in accordance with the provisions hereof, the parties hereto shall have the right from time to time to change their respective addresses and each shall have the right to specify as its address any other address within the United States of America.

19. Each Guarantor hereby agrees that this Guaranty Agreement, the Indebtedness and all other obligations guaranteed hereby, shall remain in full force and effect at all times hereinafter until paid and/or performed in full notwithstanding any action or undertakings by, or against, HEF, any Guarantor, and/or any member of HEF in any proceeding in the United States Bankruptcy Court, including, without limitation, any proceeding relating to valuation of collateral, election or imposition of secured or unsecured claim status upon claims by HEF pursuant to any Chapter of the Bankruptcy Code or the Rules of Bankruptcy Procedure as same may be applicable from time to time.

20. If any of the guarantors is an individual, any married person who signs this Guaranty on his or her own behalf (and not as an officer or member of an entity) hereby agrees that recourse may be had against his or her separate property for all of his or her obligations.

21. This Guaranty Agreement may be executed in any number of counterparts, each of which shall be effective only upon delivery and thereafter shall be deemed an original, and all of which shall be taken to be one and the same instrument, with the same effect as if all parties hereto had signed the same signature page. Any signature page of this Guaranty Agreement may be detached from any counterpart of this Guaranty Agreement without impairing the legal effect of any signatures thereon and may be attached to another counterpart of this Guaranty Agreement identical in form hereto but having attached to it one or more additional signature pages. Execution by any Guarantor shall bind such Guarantor regardless of whether any one or more other Guarantor execute this Guaranty Agreement.

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**EXHIBIT E
TO PARTNERSHIP AGREEMENT**

PLEDGE AND SECURITY AGREEMENT

THIS PLEDGE AND SECURITY AGREEMENT (this "Agreement") made as of June 28, 2012, by Vets' Housing, Inc., a Virginia corporation ("Pledgor"), having an office at 2400 Potters Road, Virginia Beach, VA 23454, for the benefit of Housing Equity Fund of Virginia XV, L.L.C., a Virginia limited liability company ("Pledgee"), having an office at 1840 West Broad Street, Suite 200, Richmond, Virginia 23220.

Recitals

WHEREAS, Pledgor is the General Partner in Cedar Grove 2011 Limited Partnership (the "Partnership"), and the Partnership is governed by its Amended and Restated Agreement of Limited Partnership dated as of June 28, 2012 (the "Partnership Agreement") (capitalized terms not otherwise defined herein shall have the definitions given them in the Partnership Agreement).

WHEREAS, Pledgee is a Limited Partner of the Partnership; and

WHEREAS, in order to secure the full payment and performance by Pledgor of all of Pledgor's obligations, duties, expenses and liabilities under or in connection with the Partnership Agreement as such Partnership Agreement may be now or hereafter amended, modified or restated (such obligations, duties, expenses and liabilities under and in connection with the Partnership Agreement and all other sums of any kind which may or shall become due thereunder together with all actual fees and costs of collection including attorney's fees incurred in bankruptcy are collectively referred to herein as the "Obligations"), Pledgor is entering into this Agreement for the benefit of Pledgee.

NOW, THEREFORE, in consideration of the recitals, covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties hereby agree as follows:

1. **Definitions.**

(a) "Collateral" shall mean:

(i) All of Pledgor's right, title and interest in the Partnership, whether now owned or hereafter acquired, including, without limitation, its General Partner interest in the Partnership and any voting rights and right to receive distributions, allocations and payments under the Partnership Agreement, as such Partnership Agreement may be modified from time to time with the consent of the Pledgee;

(ii) All fees and charges to be paid by the Partnership to the Pledgor, whether now owned or hereafter acquired, whether arising under the Partnership Agreement or otherwise, including, without limitation, the Incentive Management Fee;

(iii) All indebtedness of the Partnership to Pledgor of any kind or description, including without limitation, Pledgor's right to receive payment of Operating Deficit Loans or other loans to the Partnership;

(iv) All products and proceeds, whether cash proceeds or noncash proceeds, and products of any and all of the foregoing.

(b) "Event of Default" shall mean an event of default described in Paragraph 8 herein.

2. Pledge of Collateral and Grant of Security Interest. Pledgor does hereby unconditionally and irrevocably assign, pledge, convey, transfer, deliver, set over and grant unto Pledgee, its successors and assigns, as security for Pledgor's complete and timely payment and performance of the Obligations, a continuing first priority security interest under the Uniform Commercial Code of the Commonwealth of Virginia in the Collateral. Pledgor hereby further grants to the Pledgee all rights in the Collateral as are available to a secured party of such collateral under the Uniform Commercial Code of the Commonwealth of Virginia (being the principal place of business of Pledgor and the location of Pledgor's chief executive office) and, concurrently herewith, authorizes Pledgee to file appropriate UCC- 1 Financing Statements in the Commonwealth of Virginia with respect to the Collateral and agrees, upon request, to deliver any other documents which Pledgee may reasonably request with respect thereto.

3. Delivery to Pledgee.

(a) Pledgor agrees to execute and to cause all other necessary parties, and any successors and assigns thereof, to execute and deliver to Pledgee such other agreements, instruments and documentation as Pledgee may reasonably request from time to time to effect the conveyance, transfer, and grant to Pledgee of each and all of Pledgor's right, title and interest in and to the Collateral as security for the Obligations.

(b) Pledgor covenants to execute, if required by Pledgee, an amendment to the Partnership Agreement in such form as Pledgee may require to reflect the substitution of the Pledgee in place of Pledgor as a General Partner in the Partnership. Pledgor further agrees to execute and to cause the other partners of the Partnership to execute and deliver to Pledgee such other agreements, instruments and documentation as Pledgee may reasonably request from time to time to effectuate the conveyance, transfer, assignment and grant to Pledgee of all of Pledgor's right, title and interest in and to the Collateral and to evidence the

substitution of the Pledgee in place of Pledgor as a General Partner in the Partnership.

4. Proceeds and Products of the Collateral.

(a) Unless and until there occurs an Event of Default, Pledgee agrees to forbear in exercising its right to receive all benefits pertaining to the Collateral, and the Pledgor shall be permitted to exercise all rights and to receive all benefits of the Collateral, including, without limitation, the right to exercise all voting, approval, consent and similar rights of Pledgor pertaining to the Collateral, payments due under, proceeds, whether cash proceeds or noncash proceeds, and products of the Collateral and retain and enjoy the same, provided, however, that Pledgor shall not cast any vote or give any approval, consent, waiver or ratification or take any action which would be inconsistent with or violate any provision of this Agreement.

(b) Pledgor acknowledges and agrees with the Pledgee, that unless Pledgee otherwise consents, in Pledgee's sole discretion, Pledgor shall not exercise any voting, approval, consent or other rights with respect to the Collateral at any time (i) after the occurrence of an Event of Default, and (ii) after delivery of notice from the Pledgee instructing Pledgor not to exercise any such voting, approval, consent or other rights with respect to the Collateral; provided, however, that Pledgor shall exercise any such right it may have under the Partnership Agreement with respect to the business affairs of the Partnership as is reasonably necessary to protect and preserve the Collateral.

(c) Upon or at any time after the occurrence of an Event of Default, Pledgee, at its option to be exercised in its sole discretion, may exercise all rights and remedies granted under this Agreement, including, without limitation, the right to require the obligors under the Collateral to make all payments due under and to pay all proceeds, whether cash proceeds or noncash proceeds, and products of the Collateral to Pledgee. Upon the giving of any such notice, the security constituted by this Agreement shall become immediately enforceable by the Pledgee, without any presentment, further demand, protest or other notice of any kind, all of which are hereby expressly and irrevocably waived by Pledgor. Pledgor hereby authorizes and directs each respective obligor under the agreements constituting the Collateral, upon receipt of written notice from Pledgee of an Event of Default by Pledgor hereunder, to assign, set over, transfer, distribute, pay and deliver any and all Collateral or said payments, proceeds or products of the Collateral to Pledgee, at such address as Pledgee may direct, at such time and in such manner as the Collateral and such payments, proceeds and products of the Collateral would otherwise be distributed, transferred, paid or delivered to Pledgor. The respective obligors under the agreements constituting the Collateral shall be entitled to conclusively rely on such notice and make all such assignments and transfers of the Collateral and all such payments with

respect to the Collateral and pay all such proceeds and products of the Collateral to Pledgee and shall have no liability to Pledgor for any loss or damage Pledgor may incur by reason of said reliance.

5. **No Assumption.** Notwithstanding any of the foregoing, whether or not an Event of Default shall have occurred, and whether or not Pledgee elects to foreclose on its security interest in the Collateral as set forth herein, neither the execution of this Agreement, receipt by Pledgee of any of Pledgor's right, title and interest in and to the Collateral and the payments, proceeds and products of the Collateral, now or hereafter due to Pledgor from any obligor of the Collateral, nor Pledgee's foreclosure of its security interest in the Collateral, shall in any way be deemed to obligate Pledgee to assume any of Pledgor's obligations, duties, expenses or liabilities under the Collateral or any agreements constituting the Collateral, as presently existing or as hereafter amended, or under any and all other agreements now existing or hereafter drafted or executed (collectively, the "Pledgor's Liabilities"), unless Pledgee otherwise agrees to assume any or all of Pledgor's Liabilities in writing. In the event of foreclosure by Pledgee of its security interest in the Collateral, Pledgor shall remain bound and obligated to perform its Pledgor's Liabilities and Pledgee shall not be deemed to have assumed any of Pledgor's Liabilities, except as provided in the preceding sentence. In the event the entity or person acquiring the Collateral at a foreclosure sale elects to assume Pledgor's Liabilities, such assignee shall agree in writing to be bound by the terms and provisions of the applicable agreement.

6. **Indemnification.** Pledgor hereby agrees to indemnify, defend and hold Pledgee, its successors and assigns harmless from and against any and all damages, losses, claims, costs or expenses (including reasonable attorneys' fees) and any other liabilities whatsoever that Pledgee or its successors or assigns may incur by reason of this Agreement or by reason of any assignment of Pledgor's right, title and interest in and to any or all of the Collateral.

7. **Representations, Warranties and Covenants.** In addition to the representations made by Pledgor in the Partnership Agreement, Pledgor makes the following representations and warranties, which shall be deemed to be continuing representations and warranties in favor of Pledgee, and covenants and agrees to perform all acts necessary to maintain the truth and correctness, in all material respects, of the following:

(a) Pledgor owns the Collateral free and clear of any claim, lien or encumbrance.

(b) Pledgor has delivered to Pledgee true and complete copies of the Partnership Agreement, the Incentive Management Fee Agreement and any other agreements pertinent to the Collateral, and such agreements are currently in full force and effect and have not been amended or modified except as disclosed to Pledgee in writing.

(c) Pledgor has the full right and title to its interest in the Collateral and has the full power, legal right and authority to pledge, convey, transfer and assign such interest. None of the Collateral is subject to any existing or

subsequent assignment, claim, lien, pledge, transfer or other security interest of any character, or to any attachment, levy, garnishment or other judicial process or to any claim for set-off, counterclaim, deduction or discount. Pledgor shall not, without the prior written consent of Pledgee, which consent may be granted or denied in Pledgee's sole discretion, further convey, transfer, set over or pledge to any party any of its interests in the Collateral. Pledgor agrees to (i) warrant and defend its title to the Collateral and the security interest created by this Agreement against all claims of all persons (other than Pledgee and persons claiming through Pledgee), and (ii) maintain and preserve the Collateral and such security interests.

(d) Pledgor's Employer Identification Number is 45-3571156, and its principal place of business is located at 2400 Potters Road, Virginia Beach, VA 23454.

(e) Pledgor agrees that it shall not, without at least thirty (30) days' prior written notification to Pledgee, move or otherwise change its principal place of business.

(f) Pledgor shall not exercise any voting rights, or give any approvals, consents, waivers or other ratifications in respect to the Collateral which would result in liquidation of the Partnership or affect the value of the Collateral or violate or contravene, or which would cause or otherwise authorize Pledgor to violate or contravene, any provision of this Agreement.

8. Event of Default. Each of the following shall constitute an Event of Default hereunder:

(a) An event of default shall have occurred under the Partnership Agreement or the Incentive Management Fee Agreement, and such default shall not have been cured within any applicable grace period provided therein; or

(b) Any warranty, representation or statement of the Pledgor in this Agreement proves to have been false in any material respect when made or furnished; or

(c) There occurs the issuance of a writ, order of attachment or garnishment with respect to any of the Collateral and such writ, order of attachment or garnishment is not dismissed and removed within fifteen (15) days thereafter; or

(d) A material breach or violation of any covenant or agreement contained herein shall have occurred, which is not cured within ten (10) days after notice has been given to Pledgor by Pledgee.

Any Event of Default under this Agreement shall be an event of default by Pledgor under the Partnership Agreement.

9. Remedies.

(a) Upon the occurrence of an Event of Default, Pledgee may by giving notice of such Event of Default, at its option, do any one or more of the following:

(i) Declare all of the Obligations secured hereby to be immediately due and payable, whereupon all unpaid principal and interest on said Obligations and other amounts declared due and payable shall become immediately due and payable without presentment, demand, protest or notice of any kind; and

(ii) Take possession of all or any of the Collateral, collect, and apply against the Obligations, all payments due, proceeds, whether cash proceeds or noncash proceeds, and products from any obligor under the agreements constituting the Collateral, that would otherwise be paid to the Pledgor; and

(iii) Either personally, or by means of a court appointed receiver, take possession of all or any of the Collateral and exclude therefrom Pledgor and all others claiming under Pledgor, and thereafter exercise all rights and powers of Pledgor with respect to the Collateral or any part thereof. In the event Pledgee demands, or attempts to take possession of any of the Collateral in the exercise of any rights under this Agreement, Pledgor promises and agrees to promptly turn over and deliver complete possession thereof to Pledgee; and

(iv) Without notice to or demand upon Pledgor, make such payments and do such acts as Pledgee may deem necessary to protect its security interest in the Collateral, including, without limitation, paying, purchasing, contesting or compromising any encumbrance, charge or lien which is prior to or superior to the security interest granted hereunder, and in exercising any such powers or authority to pay all expenses incurred in connection therewith; and

(v) Require Pledgor to take all actions necessary to deliver such Collateral to Pledgee, or an agent or representative designated by it. Pledgee, and its agents and representatives, shall have the right to enter upon any or all of Pledgor's premises and property to exercise Pledgee's rights hereunder; and

(vi) Foreclose upon this Agreement as herein provided or in any manner permitted by law, and exercise any and all of the rights and remedies conferred upon Pledgee by the Partnership Agreement, or in any other document executed by Pledgor in connection with the Obligations secured hereby, either concurrently or in such order as Pledgee may determine; and sell or cause to be sold in such order as Pledgee may determine, as a whole or in such parcels as

Pledgee may determine, the Collateral, without affecting in any way the rights or remedies to which Pledgee may be entitled under the other such instruments; and

(vii) Sell or otherwise dispose of the Collateral at public sale, without having the Collateral at the place of sale, and upon terms and in such manner as Pledgee may determine. Pledgee may be a purchaser at any sale; and

(viii) Exercise any remedies of a secured party under the Uniform Commercial Code of the Commonwealth of Virginia or any other applicable law; and

(ix) Exercise any remedies available to Pledgee under the Partnership Agreement, including, but not limited to, the removal of the Pledgor as a General Partner of the Partnership and exercise of any rights of offset in favor of the Pledgee as a General Partner of the Partnership; and

(x) Notwithstanding anything to the contrary contained in this Agreement at any time after an Event of Default, the Pledgee may, by delivering written notice to the Partnership and to the Pledgor, succeed, or designate its nominee or designee to succeed, to all right, title and interest of Pledgor (including, without limitation, the right, if any, to vote on or take any action with respect to Partnership matters) as a General Partner of the Partnership in respect of the Collateral. The Pledgor hereby irrevocably authorizes and directs the Partnership on receipt of any such notice (a) to deem and treat the Pledgee or such nominee or designee in all respects as a General Partner (and not merely an assignee of a General Partner) of the Partnership, entitled to exercise all the rights, powers and privileges (including the right to vote on or take any action with respect to Partnership matters pursuant to the Partnership Agreement, to receive all distributions, to be credited with the capital account and to have all other rights, powers and privileges appertaining to the Collateral to which Pledgor would have been entitled had the Collateral not been transferred to the Pledgee or such nominee or designee), and (b) to file an amended certificate of limited partnership, if required, admitting the Pledgee or such nominee or designee as General Partner of the Partnership in place of Pledgor; and

(xi) The rights granted to the Pledgee under this Agreement are of a special, unique, unusual and extraordinary character. The loss of any of such rights cannot reasonably or adequately be compensated by way of damages in any action at law, and any material breach by Pledgor of any of Pledgor's covenants, agreements or obligations under this Agreement will cause the Pledgee irreparable injury and damage. In the event of any such breach, the Pledgee shall be entitled, as a matter of right, to injunctive relief or other equitable relief in any court of competent jurisdiction to prevent the violation or contravention of any of the provisions of this Agreement or to compel compliance with the terms of this Agreement by Pledgor. The Pledgee is absolutely and irrevocably authorized and

empowered by Pledgor to demand specific performance of each of the covenants and agreements of Pledgor in this Agreement. Pledgor hereby irrevocably waives any defense based on the adequacy of any remedy at law that might otherwise be asserted by Pledgor as a bar to the remedy of specific performance in any action brought by the Pledgee against Pledgor to enforce any of the covenants or agreements of Pledgor in this Agreement.

(b) Pledgee shall give Pledgor at least ten (10) days' prior written notice of the time and place of any public sale of the Collateral subject to this Agreement or other intended disposition thereof to be made. Such notice shall be conclusively deemed to have been delivered to Pledgor at the address set forth in paragraph 7(c) of this Agreement, unless Pledgor shall notify Pledgee in writing of its change of its principal place of business and provide Pledgee with the address of its new principal place of business.

(c) The proceeds of any sale under Subparagraphs 9(a)(vi) and (vii) above shall be applied as follows:

(i) To the repayment of the costs and expenses of retaking, holding and preparing for the sale and the selling of the Collateral (including actual legal expenses and attorneys' fees) and the discharge of all assessments, encumbrances, charges or liens, if any, on the Collateral prior to the lien hereof (except any taxes, assessments, encumbrances, charges or liens subject to which such sale shall have been made);

(ii) To the payment of the whole amount then due and unpaid of the Obligations;

(iii) To the payment of all other amounts then secured hereby; and

(iv) The aggregate surplus, if any, shall be paid to Pledgor in a lump sum, without recourse to Pledgee, or as a court or competent jurisdiction may direct.

(d) Pledgee shall have the right to enforce one or more remedies hereunder under this Agreement and under the Partnership Agreement, successively or concurrently, and such action shall not operate to estop or prevent Pledgee from pursuing any further remedy which it may have, and any repossession or retaking or sale of the Collateral pursuant to the terms hereof shall not operate to release Pledgor until full payment of any deficiency has been made in cash.

(e) PLEDGOR ACKNOWLEDGES THAT PLEDGEE MAY BE UNABLE TO EFFECT A PUBLIC SALE OF ALL OR ANY PART OF THE COLLATERAL AND MAY BE COMPELLED TO RESORT TO ONE OR MORE PRIVATE SALES TO A RESTRICTED GROUP OF PURCHASERS

WHO WILL BE OBLIGATED TO AGREE, AMONG OTHER THINGS, TO ACQUIRE THE COLLATERAL FOR THEIR OWN ACCOUNT, FOR INVESTMENT AND NOT WITH A VIEW TO THE DISTRIBUTION OR RESALE THEREOF. PLEDGOR FURTHER ACKNOWLEDGES THAT ANY SUCH PRIVATE SALES MAY BE AT PRICES AND ON TERMS LESS FAVORABLE THAN THOSE OF PUBLIC SALES, AND AGREES THAT SUCH PRIVATE SALES SHALL BE DEEMED TO HAVE BEEN MADE IN A COMMERCIALY REASONABLE MANNER AND THAT PLEDGEE HAS NO OBLIGATION TO DELAY SALE OF ANY COLLATERAL TO PERMIT THE ISSUER THEREOF TO REGISTER IT FOR PUBLIC SALE UNDER THE SECURITIES ACT OF 1933. PLEDGOR AGREES THAT PLEDGEE SHALL BE PERMITTED TO TAKE SUCH ACTIONS AS PLEDGEE DEEMS REASONABLY NECESSARY IN DISPOSING OF THE COLLATERAL TO AVOID CONDUCTING A PUBLIC DISTRIBUTION OF SECURITIES IN VIOLATION OF THE SECURITIES ACT OF 1933 OR THE SECURITIES LAWS OF ANY STATE, AS NOW ENACTED OR AS THE SAME MAY IN THE FUTURE BE AMENDED, AND ACKNOWLEDGES THAT ANY SUCH ACTIONS SHALL BE COMMERCIALY REASONABLE. IN ADDITION, PLEDGOR AGREES TO EXECUTE, FROM TIME TO TIME, ANY AMENDMENT TO THIS AGREEMENT OR OTHER DOCUMENT AS PLEDGEE MAY REASONABLY REQUIRE TO EVIDENCE THE ACKNOWLEDGMENTS AND CONSENTS OF PLEDGOR SET FORTH IN THIS PARAGRAPH.

10. Attorneys Fees. Pledgor agrees to pay to Pledgee, without demand, reasonable attorneys' fees and all costs and other expenses which Pledgee expends or incurs in collecting any amounts payable by Pledgor hereunder or in enforcing this Agreement against Pledgor whether or not suit is filed.

11. Further Documentation. Pledgor hereby agrees to execute, from time to time, one or more financing statements and such other instruments as may be required to perfect the security interest created hereby, including any continuation or amendments of such financing statements, and pay the cost of filing or recording the same in the public records specified by Pledgee.

12. Waiver and Estoppel. Pledgor represents and acknowledges that it knowingly waives each and every one of the following rights, and agrees that it will be estopped from asserting any argument to the contrary: (a) any promptness in making any claim or demand hereunder; (b) any defense that may arise by reason of the lack of authority of Pledgor or the failure to file or enforce a claim against Pledgor's estate (in administration, bankruptcy or any other proceeding; (c) any defense based upon an election of remedies by Pledgee which destroys or otherwise impairs any or all of the Collateral; (d) the right of Pledgor to proceed against Pledgee or any other person, for reimbursement; and (e) all duty or obligation of the Pledgee to perfect, protect, retain or enforce any security for the payment of amounts payable by Pledgor hereunder.

TO THE FULLEST EXTENT PERMITTED BY LAW, EACH PARTY TO THIS AGREEMENT SEVERALLY, KNOWINGLY, IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY AND ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, SUIT OR COUNTERCLAIM BROUGHT BY ANY PARTY TO THIS AGREEMENT ARISING IN CONNECTION WITH, OUT OF OR OTHERWISE RELATING TO THIS AGREEMENT.

No delay or failure on the part of Pledgee in the exercise of any right or remedy against Pledgor or any other party against whom Pledgee may have any rights, shall operate as a waiver of any agreement or obligation contained herein, and no single or partial exercise by Pledgee of any rights or remedies hereunder shall preclude other or further exercise thereof or other exercise of any other right or remedy whether contained in this Agreement or in any of the other documents regarding the Obligations, including without limitation the Partnership Agreement. No waiver of the rights of Pledgee hereunder or in connection herewith and no release of Pledgor shall be effective unless in writing executed by Pledgee. No actions of Pledgee permitted under this Agreement shall in any way impair or affect the enforceability of any agreement or obligation contained herein.

13. Independent Obligations. The obligations of Pledgor are independent of the obligations of any other party which may be initially or otherwise responsible for performance or payment of the Obligations, and a separate action or actions for payment, damages or performance may be brought and prosecuted by Pledgee against Pledgor, individually, for the full amount of the Obligations then due and payable, whether or not an action is brought against any other party, whether or not the Pledgee is involved in any proceedings and whether or not the Pledgee or the Pledgor or other person is joined in any action or proceedings.

14. No Offset Rights of Pledgor. No lawful act of commission or omission of any kind or at any time upon the part of Pledgor shall in any way affect or impair the rights of the Pledgee to enforce any right, power or benefit under this Agreement, and no set-off, recoupment, counterclaim, claim, reduction or diminution of any obligation or any defense of any kind or nature which Pledgor has or may have against Pledgee or against any other party shall be available against Pledgee in any suit or action brought by Pledgee to enforce any right, power or benefit under this Agreement.

15. Power of Attorney. Pledgor hereby appoints Pledgee as its attorney-in-fact to execute and file, effective upon the occurrence of an Event of Default, on its behalf any financing statements, continuation statements or other documentation required to perfect or continue the security interest created hereby. This power, being coupled with an interest, shall be irrevocable until all amounts secured hereby have been paid, satisfied and discharged in full. Pledgor acknowledges and agrees that the exercise by Pledgee of its rights under this Paragraph 15 will not be deemed a satisfaction of any amounts owed Pledgee unless Pledgee so elects.

16. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE

COMMONWEALTH OF VIRGINIA WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. SUCH PARTIES FURTHER AGREE THAT IN THE EVENT OF DEFAULT, THIS AGREEMENT MAY BE ENFORCED IN ANY COURT OF COMPETENT JURISDICTION IN THE COMMONWEALTH OF VIRGINIA AND THEY DO HEREBY SUBMIT TO THE JURISDICTION OF ANY AND ALL SUCH COURTS REGARDLESS OF THEIR RESIDENCE OR WHERE THIS AGREEMENT MAY BE EXECUTED.

17. Successors and Assigns. All agreements, covenants, conditions and provisions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties hereto.

18. Notices. Whenever any party hereto shall desire to, or be required to, give or serve any notice, demand, request or other communication with respect to this Agreement, each such notice, demand, request or communication shall be in writing and shall be effective only if the same is delivered by personal service (including, without limitation, courier or express service) or mailed certified or registered mail, postage prepaid, return receipt requested, or sent by telegram to the parties at the addresses shown throughout this Agreement or such other addresses which the parties may provide to one another in accordance herewith. If notice is sent to Pledgee, a copy of such notice shall also be given to Thomas Thome-Thomsen, Applegate & Thome-Thomsen, P.C. 322 S. Green Street, Suite 400, Chicago, Illinois 60607. If notice is sent to Pledgor, a copy of such notice shall also be given to Kanady & Quinn, P.C., 9200 Forest Hill Avenue, Suite C, Richmond, VA 23235 Attention: Johnson Kanady III.

Notices delivered personally will be effective upon delivery to an authorized representative of the party at the designated address; notices sent by mail in accordance with the above paragraph will be effective two days after their deposit in the mail.

19. Consent of Pledgor. Pledgor consents to the exercise by Pledgee of any rights of Pledgor in accordance with the provisions of this Agreement.

20. Severability. Every provision of this Agreement is intended to be severable. In the event any term or provision hereof is declared by a court of competent jurisdiction to be illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the legality or validity of the balance of the terms and provisions hereof, which terms and provisions shall remain binding and enforceable.

21. Amendment. This Agreement may be modified or rescinded only by a writing expressly relating to this Agreement and signed by all of the parties.

22. Termination. This Agreement shall terminate, and shall be of no further force or effect, upon the earlier to occur of the repayment in full of the Obligations of the Pledgor or upon the mutual consent of Pledgor and the Pledgee.

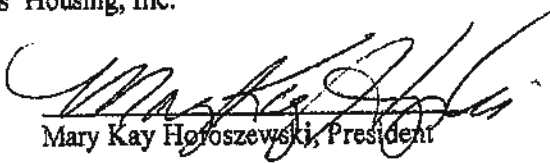
23. Expenses. Pledgor shall pay all reasonable out-of-pocket fees and charges incurred by Pledgee in connection with this Agreement and the transaction contemplated by this Agreement and the documents entered into in connection therewith, including, without limitation, reasonable attorneys' fees incurred by Pledgee.

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IN WITNESS WHEREOF, the parties hereto have executed this Pledge and Security Agreement as of the date first above written.

Vets' Housing, Inc.

By:


Mary Kay Hofoszewski, President

**EXHIBIT F
TO PARTNERSHIP AGREEMENT**

SUMMARY OF PROJECT LOAN TERMS

Construction Loan

Lender: Towne Bank
Amount: \$2,300,000
Interest Rate: Variable at 30 day LIBOR plus 285 basis points
Source: Private Funds
Term/Repayment: Monthly payments of interest only, balance due
Terms: at maturity (18 month term)
Recourse: Yes

First Permanent Loan

Lender: VHDA
Amount: \$1,177,000
Interest Rate: 3.7%
Source: Taxable Bond and Single REACH
Term/Repayment: 30 years/monthly principal and interest to fully
: amortize loan over term
Recourse: Nonrecourse

Junior Permanent Loan

Lender: DHCD
Amount: \$540,000
Interest Rate: 3%
Source: HOME
Term/Repayment: Monthly payments of interest only, balloon at
maturity, twenty year term
Recourse: Nonrecourse

Junior Construction and Permanent Loan (Junior lien position to
VBCDC loan)

Lender: Southeastern Virginia Housing Corporation
Amount: \$450,000
Interest Rate: Zero percent
Source: HOME Funds from the City of Virginia Beach
Term/Repayment: Payable from Net Cash Flow, balloon at maturity
Terms: (32 years)
Recourse: Recourse

Junior Construction and Permanent Loan

Lender:	VBCDC
Amount:	\$789,960
Interest Rate:	2.65%
Source:	Grant of NSP from DHCD to VBCDC
Term/Repayment	Payable from Net Cash Flow, balloon at maturity
Terms:	(32 years)
Recourse:	Recourse

**EXHIBIT G
TO PARTNERSHIP AGREEMENT**

PROPERTY MANAGEMENT AGREEMENT

HOUSING MANAGEMENT AGREEMENT

THIS AGREEMENT is made this _____ day of _____, between Cedar Grove 2011 Limited Partnership, a Virginia limited partnership (the "Owner") and Virginia Beach Community Development Corporation, a Virginia nonstock corporation (the "Agent"). In consideration of the mutual covenants hereinafter set forth, the Parties agree as follows:

ARTICLE I

SCOPE

Section 1.01 Appointment and Acceptance. The Owner appoints the Agent as exclusive agent for the management of the Property described in Section 1.02 of this Agreement, and the Agent accepts the appointment, on the basis of the terms and conditions set forth herein.

Section 1.02 Description of Property. The property to be managed by the Agent under this Agreement is a a thirty-two (32) unit low-income housing development to be known as Cedar Grove Apartments, having the address of 904 Broad Meadows Boulevard, Virginia Beach, Virginia (the "Development"), consisting of land, one or more buildings, and other improvements.

Section 1.03 Rights of VHDA.

- (a) It is hereby recognized and agreed by the Owner and the Agent that the Development is to be financed by a mortgage loan (the "Mortgage Loan") from the Virginia Housing Development Authority ("VHDA") and that the Owner is a party to a certain Regulatory Agreement ("Regulatory Agreement") executed by and between the Owner and VHDA. Nothing herein contained shall in any way be construed as limiting the rights of VHDA or the obligations of the Owner as set forth in the aforementioned Regulatory Agreement, and the provisions of this Agreement are hereby made subject to the Regulatory Agreement to the effect that at all times the Agent shall comply with all the terms of the applicable provisions of the Regulatory Agreement.
- (b) For the purpose of protecting its interests as lender under its enabling act, VHDA has been granted certain rights hereunder. Furthermore, in order to assure compliance with the covenants and provisions herein and to protect its interests as aforesaid, VHDA shall have the right (but shall not be obligated) in the event of any breach hereunder by one of the parties hereto to exercise any and all of the rights and remedies which the other party may have hereunder or in law or at equity. In addition, in the event that VHDA determines that there exists an identity of interest between the parties hereto, VHDA may (but shall not be obligated to) at any time thereafter and upon written notice to the Owner and Agent assume the rights, duties and functions of the Owner with respect to any or all provisions of this Agreement for the purpose of ensuring performance thereof.
- (c) In the event of a default by the Owner under the Deed of Trust securing the Mortgage Loan, VHDA may (but shall not be obligated to) take possession of the Development and/or otherwise pursue its rights and remedies thereunder. In such event, the Agent shall, at the election of VHDA, continue to be bound by the terms of this Agreement, and all rights, privileges and benefits of the Owner hereunder shall accrue to VHDA.

ARTICLE II

GENERAL FUNCTIONS OF AGENT

Section 2.01 Management Functions During VHDA Processing. If the closing of the Mortgage Loan has not been held as of the date hereof, the Agent shall advise and assist the Owner with respect to management during VHDA processing of the Mortgage Loan application. The Agent's specific tasks include the following:

- (a) Preparation and submission to the Owner and VHDA of a recommended stabilized Operating Budget for the Development;
- (b) Certification as to the manageability and marketability of the Development; and
- (c) If the Mortgage Loan is hereafter to finance the construction or rehabilitation of the Development, participation in preoccupancy conferences with VHDA officials, including one or more site inspections.

Section 2.02 Tenant Selection Plan.

- (a) Incorporated herein by reference is the Tenant Selection Plan for the Development which provides a description of the policies and procedures to be followed in the selection of tenants. The Owner and the Agent hereby agree to comply with all applicable provisions of the Tenant Selection Plan, regardless of whether specific reference is made thereto in any particular provision of this Agreement.
- (b) The Agent will make a copy of the Tenant Selection Plan available to appropriate on-site and, if applicable, off-site staff for their use to provide guidance on tenant selection policies and/or procedures. Continued review of and revision to the Tenant Selection Plan will be made by the Agent as appropriate to address changing needs and conditions, as well as VHDA's recommendations for revisions. The initial Tenant Selection Plan and any revisions thereto are subject to prior review by VHDA.

Section 2.03 Liaison with Architect and General Contractor. If the Mortgage Loan is hereafter to finance the construction or rehabilitation of the Development, the Agent shall, during the design and construction phases of the Development (a) advise the Owner with respect to design and construction of the Development from the perspective of long-term management and (b) recommend such changes as may be desirable to enhance the efficient operation of the Development and enable it to provide a wholesome living environment; and the Agent shall establish and maintain a working relationship with the architect and general contractor to facilitate satisfactory completion of the Development.

Section 2.04 Structure and Warranties (Permanent Financing). The Agent shall thoroughly familiarize itself with the character, location, construction, layout, plan and operation of the Development and especially of the electrical, heating, plumbing, air conditioning, and ventilating systems, and all other mechanical equipment.

Section 2.05 Community/Resident Services. The Agent shall be responsible to the Owner for carrying out the community/resident services required by the Owner. The Agent shall use its best efforts to maintain amicable relations with the residents of the Development.

Section 2.06 On-Site Management. If provided for in the Operating Budget, the Agent shall maintain a management office in the Development and, if required by VHDA, the Resident Manager shall reside in the Development.

Compensation, including but not limited to usual and customary fringe benefits, payable to the Resident Manager will be considered an Operating Expense of the Development.

Section 2.07 Insurance.

- (a) The Owner will inform the Agent of insurance to be carried with respect to the Development and its operations and the Agent will use its best efforts to cause such insurance to be placed and kept in effect at all times with such companies, on such terms and conditions, in such amounts, and with such beneficial interest appearing thereon as shall be acceptable to or required by the Owner and VHDA. Said insurance shall include, without limitation, worker's compensation, "all risk" property coverage, public liability, general liability, boiler explosion (if appropriate), flood (if applicable), payroll hold-up, and burglary and theft insurance coverage, with the Agent designated as one of the insured.
- (b) Premiums shall be treated as Operating Expenses and, unless otherwise required by VHDA, shall be paid out of the Project Account (see Section 4.01 (b) of this Agreement).
- (c) The Agent shall investigate all accidents, claims, and potential claims for damages relating to the Development and shall cooperate with the Owner, VHDA and the insurers in connection therewith.

Section 2.08 Non-Discrimination in Employment

- (a) The Agent will not discriminate against any employee or applicant for employment because of race, religion, color, sex or national origin, except where religion, sex or national origin is a bona fide occupational qualification reasonably necessary to the normal operation of the Agent. The Agent agrees to post in conspicuous places, available to employees and applicants for employees, notices setting forth the provisions of this subsection (a).
- (b) The Agent will, in all solicitations or advertisements for employees placed by or on behalf of the Agent, state that the Agent is an equal opportunity employer.
- (c) Notices, advertisements and solicitations placed in accordance with federal law, rule or regulation shall be deemed sufficient for the purpose of meeting the requirements of subsections (a) and (b) of this Section 2.08.
- (d) The Agent shall comply with the provisions of all applicable federal, state and local laws and ordinances prohibiting discrimination in employment on the grounds of race, color, religion, sex, national origin, age, disability or other basis, all applicable regulations and orders issued pursuant thereto and any applicable amendments and superseding legislation, ordinances, regulations or orders. The requirements of this subsection (d) shall be in addition to, and shall not in any way limit or be limited by, the requirements set forth in subsections (a), (b) and (c) of this Section 2.08.
- (e) The Agent will include the provisions of subsections (a), (b), (c) and (d) of this Section 2.08 in every subcontract or purchase order in excess of \$10,000 so that the provisions thereof will be binding upon each such subcontractor or vendor.

Section 2.09 Non-Discrimination in Housing. The Agent shall comply with the provisions of all applicable federal, state and local laws prohibiting discrimination in housing on the grounds of race, color, creed, national origin, sex, age, disability, familial status or other basis, all applicable regulations and orders issued pursuant thereto and any applicable amendments and superseding legislation, regulations or orders.

ARTICLE III

RENTALS

Section 3.01 Rentals.

- (a) The Agent shall use its best efforts to rent the dwelling units and, if appropriate and so agreed, parking spaces, commercial areas, and other facilities and concessions, in the Development and thereafter to keep the same fully rented.
- (b) If the Mortgage Loan is hereafter to finance the construction or rehabilitation of the Development, the Agent shall prepare for initial rent-up and shall commence diligent marketing activity prior to the anticipated date of availability for occupancy of the first dwelling unit of the Development.

Section 3.02 Tenant Selection Policy.

- (a) The Agent shall show the premises to prospective residents and shall follow the Agent's resident selection policies as provided to VHDA.
- (b) Admission to the Development shall be limited to persons and families whose incomes do not exceed the limits prescribed in Section 3.07 hereof.
- (c) The Agent shall develop and maintain tenant selection criteria acceptable to the Owner and VHDA. The selection of residents shall be in a manner that is consistent with that criteria.
- (d) Agent shall offer for rent and shall rent the housing units in the Development in accordance with all Requirements (as hereinafter defined). Pursuant to its rental and management responsibilities, Agent shall comply with the leasing and other requirements contained in Section 42 of the U.S. Internal Revenue Code, as may be amended, with respect to housing units eligible for the low-income housing tax credit, with any applicable requirements of any governmental agency having jurisdiction and with the requirements contained in any documents executed by Owner in connection with the acquisition, financing and ownership of the Development (the "Requirements"), including, but not limited to, the Owner's Operating Agreement and the Project Documents (as defined in the Owner's Operating Agreement).

Section 3.03 Applications.

- (a) The Agent shall receive and process applications for occupancy. If an application is rejected, the applicant shall be notified in writing of the reason for rejection and his right to have the rejection decision reviewed in the manner required by VHDA. The application (with the reason for rejection noted thereon) shall be kept on file for a period of not less than one year. The Agent shall maintain a current waiting list of prospective residents.
- (b) Unless approved in writing by VHDA, no fees or funds will be required of prospective residents other than for security deposits and application fees.

Section 3.04 Lease Forms. The Agent shall prepare all leases for dwelling units and, if appropriate, leases for commercial facilities, permits for parking spaces, and licenses or other agreements with concessionaires. If required by VHDA, the leases shall be in such form and/or shall include such addendum as is prescribed or approved by VHDA. The Agent shall execute such leases in its name, identified as Agent of the Owner.

Section 3.05 Rent Schedules; Resident Eligibility.

- (a) The Owner shall furnish the Agent and the Agent shall comply with the schedule of rents for dwelling units and charges for facilities and services as from time to time are established by Owner. No other rents or charges shall be made of the residents for dwelling units, facilities or services unless they are approved in advance by the Owner.
- (b) The Agent shall advise all prospective residents regarding eligibility pursuant to VHDA criteria.
- (c) The Agent shall prepare and verify eligibility certifications and recertifications on the basis specified by VHDA. The Agent shall obtain written evidence substantiating information given on residents' certifications and recertifications of income. Such information shall be retained for a period of not less than two years.
- (d) Subject to VHDA prior approval, the Agent shall negotiate commercial leases and concession agreements, and shall execute the same in its name, identified thereon as Agent for the Owner.

Section 3.06 Tenant Selection; Outreach. In selecting tenants, the Agent shall comply in all respects with the Owner's Tenant Selection Plan submitted to VHDA. In addition, brochures and other promotional material shall be distributed, as appropriate, in the market area to emphasize the availability of the Development as desirable housing for low and moderate income families.

Section 3.07 Compliance with Certain Provisions of the Regulatory Agreement (Taxable Financing; VHF Financing; Non-Rural Areas). The criteria, procedures and requirements with respect to tenant eligibility and occupancy of the Development shall be as set forth in and in accordance with VHDA's Act and Rules and Regulations, the Regulatory Agreement, and the Owner's Tenant Selection Plan described above, and this Agreement, and no person or family has been approved or shall be approved for occupancy, or shall be permitted to occupy any dwelling unit in the Development or any portion thereof, unless such person or family satisfies said criteria, procedures and requirements. VHDA may, at its option, require its approval of each such person or family prior to his or their initial occupancy of any unit in the Development. The Agent shall provide the Owner and VHDA with such documents and information as either of them may require to determine compliance with said criteria, procedures and requirements. Such documents and information shall be submitted to VHDA and the Owner in such form or forms and at such time or times (whether before or after occupancy by such person or family of the unit) as VHDA shall specify. The Agent shall comply in all respects with the aforesaid Tenant Selection Plan. In the event that the Agent shall not be in compliance with such Tenant Selection Plan, VHDA shall have the right (in addition to any and all other rights of VHDA under the Regulatory Agreement, the Deed of Trust and other documents relating to the Mortgage Loan) to require that no further applications be accepted or acted upon by or on behalf of the Agent until and unless strict compliance with said Tenant Selection Plan shall have been instituted. In accordance with the Regulatory Agreement, the Agent further agrees as follows:

- (a) (i) Fifty percent (50%) of the units in the Development will be occupied or held available for occupancy by persons and families whose adjusted family incomes, as determined in accordance with VHDA's Rules and Regulations in effect on the date of such determination, do not exceed as of the date of their initial occupancy of such units fifty percent (50%) of the area median gross income as then determined by VHDA (without adjustments for family size) and (ii) the remaining fifty percent (50%) of the units in the Development will be occupied or held available for occupancy by persons and families whose adjusted family incomes, as determined in accordance with VHDA's Rules and Regulations in effect on the date of such determination, do not exceed as of the date of their initial occupancy of such units forty percent (40%) of the area median gross income as then determined by VHDA (without adjustments for family size).
- (b) The incomes of the persons and families occupying the units in the Development shall be subject to re-examination and redetermination as provided in the Regulatory Agreement and in VHDA's

Rules and Regulations in effect on the date of such redetermination, and if the adjusted family income (as determined in accordance with VHDA's Rules and Regulations in effect on the date of such redetermination) of any such person or family exceeds one hundred fifty (150%) percent of the area median gross income as then determined by VHDA (without adjustments for family size), such person or family may be required by VHDA to pay a rental surcharge prescribed by VHDA or the tenancy of such person or family may be terminated, all in accordance with VHDA's Rules and Regulations then in effect; provided, however, that if the unit occupied by such person or family is subject to the requirements of section 42 of the Internal Revenue Code of 1986, as amended, the amount of such rental surcharge shall not cause the rent (including such surcharge and any utility allowance) to exceed the maximum rent that may be charged for the unit in order to continue to be treated as a "low-income unit" as defined in section 42(i)(3) of the Internal Revenue Code of 1986, as amended.

- (c) The Agent shall not, without the prior consent of the Owner and without determining that the sublessee or assignee is eligible under this Section 3.07, allow the subleasing of any unit in the Development or the assignment of any lease. VHDA may, at its option, require its consent prior to any such subleasing or assignment.

ARTICLE IV

COLLECTION AND DEPOSIT OF RENTS

Section 4.01 Project Account.

- (a) The Agent shall collect when due all rents, fees, and other charges receivable in connection with the management and operation of the Development.
- (b) Such receipts (except for residents' security deposits) shall be deposited in an account, separate from all other accounts and funds, with a bank whose deposits are insured by the Federal Deposit Insurance Corporation. This account shall be carried in the Agent's name and shall be designated of record as being the Project Account for the Development.

Section 4.02 Security Deposit Account

- (a) The Agent shall collect, deposit, and disburse residents' security deposits in accordance with the terms of the respective leases, the Regulatory Agreement and Virginia law in amounts not in excess of the maximum amounts permitted by Virginia law or such lesser amounts as VHDA may, in its discretion, determine to be reasonable and affordable by the persons and families eligible for occupancy under Section 3.07 hereof.
- (b) Residents' security deposits shall be deposited by the Agent in an interest bearing account, separate from all other accounts and funds, with a bank or other financial institution whose deposits are insured by an agency of the United States Government, and interest due on said security deposit shall be reimbursed to each resident to the extent required by state law.
- (c) This account shall be carried in the Agent's name and shall be designated of record as being the Security Deposit Account of the Development.
- (d) The Agent shall cause the amount of the Security Deposit Account to equal or exceed at all times the aggregate of all outstanding obligations by the Owner with respect to security deposits.

Section 4.03 Enforcement of Lease.

- (a) The Agent shall secure full compliance by each resident with the terms of the lease.
- (b) Voluntary compliance shall be emphasized, and, if appropriate under the circumstances, the Agent shall counsel residents and make referrals to community agencies in cases of financial hardship or under other circumstances deemed appropriate by the Agent, so that involuntary termination of tenancies may be avoided to the maximum extent consistent with sound management of the Development. The Agent will not, however, tolerate willful evasion of payment of rent.
- (c) Subject to the terms of the respective lease agreement, the Agent may lawfully terminate any tenancy when, in the Agent's judgment, sufficient cause occurs.
- (d) The Agent is authorized to consult with legal counsel designated by the Owner, to bring actions for eviction, and to execute notices to vacate and commence appropriate judicial proceedings; provided, however, that the Agent shall keep the Owner informed of such actions and shall follow such instructions as the Owner prescribes.
- (e) Subject to the Owner's approval, costs incurred in connection with such actions shall be paid out of the Project Account as Development expenses.
- (f) The Agent shall see that all residents are informed with respect to such rules, regulations, and notices as may be promulgated by the Owner or Agent.
- (g) In order to minimize losses due to vacancy, the Agent shall use its best efforts to renew leases with those residents who have complied in all respects with their leases.

ARTICLE V

MAINTENANCE AND REPAIRS

Section 5.01 Agent's Responsibilities.

- (a) The Agent shall cause the Development to be maintained in accordance with the Regulatory Agreement, VHDA standards and local codes and in a condition at all times acceptable to the Owner and VHDA, including but not limited to cleaning, painting, decorating, plumbing, heating, roofing, carpentry, grounds care, and such other maintenance and repair work as may be necessary.
- (b) Special attention shall be given to preventive maintenance.

Section 5.02 Residents' Service Requests. The Agent shall systematically and promptly receive and investigate all service requests, and take such action thereon as may be justified, and shall keep records of the same. Emergency requests shall be responded to as promptly as possible but, in all cases, within twenty-four hours. Complaints of a serious nature will be reported to the Owner after investigation.

Section 5.03 Agent's Authority.

- (a) Subject to the provisions of Paragraph (b) below and Section 7.06(d) hereof, the Agent is authorized to purchase all materials, equipment, tools, appliances, supplies, and services necessary for proper maintenance and repair of the buildings, equipment, and grounds.

- (b) Notwithstanding the foregoing provision, the prior approval of the Owner is required for any expenditure which exceeds five hundred Dollars (\$ 500.00) in any one instance for labor, materials, or otherwise, in connection with the maintenance and repair of the Development except for recurring expenses within the limits of the Operating Budget, emergency repairs involving manifest danger to persons or property, or repairs required to avoid suspension of any necessary service to the Development. In the latter events, the Agent shall inform the Owner of the facts as soon as possible.
- (c) The Agent shall use all available techniques to ensure the most economical purchase of goods and services on behalf of the Development, including bulk purchasing. All portions of bulk purchases of goods and services to be charged to the account of the Development shall be documented by a copy of the original invoice along with a statement by the Agent of the basis for allocating any portions of such costs to the accounts of the Development. All goods and services purchased by the Agent for the Development shall be limited solely for use at or for the Development. No charges shall be made to the account of the Development for goods and services other than for the Development, even on a reimbursable basis.

Section 5.04 Compliance with Government Orders. The Agent shall take such action as may be necessary to comply promptly with all statutes, ordinances, regulations, orders, or other requirements affecting the Development; provided, however, that the Agent will take no action so long as the Owner is contesting or has affirmed its intention to contest the same. The Agent shall notify the Owner in writing of any and all notices of such requirements within 72 hours after receipt.

Section 5.05 Utilities and Services. In accordance with the Operating Budget, the Agent shall make arrangements for water, electricity, gas, fuel oil, sewage and trash disposal, vermin extermination, decorating, laundry facilities, telephone, and other utilities and services. Subject to Owner's prior approval, the Agent shall make such contracts as may be necessary to secure appropriate utilities and services. The Agent and any person or entity having an interest in Agent or subject to Agent's control shall not engage in any business activity or concession for the Development, for which the Agent or such person or entity receives compensation outside of that provided by this Agreement, without first obtaining the approval of the Owner and VHDA.

Section 5.06 Bids and Discount. The Agent shall obtain contracts, materials, supplies, utilities, and services on the most advantageous terms, and shall solicit bids, either formal or informal, for such items and credit to the Owner all discounts, rebates, or commissions obtainable with respect to purchases, service contracts, and all other transactions on the Owner's behalf.

Section 5.07 Safety and Health Regulations.

- (a) The Agent shall take such action as may be necessary to assure that the Owner and the Agent are at all times in compliance with wage, hour, health, safety, and other federal, state, and local laws, ordinances, regulations, notices and orders of courts or other administrative bodies relating to the Owner's and Agent's employees who furnish service in connection with the Development.
- (b) The Agent agrees to indemnify and hold harmless the Owner and VHDA with respect to any losses or fines which may be incurred by reason of alleged noncompliance with any of the foregoing.

ARTICLE VI

EMPLOYEES

Section 6.01 Employees of the Owner. All employees shall be employees of the Agent and the Agent, acting on behalf of the Owner, shall be responsible for hiring, supervising and discharging such employees.

Section 6.02 Employment Policies. To the greatest extent feasible, the services of regular maintenance and repair employees shall be used in the Development. However, subject to the Owner's prior approval, the Agent shall contract with qualified independent contractors for exterminating services, maintenance and repair of air-conditioning systems and elevators, and extraordinary repairs beyond the capability of regular maintenance employees.

Section 6.03 Fidelity Bond. The Agent shall furnish, at its own expense, a fidelity bond to protect the Owner against misapplication of funds of the Development by the Agent and its employees. Said bond will be in a principal sum prescribed by VHDA. Other terms and conditions of the bond, and the surety thereon, shall also be subject to the approval of the Owner and VHDA.

ARTICLE VII

DISBURSEMENTS FROM PROJECT ACCOUNT

Section 7.01 Payments Due VHDA. Unless otherwise specified by VHDA, the Agent shall make, from the Project Account, the aggregate monthly payment due to VHDA, including the amounts required to be paid under the mortgage for principal, interest, mortgage insurance premium, ground rents, taxes and assessments, fire and other hazard insurance premiums, and the amount specified in the Regulatory Agreement for allocation to the Reserve for Replacements.

Section 7.02 Agent's Compensation.

- (a) The Agent shall be compensated for its services under this Agreement by monthly fees to be paid out of the Project Account as expenses of the Development.
- (b) Each monthly fee shall be in an amount equal to seven percent (7%) of gross rent collections received during the current month as determined by VHDA.

Section 7.03 Other Project Expenses. Subject to Section 7.06(d) hereof, the Agent shall pay from the Project Account all other Operating Expenses of the Development to the extent provided in the Operating Budget including insurance premiums, advertising and other direct renting expenses, maintenance and repair services and materials furnished by independent contractors, utilities, fuel, licenses, permits, auditors' fees, and eviction expenses.

Section 7.04 Owner's Directions. Except for the items described in Sections 7.01 through 7.03 hereof, funds shall be disbursed or transferred from the Project Account only as the Owner and VHDA may direct in writing.

Section 7.05 Transmittal of Monthly Balance. After disbursement as herein specified, any balance remaining in the Project Account may be disbursed or transferred but only as specifically directed by the Owner and VHDA in writing; however, any retained balance may not at any time exceed the limits of the Agent's fidelity bond.

Section 7.06 Operating Budget.

- (a) An annual Operating Budget for the Development shall be prepared by the Agent, and a copy of same shall be provided the Owner and VHDA at least sixty days (60) before the beginning of each fiscal year.
- (b) The proposed Operating Budget shall set forth the anticipated development income from all sources and a detailed estimate of expenses.
- (c) The Agent shall keep the Owner and VHDA informed of any deviation from the receipts or disbursements stated in the approved Operating Budget.
- (d) Notwithstanding anything to the contrary herein, without the prior approval of the Owner, funds shall not be expended for any operating expense which is in excess of Dollars (\$ 500.00) and which is not included in the Operating Budget.
- (e) Upon the written direction of VHDA and without the approval of the Owner, the Agent shall incur and pay, on behalf of the Owner, from the income of the Development any operating expenses (whether or not included in the annual operating budget) which are determined by VHDA to be necessary to comply with the requirements of the Regulatory Agreement or otherwise to provide for the proper maintenance and operation of the Development.

ARTICLE VIII

RECORDS AND REPORTS

Section 8.01 Books of Account.

- (a) The Agent shall at all times keep and maintain complete and accurate books, records, and accounts in a manner satisfactory to the Owner and VHDA, which records shall be subject to examination by their authorized representatives at all reasonable hours.
- (b) Unless otherwise specified, the Agent shall have the responsibility for maintaining and safeguarding the management and operating records of the Development such as repair records and supporting documents for receipts and disbursements. Such records shall not be destroyed without the prior written permission of the Owner and VHDA.
- (c) The Agent shall maintain adequate controls to ensure against losses or improper recording of transactions.

Section 8.02 Reports. In addition to requirements specified in other provisions of this Agreement, the Agent shall prepare and deliver to the Owner and VHDA any and all information, in a format acceptable to them, as may be requested by the Owner or VHDA from time to time with respect to the overall financial, physical, or operational condition of the Development.

Section 8.03 Annual Financial Statement.

- (a) The Agent shall deliver to the Owner and VHDA, within ninety (90) days after the end of the Development's fiscal year, an annual financial statement, prepared by a certified public accountant or other person acceptable to the Owner and VHDA. Such statement shall include, without limitation, the information required by the "VHDA Development Audit Guide."

(b) The cost of such audit shall be paid out of the Project Account as an expense of the Development.

Section 8.04 Tax Returns. The Agent shall assist in the preparation of all income and other tax returns of the Development and shall ensure that all such returns, approved and executed by the Owner, are filed in a timely manner.

Section 8.05 Bank Accounts. Subject to the prior written approval of VHDA, the Agent shall establish and maintain such Development bank accounts (in addition to the Project Account and the Security Deposit Account) as shall be designated by the Owner in financial institutions whose deposits are insured by an agency of the United States Government.

Section 8.06 Owner's and VHDA's Right to Reallocate Functions. If the Owner or VHDA determines that the books of account of the Development are not being maintained in accordance with acceptable standards or that reporting timetables or standards have not been met or are not likely to be met, the Owner or VHDA may, at the expense of the Agent, cause such functions to be performed by personnel selected by the Owner or VHDA.

Section 8.07 Auditors. Auditors of the Development's financial statements shall be selected by the Owner, with prior written approval of VHDA. If VHDA is dissatisfied with the work of the auditors, the auditors may be replaced by VHDA without concurrence of the Agent or Owner.

Section 8.08 Fringe Benefit Forms. The Agent shall prepare for execution and filing by the Owner, all forms, reports, and returns in connection with unemployment insurance, workmen's compensation insurance, disability benefits, Social Security, and all other federal, state, and local taxes and requirements relating to employees of the Owner hired under this Agreement.

Section 8.09 Agent's Overhead. Except as otherwise provided in this Agreement, all bookkeeping, clerical, and other management and overhead expenses of the Agent's home office (including, but not limited to, costs of office supplies and equipment, data processing services, postage, transportation for managerial personnel, and telephone services) will be borne by the Agent out of its own funds and will not be treated as a Development expense.

Section 8.10 Ownership of Books and Records. The Owner is the sole owner of all books and records of the Development and of all of the information contained therein, whether in paper or electronic form, including, without limitation, the following records and information therein: tenant records and files, maintenance and expense records and reports, financial and accounting statements and reports, annual budgets, bank statements and records, and other records held by or for the Agent in the fulfillment of its duties hereunder. Upon termination of this Agreement for any reason, the Owner shall be entitled to receive, and the Agent shall deliver to the Owner, all of the foregoing books and records, including the originals of such books and records that are in paper form and including electronic copies of such books and records that are in electronic form (and, if requested by VHDA, the Agent shall also deliver to VHDA copies of the originals of such books and records that are in paper form and electronic copies of such books and records that are in electronic form), and the Agent shall convert any such information maintained in electronic format to such other electronic format or formats as the Owner (and VHDA, if requested by VHDA) shall reasonably require and shall provide to the Owner (and VHDA, if requested by VHDA) such printouts and paper copies of such books and records that are in electronic form as the Owner (and VHDA, if requested by VHDA) shall require.

ARTICLE IX

TERM OF AGREEMENT

Section 9.01 Initial Term (Permanent Financing). This Agreement shall be in effect for an initial term of two years from the date hereof. However, this Agreement shall not be effective or binding until endorsed by VHDA.

Section 9.02 Extension. This Agreement shall continue in force after the expiration of the initial term, upon the same conditions, for a successive term or terms, no one of which shall exceed one year, unless the Owner (acting with the prior written consent of VHDA) or the Agent gives notice of cancellation to the other and to VHDA not less than 30 days prior to the date of expiration of such successive term.

Section 9.03 Termination by the Parties. This Agreement may be terminated by the mutual consent of the Parties as of the end of any calendar month; provided that not less than 30 days advance written notice is given to VHDA and that VHDA consents to such termination. This Agreement may also be terminated by either party, with the prior written consent of VHDA, for a breach of the terms hereof upon five (5) days written notice to the other party and to VHDA.

Section 9.04 Termination by VHDA.

- (a) This Agreement may be terminated by VHDA immediately upon the mailing of notice thereof to the Owner and Agent, if the Owner is in default under the Deed of Trust securing the Mortgage Loan.
- (b) This Agreement may also be terminated by VHDA in the event that (i) VHDA determines that a breach of any of the terms hereof has occurred and (ii) such breach is not cured to the satisfaction of VHDA within fifteen (15) days after written notice thereof by VHDA to the Owner and the Agent. This Agreement may also be terminated by VHDA for other just cause upon thirty (30) days written notice to the Owner and Agent.
- (c) VHDA shall not be subject to liability for any loss, expense, or damage caused by termination by it of this Agreement.

Section 9.05 Termination on Sale. This Agreement may be terminated by the Owner on 30 days written notice to the Agent in the event of a bona fide agreement of sale of the Development.

Section 9.06 Obligations After Termination.

- (a) Upon termination of the Agreement for any reason, the Agent shall: (i) remit to the Owner (or in the case of a termination under Section 9.04(a), to VHDA), within twenty-four hours after such termination, all monies due the Owner, including monies in the Project Account and Security Deposit Account; (ii) notify all residents to make future rent payments to the Owner or the Owner's designee (or, in the case of a termination under Section 9.04(a), to VHDA), and (iii) submit to the Owner and VHDA the books and records as required by Section 8.10 hereof.
- (b) After the Parties have accounted to each other with respect to all matters outstanding as of the date of termination, the Owner shall furnish the Agent with adequate security against any obligations or liabilities which the Agent may properly have incurred on behalf of the Owner.
- (c) The provisions of this Section shall survive the termination of this Agreement.

ARTICLE X

ADDITIONAL PROVISIONS

Section 10.01 Successors. Any reference in this Agreement, by name or number, to a government agency, statute, program or form shall include any successor agency, statute, program, or form.

Section 10.02 Notices. Any notice, demand, or request required or permitted to be given or made hereunder shall be made in writing by hand delivery (whether personally or by courier or other delivery service), by electronic or facsimile transmission, or by certified mail, return receipt requested, addressed to the last known address or place of business of the recipient as shown in the records of the party giving such notice and shall be considered to be given when received at such address or place of business or, in the case of certified mail, three (3) days after the date of mailing.

Section 10.03 Titles and Captions. All articles or section titles or captions in this Agreement are for convenience only. They shall not be deemed part of this Agreement and in no way define, limit, extend, or describe the scope or intent of any provisions hereof.

Section 10.04 Further Action. The Parties shall execute and deliver all documents, provide all information, and take or forebear from all such action as may be necessary or appropriate to achieve the purpose of this Agreement.

Section 10.05 Applicable Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Virginia.

Section 10.06 Amendment. This Agreement may be modified or amended only with the written approval of both parties and VHDA.

Section 10.07 Assignment. This Agreement, and the rights and obligations herein set forth, shall not be assigned by either party without prior written consent of VHDA.

Section 10.08 Waiver. No failure by either party to insist upon the strict performance of any covenant, duty, agreement, or condition of the Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute a waiver of any such breach or any other covenant, agreement, term, or condition. Either party, by notice to the other and with the prior written approval of VHDA, may waive any of its rights or any conditions to its obligations hereunder, or any duty, obligation, or covenant of the other party. No waiver shall affect or alter the remainder of this Agreement, but each and every covenant, agreement, term, and condition of this Agreement shall continue in full force and effect with respect to any other then existing or subsequent breach thereof.

Section 10.09 Third Parties. It is understood and agreed that the covenants and terms of this Agreement are not intended, and shall not be construed, to benefit or protect any person or entity, other than the parties hereto, VHDA and their successors and assigns, or to provide any such person or entity with any rights or remedies against the parties hereto. It is further understood and agreed that no such person or entity shall be entitled to rely on the implementation or enforcement of any term or provision of this Agreement by the parties hereto.

Section 10.10 Separability. Any provision of the Regulatory Agreement or any applicable law which supersedes any provision hereof shall not affect the validity of the balance of this Agreement, and the remaining provisions shall be enforced as if the invalid provisions were deleted.

Section 10.11 Counterparts. This Agreement may be executed in counterparts and shall constitute one Agreement binding on all the Parties notwithstanding that all the Parties are not signatories to the original or the same counterpart. Each Party shall become bound by this Agreement immediately upon affixing its signature hereto, independently of the signature of any other Party.

ARTICLE X

ADDITIONAL PROVISIONS

Section 10.01 Successors. Any reference in this Agreement, by name or number, to a government agency, statute, program or form shall include any successor agency, statute, program, or form.

Section 10.02 Notices. Any notice, demand, or request required or permitted to be given or made hereunder shall be made in writing by hand delivery (whether personally or by courier or other delivery service), by electronic or facsimile transmission, or by certified mail, return receipt requested, addressed to the last known address or place of business of the recipient as shown in the records of the party giving such notice and shall be considered to be given when received at such address or place of business or, in the case of certified mail, three (3) days after the date of mailing.

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Section 10.08 Waiver. No failure by either party to insist upon the strict performance of any covenant, duty, agreement, or condition of the Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute a waiver of any such breach or any other covenant, agreement, term, or condition. Either party, by notice to the other and with the prior written approval of VHDA, may waive any of its rights or any conditions to its obligations hereunder, or any duty, obligation, or covenant of the other party. No waiver shall affect or alter the remainder of this Agreement, but each and every covenant, agreement, term, and condition of this Agreement shall continue in full force and effect with respect to any other then existing or subsequent breach thereof.

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Section 10.11 Counterparts. This Agreement may be executed in counterparts and shall constitute one Agreement binding on all the Parties notwithstanding that all the Parties are not signatories to the original or the same counterpart. Each Party shall become bound by this Agreement immediately upon affixing its signature hereto, independently of the signature of any other Party.

IN WITNESS WHEREOF, the Parties (by their duly authorized officers) have executed this Agreement on the date first set forth above.

Virginia Beach Community Development Corporation,
A Virginia nonstock corporation

Cedar Grove 2011 Limited Partnership,
a Virginia limited partnership
By Vets' Housing, Inc.
Its General Partner

By: _____
Mary Kay Horoszewski

By: _____
Mary Kay Horoszewski

Its: Executive Director _____

Its: President

ENDORSEMENT BY VHDA

DATE: _____

The Virginia Housing Development Authority hereby consents to the foregoing Management Agreement, by and between Cedar Grove 2011 Limited Partnership (Owner) and Virginia Beach Community Development Corporation (Agent).

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

BY: _____ (SEAL)
Its: Authorized Officer

**ADDENDUM TO PROPERTY
MANAGEMENT AGREEMENT**

This Addendum is attached to and made a part of the Management Agreement between Virginia Beach Community Development Corporation, a Virginia nonstock corporation ("Agent") and Cedar Grove 2011 Limited Partnership ("Owner"), a Virginia limited partnership, dated as of _____, 201__ (the "Agreement"), relating to the Property described therein.

In consideration of Ten and No/100 Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, and the prior verbal understandings of the parties as to the matters covered herein, and the undersigned Owner's continued reliance on the undersigned Agent to lease and manage the Property under the Agreement, and to induce Owner's Limited Partner to contribute equity capital to Owner for the development and operation of the Property, the parties further agree as follows:

A. Low-Income Housing

1. Tax Credit Requirements. Agent acknowledges that Owner is required under its limited partnership agreement to use best efforts to lease one hundred percent (100%) of the 32 units in the Apartment Complex (the "Credit Units") to tenants whose income and rent levels qualify such apartments for inclusion in determining federal low-income housing tax credits (the "Credits") for the Property, and that the Credits will have substantial economic value to Owner and its partners. Owner shall furnish Agent with written descriptions of such requirements as they relate to Agent's leasing and management duties hereunder.

2. Tenant Certification. For all Credit Units, Agent shall require each prospective tenant to complete, execute, and deliver the forms of Low-Income Lease Addendum and Tenant Income Certification, and shall obtain from each prospective tenant's employee the completed and executed form of Employer Verification, all attached hereto as Exhibit A, subject to the updating and revision of maximum allowable household income amounts as described hereinbelow, in order to provide necessary certification and verification of the amount of such tenant's annual family income, family size, and any other information reasonably requested by Owner in writing in connection with the Credits. Agent shall require tenants to certify in writing as to such matters on an annual basis, prior to such time as the information is required for reporting purposes. Owner shall give Agent advance written notice of such requirements. Prior to executing each Lease of any of the Credit Units, Agent shall deliver copies of the applicable Lease, rider, certification, and verification for each such Credit Unit to Owner and to Owner's Limited Partner, and Agent shall not execute any Lease with respect to any of the Credit Units without having received the prior written consent of Owner with respect to each such Lease, rider, certification, and verification.

3. **Maximum Income.** Owner shall from time to time furnish Agent with an updated and revised schedule of maximum allowable household income to qualify for the Credits, and Agent shall update and revise the form of Low-Income Lease Rider attached hereto as Exhibit A accordingly, as and when changes in such income levels are announced.

4. **Maximum Rent.** Owner shall from time to time furnish Agent with a written schedule of maximum allowable rents for the apartments to qualify for the Credits, depending on family size, as and when changes in such rent levels are announced. Without Owner's express prior written consent, Agent shall not enter into any lease on behalf of owner at a rental amount exceeding the applicable maximum.

5. **Record Keeping.** Agent shall maintain and preserve all written records of tenant family income and size, and any other information reasonably requested by Owner in writing in connection with the Credits, throughout the term of the Agreement, and shall turn all such records over to Owner upon the termination or expiration of the Agreement.

6. **Report Preparation.** If requested by owner in writing, Agent shall prepare reports of low-income leasing and occupancy in form suitable for submission in connection with the Credits.

7. **HUD Requirements.** Agent shall be responsible for or shall assist Owner in the certification and recertification of tenants covered by any Housing Assistance Payments Contract that may be applicable to the Property with respect to federal Section 8 rent subsidies, following procedures required by the U.S. Department of Housing and Urban Development ("HUD"). [Agent shall also be responsible for or shall assist Owner in assuring compliance with the HOME Regulations promulgated at 24 CFR 92, as amended, for any Credit Units that are subject to such regulations.]

8. **Local Code Compliance.** Agent shall cause the Project to be maintained in compliance with all local health, safety, and building codes to the extent of available funds, and shall promptly give written notice to Owner and to Owner's Limited Partner if Agent receives notice of any such code violation relating to the Property.

B. Other Provisions

1. **Records System.** Agent shall establish and maintain a comprehensive system of records, books, and accounts, including computerized systems, in accordance with the Plan and in a manner satisfactory to Owner. All records, books, and accounts shall be subject to examination at reasonable hours by any authorized representative of Owner, or of Owner's Limited Partner.

2. Monthly Reports. Agent shall prepare all monthly reports required pursuant to Section 13.04(a) of Owner's Amended and Restated Agreement of Limited Partnership, a copy of which Agent has received.

3. Additional Information. Agent shall promptly furnish such additional information (including monthly occupancy reports) as may be requested from time to time by Owner or Owner's Limited Partner with respect to the renting and financial, physical, or operational condition of the Property.

4. Fidelity Bond. Agent shall furnish and maintain, at the expense of the Property, for the duration of the Agreement and any extensions thereof, plus thirty (30) days after the expiration or termination thereof, a commercial blanket bond in favor of Owner, in an amount not less than the sum of (a) six (6) months, potential maximum gross rents for the Property plus (b) aggregate tenant security deposits held from time to time, both in amounts as determined by Owner, and in a form and with a company acceptable to Owner, which commercial blanket bond shall cover Agent and all employees hired by Agent in connection with the Agreement. Such fidelity bond shall cover losses discovered by Owner within two (2) years after the occurrence of such losses. Such fidelity bond shall contain a written provision that owner shall be given at least ten (10) days, prior written notice of cancellation.

5. Insurance. Agent shall at all times keep its employees and contractors insured for statutory workers, compensation and other employee benefits required by all applicable laws, and Agent shall maintain employer's liability insurance for an amount not less than \$1,000,000.00 covering claims and suits by or on behalf of employees and others, not otherwise covered by statutory workers' compensation insurance. Owner and its partners shall be protected in all such insurance by specific inclusion of owner under an additional insured or alternate employer rider. Agent shall provide Owner with a certificate of insurance evidencing that workers, compensation and employer's liability insurance is in force and providing not less than ten (10) days, notice to Owner prior to cancellation.

6. Indemnity. To the extent permitted by law, Agent agrees to defend, indemnify, and save harmless Owner and its partners from all claims, investigations, and suits, or from actions or failures to act of Agent, with respect to any alleged or actual violation of state or federal labor or other laws pertaining to employees, it being expressly agreed and understood that as between owner and Agent, all persons employed in connection with the premises are employees of Agent, not Owner.

7. Reserves and Escrow. To the extent funds are available, Agent shall make all deposits into the replacement reserve for the Property and any other necessary or advisable reserves or escrows for the Property, as specified in Owner's partnership agreement.

8. Compliance with Laws. In the performance of its obligations under the Agreement, Agent shall comply with applicable local, state, and federal laws and regulations.

9. Termination of Agreement. The Agreement shall be subject to the following additional conditions:

(a) In the event Agent fails to perform any of its duties under the Agreement hereunder or to comply with any of the provisions thereof or hereof, Owner shall notify Agent in writing and Agent shall have ten (10) days thereafter within which to cure such default to the reasonable satisfaction of Owner. Notwithstanding the foregoing, if the default cannot be cured within such ten (10) day period, Agent shall have such additional time as may be reasonably necessary to cure the same provided that Agent demonstrates to the continuing satisfaction of Owner that it is diligently pursuing all necessary actions to cure such default and that the same will be cured within a reasonable time without damage or expense to Owner. Failure to cure the default within the permitted time to cure shall constitute grounds for immediate termination of the Agreement by the Owner without further notice to the Agent.

(b) In the event a petition in bankruptcy is filed by or against Owner or Agent, or in the event owner or Agent makes an assignment for the benefit of creditors or takes advantage of any insolvency act, Owner or Agent may terminate this Agreement without notice to the other.

(c) In the event (i) Agent for any reason fails to be actively involved in the management of the Property for any period of more than thirty (30) days, or (ii) a majority of the shares of stock of Agent, measured by number of shares, monetary value, or voting control, are transferred to any person or entity other than the current shareholders owning the greatest interests in Agent as determined by any of the measures described above, or (iii) any affiliate of Agent is a general partner of Owner and such affiliate withdraws or is removed as such general partner, then Owner may terminate this Agreement immediately upon notice to Agent.

(d) Owner will terminate this Agreement if HUD or the Virginia Housing Development Authority direct the Owner to do so.

(e) The Agreement may be canceled by the Partnership upon thirty (30) days' prior notice.

(f) Within five (5) days after the termination of the Agreement, Agent shall close all accounts and pay the balances or assign all certificates of deposit regarding the Property to Owner. Within ten (10) days after the

termination of the Agreement, Agent shall deliver to Owner all plans and surveys of the Property in its possession and all books and records concerning the Property.

(g) Within thirty (30) days after the termination of the Agreement, Agent shall submit to Owner all reports required under paragraph 2 above to the date of such termination, and Agent and Owner shall account to each other with respect to all matters outstanding as of the date of termination.

10. Compliance with Regulatory Agreements. Agent agrees that it shall lease all units in compliance with the income restrictions, rent restrictions and unit mix information set forth in [the all Deeds of Trust (including the forthcoming deed of trust to be recorded by the Owner in favor of the Virginia Housing Development Authority),] any [other] regulatory agreement and the Extended Use Agreement, as amended, that encumber the Property. Agent acknowledges that it has received copies of the [Deed of Trust, recorded with _____ on _____, 200_ as book _____ page _____] Extended Use Agreement, recorded with The City of Virginia Beach on October 17, 2011, as instrument number 20111017001066060 and is familiar with the restrictions and other requirements set forth in those documents.

11. Term. The Agreement shall have an initial term of two (2) years, and shall be renewed automatically thereafter for successive additional terms of two (2) years each, provided, however, that either party shall have the right to terminate the Agreement upon thirty (30) days written notice.

12. Compensation. In accordance with Section 8.15 of the Partnership Agreement, if and to the extent necessary at any time to prevent a default by the Owner under the terms of any Project Loan (as defined in the Partnership Agreement) between Owner and any lender relating to the Project, Manager agrees to subordinate payment of its Management Fee to the payment of required debt service under the Project Loans and hereby agrees to defer receipt of payment of the Management Fee from Owner under such circumstances. Payment of the Management Fee shall be cumulative to the extent it is not paid in full in any month due to such a deferral. Owner shall endeavor to provide Manager with thirty days notice of any need for the Manager to defer receipt of payment of the Management Fee as provided herein.

C. Miscellaneous

1. Agreement. References herein to the Agreement mean the Agreement as amended by this Addendum.

2. Notices. Copies of all notices or other communications required or desired to be given under the Agreement shall be concurrently mailed to Owner's Limited

Partner at its address set forth on the signature page hereof. In the event of a change of such mailing address, Owner's Limited Partner may give notice of a new or forwarding address within seven (7) days of the effective date of said change, whereupon subsequent notices shall be addressed to such new or forwarding address.

3. Amendment. No amendment or modification of the Agreement shall be valid or enforceable without the prior written consent of Owner's Limited Partner.

4. Enforceability. The invalidity of any clause, part, or provision of the Agreement shall not affect the validity of the remaining portions thereof. Owner's remedies under the Agreement shall be cumulative, and the exercise of one remedy shall not be deemed an election of remedies nor foreclose the exercise of Owner's other remedies. No waiver by owner of any breach of the Agreement shall be deemed to be a waiver of any other or subsequent breach. Owner or Agent may apply to any court, state or federal, for specific performance of the Agreement, for an injunction against any violation of the Agreement, or for such other relief as may be appropriate, since the injury arising from a default under any of the terms of the Agreement would be irreparable and the amount of damage would be difficult to ascertain.

5. Regulatory Provisions. Notwithstanding anything to the contrary in this Addendum, any provision hereof that is or whose performance would be in violation of (a) any agreement between the Owner or the Agent and HUD, (b) any HUD or any state or local housing or other regulatory authority requirements concerning the Property, or (c) any applicable HUD or state or local regulatory authority regulations, shall be void and have no force or effect. The foregoing shall not, however, affect the enforceability of any other provisions of this Addendum.

6. Conflicts. Except as provided in paragraph 5 above, those provisions which impose more stringent obligations upon the Agent or provide greater benefits to the Owner or Owner's Limited Partner shall prevail and control.

7. Successors and Assigns. The Agreement shall inure to the benefit of and constitute a binding obligation upon Owner and Agent and their respective successors and assigns; provided, however, that Agent shall not assign the Agreement, or any of its duties thereunder, without the prior written consent of Owner. In the event Owner's General Partner described below or any general partner of Owner is removed as general partner in accordance with Owner's partnership agreement, any successor general partner selected in accordance with such partnership agreement shall have authority to act hereunder on behalf of Owner, and until such successor is selected Owner's Limited Partner shall have temporary authority to act hereunder on behalf of Owner.

[Remainder of Page Intentionally Left Blank]

In Witness Whereof, the parties have executed this Addendum to the Management Agreement as of the date first written above.

OWNER

Cedar Grove 2011 Limited Partnership, a Virginia limited partnership

By: Vets' Housing, Inc., its General Partner

By: _____

Name: Mary Kay Horoszewski

Title: President

AGENT

Virginia Beach Community Development Corporation, a Virginia nonstock corporation

By: _____

Name: Mary Kay Horoszewski

Title: Executive Director

**EXHIBIT H
TO PARTNERSHIP AGREEMENT**

DEVELOPMENT BUDGET

PROJECT ASSUMPTIONS

Project Sponsor Community		Virginia Beach CDC Virginia Beach, VA	
OPERATING ASSUMPTIONS			
PROJECT TIMING			
Closing	27-Jun-12		
Construction Start	09-Jul-12		
Construction Completion	15-Jul-13		
Full Qualified Occupancy	15-Dec-13		
Closing Month of the Year	6		
Operating Months Year	4		
Ave. Qual. Occupancy Mo. Year	2.25		

Credit Allocation	405,268
(Insert - 0 - if prior to allocation)	
Credit Calculated	558,271
Credit Used	405,268

PROJECT OPERATING ASSUMPTIONS

GENERAL	
Management Fee	7.00%
Vacancy Rate	7.00%
Inflation Income	2.00%
Inflation Expenses	3.00%
Initial Partnership Admin. Fee	\$5,900
Year 1 Building Expenses	\$119,641 (W/O REP.RES.,MGMT.)
Replacement Reserve \$/Unit	300
Operating Cost/Unit	4609

PROJECT INCOME ASSUMPTIONS

Unit Type	# Units	Net \$/Mo.	Gross Pot Ann Inc.
1 BDR / 1 BA (40%)	12	371	53,424
1 BDR / 1 BA (50%)	16	502	96,384
2 BDR / 1 BA (40%)	4	438	21,024
Other Income		0	0
Total Apartment Units	32	7896.00	94,752
			265,584

PROPERTY RENTAL INCOME ANALYSIS

Unit Type	Tenant Pd Utilities	Sq. Ft.	Net \$/Mo.	Utility Allow	Adjusted Rent	Program Maximum	Dollars Below	FMR	Dollars Below
1 BDR / 1 BA (40%)	All but trash	548	371.00	147.00	518.00	525.00	7.00	834.00	316.00
1 BDR / 1 BA (50%)	All but trash	548	502.00	147.00	649.00	656.00	7.00	834.00	185.00
2 BDR / 1 BA (40%)	All but trash	878	438.00	185.00	623.00	630.00	7.00	965.00	342.00
Other Income			0.00	0.00	0.00	0.00	0.00		0.00
			0.00	0.00	0.00	0.00	0.00		0.00
		0	7896.00						

Cedar Grove

OPERATING EXPENSES

	Annual Expense	\$/Unit
ADMINISTRATIVE		
Advertising/Marketing	500	16
Office Salaries	6,000	188
Office supplies	2,500	78
Office/Model Apartment Management Fee	0	0
7.00% EGI	17,290	540
Manager Salaries	6,000	188
Staff units	0	0
Legal	1,500	47
Audit	0	0
Bookkeeping/Accounting	0	0
Telephone	1,000	31
VHDA Monitoring	960	30
Other Administrative	3,100	97
TOTAL ADMINISTRATIVE	38,850	1,214
UTILITIES		
Fuel Oil	0	0
Electricity	7,200	225
Water	1,000	31
Sewer	1,000	31
Gas	0	0
TOTAL UTILITIES	9,200	288
OPERATING / MAINTENANCE		
Janitor/Cleaning Payroll	8,500	266
Janitor/Cleaning Supplies	3,500	109
Janitor/Cleaning/Cleaning Contract	0	0
Exterminating	2,000	63
Trash Removal	2,400	75
Security/Payroll	0	0
Grounds Payroll	0	0
Grounds Supplies	3,800	119
Grounds Contract	6,000	188
Maintenance/Repairs Payroll	8,500	266
Repairs Material	9,600	300
Repair Contract	3,500	109
Heating Cooling Repairs and Maintenance	0	0
Elevator Maintenance	6,000	188
Snow Removal	0	0
Decorating/Payroll/Contract	0	0
Decorating Supplies	0	0
Miscellaneous	0	0
TOTAL OPERATING / MAINTENANCE	53,800	1,681

EXPENSE ANALYSIS	Annual Expense	\$/Unit
Administrative W/O Mgmt, Audit, VHDA	20,800	644
Utilities	9,200	288
Maintenance	53,800	1,681
Real Estate Taxes	22,250	695
Insurance	8,700	272
Other Taxes / Insurance	5,091	159
TOTAL Building Expense	119,641	3,739
Replacement Res.	9,600	300
Management	17,290	540
VHDA Monitoring	960	30
Total Operating Expense	147,491	4,609
Partnership Management/Audit	5,900	184
Total Annual Expenses	153,391	4,823

TAXES AND INSURANCE	Annual Expense	\$/Unit
Real Estate Taxes	22,250	695
Payroll Taxes	1,155	36
Miscellaneous Taxes / Licenses / Permits	0	0
Property and Liability Insurance	8,700	272
Fidelity Bond	1,500	47
Workman's Compensation	120	4
Health Insurance and Employee Benefits	2,237	70
Other Insurance	84	3
TOTAL TAXES AND INSURANCE	36,041	1,126
Replacement Reserves	9,600	300
TOTAL OPERATING EXPENSES	147,491	4,609

Cedar Grove

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
CASH FLOW STATEMENT/RESERVE ACCOUNT BALANCE																	
<i>Operating Pro-Forma</i>																	
GROSS RENT																	
1 BDR / 1 BA (40%)	10,017	54,492	55,582	56,694	57,828	58,984	60,164	61,367	62,595	63,847	65,124	66,426	67,755	69,110	70,492	71,902	73,340
1 BDR / 1 BA (50%)	18,072	98,312	100,278	102,283	104,329	106,416	108,544	110,715	112,929	115,188	117,492	119,841	122,238	124,683	127,177	129,720	132,315
2 BDR / 1 BA (40%)	3,942	21,444	21,873	22,311	22,757	23,212	23,676	24,150	24,633	25,126	25,628	26,141	26,664	27,197	27,741	28,296	28,861
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Income	17,766	96,647	98,580	100,552	102,563	104,614	106,706	108,840	111,017	113,237	115,502	117,812	120,168	122,572	125,023	127,524	130,074
TOTAL	49,797	270,896	276,314	281,840	287,477	293,226	299,091	305,073	311,174	317,397	323,745	330,220	336,825	343,561	350,432	357,441	364,590
VACANCY	3,486	18,963	19,342	19,729	20,123	20,526	20,936	21,355	21,782	22,218	22,662	23,115	23,578	24,049	24,530	25,021	25,521
Lease Up Vacancy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Expensed Org. Legal & Environ Reserve	533	533	533	533	533	533	533	533	533	533	533	533	533	533	533	533	0
EFFECTIVE GROSS INCOME	45,778	251,400	256,438	261,578	266,820	272,167	277,621	283,184	288,858	294,646	300,550	306,572	312,714	318,979	325,369	332,420	339,069
OPERATING EXPENSES																	
Building Expenses, Audit, VHDA	64,606	124,219	127,946	131,784	135,737	139,810	144,004	148,324	152,774	157,357	162,078	166,940	171,948	177,107	182,420	187,892	193,529
Management fee	3,204	17,598	17,951	18,310	18,677	19,052	19,433	19,823	20,220	20,625	21,038	21,460	21,890	22,329	22,776	23,269	23,735
Replacement Reserve	5,600	9,600	9,600	9,600	9,600	9,600	9,600	9,600	9,600	9,600	9,600	9,600	9,600	9,600	9,600	9,600	9,600
Real Estate Tax Abatement	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL OPERATING EXP.	73,410	151,417	155,496	159,694	164,015	168,461	173,037	177,747	182,594	187,582	192,716	198,000	203,438	209,035	214,796	220,762	226,864
NET OPERATING INCOME	-27,633	99,983	100,942	101,883	102,805	103,706	104,584	105,437	106,265	107,064	107,834	108,572	109,276	109,943	110,573	111,658	112,205
DEBT SERVICE																	
VHDA - SPARC	10,835	65,010	65,010	65,010	65,010	65,010	65,010	65,010	65,010	65,010	65,010	65,010	65,010	65,010	65,010	65,010	65,010
DHCD - HOME	2,700	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200
VBCDC - NSP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Southeastern VA Housing Corp - Local HOV	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Exchange	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GP Deferred Developer Fee	0	12,695	13,472	14,226	14,954	15,656	16,328	16,971	17,560	18,156	18,694	19,270	19,800	20,300	20,770	21,220	21,650
OPERATING CASH FLOW	-41,168	6,077	6,259	6,447	6,641	6,840	7,045	7,256	7,474	7,698	7,929	8,167	8,412	8,664	8,924	9,192	9,468
ADJUSTMENTS																	
Less: Ptnship Admin fee	5,900	6,077	6,259	6,447	6,641	6,840	7,045	7,256	7,474	7,698	7,929	8,167	8,412	8,664	8,924	9,192	9,468
Distributable Cash Flow	-47,068	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Incentive Mgmt Fee	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Plus: Opr Reserve Int.	1,167	2,926	2,963	3,000	3,037	3,075	3,114	3,153	3,192	3,232	3,272	3,313	3,355	3,397	3,439	3,482	3,526
Rep Reserve Int	191	774	1,037	1,306	1,582	1,081	566	824	653	478	733	602	467	722	595	466	721
ADJUSTED CASH FLOW	-45,710	3,701	4,000	4,306	4,620	4,156	3,680	3,976	3,845	3,710	4,005	3,915	3,822	4,119	4,035	3,948	4,246
Debt Service Coverage Ratio	-2.04	1.23	1.24	1.25	1.27	1.28	1.29	1.30	1.31	1.32	1.33	1.34	1.35	1.36	1.37	1.38	1.38

Cedar Grove

Operating and Replacement Reserve Account Analysis

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	
OPERATING RESERVE																		
Beginning Balance	280,000	234,099	237,025	239,988	242,988	246,025	249,101	252,214	255,367	258,559	261,791	265,064	268,377	271,732	275,128	278,567	282,049	
Reserve Interest	1,167	2,926	2,963	3,000	3,037	3,075	3,114	3,153	3,192	3,232	3,272	3,313	3,355	3,397	3,439	3,482	3,526	
Distributable Cash Flow	-47,068	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Less: Incentive Fee	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Deferred To Reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
ENDING BALANCE	234,099	237,025	239,988	242,988	246,025	249,101	252,214	255,367	258,559	261,791	265,064	268,377	271,732	275,128	278,567	282,049	285,575	
Deferred Reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
REPLACEMENT RESERVE																		
Beginning Balance	20,000	25,791	36,165	46,802	57,709	68,891	17,570	27,736	38,160	48,069	24,147	34,479	13,650	23,717	34,039	13,599	23,665	
Interest Income	191	774	1,037	1,306	1,582	1,081	566	824	653	478	733	602	467	722	595	466	721	
Reserve Deposits	5,600	9,600	9,600	9,600	9,600	9,600	9,600	9,600	9,600	9,600	9,600	9,600	9,600	9,600	9,600	9,600	9,600	
Capital Expenditures						62,002			34,344			31,031			30,635			
ENDING BALANCE	25,791	36,165	46,802	57,709	68,891	17,570	27,736	38,160	14,069	24,147	34,479	13,650	23,717	34,039	13,599	23,665	33,986	

Cedar Grove

USES OF FUNDS

USES OF FUNDS	Total	Sub Tot	% Of Tot	Sub Tot	\$/unit	Sub Tot	COMMENTS
Purchase of land	512,000				16,000		
Purchase Building	0	512,000	7.74%	7.74%	0	16,000	
Demolition	10,000		0.15%		313		
Site Improvements	200,000		3.02%		6,250		
Unit Structures (New)	3,935,578		59.46%		122,987		
Unit Structures (Rehab)	0		0.00%		0		
Other: Construction Management	60,000		0.91%		1,875		
General Conditions, Overhead, Profit	275,000		4.16%		8,594		
Bonding Fee	25,000		0.38%		781		
Fixtures and Equipment	0	4,505,578	0.00%	88.08%	0	140,799	
Building Permit and County Bond	40,000		0.60%		1,250		
A&E Fees (Design and Supervision)	116,250		1.76%		3,633		
Tap fees, city approvals and fees	122,900		1.86%		3,841		
Soil Borings	4,500		0.07%		141		
Construction Loan Fee	18,070		0.27%		565		
Construction Interest	81,315		1.23%		2,541		
Bridge Interest During Const	0.51	0	0.00%		0		
Taxes During Construction	2,003		0.03%		63		
Insurance During construction	25,987		0.39%		812		
Cost Certification	7,000		0.11%		219		
Legal Fees Permanent	13,843		0.21%		433		
Legal Fees Construction	0		0.00%		0		
Legal Fees Partnership	21,000		0.33%		688		
Legal Fees Syndication	28,000		0.42%		875		
Survey / Title	30,614		0.46%		957		
Permanent Loan Fees	6,335		0.10%		198		
Project Development/Management/Overhead	0		0.00%		0		
Environmental Study & Geotech	7,249		0.11%		227		
Earthcraft	11,200		0.17%		350		
Appraisal Fee & Market Study	10,750		0.16%		336		
Contingency	8,000		0.12%		250		
Tax Credit Fee	29,869		0.45%		933		
Misc Predevelopment	0		0.00%		0		
Replacement Reserve	20,000		0.30%		625		
Lease Up	30,000		0.45%		938		
Operating Reserve	250,000	885,885	3.78%	13.39%	7,813	27,684	
Developer's Fees	715,000		10.86%		22,344		
Special Inspections	0		0.00%		0		
PROJECT TOTAL	6,618,463		100.00%		206,827		

Cedar Grove

SOURCES OF FUNDS

PROJECT SOURCES OF FUNDS		Amount	% of Tot.	Rate	Term	Ann. D/s	D/S Cover
Financing							
	VHDA - SPARC	1,177,000	17.78%	3.70%	30	65010	1.55
	DHCD - HOME	540,000	8.16%	3.40%	20	16200	1.24
	VHDC - NSP	389,960	11.94%	2.65%	32	0	1.24
	Southeastern VA Housing Corp - Local HOME	450,000	6.80%	0.00%	32	0	
	Other	0	0.00%	0.00%	0	0	
	Exchange	0	0.00%	0.00%	0	0	
	GP Deferred Developer Fee	161,403	2.44%	0.00%	13	0	
	TOTAL FINANCING	3,118,363	47.17%				
	Bridge Interest During Construction	0					
	GP Contribution	100	0.00%				
	Grants						
	Project Investment	3,500,000	52.89%				
	Construction-Period Cash Flow		0.00%				
	TOTAL FINANCING	6,618,463	100.00%				
	PROJECT GAP	0	0.00%				
	TOTAL PROJECT COST	6,618,463	100.00%				

#NUM!	EQUAL PAYMENT FORMULA
0	INTEREST ONLY FORMULA

86.35%

State Tax Credit	Historic	Housing
State Benefit	0	0
Est. - State Credit Equity	0	0

Cedar Grove

USES OF FUNDS BY TAX CATEGORY

USES OF FUNDS	TOTAL	CREDIT 4%	CREDIT 9%	AMORT.	NO CREDIT DEP.	EXP.	NON-DEP.	TOTAL	Historic Basis	Historic Percentage
Purchase of land	512,000		0			0	512,000	512,000	0	0
Purchase Building	0									
Demolition	10,000						10,000	10,000	0	0
Site Improvements	200,000		160,000				40,000	200,000	0	0
Unit Structures (New)	3,935,578		3,935,578					3,935,578	0	0
Unit Structures (Rehab)	0								0	0
Other: Construction Management	60,000		60,000					60,000	0	0
General Conditions, Overhead, Profit	275,000		275,000					275,000	0	0
Bonding Fee	25,000		25,000					25,000	0	0
Fixtures and Equipment	0								0	0
Building Permit and County Bond	40,000		40,000					40,000	0	0
A&E Fees (Design and Supervision)	116,250		116,250					116,250	0	0
Tap fees, city approvals and fees	122,900		122,900					122,900	0	0
Soil Borings	4,500		4,500					4,500	0	0
Construction Loan Fee	18,070		18,070					18,070	0	0
Construction Interest	81,315		81,315					81,315	0	0
Bridge Interest During Const.	0		0					0	0	0
Taxes During Construction	2,003		2,003					2,003	0	0
Insurance During construction	25,987		25,987					25,987	0	0
Cost Certification	7,000		7,000					7,000	0	0
Legal Fees Permanent	13,843		13,843					13,843	0	0
Legal Fees Construction	0		0					0	0	0
Legal Fees Partnership	22,000		22,000					22,000	0	0
Legal Fees Syndication	28,000		28,000					28,000	0	0
Survey / Title	30,614		30,614					30,614	0	0
Permanent Loan Fees	6,335		6,335					6,335	0	0
Project Development/Management/Overhead	0		0					0	0	0
Environmental Study & Geotech	7,249		7,249					7,249	0	0
EarthCraft	11,200		11,200					11,200	0	0
Appraisal Fee & Market Study	10,750		10,750					10,750	0	0
Contingency	8,000		8,000					8,000	0	0
Tax Credit Fee	29,869		29,869					29,869	0	0
Misc Redevelopment	0		0					0	0	0
Replacement Reserve	20,000					20,000		20,000	0	0
Lease Up	30,000					30,000		30,000	0	0
Operating Reserve	250,000					250,000		250,000	0	0
Developer's Fees	715,000		715,000					715,000	0	0
Special Inspections	0							0	0	0
PROJECT TOTAL	6,618,463	0	5,641,416	79,067	0	313,000	585,000	6,618,463	0	0
OVERALL TOTAL	6,618,463	0	5,641,416	79,067	0	313,000	585,000	6,618,463	0	0

Depreciation and Amortization Schedules

ANNUAL AMORTIZATION	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Total	461	461	461	461	461	461	461	461	461	461	461	461	461	461	461	461	461
Permanent Legal	13,843																
Legal Partnership	22,000	1,467	1,467	1,467	1,467	1,467	1,467	1,467	1,467	1,467	1,467	1,467	1,467	1,467	1,467	1,467	1,467
Permanent loan fee	6,335	211	211	211	211	211	211	211	211	211	211	211	211	211	211	211	211
Cost Cert/Reation	7,000	467	467	467	467	467	467	467	467	467	467	467	467	467	467	467	467
Tax Credit Fee	25,869	1,991	1,991	1,991	1,991	1,991	1,991	1,991	1,991	1,991	1,991	1,991	1,991	1,991	1,991	1,991	1,991
Other																	
Total	79,047	4,597	4,597	4,597	4,597	4,597	4,597	4,597	4,597	4,597	4,597	4,597	4,597	4,597	4,597	4,597	4,597
Tot. From Sched.	29,047																
ANNUAL DEPRECIATION	27.5	197,870	197,870	197,870	197,870	197,870	197,870	197,870	197,870	197,870	197,870	197,870	197,870	197,870	197,870	197,870	197,870
Housing Building																	
Commercial Building	40																
FF&E																	
Site Work	10,000	19,000	17,100	15,400	13,860	12,460	11,800	11,800	11,820	11,800	11,820	11,800	11,820	11,800	11,820	11,800	11,820
Total	207,870	216,870	214,970	213,270	211,730	212,584	211,924	211,924	213,193	213,173	213,193	214,302	214,322	214,302	215,496	209,516	208,516

Depreciable Basis Calculation

4% Acquisition	0
5% Basis	5,641,416
No Credit Depreciable	0
Total Housing Building	5,641,416
Site Work	200,000
FF&E	0
Commercial	0
Housing Historic	0
Commercial Historic	0
Commercial Dep. Basis	0
Housing Building	5,441,416
15 year property	200,000

TAX CREDIT ASSUMPTIONS

Tax Credit Rates:	
4%	0.00%
9%	9.00%
Annual Tax Credit	405,268
Credit Allocated to Project	405,268
Credit Calculated for Project	558,271
Credit Calc Net of Exchange	558,271
Applicable Percentage	100.00%
Qualified Census Tracts	0.00%

Credit calculation

Basis (from Page 7)	5,641,416	Acquisition Basis	0
Applicable Percentage	100%	Applicable %	100%
Adjustments	0		
Basis Boost: EarthGrant per VHDA	561,593	Basis Boost	0
Credit Basis	6,203,009	Credit Basis	0
Credit Rate	0	Credit Rate	0.00%
Calculated Rehab Credit	558,271	Calc. Acquisit Credit	0
Total			558,271

HISTORIC TAX CREDITS

Historic Credit Basis	0	Housing Percent	100.00%
Federal Historic Credit	0	Housing Portion	0
State Historic Credit	0		
State historic benefit	0		

Basic Adjustments

Historic Credit	0
Grants	0
Federal Financing	0
Other: Solar	0
TOTAL	0

Cedar Grove

PROJECT FINANCING

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	
SPARC																		
Principal Balance	1,177,000					540,000					789,960							
Interest Rate	3.70%					3.00%					2.65%							
Term	30					20					32							
Annual Debt Serv.	65010					16200					0							
MORTGAGE AMORTIZATION																		
VHDA - SPARC																		
Payment	10,835	65,010	65,010	65,010	65,010	65,010	65,010	65,010	65,010	65,010	65,010	65,010	65,010	65,010	65,010	65,010	65,010	65,010
Interest	7,247	43,009	42,180	41,313	40,426	39,499	38,538	37,540	36,504	35,429	34,314	33,157	31,956	30,710	29,417	28,076	26,683	25,240
Principal	3,588	22,001	22,831	23,691	24,584	25,511	26,473	27,471	28,506	29,581	30,696	31,853	33,054	34,300	35,593	36,935	38,327	39,766
Year End Bal.	1,173,412	1,151,411	1,128,580	1,104,889	1,080,305	1,054,794	1,028,321	1,000,850	972,344	942,763	912,067	880,214	847,160	812,860	777,267	740,332	702,005	663,288
DHCD - HOME																		
Payment	2,700	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200
Interest	2,700	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200
Principal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Year End Bal.	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000
VBCDC - NSP																		
Payment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest	14,080	21,583	22,173	22,769	23,380	24,008	24,653	25,315	25,995	26,693	27,410	27,924	28,188	28,412	28,631	28,840	29,040	29,240
Principal	-14,080	-21,583	-22,173	-22,769	-23,380	-24,008	-24,653	-25,315	-25,995	-26,693	-27,410	-11,400	-8,535	-8,343	-8,192	-7,984	-7,713	-7,413
Year End Bal.	804,040	825,634	847,807	870,575	893,955	917,963	942,616	967,931	993,925	1,020,618	1,048,027	1,059,427	1,067,962	1,075,304	1,084,496	1,092,080	1,099,593	1,107,000
Southwestern VA Housing Corp - Local HOME																		
Principa l Balance	450000					450000					450000							
Interest Rate	0.00%					0.00%					0.00%							
Term	32					32					32							
Annual Debt Service	0					450000					450000							
Other																		
Payment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Principal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Year End Bal.	450000	450000	450000	450000	450000	450000	450000	450000	450000	450000	450000	450000	450000	450000	450000	450000	450000	450000
Exchanges																		
Principa l Balance	0					0					0							
Interest Rate	0.00%					0.00%					0.00%							
Term	0					0					0							
Annual Debt Service	0					0					0							
GP Deferred Developer Fee																		
Principa l Balance	161403					0					0							
Interest Rate	0.000%					0.000%					0.000%							
Term	13					13					13							
Annual Debt Service	0					0					0							
GP Capital Contribution																		
Payment	0	12,695	13,472	14,228	14,954	15,656	16,328	16,971	17,580	18,156	18,694	2,670	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Principal	0	12,695	13,472	14,226	14,954	15,656	16,328	16,971	17,580	18,156	18,694	2,670	0	0	0	0	0	0
Year End Bal.	161,403	148,708	135,235	121,010	106,055	90,400	74,071	57,101	39,520	21,365	2,670	0	0	0	0	0	0	0

Cedar Grove

Equity Investment Page

Installment Number	1	2	3	4	5	6	7	Total	Budget	Difference
Projected Date	25-Jun-12	01-Oct-12	01-Feb-13	15-May-13	01-Oct-13	30-May-14	5/1/2017		3,500,000	0
Gross Contribution	500,000	600,000	600,000	600,000	650,000	300,000	250,000	3,500,000	3,500,000	0
Distribution										
Other	0	0	0	0	0	0	0	0	0	0
Project Development	500,000	600,000	600,000	570,000	376,403	0	0	2,646,403	2,646,403	0
Developers' Fee (cash)	0	0	0	0	253,597	300,000	0	553,597	553,597	0
Operating Reserve	0	0	0	0	0	0	250,000	250,000	250,000	0
Lease Up Reserve	0	0	0	30,000	0	0	0	30,000	30,000	0
Replacement Reserve	0	0	0	0	30,000	0	0	20,000	20,000	0
TOTAL	500,000	600,000	600,000	600,000	650,000	300,000	250,000	3,500,000	3,500,000	0
		25%	50%	75%						

Cedar Grove

CAPITAL ACCOUNT ANALYSIS

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Project Investment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Dev Advisory Fee	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Exchange	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital Investment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Project Profits	-263043	-195043	-191818	-188793	-185930	-186248	-185074	-183800	-184235	-163399	-182186	-182242	-180959	-179205	-178979	-167272	-159612
Historic Tax Credits	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Capital Change	-263043	-195043	-191818	-188793	-185930	-186248	-185074	-183800	-184235	-163399	-182186	-182242	-180959	-179205	-178979	-167272	-159612
Capital Acc. Balance	3236957	3041913	2850095	2661302	2475372	2289124	2104050	1920250	1736015	1552616	1370430	1188188	1007229	828024	649044	481772	322160

Minimum Gain

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Project Basis	6,153,416	5,945,546	5,728,677	5,513,707	5,300,437	5,150,710	4,938,125	4,726,201	4,548,621	4,335,428	4,122,254	3,940,093	3,725,791	3,511,470	3,327,803	3,112,367	2,902,852
Begin Bal (Inc. land) + Rep. Res Imp	207,870	216,870	214,970	213,270	211,730	212,584	211,924	211,924	213,193	213,173	214,302	214,302	214,302	214,302	215,436	209,516	203,616
Depreciation	5,945,546	5,728,677	5,513,707	5,300,437	5,088,708	4,938,125	4,726,201	4,514,277	4,335,428	4,122,254	3,909,061	3,725,791	3,511,470	3,297,168	3,112,367	2,902,852	2,699,236
Ending Balance	1,173,412	1,151,411	1,128,580	1,104,889	1,080,305	1,054,794	1,028,321	1,000,850	973,344	942,763	912,067	880,214	847,160	812,860	777,267	740,332	702,005
Nonrecourse Debt	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000
VHDA - SPARC	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
DHCD - HOME	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
VBCDC - NSP	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Southeastern VA Housing Corp - Local HOME	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GP Deferred Developer Fee	1,713,412	1,691,411	1,668,580	1,644,889	1,620,305	1,594,794	1,568,321	1,540,850	1,512,344	1,482,763	1,452,067	1,420,214	1,387,160	1,352,860	1,317,267	1,280,332	1,242,005
Building Basis	5,945,546	5,728,677	5,513,707	5,300,437	5,088,708	4,938,125	4,726,201	4,514,277	4,335,428	4,122,254	3,909,061	3,725,791	3,511,470	3,297,168	3,112,367	2,902,852	2,699,236
Reserves Pledged	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating Reserve	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Replacement Reserve	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Minimum Gain	-4,232,134	-4,037,266	-3,845,127	-3,655,548	-3,468,403	-3,343,333	-3,157,880	-2,973,426	-2,823,083	-2,639,491	-2,456,994	-2,305,577	-2,174,309	-1,944,308	-1,795,100	-1,622,519	-1,457,231

Cedar Grove

CAPITAL ACCOUNT RECONCILIATION

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Reserves (Cash)	234,059	237,025	235,988	242,988	246,025	249,101	252,214	255,367	258,559	261,791	265,064	268,377	271,732	275,128	278,567	282,049	285,575
Project Costs	6,318,463	6,318,463	6,318,463	6,318,463	6,318,463	6,318,463	6,318,463	6,318,463	6,318,463	6,318,463	6,318,463	6,318,463	6,318,463	6,318,463	6,318,463	6,318,463	6,318,463
Dev Adv. Fee	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sum Depreciation	207,870	424,739	639,709	852,979	1,064,708	1,277,293	1,489,217	1,701,141	1,914,334	2,127,508	2,340,701	2,555,002	2,769,324	2,983,625	3,199,061	3,408,577	3,614,192
Sum Amortization	4,597	9,194	13,792	18,389	22,986	27,583	32,180	36,778	41,375	45,972	50,569	55,166	59,764	64,361	68,958	73,555	78,152
Cumulative Operating Capital Expenditures	25,791	36,165	46,802	57,709	68,891	79,757	90,623	101,489	112,355	123,221	134,087	144,953	155,819	166,685	177,551	188,417	199,283
Replacement Reserve	6,365,886	6,157,720	5,951,753	5,747,792	5,545,685	5,342,260	5,139,018	4,936,073	4,731,728	4,527,267	4,323,082	4,117,698	3,912,201	3,707,021	3,500,623	3,303,982	3,113,541
Assets	1,173,412	1,151,411	1,128,580	1,104,889	1,080,305	1,054,794	1,028,321	1,000,850	973,344	942,763	912,067	880,214	847,160	812,860	777,267	740,332	702,005
VHDA - SPARC	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000	540,000
DHCD - HOME	804,040	825,634	847,807	870,575	893,955	917,963	942,616	967,931	993,925	1,020,638	1,048,027	1,059,427	1,067,962	1,076,304	1,084,496	1,092,080	1,099,593
VBCDC - NSP	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000
Southeastern VA Housing Corp - Local HOME	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Exchange	161,403	148,708	135,235	121,010	106,055	90,400	74,071	57,101	39,520	21,365	2,670	0	0	0	0	0	0
GP Deferred Developer Fee	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000
Equity	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
General Partner Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ADV Fee	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Bridge Interest During Construction	-263,059	-458,132	-649,970	-838,782	-1,024,730	-1,210,997	-1,396,090	-1,579,908	-1,764,162	-1,947,579	-2,129,783	-2,312,043	-2,493,021	-2,672,244	-2,851,241	-3,018,530	-3,178,158
Retained Earnings	6,365,886	6,157,720	5,951,753	5,747,792	5,545,685	5,342,260	5,139,018	4,936,073	4,731,728	4,527,267	4,323,082	4,117,698	3,912,201	3,707,021	3,500,623	3,303,982	3,113,541
Liab and NW	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GP Capital Contribution	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Excess assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Annual Variance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Cedar Grove

Seller's Exit Tax Liability and Net Benefit

EXIT TAX LIABILITY		
Outstanding Loans		
VHDA - SPARC	702,005	
DHCD - HOME	540,000	
VBCDC - NSP	1,099,593	
Southeastern VA Housing Corp - Local HOME	450,000	
Other	0	
GP Deferred Developer Fee	0	2,791,599
TOTAL OUTSTANDING LOANS		2,791,599
Construction Period Cash Flow		0
GP Capital Account		100
Exit tax Liability		0
Cash on Hand		-319,561
GROSS SALE PROCEEDS		2,472,138
Total Development Costs	6,618,463	
Capital Improvements from Replacement Res	158,012	
Less:		
Historic Credit	0	
Total Depreciation	3,612,192	
Total Amortization	70,303	
Expensed	0	
Initial Replacement Reserve	20,000	
Initial Lease Up Reserve	30,000	
Initial Operating Reserve	250,000	
REMAINING BASIS		2,793,980
Capital Gain From Sale		-321,842
Tax on gain	35.00%	-112,645

NET BENEFIT (LIABILITY) ON SALE	
Unallocated Cash on Hand	0
Payment for Exit Tax Liability	0
Less: Tax on Gain	-112,645
Potential Net Benefit	112,645

Capital Account Check	
Original Capital Contributions	3,500,000
Exchange	0
Total Passive Losses	3,178,158
Historic Rehab Credit	0
Cash Distribution of Incentive Fee	0
Cash Distributed at Sale (Exit Tax)	0
Unamortized Bridge Interest	0
Estimated Reserves Expended During Operation	0
Development Financing (Surplus) Deficit	0
Capital Account Balance	321,842
Gain/(Loss) On sale	-321,842
Variance	0

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Cash On Hand	
Operating Reserve Account	285,575
Replacement Reserve Account	33,986
TOTAL CASH ON HAND	319,561

Construction Completion & Lease-Up Schedule

Previous Year	2013 Units Completed	Units Leased	Unit Months
January	0	0	0
February	0	0	0
March	0	0	0
April	0	0	0
May	0	0	0
June	0	0	0
July	0	0	0
August	0	0	0
September	32	0	0
October	0	16	48
November	0	8	16
December	0	8	8
Total	32	32	72

2013

Total Units in Project	32
Percent of Unit Months Occupied	18.75%
Unit Months Occupied	2.25
First Year Credits (Yes/No)?	Yes
Annual Credits	75988

Previous Year	2014 Units Completed	Units Leased	Unit Months
January	0	0	384
February	0	0	0
March	0	0	0
April	0	0	0
May	0	0	0
June	0	0	0
July	0	0	0
August	0	0	0
September	0	0	0
October	0	0	0
November	0	0	0
December	0	0	0
Total	0	0	384
Previous Yr Total	32	32	
Grand Total	32	32	

2014

Total Units in Project	32
Percent of Unit Months Occupied	100.00%
Unit Months Occupied	12.0000
First Year Credits (Yes/No)?	No
Annual Credits	405268

EXHIBIT I
TO PARTNERSHIP AGREEMENT
INSURANCE REQUIREMENTS

I. Immediately upon, or prior to, the admission of the Limited Partner (or Investor Member), and throughout the term of this Agreement, General Partner (or Managing Member) shall obtain, and maintain in full force and effect, the following policies of insurance:

- Commercial General Liability insurance, insuring for legal liability of the Partnership (or LLC), and caused by bodily injury, property damage, personal injury or advertising injury, arising out of the ownership or management of the Project and including the costs to defend such actions brought against the Partnership (or LLC). The policy shall include endorsements adding the Limited Partner (or Investor Member) and Special Limited Partner (or Special Member) as additional insureds and certificate holders, and shall be primary coverage for the additional insureds and certificate holders, without contribution from other valid insurance policies which may be carried directly by the additional insureds and certificate holders. Limits of the policy shall be at least \$1 million per occurrence and \$2 million in the aggregate. The Limited Partner (or Investor Member) prefers to have a separate policy for each project however, if the policy is written on a blanket basis, and includes other properties, the aggregate limits must be written on a "per project basis." After construction Commercial General Liability shall include products and completed operations insurance. The policy may not contain exclusions for loss or damage caused by mold, fungus, moisture, microbial contamination or pathogenic organisms in connection with another covered peril (e.g. mold in connection with water damage caused by storm or fire, unless the Limited Partner (or Investor Member) determines that such insurance is unavailable and that the potential risk for loss or damage is minimal. The following coverages are required as endorsements to the policy:
 - Automobile Liability insurance, insuring for legal liability of the Partnership (or LLC), and caused by bodily injury, property damage, or personal injury arising out of the ownership or use of motor vehicles, including vehicles not owned by the Partnership or (LLC), including uninsured motorist liability, and including the costs to defend such actions brought against the Partnership or (LLC). The policy shall include endorsements adding the Limited Partner (Investor Member) and Special Limited Partner (or Special Member) as additional insureds, and shall be primary coverage for the additional insureds, without contribution from other valid insurance policies which may be carried directly by the additional insureds. Limits of the policy shall be at least \$1 million combined single limits per accident.

- In the event that the Partnership (or LLC) has an employee(s), Worker's Compensation insurance, insuring for occupational disease or injury and employer's liability, and covering the Partnership's (or LLC's) full liability for statutory compensation to any person or persons who perform work for the Partnership (or LLC) or perform duties on the site of the Project, and liability to the dependents of such persons. The policy will be in a form which complies with the worker's compensation acts and safety laws of the state in which the Project is located. Worker's Compensation limits shall be statutory; Employer's Liability limits shall be at least \$1 million per occurrence.

II. Prior to the commencement of any construction of the Project, General Partner or Managing Member shall obtain and keep in force until the Final Closing:

- Builder's Risk insurance, insuring for all risks of physical loss of or damage (excluding the perils of earthquake and flood, unless specifically required by the Limited Partner (or Investor Member) or Special Limited Partner (or Special Member)) to the real property comprising or intended to comprise the Project construction, and personal property of the Partnership (or LLC) used to maintain or service the Project construction, whether located at the site or elsewhere, including while in-transit. Coverage and limits shall be extended to include the loss of anticipated rents sustained due to an insured loss, for a period of at least twelve months from the date of such loss. The Policy shall provide for claims to be paid based upon replacement cost of the lost or damaged property without deduction for depreciation and for any additional architectural or engineering fees incurred as a result of an insured loss and any other soft costs (see attached worksheet); loss payment shall be to the Partnership. Limits of policy will be at least the estimated replacement value of the completed Project. The policy shall have a deductible of no greater than \$10,000 per occurrence. The Limited Partner (or Investor Member) will consider higher deductibles based on the financial standing of the Guarantor. The policy shall carry no coinsurance provisions. The policy shall include an endorsement naming the Limited Partner (or Investor Member) and Special Limited Partner (or Special Member) as Loss Payees and Certificate Holders, as their interests may appear, and as additional insureds, and shall allow the Limited Partner (or Investor Member) and Special Limited Partner (or Special Member) to be associated in the adjustment of any claim.
- Other forms or types of insurance which the Limited Partner (or Investor Member) or Special Limited Partner (or Special Member) may now or hereafter require, including without limitation, earthquake, flood, windstorm, pollution, sinkhole/mine subsidence, ordinance and law coverage and other special hazards.

III. Prior to the commencement of any construction of the Project, General Partner (or Managing Member) shall cause to be obtained by the General Contractor and keep in force until the Final Closing:

- Evidence from the Contractor of Worker's Compensation insurance, insuring for occupational disease or injury and employer's liability, and covering the Contractor's full liability for statutory compensation to any person or persons who perform work in, on, or about the Project construction, including the employees of sub-contractors of any tier, and liability to the dependents of such persons. The policy will be in a form which complies with the worker's compensation acts and safety laws of the state in which the Project is located. Worker's Compensation limits shall be statutory; Employer's Liability Limits shall be at least \$1 million per occurrence.
- Comprehensive General Liability and Property Damage Insurance (including limited contractual liability and completed operations) in the amount of not less than \$1 million per occurrence and \$2 million in the aggregate covering personal injury, bodily injury and property damage, and covering products and completed operations for a minimum of three years following completion of construction. The policy shall include an endorsement naming the Partnership (or LLC), Limited Partner (or Investor Member), and Special Limited Partner (or Special Member) as additional insureds and certificate holders.
- Comprehensive Automobile Liability Insurance, including hired and non-owned vehicles, if any, in the amount of not less than \$1 million covering personal injury, bodily injury and property damage.

IV. General Partner (or Managing Member) shall cause to be provided by the architect for the renovation/construction of the Project, and keep in force until Final Closing:

- Architect's professional liability insurance in the amount of not less than \$1 million (including contractual liability coverage with all coverage retroactive to the earlier of the date of this Agreement or the commencement of the Architects' services in relation to the Project) covering personal injury, bodily injury and property damages. The policy shall include an endorsement naming the Partnership (or LLC), Limited Partner (or Investor Member), and Special Limited Partner (or Special Member) as Certificate Holders.
- Comprehensive General Liability Insurance (including limited contractual liability and completed operations) in the amount of not less than \$1 million covering personal injury, bodily injury and property damage. The policy shall include an endorsement naming the Partnership (or LLC), Limited Partner (or Investor Member), and Special Limited Partner (or Special member) as additional insureds and Certificate Holders.

V. Management Agent shall furnish and maintain, at the expense of the Property, for the duration of the Agreement and any extensions thereof, plus thirty (30) days after the expiration or termination thereof:

- Commercial blanket bond in favor of Partnership (or LLC), in an amount not less than the sum of (a) six (6) months, potential maximum gross rents for the Property plus (b) aggregate tenant security deposits held from time to time, both in amounts as determined by Partnership (or LLC), and in a form and with a company acceptable to Partnership (or LLC), which commercial blanket bond shall cover Agent and all employees hired by Agent in connection with the Agreement. Such fidelity bond shall cover losses discovered by Partnership within two (2) years after the occurrence of such losses. Such fidelity bond shall contain a written provision that Partnership (or LLC) shall be given at least ten (10) days, prior written notice of cancellation.
- Statutory workers compensation and other employee benefits required by all applicable laws, and shall maintain employer's liability insurance for an amount not less than \$1 million covering claims and suits by or on behalf of employees and others, not otherwise covered by statutory workers' compensation insurance. Partnership (or LLC), Limited Partner (or Investor Member), and Special Limited Partner (or Special Member) shall be protected in all such insurance by specific inclusion of Partnership (or LLC) under an additional insured or alternate employer rider. Agent shall provide Partnership (or LLC) with a certificate of insurance evidencing that workers, compensation and employer's liability insurance is in force and providing not less than ten (10) days notice to Partnership (or LLC) prior to cancellation.
- Comprehensive General Liability Insurance in the amount of not less than one million dollars (\$1,000,000.00) covering personal injury, bodily injury and property damage.

In some cases the Property Manager may also be asked to furnish and maintain, at the expense of the Property, for the duration of the Agreement and any extensions thereof, plus thirty (30) days after the expiration or termination thereof:

- Comprehensive Automobile Liability Insurance, including hired and non-owned vehicles, if any, in the amount of not less than \$1 million covering personal injury, bodily injury and property damage.

VI. Prior to any occupancy of the Project, General Partner (or Managing Member) shall obtain, on behalf of the Partnership (or LLC) and shall maintain in full force and effect throughout the term of this Agreement, the following policies of insurance:

- Property Damage insurance, insuring for all risks of physical loss of or damage (excluding the perils of earthquake and flood, unless specifically required by the Limited Partner) to the real property comprising the Project, personal property of the Partnership (or LLC) used to maintain or service the Project, and new construction, additions,

alterations and repairs to structures. The Policy shall provide for claims to be paid based upon replacement cost of the lost or damaged property without deduction for depreciation; loss payment shall be to the Partnership (or LLC). Limits of policy will be at least the replacement value of the Project (excluding from the value of the Project, site utilities, foundations and architectural and engineering expenses). The policy shall have a deductible of no greater than \$10,000 per occurrence. The Limited Partner (or Investor Member) will consider higher deductibles based on the financial standing of the Guarantor. The policy shall carry no coinsurance provisions. Coverage and limits shall be extended to include the actual loss of rents sustained due to an insured loss, for a period of at least twelve months from the date of such loss. Coverage shall be further extended to include debris removal, outdoor trees, shrubs, plants and lawns, and Ordinance or Law coverage for the increased costs of construction caused by the enforcement of building, zoning or Project use law. The policy shall include an endorsement naming the Limited Partner (or Investor Member) and Special Limited Partner (or Special Member) as Loss Payees and Certificate Holders, as their interests may appear, and as additional insureds, and shall allow the Limited Partner (or Investor Member) and Special Limited Partner (or Special Member) to be associated in the adjustment of any claim.

VII. In cases where the Partnership or LLC contracts directly with any contractor (other than as described in III), the General Partner (or Managing Member) shall obtain, on behalf of the Partnership (or LLC) and shall maintain in full force and effect throughout the term of this Agreement, the following policies of insurance:

- Evidence of Worker's Compensation insurance from any contractor performing work for the Partnership (or LLC), insuring for occupational disease or injury and employer's liability, and covering the Contractor's full liability for statutory compensation to any person or persons who perform work in, on, or about the Project, including the employees of sub-contractors of any tier, and liability to the dependents of such persons. The policy will be in a form which complies with the worker's compensation acts and safety laws of the state in which the Project is located. Worker's Compensation limits shall be statutory; Employer's Liability limits shall be at least \$1 million per occurrence.
- If applicable, boiler and machinery insurance written on a comprehensive form basis.
- Rental Interruption insurance in amounts required by all lenders, but not less than the equivalent of actual loss sustained or twelve months' gross rental income.

All such policies (in I-VII) shall be underwritten by companies licensed to write such insurance in the state in which the Project is located, and shall be rated in the latest A.M. Best's Insurance Rating Guide with a rating of at least A, and be in a financial category of at least X. Each policy must be for a term of not less than one year. The General Partner (or Managing Member) shall furnish to the Limited Partner (Investor Member) and Special Limited Partner (or Special member) a complete copy of each such policy of insurance. If the policy is not available prior to

the Final Closing, then certificates of insurance detailing the policy terms and conditions as noted above shall be provided, but the policies must then be provided within sixty days. All such policies shall include endorsements requiring at least 30 days prior written notice to the Limited Partner (or Investor Member) and Special Limited Partner (or Special Member) of any cancellation, termination or reduction of coverage therein. Notice of the renewal of any policy shall be made at least 10 days prior to the scheduled date of such renewal, and shall be in the form of endorsement to the policy. Notice to the Limited Partner (or Investor Member) and Special Limited Partner (or Special Member) of any replacement of any policy shall be made at least 10 days prior to such replacement, and shall be in the form of a copy of the replacement policy, or by certificate, as noted above.

The General Partner (or Managing Member) hereby releases and relieves the Limited Partner (or Investor Member) and Special Limited Partner (or Special Member) for any and all liability, and waives its entire right of recovery against them, with respect to any loss or damage of property or for property damage, bodily injury or personal injury to third-parties arising out of or incident to any loss or peril insured against under any for the foregoing policies, and any other perils for which the General Partner (or Managing Member) has arranged insurance.

ATTACHMENT

[Builder's Risk Construction Period Insurance Coverage]

Hard Costs

Building Shell	\$3,894,100
Direct Construction Costs	<u>\$605,900</u>
TOTAL	\$4,500,000

Soft Costs

Construction Period Interest	\$81,315
Taxes	\$2,003
Insurance	\$25,988
A&E	\$113,000
Developer's Fees	\$715,000
Financing Fees	\$6,335
Lease Up	\$30,000
Rent Loss	\$265,584
Historic Credits	\$0
Property in Transit	\$100,000
TOTAL	\$1,339,225
TOTAL	\$5,839,225

EXHIBIT J

FORM OF AGREEMENT TO PROVIDE ACCOUNTING AND REPORTING SERVICES

THIS AGREEMENT TO PROVIDE ACCOUNTING AND REPORTING SERVICES ("Agreement") made as of June 28, 2012 by and between Cedar Grove 2011 Limited Partnership, a Virginia limited partnership (the "Partnership") and Virginia Housing Capital Corporation ("VHCC").

RECITALS

1. The Partnership was formed to acquire, construct, develop, improve, maintain, own, operate, lease, dispose of and otherwise deal with an apartment project to be known as Cedar Grove Apartments, located in Virginia Beach, Virginia (the "Project").

2. The Partnership is governed by the terms of that certain Amended and Restated Agreement of Limited Partnership dated June 28, 2012 ("Partnership Agreement") by and among Vets' Housing, Inc. as General Partner and Housing Equity Fund of Virginia XV, L.L.C. as Limited Partner.

3. The Project, following the completion of construction, is expected to constitute a "qualified low-income housing project" (as defined in Section 42(g)(1) of the Code).

4. The Partnership desires to engage the services of VHCC in connection with certain accounting and reporting matters of the Partnership, and VHCC desires to perform such services on the terms and conditions more fully set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and conditions set forth herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

Section 1. Definitions.

Unless indicated to the contrary herein, capitalized terms used herein shall have the same meaning as set forth in the Partnership Agreement.

Section 2. Reports.

(a) Within 120 days after the end of each fiscal year of the Partnership, VHCC shall cause to be delivered to the Partners with respect to such fiscal year the following financial statements:

(i) Audited financial statements for the Partnership (consisting of a balance sheet, income statement and statement of cash flows) prepared in accordance with generally accepted accounting principles, consistently applied;

(ii) A statement and reconciliation of each Partner's Capital Account;

(iii) A statement of the tax basis for the computation of the Tax Credits and depreciation deductions;

(iv) A cash flow statement for such year, which includes a detailed itemization of all Partnership receipts and expenses, including the amount of fees, expenses and other compensation paid by the Partnership to the General Partner and its Affiliates; and

(v) A narrative report summarizing the status of the Partnership's operations.

(b) Within 45 days after the end of each fiscal year of the Partnership, VHCC shall deliver or cause to be delivered to the Partners with respect to such fiscal year a statement showing all items of income, gain, loss, deduction and credit of the Partnership for federal income tax purposes and each Partner's allocable share thereof. The Partners shall have a period of 10 days after their receipt of the aforementioned tax statement to review the same and give any comments thereon to VHCC; it being the express understanding of the parties hereto that VHCC will in no event file or cause any tax returns or reports of the Partnership to be filed prior to the expiration of the aforementioned 10-day period. After the expiration of the aforementioned 10-day period (and any longer period of time which shall be necessary to respond to the changes thereto requested by a Partner), but in no event later than the date prescribed by law therefor, VHCC shall cause all tax returns and reports required to be filed by the Partnership to be prepared and timely filed with the appropriate authorities and shall furnish to the Partners such tax returns and reports, and all information necessary for the preparation by the Partners, and their partners and shareholders, of their federal, state and local, if any, income tax returns. The General Partner shall retain such tax returns and reports for the Partnership for as long as is required by applicable law, but not less than five years.

(c) The obligations of VHCC hereunder are conditioned upon the General Partner promptly providing to VHCC any information concerning Partnership affairs related to, or required for, the performance of such obligations.

Section 3. Accounting Services Fee

As a fee for its services performed hereunder, VHCC shall be paid a fee equal to \$5,900 for each calendar year (or portion thereof), increasing annually at the rate of three percent (3%) per annum.

Section 4. Applicable Law.

This Agreement, and the application or interpretation hereof, shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

Section 5. Binding Agreement.

This Agreement shall be binding on the parties hereto, their heirs, executors, personal representatives, successors and assigns. As long as VHCC is not in default under this Agreement, the obligation of the Partnership to pay the Accounting Services Fee (described in Section 3 hereof) shall not be affected by any change in the identity of the General Partner of the Partnership.

Section 6. Headings.

All section headings in this Agreement are for convenience of reference only and are not intended to qualify the meaning of any section.

Section 7. Terminology.

All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders, the singular shall include the plural, and vice versa as the context may require.

Section 8. Benefit of Agreement.

The obligations and undertakings of VHCC set forth in this Agreement are made for the benefit of the Partnership and its Partners and shall not inure to the benefit of any creditor of the Partnership other than a Partner, notwithstanding any pledge or assignment by the Partnership of this Agreement of any rights hereunder.

Section 9. Termination.

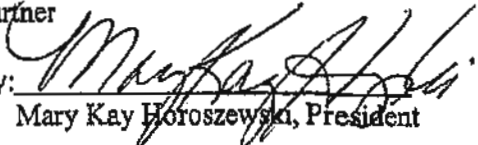
VHCC shall have the right to terminate this Agreement upon providing ninety (90) days written notice to the Partnership, at the following address: Kanady & Quinn, P.C., 9200 Forest Hill Avenue, Suite C, Richmond, VA 23235, Attention: Johnson Kanady III.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first written above.

PARTNERSHIP:

Cedar Grove 2011 Limited Partnership, a
Virginia limited partnership

By: Vets' Housing, Inc.
a Virginia corporation, its General
Partner

By: 
Mary Kay Horoszewski, President

VHCC:

Virginia Housing Capital Corporation, a
Virginia not-for-profit corporation

By: _____
Gary D. Schwam, Treasurer

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first written above.

PARTNERSHIP:

Cedar Grove 2011 Limited Partnership, a
Virginia limited partnership

By: Vets' Housing, Inc.
a Virginia corporation, its General
Partner

By: _____
Mary Kay Horoszewski, President

VHCC:

Virginia Housing Capital Corporation, a
Virginia not-for-profit corporation

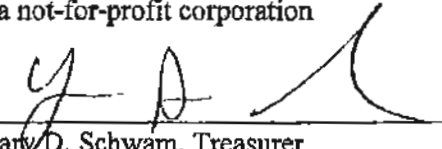
By: 
Gary D. Schwam, Treasurer

EXHIBIT K

POST CLOSING OBLIGATIONS

June 28, 2012

Kanady & Quinn, P.C.
9200 Forest Hill Avenue, Suite C
Richmond, VA 23235
Attention: Johnson Kanady III
Attention: MaryKay Horoszewski

Re: Due Diligence Post-Closing Letter for
Cedar Grove 2011 Limited Partnership (the "Partnership")

Dear Ms. Horoszewski:

As a condition to the equity closing of the Amended and Restated Limited Partnership Agreement of Cedar Grove 2011 Limited Partnership (the "Partnership Agreement") with Housing Equity Fund of Virginia XV, L.L.C. ("Limited Partner"), Vets' Housing, Inc. (the "General Partner" has agreed, on behalf of itself and the Partnership, to sign this post-closing letter which details certain due diligence items which were to have been delivered prior to closing, but which will now be delivered to Limited Partner by the General Partner at a later date. Limited Partner has agreed to the later delivery of these items as an accommodation to the General Partner in order to expedite the closing. The delivery of these items is a condition to the funding by Limited Partner of any additional capital contributions by it under the Partnership Agreement.

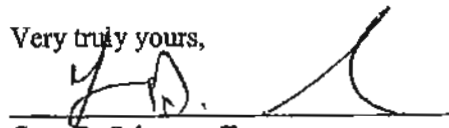
To that end, the General Partner agrees to deliver (in form and substance reasonably satisfactory to Limited Partner), the items set forth on the attached list, by the date indicated.

The General Partner understands that its execution of this Post-Closing Letter was a material inducement to the Limited Partner to enter into the Partnership Agreement. The General Partner also understands and agrees to cooperate with Limited Partner in connection with any reasonable additional information requests that any investor of Limited Partner may have in connection with this Project. If the above listed items are not delivered as required and Limited Partner provides General Partner written notice of same, and General Partner fails to materially cure such default within ten (10) days of receipt of such notice, Limited Partner may elect, at its sole option, by written notice to you, to declare a default under the Partnership Agreement, or at its election, provide notice that it desires to terminate the Partnership, and the General Partner agrees to immediately take such action as may be necessary to either terminate

the Partnership or repurchase the interest of Limited Partner, as provided in the Partnership Agreement.

Except as expressly provided herein, the terms and conditions set forth in the Partnership Agreement shall remain in full force and effect. All defined terms used herein, shall have the meaning set forth in the Partnership Agreement.

Very truly yours,

A handwritten signature in black ink, appearing to read "G.D. Schwam", is written over a horizontal line.

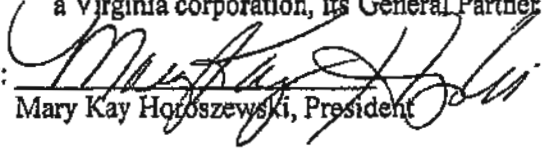
Gary D. Schwam, Treasurer

Agreed to as of the day written above:

PARTNERSHIP:

Virginia Beach Community Development Corporation,
a Virginia non-stock corporation

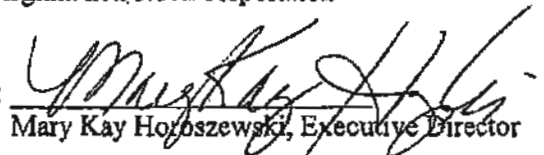
By: Vets' Housing, Inc.
a Virginia corporation, its General Partner

By: 
Mary Kay Horoszewski, President

The undersigned Affiliate Guarantor acknowledges the foregoing Post Closing requirements as of the day written above.

AFFILIATE GUARANTOR:

Virginia Beach Community Development
Corporation
a Virginia non stock corporation

By: 
Mary Kay Horoszewski, Executive Director

POST-CLOSING LIST

As of June 28, 2012

To be provided and approved by VCDC as specifically provided below:

	Item	Due Date
1.	Executed originals of Closing Items [#6,9] Executed copies of Closing Items [#59]	July 6, 2012
2.	Owner's Liability Insurance Certificates which expire 7/1/13	July 1, 2012
3.	Builder's Risk Insurance	July 9, 2012
4.	Final Owner's Title Policy, including copies of all documents recorded as of the closing date	July 19, 2012
5.	Accountant's 10% Cost Certification	December 15, 2012
6.	Executed Property Management Agreement and evidence of Property Management Insurance	Fourth Capital Contribution
7.	Evidence that Sponsor has made a 168(h) election	Upon the timely filing of its first tax return, expected in April 2013

EXHIBIT L

AMENDED AND RESTATED
PURCHASE OPTION AND RIGHT OF FIRST REFUSAL AGREEMENT

This Amended and Restated Purchase Option and Right of First Refusal Agreement ("Purchase Agreement") is made as of the 28th day of June, 2012, by and between Cedar Grove 2011 Limited Partnership, a Virginia limited partnership (the "Partnership"), Virginia Beach Community Development Corporation, a Virginia non-stock corporation ("Grantee"), and Vets' Housing, Inc., a Virginia corporation (the "General Partner"), and is consented to hereinbelow by Housing Equity Fund of Virginia XV, L.L.C., a Virginia limited liability company (the "Consenting Limited Partner").

Whereas, the General Partner and one or more other parties, concurrently with the execution and delivery of this Purchase Agreement, are entering into a certain Amended and Restated Agreement of Limited Partnership dated as of the date hereof (the "Agreement") continuing the Partnership by amending and restating a prior partnership agreement; and

Whereas, the General Partner is wholly owned and controlled by Grantee; and

Whereas, Grantee has been instrumental in the development of the Project Property, as described in the Agreement, and will act as guarantor of the obligations of the General Partner in the continuation of the Partnership for the further development of the Project Property; and

Whereas, the Project Property is or will be subject to one or more governmental agency regulatory agreements (collectively, the "Regulatory Agreement") restricting its use to low-income housing and may become subject to a low-income use restriction (the "Special Covenant") pursuant to the terms and conditions of this Agreement (such use restrictions under the Regulatory Agreement and any Special Covenant being referred to collectively herein as the "Use Restrictions"); and

Whereas, Grantee and the General Partner desire to provide for the continuation of the Project Property as low-income housing upon termination of the Partnership by Grantee purchasing the Project Property at the applicable price determined under this Purchase Agreement and operating the Project Property in accordance with the Use Restrictions; and

Whereas, as a condition precedent to the formation or continuation of the Partnership pursuant to the Agreement, Grantee and the General Partner have negotiated and required that the Partnership shall execute and deliver this Purchase Agreement in order to provide for such low-income housing, and the Consenting Limited Partner has consented to this Agreement in order to induce the General Partner to execute and deliver this Purchase Agreement and to induce Grantee to guarantee the General Partner's obligations thereunder;

Whereas, the Partnership and Grantee entered into a Purchase Option and Right of First Refusal Agreement dated as of June 17, 2011 (the "Prior Agreement") regarding the Project Property, which agreement was recorded on October 17, 2011 with the City of Virginia Beach, Virginia, as Document Number 20111017001066070, and the parties hereto intend that this Purchase Agreement is an amendment and restatement of such Purchase Option and Right of First Refusal Agreement.

Now, Therefore, in consideration of the execution and delivery of the Agreement and the payment by the Grantee to the Partnership of Ten and No/100 Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. **Grant of Option.** The Partnership hereby grants to Grantee an option (the "Option") to purchase the real estate, fixtures, and personal property comprising the Project Property or associated with the physical operation thereof, owned by the Partnership at the time of purchase (the "Property"), after the close of the fifteen (15) year compliance period for the low-income housing tax credit for the Project Property (the "Compliance Period") as determined under Section 42(i)(1) of the Internal Revenue Code of 1986, as amended (the "Code"), on the terms and conditions set forth in this Purchase Agreement and subject to the conditions precedent to exercise of the Option specified herein. The Project Property real estate is legally described in Exhibit A attached hereto and made a part hereof. The Regulatory Agreement containing the Use Restrictions to which the Project Property real estate will remain subject under Section 9 hereof is described in Exhibit B attached hereto and made a part hereof.

2. **Grant of Refusal Right.** In the event that the Partnership receives a bona fide offer to purchase the Project Property, which offer the Partnership intends to accept, Grantee shall have a right of first refusal to purchase the Property (the "Refusal Right") after the close of the Compliance Period, on the terms and conditions set forth in this Agreement and subject to the conditions precedent to exercise of the Refusal Right specified herein. In addition to all other applicable conditions set forth in this Agreement, (a) the foregoing grant of the Refusal Right shall be effective only if Grantee is currently and remains at all times hereafter, until (i) the Refusal Right has been exercised and the resulting purchase and sale has been closed or (ii) the Refusal Right has been assigned to a Permitted Assignee described in Section 10 hereof, whichever first occurs, a qualified nonprofit organization, as defined in Section 42(h) (5) (C) of the Code, and (b) any assignment of the Refusal Right permitted under this Agreement and the Refusal Right so assigned shall be effective only if the assignee is at the time of the assignment and remains at all times thereafter, until the Refusal Right has been exercised and the resulting purchase and sale has been closed, a Permitted Assignee described in Section 10 hereof meeting the requirements of Section 42(i)(7)(A) of the Code as determined in its judgment by tax counsel to the Consenting Limited Partner. Prior to accepting any such bona fide offer to purchase the Property, the Partnership shall notify Grantee, the General Partner, and the Consenting Limited Partner of such offer and deliver to each of them a copy thereof. The Partnership shall not accept any such offer unless and until the Refusal Right has expired without exercise by Grantee under Section 6 hereof.

3. **Purchase Price Under Option.** The purchase price for the Property pursuant to the Option shall be the greater of the following amounts, subject to the proviso set forth hereinbelow:

a. **Debt and Taxes.** An amount sufficient (i) to pay all debts (including partner loans) and liabilities of the Partnership upon its termination and liquidation as projected to occur immediately following the sale pursuant to the Option, and (ii) to distribute to the Partners, after payments under Section 11.04(a) and (b) of the Agreement and payments to the Limited Partner of an amount equal to any LIHTC Reduction Guaranty Payment, Unpaid LIHTC Shortfall or Limited Partner Special Additional Capital Contribution, cash proceeds equal to the taxes projected to be imposed on the Partners of the Partnership as a result of the sale pursuant to the Option, all as more fully stated in Sections of the Agreement, which is hereby incorporated herein by reference; or

b. **Fair Market Value.** The fair market value of the Property, appraised as low-income housing to the extent continuation of such use is required under the Use Restrictions, any such appraisal to be made by a licensed appraiser, selected by the Partnership's regular certified public accountants, who is a member of the Master Appraiser Institute and who has experience in the geographic area in which the Project Property is located;

provided, however, that if prior to exercise of the Option the Internal Revenue Service (the "Service") has issued a revenue ruling or provided a private letter ruling to the Partnership, the applicability of which ruling shall be determined in its judgment by tax counsel to the Consenting Limited Partner, or tax counsel to the Consenting Limited Partner has issued an opinion letter concluding that property of the nature and use of the Property may be sold under circumstances described in this Agreement at the greater of the price determined under Section 42(i) (7) of the Code or the price determined under subsection 3a hereinabove without limiting tax credits or deductions that would otherwise be available to the Consenting Limited Partner, then the Option price shall be such price.

4. **Purchase Price Under Refusal Right.** The purchase price for the Property pursuant to the Refusal Right shall be equal to the sum of (a) an amount sufficient to pay all debts (including partner loans) and liabilities of the Partnership upon its termination and liquidation as projected to occur immediately following the sale pursuant to the Refusal Right, and (b) an amount sufficient to distribute to the Partners, after payments under Section 11.04(a) and (b) of the Agreement and an amount equal to any LIHTC Reduction Guaranty Payment, Unpaid LIHTC Shortfall or Limited Partner Special Additional Capital Contribution, cash proceeds equal to the taxes projected to be imposed on the Partners of the Partnership as a result of the sale pursuant to the Refusal Right, all as more fully stated in Section 11.04 of the Agreement, which is hereby incorporated herein by reference.

5. **Conditions Precedent.** Notwithstanding anything in this Agreement to the contrary, the Option and the Refusal Right granted hereunder shall be contingent on the following:

a. **General Partner.** The General Partner shall have remained in good standing as General Partner of the Partnership without the occurrence of any event of default under the Agreement; and

c. **Regulatory Agreement.** Either (i) the Regulatory Agreement shall have been entered into and remained in full force and effect, and those Use Restrictions to be contained therein, as heretofore approved in writing by the Consenting Limited Partner, shall have remained unmodified without its prior written consent, or (ii) if the Regulatory Agreement is no longer in effect due to reasons other than a default thereunder by the Partnership, such Use Restrictions, as so approved and unmodified, shall have remained in effect by other means and shall continue in effect by inclusion in the deed as required under Paragraph 10 hereof.

If any or all of such conditions precedent have not been met, the Option and the Refusal Right shall not be exercisable. Upon any of the events terminating the General Partner as General Partner of the Partnership under the Agreement or affecting the Regulatory Agreement as described in this Section 5, the Option and the Refusal Right shall be void and of no further force and effect.

6. **Exercise of Option or Refusal Right.** The Option and the Refusal Right may each be exercised by Grantee by (a) giving prior written notice of its intent to exercise the Option or the Refusal Right to the Partnership and each of its Partners in the manner provided in the Agreement and in compliance with the requirements of this Section 6, and (b) complying with the contract and closing requirements of Section 8 hereof. Any such notice of intent to exercise the Option shall be given during the last twelve (12) months of the Compliance Period. Any such notice of intent to exercise the Refusal Right shall be given within one hundred eighty (180) days after Grantee has received the Partnership's notice of a bona fide offer pursuant to Section 2 hereof, but in no event later than one hundred eighty (180) days immediately following the end of the Compliance Period, notwithstanding any subsequent receipt by the Partnership of any such offer. In either case, the notice of intent shall specify a closing date within one hundred eighty (180) days immediately following the end of the Compliance Period. If the foregoing requirements (including those of Section 9 hereof) are not met as and when provided herein, the Option or the Refusal Right, or both, as applicable, shall expire and be of no further force or effect. Upon notice by Grantee of its intent to exercise the Option or the Refusal Right, all rights under the other shall be subordinate to the rights then being so exercised unless and until such exercise is withdrawn or discontinued, and upon the closing of any sale of the Property pursuant to such notice shall expire and be of no further force or effect, provided that in the event that the Option and the Refusal Right are hereafter held by different parties by reason of any permitted assignment or otherwise, Grantee in its assignment(s) or such parties by written agreement may specify any other order of priority consistent with the other terms and conditions of this Agreement.

7. **Determination of Price.** Upon notice by Grantee of its intent to exercise the Option or the Refusal Right, the Partnership and Grantee shall exercise best efforts in good faith

to agree on the purchase price for the Property. Any such agreement shall be subject to the prior written consent of the Consenting Limited Partner, which shall not be withheld as to any purchase price determined properly in accordance with this Agreement.

8. **Contract and Closing.** Upon determination of the purchase price, the Partnership and Grantee shall enter into a written contract for the purchase and sale of the Property in accordance with this Agreement and containing such other terms and conditions as are standard and customary for similar commercial transactions in the geographic area which the Project Property is located, providing for a closing not later than the date specified in Grantee's notice of intent to exercise of the Option or the Refusal Right, as applicable, or thirty (30) days after the purchase price has been determined, whichever is later. In the absence of any such contract, this Agreement shall be specifically enforceable upon the exercise of the Option or the Refusal Right, as applicable. The purchase and sale hereunder shall be closed through a deed-and-money escrow with the title insurer for the Project Property or another mutually acceptable title company.

9. **Use Restrictions.** In consideration of the Option and the Refusal Right granted hereunder at the price specified herein, Grantee hereby agrees that the deed of the Project Property to Grantee shall contain a covenant running with the land, restricting use of the Project Property to low-income housing to the extent required by those Use Restrictions contained in the Regulatory Agreement, as approved in writing by the Consenting Limited Partner and unmodified without its prior written consent. Such deed covenant shall contain a reverter clause, enforceable by the Consenting Limited Partner, its successors and assigns, in the event of material violation of such Use Restrictions. Such deed covenant shall include a provision requiring Grantee to pay any and all costs, including attorneys' fees, incurred by the Consenting Limited Partner or any other holder of such reverter rights in enforcing or attempting to enforce the Use Restrictions or such reverter rights, and to pay any and all damages incurred by the Consenting Limited Partner from any delay in or lack of enforceability of the same. All reverter provisions contained in such deed and in this Agreement shall be subject and subordinate to any third-party liens encumbering the Project Property.

If prior to exercise of the Option or the Refusal Right, as applicable, the Service has issued a revenue ruling or provided a private letter ruling to the Partnership holding that a covenant of the nature described hereinbelow may be utilized without limiting tax credits or deductions that would otherwise be available to the Consenting Limited Partner, the applicability of which ruling shall be determined by counsel to the Consenting Limited Partner in its sole judgment, then as a condition of the Option and the Refusal Right, the deed to Grantee shall include a Special Covenant specifically restricting continued use of the Project Property to low-income housing as determined in accordance with the same low-income and maximum rent requirements (excluding any right under the Code to raise rents after notice to the applicable state or local housing credit agency if it is unable to find a buyer at the statutory price) as are currently specified in the Agreement with reference to the low-income housing tax credit (notwithstanding any future discontinuation of such credit or modification of federal requirements therefor), except insofar as more stringent use requirements are imposed by the Regulatory Agreement as approved by the Consenting Limited Partner and unmodified without

its prior written consent. The Special Covenant shall constitute part of the Use Restrictions. The Special Covenant may state that it is applicable and enforceable only to the extent such housing produces income sufficient to pay all operating expenses and debt service and fund customary reserves and there is a need for low-income housing in the geographic area in which the Project Property is located. The Special Covenant shall run with the land for a period of fifteen (15) years after closing of the purchase under the Option or the Refusal Right, as applicable, or, if longer, for the period measured by the then remaining period of Use Restrictions under the Regulatory Agreement, provided that the Special Covenant shall terminate at the option of any holder of the reverter rights described hereinabove, upon enforcement thereof.

In the event that neither the Option nor the Refusal Right is exercised, or the sale pursuant thereto is not consummated, then upon conveyance of the Project Property to anyone other than Grantee or its permitted assignee hereunder, the foregoing provisions shall terminate and have no further force or effect.

10. **Assignment.** Grantee may assign all or any of its rights under this Agreement to (a) a qualified nonprofit organization, as defined in Section 42(h) (5) (C) of the Code, (b) a government agency, or (c) a tenant organization (in cooperative form or otherwise) or resident management corporation of the Project Property (each a "Permitted Assignee") that demonstrates its ability and willingness to maintain the Project Property as low-income housing in accordance with the Use Restrictions, in any case subject to the prior written consent of the Consenting Limited Partner, which shall not be unreasonably withheld if the proposed grantee demonstrates that it is reputable and creditworthy and is a capable, experienced owner and operator of residential rental property, and subject in any event to the conditions precedent to the Refusal Right grant and the Option price set forth in Sections 2 and 3 hereof. Prior to any assignment or proposed assignment of its rights hereunder, Grantee shall give written notice thereof to the Partnership, the General Partner, and the Consenting Limited Partner. Upon any permitted assignment hereunder, references in this Agreement to Grantee shall mean the permitted Assignee where the context so requires, subject to all applicable conditions to the effectiveness of the rights granted under this Agreement and so assigned. No assignment of Grantee's rights hereunder shall be effective unless and until the permitted Assignee enters into a written agreement accepting the assignment and assuming all of Grantee's obligations under this Agreement and copies of such written agreement are delivered to the Partnership, the General Partner, and the Consenting Limited Partner. Except as specifically permitted herein, Grantee's rights hereunder shall not be assignable.

11. **Miscellaneous.** This Agreement shall be governed by the laws of the Commonwealth of Virginia. This Agreement may be executed in counterparts or counterpart signature pages, which together shall constitute a single agreement.

12. **Supersede Prior Agreement.** This Agreement replaces and supersedes in its entirety the prior agreement.

(continued on next page)

EXHIBIT A

**LEGAL DESCRIPTION OF
PROJECT REAL ESTATE**

All that certain lot, piece, or parcel of land, with the buildings and improvements thereon, situate, lying, and being in the City of Virginia Beach, Virginia, being more particularly described as follows:

THE POINT OF BEGINNING is described as starting at a pin in the northern right-of-way of Newtown Road in the dividing line of the property of Robert H. DeFord Sr., and that now or formerly belonging to the Virginia Beach School Board; thence North 05 degrees 40'42" East 707.33 feet to the true point of beginning; thence South 87 degrees 11'4" West 218.51 feet to a point; thence North 00 degrees 32'48" West 69.34 feet to a point; thence South 65 degrees 55'06" West 55.53 feet to a point; thence along a curve to the left having a radius of 430.00 feet a distance of 20.00 feet to a point; thence North 65 degrees 55'06" East 64.25 feet to a point; thence North 00 degrees 32'48" West 36.84 feet to a point; thence North 88 degrees 38'27" East 231.74 feet to a point; thence South 05 degrees 40'42" West 123.36 feet to the true point of beginning.

EXHIBIT B

**DESCRIPTION OF
REGULATORY AGREEMENT**

Title: Extended Use Regulatory Agreement and Declaration of Restrictive Covenant

Parties: Cedar Grove 2011 Limited Partnership
Virginia Housing Development Authority

Date: September 1, 2011

Recording Information (if known):
Doc No. 20111011700001066060
Recordation Date: 10/17/2011

EXHIBIT M

CONSTRUCTION INCENTIVE MANAGEMENT FEE AGREEMENT

THIS AGREEMENT entered into as of June 28, 2012, by and among Cedar Grove 2011 Limited Partnership, a Virginia limited partnership (the "Partnership") Vets' Housing, Inc., a Virginia corporation, as the General Partner (the "General Partner").

WHEREAS, General Partner and Housing Equity Fund of Virginia XV, L.L.C., a Virginia limited liability company (the "Limited Partner"), as the Limited Partner, have formed or, simultaneously herewith are forming, a limited partnership pursuant to Virginia Limited Partnership Act (the "Act"), to be known as Cedar Grove 2011 Limited Partnership, Amended and Restated Agreement of Limited Partnership; and

WHEREAS, the Partnership has been formed to develop, construct, own, maintain and operate a 32-unit multifamily apartment complex intended for rental to low income families, to be known as Cedar Grove Apartments, and to be located in Virginia Beach, Virginia (the "Apartment Complex"); and

WHEREAS, the Partnership is governed by its Amended and Restated Agreement of Limited Partnership of even date herewith (the "Partnership Agreement"); and

WHEREAS, the Partnership desires that the General Partner provide certain construction management services with respect to the business of the Partnership for the period commencing as of the date hereof and continuing throughout the final construction completion of the Project.

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

1. Appointment. The Partnership hereby appoints the General Partner to render services in managing and administering the construction of the Project during the construction of the Project and for as long as the General Partner is the General Partner of the Partnership as herein contemplated. The appointment of the General Partner hereunder shall terminate on the earlier of (i) the date the General Partner withdraws as the General Partner of the Partnership, including, without limitation, its removal as General Partner, or (ii) the final construction completion of Project.

2. Authority. In conformity with the provisions of the Partnership Agreement, throughout the term of the construction of the Project, the General Partner shall have the authority and the obligation, which authority and obligation may, subject to the provisions of the Partnership Agreement, be exercised by the General Partner to:

(i) establish and implement appropriate administrative and financial controls for the design and construction of the Project, including but not limited to:

(A) coordination and administration of the Project architect, the general contractor, and other contractors, professionals and consultants employed in connection with the design or rehabilitation of the Project;

(B) participation in conferences and the rendering of such advice and assistance as will aid in developing economical, efficient and desirable design and construction procedures;

(C) the rendering of advice and recommendations as to the selection of subcontractors and suppliers in an effort to reduce the cost of construction while maintaining the aforesaid design and procedures; and

(D) the submission of any suggestions or requests for changes which could in any reasonable manner improve the design, efficiency or cost of the Project.

3. Fees. For services to be performed under this Construction Incentive Management Fee Agreement, the Partnership shall pay the General Partner an amount, if any, equal to the positive difference, if any (the "Cost Savings") between (i) the aggregate amount of Project Loan, Project grants and Capital Contributions actually disbursed to the Partnership; and (ii) total acquisition and rehabilitation or construction hard and soft costs (including capitalized reserves, loan interest and developer fee) of the Project (the "Development Costs"). If any dispute as to the determination of Cost Savings or Development Costs arises, the terms of the Partnership Agreement shall govern as to the amount includable therein. Such payment shall be subject to the requirements of the Project Loans, if any, and the approval of the Limited Partner. Such payment will be made with the Fifth Capital Contribution of the Limited Partner.

4. Withholding of Fee Payments. In the event that (i) the General Partner or any successor General Partner shall not have substantially complied with any material provisions under this Agreement and the Partnership Agreement, or (ii) the General Partner shall have withdrawn or been removed pursuant to Article 6 of the Partnership Agreement, then such General Partner shall be in default of this Agreement and the Partnership shall withhold payment of fees payable to such General Partner pursuant to Section 3 of this Agreement.

All amounts so withheld by the Partnership under this Section 4 shall be promptly released to the General Partner, only after the General Partner has cured the default justifying the withholding, unless the General Partner shall have been removed pursuant to the Partnership

Agreement, in which event this Agreement shall terminate in accordance with Section 5 below and all further obligations of the Partnership hereunder shall cease as of the date of such removal of the General Partner.

5. Successors and Assigns; Termination. This Agreement shall be binding on the parties hereto, their heirs, successors and assigns. If the Partnership Interests of a General Partner, as General Partner, are transferred pursuant to Article IX of the Partnership Agreement, further payment of the Construction Incentive Management Fee from the Partnership to such General Partner pursuant to Section 3 above shall be governed by such Article IX, provided that such successor has assumed the obligations of the General Partner hereunder pursuant to an assumption agreement in form acceptable to the Limited Partner. The parties hereto may terminate this Agreement upon mutual consent to do so.

6. Defined Terms. Capitalized terms used in this Agreement and not specifically defined herein shall have the same meanings assigned to them as in the Partnership Agreement.

7. Separability of Provisions. Each provision of this Agreement shall be considered separable and if for any reason any provision which is not essential to the effectuation of the basic purposes of this Agreement is determined to be invalid and contrary to any existing or future law, such invalidity shall not impair the operation of or affect those provisions of this Agreement which are valid.

8. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original copy and all of which together shall constitute one agreement binding on all parties hereto, notwithstanding that all the parties shall not have signed the same counterpart.

9. No Continuing Waiver. The waiver of any party of any breach of this Agreement shall not operate or be construed to be a waiver of any subsequent breach.

10. Applicable Law. This Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Virginia.

11. Third Party Beneficiary. Limited Partner is a third party beneficiary of this Agreement, and the Partnership and General Partner hereby expressly agree that any amendment to this Agreement shall not be effective unless and until same is consented to by Limited Partner.

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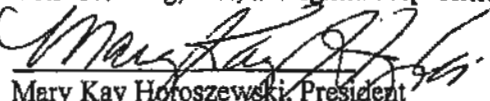
IN WITNESS WHEREOF, the parties have caused this Construction Incentive Management Fee Agreement to be duly executed as of the date as first written above.

PARTNERSHIP:

Cedar Grove 2011 Limited Partnership, a Virginia limited partnership

By: Vets' Housing, Inc., a Virginia corporation

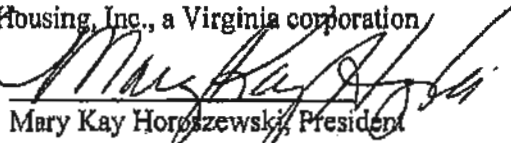
By:


Mary Kay Horoszewski, President

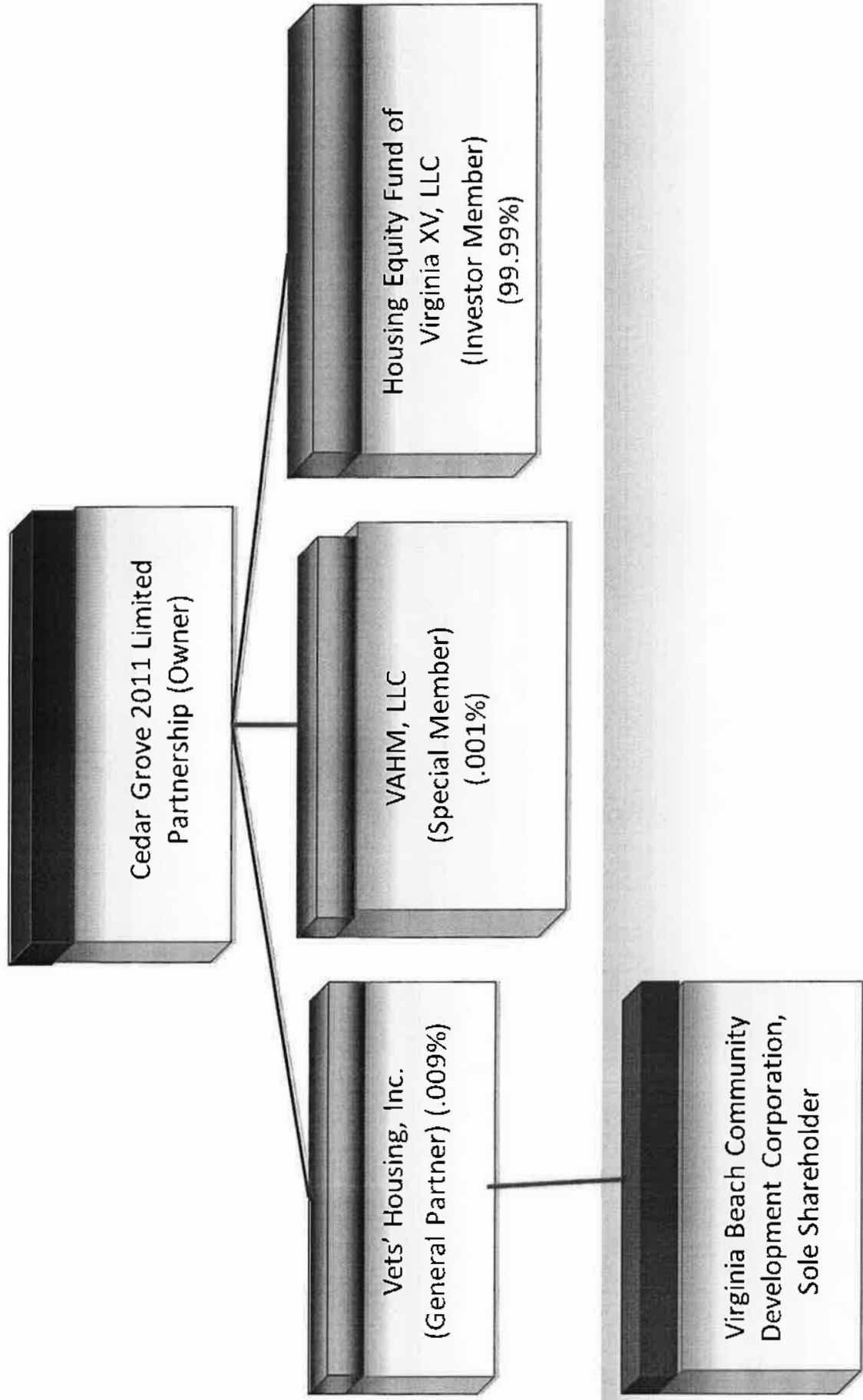
GENERAL PARTNER:

Vets' Housing, Inc., a Virginia corporation

By:


Mary Kay Horoszewski, President

CEDAR GROVE ORGANIZATIONAL CHART



EXECUTION COPY

**CYPRESS LANDING, LLC,
A VIRGINIA LIMITED LIABILITY COMPANY**

AMENDED AND RESTATED OPERATING AGREEMENT

As of December 15, 2017

THE MEMBERSHIP INTERESTS EVIDENCED BY THIS AMENDED AND RESTATED OPERATING AGREEMENT (THE "AGREEMENT") HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933 (THE "ACT") OR PURSUANT TO APPLICABLE STATE SECURITIES LAWS ("BLUE SKY LAWS"). ACCORDINGLY, THE MEMBERSHIP INTERESTS CANNOT BE RESOLD OR TRANSFERRED BY ANY PURCHASER THEREOF WITHOUT REGISTRATION OF THE SAME UNDER THE ACT AND THE BLUE SKY LAWS OF SUCH STATE(S) AS MAY BE APPLICABLE, OR IN A TRANSACTION WHICH IS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE ACT AND THE BLUE SKY LAWS OR WHICH IS OTHERWISE IN COMPLIANCE THEREWITH. IN ADDITION, THE SALE OR TRANSFER OF SUCH MEMBERSHIP INTERESTS IS SUBJECT TO CERTAIN RESTRICTIONS SET FORTH IN THIS AGREEMENT, INCLUDING WITHOUT LIMITATION, THE RESTRICTIONS SET FORTH IN ARTICLE IX HEREOF.

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I CONTINUATION OF COMPANY	2
1.01 Continuation	2
1.02 Name	2
1.03 Principal Place of Business	2
1.04 Agent for Service of Process	2
1.05 Withdrawal of Withdrawing Investor Member and Admission of Investor Member and Special Member	2
1.06 Term	2
1.07 Recording of Articles	2
ARTICLE II DEFINED TERMS	3
ARTICLE III PURPOSE AND BUSINESS OF THE COMPANY	17
3.01 Purpose of the Company	17
3.02 Authority of the Company	17
ARTICLE IV REPRESENTATIONS, WARRANTIES AND COVENANTS; DUTIES AND OBLIGATIONS	19
4.01 Representations, Warranties and Covenants Relating to the Project and the Company	19
4.02 Duties and Obligations Relating to the Project and the Company	27
4.03 Single Purpose Entity	32
ARTICLE V MEMBERS, MEMBERSHIP INTERESTS AND OBLIGATIONS OF THE COMPANY	32
5.01 Members; Capital Contributions; Membership Interests	32
5.02 Return of Capital Contribution	44
5.03 Withholding of Capital Contribution Upon Default	44
5.04 Legal Opinions	45
5.05 Repurchase Obligation	46
5.06 Guaranteed Payments	47
5.07 MM Loans	47
ARTICLE VI CHANGES IN MANAGING MEMBERS	48
6.01 Withdrawal of the Managing Member	48
6.02 Admission of a Successor or Additional Managing Member	48
6.03 Effect of Bankruptcy, Death, Withdrawal, Dissolution or Incompetence of a Managing Member	49
6.04 Restrictions on Transfer of Managing Member's Interests	50
6.05 Removal of the Managing Member	50
ARTICLE VII ASSIGNMENT TO THE COMPANY	53
ARTICLE VIII RIGHTS, OBLIGATIONS AND POWERS OF THE MANAGING MEMBER	54
8.01 Management of the Company	54
8.02 Limitations Upon the Authority of the Managing Member	55

8.03	Sale of Project	58
8.04	Management Purposes.....	59
8.05	Delegation of Authority.....	59
8.06	Managing Member or Affiliates Dealing with Company	59
8.07	Other Activities	59
8.08	Liability for Acts and Omissions.....	60
8.09	Indemnification of Investor Member and the Company	60
8.10	Net Worth of Managing Member	61
8.11	Construction of the Project, Construction Cost Overruns, Operating Deficits;	
	Other Managing Member Guarantees	61
8.12	Development Fee.....	64
8.13	Incentive Management Fee	64
8.14	Withholding of Fee Payments	65
8.15	Selection of Management Agent; Terms of Management Agreement.....	65
8.16	Removal of the Management Agent.....	66
8.17	Replacement of the Management Agent	66
8.18	Loans to the Company.....	66
8.19	Affiliate Guaranty.....	67
8.20	Development Advisory Fee.....	67
8.21	Accounting Fee.....	67
8.22	Public Relations.....	67
ARTICLE IX TRANSFERS AND RESTRICTIONS ON TRANSFERS OF INTERESTS OF INVESTOR MEMBERS		67
9.01	Restrictions on Transfer of Investor Members' Interests	67
9.02	Admission of Substitute Investor Members	68
9.03	Rights of Assignee of Company Interest.....	69
ARTICLE X RIGHTS AND OBLIGATIONS OF INVESTOR MEMBERS		69
10.01	Management of the Company	69
10.02	Limitation on Liability of Investor Members.....	69
10.03	Other Activities	69
ARTICLE XI PROFITS, LOSSES AND DISTRIBUTIONS		70
11.01	Allocation of Profits and Losses Other Than From Capital Transactions	70
11.02	Allocation of Profits and Losses from Capital Transactions.....	70
11.03	Distributions: Net Cash Flow	71
11.04	Distributions: Capital Transactions and and Liquidation of Company.....	72
11.05	Distributions and Allocations: General Provisions	73
11.06	Capital Accounts	74
11.07	Special Allocations.....	75
11.08	Designation of Tax Matters Partner	78
11.09	Authority of Tax Matters Partner	80
11.10	Expenses of Tax Matters Partner.....	81
ARTICLE XII SALE, DISSOLUTION AND LIQUIDATION.....		81
12.01	Dissolution of the Company.....	81

12.02	Winding Up and Distribution	82
	ARTICLE XIII BOOKS AND RECORDS, ACCOUNTING, TAX ELECTIONS, ETC.	83
13.01	Books of Account.....	83
13.02	Financial Reports.....	83
13.03	Budgets and General Disclosure	83
13.04	Tax Information.....	85
13.05	Selection of Accountants.....	85
13.06	Section 754 Elections	85
13.07	Fiscal Year and Accounting Method.....	85
13.08	Late Report Penalties.....	86
	ARTICLE XIV AMENDMENTS	86
14.01	Proposal and Adoption of Amendments	86
	ARTICLE XV CONSENTS, VOTING AND MEETINGS	86
15.01	Method of Giving Consent.....	86
15.02	Submissions to Investor Members	86
15.03	Meetings: Submission of Matter for Voting.....	87
	ARTICLE XVI GENERAL PROVISIONS	87
16.01	Burden and Benefit.....	87
16.02	Applicable Law	87
16.03	Counterparts	87
16.04	Separability of Provisions	87
16.05	Entire Agreement	87
16.06	Liability of the Investor Member	87
16.07	Environmental Protection.....	88
16.08	Notices.....	89
16.09	Headings.....	91
16.10.	Pronouns and Plurals.....	91
16.11.	VHDA Mortgage Requirements.....	91

**CYPRESS LANDING, LLC
A VIRGINIA LIMITED LIABILITY COMPANY**

AMENDED AND RESTATED OPERATING AGREEMENT

THIS AMENDED AND RESTATED OPERATING AGREEMENT is made and entered into as of December 15, 2017, by and among Chesapeake Vets' Housing, Inc., a Virginia corporation (the "Managing Member"), Second Act Communities (f/k/a as Southeastern Virginia Housing Corporation, the withdrawing member (the "Withdrawing Investor Member"), Housing Equity Fund of Virginia XXI, L.L.C., a limited liability company formed under the laws of the Commonwealth of Virginia (the "Investor Member") and VAHM, LLC, a Virginia limited liability company (the "Special Member").

WHEREAS, Johnson Kanady as organizer filed Articles of Organization (the "Articles of Organization") for the formation of Cypress Landing, LLC (the "Company") pursuant to the terms of the Revised Uniform Limited Liability Company Act of the Commonwealth of Virginia (the "Act"), which Articles of Organization was subsequently filed with the State Corporation Commissioner of the Commonwealth of Virginia (the "State of Formation") on March 3, 2015;

WHEREAS, the Withdrawing Member previously executed an Operating Statement of the Company dated as of March 3, 2015 (the "Original Agreement");

WHEREAS, the Managing Member wishes to join the Company as Managing Member, the Investor Member wishes to join the Company as the Investor Member, and the Special Member wishes to join the Company as the Special Member;

WHEREAS, the Withdrawing Member wishes to withdraw from the Company;

WHEREAS, the Managing Member, the Special Member and the Investor Member wish to continue the Company pursuant to the Act by amending and restating the Original Agreement in its entirety;

WHEREAS, the Company has been formed to develop, construct, own, maintain and operate a fifty (50) unit affordable housing development located in the City of Chesapeake, Virginia (the "Project");

WHEREAS, the parties hereto now desire to enter into this Amended and Restated Operating Agreement to (i) continue the Company under the Act; (ii) withdraw the Withdrawing Member from the Company; (iii) admit the Managing Member, Investor Member and Special Member to the Company as Members; and (iv) set forth all of the provisions governing the Company;

NOW, THEREFORE, in consideration of the foregoing, of mutual promises of the parties hereto and of other good and valuable consideration, the receipt and sufficiency of which hereby are

acknowledged, the parties hereby agree to continue the Company pursuant to the Act, as set forth in this Amended and Restated Operating Agreement, which reads in its entirety as follows:

ARTICLE I
CONTINUATION OF COMPANY

1.01 Continuation. The undersigned hereby continue the Company as a limited liability company under the Act.

1.02 Name. The name of the Company is Cypress Landing, LLC.

1.03 Principal Place of Business. The principal place of business of the Company shall be 2400 Potters Road, Virginia Beach, VA. The Company may change the location of its principal place of business to such other place or places within the Commonwealth of Virginia as may hereafter be determined by the Managing Member. The Managing Member shall promptly notify all other Members of any change in the principal place of business. The Company may maintain such other offices at such other place or places as the Managing Member may from time to time deem advisable.

1.04 Agent for Service of Process. The name of the Agent for service of process is Johnson Kanady, who is a resident of Virginia and a member of the Virginia State Bar, and whose address is 9250 Forest Hill Avenue, Suite C, Richmond, Virginia, in the county of Richmond.

1.05 Withdrawal of Withdrawing Member and Admission of Managing Member, Investor Member and Special Member. The Withdrawing Member hereby withdraws as a Member of the Company, and represents and warrants that he/she/it has no interest in the Company and is not entitled to any fees, distributions, compensation or payments from the Company and that he/she/it has no interest in any property or assets of the Company. The Managing Member, Investor Member and Special Member are hereby admitted to the Company as the sole Managing Member, Investor Member and Special Member.

1.06 Term. The term of the Company commenced as of the date of the filing of the Articles of Organization with the Secretary of the Commonwealth of Virginia, and shall continue until in perpetuity, unless the Company is sooner dissolved in accordance with the provisions of this Agreement.

1.07 Recording of Articles. Upon the execution of this Amended and Restated Operating Agreement by the parties hereto, the Managing Member shall take all actions necessary to assure the prompt recording of an amendment to the Articles of Organization if and as required by the Act, including filing with the State Corporation Commission of the Commonwealth of Virginia. All fees for filing shall be paid out of the Company's assets. The Managing Member shall take all other necessary action required by law to perfect and maintain the Company as a limited liability company

under the laws of the State, and shall register the Company under any assumed or fictitious name statute or similar law in force and effect in the Commonwealth of Virginia.

ARTICLE II DEFINED TERMS

In addition to the terms defined in the preamble to this Agreement, the following terms used in this Agreement shall have the meanings specified below:

“Accountants” means Dooley & Vicars or such other firm of independent certified public accountants as may be engaged by the Managing Member, with the Consent of the Investor Member, to prepare financial statements and provide other services to the Company. Dooley & Vicars (or other independent accountants approved by the Investor Member) shall review and execute all tax returns for the Company.

“Accounting Fee” shall have the meaning set forth in Section 8.21.

“Act” means the Virginia Limited Liability Company Act, as may be amended from time to time during the term of the Company.

“Actual Credit” means as of any point in time, the total amount of the LIHTC allocated by the Company to the Investor Member, representing ninety-nine and ninety-nine hundredths percent (99.99%) of the aggregate LIHTC reported and claimed by the Company and its Members on their respective federal information and income tax returns, and not disallowed by any taxing authority.

“Adjusted Capital Account Deficit” means, with respect to any Member, the deficit balance, if any, in such Member’s Capital Account as of the end of the relevant fiscal period after giving effect to the following adjustments: (a) the credit to such Capital Account of any amounts which such Member is obligated to restore under this Agreement or is deemed to be obligated to restore pursuant to either (i) the penultimate sentences of Treas. Reg. §1.704-2(g)(1) and Treas. Reg. §1.704-2(i)(5), or (ii) amounts that the Member is treated as obligated to restore under Treas. Reg. §1.704-1(b)(2)(ii)(c); and (b) the debit to such Capital Account of the amounts described in Treas. Reg. §1.704-1(b)(2)(ii)(d)(4), (5) and (6). The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Treas. Reg. §1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

“Affiliate” of a specified Person means (i) any Person directly or indirectly controlling, controlled by or under common control with the Person specified, (ii) any Person owning or controlling ten percent (10%) or more of the outstanding voting securities or beneficial interests of the Person specified, (iii) any officer, director, partner, trustee or member of the immediate family of the Person specified, (iv) if the Person specified is an officer, director, partner, managing member or trustee, any corporation, limited partnership, limited liability company or trust for which that Person acts in that capacity, or (v) any Person who is an officer, director, managing member, general partner, trustee or holder of ten percent (10%) or more of the outstanding voting securities or

beneficial interests of any Person described in clauses (i) through (iv). The term “control” (including the term “controlled by” and “under common control with”) means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

“Affiliate Guarantor” means collectively, Virginia Beach Community Development Corporation and Second Act Communities which are Affiliates of the Managing Member.

“Affiliate Guaranty” means the guaranty of the performance of the obligations of the Managing Member under this Agreement and the obligations of the Developer under the Development Agreement for the benefit of the Investor Member given by the Affiliate Guarantor, which Affiliate Guaranty is in the form of Exhibit D.

“Affiliated Company” means a limited liability company in which the Managing Member or an Affiliate thereof is a managing member or a limited partnership in which the Managing Member or an Affiliate is a General Partner, and in which the Investor Member or an Affiliate of the Investor Member is a member or partner.

“Agency” means the Virginia Housing Development Authority, in its capacity as the agency designated to allocate LIHTC, acting through any authorized representative.

“Agreement” means this Amended and Restated Operating Agreement, as amended from time to time.

“Articles” means the Company’s Articles of Organization or any other instrument or document which is required under the laws of the State of Formation to be signed by the Managing Member and filed in the appropriate public offices within the State of Formation to perfect or maintain the Company as a limited liability company under the laws of the State of Formation, to effect the admission, withdrawal or substitution of any Member of the Company, or to protect the limited liability of the investor members as Members under the laws of the Commonwealth of Virginia.

“Assumed Investor Member Tax Liability” means for any given year the product of (i) the sum of (A) the Profits, if any, allocated to the Investor Member pursuant to Section 11.01(b) plus (B) any items of income, gain, loss, deduction or credit which are specially allocated to the Investor Member pursuant to Sections 11.07(a) and (d) through (j) times (ii) a percentage equal to the sum of (C) the highest federal corporate tax rate for such year plus (D) the highest state corporate tax rate for such year.

“Assumed Managing Member Tax Liability” means for any given year the product of (i) the sum of (A) the Profits, if any, allocated to the Managing Member pursuant to Section 11.01(b) plus (B) any items of income, gain, loss, deduction or credit which are specially allocated to the Managing Member pursuant to Sections 11.07(a) and (d) through (j) times (ii) a percentage equal to the sum of (C) the highest federal corporate tax rate for such year plus (D) the highest state corporate tax rate

for such year.

“Authority” or “Authorities” means any nation or government, any state or other political subdivision thereof, and any entity exercising its executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including but not limited to, any federal, state or municipal department, commission, board, bureau, agency, court, tribunal or instrumentality.

“Bankruptcy” or “Bankrupt” as to any Person means the filing of a petition for relief as to any such Person as debtor or bankrupt under the Bankruptcy Act of 1898 or the Bankruptcy Code of 1978 or like provision of law (except if such petition is contested by such Person and has been dismissed within 60 days); insolvency of such Person as finally determined by a court proceeding; filing by such Person of a petition or application to accomplish the same or for the appointment of a receiver or a trustee for such Person or a substantial part of his assets; commencement of any proceedings relating to such Person under any other reorganization, arrangement, insolvency, adjustment of debt or liquidation law of any jurisdiction, whether now in existence or hereinafter in effect, either by such Person or by another, provided that if such proceeding is commenced by another, such Person indicates his approval of such proceeding, consents thereto or acquiesces therein, or such proceeding is contested by such Person and has not been finally dismissed within 60 days.

“Breakeven Operations” means the date following Final Closing upon which the gross operating revenues from the normal operation of the Project received on a cash basis (including all public subsidy payments due and payable at such time but not yet received by the Company) for a period of three (3) consecutive calendar months after Final Closing equals or exceeds all accrued operational costs of the Project, including, but not limited to, taxes, assessments, reserve fund for replacement deposits and debt service payments, the Accounting Fee and a ratable portion of the annual amount (as reasonably estimated by the Managing Member) of those seasonal and/or periodic expenses (such as utilities, maintenance expenses and real estate taxes or service charges in lieu of real estate taxes) which might reasonably be expected to be incurred on an unequal basis during a full annual period of operation, for such period of three (3) consecutive calendar months on an annualized basis (based on projections of the Company), as evidenced by a certification of the Managing Member with an accompanying unaudited balance sheet of the Company indicating that all trade payables have been satisfied (or with respect to trade payables within sixty (60) days of the date the services were performed or goods were delivered, the trade payables shall not be past due and the Company shall have an adequate cash reserve for the payment of such trade payables), all as shall be subject to the approval of the Investor Member. For the purpose of calculating Breakeven Operations only, the following costs shall not be considered operating costs of the Project: (i) payments on the Incentive Management Fee and (ii) payments to be made under the Development Agreement.

“Bridge Loan Interest” means the interest expense incurred by Investor Member in connection with any loan obtained by such Investor Member which is secured by the deferred capital contribution obligations of any of the members of such Investor Member.

“Capital Account” means the capital account of a Member as described in Section 11.06.

“Capital Contribution” means the total amount of money or other property contributed or agreed to be contributed, as the context requires, to the Company by each Member pursuant to the terms of this Agreement. Any reference to the Capital Contribution of a Member shall include the Capital Contribution made by a predecessor holder of the Interest of such Member.

“Capital Transaction” means any transaction out of the ordinary course of the Company’s business which is capital in nature, including without limitation, the disposition, whether by sale (except when such sale proceeds are to be used pursuant to a plan or budget approved by all of the Members), casualty (where the proceeds are not to be used for reconstruction), condemnation, refinancing or similar event of any part or all of the Project.

“Capital Transaction Administrative Fee” means the fee payable under Section 11.04(d) or by the Managing Member upon the exit from the Company by the Investor Members at the end of the Compliance Period.

“Capitalized Bridge Loan Interest” means any Bridge Loan Interest required to be capitalized by the Company pursuant to Code Section 263A.

“Carveouts” has the meaning set forth in Section 4.01(g).

“Certificate” has the meaning set forth in the Recitals hereof.

“Certified Credits” means ninety-nine and ninety-nine hundredths percent of the annual LIHTC that the Accountants certify in writing to the Company that the Company will be able to claim during each full fiscal year during the Credit Period for all buildings in the Project assuming full compliance with the rent restrictions and income limitations of Section 42 of the Code. The calculation of the Certified Credits shall be based, among other things, on the Form(s) 8609 issued by the Agency for all the buildings comprising the Project and on the cost certification prepared in connection with the application by the Company for Form(s) 8609. Once the Certified Credits are determined, they shall not be adjusted during the term of this Agreement; provided, however, if with respect to an LIHTC Recapture Event the Managing Member makes a payment under Section 8.11(c), then the Certified Credits shall be reduced prospectively by the annual reduction in LIHTC attributable to such LIHTC Recapture Event.

“Certified Credit Capital Adjustment” has the meaning set forth in Section 5.01(e)(i).

“Certified Credit Capital Decrease” has the meaning set forth in Section 5.01(e)(i).

“Certified Credit Capital Increase” has the meaning set forth in Section 5.01(e)(i).

“Code” means the Internal Revenue Code of 1986, as amended from time to time, or any corresponding provision or provisions of succeeding law.

“Company” means Cypress Landing, LLC, a Virginia limited liability company.

“Completion Loan” has the meaning set forth in Section 8.11(a).

“Compliance Termination Sale” has the meaning set forth in Section 8.03(a).

“Consent” means the prior written consent or approval of the Investor Member and/or any other Person, as the context may require, to do the act or thing for which the consent is solicited.

“Construction Contract” means the construction contract in the guaranteed maximum amount of \$7,577,072 (including all exhibits and attachments thereto) to be entered into between the Company and the Contractor, pursuant to which the Project is to be constructed. Such Construction Contract shall be subject to the Consent of the Investor Member.

“Construction Loan” means the Project Loan from a private lender identified on **Exhibit F** hereto.

“Construction Period Management Incentive Fee” has the meaning set forth in Section 4.02(s).

“Contractor” means McKenzie Construction Corporation, a Virginia corporation, which is the general construction contractor for the Project.

“Continued Compliance Sale” has the meaning set forth in Section 8.03(a).

“Counsel” or “Counsel for the Company” means Kanady & Quinn, or such other attorney or law firm upon which the Investor Member and the Managing Member shall agree; provided, however, that if any section of this Agreement either (i) designates particular counsel for the purpose described therein, or (ii) provides that counsel for the purpose described therein shall be chosen by another method or by another Person, then such designation or provision shall prevail over this general definition.

“Credit Period” means the ten-year “credit period” as defined in and determined in accordance with Section 42(f) of the Code.

“Debt Service Coverage Ratio” shall mean a fraction, the numerator of which is the difference between all cash actually received by the Company on a cash basis from normal operations, less all accrued operational costs of the Project, including any required deposits to a capital replacement reserve, and the denominator of which is all debt service, reserve, mortgage insurance premium and/or other cash requirements imposed by the Project Loan documents properly

allocable to a particular period on an annualized basis, as determined by the Accountants (but not including loans to be repaid solely from available Net Cash Flow).

“Developer” means Second Act Communities, a Virginia nonstock corporation.

“Development Agreement” means the Development Agreement between the Company and the Developer as of even date herewith relating to the development of the Project and providing for the payment of the Development Fee, in the form set forth in Exhibit A.

“Development Budget” means the acquisition, construction, rehabilitation, development and financing budget for the acquisition, construction, rehabilitation, development, financing and operation of the Project, including without limitation the construction or rehabilitation of all improvements, the furnishing of all personalty in connection therewith, and the operation of the Project which Budget is attached hereto as Exhibit H, and any amendments thereto made with the Consent of the Investor Member. The Development Budget shall also include a calculation of the Projected LIHTC for the Project indicating the assumptions regarding basis which underlie such calculation, a 15-year income/expense pro forma, profit/loss statement, cash flow statement, depreciation/amortization schedule, capital account, minimum gain and 30 year analysis and a calculation of net sale proceeds.

“Development Costs” means all of the following: (i) all direct or indirect costs paid or accrued by the Company related to the acquisition of the Land (and any improvements thereon) and the development or rehabilitation of the Project, including payment of the Development Fee, amounts due under the Construction Contract, any construction cost overruns, the cost of any change orders and all costs necessary to achieve Substantial Completion; (ii) all costs to achieve Initial Closing and Final Closing, and satisfy any escrow deposit requirements which are conditions to the Final Closing, including any amounts necessary for local taxes, utilities, mortgage insurance premiums, casualty and liability insurance premiums, and any applicable loan fees, discounts or other expenses; (iii) for the period prior to Breakeven Operations, all costs, payments and deposits needed to avoid a default under any Project Loan, including without limitation, all required deposits to satisfy any requirements of a Project Lender to keep a Project Loan “in balance”; (iv) all costs and expenses relating to remedying any environmental problem or condition or Hazardous Materials that existed on or prior to Final Closing; and (v) all Operating Deficits incurred by the Company prior to Breakeven Operations and the achievement of at least 95% physical and economic occupancy during the three-month period while Breakeven Operations are achieved.

“Development Fee” means the fee payable by the Company to the Developer pursuant to Section 8.12 of this Agreement.

“DHCD Loan” means that loan listed in Exhibit F.

“Downward Capital Adjustment.” has the meaning set forth in Section 5.01(e)(i).

“Early Delivery Capital Adjustment” has the meaning set forth in Section 5.01(e)(i).

“Economic Risk of Loss” has the meaning specified in Treas. Reg. §1.752-2.

“Environmental Consultant” has the meaning set forth in Section 5.01(j).

“Excess Development Costs” means all Development Costs in excess of the proceeds of the Project Loans and all Capital Contributions the Managing Member and Investor Member are required to make hereunder.

“Extended Use Agreement” means the Extended Use Regulatory Agreement and Declaration of Restrictive Covenants executed by the Company and delivered to the Agency at or subsequent to the Initial Closing, setting forth certain terms and conditions under which the Project is to be operated.]

“Final Closing” means the occurrence of all of the following: (i) Substantial Completion, (ii) approval by the Project Lenders, if any, of the Company’s certification of actual costs as to the development and construction or rehabilitation of the Project, (iii) disbursement by all Project Lenders of any and all previously undisbursed Project Loan proceeds and (iv) commencement of amortization as to all Project Loans (to the extent any Project Loan requires principal amortization).

“Final Mortgage Amount” means the principal amount of all of the Project Loans, advanced at or prior to the Final Closing, before any reduction resulting from repayments of principal thereof.

“40-60 Set-Aside Test” means the Minimum Set-Aside Test whereby at least 40% of the units in the Project must be occupied by individuals with incomes of 60% or less of area median income, as adjusted for family size.

“Guarantor LIHTC Compliance Loan” has the meaning set forth in Section 8.11(c)(v).

“HAP” means the Housing Assistance Payment Contract between the Company and HUD with respect to 100% of the Project units.

“Hazardous Substances” has the meaning set forth in Section 16.07(e).

“Hazardous Waste Laws” has the meaning set forth in Section 16.07(e).

“HOME Loan” means collectively the Sponsor Chesapeake Loan and the DHCD Loan.

“HUD” means the U.S. Department of Housing and Urban Development.

“Incentive Management Fee” means the fee payable by the Company to the Managing Member pursuant to Section 8.13 of this Agreement.

“Initial Amount” has the meaning set forth in Section 4.02(q).

“Initial Closing” means the date upon which one or more of the Project Loans is closed and the initial disbursement is made thereunder. The Initial Closing is anticipated to occur on or before February 1, 2017.

“Initial Period” has the meaning set forth in Section 8.11(b).

“Interest” or “Company Interest” means the ownership interest of a Member in the Company at any particular time, including the right of such Member to any and all benefits to which such Member may be entitled as provided in this Agreement and in the Act, together with the obligations of such Member to comply with all the terms and provisions of this Agreement and of said Act.

“Investor Member” means, initially, Housing Equity Fund of Virginia XXI, L.L.C., a Virginia limited liability company.

“Investor Member Due Diligence Costs” has the meaning set forth in Section 5.01(f).

“IRS” means the Internal Revenue Service of the United States or any successor agency.

“Land” means the tract of land currently owned or to be purchased by the Company upon which the Project will be located, as more particularly described on Exhibit C attached hereto.

“Late Delivery Capital Adjustment” has the meaning set forth in Section 5.01(e)(i).

“Lease-Up Reserve” has the meaning set forth in Section 4.02(s).

“LIHTC” means the low-income housing tax credit allowed for low-income housing projects pursuant to Section 42 of the Code.

“LIHTC Compliance Guaranty” means, collectively, the Managing Member obligations set forth in Section 8.11(c).

“LIHTC Recapture Event” means (a) the filing of a tax return by the Company evidencing a reduction in the qualified basis of the Project causing a recapture of LIHTC previously allocated to the Investor Member, (b) a reduction in the qualified basis of the Project following an audit by the IRS which results in the assessment of a deficiency by the IRS against the Company with respect to any LIHTC previously claimed in connection with the Project, unless the Company shall timely file a petition with respect to such deficiency with the United States Tax Court and any other federal tax court of competent jurisdiction and the collection of such assessment shall be stayed pending the disposition of such petition, (c) a decision by the United States Tax Court or any other federal court of competent jurisdiction upholding the assessment of such deficiency against the Company with respect to any LIHTC previously claimed in connection with the Project, unless the Company shall

timely appeal such decision and the collection of such assessment shall be stayed pending the disposition of such appeal, or (d) the decision of a federal court of competent jurisdiction affirming such decision.

“LIHTC Reduction Guaranty Payment” has the meaning set forth in Section 5.01(e)(ii).

“LIHTC Shortfall” means, as to any period of time, the difference between the Certified Credit for such period of time and the Actual Credit for such period of time. For purposes of determining the amount of the LIHTC Shortfall for a particular period of time, if there is an adjustment to Capital Contributions under Section 5.01(e) because of a Late Delivery Capital Adjustment, the LIHTC Shortfall for such period of time shall be reduced by the Late Delivery Capital Adjustment.

“Liquidator” means the Managing Member or, if there is none at the time in question, such other Person who may be appointed in accordance with applicable law and who shall be responsible for taking all action necessary or appropriate to wind up the affairs of, and distribute the assets of, the Company upon its dissolution.

“Loan Agreement” means any loan agreement and/or similar agreement with respect to the terms and conditions of the making of any of the Project Loans, which will be entered into between the Company and any one of the Project Lenders at or prior to the Final Closing.

“Losses” has the meaning set forth in the definition of “Profits” and “Losses.”

“Management Agent” means the management and rental agent for the Project designated pursuant to Section 8.15.

“Management Agreement” means the agreement between the Company and the Management Agent providing for the marketing and management of the Project by the Management Agent.

“Managing Member” means Chesapeake Vets’ Housing, Inc., a Virginia corporation, and any other Person admitted as a Managing Member pursuant to this Agreement, and their respective successors as any such successor may be admitted pursuant to this Agreement, including those Persons admitted pursuant the provisions of Sections 6.02 and 6.03.

“Managing Member Pledge” has the meaning set forth in Section 8.19.

“Managing Member’s Special Capital Contribution” has the meaning set forth in Section 5.01(b).

“Member” means any Managing Member, Investor Member or Special Member.

“Member Nonrecourse Debt” means any Nonrecourse Debt (or portion thereof) for which a Member or related Person (within the meaning of Treas. Reg. §1.752-4(b)) bears (or is deemed to

bear) the Economic Risk of Loss.

“Member Nonrecourse Deductions” has the meaning set forth in Treas. Reg. §1.704-2(i)(2), and the amount of Member Nonrecourse Deductions with respect to a Member Nonrecourse Debt for a fiscal year shall be determined in accordance with the rules of Treas. Reg. §1.704-2(i)(2).

“Minimum Gain” means the amount determined by computing with respect to each Nonrecourse Debt the amount of gain, if any, that would be realized by the Company if it disposed of the asset securing such liability (in a taxable transaction) in full satisfaction thereof (and for no other consideration), and by then aggregating the amounts so computed. For purposes of determining the amount of such gain with respect to a liability, the adjusted basis for federal income tax purposes of the asset securing the liability shall be allocated among all the liabilities that the asset secures in the manner set forth in Treas. Reg. §1.704-2(d)(2).

“Minimum Set-Aside Test” means the set-aside test selected by the Company pursuant to Section 42(g) of the Code with respect to the percentage of units in its Project to be occupied by tenants with incomes equal to no more than a certain percentage of area median income. The Company has selected or will select the 40–60 Set-Aside Test as restricted by Code Section 42(g)(1) to require at least 40% of the units in the Project be occupied by individuals with incomes of 60% or less of area median income, as adjusted for family size, as the Minimum Set-Aside Test.

“MM Loans” means the loans which may be made by the Managing Member to the Company pursuant to Section 5.07(a) hereof, including any accrued interest thereon. Operating Deficit Loans shall not constitute MM Loans.

“Mortgage” means any deed of trust to be given by the Company in favor of any Project Lender as maker of a Project Loan, constituting a lien on the Project and securing a Project Loan.

“Net Cash Flow” means the sum of (i) all cash received from rents, lease payments and all other sources, but excluding (A) tenant security or other deposits (except to the extent forfeited to the Company), (B) Capital Contributions and interest thereon (other than if used to pay for an item deducted below in determining Net Cash Flow), (C) proceeds from Capital Transactions and (D) interest on reserves not available for distribution, (ii) the net proceeds of any insurance, other than fire and extended coverage and title insurance, to the extent not reinvested, and (iii) any other funds deemed available for distribution by the Managing Member with the approval of the Project Lenders, if required, **less** the sum of (x) all cash expenditures, and all expenses unpaid but properly accrued, which have been incurred in the operation of the Company’s business (whether or not such expenditure is deducted, amortized or capitalized for tax purposes), including the management fee to the Management Agent, (y) all payments on account of any loans made to the Company (whether such loan is made by a Member or otherwise), but not including any amounts to be paid pursuant to the Development Agreement or pursuant to any loans made by any Members where repayment of such loans is to be made out of Net Cash Flow, and (z) any cash reserves for working capital, capital expenditures, repairs, replacements and anticipated expenditures, in such amounts as may be required by the Project Lenders or the Investor Member, or may be determined from time to time by

the Managing Member with the approval of the Investor Member and the Project Lenders, if required, to be advisable for the operation of the Company.

“Net Projected Tax Liabilities” means, as determined by the Accountants, based on the Company’s tax records, and any final adjustments made prior to the availability of proceeds of Capital Transaction(s) for distribution, the cumulative amounts of the respective projected liabilities (collectively, the “Projected Tax Liabilities”) of the Managing Member, the Investor Member’s members, and their respective partners and members, if any (collectively, the “Company Taxpayers”), for any and all federal, state, and local taxes, including any recapture of prior LIHTC, to be imposed on the Company Taxpayers by reason of all Capital Transactions of the Company from which the proceeds in question are to be distributed, any and all prior Capital Transactions of the Company (to the extent proceeds from such prior Capital Transactions equal to the Projected Tax Liabilities for such prior transactions were not distributed) and any liquidation of the Company. Such projections of liabilities shall estimate the applicable tax rate or rates for the Managing Member (based on actual or projected taxable income) and shall assume the maximum applicable tax rate or rates for each of the Investor Member’s partners or members, if any (without regard to actual taxable income), in effect at the time of each Capital Transaction, in all cases without regard to the alternative minimum tax, limitations on the use of business tax credits, or other factors that may affect tax liability in particular cases, and without adjustment for any variance from actual tax liabilities that may later occur.

“New Allocation” has the meaning set forth in Section 11.07(m)(ii).

“Nonrecourse Debt” means any Company liability that is considered nonrecourse for purposes of Treas. Reg. §1.1001-2 (without regard to whether such liability is a recourse liability under Treas. Reg. §1.752-1(a)(1)).

“Nonrecourse Deductions” has the meaning set forth in Treas. Reg. §1.704-2(b)(1).

“Nonrecourse Liability” means any Company liability (or portion thereof) for which no Member or related Person (within the meaning of Treas. Reg. §1.752-4(b)) bears (or is deemed to bear) the Economic Risk of Loss.

“Note” means any mortgage or deed of trust promissory note given by the Company in favor of a Project Lender evidencing a Project Loan.

“Notice” means a writing containing the information required by this Agreement to be communicated to a Member and sent by any manner set forth in Section 16.08, to such Member at such Member’s address as specified pursuant to Section 16.08, the date of receipt thereof (or the next business day if the date of receipt is not a business day) or, in the case of registered or certified mail, the date of registry thereof or the date of the certification receipt, as applicable, being deemed the date of such Notice; provided, however, that any written communication containing such information sent to such Member actually received by such Member shall constitute Notice for all purposes of this Agreement.

“Operating Deficit” means the amount by which the gross receipts of the Company from lease payments, and all other income and receipts of the Company (other than proceeds of any loans to the Company, Capital Contributions, and investment earnings not available for distribution on funds on deposit in the Reserve Fund for Replacements, and other such reserve or escrow funds or accounts not available for distribution) for a particular period of time, is exceeded by the sum of all the operating expenses, including all debt service, operating and maintenance expenses, required deposits into the Reserve Fund for Replacements, any fees to the Project Lenders and/or any applicable mortgage insurance premium payments and all other Company obligations or expenditures, and excluding payments for construction of the Project and fees and other expenses and obligations of the Company to be paid from the Capital Contributions of the Investor Member to the Company pursuant to this Agreement during the same period of time.

“Operating Deficit Loan” shall have the meaning set forth in Section 8.11(b) of this Agreement.

“Operating Reserve” means the reserve referred to in Section 4.02(r).

“Payment Date” means the date which is ninety (90) days after the end of the Company’s fiscal year with respect to the preceding fiscal year.

“Percentage Interest” means the percentage Interest of each Member as set forth in Sections 5.01(a) and (c).

“Permanent Loan” means the loans set forth on **Exhibit F** hereto and described as permanent loans.

“Person” means any individual, partnership, corporation, trust, limited liability company or other entity.

“Plans and Specifications” means the plans and specifications for the Project stamped with the seal of an architect and/or engineer, which are subject to the approval of the Investor Member, and any changes thereto made in accordance with the terms of this Agreement.

“Post Closing Obligations” means those conditions to the Investor Member’s obligation to fund all or any portion of its Capital Contribution as more fully described on the Post Closing Letter attached hereto as **Exhibit K**.

“Prime Rate” means the interest rate announced from time to time by The Wall Street Journal as the prime lending rate expressed as a percent per annum. The “Prime Rate” shall be adjusted semi-annually on January 1 and July 1 of each year.

“Profits” and **“Losses”** mean, for each fiscal year of the Company, an amount equal to the Company’s taxable income or loss for such period from all sources, determined in accordance with

§703(a) of the Code, adjusted in the following manner: (a) the income of the Company that is exempt from federal income tax shall be added to such taxable income or loss; (b) any expenditures of the Company which are not deductible in computing its taxable income and not properly chargeable to capital account under either §705(a)(2)(B) of the Code or the regulations promulgated under §704(b) of the Code shall be subtracted from such taxable income or loss; (c) in the event any Company asset is revalued in accordance with Treas. Reg. §1.704-1(b)(2)(iv)(f), then the amount of any adjustment to the value of such Company asset shall be taken into account as gain or loss from the disposition of such Company asset for purposes of computing Profits or Losses; (d) gain or loss resulting from any disposition of Company asset which has been revalued pursuant to Treas. Reg. §1.704-1(b)(2)(iv)(f) and with respect to which gain or loss is recognized for Federal income tax purposes shall be computed by reference to the adjusted value of such Company asset, notwithstanding that the adjusted tax basis of such Company asset differs from the adjusted value; (e) any depreciation, amortization or other cost recovery deductions taken into account in computing such taxable income or loss shall be recomputed based upon the adjusted value of any Company asset which has been revalued in accordance with Treas. Reg. §1.704-1(b)(2)(iv)(f); and (f) any items of income, gain, loss, deduction or credit which are specially allocated pursuant to Sections 11.07(b) through (n) shall not be taken into account in computing Profits or Losses.

“**Project**” means the land currently owned by the Company in Chesapeake, Virginia and the improvements to be constructed, owned and operated thereon by the Company, and to be known as Cypress Landing.

“**Project Documents**” means and includes the Construction Contract, the Mortgage(s), Note(s), Loan Agreement(s), Regulatory Agreement, Extended Use Agreement, Management Agreement and all instruments delivered to (or required by) the Project Lenders or the Agency to the extent not otherwise listed in this definition.

“**Project Lender**” means any lender in its capacity as a lender of one of the Project Loans, or its successors and assigns in such capacity, acting through any authorized representative.

“**Project Loans**” means those loans set forth and described on **Exhibit F** hereto.

“**Projected LIHTC**” has the meaning set forth in Section 4.01(p).

“**Qualified Contract**” has the meaning set forth in Section 42(b)(h)(F) of the Code.

“**Qualified Occupancy**” shall mean occupancy of a LIHTC unit by a Qualified Tenant.

“**Qualified Tenants**” shall mean tenants under executed leases of at least six (6) months who at the time of their initial occupancy of the Project satisfy the (i) rent restriction and (ii) minimum set-aside test selected by the Company pursuant to Section 42(g) of the Code with respect to the percentage of units in the Project to be occupied by tenants with incomes equal to no more than a certain percentage of area median income.

“Recapture Amount” has the meaning set forth in Section 11.02(c).

“Regulations” or “Treasury Regulations” or “Treas.Reg.” means the Income Tax Regulations issued under the Code.

“Regulatory Agreement” means, to the extent applicable, and collectively, any regulatory agreements and/or any declaration of covenants and restrictions to be entered into between the Company and any Project Lender or any applicable government agency, whether prior to, at or after the Initial Closing, setting forth certain terms and conditions under which the Project is to be operated.

“Rent Restriction Test” means the test pursuant to Section 42(g) of the Code whereby the gross rent charged to tenants of the low-income units in the Project cannot exceed thirty percent (30%) of the imputed income limitation of the applicable units.

“Reserve Fund for Replacements” means the cash funded reserve for replacements required pursuant to Section 4.02 (q).

“Special Additional Capital Contribution” means the Special Additional Capital Contributions of the Investor Member under Section 5.01(d)(viii).

“Special Member” means VAHM, LLC, a Virginia limited liability company, or its assignee.

“Sponsor” means Second Act Communities, a Virginia non stock corporation.

“Sponsor Chesapeake Loan” means that loan listed in **Exhibit F**.

“Sponsor Home Depot Loan” means that loan listed in **Exhibit F**.

“Sponsor HRCF Loan” means that loan listed in **Exhibit F**.

“Sponsor Loans” means all those loans listed in **Exhibit F** made by the Sponsor to the Company.

“State Designation” means, with respect to the Project, the allocation by the Agency of LIHTC, as evidenced by the receipt by the Company of either a carryover allocation of LIHTC meeting the requirements of Section 42(h)(1)(E) of the Code and Treasury Regulations or IRS Form 8609 executed by the Agency as to all building in the Project for which such form is required.

“Substantial Completion” means the date that the Company receives all necessary permanent certificate(s) of occupancy (or certificates of occupancy which contain conditions or qualifications which are Consented to by the Investor Member) from the applicable governmental jurisdictions or authority(ies); provided, however, that Substantial Completion shall not be deemed to have occurred

if on such date any liens or other encumbrances as to title to the Land and the Project exist, other than those securing any Project Loan and/or those Consented to by the Investor Member.

“Substitute Investor Member” means any Person admitted to the Company as a Investor Member pursuant to Section 9.02.

“Surplus Cash” means any Net Cash Flow which, pursuant to the Project Documents or rules or regulations of any Project Lenders or the Agency, is permitted to be distributed to the Members.

“Title Company” means Stewart Title Guaranty Company.

“Unpaid Fee” has the meaning set forth in Section 5.01(b).

“Unpaid LIHTC Shortfall” means the outstanding amount of any LIHTC Shortfall for all the fiscal years of the Company, reduced by any amounts of Unpaid LIHTC Shortfall distributed to the Investor Member pursuant to Article XI of this Agreement. The unpaid LIHTC Shortfall shall bear interest at the “long-term applicable Federal rate” (as defined in Section 1274 of the Code) determined as of the date of the Investor Member’s First Capital Contribution, compounded monthly.

“VHCC” means Virginia Housing Capital Corporation, a Virginia corporation and the managing member of the Investor Member.

“VHDA” means Virginia Housing Development Authority.

“Withdrawing Investor Member” means Southern Virginia Housing Corporation.

ARTICLE III PURPOSE AND BUSINESS OF THE COMPANY

3.01 Purpose of the Company. The Company has been organized exclusively to acquire the Land and to develop, finance, construct, own, maintain, lease, operate and sell or otherwise dispose of the Project, in order to obtain long-term appreciation, cash income, LIHTC and tax losses. The Company will operate the Project in a manner that furthers the charitable purpose of Second Act Communities by providing decent, safe, sanitary and/or affordable housing for low income persons and families, including the disabled and homeless veterans. In the event of the conflict between the operation of the Project in a manner consistent with such charitable purpose and any duty of the Managing Member to operate the Project in order to maximize profits for the Investor Members, such charitable purpose shall prevail; provided, however, that in operating the Project no decision shall be made inconsistent with the requirements of any Regulatory Agreement.

3.02 Authority of the Company. In order to carry out its purpose, the Company is empowered and authorized to do any and all acts and things necessary, appropriate, proper,

advisable, incidental to or convenient for the furtherance and accomplishment of its purpose, and for the protection and benefit of the Company, including but not limited to the following:

(a) acquire the Land on which the Project is to be located and any improvements thereon;

(b) construct, rehabilitate, operate, maintain, improve, buy, own, sell, convey, assign, mortgage, rent or lease any real estate and any personal property necessary to the operation of the Project;

(c) provide housing, subject to the Minimum Set-Aside Test and the Rent Restriction Test and consistent with the requirements of the Extended Use Agreement, the Regulatory Agreement and the Loan Agreements so long as the Extended Use Agreement, the Regulatory Agreement and the Loan Agreements, as applicable, remain(s) in force;

(d) enter into any kind of activity, and perform and carry out contracts of any kind necessary to, in connection with, or incidental to, the accomplishment of the purposes of the Company;

(e) borrow money and issue evidences of indebtedness in furtherance of the Company business and secure any such indebtedness by mortgage, pledge, or other lien; provided, however, that unless otherwise specifically allowed under this Agreement or otherwise Consented to by the Investor Member, any Project Loans, and any evidences of indebtedness thereof and any documents amending, modifying or replacing any of such loans shall have the legal effect that at and after Final Closing the Company and the Members shall have no personal liability for the repayment of the principal of or payment of interest on any Project Loan, and that the sole recourse of any Project Lender, with respect to the principal thereof and interest thereon, shall be to the property securing such Project Loan, except for any Carveouts;

(f) maintain and operate the Project, including hiring the Management Agent (which Management Agent may be any of the Members or an Affiliate thereof) and entering into any agreement for the management of the Project during its rent-up and after its rent-up period;

(g) subject to the approval of the Agency and/or the Project Lenders, if any if required, and to other limitations expressly set forth elsewhere in this Agreement, negotiate for and conclude agreements for the sale, exchange, lease or other disposition of all or substantially all of the property of the Company, or for the refinancing of any mortgage loan on the property of the Company;

(h) enter into the Loan Agreement, the Regulatory Agreement and the Extended Use Agreement, providing for regulations with respect to rents, profits, dividends and the disposition of property;

(i) rent dwelling units in the Project from time to time, in accordance with the provisions of the Code applicable to LIHTC and in accordance with applicable federal, state and local regulations, collecting the rents therefrom, paying the expenses incurred in connection with the Project, and distributing the net proceeds to the Members, subject to any requirements which may be imposed by the Extended Use Agreement, the Regulatory Agreement and/or the other Project Documents; and

(j) do any and all other acts and things necessary or proper in furtherance of the Company business.

ARTICLE IV
REPRESENTATIONS, WARRANTIES AND COVENANTS;
DUTIES AND OBLIGATIONS

4.01 Representations, Warranties and Covenants Relating to the Project and the Company.

As of the date hereof, the Managing Member hereby represents, warrants and covenants to the Company and to the Members that:

(a) Due Authorizations, Execution and Delivery. The execution and delivery of this Agreement by the Managing Member and the performance by the Managing Member of the transactions contemplated hereby have been duly authorized by all requisite corporate, partnership, limited liability company or trust actions or proceedings. The Managing Member is duly organized, validly existing and in good standing under the laws of the state of its formation with power to enter into this Agreement and to consummate the transactions contemplated hereby.

(b) Construction of Project. The construction and development of the Project shall be undertaken and shall be completed in a timely and workmanlike manner in accordance with (i) all applicable requirements of the Project Loans and the Project Documents, (ii) all applicable requirements of all appropriate governmental entities, and (iii) the Plans and Specifications of the Project that have been or shall be hereafter approved by the Investor Member and, if required, the Project Lenders and any applicable governmental entities, as such Plans and Specifications may be changed from time to time with the approval of the Investor Member and the Project Lenders, if required, and any applicable governmental entities, if such approval shall be required; it shall promptly provide copies of all change orders to the Investor Member.

(c) Zoning and Related Matters. At the date hereof, at the Initial Closing and at the time of commencement of construction and thereafter continuously, the Land is and will be properly zoned for the Project, all consents, permissions and licenses required by all applicable governmental entities have been obtained, and the Project conforms and will conform to all applicable federal, state and local land use, zoning, environmental and other governmental laws and regulations.

(d) **Plans and Specifications.** The Managing Member has sent to the Investor Member the Plans and Specifications (including, without limitation, all working drawings) and all construction schedules, approved construction draws, certifications concerning occupancy, lien notices, project inspection reports, proposed changes and modifications to the Plans and Specifications, all documents pertaining to the Project Loan and any other information that is relevant to the construction and development of the Project.

(e) **Public Utilities.** All appropriate public utilities, including sanitary and storm sewers, water, gas and electricity, are currently available and will be operating properly and in sufficient capacity for the Project at the time of certificate of occupancy. The Managing Member will keep all such utilities operating in a manner sufficient to service the Project.

(f) **Title Insurance.** An owner's title insurance policy of a financially responsible institution acceptable to the Investor Member, in an amount equal to the principal amount of the Project Loans and the Capital Contributions of the Managing Member and the Investor Member, in favor of the Company, will be issued at or prior to the Initial Closing subject only to such easements, covenants, restrictions and such other standard exceptions as are normally included in owner's title insurance policies and which are Consented to by the Investor Member and with such endorsements to such policy as the Investor Member may request. Good and marketable fee simple title to the Land will be held by the Company. The Managing Member has not made any misrepresentation or failed to make any disclosure that will or could result in the Company lacking title insurance coverage based on imputation of knowledge of the Managing Member to the Company or the Managing Member's ability to perform its obligations hereunder.

(g) **Non-Recourse Loans.** Except as otherwise provided herein, at and after the Final Closing, there shall be no direct or indirect personal liability of the Company, any of the Members, or any Affiliates of the Company or Members for the repayment of the principal of or payment of interest on any Project Loan, and the sole recourse of any Project Lender under any Project Loan with respect to the principal thereof and interest thereon shall be to the property securing the indebtedness, except for any liability of the Managing Member with respect to customary "carveouts" that are set forth in loan documents relating to the Project Loans (the "Carveouts") to which the Investor Member has Consented. However, the Managing Member shall have recourse liability for the obligations of the Company under the loans as described as recourse in **Exhibit F**, to the same extent as if it was a general partner in a limited partnership.

(h) **No Defaults.** The Managing Member is not aware of any default or any circumstances which, with the giving of notice or the passage of time, would constitute a default, under any agreement, contract, lease, or other commitment, or of any claim, demand, litigation, proceedings or governmental investigation pending or threatened against the Managing Member, the Project or the Company, or related to the business or assets of the Managing Member, the Project or Company, which claim, demand, litigation, proceeding or governmental investigation could result in any judgment, order, decree, or settlement which would materially and adversely affect the business or assets of the Managing Member, the Project or Company.

(i) No Violation. The execution of this Agreement, the incurrence of the obligations set forth in this Agreement, and the consummation of the transactions contemplated by this Agreement do not violate any provision of law, any order, judgment or decree of any court binding on the Company or the Managing Member or any Affiliate(s) thereof, any provision of any indenture, agreement, or other instrument to which the Company or the Managing Member is a party or by which the Company, Managing Member or the Project is affected, and is not in conflict with, and will not result in a breach of or constitute a default under any such indenture, agreement, or other instrument or result in creating or imposing any lien, charge, or encumbrance of any nature whatsoever upon the Project.

(j) Construction Contract. The Construction Contract has been entered into between the Company and the Contractor; no other consideration or fee shall be paid to the Contractor in its capacity as the Contractor for the Project other than the amounts set forth in the Construction Contract or as evidenced by change orders approved by the Project Lenders and as otherwise disclosed in writing to and approved by the Investor Member; and all change orders to date have been paid in full. In addition, no consideration or fee shall be paid to the Developer or Managing Member by the Contractor.

(k) Performance Bond; Letter of Credit. Either (i) one hundred percent (100%) payment and performance bonds issued by a nationally, financially recognized bonding company, in forms acceptable to the Project Lenders and the Investor Member, and in amounts satisfactory to the Project Lenders and the Investor Member, or (ii) a letter of credit in an amount and in a form, and from an issuer satisfactory to the Project Lenders and the Investor Member, will be obtained by the Contractor at or before Initial Closing and shall remain in full force and effect under terms and conditions as shall be acceptable to the Project Lenders and the Investor Member; in the alternative, the obligations of the Contractor will be guaranteed by the Managing Member and the Affiliate Guarantors and secured by cash, letter of credit or other security acceptable to the Project Lenders and the Investor Member.

(l) Insurance. The Managing Member shall cause the Company to obtain and maintain insurance in accordance with the requirements of Exhibit I attached hereto.

(m) No Undisclosed Financial Responsibilities. Neither the Company, nor the Managing Member, either individually or on behalf of the Company, has incurred any financial responsibility with respect to the Project prior to the date of execution of this Agreement, other than (i) that disclosed to the Investor Member, or (ii) obligations which will be fully satisfied at or prior to the Initial Closing. As of the date hereof and hereafter continuously, unless the Investor Member otherwise consents or unless otherwise specifically provided for herein, the only indebtedness of the Company with respect to the Project are the Project Loans, if any, described on Exhibit F. Without limiting the generality of the foregoing, neither the Managing Member, any of its Affiliates nor the Company, has entered, or shall enter, into any agreement or contract for any loans (other than the Project Loan) or for the payment of any Project Loan discounts, additional interest, yield maintenance or other interest charges or financing fees or any agreement providing for the guarantee of payment of any such interest charges or financing fees relating to any Project Loan.

(n) Valid Limited Liability Company; Power of Authority. The Company is and will continue to be a valid limited liability company, duly organized under the laws of the Commonwealth of Virginia, and shall have and shall continue to have full power and authority to acquire the Land and to own, develop, construct, operate and maintain the Project in accordance with the terms of this Agreement, and shall have taken and shall continue to take all action under the laws of the State of Formation and any other applicable jurisdiction that is necessary to protect the limited liability of the Investor Members and to enable the Company to engage in its business.

(o) Restrictions on Sale or Refinancing. No restrictions on the sale or refinancing of the Project, other than restrictions that may be set forth in the Project Documents, exist as of the date hereof, and no such restrictions shall, at any time while the Investor Member is an Investor Member, be placed upon the sale or refinancing of the Project.

(p) Projected LIHTC. The Projected LIHTC applicable to the Project is \$481,002 for each year 2020 through 2028 which equals the amount of LIHTC the Managing Member has projected will be allocated to the Company.

(q) Compliance with Agreements. To the best of its knowledge after due inquiry, the Managing Member, either individually or on behalf of the Company, has fully complied with all applicable provisions and requirements of any and all contracts, options and other agreements with respect to the purchase of the Land and the ownership, development, financing and operation of the Project, including all Project Documents; it shall take, and/or cause the Company to take, all actions as shall be necessary to achieve and maintain continued compliance with the provisions, and fulfill all applicable requirements, of such agreements.

(r) State Designation. On April 27, 2017, the Company received valid State Designation with respect to the Project.

(s) Applicable Income and Rent Restrictions. The Project is being developed in a manner which satisfies, and shall continue to satisfy, all restrictions, including tenant income and rent restrictions, applicable to projects generating LIHTC under Section 42 of the Code. The Company will comply with the so-called "40-60 Set-Aside Test" of Code Section 42(g)(1)(B), so that at least 40% of the units in the Project will be occupied by individuals with incomes of 60% or less of area median income, as adjusted for family size; the Project is not subject to any other rental restrictions under the Project Documents except to the extent that more than 40% of the residential units in the Project will be rent and income restricted in order to generate the full amount of the Projected Credits and as set forth in the Regulatory Agreements.

(t) Term of Extended Use Agreement. The term of the Extended Use Agreement will not exceed 30 years and neither the Extended Use Agreement nor any other document, instrument or agreement to which the Company is a party shall restrict, limit or waive the right of the Company to cause a termination of the Extended Use Agreement prior to the end of such 30-year term in accordance with Code Section 42(h)(6)(E)(i)(II).

(u) Ownership of Managing Member. Second Act Communities owns and shall continue to own at all times during the term of the Company one hundred percent (100%) of all classes of interests of the Managing Member.

(v) Title to Project; Taxes and Assessments. The Company has and shall have at all times good and marketable title to the Project, subject only to permitted exceptions thereto to which the Investor Member has given its Consent. All real estate taxes, assessments, water and sewer charges and other municipal charges, to the extent due and owing, have been paid in full on the Project.

(w) Taxpayer Certifications. On behalf of the Company, the Managing Member will cause to be filed any and all certifications and other documents on a timely basis with the IRS, the Agency and all other Authorities, as have been and may be required to support the full amount of Projected Credits.

(x) Taxation and Limited Liability. No event has occurred that has caused, and the Managing Member will not act in any manner that will cause (i) the Company to be treated for federal income tax purposes as an "association" taxable as a corporation, rather than as a partnership; or (ii) the Investor Member or the Special Member to be liable for the Company's obligations in excess of its Capital Contributions.

(y) No Tax-Exempt Use Property. No portion of the Project is or will be treated as "tax exempt use property" as defined in Section 168(h) of the Code.

(z) No Abusive Tax Shelter. The Managing Member has not received notice from the IRS that it has considered the Managing Member to be involved in any abusive tax shelter and is not aware of any facts, which if known to the IRS, would cause such notice to be issued.

(aa) Required Consents; No Defaults Under Loan Documents. The Company has obtained all consents required for the admission of the Investor Member to the Company, including but not limited to, the consent of the holder(s) of the Project Loans, if necessary, and any required consents of applicable Authorities.

(ab) Bankruptcy. No Bankruptcy, including, without limitation, attachments, execution proceedings, assignments for the benefit of creditors, insolvency, reorganization or other proceedings are pending or threatened against the Company or the Managing Member. The Managing Member will not permit such a Bankruptcy to occur.

(ac) Governmental Actions. To the best of the Managing Member's knowledge, there is no official action of any Authority, pending or threatened, which in any way would (i) have a material adverse effect on the Company, the Project, the Investor Member or the LIHTC; (ii) involve any intended public improvements which improvements may result in any charge in excess of \$10,000 being levied against the Land; or (iii) any special assessment, being levied against or

assessed upon the Land or the Project. There is no existing, proposed or contemplated, plan to widen, modify or realign any street or highway contiguous to the Land. The Managing Member will promptly notify the Investor Member of any such official actions or plans, if and as they arise.

(ad) Moratoria; Assignments; Dedications. There is no reassessment (except for real estate property taxes), reclassification, rezoning, proceeding, ordinance or regulation (including amendments and modifications to any of the foregoing) pending or proposed to be imposed, by any Authority or any public or private utility having jurisdiction over the Land which would have a material adverse effect upon the use or occupancy of the Project. No special assessments have been levied against the Project or by an Authority upon the commencement or completion of any construction, alteration or rehabilitation on or of the Project or any portion thereof. The Managing Member will promptly notify the Investor Member of any such actions, if and as they arise. Except as previously disclosed in writing to and approved by the Investor Member, the completion of the improvements, alteration or rehabilitation on or to the Project or any portion thereof will not require the dedication of any portion of the Project by any Authority.

(ae) No Defects, Compliance. Upon completion of the Project, there will be no material physical or mechanical defects or deficiencies in the condition of the Project, including, but not limited to, the roofs, exterior walls or structural components of the Project and the heating, air conditioning, plumbing, ventilating, elevator, utility, sprinkler and other mechanical and electrical systems, apparatuses and appliances located in, or about, the Land which would materially and adversely affect the Project or any portion thereof. The Project is free from infestation by termites or other pests, insects, animals or other vermin and the Managing Member will keep it so. The Project conforms (or will timely conform) to all governmental regulations, including, without limitation, all zoning, building, health, fire and environmental rules, regulations ordinances or requirements or environmental laws, regulations or procedures applicable to the Project where the failure to conform would result in a material adverse effect.

(af) No Defective Soils Conditions. To the best of the Managing Member's knowledge after due inquiry, there are no defects or conditions of the soil that would have a material adverse effect upon the use, occupancy and operation of the Project. The soil condition of the Land is such that it will support all of the improvements to be located thereon for its foreseeable life, without the need for unusual or new subsurface excavations, fill, footings, caissons or other installations. The improvements on the Land, as built, will be or are constructed in a manner compatible with the soil condition at the time of construction and all necessary excavations, fills, footings, caissons and other installations were then, have since been and will be provided.

(ag) Rights of First Refusal; Options. Except as contemplated by the Right of First Refusal Agreement set forth in Exhibit L attached hereto, neither the Managing Member nor the Company has entered into (nor will enter into) any contracts for the sale of the Project, the LIHTC with respect thereto, or any interest in the Project or Company other than in contemplation of this Agreement, nor do there exist any rights of first refusal or options to purchase the Project, the LIHTC with respect thereto, or any interest in the Company.

(ah) Securities Law Compliance. The Managing Member has or will have timely complied or cause the timely compliance with all applicable Federal and state securities laws in connection with the offer and sale of the interest in the Company to the Investor Member.

(ai) Truth and Completeness of Representations and Disclosures. No representation, warranty or statement of the Managing Member in this Agreement or in any document, certificate or schedule furnished or to be furnished to the Investor Member pursuant hereto contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements or facts contained therein not misleading. All material information concerning the Project known to the Managing Member or any of its Affiliates, or which should have been known to any of them in the exercise of reasonable care, has been disclosed by the Managing Member to the Investor Member and there are no facts or information known to the Managing Member or any of its Affiliates, or which should have been known to any of them in the exercise of reasonable care, which would make any of the facts or information submitted by the Managing Member to the Investor Member with respect to the Project inaccurate, incomplete or misleading in any material respect.

(aj) Compliance with Fair Housing Act. At all times during the term of this Agreement, the Company shall comply with the provisions of the Fair Housing Act, as amended.

(ak) Lenders to Project Entities Generally. Subject to provisions of this Agreement with respect to related party loans, a limited partner or investor member, including without limitation the Federal Home Loan Mortgage Corporation (such investor member or member being referred to herein as a "Mortgagee"), in any entity that is a Member herein at any time may make, guarantee, own, acquire, or otherwise credit enhance, in whole or in part, a loan secured by a mortgage, deed of trust, trust deed, or other security instrument encumbering the Project owned by the Company (any such loan being referred to as a "Mortgage Loan"). Under no circumstances will a Mortgagee be considered to be acting on behalf or as an agent or the alter ego of such Member. A Mortgagee may take any actions that the Mortgagee, in its discretion, determines to be advisable in connection with a Mortgage Loan (including in connection with the enforcement of a Mortgage Loan). By acquiring an interest in the Company, each Member acknowledges that no Mortgagee owes the Company or any Member any fiduciary duty or other duty or obligation whatsoever by virtue of such Mortgagee being a limited partner or member in a Member. Neither the Company nor any Member will make any claim against a Mortgagee, or against the Member in which the Mortgagee is a member or partner, relating to a Mortgage Loan and alleging any breach of any fiduciary duty, duty of care, or other duty whatsoever to the Company or to any Member based in any way upon the Mortgagee's status as a limited partner or member of a Member.

(al) Member Loans. No Member or any Affiliate of a Member shall make or purchase a loan to the Company unless the Company receives an opinion of competent tax counsel to the effect that such loan will have no adverse tax consequences to any of the Members.

(am) HOME Loan. The Managing Member acknowledges that the Sponsor HOME Loan has been funded with the proceeds of HOME Program funds pursuant to the Cranston-

Gonzalez National Affordable Housing Act of 1995, which is implemented by the HOME Investment Partnership Program, 24 CFR Part 92, as amended (collectively, the "HOME Act"). The General Partner shall cause the Partnership to comply in full with the HOME Act, including, without limitation, rental restrictions and tenant income limitations, Davis-Bacon Act compliance requirements, and all requirements set forth in any restrictive covenant or regulatory agreement executed by the Partnership in connection with the HOME Loan.

(an) **Development Budget.** The Development Budget attached hereto as **Exhibit H** is accurate and complete. The assumptions underlying the calculations therein are reasonable and based upon the Managing Member's knowledge and experience.

(ao) **Reportable Transactions.** The Company and its Members shall be permitted to disclose to any and all Persons, without limitation of any kind, the "tax treatment and tax structure" (as defined in Treasury Regulation Section 1.6011-4(c)) of the transaction contemplated by this Agreement and all materials of any kind (including opinions or other tax analyses) relating to such tax treatment and tax structure. The Managing Member shall (A) promptly notify the Investor Member of any "reportable transaction" under Code Section 6707A(c) or Treasury Regulation Section 1.6011-4 in which the Company shall engage or which it reports under Code Section 6111, and (B) maintain investor lists with respect to the Company as required under Code Section 6112.

(ap) **Reasonableness of Fees.** All fees to be paid to the Managing Member or any Affiliate of the Managing Member hereunder or otherwise in connection with the development of the Project are reasonable in amount and consistent with standard practice in the industry.

(aq) **REAC and HUD Reports.** The Managing Member shall advise the Investor Member of any REAC (Real Estate Assessment Center) inspection reports it receives with respect to the Project as well as any notices from HUD indicating any adverse findings with respect to the Project, including, but not limited to, the following:

- (i) management review findings;
- (ii) Section 8 HAP contract violations; and
- (iii) HUD Regulatory Agreement violations.

(ar) **Governmental Review and Approvals/HUD 2530 Language.** The Company shall not acquire or proceed with the development of the Project unless approval is obtained from HUD if such approval is required in connection with such development or acquisition. If the acquisition or development of the Project necessitates the filing of a Form 2530 Previous Participation Certificate with HUD (a "Previous Participation Certification"), the Managing Member shall so notify the Investor Member and such acquisition or development shall not proceed without the required Form 2530 filing. The Managing Member shall also provide adequate information to the Investor Member to enable any of its members to file any additional documents that may be required by HUD. Such information shall include but not be limited to the following:

- (i) type of financing and governmental agency providing such assistance, FHA project number, Section 8 contract number or other agency identification number (if any);
- (ii) closing date/date of receipt of assistance;
- (iii) date that the Project is intended to be acquired and/or the development is to be financed by the Company;
- (iv) property address and last inspection date/rating;
- (v) status of any pre-existing loan on the project (current, defaulted, assigned or foreclosed) and if ever defaulted, an explanation as to the causes of such default/foreclosure.

(as) OFAC Requirements. The Managing Member and its Affiliates are (i) in compliance with all applicable anti-money laundering laws, including, without limitation, the USA Patriot Act and the laws administered by the United States Treasury Department's Office of Foreign Assets Control ("OFAC"), including, without limitation, Executive Order 13224, (ii) not on the Specially Designated Nationals and Blocked Persons List maintained by OFAC, and (iii) not otherwise identified by a government entity or legal authority as a Person with whom a U.S. Person is prohibited from transacting business. "U.S. Person" shall mean any United States citizen, any permanent resident alien, any entity organized under the laws of the United States (including foreign branches), or any person in the United States.

(at) Survival of Representations and Warranties. All of the representations, warranties and covenants contained herein shall be deemed to be re-made as of the date of each Capital Contribution made by the Investor Member and shall survive the date of Final Closing and the funding date of each such Capital Contribution. The Managing Member shall indemnify and hold harmless the Investor Member against a breach of any of the foregoing representations, warranties and covenants and any damage, loss or claim caused thereby, including reasonable attorneys' fees and costs and expenses of litigation and collection.

4.02 Duties and Obligations Relating to the Project and the Company. The Managing Member shall have the following duties and obligations with respect to the Project and the Company:

(a) Qualifying for LIHTC. It shall ensure that all requirements shall be met which are necessary to obtain or achieve (i) compliance with the Minimum Set-Aside Test, the Rent Restriction Test, and any other requirements necessary for the Project to initially qualify, and to continue to qualify, for LIHTC, including all applicable requirements set forth in the Regulatory Agreement and the Extended Use Agreement, (ii) issuance of IRS Form(s) 8609 with respect to the LIHTC, (iii) issuance of all necessary permanent, unconditional certificates of occupancy, including

all governmental approvals required to permit occupancy of the Project, and (iv) Initial Closing and Final Closing.

(b) Tax Treatment of Company. While conducting the business of the Company, the Managing Member shall not act in any manner which it knows or should have known after due inquiry will (i) cause the termination of the Company for federal income tax purposes without the Consent of the Investor Member or (ii) cause the Company to be treated for federal income tax purposes as an association taxable as a corporation.

(c) Securities Law Matters. The Managing Member shall prepare and timely file all appropriate reports for the Company with the Securities and Exchange Commission and state securities administrators.

(d) Limited Liability Company Status. The Managing Member shall (i) file such certificates and do such other acts as may be required to qualify and maintain the Company as a limited liability company under the Act and to qualify the Company to transact business in all such other jurisdictions as may be required under the applicable provisions of law, and (ii) take or cause the Company to take all reasonable steps deemed necessary by counsel to the Company to assure that the Company is at all times classified as a partnership for federal income tax purposes.

(e) Good Faith of Managing Member. It shall exercise good faith in all activities relating to the conduct of the business of the Company, including the development, operation and maintenance of the Project, and the Managing Member shall take no action with respect to the business and property of the Company which is not reasonably related to the achievement of the purpose of the Company.

(f) No Security Interests or Encumbrances; Debt Service Coverage Ratio. The Managing Member shall ensure that all of (i) the fixtures, maintenance supplies, tools, equipment and the like now and to be owned by the Company or to be appurtenant to, or to be used in the operation of the Project, as well as (ii) the rents, revenues and profits earned from the operation of the Project, will be free and clear of all security interests and encumbrances except for the Project Loans, the Mortgages, and any additional security agreements executed in connection therewith. From and after the Final Closing, the Project shall maintain a Debt Service Coverage Ratio of at least 1.15:1.0.

(g) Basis Adjustments. It will execute on behalf of the Company all documents necessary pursuant to Sections 732, 743 and 754 of the Code to elect to adjust the basis of the Company's property upon the request of the Investor Member, if, in the sole opinion of the Investor Member, such election would be advantageous to the Investor Member.

(h) Payment of Development Fee. It guarantees payment by the Company of the Development Fee as provided in Section 5.01(b).

(i) Tax Returns and Financial Statements. It shall, during and after the period in which it is a Member, provide the Company with such information and sign such documents as are necessary for the Company to make timely, accurate and complete submissions of federal and state income tax returns and shall provide the Investor Member with the opportunity to review and Consent to drafts of all such returns at least twenty (20) days prior to their filing date, and will incorporate the changes of the Investor Member. In addition, the Managing Member shall provide the Investor Member with the opportunity to have not less than twenty (20) days to review drafts of audited financial statements prior to their finalization and will incorporate the changes of the Investor Member.

(j) Compliance with Governmental and Contractor Obligations. It shall comply and cause the Company to comply with the provisions of all applicable governmental and contractual obligations, including any Regulatory Agreement.

(k) Tax Elections. It has made (if applicable) and shall make such elections, or refrain from making such elections, with respect to the LIHTC, as are necessary to achieve and maintain the maximum allowable LIHTC to the Investor Member, unless otherwise directed in writing by the Investor Member. The Company will not make an election to opt out of the bonus depreciation available under Section 168(k) of the Code without the consent of the Investor Member.

The parties acknowledge that the Tax Cut and Jobs Act of 2017 (the "Act") either has or is likely to become law. The parties agree to work together to make appropriate elections and tax return reporting choices to avoid reducing the Investor Member's expected benefits from being a member in the Company. In this regard and without limiting the foregoing, the Managing Member agrees that unless directed otherwise by the Investor Member, the Company shall make the election under Code Section 163(j)(7)(B) as provided in the Act to be an Electing Real Property Trade or Business. In addition, if directed by the Investor Member, the Managing Member shall elect out of bonus depreciation allowed under Section 167(k) on one or more classes of property for one or more years or if allowable, elect less than the maximum amount of bonus depreciation.

(l) Fines and Penalties. It shall be responsible for the payment of any fines or penalties imposed by any applicable governmental authority or any Project Lender pursuant to the Project Documents and any documents executed in connection with obtaining the LIHTC (other than with respect to payments of principal or interest under any Project Loan) attributable to any action or inaction of it or its Affiliates.

(m) Notification of Default or IRS Proceedings. It shall immediately notify the Investor Member of any written or oral notice of (i) any default or failure of compliance with respect to any of the Project Loans or any other financial, contractual or governmental obligation of the Company or the Managing Member, or (ii) any IRS proceeding regarding the Project or the Company.

(n) Notification of Construction Delays. If at any time during the construction or rehabilitation of the Project, (i) construction or rehabilitation stops or is suspended for a period of

ten (10) consecutive days, or (ii) construction or rehabilitation has been delayed so that in the reasonable determination of the Managing Member (A) Substantial Completion may not be achieved by the date set forth in the Construction Contract, or (B) the Projected Credits for any year during the Credit Period may not be achieved, the Managing Member shall immediately send Notice of such occurrence, together with an explanation of the circumstances surrounding such occurrence, to the Investor Member.

(o) **Bank Accounts.** The Managing Member shall establish in the name and on behalf of the Company such bank accounts as shall be required to facilitate the operation of the Company's business. The Company's funds shall not be commingled with any other funds of the Managing Member or any of its Affiliates, including, without limitation, any other limited liability company in which the Managing Member is a managing member. Promptly upon the request of the Investor Member, the Managing Member shall obtain and deliver to the Investor Member full, complete and accurate statements of the amount and status of all Company bank accounts and all withdrawals therefrom and deposits thereto.

(p) **Sales Notice to State Agency.** If necessary to obtain, maintain or avoid recapture of any LIHTC for the Company, upon written request of an Investor Member, the Managing Member shall, pursuant to Section 42(h)(6) of the Code, submit on behalf of the Company and its Members, and in accordance with the rules and regulations of the Agency, a written request to the Agency (or other applicable housing credit agency) to find a Person to acquire the Project pursuant to a Qualified Contract.

(q) **Reserve Fund for Replacements.** It shall establish and maintain a segregated replacement reserve, in a lending institution acceptable to the Special Member, to provide for working capital needs, improvements, replacements and any other contingencies of the Company. The initial \$10,000 of the Reserve Fund for Replacements shall be funded from the Fourth Capital Contribution. At a minimum, the Managing Member shall cause the Company to annually deposit into a segregated reserve account, commencing upon Final Closing, \$300.00 per unit per year from the Company's gross operating revenues into the Reserve Fund for Replacements ("Initial Amount"). Thereafter, the Managing Member shall, each year, further fund the Reserve Fund for Replacement with an additional amount equal to the Initial Amount. Withdrawals from the Reserve Fund for Replacements shall require the consent and signature of the Investor Member or Special Member. The Managing Member shall not increase the amount in the Reserve Fund for Replacements materially above the amount required to be maintained by this Section 4.02(q) without the consent of the Investor Member, which consent shall not be unreasonably withheld. Notwithstanding anything to the contrary in this Section 4.02(q), however, the amount of the Reserve Fund for Replacements shall be increased if necessary to satisfy the requirements of any creditor of the Company or any Authority having jurisdiction over the Project.

(r) **Operating Reserves.** In addition to the requirements of Section 4.02 (q), in order to meet operating expenses of the Company which exceed operating income available for the payment thereof, the Managing Member shall cause the Company to deposit an initial amount of \$206,000 (or such greater amount as may be required by the Project Lenders) into a segregated

reserve account in a lending institution acceptable to the Special Investor Member (the "Operating Reserve") to fund operating expenses and debt service in excess of operating revenues and to pay any Unpaid Fee, as that term is defined in Paragraph 5.01(b) hereof. The initial \$206,000 of the Operating Reserve shall be funded from the proceeds of the Seventh Capital Contribution and/or the proceeds of the Project Loans; provided, however, that if there are insufficient funds from the aforementioned sources upon Final Closing, the Managing Member shall be required to fund the Operating Reserve. Disbursements from the Operating Reserve for the aforementioned purposes shall constitute MM Loans by the Managing Member only to the extent of amounts funded by it into the Operating Reserve pursuant to the previous sentence. Additionally, the Managing Member shall cause the Company to deposit into the Operating Reserve amounts sufficient to maintain a balance of \$206,000, from Net Cash Flow as set forth in Section 11.03(b) hereof. Withdrawals from the Operating Reserve shall require the prior written approval of the Special Member. Any additional funds contributed to the Operating Reserve by the Investor Member shall be treated as additional Capital Contributions and shall increase the Investor Members' respective Capital Accounts.

(s) Lease-Up Reserve. By the time of certificate of occupancy, the Managing Member shall establish and cause the Company to fund and maintain a lease-up reserve (the "Lease-Up Reserve") in the name of the Company and maintained in a segregated Company account established for this purpose. The amount of the Lease-Up Reserve shall be \$30,000 and shall be fully funded by the proceeds of the Fourth Capital Contribution. Withdrawals from the Lease-up Reserve account shall require the consent and signature of the Investor Member. At such time as the Project Property shall have achieved and maintained for a period of at least three months at least 95% occupancy (measured by both physical occupancy and "paid" occupancy based upon the then current rents for apartment units) and three months of Breakeven Operations, any unused portion of the Lease-Up Reserve shall be paid to the Managing Member or its nominee as an incentive management fee, subject to Agency consent, if required. Any additional funds contributed to the Lease-Up Reserve by the Investor Member shall be treated as additional Capital Contributions and shall increase the Investor Members' respective Capital Accounts.

(t) Pre-Development Activities. The Managing Member shall be specifically and solely responsible for the following duties:

- (1) Analyzing the Qualified Allocation Plan ("QAP") for targeted areas within a state.
- (2) Identifying potential land sites.
- (3) Analyzing the demographics of potential sites.
- (4) Analyzing a site's economy and forecast future growth potential.
- (5) Determining the site's zoning status and possible rezoning actions.

- (6) Contacting local government officials concerning access to utilities, public transportation, impact fees and local ordinances.
- (7) Performing environmental tests on selected sites.
- (8) Negotiating the purchase of the land upon which the Project is located and its related financing.
- (9) Performing any other duties or activities relating to the acquisition of the land upon which the Project is located.

4.03 Single Purpose Entity. The Managing Member shall engage in no other business or activity other than that of being the Managing Member of the Company. The Managing Member was formed exclusively for the purpose of acting as the Managing Member of the Company and has never engaged in any other activity, business or endeavor. As of the date of this Agreement, the Managing Member has no liabilities or indebtedness other than its liability for the debts of the Company, and the Managing Member shall not incur any indebtedness other than its liability for the debts of the Company. If the Managing Member determines it needs additional funds for any purpose, it shall obtain such funds solely from capital contributions from its shareholders or members. The Managing Member has observed and shall continue to observe all necessary or appropriate corporate formalities in the conduct of its business. The Managing Member shall keep its books and records separate and distinct from those of its shareholders, members and affiliates. The Managing Member shall clearly identify itself as a legal entity separate and distinct from its shareholders, members and its affiliates in all dealings with other Persons. The Managing Member has been adequately capitalized for the purposes of conducting its business and will not make distributions at a time when it would have unreasonably small capital for the continued conduct of its business.

ARTICLE V
MEMBERS, MEMBERSHIP INTERESTS
AND OBLIGATIONS OF THE COMPANY.

5.01 Members; Capital Contributions; Membership Interests.

(a) Initial Managing Member Contribution. The Managing Member, its principal address or place of business, its Capital Contribution and its Percentage Interest are as follows:

- (i) Name and Address:

Chesapeake Vets' Housing, Inc.
2400 Potters Road
Virginia Beach, VA 23454

(ii) **Capital Contribution:** \$100.00, plus all of its rights, title and interest in, to and under all agreements, licenses, approvals, permits, LIHTC applications and allocations and any other tangible or intangible personal property which is related to the Project or which is required to permit the Company to pursue its business and carry out its purposes as contemplated in this Agreement.

(iii) **Percentage Interest:** 0.009%

(b) **Managing Member's Special Capital Contribution.** In the event that the Company has not paid all or part of the amounts due under the Development Agreement ("Unpaid Fee") on or before the earlier of (i) the thirteenth (13th) anniversary of placement in service of the Project, or (ii) the date required under the Development Agreement, the Managing Member shall contribute to the Company an amount equal to any such Unpaid Fee (the "Managing Member's Special Capital Contribution") and the Company shall thereupon make a payment in an equal amount to the Unpaid Fee; provided, however, that prior to the making of the Managing Member's Special Capital Contribution, funds in the Operating Reserve may be used to pay the Unpaid Fee, subject to approval by the Investor Member, and after application of the approved portion of the Operating Reserve, any remaining Unpaid Fee shall be paid using the Managing Member's Special Capital Contribution.

(c) **Investor Members.** The Investor Member and the Special Member, respectively, their principal officer and places of business and Percentage Interests are as follows:

(i) **The Investor Member, its principal office and place of business, and its Percentage Interest are as follows:**

Housing Equity Fund of Virginia XXI, L.L.C. 1840 West Broad Street, Suite 200 Richmond, Virginia 23220	Capital Contribution of the Investor Member is as set forth in subparagraph (d) immediately below, as increased for purposes of the Company's books of account by the amount of the Capitalized Bridge Loan Interest allocable to the Investor Member, also as set forth in subparagraph (d) immediately below.	99.99%
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(ii) **The Special Member, its principal office and place of business, its Percentage Interest and its Capital Contribution are as follows:**

VAHM, LLC 1840 West Broad Street, Suite 200 Richmond, Virginia 23220	\$10.00	0.001%
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(d) **Investor Member Capital Contributions.** Subject to the provisions of this Agreement, including, without limitation, the provisions of Sections 5.01(e) and 5.03, the Investor Member shall be obligated to make Capital Contributions to the Company in the amount of

\$4,425,000 payable in installments as follows. However, in addition to such Contributions, the Capital Contributions of the Investor Members shall be deemed to include, and their respective Capital Accounts shall so reflect, each Investor Member's allocable share of Capitalized Bridge Loan Interest as determined by the Company's Accountants in consultation with each Investor Member.)

(i) **First Capital Contribution.** The amount of the first Capital Contribution shall be Seven Hundred Fifty Thousand and No/100 Dollars (\$750,000). Nine Hundred Ninety Nine and No/100 Dollars (\$999.99) shall be paid upon the execution and delivery of this Agreement. The remainder of the first Capital Contribution shall be made after satisfaction of all of the conditions set forth below, and review and approval of the items described below, the Investor Member shall make the first Capital Contribution. A portion of the First Capital Contribution in the amount of \$35,000 will be disbursed when the remainder of the first Capital Contribution is paid and shall be used to pay the Investor Member's Due Diligence Costs and the remaining portion of the first Capital Contribution shall be used to pay for approved costs of the Development of the Project, including payment of a portion of the Development Fee in the projected amount of \$190,000.

- (A) **Title Policy.** The Title Company shall have issued the Company's title policy in an amount equal to the acquisition and development cost of the Project, showing the Company as owner of fee simple title to the Land and subject to only such exceptions as are acceptable to the Investor Member, and containing fairways, non-imputation, creditors' rights, zoning, survey, access, tax parcel and such other endorsements as the Investor Member may require;
- (B) **Environmental Matters.** The Investor Member shall have received a report satisfactory to the Investor Member confirming no material adverse environmental conditions, including, without limitation, evidence that radon gas is not present in any of the apartment units at a level above the recommended permitted safe level as determined by the Environmental Protection Agency or any other applicable governmental authority;
- (C) **Legal Opinion.** The Investor Member shall have received a legal opinion as set forth in Section 5.04;
- (D) **Permanent Financing.** The Investor Member shall have received copies of all commitment letters or agreements from all of the Company's anticipated financing sources, in form and substance acceptable to the Investor Member, necessary to meet the Company's financial needs for the Project;
- (E) **Survey.** The Investor Member shall have received and approved an ALTA Survey, dated no more than ninety (90) days prior to the date of funding;
- (F) **Plans and Specifications.** The Investor Member shall have received and approved Plans and Specifications for the Project;

- (G) Permits. The Investor Member shall have received a copy of all permits and licenses required for the construction and rehabilitation of the Project, issued by the appropriate governmental authorities;
- (H) Construction Financing. Evidence that all construction financing proceeds are available, including copies of all executed construction financing documents;
- (I) Credits. Evidence from the Agency that the Project will qualify for annual LIHTC of at least \$481,002;
- (J) Construction Contract. The general construction contract, in form and substance acceptable to the Investor Member and with a fixed price or maximum upset price acceptable to the Investor Member, and with a general contractor reasonably acceptable to the Investor Member;
- (K) Financials. Current financial statements of the Developer, verification of background information to be provided to the Investor Member by the Managing Member and there having been no changes in the tax laws or treasury regulations or pronouncements or interpretations of existing tax issues that would materially and adversely affect the Investor Member's investment in the Company;
- (L) 10% Cost Certification. The Investor Member shall have received a copy of the cost certification the Company or Affiliate Guarantor delivered to the Virginia Housing Development Authority in connection with any carryover of LIHTC, with copies of all invoices and backup information;
- (M) AHAP Contract. Investor Member shall have received a copy of the fully executed , Agreement to Enter into Housing Assistance Payment Contract for all of the Units in the Project for 15 years; and
- (N) Other Documentation. The Investor Member shall have received such other documentation as it may reasonably request to satisfy its due diligence requirements including, without limitation, (i) those documents listed on the Investor Member's closing checklist, a copy of which has been previously delivered to the Managing Member; (ii) the Post Closing Obligations, if any, as set forth on **Exhibit K** attached hereto; and (iii) such additional items requested by the Investor Member to otherwise verify the accuracy of the representations and warranties and compliance with the covenants, duties and obligations set forth in Article IV.

(ii) Second Capital Contribution. The amount of the Second Capital Contribution shall be Seven Hundred Fifty Thousand and No/100 Dollars (\$750,000). After satisfaction of all of the conditions set forth below, and review and approval by the Investor Member of the items described below, the Investor Member shall make the Second Capital Contribution in the amount

requested by the Managing Member in the manner set forth below, to pay for the cost of construction or rehabilitation of the Project or to repay the Construction Loan.

- (A) First Capital Contribution Paid. The occurrence of the Investor Member's First Capital Contribution;
- (B) Sworn Statements. The Investor Member shall have received a written request for an advance from the Managing Member in form satisfactory to the Investor Member, accompanied by current owner's and contractor's sworn statements;
- (C) Managing Member's Certificate. The Investor Member shall have received a certificate from the Managing Member that the representations, warranties and covenants in Sections 4.01 and 4.02 are true and accurate as of the date of the proposed Second Capital Contribution, and that the Managing Member and the Company are not in default of any of their obligations hereunder and under the Project Documents as of the date of the proposed Second Capital Contribution;
- (D) Physical Inspection. A construction consultant selected by the Investor Member shall have prepared a physical inspection report and certified that 25% percentage of the work has been completed in accordance with the Plans and Specification;
- (E) Title Policy. The Title Company shall have issued: (1) a "date down" endorsement to the title policy extending the effective date of the title policy to the date of funding and showing no exceptions to the title other than the exceptions reflected on the title policy as of Initial Closing, except as shall be acceptable to the Investor Member; (2) an endorsement affording mechanics lien coverage; and (3) such other endorsements as the Investor Member may reasonably require; and
- (F) Other Documentation. The Investor Member shall have received (i) any documentation listed in Exhibit "K" which was due or is due by the making of the Second Capital Contribution (ii) such other documentation as it may reasonably request to verify the accuracy of the representations and warranties and compliance with the covenants, duties and obligations set forth in Article IV.

(iii) Third Capital Contribution. The amount of the Third Capital Contribution shall be Seven Hundred Fifty Thousand and No/100 Dollars (\$750,000.00). After satisfaction of all of the conditions set forth below, and review and approval by the Investor Member of the items described below, the Investor Member shall make the Third Capital Contribution in the amount requested by the Managing Member in the manner set forth below, to pay for the cost of construction or rehabilitation of the Project, including payment of a portion of the Development Fee in the projected amount of \$60,000, or to repay the Construction Loan.

- (A) Second Capital Contribution Paid. The occurrence of the Investor Member's Second Capital Contribution;

- (B) Sworn Statements. The Investor Member shall have received a written request for an advance from the Managing Member in form satisfactory to the Investor Member, accompanied by current owner's and contractor's sworn statements;
- (C) Managing Member's Certificate. The Investor Member shall have received a certificate from the Managing Member that the representations, warranties and covenants in Sections 4.01 and 4.02 are true and accurate as of the date of the proposed Third Capital Contribution, and that the Managing Member and the Company are not in default of any of their obligations hereunder and under the Project Documents as of the date of the proposed Third Capital Contribution;
- (D) Physical Inspection. A construction consultant selected by the Investor Member shall have prepared a physical inspection report and certified that 50% percentage of the work has been completed in accordance with the Plans and Specification;
- (E) Title Policy. The Title Company shall have issued: (1) a "date down" endorsement to the title policy extending the effective date of the title policy to the date of funding and showing no exceptions to the title other than the exceptions reflected on the title policy as of Initial Closing, except as shall be acceptable to the Investor Member; (2) an endorsement affording mechanics lien coverage; and (3) such other endorsements as the Investor Member may reasonably require; and
- (F) Other Documentation. The Investor Member shall have received (i) any documentation listed in Exhibit "K" which was due or is due by the making of the Third Capital Contribution (ii) such other documentation as it may reasonably request to verify the accuracy of the representations and warranties and compliance with the covenants, duties and obligations set forth in Article IV.

(iv) Fourth Capital Contribution. The amount of the Fourth Capital Contribution shall be Seven Hundred Fifty Thousand and No/100 Dollars (\$750,000.00). After satisfaction of all of the conditions set forth below, and review and approval by the Investor Member of the items described below, the Investor Member shall make the Fourth Capital Contribution in the amount requested by the Managing Member in the manner set forth below, to pay for the cost of construction or rehabilitation of the Project or to repay the Construction Loan.

(A) Third Capital Contribution Paid. The occurrence of the Investor Member's Third Capital Contribution;

(B) Sworn Statements. The Investor Member shall have received a written request for an advance from the Managing Member in form satisfactory to the Investor Member, accompanied by current owner's and contractor's sworn statements;

(C) Managing Member's Certificate. The Investor Member shall have received a certificate from the Managing Member that the representations, warranties and covenants in Sections 4.01 and 4.02 are true and accurate as of the date of the proposed Fourth Capital Contribution, and that the Managing Member and the Company are not in default of any of their obligations hereunder and under the Project Documents as of the date of the proposed Fourth Capital Contribution;

(D) Physical Inspection. A construction consultant selected by the Investor Member shall have prepared a physical inspection report and certified that 75% percentage of the work has been completed in accordance with the Plans and Specification;

(E) Title Policy. The Title Company shall have issued: (1) a "date down" endorsement to the title policy extending the effective date of the title policy to the date of funding and showing no exceptions to the title other than the exceptions reflected on the title policy as of Initial Closing, except as shall be acceptable to the Investor Member; (2) an endorsement affording mechanics lien coverage; and (3) such other endorsements as the Investor Member may reasonably require; and

(F) Other Documentation. The Investor Member shall have received (i) any documentation listed in Exhibit "K" which was due or is due by the making of the Fourth Capital Contribution (ii) such other documentation as it may reasonably request to verify the accuracy of the representations and warranties and compliance with the covenants, duties and obligations set forth in Article IV.

Amounts disbursed pursuant to Sections 5.01(d)(i) and (iv), and to the extent necessary to pay for the costs of construction or rehabilitation, any amount under Section 5.01(d)(v), shall be disbursed through an escrow agreement in form and substance satisfactory to the Investor Member. All investment earnings on the Investor Member's Capital Contributions disbursed through an escrow shall inure to the benefit and belong to the Investor Member.

(v) Fifth Capital Contribution. The amount of the Fifth Capital Contribution shall be One Million Fourteen Thousand and No/100 Dollars (\$1,014,000.00). After satisfaction of all of the conditions set forth below, and review and approval by the Investor Member of the items described below, the Investor Member shall make the Fifth Capital Contribution in the amount requested by the Managing Member in the manner set forth below, to pay for the cost of construction of the Project or to repay the Construction Loan and Development Fee in the projected amount of \$400,000

(A) Fourth Capital Contribution Paid. The occurrence of the Investor Member's Fourth Capital Contribution;

(B) Final Closing. Simultaneously with Final Closing, provided that the Investor Member has received fifteen (15) days' prior Notice of the date of Final Closing, and has received copies of any loan documents (including loan riders) executed in connection with the permanent financing that have not been previously delivered to the Investor Member;

- (C) Substantial Completion. Substantial Completion of the Project shall have occurred
- (D) Survey. The Investor Member shall have received and approved an updated and recertified as-built survey satisfactory to the Investor Member dated no more than thirty (30) days prior to the date of funding;
- (E) As Built Plans and Specifications. The Managing Member shall have submitted to the Investor Member a written document executed by the Managing Member, the architect and the Contractor certifying no material change to the “for-construction” Plans and Specifications previously approved by the Project Lenders and Investor Member;
- (F) Permits, Licenses and Certificates of Occupancy. The Investor Member shall have received a copy of any permits and licenses which are required for the operation and use of the Project and a copy of the final and unconditional certificate or certificates of occupancy, or the equivalent, issued by the appropriate governmental authorities for the Project in its entirety;
- (G) Draft Cost Certification. Receipt and approval of a draft cost certification of Eligible Basis (as defined in Code Section 42(d)) for the Project prepared by the Accountants;
- (H) Environmental Matters. The Managing Member shall have provided the Investor Member evidence that the construction of the Project did not result in the filling or disturbance of any wetlands and that any actions recommended to be taken which were contained in any environmental assessment reports prepared in conjunction with the development of the Project have been appropriately completed in a manner that fully complies with such recommendations and all laws, regulations, ordinances, orders or decrees pertaining to environmental matters;
- (I) Extended Use Agreement. Receipt by the Investor Member of a copy of an as-recorded Extended Use Agreement;
- (J) Managing Member Certificate. Receipt of a certificate from the Managing Member that (1) the representations, warranties and covenants in Sections 4.01 and 4.02 continue to be true and accurate through the date of the proposed Fifth Capital Contribution and (2) the Company and the Managing Member are not in default of any of their obligations with respect to the Company or the Project at such time;
- (K) Legal Opinion. The Investor Member shall have received an update of the legal opinion previously delivered to the Investor Member in connection with its making the Initial Capital Contribution;

- (L) Evidence of Applicable Fraction. The Investor Member shall have received satisfactory evidence that the Applicable Fraction (as defined in Code Section 42(c)(1)(B)) for the Project equals or exceeds forty percent (40%) determined as of the date of the proposed Fifth Capital Contribution;
- (M) Architect's Certificate. The Managing Member shall have delivered to the Investor Member an architect's certificate of substantial completion in the form requested by the Investor Member;
- (N) Payment of Taxes. The Investor Member shall have received satisfactory evidence (which may be included in the title policy described below) that all real property taxes and assessments for the Project due and payable through the date of funding have been timely and fully paid;
- (O) Title Policy. The Title Company shall have issued a final date down endorsement to the title policy extending the date of the title policy through the date of final funding of the Project Loans and the Third Capital Contribution and showing no exceptions to title other than those exceptions reflected on the title policy as of Initial Closing and other exceptions as may be acceptable to the Investor Member;
- (P) Other Documentation. The Investor Member shall have received such other documentation as it may reasonably request to verify the accuracy of the representations and warranties and compliance with the covenants, duties and obligations set forth in Article IV;
- (Q) HAP Contract. Investor Member shall have received a copy of the fully executed HAP; and
- (R) Managing Member Elections. The Managing Member will provide evidence that it has made the election to be taxable under Code Section 168(h)(6)(F)(ii) and that such election was effective prior to placement in service of the Project.

(vi) Sixth Capital Contribution. The amount of the Sixth Capital Contribution shall be Two Hundred Five Thousand and No/100 Dollars (\$205,000.00). After satisfaction of all of the conditions set forth below, and review and approval by the Investor Member of the items described below, the Investor Member shall make the Sixth Capital Contribution in the amount requested by the Managing Member in the manner set forth below, to pay for the cost of construction or rehabilitation of the Project.

- (A) Fifth Capital Contribution Paid. The occurrence of the Investor Member's Fifth Capital Contribution;
- (B) Qualified Occupancy. Achievement of occupancy of one hundred percent (100%) of the residential units in the Project by Qualified Tenants, and the Managing Member,

if requested by the Investor Member, shall demonstrate such occupancy by submitting to the Investor Member certified rent rolls and tenant qualification forms that confirm that such tenants qualify under Section 42 of the Code;

- (C) Breakeven Operation. The last day of the month following the month in which Breakeven Operations occurs with the Project having achieved at least 93% physical and economic occupancy for the three-month period in which Breakeven Operations has been achieved;
- (D) Managing Member Certificate. The Investor Member shall have received a certificate from the Managing Member that (1) the representations, warranties and covenants in Sections 4.01 and 4.02 are true and accurate as of the date of the proposed Sixth Capital Contribution and (2) the Company and the Managing Member are not in default of any of their obligations with respect to the Company or Project at such time;
- (E) Cost Certification. Receipt of an audited cost certification of Eligible Basis (as defined in Code Section 42(d)) for the Project prepared by the Accountants;
- (F) 8609's. Receipt of the Form(s) 8609 for the entire Project executed by the Agency;
- (G) Company Tax Return. The Investor Member shall have received a complete copy of the Company's 2019 tax return; and
- (H) Other Documentation. The Investor Member shall have received such other documentation as it may reasonably request to verify the accuracy of the representations and warranties and compliance with the covenants, duties and obligations set forth in Article IV.

(vii) Seventh Capital Contribution. The amount of the Seventh Capital Contribution shall be Two Hundred Six Thousand and No/100 Dollars (\$206,000). After satisfaction of all of the conditions set forth below, and review and approval by the Investor Member of the items described below, the Investor Member shall make the Seventh Capital Contribution in the amount requested by the Managing Member in the manner set forth below, to fund the Operating Reserve. Notwithstanding the foregoing, the Investor Member may fund this \$206,000 any time within 24 months of the release of the Sixth Capital Contribution and any amount not deposited immediately will accrue interest at 1.5% per annum to be paid by the Investor Member; however, if the Operating Reserve is needed within this 24-month period, the Investor Member shall fund it accordingly.

- (A) Sixth Capital Contribution Paid. The occurrence of the Investor Member's Sixth Capital Contribution;
- (B) Managing Member Certificate. The Investor Member shall have received a certificate from the Managing Member that (1) the representations, warranties and

covenants in Sections 4.01 and 4.02 are true and accurate as of the date of the proposed Seventh Capital Contribution and (2) the Company and the Managing Member are not in default of any of their obligations with respect to the Company or Project at such time; and

- (C) Other Documentation. The Investor Member shall have received (i) the Post Closing Obligations, if any, as set forth on **Exhibit K** attached hereto; and (ii) such other documentation as it may reasonably request to verify the accuracy of the representations and warranties and compliance with the covenants, duties and obligations set forth in Article IV.

(viii) Investor Member's Special Additional Capital Contributions. If, in any fiscal year of the Company, the Investor Member's Capital Account balance may be reduced to or below zero, the Investor Member may, in its sole and absolute discretion, make a Special Additional Capital Contribution to the Company, in an amount reasonably required to avoid the reduction of the Investor Member's Capital Account balance to or below zero. If the Investor Member makes a Special Additional Capital Contribution to the Company pursuant to this paragraph, the Investor Member shall receive a guaranteed payment pursuant to Section 5.06 for the use of its Special Additional Capital Contribution. Whenever the Investor Member makes a Special Additional Capital Contribution to the Company pursuant to this paragraph, the Managing Member shall have the option, in its sole and absolute discretion, to make Special Additional Capital Contributions to the Company, up to the same amount and on the same terms in the aggregate as the Special Additional Capital Contribution made by the Investor Member at that time.

(e) Adjustment to Capital Contributions of Investor Member. Following determination of Certified Credits, the Accountants shall make a determination as to whether there is a Downward Capital Adjustment. If events subsequent to such determination result in a decrease in the Capital Contributions of the Investor Member due to a Late Delivery Capital Adjustment, then the Accountants shall recalculate the Downward Capital Adjustment to take into account such Late Delivery Capital Adjustment. Following the determination of a Downward Capital Adjustment and/or a Late Delivery Capital Adjustment, the Managing Member or the Company, as appropriate, shall make payments as required under Section 5.01(e)(ii).

(i) The following definitions shall apply for purposes of determining adjustments to Capital Contributions:

- A. "Certified Credit Capital Adjustment" shall equal the product of (A) Certified Credits for the Credit Period (excluding any LIHTC resulting from an increase in qualified basis under Code Section 42(f)(3)), minus \$481,002 times (B) \$0.65 and (C) times ten (10). The Certified Credit Capital Adjustment may be a positive or negative number.
- B. "Certified Credit Capital Decrease" means a negative Certified Credit Capital Adjustment.

- C. “Certified Credit Capital Increase” means a positive Certified Credit Capital Adjustment.
- D. “Downward Capital Adjustment” shall mean the following: (A) if either there is a Certified Credit Capital Decrease or if the Certified Credit Capital Adjustment is zero, then the Certified Credit Capital Decrease plus the Late Delivery Capital Adjustment; or (B) if there is a Certified Credit Capital Increase, the positive amount, if any, by which the Late Delivery Capital Adjustment exceeds the Certified Credit Capital Increase.
- E. “Late Delivery Capital Adjustment” shall mean for calendar year 2019 the amount, if any, by which \$481,002 exceeds Actual Credits for such year.
- F. “Early Delivery Capital Adjustment” shall mean the product of (a) \$0.92 and (b) the amount, if any, by which Actual Credits for calendar year 2019 exceed \$472,938 but in no event shall the total Early Delivery Capital Adjustment exceed \$10,000; provided, however, that if the Project does not achieve 100% Qualified Occupancy by May 1, 2019, then the Investor Member shall not be obligated to make an Early Delivery Capital Adjustment despite the delivery of Actual Credit as described herein.

(ii) If there is a Downward Capital Adjustment, then the Capital Contributions of the Investor Member shall be immediately reduced by the Downward Capital Adjustment. The Downward Capital Adjustment shall first reduce the Second Capital Contribution (if it has not previously been funded), and then to the extent necessary, the Third Capital Contribution, and then to the extent necessary, the Fourth Capital Contribution. If the Downward Capital Adjustment exceeds the total of all unfunded Capital Contributions (prior to the reduction under this provision), then the Managing Member shall make a payment immediately to the Company equal to the amount of such excess, and the Company shall immediately distribute such amount to the Investor Member as a return of its Capital Contributions. Such payment by the Managing Member shall constitute a non-reimbursable funding by it of Excess Development Costs and shall not give rise to any right as a loan or Capital Contribution or result in any increase in the Capital Account of the Managing Member. In the event that the Managing Member fails to make such payment in full and the Investor Member, in its sole discretion, elects not to exercise its remedies under Sections 5.05 or 6.05, as applicable, any amount not so paid by the Managing Member as required shall be payable out of Net Cash Flow and proceeds of Capital Transactions, as provided under Sections 11.03 and 11.04. Any payment required to be paid to the Investor Member pursuant to the preceding sentence out of Net Cash Flow and the proceeds of Capital Transactions shall be referred to as a “LIHTC Reduction Guaranty Payment”. The Early Delivery Capital Adjustment shall be paid with the Sixth Capital Contribution.

(f) Payment of Investor Member Due Diligence Costs. The Managing Member shall pay the costs and expenses incurred by the Investor Member in connection with the due diligence activities of the Investor Member and the closing of the transactions described herein , including Investor Member's legal fees and expenses, such Investor Member Due Diligence Costs not to exceed \$35,000.

(g) Additional Investor Members. Without the Consent of all of the Members, no additional Persons may be admitted as additional Investor Members and Capital Contributions may be accepted only as and to the extent expressly provided for in this Article V.

(h) Deposit of Capital Contributions. Except as otherwise provided in Section 5.01(d) herein, the cash portion of the Capital Contributions of each Member shall be deposited at the Managing Member's discretion in a checking, savings and/or money market or similar account to be established and maintained in the name of the Company or invested in government securities or certificates of deposit issued by any bank. Thereafter, such amounts shall be utilized for the conduct of the Company business pursuant to the terms of this Agreement.

(i) No Liability for Investor Member or Special Member. Except as may otherwise be provided under applicable law, no Investor Member or Special Member shall be bound by, or personally liable for, the expenses, liabilities or obligations of the Company.

(j) Payment of Environmental Assessment Consultant Fees. The Managing Member acknowledges that, on behalf of the Investor Member, the Investor Member or its Affiliate may retain an environmental consultant (the "Environmental Consultant") to review and give recommendations related to environmental reports that are provided to the Investor Member by the Managing Member (including, but not limited to, Phase I and Phase II environmental assessments, wetlands reports, lead and asbestos reports, abatement reports and other environmental reports required by the Environmental Consultant, to the reasonable satisfaction of the Environmental Consultant) for the Land, or the construction and rehabilitation of existing buildings, if the reports indicate the possible presence of hazardous materials on or near the Project or if such reports appear incomplete or inadequate for purposes of making such a determination. The Company shall be solely responsible for the payment of the fees of the Environmental Consultant.

5.02 Return of Capital Contribution. Except as provided in this Agreement, no Member shall be entitled to demand or receive the return of his Capital Contribution.

5.03 Withholding of Capital Contribution Upon Default.

(a) Conditions Giving Rise to Withholding. In the event that (a) the Managing Member, or any successor Managing Member shall not have substantially complied with any material provisions under this Agreement or the operating agreement as to an Affiliated Company, after Notice from the Investor Member of such noncompliance and failure to cure such noncompliance within a period of thirty (30) days from and after the date of such Notice, or (b) any Project Lender shall have declared the Company to be in default under any Project Loan or under

any of the mortgage loans as to an Affiliated Company, or (c) foreclosure proceedings shall have been commenced against the Project or against the Project owned by an Affiliated Company, then the Company and the Managing Member shall be in default of this Agreement, and the Investor Member, at its sole election, may cause the withholding of payment of any Capital Contribution otherwise payable to the Company (including while any cure period is in effect).

(b) Release to Company Following Cure. All amounts so withheld by the Investor Member under this Section 5.03 shall be promptly released to the Company only after the Managing Member or the Company have cured the default justifying the withholding, as demonstrated by evidence reasonably acceptable to the Investor Member.

5.04 Legal Opinions. As a condition precedent to the Investor Member's obligation to make its Capital Contributions hereunder, the Investor Member must receive the opinion of Kanady & Quinn, Counsel for the Company and the Managing Member, which opinion shall explicitly state that Applegate & Thorne-Thomsen, P.C. of Chicago, Illinois, counsel to the Investor Member, may explicitly rely upon it, that:

(a) the Company is a duly formed and validly existing limited liability company under the Act, and the Company has full power and authority to own and operate the Project and to conduct its business hereunder; the Company is duly qualified to transact its business in the Commonwealth of Virginia; the Investor Member has been validly admitted as an investor member of the Company entitled to all the benefits of an investor member under this Agreement, and the Interest of the Investor Member in the Company is the Interest of an investor member with no personal liability for the obligations of the Company, and the exercise of the rights and remedies of the Investor Member under this Agreement do not constitute participating in the control of the business of the Company;

(b) the Managing Member is duly and validly organized and is validly existing in good standing as a corporation/limited liability company under the laws of the Commonwealth of Virginia, with full power and authority to enter into and perform its obligations hereunder and under the Managing Member Pledge; the Managing Member is duly qualified to transact its business in the Commonwealth of Virginia;

(c) unless otherwise permitted under this Agreement, there is and shall be no direct or indirect personal liability of the Company or of any of the Members or their Affiliates for the repayment of the principal of and payment of interest on any Project Loan, and the sole recourse of the Project Lender, with respect to the principal thereof and interest thereon, shall be to the assets of the Company securing such indebtedness;

(d) execution of this Agreement and the Managing Member Pledge by the Managing Member has been duly and validly authorized by or on behalf of such Managing Member and, having been executed and delivered in accordance with its terms, this Agreement and the Managing Member Pledge constitute the valid and binding agreement of the Managing Member, enforceable in accordance with their respective terms, and execution hereof and thereof by the

Managing Member is not in violation of any contract, agreement, charter, bylaw, resolution, judgment, order, decree, law or regulation to which the Managing Member is bound or as to which it is subject;

(e) the Company owns fee simple title to the Project, subject only to the Project Loans, the Mortgages, and such other liens, charges, easements, restrictions and encumbrances as are set forth in the title insurance policy issued to the Company. Such opinion may be based on a review of the title insurance policy issued in accordance with Section 4.01 herein, provided Counsel has no actual knowledge to the contrary;

(f) to the best of its knowledge after due inquiry, there are no defaults existing with respect to any of the Project Documents;

(g) to the best of its knowledge after due inquiry, no event of Bankruptcy has occurred with respect to the Company or the Managing Member; and

(h) the Affiliate Guaranty has been duly executed by the Affiliate Guarantor and constitutes the valid and binding obligation of the Affiliate Guarantor, enforceable in accordance with its terms; and

(i) the Company has received a carryover allocation of LIHTC for the Projected Credits from the Agency, which is the appropriate state of local authority for the jurisdiction in which the Project is located.

In addition, the Investor Member shall have received from counsel to Investor Member an overall tax opinion, addressing all material tax issues and indicating that the financial projections and tax credit calculation contained in the Development Budget appear reasonable and complete.

5.05 Repurchase Obligation.

(a) Conditions for Repurchase. If (i) Final Closing has not occurred by December 31, 2018 (or such later date as may be Consented to by the Investor Member); (ii) the Company has not received State Designation in 2017 or the IRS Form(s) 8609 is not issued by the Agency by December 31, 2019, so as to allow the Credit Period to commence as of January 1, 2020; (iii) the Company fails to meet the Minimum Set-Aside Test and the Rent Restriction Test by the close of the first year of the Credit Period or at any time thereafter; (iv) the Company's basis in the Project for federal income tax purposes, as finally determined by the Accountants or pursuant to an audit by the IRS, as of December 31, 2018, shall have been less than ten percent (10%) of the Company's reasonably expected basis in the Project, as required pursuant to Section 42(h)(1)(E) of the Code; (v) an Extended Use Agreement is not in effect before the end of the first year of the Credit Period; (vi) the Project has not generated at least 95% of the Projected LIHTC for the year 2020; or (vii) Initial Closing has not occurred by March 31, 2018, unless extended by the Investor Member in its sole discretion then the Managing Member shall, within fifteen (15) days of the occurrence thereof, send

to the Investor Member Notice of such event and of its obligation to purchase the Interest of the Investor Member hereunder and return to the Investor Member its Capital Contributions in the event the Investor Member, in its sole discretion, requires in a Notice to the Managing Member such purchase of the Interest of the Investor Member. Thereafter, the Managing Member, within thirty (30) days of the mailing date of Notice by the Investor Member of such election, shall acquire the entire Interest of the Investor Member in the Company by making payment to the Investor Member, in cash, of an amount equal to the sum of its Capital Contributions, plus interest on such amount at the rate of fourteen percent (14%) per annum, but in no event higher than the highest rate permitted by applicable law.

(b) Upon receipt by the Investor Member of any such payment of its Capital Contributions, the Interest of the Investor Member and all further obligations of the Investor Member hereunder shall terminate, and, to the extent that the Investor Member has acted in accordance with the terms of this Agreement, the Managing Member shall indemnify and hold harmless the Investor Member from any losses, damages, and/or liabilities, to or as a result of claims of Persons other than Members or Affiliates thereof, to which the Investor Member (as a result of its respective participation hereunder) may be subject.

5.06 Guaranteed Payments. No later than ninety (90) days after the end of the Company's fiscal year, any Member who has made a Special Additional Capital Contribution hereunder shall receive, as a guaranteed payment for the use of its capital, an amount equal to the annual interest earned by the Company, if any, on such Special Additional Capital Contributions. The Company shall invest any amounts contributed as a Special Additional Capital Contribution as reasonably directed by the contributing Member. Any guaranteed payment due to a Member shall be deemed an expense of the Company for purposes of determining Net Cash Flow. Any guaranteed payment which is not paid when due shall remain a liability of the Company and shall bear interest as set forth above.

5.07 MM Loans.

(a) MM Loans. The Managing Member shall have the right, but not the obligation, after funding all other obligations under this Agreement, including, without limitation, its obligation to fund Excess Development Costs under its Construction Completion Guaranty under Section 8.11(a) or Operating Deficit under its Operating Deficit Guaranty under Section 8.11(b) hereof, to make "MM Loans" pursuant to this Section 5.07(a) to fund Operating Deficits of the Company or to fund other reasonable and necessary obligations of the Company, provided, however, that the Managing Member shall not enter into any such MM Loan with the Company if such MM Loan would cause a reallocation of LIHTC or tax benefits among the Members. MM Loans shall be on the following terms: (i) interest shall accrue on the MM Loans at an annual interest rate of eight percent (8%), compounded annually; and (ii) MM Loans shall be repayable solely as set forth in Sections 11.03 and 11.04 of this Agreement.

(b) Documentation of MM Loans. At the request of a Member, which request may be made quarterly, any MM Loan shall be evidenced by a non-negotiable promissory note or

notes reflecting any such MM Loans made during the preceding calendar quarter. MM Loans shall be unsecured loans. MM Loans shall not be considered Capital Contributions and shall not increase such Member's Capital Account.

(c) Usury Savings Clause. Notwithstanding anything to the contrary herein or in any note evidencing a MM Loan, in no event shall interest accrue on any MM Loan at a rate in excess of the highest rate permitted by applicable law, and if such designated interest rate should be in excess of such interest rate, the interest rate designated hereunder shall be reduced to the maximum rate of interest permitted by such law.

ARTICLE VI CHANGES IN MANAGING MEMBERS

6.01 Withdrawal of the Managing Member.

(a) The Managing Member may withdraw from the Company or sell, transfer or assign its Interest as Managing Member only with the prior Consent of the Investor Member, and of the Agency and the Project Lenders, if required, and only after being given written approval by the necessary parties as provided in Section 6.02, and by the Agency and the Project Lenders, if required, of the Managing Member(s) to be substituted for it or to receive all or part of its Interest as Managing Member.

(b) In the event that a Managing Member withdraws from the Company or sells, transfers or assigns its entire Interest pursuant to Section 6.01(a), it shall be and shall remain liable for all obligations and liabilities incurred by it as Managing Member before such withdrawal, sale, transfer or assignment shall have become effective, but shall be free of any obligation or liability incurred on account of the activities of the Company from and after the time such withdrawal, sale, transfer or assignment shall have become effective.

6.02 Admission of a Successor or Additional Managing Member. A Person shall be admitted as a Managing Member of the Company only if the following terms and conditions are satisfied:

(a) the admission of such Person shall have been Consented to by the Managing Member and the Investor Member, and consented to by the Agency and the Project Lenders, if required;

(b) the successor or additional Person shall have accepted and agreed to be bound by (i) all the terms and provisions of this Agreement by executing a counterpart thereof, (ii) all the terms and provisions of the Loan Agreement and the Project Documents by executing counterparts thereof or an assumption agreement, if requested by the Project Lenders, and (iii) all the terms and provisions of such other documents or instruments as may be required or appropriate in order to effect the admission of such Person as a Managing Member, and a certificate of amendment to the

Articles of Organization evidencing the admission of such Person as a Managing Member shall have been filed, and all other actions required by Section 1.07 in connection with such admission shall have been performed;

(c) if the successor or additional Person is a corporation, it shall have provided the Company with evidence satisfactory to counsel for the Company of its authority to become a Managing Member, to do business in the Commonwealth of Virginia and to be bound by the terms and provisions of this Agreement; and

(d) Counsel for the Company shall have rendered an opinion that the admission of the successor or additional Person is in conformity with the Act and that none of the actions taken in connection with the admission of the successor Person will cause the termination or dissolution of the Company or will cause it to be classified other than as a partnership for federal income tax purposes.

6.03 Effect of Bankruptcy, Death, Withdrawal, Dissolution or Incompetence of a Managing Member.

(a) In the event of the Bankruptcy of a Managing Member or the withdrawal, death or dissolution of a Managing Member, or an adjudication that a Managing Member is incompetent (which term shall include, but not be limited to, insanity) the business of the Company shall be continued by the other Managing Member(s); provided, however, that if the withdrawn, Bankrupt, deceased, dissolved or incompetent Managing Member is then the sole Managing Member, or if such Managing Member withdraws from the Company in contravention of the provisions of Section 6.01(a) of this Agreement, then the Company shall be terminated, unless within ninety (90) days after receiving Notice of such Bankruptcy, withdrawal, death, dissolution or adjudication of incompetence or breach of Section 6.01(a), the Investor Member elects to designate the Special Member or such other entity as the Investor Member may desire as a successor Managing Member and continue the Company upon the conversion of such Special Member to the Managing Member of the Company. Consequences of the removal of the Managing Member shall be determined under Section 6.05 hereof.

(b) Upon the Bankruptcy, death, dissolution or adjudication of incompetence of a Managing Member or breach of Section 6.01(a), such Managing Member shall immediately cease to be a Managing Member and its Interest shall without further action be converted to an Investor Member Interest; provided, however, that, if such Bankrupt, dissolved, incompetent, deceased or defaulted Managing Member is the sole remaining Managing Member, such Managing Member shall cease to be a Managing Member only upon the expiration of ninety (90) days after Notice to the Investor Member of the Bankruptcy, death, dissolution, declaration of incompetence or default of such Managing Member; and provided further that, if such Bankrupt, dissolved, incompetent, deceased or defaulted Managing Member is the sole remaining Managing Member, the converted Company Interest of such replaced Managing Member shall be ratably reduced to the extent necessary to insure that the substitute Managing Member(s) holds a .009% Percentage Interest (as set forth in Section 5.01).

(c) Except as set forth above, such conversion of a Managing Member Interest to an Investor Member Interest shall not affect any rights, obligations or liabilities (including, without limitation, any of the Managing Member's obligations under Section 8.11 herein) of the Bankrupt, deceased, dissolved, removed, incompetent or defaulted Managing Member existing prior to the Bankruptcy, death, dissolution, removal, incompetence or default of such person as a Managing Member (whether or not such rights, obligations or liabilities were known or had matured).

(d) If, at the time of the withdrawal, Bankruptcy, death, dissolution, adjudication of incompetence or default under Section 6.01(a) of a Managing Member, the Bankrupt, withdrawn, deceased, dissolved, incompetent or defaulted Managing Member was not the sole Managing Member of the Company, the remaining Managing Member or Managing Members shall immediately (i) give Notice to the Investor Members of such Bankruptcy, death, dissolution, adjudication of incompetence or default, and (ii) make such amendments to this Agreement and execute and file such amendments or documents or other instruments as are necessary to reflect the conversion of the Interest of the Bankrupt, deceased, dissolved, incompetent or defaulted Managing Member and his having ceased to be a Managing Member. The remaining Managing Member or Managing Members are hereby granted an irrevocable power of attorney, coupled with an interest, to execute any or all documents on behalf of the Members and the Company and to file such documents as may be required to effectuate the provisions of this Section 6.03.

6.04 Restrictions on Transfer of Managing Member's Interests. This is an agreement under which applicable law excuses the Investor Member from accepting performance from (i) any Managing Member which is a debtor in a case under the Bankruptcy Code, 11 U.S.C. § 101 et seq., (ii) a trustee of any such debtor, (iii) and/or the assignee of any such debtor or trustee. The Investor Member has entered into this Agreement with the Managing Member in reliance upon the unique knowledge, experience and expertise of the Managing Member, and its officers in the planning and implementation of the acquisition of the Project and in the area of affordable housing and development in general. The foregoing restriction on transfer is based in part on the above factors. The Managing Member expressly agrees that the Investor Member shall not be required to accept performance under this Agreement from any person other than the Managing Member, including, without limitation, any trustee of the Managing Member appointed under the Bankruptcy Code, 11 U.S.C. § 101 et seq., and any assignee of any such trustee.

6.05 Removal of the Managing Member.

(a) Conditions for Removal. The Investor Member shall have the right to remove the Managing Member:

(i) for (A) any fraud, gross negligence, intentional misconduct or breach of fiduciary duty, or (B) failure to exercise reasonable care with respect to any material matter in the discharge of its duties and obligations as Managing Member (provided that such violation results in, or is likely to result in, a material detriment to or an impairment of the Project or assets of the Company), or

(ii) upon the occurrence of any of the following:

(A) the Managing Member or the Company shall have violated any material provisions of the Regulatory Agreement, the Extended Use Agreement and/or the Loan Agreement, or any material provisions of any other Project Document or other document required in connection with any Project Loan or any material provisions of a Project Lender and/or Agency requirements applicable to the Project, which violation has not been explicitly waived in writing by the applicable Project Lender or the Agency, as applicable;

(B) the Managing Member or the Company shall have (i) violated any material provision of this Agreement, including, without limitation, any of its guarantees or payment obligations under Sections 5.01(e), 5.05 and/or 8.11, (ii) violated any material provision of applicable law, or (iii) the representation and warranty contained in Section 4.01(u) are and/or becomes false or inaccurate;

(C) the Managing Member or the Company shall have caused any Project Loan to go into default, which default remains uncured after the expiration of any applicable cure period;

(D) the Managing Member shall have conducted its own affairs or the affairs of the Company in such manner as would:

(1) cause the termination of the Company for federal income tax purposes;

(2) cause the Company to be treated for federal income tax purposes as an association, taxable as a corporation;

(3) in the reasonable opinion of the Investor Member, cause a recapture or reduction in Certified Credits;

(4) violate any federal or state securities laws;

(5) cause the Investor Member to be liable for Company obligations in excess of its Capital Contributions; or

(E) the amount of Actual Credits for any year are, or are projected by the Accountants to be, less than ninety percent (90%) of the Projected Credits for that year; or less than ninety percent (90%) of Certified Credits if Certified Credits have been determined and adjustments to the capital

contribution of the Investor Member have been made as may be required under Section 5.01(e);

(F) cause for removal as a managing member of an Affiliated Company shall exist pursuant to the operating agreement of an Affiliated Company;

(G) the Managing Member fails to timely and promptly discharge the Management Agent if at any time cause for such removal exists;

(H) Bankruptcy or similar creditor's action is filed by or against the Company, the Managing Member or any Affiliate Guarantor; or

(I) any default by the Affiliate Guarantor under the Affiliate Guaranty;

(J) failure of the Affiliate Guarantor to maintain a minimum net worth of \$1,000,000;

(K) failure of the Company to achieve Breakeven Operations within six (6) months of the Company's achievement of 95% occupancy; or

(L) any act or omission by the Managing Member that would substantially reduce tax benefits, or substantially increase tax liabilities, of the Investor Member.

(b) Procedure for Removal. The Investor Member shall give Notice to all Members and to the Project Lenders of its determination that the Managing Member shall be removed. The Managing Member shall have ten (10) days after receipt of such Notice to cure any default or other reason for such removal, in which event it shall remain as Managing Member. If, at the end of ten (10) days, the Managing Member has not cured any default or other reason for such removal, it shall cease to be Managing Member and the powers and authorities conferred on it as Managing Member under this Agreement shall cease and the Interests of such Managing Member shall be transferred to the Special Member or its designee which, without further action, shall become the Managing Member; in such event, upon becoming the Managing Member, such designee shall be bound by all applicable terms and conditions of this Agreement and of the Project Documents.

(c) Managing Member Obligations and Liability Following Removal.

(i) In the event that the Managing Member is removed as aforesaid prior to the Final Closing, it shall be and shall remain liable for all obligations and liabilities incurred by it as Managing Member of the Company before such removal shall become effective, including but not limited to the obligations and liabilities of the Managing Member with respect to its obligations set

forth in Section 8.11 of this Agreement; provided however, that if amounts otherwise payable to the Managing Member as fees are applied to meet the obligations of the Managing Member as stated in Sections 5.01, 5.05 and 8.11 of this Agreement, such application shall serve to reduce any such liabilities of the Managing Member or any successor, except for any liability incurred as the result of its negligence, misconduct, fraud or breach of its fiduciary duties as Managing Member of the Company. If the Managing Member is removed as Member of the Company prior to the Final Closing as aforesaid, the Managing Member shall not be entitled to payment of any further installments of the Incentive Management Fee, or other fees which otherwise would have been due and payable under or pursuant to various Sections of this Article VI or Article VII.

(ii) In the event that the Managing Member is removed as aforesaid after the Final Closing, it shall be and shall remain liable for all obligations and liabilities incurred by it as Managing Member of the Company before such removal shall become effective, including but not limited to the Managing Member's obligations and liabilities under Section 8.11(b) of this Agreement; provided, however, that if amounts otherwise payable to the Managing Member or Affiliates thereof as fees are applied by the Company to pay Operating Deficits, such application shall serve to reduce any such liabilities after the Final Closing, except for any liability incurred as the result of its negligence, misconduct, fraud or breach of its fiduciary duty as Managing Member of the Company. If the Managing Member is removed as Member of the Company at any time after the Final Closing, the Developer or its successor(s) shall continue to be paid subsequent to such removal, in accordance with the terms and conditions of this Agreement, any installments of the Development Fee which would have otherwise been due and payable to it pursuant to Section 8.12 and which are not otherwise being withheld; provided, however, upon any such removal of the Managing Member after the Final Closing, no further installments of the Incentive Management Fee shall be paid which are attributable to any period after such removal.

(d) Power of Attorney. The Investor Member hereby is granted an irrevocable power of attorney, coupled with an interest, to execute any and all documents on behalf of the Members and the Company as shall be legally necessary and sufficient to effect all of the foregoing provisions of this Section 6.05. The election by the Investor Member to remove the Managing Member under this Section shall not limit or restrict the availability and use of any other remedy which the Investor Member or any other Member might have with respect to the Managing Member in connection with its undertakings and responsibilities under this Agreement.

ARTICLE VII ASSIGNMENT TO THE COMPANY

The Managing Member hereby transfers and assigns to the Company all of its right, title and interest in and to the Project, including the following:

(a) all contracts with architects, contractors and supervising architects with respect to the development of the Project;

(b) all plans, specifications and working drawings, heretofore prepared or obtained in connection with the Project and all governmental approvals obtained, including planning, zoning and building permits;

(c) any and all commitments with respect to the Project Loans and the LIHTC;

(d) any and all rights under and pursuant to the Project Documents; and

(c) any other work product related to the Project.

ARTICLE VIII
RIGHTS, OBLIGATIONS AND POWERS
OF THE MANAGING MEMBER

8.01 Management of the Company.

(a) Except as otherwise set forth in this Agreement, the Managing Member, within the authority granted to it under this Agreement, shall have full, complete and exclusive discretion to manage and control the business of the Company for the purposes stated in Article III, shall make all decisions affecting the business of the Company and shall manage and control the affairs of the Company to the best of its ability and use its best efforts to carry out the purpose of the Company. In so doing, the Managing Member shall take all actions necessary or appropriate to protect the interests of the Investor Member, Special Member and of the Company. The Managing Member shall devote such time as is necessary to the affairs of the Company.

(b) Except as otherwise set forth in this Agreement and subject to the applicable Project Lender and/or Agency rules and regulations and the provisions of the Loan Agreement, the Managing Member (acting for and on behalf of the Company), in extension and not in limitation of the rights and powers given by law or by the other provisions of this Agreement, shall, in its sole discretion, have the full and entire right, power and authority in the management of the Company business to do any and all acts and things necessary, proper, convenient or advisable to effectuate the purpose of the Company. In furtherance and not in limitation of the foregoing provisions, the Managing Member is specifically authorized and empowered to execute and deliver, on behalf of the Company, the Loan Agreements, the Regulatory Agreement, the Extended Use Agreement, the Notes, the Mortgages, and the other Project Documents, and to execute any and all other instruments and documents, and amendments thereto provided the Investor Member shall be provided with the opportunity to review and Consent to any such documents prior to their execution by the Managing Member, as shall be required in connection with the Project Loans, including, but not limited to, executing any mortgage, note, contract, building loan agreement, bank resolution and signature card, release, discharge, or any other document or instrument in any way related thereto or necessary or appropriate in connection therewith; provided, however, that copies of all applications for advances of proceeds of the Project Loans shall be provided to the Investor Member prior to the disbursement of any funds pursuant thereto and shall be subject to the Consent of the Investor Member; and

provided further that any such applications which provide for the disbursement of funds of the Company in lieu of or in addition to the proceeds of the Project Loans shall be subject to the Consent of the Investor Member. All decisions made for and on behalf of the Company by the Managing Member shall be binding upon the Company. No person dealing with the Managing Member shall be required to determine its authority to make any undertaking on behalf of the Company, nor to determine any facts or circumstances bearing upon the existence of such authority.

8.02 Limitations Upon the Authority of the Managing Member.

- (a) The Managing Member shall not have any authority to:
- (i) perform any act in violation of any applicable law or regulation thereunder;
 - (ii) perform any act in violation of the provisions of the Regulatory Agreement, the Extended Use Agreement, the Loan Agreements, or any other Project Documents;
 - (iii) do any act required to be approved or ratified in writing by the Investor Members under the Act unless the right to do so is expressly otherwise given in this Agreement;
 - (iv) knowingly rent apartments in the Project such that the Project would not meet the requirements of the Rent Restriction Test or Minimum Set-Aside Test;
 - (v) borrow from the Company or commingle Company funds with funds of any other Person; or
 - (vi) execute or deliver any general assignment for the benefit of creditors or file a petition or acquiesce in the filing of a petition for Bankruptcy.
- (b) The Managing Member shall not, without the Consent of the Investor Member (which Consent shall not be unreasonably withheld, with the parties hereto agreeing and acknowledging that withholding such Consent would be reasonable if the action would likely be inconsistent with preserving the Project as a low-income housing project), have any authority to:
- (i) sell or otherwise dispose of, at any time, all or substantially all of the assets of the Company;
 - (ii) amend the terms of any Project Loan to be other than those set forth on **Exhibit F** attached hereto;
 - (iii) borrow in excess of \$10,000.00 in the aggregate at any one time outstanding on the general credit of the Company, except MM Loans and Operating Deficit Loans, and except as and to the extent provided for in an approved budget pursuant to Section 8.20;

(iv) following Final Closing, construct any new or replacement capital improvements on the Project which substantially alter the Project or its use or which are at a cost in excess of \$10,000.00 in a single Company fiscal year, or rebuild the Project with the use of insurance proceeds, except (a) replacements and remodeling in the ordinary course of business or under emergency conditions, or (b) reconstruction paid for from insurance proceeds, or (c) as and to the extent provided for in an approved budget pursuant to Section 13.03;

(v) acquire any real property in addition to the Project other than easements reasonable and necessary for the operation of the Project;

(vi) following Final Closing, refinance any Project Loan;

(vii) confess a judgment against the Company in excess of \$5,000;

(viii) admit any person as a Managing Member or a Investor Member, or withdraw as Managing Member, except as otherwise set forth in this Agreement;

(ix) do any act in contravention of this Agreement or any other agreement to which Company is a party;

(x) execute or deliver any assignment for the benefit of the creditors of the Company;

(xi) transfer or hypothecate the Managing Member's interest as a Managing Member in the Company, including its interest in Company allocations or distributions, except as otherwise provided in this Agreement;

(xii) dissolve the Company or take any action which would result in dissolution;

(xiii) refinance, prepay or materially modify the terms of any mortgage or long-term liability of the Company, or sell, grant an option to acquire, exchange, mortgage, encumber, pledge or otherwise transfer all or any portion of any interest in the Company or the Company's interest in the Project, or borrow funds or participate in a merger or consolidation with any other entity;

(xiv) change the nature of the business of the Company, or do any act which would make it impossible to carry on the ordinary business of the Company;

(xv) materially change any accounting method or practice of the Company;

(xvi) file a voluntary petition for bankruptcy of the Company;

(xvii) make any expenditure or incur any liability on behalf of the Company in excess of \$10,000.00 which is not identified in the budget provided by the Managing Member to the Investor Member;

(xviii) borrow funds from the Company;

(xix) enter into or materially modify the Construction Contract (or any other construction contract), or agree to any change order under the Construction Contract (or any other construction contract) if any such change order is for \$10,000 or more, or is proposed when the amount of previous change orders plus the proposed change order would exceed \$20,000 (over the life of the Company);

(xx) commingle Company funds or assets with the funds or assets of the Managing Member or any Company or other entity owned or operated by the Managing Member to the Investor Member;

(xxi) possess Company property or assign rights in specific property for other than a business purpose of the Company;

(xxii) take any action which would cause the termination of the Company for federal income tax purposes under Code Section 708;

(xxiii) make, amend or revoke any tax election required of or permitted to be made by the Company under the Code or Regulations, including, without limitation, any election under Section 42 (including an election to treat any year other than 2018 as the first year of the Credit Period (as defined in Code Section 42) for the Project) or Section 754 of the Code or any other tax election affecting the amount, timing, availability or allocation of any LIHTC;

(xxiv) enter into any agreement or take any action without the prior consent of the Investor Member with respect to any matters for which the prior consent of the Investor Member is a prerequisite therefore;

(xxv) approve any increase in fees to the Managing Member or any affiliate of the Managing Member;

(xxvi) change in ownership, control or management of the Managing Member;

(xxvii) allow this Agreement to be amended; or

(xxviii) invest assets of the Company in (A) investments specifically not contemplated by this Agreement, or (B) in investments other than U.S. Treasury Bills, Notes or Bonds, or bank accounts, money market accounts or certificates of deposit in institutions insured by

the Federal Deposit Insurance Corporation. However, investment of such assets may be expanded upon approval by the Investor Member.

8.03 Sale of Project.

(a) Investor Member Request for Sale. Notwithstanding the foregoing Section 8.02, and subject to all Agency regulations then in effect and the receipt of all required approvals and consents of the Project Lenders, and subject further to the extended use requirements applicable pursuant to Section 42(h)(6) of the Code, at any time after the fourteenth (14th) anniversary of the first day of the first taxable year of the applicable LIHTC compliance period the Investor Member may request that the Company do one of the following: (i) sell the Project subject to the Extended Use Agreement (a "Continued Compliance Sale"); or (ii) request that the Agency arrange for the sale of the Project after receipt of a Qualified Contract (a "Compliance Termination Sale").

(b) Continued Compliance Sale. After receipt of a request for a Continued Compliance Sale, the Managing Member shall use its best efforts to find a third party purchaser for the Project and to cause the Company to consummate a sale of the Project subject to the Extended Use Agreement and on terms Consented to by the Investor Member. If such efforts are not successful on terms reasonably satisfactory to the Investor Member within four (4) months, the Investor Member shall have the right thereafter to locate a purchaser for the Project. If the Investor Member locates such a purchaser, the Managing Member shall be given a right of first refusal to purchase the Project on the same terms and conditions as would be applicable to such purchaser. If such right of first refusal is not exercised by the Managing Member within thirty (30) days, then the Managing Member shall be obligated to consent to the sale to such purchaser so long as the purchase price and other terms offered by such purchaser are at least as favorable to the Company as the best offer, if any, located by the Managing Member. If the Investor Member requests that the Compliance Termination Sale be conducted in a manner that would result in the conversion of the Project to a condominium regime of ownership and the sale of individual condominium units, the Managing Member shall use diligent efforts to accomplish such conversion on such terms which are reasonably satisfactory to the Investor Member.

(c) Compliance Termination Sale. After receipt of a request for a Compliance Termination Sale, the Managing Member shall make a request to the Agency to obtain a buyer who is willing to operate the low-income units of the Project as a qualified low-income building and who will submit a Qualified Contract for the Project, and if no Qualified Contract is submitted within one year of the date of the Managing Member's request to the Agency, the Managing Member shall use its best efforts to find a third party purchaser and to cause the Company to consummate a sale of the Project to such purchaser on terms Consented to by the Investor Member and free of the restrictions imposed by the Extended Use Agreement. If such efforts are not successful on terms reasonably satisfactory to the Investor Member within six (6) months, the Investor Member shall have the right thereafter to locate a purchaser for the Project. If the Investor Member locates such a purchaser, the Managing Member shall be given a right of first refusal to purchase the Project on the same terms and conditions as would be applicable to such purchaser. If such right of first refusal is not exercised by the Managing Member within thirty (30) days, then the Managing Member shall be

obligated to consent to the sale to such purchaser so long as the purchase price and other terms offered by such purchaser are at least as favorable to the Company as the best offer, if any, located by the Managing Member. If the Investor Member requests that the Compliance Termination Sale be conducted in a manner that would result in the conversion of the Project to a condominium regime of ownership and the sale of individual condominium units, the Managing Member shall use diligent efforts to accomplish such conversion on such terms which are reasonably satisfactory to the Investor Member.

(d) Managing Member Option. The Managing Member, if it is a qualified non-profit under the terms of Section 42(i)(7) of the Code, shall have the right of first refusal to purchase the Project at the end of the low-income housing tax credit compliance period, in accordance with said Section 42(i) (7) of the Code, for an amount equal to at least the sum of (i) \$1.00, plus (ii) all outstanding debt of the Company, including debt encumbering the Project, plus (iii) the aggregate federal, state and local (if any) income tax liabilities which would be incurred by the members of the Investor Member as a consequence of such purchase, on the terms set forth in Exhibit L attached hereto.

8.04 Management Purposes. In conducting the business of the Company, the Managing Member shall be bound by the Company's purposes set forth in Article III.

8.05 Delegation of Authority. The Managing Member may delegate all or any of its powers, rights and obligations hereunder, and may appoint, employ, contract or otherwise deal with any Person for the transaction of the business of the Company, which Person may, under supervision of the Managing Member, perform any acts or services for the Company as the Managing Member may approve.

8.06 Managing Member or Affiliates Dealing with Company. The Managing Member or any Affiliates thereof shall have the right to contract or otherwise deal with the Company for the sale of goods or services to the Company in addition to those set forth herein, if (a) compensation paid or promised for such goods or services is reasonable (i.e., at fair market value) and is paid only for goods or services actually furnished to the Company, (b) the goods or services to be furnished shall be reasonable for and necessary to the Company, (c) the fees, terms and conditions of such transaction are at least as favorable to the Company as would be obtainable in an arm's-length transaction, (d) no agent, attorney, accountant or other independent consultant or contractor who also is employed on a full-time basis by the Managing Member or any Affiliate shall be compensated by the Company for his services. Any contract covering such transactions shall be in writing and shall be terminable without penalty on sixty (60) days Notice. Any payment made to the Managing Member or any Affiliate for such goods or services shall be fully disclosed to all Investor Members in the reports required under Section 13.02. Neither the Managing Member nor any Affiliate shall, by the making of lump sum payments to any other Person for disbursement by such other Person, circumvent the provisions of this Section 8.06.

8.07 Other Activities. Except as limited in Section 8.06, Affiliates of the Managing Member may engage in or possess interests in other business ventures of every kind and description

for their own account, including, without limitation, serving as managing member of other limited liability companies or the general partner of limited partnerships which own, either directly or through interests in other companies or partnerships, government assisted housing developments similar to the Project. Neither the Company nor any of the Members shall have any rights by virtue of this Agreement in or to such other business ventures or to the income or profits derived therefrom.

8.08 Liability for Acts and Omissions. No Managing Member or Affiliate thereof shall be liable, responsible or accountable in damages or otherwise to any of the Members for any act or omission performed or omitted by it in good faith on behalf of the Company and in a manner reasonably believed by it to be within the scope of the authority granted to it by this Agreement and in the best interest of the Company, provided that the protection afforded the Managing Member pursuant to this Section 8.08 shall not apply in the case of negligence, misconduct, fraud or any breach of fiduciary duty as Managing Member with respect to such acts or omissions. Any loss or damage incurred by any Managing Member or Affiliate thereof by reason of any act or omission performed or omitted by it or any of them in good faith on behalf of the Company and in a manner reasonably believed by it to be within the scope of the authority granted by this Agreement and in the best interests of the Company (but not, in any event, any loss or damage incurred by the Managing Member or Affiliate thereof by reason of negligence, misconduct or fraud of the Managing Member or Affiliate thereof, or any breach of fiduciary duty as Managing Member, with respect to such acts or omissions) shall be paid from Company assets (except for reserves) to the extent available (but the Investor Members shall not have any personal liability to the Managing Member or Affiliate(s) thereof under any circumstances on account of any such loss or damage incurred by the Managing Member or Affiliate(s) thereof or on account of the payment thereof).

8.09 Indemnification of Investor Member and the Company. The Managing Member and the Company shall, jointly and severally, indemnify, defend, and save harmless the Investor Member and Special Member from and against any claim, loss, expense, action or damage, including without limitation, reasonable costs and expenses of litigation and appeal (and the reasonable fees and expenses of counsel) asserted against the Investor Member or Special Member based on any act, omission, malfeasance or nonfeasance of the Company or the Managing Member, including without limitation any claim that the Investor Member or Special Member is liable for any indebtedness of the Company and excluding only liability directly caused by the Investor Member or Special Member's gross negligence or bad faith conduct. In addition, the Managing Member and the Company shall, jointly and severally, indemnify, defend, save and hold harmless the Investor Member and Special Member, and their representatives, from and against any and all costs, losses, liabilities, damages, lawsuits, proceedings (whether formal or informal), investigations, judgments, orders, settlements, recoveries, obligations, deficiencies, claims and expenses (whether or not arising out of third party claims), including, without limitation, interest, penalties, attorneys' fees and all amounts paid in investigation, or settlement of any of the foregoing, incurred in connection with or arising out of or resulting from the operations of the Managing Member, the Company or the Project prior to the date of this Agreement.

8.10 Net Worth of Managing Member. The Managing Member shall maintain a minimum net worth in an amount as may be necessary to assure that the Company will be taxed as a partnership, and not as an association taxable as a corporation, for federal income tax purposes.

8.11 Construction of the Project, Construction Cost Overruns, Operating Deficits; Other Managing Member Guarantees.

(a) Construction Completion Guaranty.

(i) The Company has entered into the Construction Contract. The Managing Member shall be responsible for:

(A) achieving completion of construction of the Project on a timely basis in accordance with the Plans and Specifications for the Project, the terms of this Agreement, the Project Documents and all legal requirements;

(B) meeting all requirements for obtaining all necessary unconditional certificate(s) of occupancy for all the apartment units in the Project;

(C) fulfilling all actions required of the Company to assure that the Project satisfies the Minimum Set-Aside Test and the Rent Restriction Test;

(D) causing the making of the Project Loans by the respective Project Lenders; and

(E) achieving Final Closing.

(ii) The Managing Member hereby is obligated to pay all Excess Development Costs; the Company shall have no obligation to pay any Excess Development Costs. Any amounts paid by the Managing Member pursuant to this subsection shall be in the form of a loan to the Company (a "Completion Loan"). Any Completion Loan will be in the following terms: (A) it shall be unsecured; (B) it shall not bear interest (C) it shall be repayable solely from Net Cash Flow and proceeds of a Capital Transaction at the time and in the amounts set forth in Sections 11.03(b), 11.04 and 12.02(a) of this Agreement; and (D) a Completion Loan shall be fully subordinated to payment of Project Loans, MM Loans, and indebtedness of the Company to all Persons other than Members.

(iii) In the event that the Managing Member shall fail to pay any such Excess Development Costs as required in this Section 8.11(a), an amount not in excess of the total of any remaining unpaid installments of the Development Fee due pursuant to Section 8.12 shall be suspended by the Company until such obligations are met by the Managing Member.

(b) **Operating Deficit Guaranty.** In the event that, at any time during the period commencing on the end of the Construction Completion Guaranty period set forth in subsection (a) above, and ending on the longer of (i) the fifth anniversary of such date and (ii) two consecutive years of operations with positive distributable cash from the achievement of Breakeven Operations (the "Initial Period"), an Operating Deficit shall exist, the Managing Member shall provide such funds to the Company as shall be necessary to pay such Operating Deficit(s). If at any time during the period commencing on the end of the Initial Period and ending on the fifteenth anniversary of the end of the Construction Completion Guaranty, an Operating Deficit shall exist, the Managing Member shall provide such fund to the Company as shall be necessary to pay such Operating Deficit(s) in an amount not to exceed Operating Expenses as that term is defined in the Affiliate Guaranty. Funds provided under this subsection (b) shall be in the form of a loan to the Company (the "Operating Deficit Loan(s)"). Any Operating Deficit Loan shall be on the following terms: (i) it shall be unsecured; (ii) it shall not bear interest; (iii) it shall be repayable solely from Net Cash Flow and proceeds of a Capital Transaction at the time and in the amounts set forth in Sections 11.03(b), 11.04 and 12.02(a) of this Agreement; and (iv) Operating Deficit Loans shall be fully subordinated to payment of Project Loans, MM Loans, and indebtedness of the Company to all Persons other than Members. In the event that the Managing Member shall fail to make any such Operating Deficit Loan as aforesaid, the Company shall utilize amounts otherwise payable as installments of the Development Fee pursuant to Section 8.12 of this Agreement to meet the obligations of the Managing Member pursuant to this Section 8.11(b). Amounts so utilized shall also constitute payment and satisfaction of installments of the Development Fee payable under the aforesaid Section of this Agreement, and the obligation of the Company to make such installment payments pursuant to such Sections, as well as the Investor Member's obligation to make future Capital Contributions, shall be reduced correspondingly. For the purpose of this Section 8.11(b), all expenses shall be paid on a sixty (60) day current basis.

(b) **LIHTC Compliance Guaranty.** (i) If with respect to any fiscal year of the Company there is a LIHTC Shortfall, the Managing Member shall, within forty-five (45) days following the close of such fiscal year, pay the Investor Member an amount equal to (A) the amount of the LIHTC Shortfall for the fiscal year immediately preceding the payment due date, (B) all penalties and interest imposed by the Code and assessed against the Investor Member by the IRS with respect to any LIHTC Shortfall, and (C) an amount sufficient to pay any tax liability owed by the Investor Member resulting from the receipt of the amounts specified in the foregoing clauses (A), (B) and this clause (C) of this Section 8.11(c)(i) (such calculation to be made assuming the Investor Member is subject to the highest federal and state tax rates imposed on corporate tax payers under the Code at that time for the taxable year of the Investor Member in which such payment is taken into income by the Investor Member), together with interest on such amounts at the Prime Rate accruing from such payment due date.

(ii) The Managing Member irrevocably and unconditionally guarantees payments specified in this Section 8.11(c)(ii) to the Investor Member if there is a LIHTC Recapture Event. The payments required by this Section 8.11(c)(ii) shall be the sum of the following amounts: (A) the amount of LIHTC previously allocated to the Investor Member and subsequently disallowed

because of such LIHTC Recapture Event; (B) the “credit recapture amount” (as defined in Code Section 42(j)(2)) allocated to the Investor Member because of such LIHTC Recapture Event; (C) all penalties and interest imposed by the Code and assessed against the Investor Member by the IRS with respect to such LIHTC Recapture Event; (D) an amount sufficient to pay any tax liability owed by the Investor Member resulting from the receipt of the amounts specified in the foregoing clauses (A), (B), (C) and this clause (D) of this Section 8.11(c)(ii) (such calculation to be made assuming the Investor Member is subject to the highest federal and state tax rate imposed on corporate taxpayers under the Code at that time for the taxable year of the Investor Member in which such payment is taken into income by the Investor Member), together with interest on such amounts at the Prime Rate accruing from the date the Investor Member remits funds to a taxing authority with respect to a LIHTC Recapture Event; and (E) if the cause of the LIHTC Recapture Event will, in determination of the Investor Member, decrease the maximum amount of LIHTC that will be available to the Company and allocated to the Investor Member during the remainder of the compliance period under Section 42 of the Code, assuming full compliance with Section 42 of the Code, then an amount equal to the total amount of such decrease. The Managing Member shall make such payment to the Investor Member within forty-five (45) days of the LIHTC Recapture Event.

(iii) The LIHTC Compliance Guaranty set forth herein shall not apply to amounts due solely to the transfer by the Investor Member of all or a portion of its Interest in the Company, condemnation, casualty loss (unless the Managing Member has failed to maintain the insurance required by this Agreement), or to changes in the tax law after the date hereof with which the Managing Member is unable to comply despite the exercise of its good faith and reasonable efforts.

(iv) The Managing Member may use funds in the Operating Reserve to make payments required by this Section 8.11(c) prior to using its own funds. If any amounts are owed under this Section 8.11(c) prior to the time that the Investor Member has made all of its Capital Contributions, any future Capital Contributions shall be reduced by the amount to be paid hereunder.

(v) Funds provided by the Affiliate Guarantor with respect to the Managing Member’s obligations under subparagraphs (i) or (ii) above shall be in the form of a loan to the Company (the “Guarantor LIHTC Compliance Loan”). Any Guarantor LIHTC Compliance Loan shall be on the following terms: (i) it shall be unsecured; (ii) it shall bear no interest; and (iii) it shall be repayable solely from proceeds of a Capital Transaction or liquidation at the time and in the amounts set forth in Sections 11.04 and 12.02(a) of this Agreement. Notwithstanding the foregoing, the Investor Member shall have the authority to treat any guarantee payment made on behalf of the Company by its Managing Member or the Affiliate Guarantor as (i) a capital contribution to the capital of the Company by the Managing Member in the amount of such guarantee payment that is matched with a corresponding upward adjustment to such Managing Member’s capital account in the Company or (ii) as a loan (as described above) by the Managing Member in the amount of such guarantee payment, so as to minimize any possible unintended increase in the amount of depreciation and tax credits allocated to the Managing Member; provided that any losses or other deductions, other than depreciation, relating to such capital contribution or loan, shall be allocated to the Managing Member making such guarantee payment.

(d) **Project Loan Funding Guaranty.** The Managing Member irrevocably and unconditionally guarantees and covenants that the Company shall receive full funding of the Project Loans on or before December 31, 2019, on the terms set forth on **Exhibit F** attached hereto. The Managing Member represents and warrants that the source of funds for the Project Loans do not include, in whole or in part, “federal subsidies” within the meaning of Code Section 42(i) (i.e. the source of funds for the Project Loans does not include, in whole or in part, a “tax-exempt obligation,” an obligation the interest on which is exempt from tax under Code Section 103). The Project Loan documents shall contain such other terms as may be Consented to by the Investor Member.

8.12 **Development Fee.**

(a) The Company has entered into a Development Agreement (materially in the form of **Exhibit A** attached hereto) of even date herewith with the Developer for its services in connection with the development and construction of the Project. In consideration for such services, a Development Fee in a total amount equal to \$950,000 shall be payable by the Company, in accordance with the terms of the Development Agreement and Article XI of this Agreement. In no event shall full payment of the Development Fee be later than the thirteenth anniversary of placement in service. It is anticipated that \$95,000 of the Development Fee will be deferred and paid pursuant to Article XI.

(b) The Company has entered into a Construction Incentive Management Fee Agreement of even date herewith with the Managing Member in the form attached hereto as **Exhibit M** for its services in connection with value engineering of the construction of the Project. Payment of any fee due under such Agreement shall be subject to the requirements of the Project Lenders and consent of the Investor Member and VHDA.

8.13 **Incentive Management Fee.** The Company has entered into an Incentive Management Fee Agreement in the form attached hereto as **Exhibit B**, with the Managing Member of even date herewith for its services in managing the business of the Company for the period from the date hereof throughout the term of the Company. In no event shall the Incentive Management Fee be cumulative. Payment of such fee shall be in accordance with any applicable requirements of the Project Lenders.

8.14 Withholding of Fee Payments.

(a) Conditions for Withholding. In the event that (i) the Managing Member or any successor Managing Member shall not have substantially complied with any material provisions under this Agreement, or under the operating agreement with respect to an Affiliated Company, after Notice from the Investor Member of such noncompliance and failure to cure such noncompliance within a period of thirty (30) days from and after the date of such Notice, or (ii) any Project Lender shall have declared the Company to be in default under any Project Loan or under any of the mortgage loans as to an Affiliated Company, or (iii) foreclosure proceedings shall have been commenced against the Project or against an Project owned by the Affiliated Company, then (A) the Managing Member shall be in default of this Agreement, and the Company shall withhold payment of any installment of fees and/or allowance payable pursuant to Sections 4.02(s), 8.12 and/or 8.13 and (B) the Managing Member shall be liable for the Company's payment of any and all installments of the Development Fee payable pursuant to Section 8.12.

(b) Release of Fees. All amounts so withheld by the Company under this Section 8.14 shall be promptly released to the payees thereof only after the Managing Member has cured the default justifying the withholding, as demonstrated by evidence reasonably acceptable to the Investor Member.

8.15 Selection of Management Agent; Terms of Management Agreement. The Company shall engage such person, firm or company as the Managing Member may select, and as the Investor Member may approve, which approval shall not be unreasonably withheld (hereinafter referred to as "Management Agent") to manage the operation of the Project during the rent up period and following Final Closing. The Management Agent must be a VHDA certified property manager. The Management Agent shall be paid a management fee subject to the approval of the Agency and/or the Project Lenders, if required, and the Special Member, but in no event will the annual management fee be greater than 7.88% of the annual gross revenues of the Project. The contract between the Company and the Management Agent and the management plan for the Project shall be in the form set forth in Exhibit G, with such changes acceptable to the Agency and/or the Project Lenders, if required, and reasonably acceptable to the Special Member. Such contract shall provide, among other things, that it shall be cancelable upon thirty (30) days' prior Notice from the Company, and that the Management Agent will accrue the management fee to the extent necessary at any time to prevent a default under any Project Loan. Whenever the management agent for the Project is the Managing Member or an Affiliate of the Managing Member, the management agreement shall provide that it is immediately terminable at the election of the Investor Member or Special Member in the event of (a) the removal or withdrawal of the Managing Member, or (b) any material breach of or noncompliance with any provision of this Agreement by the Managing Member or any Affiliate of the Managing Member. Any other agreement entered into by the Company and any Managing Member or any Affiliate thereof shall specifically provide that such agreement shall be immediately terminable at the election of the Investor Member or Special Member if the Managing Member is removed or withdraws. Virginia Beach Community Development Corporation is approved by the parties hereto as the initial Management Agent.

8.16 Removal of the Management Agent. The Managing Member:

(a) may, upon receiving any required approval of the Project Lenders and the Investor Member, dismiss the Management Agent as the entity responsible for the Project under the terms of the contract between the Company and the Management Agent, and

(b) shall, at the request of the Investor Member, remove the Management Agent if the Special Member determines that the same is necessary to protect the interest of the Company or if the Management Agent is declared Bankrupt, is dissolved, or makes an assignment for the benefit of its creditors, or for any intentional misconduct by the Management Agent or its negligence in the discharge of its duties and obligations as Management Agent (subject to the fulfillment and expiration of any notice and/or opportunity to cure provisions of the Management Agreement), including, without limitation, for any action or failure to take any action which:

(i) violates in any material respect any provision of the Management Agreement entered into with the Company and approved by the Project Lenders, if required, and/or any material provision of the Project Documents and/or the Loan Documents applicable to the Project, or the Project Lenders-approved management plan for the Project;

(ii) violates in any material respect any provision of this Agreement or provision of applicable law; or

(iii) causes the Project to be operated in a manner which if continued would give rise to an event which would cause or would likely cause a recapture of LIHTC.

8.17 Replacement of the Management Agent. Upon the removal of the Management Agent as the entity responsible for the management of the Project, a substitute Management Agent which is not an Affiliate of the Managing Member shall be named by the Managing Member, subject to the approval of the Project Lenders, if required, and the approval of the Investor Member.

8.18 Loans to the Company The Company is authorized to receive Operating Deficit Loans and MM Loans on the terms set forth in this Agreement. In addition, if (a) additional funds are required by the Company for any purpose relating to the business of the Company or for any of its obligations, expenses, costs or expenditures, and (b) the Company has not received an Operating Deficit Loan, or MM Loan to pay such amounts, then the Company may borrow such funds as are needed from a Person or organization, other than a Member or an Affiliate of a Member, in accordance with the terms of this Section 8.18, for such period of time and on such terms as the Managing Member and the Investor Member may agree; provided, however, that no such additional loans shall be secured by any mortgage or other encumbrance on the property of the Company without the prior approval of the Investor Member except that such approvals shall not be required in the case of the hypothecation of personal property purchased by the Company and not included in the security agreements executed by the Company at the time of Initial Closing. Nothing in this Section 8.18 shall modify or affect the obligation of the Managing Member to make Operating Deficit Loans and to perform its obligations when and as required by this Agreement.

8.19 Affiliate Guaranty. Concurrently with the execution of this Agreement, the Managing Member shall deliver to the Investor Member (a) the Affiliate Guaranty fully executed by each Affiliate Guarantor, (b) a pledge and security agreement executed by the Managing Member in the form of Exhibit E attached hereto (the “Managing Member Pledge”), wherein the Managing Member pledges and grants a security interest in its Managing Member interest in the Company and in each Affiliated Company to secure its obligation under this Agreement, and (c) an opinion of counsel to the Affiliate Guarantors in form satisfactory to the Investor Member regarding the Affiliate Guaranty and the Managing Member Pledge.

8.20 Intentionally Omitted.

8.21 Accounting Fee. An accounting fee shall be paid to Virginia Housing Capital Corporation under the Agreement to Provide Accounting and Reporting Services, the form of which is attached hereto as Exhibit J

8.22 Public Relations. The Managing Member shall provide written and timely Notice of any groundbreaking, ribbon-cutting or other public relations ceremonies for the Project to the Investor Member and recognize the Investor Member and the Investor Member’s members at such public relations ceremonies.

ARTICLE IX
TRANSFERS AND RESTRICTIONS ON TRANSFERS
OF INTERESTS OF INVESTOR MEMBERS

9.01 Restrictions on Transfer of Investor Members’ Interests.

(a) Under no circumstances will any offer, sale, transfer, assignment, hypothecation or pledge of any Investor Member Interest be permitted unless the Managing Member, in its sole discretion, shall have Consented thereto, and the Project Lenders, if required, also shall have Consented thereto, provided however, that the Managing Member shall not unreasonably withhold its Consent to the pledge by the Investor Member of its Investor Member Interest or a transfer of its right to receive distributions hereunder, so long as no pledgee or transferee shall have any right to become a Substitute Investor Member in the Company or exercise any voting rights of the Investor Member.

(b) The Investor Member whose interest is being transferred shall pay such reasonable expenses as may be incurred by the Company in connection with such transfer.

(c) Nothing in this Section 9.01 shall limit the authority of the Investor Member to sell, transfer and/or assign interests within the Investor Member or to transfer Interests of the Investor Member to (i) any Affiliate of the Investor Member or Special Member, in the sole

discretion of the Investor Member, at any time and from time to time, or (ii) to any other Person once during the term of this Agreement upon Notice to the Managing Member(s).

9.02 Admission of Substitute Investor Members.

(a) Subject to the other provisions of this Article IX, an assignee of the Interest of an Investor Member (which shall be understood to include any purchaser, transferee, donee, or other recipient of any disposition of such Interest) shall be deemed admitted as a Substitute Investor Member of the Company only upon the satisfactory completion of the following:

(i) Consent of the Managing Member (which may be withheld in its sole discretion), and the consent of the Project Lenders, if required, shall have been given; such Consent of the Managing Member may be evidenced by the execution by the Managing Member of an amended Agreement and/or Articles of Organization evidencing the admission of such Person as an Investor Member pursuant to the requirements of the Act, provided, however, that no Consent shall be required for any sale, transfer or assignment pursuant to Section 9.01 (c);

(ii) the assignee shall have accepted and agreed to be bound by the terms and provisions of this Agreement by executing a counterpart thereof or an appropriate amendment hereto, and such other documents or instruments as the Managing Member may require in order to effect the admission of such Person as an Investor Member;

(iii) an amended Agreement and/or Articles of Organization evidencing the admission of such Person as an Investor Member shall have been filed for recording pursuant to the requirements of the Act;

(iv) if the assignee is a corporation, the assignee shall have provided the Managing Member with evidence satisfactory to Counsel for the Company of its authority to become an Investor Member under the terms and provisions of this Agreement; and

(v) the assignee or the assignor shall have reimbursed the Company for all reasonable expenses, including all reasonable legal fees and recording charges, incurred by the Company in connection with such assignment.

(b) For the purpose of allocation of profits, losses and credits, and for the purpose of distributing cash of the Company, a Substitute Investor Member shall be treated as having become, and as appearing in, the records of the Company as a Member upon his signing of an amendment to this Agreement agreeing to be bound hereby.

(c) If the Managing Member has determined it will Consent to the admission, the Managing Member shall cooperate with the Person seeking to become a Substitute Investor Member by preparing the documentation required by this Section and making all official filings and publications. In such event, the Company shall take all such action, including the filing, if required, of any amended Agreement and/or Articles of Organization evidencing the admission of any Person

as an Investor Member, and the making of any other official filings and publications, as promptly as practicable after the satisfaction by the assignee of the Interest of an Investor Member of the conditions contained in this Article IX to the admission of such Person as an Investor Member of the Company. Any cost or expense incurred in connection with such admission shall be borne by the Substitute Investor Member.

9.03 Rights of Assignee of Company Interest.

(a) Except as provided in this Article and as required by operation of law, the Company shall not be obligated for any purpose whatsoever to recognize the assignment by any Investor Member of its Interest until the Company has received actual Notice thereof.

(b) Any Person who is the assignee of all or any portion of an Investor Member's Interest, but does not become a Substitute Investor Member, and who desires to make a further assignment of such Interest, shall be subject to all the provisions of this Article IX to the same extent and in the same manner as any Investor Member desiring to make an assignment of its Interest.

ARTICLE X
RIGHTS AND OBLIGATIONS OF INVESTOR MEMBERS

10.01 Management of the Company. No Investor Member shall take part in the management or control of the business of the Company nor transact any business in the name of the Company. Except as otherwise expressly provided in this Agreement, no Investor Member shall have the power or authority to bind the Company or to sign any agreement or document in the name of the Company. No Investor Member shall have any power or authority with respect to the Company except insofar as the consent of any Investor Member shall be expressly required and except as otherwise expressly provided in this Agreement.

10.02 Limitation on Liability of Investor Members. The liability of each Investor Member is limited to its Capital Contribution as and when payable under the provisions of this Agreement, and as provided under the Act. No Investor Member shall have any other liability to contribute money to, or in respect of the liabilities or obligations of, the Company, nor shall any Investor Member be personally liable for any obligations of the Company, except as and to the extent provided in the Act. No Investor Member shall be obligated to make loans to the Company.

10.03 Other Activities. Any Investor Member may engage in or possess interests in other ventures of every kind and description for its own account, including without limitation, serving as general partner or managing member of other limited liability companies or partnerships which own, either directly or through interests in other limited liability companies or limited partnerships, government-assisted housing projects similar to the Project. Neither the Company nor any of the Members shall have any right by virtue of this Agreement in or to such other business ventures to the income or profits derived therefrom.

ARTICLE XI
PROFITS, LOSSES AND DISTRIBUTIONS

11.01 Allocation of Profits and Losses Other Than From Capital Transactions.

(a) Manner of Determination. Profits, Losses and credits for all purposes of this Agreement shall be determined in accordance with the definition of the same under Article II of the Agreement (as applicable) and in accordance with the accrual accounting method and in accordance with applicable Code sections and Treasury Regulations governing same.

(b) Allocations. All Profits and Losses, except those items in Sections 11.02, 11.05 and 11.07 below, shall be allocated to the Members in accordance with their Percentage Interests. Every item of income, gain, loss, deduction, or tax preference entering into the computation of such Profits and Losses, or applicable to the period during which such Profits and Losses were realized, shall be considered allocated to each Member in the same proportion as Profits and Losses are allocated to such Member.

(c) Special Member Allocation. Notwithstanding any provisions in the Agreement to the contrary, in no event shall the Special Member be allocated more than its Percentage Interest, determined as of the date hereof, of any item of Company income, gain, loss, deduction, credit or basis.

11.02 Allocation of Profits and Losses from Capital Transactions. Except to the extent provided in Sections 11.07, Profits and Losses recognized by the Company upon a Capital Transaction shall be allocated in the following manner:

(a) Profits shall be allocated (i) first, to the Members with negative Capital Account balances, that portion of gains (including any gains treated as ordinary income for federal income tax purposes) which is equal in amount to, and in proportion to, such Members' respective negative Capital Accounts in the Company; provided that no gain shall be allocated under this Section 11.02(a)(i) to a Member once such Member's Capital Account is brought to zero and (ii) second, gains in excess of the amount allocated under (i) shall be allocated to the Members in the amounts and to the extent necessary to increase the Members' respective Capital Accounts so that the proceeds distributed under Section 11.04(e) and (g) will be distributed in accordance with the Members' respective Capital Accounts.

(b) Losses shall be allocated (i) first, to the extent and in such proportions as the respective positive balances in all Members' Capital Accounts, and (ii) second, any remaining loss to the Members in accordance with the manner in which they bear the economic risk of loss associated with such loss or, if none, to the Members in accordance with their Membership Interests.

(c) Any portion of the Profits treated as ordinary income for federal income tax purposes under Sections 1245 and 1250 of the Code ("Recapture Amount") shall be allocated on a dollar for dollar basis to those Members to whom the items of Company deduction or loss giving rise

to the Recapture Amount had been previously allocated.

11.03 Distributions: Net Cash Flow.

(a) Determination of Net Cash Flow. Net Cash Flow shall be determined separately for each fiscal year or portion thereof commencing on the day after Final Closing and shall not be cumulative. Wherever there is a reference to the distribution of Net Cash Flow pursuant to the provisions of this Agreement, Net Cash Flow shall be deemed to be limited to Surplus Cash available for distribution. Income received by the Company from the period commencing with the date of receipt of the initial certificate of occupancy with respect to the Project and ending on the date of the Final Closing shall not be distributed during such period and shall be treated as Net Cash Flow with respect to the first Payment Date following Final Closing.

(b) Manner of Distribution. Subject to the approval of the Project Lenders, if required, Net Cash Flow shall be applied and/or distributed on each Payment Date in the following priority:

(i) first, to the Investor Member until the aggregate amount of distributions made to the Investor Member under this Section 11.03(b)(i) for the current and all prior years equals the Assumed Investor Member Tax Liability for the current and all prior years;

(ii) second, to the Investor Member in an amount equal to any LIHTC Reduction Guaranty Payment or Unpaid LIHTC Shortfall;

(iii) third, to the Managing Member until the aggregate amount of distributions made to the Managing Member under this Section 11.03(b)(iii) for the current and all prior years equals the Assumed Managing Member Tax Liability for the current and all prior years;

(iv) fourth, to the Developer until all amounts due under the Development Agreement have been paid in full;

(v) fifth, to replenish the Operating Reserve up to a balance of \$206,000, or to provide additional capital to the Operating Reserves and other reserves as may be deferred later by mutual agreement of the Managing Member and Investor Member.

(vi) sixth, following the full payment of amounts due under the Development Agreement, to the pro rata payment of any outstanding Operating Deficit Loans and MM Loans, based upon the respective outstanding balances of each;

(vii) seventh, repayment of principal balance on the Sponsor HRCF Loan, then the Sponsor Home Depot Loan and then the Sponsor Chesapeake Loan;

(viii) eighth, ninety percent (90%) to the payment of the Incentive Management Fee; and

(ix) thereafter, 99.99% to the Investor Member; .009%) to the Managing Member; and .001% to the Special Member.

Notwithstanding anything to the contrary contained herein, if the amount of the distribution to the Investor Member under Section 11.03(b) is less than 10% of the Net Cash Flow of the Project, then the Investor Member shall receive a priority distribution before any distributions under Section 11.03(b)(viii) and (ix) in an amount such that, when added to the sum distributable to the Investor Member under Section 11.03(b), shall equal 10% of the Cash Flow.

(c) Distributions to be Subject to Regulatory Restrictions. Notwithstanding the foregoing, during such time as regulations of the Project Lenders are applicable to the Project, the total amount of Net Cash Flow which may be so distributed to the Members with respect to any fiscal year shall not exceed such amounts as such regulations permit to be distributed.

11.04 Distributions: Capital Transactions and Liquidation of Company. Except as may be required under Section 12.02(b), the proceeds resulting from the liquidation of the Company assets pursuant to Section 12.02, and the net proceeds resulting from any Capital Transaction, as the case may be, shall be distributed and applied in the following order of priority:

(a) to the payment of all matured debts and liabilities of the Company (including amounts due pursuant to any Project Loan and all expenses of the Company incident to any such sale or refinancing), excluding (1) debts and liabilities of the Company to Members or any Affiliates, and (2) all unpaid fees owing to the Managing Member under this Agreement;

(b) to the setting up of any reserves which the Liquidator (or the Managing Member if the distribution is not pursuant to the liquidation of the Company) deems reasonably necessary for contingent, unmatured or unforeseen liabilities or obligations of the Company;

(c) to the payment of any debts and liabilities (including unpaid fees) owed to the Members or any Affiliates by the Company for Company obligations; provided, however, that the foregoing debts and liabilities owed to Members and their Affiliates shall be paid or repaid, as applicable, in the following order of priority, if and to the extent applicable: (i) to the Investor Member, an amount equal to any outstanding LIHTC Reduction Guaranty Payment, or any Unpaid LIHTC Shortfall (applied first to accrued but unpaid interest (at the Default Rate) and then principal); (ii) to the Investor Member, an amount equal to any Special Additional Capital Contribution; (iii) to the payment of any outstanding MM Loans and loans made by the Managing Member pursuant to Section 8.11(a)(i) and/or 8.11(a)(ii) pro rata based on their respective outstanding balances, if applicable; (iv) amounts due under the Development Agreement; (v) amounts due with respect to Operating Deficit Loans, if any; and (vi) any other such debts and liabilities;

(d) \$20,000 to the Special Member, or its assignee as a Capital Transaction Administrative Fee;

(e) to the Managing Member and Investor Members in proportion to the relative amounts of Net Projected Tax Liabilities of the Managing Member and the Investor Member's members or partners and their respective members or partners until they each have received, cumulatively, an amount equal to their respective Net Projected Tax Liabilities;

(f) to payment of the Guarantor LIHTC Compliance Loan (or, if funds provided are a capital contribution under Section 8.11(c)(v), as a return of such capital); and

(g) the balance, .001% to the Managing Member, 99.99% to the Investor Member, and .001% to the Special Member.

Written determination of the proposed distributions of proceeds of Capital Transactions, showing all relevant calculations and assumptions, shall be delivered to the Investor Member and Special Member not later than twenty (20) days prior to the Company entering into any agreement for a Capital Transaction, and written confirmation or any revision thereof shall be delivered to the Investor Member and Special Member not later than twenty (20) days prior to the making of any such distribution. Distributions hereunder shall be made within five (5) days of the Company's receipt of such proceeds.

11.05 Distributions and Allocations: General Provisions.

(a) In any year in which a Member sells, assigns or transfers all or any portion of an Interest to any Person who during such year is admitted as a substitute Member, the share of all profits and losses allocated to, and of all Net Cash Flow and of all cash proceeds distributable under Section 11.04 distributed to, all Members which is attributable to the Interest sold, assigned or transferred shall be divided between the assignor and the assignee ratably on the basis of the number of monthly periods in such year before, and the number of monthly periods on and after, the first day of the month during which such Person is admitted as a substitute Member.

(b) The Company shall, subject to any applicable limitation on the distribution of Net Cash Flow and any required approval by the Project Lenders, distribute Net Cash Flow not less frequently than annually in the manner provided in Section 11.03(b).

(c) In the event that there is a determination that there is any original issue discount or imputed interest attributable to the Capital Contribution of any Member, or any loan between a Member and the Company, any income or deduction of the Company attributable to such imputed interest or original issue discount on such Capital Contribution or loan (whether stated or unstated) shall be allocated solely to such Member.

(d) In the event that the deduction of all or a portion of any fee paid or incurred by the Company to a Member or an Affiliate of a Member is disallowed for federal income tax purposes by the IRS with respect to a taxable year of the Company, the Company shall then allocate to such Member an amount of gross income of the Company for such year equal to the amount of

such fee as to which the deduction is disallowed.

(e) If any Member's Interest in the Company is reduced but not eliminated because of the admission of new Members or otherwise, or if any Member is treated as receiving any items of property described in Section 751(a) of the Code, the Member's Interest in such items of Section 751(a) property that was property of the Company while such Person was a Member shall not be reduced, but shall be retained by the Member so long as the Member has an Interest in the Company and so long as the Company has an Interest in such property.

(f) In accordance with Section 704(c) of the Code (relating to allocations with respect to appreciated contributed property) and the Regulations thereunder, income, gain, loss, and deduction with respect to any property contributed to the capital of the Company shall be allocated, solely for tax purposes, among the Members so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its fair market value. Any elections or other decisions relating to such allocations shall be made by the Managing Member in any manner that reasonably reflects the purpose and intention of this Agreement.

(g) In the event that the Managing Member makes any Operating Deficit Loans pursuant to Section 8.11(b), any deductions or losses of the Company attributable to the use of those funds shall be specially allocated to the Managing Member.

(h) Any income attributable to the Capital Contribution of the Managing Member will be allocated to the Managing Member.

(i) Any income attributable to the modification of any of the Project Loan(s) shall be allocated 100% to the Managing Member.

11.06 Capital Accounts.

(a) Establishment and Maintenance. A separate Capital Account shall be maintained and adjusted for each Member. There shall be credited to each Member's Capital Account the amount of its Capital Contribution, the fair market value of any property contributed to the Company (net of any liabilities secured by such property) and such Member's distributive share of the income and gain for tax purposes of the Company, including income or gain exempt from tax; and there shall be charged against each Member's Capital Account the amount of all cash flow distributed to such Member, the fair market value of any property distributed to such Member (net of any liabilities secured by such property), the net proceeds resulting from the liquidation of the Company's assets or from any sale or refinancing of the Project distributed to such Member, and such Member's distributive share of the losses for tax purposes of the Company. Each Member's Capital Account shall be maintained and adjusted in accordance with the Code and the Treasury Regulations thereunder. The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Treas. Reg. § 1.704-1(b), and shall be interpreted and applied in a manner consistent with such regulations. It is the intention of the Members that the Capital Accounts maintained under this Agreement be determined

and maintained throughout the full term of this Agreement in accordance with the accounting rules of Treas. Reg. § 1.704-1(b)(2)(iv).

(b) Deficit Capital Accounts; Regulatory Liquidation. In the event that the Company is liquidated within the meaning of Treas. Reg. § 1.704-1(b)(2)(ii)(g), if the Managing Member's Capital Account has a deficit balance (after giving effect to all contributions, distributions and allocations), the Managing Member shall make Capital Contributions in the amount of such deficit in compliance with Treas. Reg. § 1.704-1(b)(2)(ii)(b)(3). In the event that the Investor Member's Capital Account should have a deficit balance at such time, it shall have no obligation to fund or otherwise contribute capital to the Company in connection with such deficit. Notwithstanding the foregoing, in the event the Company is liquidated within the meaning of Treas. Reg. § 1.704-1(b)(2)(ii)(g) but no event has occurred under Section 12.01 to dissolve the Company, the Company assets shall not be liquidated, the Company's liabilities shall not be paid or discharged, and the Company's affairs shall not be wound up. Instead, the Company shall be deemed to have contributed all of its assets and liabilities to a new limited liability company in exchange for an interest in the new limited liability company. Immediately thereafter, the terminated Company shall be deemed to have distributed interests in the new limited liability company to the Members of the terminated Company in proportion to their respective interests in the terminated Company in liquidation of the terminated Company.

11.07 Special Allocations. Notwithstanding anything to the contrary contained in Section 11.01(a) or (b), the following special allocations in all events apply in determining the allocation of Profits and Losses among the Members and are made prior to the allocations required under Sections 11.01(a) and (b):

(a) Depreciation and LIHTC.

(i) Depreciation (cost recovery) deductions and LIHTC are allocated to the Members in accordance with their Percentage Interests.

(ii) Any recapture of LIHTC is allocated to the Members that were allocated (or whose predecessors-in-interest were allocated) the depreciation/cost recovery deduction and LIHTC associated therewith.

(b) Limitation on Allocations of Losses.

(i) To the extent the allocation of any Losses to a Member would cause that Member to have an Adjusted Capital Account Deficit at the end of any fiscal year of the Company, then those Losses will not be allocated to that Member, but rather will be specially allocated to the remaining Members in proportion with their relative interests in the Company.

(ii) In the event some but not all of the Members would have Adjusted Capital Account Deficits due to an allocation of Losses, the limitation set forth in this Section 11.07(b) shall be applied on a Member-by-Member basis so as to allocate the maximum

permissible Losses to each Member who is not a Managing Member under Treas. Reg. §1.704-1(b)(2)(ii)(d). All Losses in excess of the limitation set forth in this Section 11.07(b) shall be allocated to the Managing Member.

(c) Profit Chargeback. To the extent any Losses are specially allocated to a Member in accordance with Section 11.07(b), then Profits will thereafter first be specially allocated to such Member in proportion to and in an amount (1) up to but not exceeding the amount of any such special allocation of Losses away from such Member under such subparagraph (b) but (2) not to the extent that Losses or depreciation deductions would be allocated to the remaining Members in excess of the amount permitted by 11.07(b).

(d) Nonrecourse Deductions. Nonrecourse Deductions for any fiscal year shall be allocated to the Members in accordance with their Percentage Interests.

(e) Member Nonrecourse Deductions. Any Member Nonrecourse Deductions for any fiscal year shall be specially allocated to the Member or Members that bear the Economic Risk of Loss with respect to the Member Nonrecourse Debt to which such Member Nonrecourse Deductions are attributable in accordance with Treas. Reg. §1.704-2(b)(4) and Treas. Reg. §1.704-2(i).

(f) Company Minimum Gain Chargeback. Notwithstanding any other provision of this Agreement, if there is a net decrease in the Company's Minimum Gain attributable to Nonrecourse Liabilities during any taxable year, each Member shall be specially allocated a *pro rata* portion of each of the Company's items of income and gain for such year (and, if necessary for subsequent years) in proportion to, and to the extent of, an amount equal to such Member's share of the net decrease in such Minimum Gain during such taxable year as determined in accordance with the provisions of Treas. Reg. §1.704-2(g)(2). In the event that such net decrease in the Company's Minimum Gain occurs in connection with the disposition of all or any portion of the Project, then any items of Company income or gain allocated in accordance with the previous sentence shall first consist of gain recognized by the Company as a result of such disposition. It is the intent that the allocations provided in this Section 11.07(f) shall be determined in accordance with and only to the extent required by Treas. Reg. §1.704-2(f) and (j)(2)(i).

(g) Member Minimum Gain Chargeback. Notwithstanding any other provision of this Agreement, if there is a net decrease in the amount of the Company's Minimum Gain during any taxable year with respect to a Member Nonrecourse Debt, the Member bearing the Economic Risk of Loss with respect to such Member Nonrecourse Debt shall be specially allocated a *pro rata* portion of each of the Company's items of income and gain for such taxable year (and, if necessary, for subsequent years) in proportion to, and to the extent of the amount of such Member's share of the net decrease in such Minimum Gain during such taxable year as determined in accordance with the provisions of Treas. Reg. §1.704-2(i)(4). In the event that such net decrease in the Member's Minimum Gain occurs in connection with the disposition of all or any portion of Project, then any items of Company income or gain allocated in accordance with the previous sentence shall first consist of gain recognized by the Company as a result of such disposition. It is the intent that the

allocations provided in this Section 11.07(g) shall be determined in accordance with and only to the extent required by the provisions of Treas. Reg. §1.704-2(i) and (j)(2)(ii).

(h) Qualified Income Offset. If a Member unexpectedly receives any adjustments, allocations, or distributions described in §1.704-1(b)(2)(ii)(d)(4), (5) or (6) of the Regulations, then items of Company income or gain will be specially allocated to that Member in an amount and manner sufficient to eliminate, to the extent required by the Regulations, the Adjusted Capital Account Deficit of that Member as quickly as possible. The special allocations required pursuant to this subparagraph (h) are made only if and to the extent that such Member would have an Adjusted Capital Account Deficit after all other allocations provided for in this Article 11 have been tentatively made as if this subparagraph (h) were not in the Agreement. This subparagraph (h) is intended to comply with the qualified income offset requirements of §1.704-1(b)(2)(ii)(d) of the Regulations and will be interpreted consistently therewith.

(i) Gross Income Allocation. In the event any Member has a deficit Capital Account at the end of any fiscal year in excess of the sum of (i) the amount that such Member must restore pursuant to any provision of this Agreement, if any, and (ii) the amount such Member is deemed obligated to restore pursuant to the penultimate sentence of Treas. Reg. § 1.704-2(g) and § 1.704-2(i)(5), such Member shall be specially allocated items of Company income and gain in the amount of such excess as quickly as possible, provided that an allocation pursuant to this Section 11.07(i) shall be made if and only to the extent that such Member would have a deficit Capital Account in excess of such sum after all other allocations provided for in this Article XI have been tentatively made as if this Section 11.07(i) and Section 11.07(h) hereof were not in the Agreement.

(j) §754 Adjustment. To the extent an adjustment to the adjusted tax basis of any Company Property undertaken pursuant to §734(b) or 743(b) of the Code is required to be taken into account in determining the Capital Accounts of the Members under Treas. Reg. §1.704-1(b)(2)(iv)(m), then the amount of such adjustment to the Capital Accounts will be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss will be specially allocated to the Members in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to the aforementioned section of the regulations.

(k) Curative Allocations. In the event that income, loss or items thereof are allocated to one or more Members pursuant to Sections 11.07(h) through (i), subsequent income, loss or items thereof shall be allocated (subject to the provisions of Sections 11.07(h) and (i)) to the Members so that, to the extent possible in the judgment of the Managing Member, the net amount of allocations shall be equal to the amount that would have been allocated had Section 11.07 not been applied. Notwithstanding the foregoing, the allocation of depreciation deductions will be governed by Section 11.07(a) and this Section 11.07(k) shall not apply to allocations of depreciation deductions.

(l) Excess Nonrecourse Liabilities. Solely for purposes of determining a Member's proportionate share of the "excess nonrecourse liabilities" of the Company within the meaning of Treas. Reg. § 1.752-3(a)(3), the Members' respective interests in Company Profits and deductions shall equal their Percentage Interests (determined without regard to Section 11.07(a)-(k)).

(m) Authority to Vary Allocations to Preserve and Protect Members' Intent

(i) It is the intent of the Members that each Member's distributive share of income, gain, loss, deduction, or credit (or item thereof) shall be determined and allocated in accordance with this Article XI to the fullest extent permitted by Section 704(b) of the Code. In order to preserve and protect the determinations and allocations provided for in this Article XI, the Managing Member, shall upon the direction in writing of the Special Member, allocate income, gain, loss, deduction, or credit (or item thereof) arising in any year differently than otherwise provided for in this Article XI as necessary to ensure that all allocations of income, gain, loss, deduction or credit (or item thereof) to the Members are permitted by Section 704(b) of the Code and Treasury Regulations promulgated thereunder. Any allocation made pursuant to this Section 11.07 shall be deemed to be a complete substitute for any allocation otherwise provided for in this Article XI and no amendment of this Agreement or approval of any Member shall be required.

(ii) In making any allocation (the "new allocation") under Section 11.07(m)(i), the Managing Member is authorized to act only upon the direction in writing of the Special Member or the Investor Member.

(iii) If the Managing Member receives a recommendation from the Accountants to make any new allocation in a manner less favorable to the Investor Member than is otherwise provided for in this Article XI, then the Managing Member shall do so only with the Investor Member's or the Special Member's Consent and only after having given the Investor Member and the Special Member the opportunity to discuss such allocation with the Accountants, and only after the Managing Member has been advised by the Accountants that it is permitted by Section 704(b) of the Code, to allocate income, gain, loss, deduction, or credit (or item thereof) arising in later years in such manner so as to bring the allocations of income, gain, loss, deduction, or credit (or item thereof) to the Investor Members as nearly as possible to the allocations thereof otherwise contemplated by this Article XI.

(n) Grant Income. Any income recognized as a result of any receipt of grants by the Company shall be allocated one hundred percent (100%) to the Managing Member. However, if the Managing Member is exempt from federal income taxation under Code Section 501(c)(3) or any other Code provision, then the allocations to the Managing Member under this Section 11.07(n) shall be limited to the highest percentage of the Company's property treated as tax-exempt use property, as reflected in the Projections.

11.08 Designation of Tax Matters Partner. The Managing Member hereby is designated as Tax Matters Partner of the Company, and shall engage in such undertakings as are required of the Tax Matters Partner of the Company, as provided in regulations pursuant to Section 6231 of the

Code. Each Member, by its execution of this Agreement, consents to such designation of the Tax Matters Partner and agrees to execute, certify, acknowledge, deliver, swear to, file and record at the appropriate public offices such documents as may be necessary or appropriate to evidence such Consent. Notwithstanding the foregoing, the Investor Member has the right to approve and disapprove all substantial actions that may be taken by the Managing Member in its capacity as Tax Matters Partner. Notwithstanding any other provision of this Agreement, the Special Member hereby is granted authority at any time to be admitted as a Managing Member by converting all or portion of its Investor Member Interest to a Managing Member Interest for the purpose of acting as the Tax Matters Partner with all the authority and powers given to the Managing Member as Tax Matters Partner of the Company under the Code and under this Agreement. The Special Member may exercise its right to assume the Tax Matters Partner responsibilities for the Company, as provided herewith, upon ten (10) days Notice to the then existing Tax Matters Partner and Managing Member and may continue as Tax Matters Partner indefinitely. In the event that the Special Member exercises its right to become a Managing Member and to assume duties of the Tax Matters Partner, the pre-existing Tax Matters Partner will resign in accordance with Treas. Reg. § 301.6231(a)(7)-1(i) and will redesignate the new Managing Member as Tax Matters Partner in accordance with Treas. Reg. § 301.6231(a)(7)-1(e). Each Member, by its execution of this Agreement consents to such admission and designation and agrees to execute, certify, acknowledge, deliver, swear to, file and record at the appropriate public offices such documents as may be necessary or appropriate to evidence such Consent. The Special Member shall, upon such admission, replace the Managing Member as Tax Matters Partner and shall have thereafter all the authority and powers given to the Managing Member as Tax Matters Partner of the Company under the Code and under this Agreement. Unless otherwise specifically provided or agreed, the new Tax Matters Partner in these circumstances will not be responsible for or have the right to conduct any operational or managerial functions of the Company besides those required to discharge its responsibilities as Tax Matters Partner.

Beginning on January 1, 2018, the Managing Member shall constitute the “partnership representative” under Section 6223 of Chapter 63 of the Code (as in effect pursuant to the Bipartisan Budget Act), and the Managing Member shall take any and all action required under the Code or the tax regulations adopted pursuant to Section 7805 of the Code (the “Treasury Regulations”), as in effect from time to time, to designate itself the “partnership representative.” To the extent permitted by the Code and Treasury Regulations, the Managing Member, in its capacity as “partnership representative,” shall be bound by the obligations and restrictions imposed on the Tax Matters Partner pursuant to this Section 11.08. Upon the promulgation of Treasury Regulations implementing subchapter C of Chapter 63 of the Code (as revised by the Bipartisan Budget Act), the Managing Member will evaluate and consider options available with respect to preserving the allocation of responsibility and authority described in Section 11.09, while conforming with the applicable provisions of the revised partnership audit procedures. The Managing Member and the Investor Members agree to work together in good faith to amend this Agreement if the parties determine that an amendment is required to maintain the intent of the parties with respect to the obligations and limitations of the Tax Matters Partner.

11.09 Authority of Tax Matters Partner.

(a) The Tax Matters Partner shall have and perform all of the duties required under the Code, including the following duties:

(i) Furnish the name, address, profits interest, and taxpayer identification number of each Member to the IRS; and

(ii) Within five calendar days after the receipt by the Managing Member or an Affiliate thereof or the Company of any correspondence or communication relating to the Company or a Member or an Affiliate of a Member from the IRS, the Tax Matters Partner shall forward to each Member a photocopy of all such correspondence or communication(s). The Tax Matters Partner shall, within five calendar days thereafter, advise each Member in writing of the substance and form of any conversation or communication held with any representative of the IRS.

(b) The Tax Matters Partner shall, upon request by the Investor Member, permit the Investor Member to include its attorney in the power of attorney (Form 2848) for the Company for any taxable years under a tax audit or in a tax administrative Appeals process.

(c) The Tax Matters Partner shall not without the Consent of the Special Member:

(i) Extend the statute of limitations for assessing or computing any tax liability against the Company (or the amount or character of any Company tax items);

(ii) Engage an accounting firm or counsel to represent the Company before the IRS;

(iii) Settle any audit with the IRS concerning the adjustment or readjustment of any Company item(s) (within the meaning of Section 6231(a)(3) of the Code);

(iv) File a request for an administrative adjustment with the IRS at any time or file a petition for judicial review with respect to any such request or select the forum for judicial review of any IRS determination;

(v) Initiate or settle any judicial review or action concerning the amount or character of any Company tax item(s) (within the meaning of Section 6231(a)(3) of the Code);

(vi) Intervene in any action brought by any other Member for judicial review of a final Company administrative adjustment; or

(vii) Take any other action not expressly permitted by this Section 11.09 on behalf of the Members of the Company in connection with any administrative or judicial tax proceeding.

(d) In the event of any Company-level proceeding instituted by the IRS pursuant to Sections 6221 through 6233 of the Code, the Tax Matters Partner shall consult with the Special Member regarding the nature and content of all action and defense to be taken by the Company in response to such proceeding. The Tax Matters Partner also shall consult with the Special Member regarding the nature and content of any proceeding pursuant to Sections 6221 through 6233 of the Code instituted by or on behalf of the Company (including the decision to institute proceedings, whether administrative or judicial, and whether in response to a previous IRS proceeding against the Company or otherwise).

11.10 Expenses of Tax Matters Partner. The Company shall indemnify and reimburse the Tax Matters Partner for all expenses, including legal and accounting fees, claims, liabilities, losses and damages incurred in connection with any administrative or judicial proceeding with respect to the tax liability of the Members. The payment of all such expenses shall be made before any distributions are made from Net Cash Flow or any discretionary reserves are set aside by the Managing Member. The Managing Member shall have the obligation to provide funds for such purpose to the extent that Company funds are not otherwise available therefor. The taking of any action and the incurring of any expense by the Tax Matters Partner in connection with any such proceeding, except to the extent required by law, is a matter in the sole discretion of the Tax Matters Partner and the provisions on limitations of liability of the Managing Member and indemnification set forth in Section 8.08 of this Agreement shall be fully applicable to the Tax Matters Partner in its capacity as such.

ARTICLE XII SALE, DISSOLUTION AND LIQUIDATION

12.01 Dissolution of the Company. The Company shall be dissolved upon the earlier of the expiration of the term of the Company, or upon:

(a) the withdrawal, Bankruptcy, death, dissolution or adjudication of incompetency of the Managing Member who is at that time the sole Managing Member, subject to the provisions of Section 6.03, unless a majority in interest of the other Members, within ninety (90) days after receiving Notice of such withdrawal, Bankruptcy, death, dissolution or adjudication of incompetence, elects to designate a successor Managing Member(s) and continue the Company upon the admission of such successor Managing Member(s) to the Company;

(b) the sale or other disposition of all or substantially all of the assets of the Company, subject to the provisions of Section 6.03;

(c) the election by the Managing Member, with the Consent of a majority in interest of the other Members; or

(d) any other event causing the dissolution of the Company under the laws of the Commonwealth of Virginia.

12.02 Winding Up and Distribution.

(a) Upon the dissolution of the Company pursuant to Section 12.01, (i) a Certificate of Cancellation shall be filed in such offices within the Commonwealth of Virginia as may be required or appropriate and (ii) the Company business shall be wound up and its assets liquidated as provided in this Section 12.02 and the net proceeds of such liquidation, except as provided in Section 12.02(b) below, shall be distributed in accordance with Section 11.04.

(b) It is the intent of the Members that, upon liquidation of the Company, any liquidation proceeds available for distribution to the Members be distributed in accordance with the Members' respective positive Capital Account balances and in accordance with Treas. Reg. §1.704-1(b)(2)(ii)(b)(2). The Members believe that distributions under Section 11.04 will effectuate such intent. In the event that, upon liquidation, there would otherwise be any conflict between a distribution pursuant to the Members' respective positive Capital Account balances and the intent of the Members with respect to distribution of proceeds as provided in Section 11.04, the Liquidator shall, notwithstanding the provisions of Sections 11.01, 11.02, 11.03 and 11.05, allocate the Company's gains, profits and losses in a manner that will, as nearly as possible, cause the distribution of liquidation proceeds to the Members to be in accordance both with the Members' economic expectations as set forth in Section 11.04 and their respective Capital Account balances. If the Company's gains, profits and losses are insufficient to cause the Members' Capital Accounts to be in such amounts as will permit liquidation proceeds to be distributed both in accordance with the Members' respective positive Capital Account balances and Section 11.04, then liquidation proceeds shall be distributed in accordance with the Members' respective positive Capital Account balances after the allocations described herein have been made.

(c) The Liquidator shall file all certificates and notices of the dissolution of the Company required by law. The Liquidator shall proceed without any unnecessary delay to sell and otherwise liquidate the Company's property and assets; provided, however, that if the Liquidator shall determine that an immediate sale of part or all of the Company property would cause undue loss to the Members, then in order to avoid such loss, the Liquidator may, except to the extent provided by the Act, defer the liquidation as may be necessary to satisfy the debts and liabilities of the Company to Persons other than the Members. Upon the complete liquidation and distribution of the Company assets, the Members shall cease to be Members of the Company, and the Liquidator shall execute, acknowledge and cause to be filed all certificates and notices required by the law to terminate the Company.

(d) Upon the dissolution of the Company pursuant to Section 12.01, the Accountants shall promptly prepare, and the Liquidator shall furnish to each Member, a statement setting forth the assets and liabilities of the Company upon its dissolution. Promptly following the complete liquidation and distribution of the Company property and assets, the Accountants shall prepare, and the Liquidator shall furnish to each Member, a statement showing the manner in which the Company assets were liquidated and distributed.

ARTICLE XIII
BOOKS AND RECORDS, ACCOUNTING,
TAX ELECTIONS, ETC.

13.01 Books of Account. The Managing Member shall keep proper and complete books of account for the Company. Such books of account shall be kept at the principal office of the Company and shall be open at all times for examination and copying by the Investor Member or its authorized representatives. The Managing Member shall retain such books of account for six years after the later of the termination of the Company or the end of all applicable compliance periods under the Regulations. All decisions as to the fiscal year and accounting methods to be used by the Company shall be made only with the prior written consent of the Investor Member. In addition, the Managing Member shall comply with all record keeping and record retention requirements applicable to low-income housing projects under the Code and Regulations, and shall provide such information to the Members for their compliance.

13.02 Financial Reports.

(a) Agreement with VHCC. The Company shall enter into an agreement with Virginia Housing Capital Corporation (“VHCC”), essentially in the form attached hereto as Exhibit J, pursuant to which VHCC will provide certain accounting and reporting services to the Company.

(b) Monthly Reports. Within ten days after the end of each month, the Managing Member shall deliver to the Members with respect to such month a cash flow statement for the Company, with a detailed itemization of all Company receipts and expenses, and with such additional information as shall be reasonably requested by the Members (the foregoing, collectively, the “Cash Flow Report”). Notwithstanding the foregoing, if the Investor Member believes that the Project is experiencing or may experience adverse operating results or any other material adverse condition, the Investor Member, by Notice to the Managing Member, may require the delivery of Cash Flow Reports within five days after the end of each month, until such time as the Investor Member believes that the adverse condition affecting the Project is no longer present or threatened. At Investor Member’s request, copies of all proposed leases and tenant income certification information for the initial occupant of each dwelling unit shall be delivered concurrently with such Cash Flow Report prior to execution thereof by the Company.

(c) Governmental and Lender Reports. The Managing Member shall also deliver to the Investor Member any financial or performance report required to be provided by the Company to any federal, state or local governmental agency or to any Company lender. Any such report shall be delivered to the Investor Member within five days after such report is filed with any such governmental agency or Company lender.

13.03 Budgets and General Disclosure. The Managing Member shall prepare and deliver to the Investor Member no later than the 60 days prior to the beginning of each fiscal year of the Company a detailed annual operating and capital improvements budget for the operation of the

Project during such fiscal year. Such budgets shall specifically list all budgeted expenses in all major categories including, but not limited to, administration, operation, repairs and maintenance, utilities, taxes, insurance, interest, debt service with respect to the Project Loans, capital improvements, and all budgeted expenses which are to be paid to the Managing Member or its Affiliates. Such a budget shall be deemed "approved" for purposes of this Agreement only when such budget has been approved by the Investor Member. The Managing Member shall keep the Investor Member informed concerning the general state of the business and financial condition of the Company and shall, upon the reasonable request of the Investor Member, furnish to the Investor Member full information, accounts and documentation concerning the state of the business and financial condition of the Company. The Managing Member shall also provide the following statements or disclosures to the Investor Members:

(a) **Semiannual Reports.** Semiannually, within 45 days after the end of the second and fourth fiscal quarters of the Company, until the later to occur of the following events: (i) all Capital Contribution installments of the Investor Member have been made, or (ii) the Project is placed in service, a report on the status of the Company. Such report will include the following, and will contain updated and revised information if there has been any change in facts previously reported.

(i) a description of the Project, including the status of construction or rehabilitation to be performed in connection with the Project (which information shall be provided on the Project until construction or rehabilitation is complete);

(ii) a description of the financing for the Project, including mortgage financing, any state or local government loans, any operating deficit guaranty, the Investor Member's Capital Contributions to the Company and any other contributions or loans to the Company;

(iii) a description of any applicable rental subsidy for the Project;

(iv) the terms of any performance bonds, development cost guarantees, operating deficit guarantees and other credit enhancements provided in connection with the Project;

(v) the fees, and other financial incentives provided to the Managing Member and its Affiliates; and

(vi) any draw or call upon or demand for payment of or under any operating deficit guarantee, operating reserve, contractor performance bonds or completion guarantee.

(b) **Annual Reports.** Within 100 days after the end of each fiscal year of the Company, a statement prepared by the Managing Member, which statement shall include the following:

(i) a report summarizing the fees, commissions, compensation and other remuneration and reimbursed expenses paid by the Company for such fiscal year to the Managing Member or any Affiliates of the Managing Member and the services performed;

- (ii) a report of the activities and investments of the Company during the period covered by the report; and
- (iii) a comparison of actual and projected tax benefits for the year.

The statement will be accompanied by audited financial statements of any Affiliate Guarantor.

(c) **Demands for Payment.** Within three business days of the exercise thereof, any draw or call upon or demand for payment of or under any operating deficit guarantee, operating reserve, contractor performance bonds or completion guarantee.

(d) **Notices of Default.** Immediately upon notice of such a default, any default by the Company in any loan, including any state or local government loan or other financial obligation, of the Company or its Managing Member.

(e) **Notices of IRS Proceedings.** Immediately upon receipt of such notice, any notice of any IRS proceeding or any other audit, review or inspection by an federal, state or local governmental agency or Project Lender involving the Company.

13.04 **Tax Information.** The Managing Member shall file all necessary tax forms related to the formation of the Company, including, if required, Form 8264 (related to the registration of a tax shelter). VHCC shall also provide such federal tax information as required under its agreement with the Company as set forth on **Exhibit J.**

13.05 **Selection of Accountants.** The Investor Member shall be entitled to select a firm of certified public accountants that are experienced in LIHTC and that will prepare the Company's year-end financial statements and the Company's annual tax returns. The fee of such accountants shall be paid by the Investor Member out of the accounting fee payable to it pursuant to Section 8.21 of this Agreement.

13.06 **Section 754 Elections.** In the event of a transfer of all or any part of the Interest of a Managing Member or of an Investor Member, the Company may elect, pursuant to Sections 743 and 754 of the Code (or any corresponding provision of succeeding law), to adjust the basis of the Company property if, in the opinion of the Investor Member, based upon the advice of the Accountants, such election would be most advantageous to the Investor Member. Each Member agrees to furnish the Company with all information necessary to give effect to such election.

13.07 **Fiscal Year and Accounting Method.** The fiscal year of the Company shall be the fiscal year of the Investor Member, which ends at December 31; provided, however, that upon request from the Investor Member, the fiscal year of the Company shall become the calendar year. All Company accounts shall be determined on an accrual basis.

13.08 Late Report Penalties. (i) In the event that the reports of information provided for in Sections 13.02(b) or 13.03 above are, at any time, not provided within the time frames set forth therein, the Managing Member shall be obligated to pay to the Investor Member the sum of \$200.00 per day, as liquidated damages, for each day from the date upon which such report(s) or information is (are) due pursuant to the provisions of the aforesaid Sections until the date upon which such report(s) or information is (are) provided in form acceptable to the Investor Member. In the event that the reporting requirements set forth in any of the above provisions of this Article XIII are not met, the Investor Member, in its reasonable discretion, may direct the Managing Member to dismiss the Accountants, and to designate successor Accountants, subject to the approval of the Investor Member; provided, however, that if the Managing Member and the Investor Member cannot agree on the designation of successor Accountants, the successor Accountants shall be designated by the Investor Member in its sole reasonable discretion, and the fees of such successor Accountants shall be paid by the Managing Member.

ARTICLE XIV AMENDMENTS

14.01 Proposal and Adoption of Amendments. This Agreement may be amended by the Managing Member with the Consent of the Investor Member; provided that such Consent shall not be unreasonably withheld as to any proposed amendment which does not affect the obligations of the Managing Member or the rights of any of the Members under this Agreement; and further provided that, if the Investor Member proposes an amendment to this Agreement which either (a) increases or imposes upon the Investor Member the obligation to restore a deficit balance in its Capital Account, or (b) prospectively decreases the obligation of the Investor Member to restore a deficit balance in its Capital Account in a subsequent Fiscal Year of the Company, the Managing Member shall effectuate the adoption of such amendment; provided, however, that the Managing Member shall not be liable to the Investor Member for any adverse tax consequences that may result from any such increase or decrease.

ARTICLE XV CONSENTS, VOTING AND MEETINGS

15.01 Method of Giving Consent. Any Consent required by this Agreement may be given by a written Consent given by the consenting Member and received by the Managing Member at or prior to the doing of the act or thing for which the Consent is solicited.

15.02 Submissions to Investor Members. The Managing Member shall give the Investor Member Notice of any proposal or other matter required by any provision of this Agreement or by law to be submitted for consideration and approval of the Investor Members. Such Notice shall include any information required by the relevant provision or by law.

15.03 Meetings: Submission of Matter for Voting. A majority in Interest of the Investor Members shall have the authority to convene meetings of the Company and to submit matters to a vote of the Members.

ARTICLE XVI GENERAL PROVISIONS

16.01 Burden and Benefit. The covenants and agreements contained herein shall be binding upon and inure to the benefit of the heirs, executors, administrators, successors and assigns of the respective parties hereto.

16.02 Applicable Law. This Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Virginia.

16.03 Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original copy and all of which together shall constitute one agreement binding on all parties hereto, notwithstanding that all the parties shall not have signed the same counterpart.

16.04 Separability of Provisions. Each provision of this Agreement shall be considered separable, and if for any reason any provision which is not essential to the effectuation of the basic purposes of this Agreement is determined to be invalid and contrary to any existing or future law, such invalidity shall not impair the operation of or affect those provisions of this Agreement which are valid.

16.05 Entire Agreement. This Agreement sets forth all (and is intended by all parties to be an integration of all) of the representations, promises, agreements and understandings among the parties hereto with respect to the Company, the Company business and the property of the Company, and there are no representations, promises, agreements or understandings, oral or written, express or implied, among them other than as set forth or incorporated herein.

16.06 Liability of the Investor Member. Notwithstanding anything to the contrary contained herein, neither the Investor Member nor any of its members shall have any personal liability to any of the parties to this Agreement with regard to the representations and covenants extended, or the obligations undertaken, by the Investor Member under this Agreement, except that the Investor Member shall be personally obligated to fund its Capital Contributions when, as and if required by this Agreement and subject to any defenses and offsets it may have with respect to the funding of such Capital Contributions. In the event that the Investor Member shall be in default under any of the terms of this Agreement, the sole recourse of any party hereto for any indebtedness due hereunder, or for any damages resulting from any such default by the Investor Member, shall be

either against the Interest of the Investor Member and the capital contributions of the members of the Investor Member (either directly or through another Investor Member) allocated to, and remaining for investment in, the Company; provided, however, that under no circumstances shall the liability of the Investor Member for any such default be in excess of the amount of Capital Contribution payable by the Investor Member to the Company, under the terms of this Agreement, at the time of such default, less the value of the Interest of the Investor Member, if such Interest is claimed as compensation for damages.

16.07 Environmental Protection.

(a) The Managing Member warrants and represents that to the best of the Managing Member's knowledge, after diligent inquiry, there presently are not, in, on, or under the Project nor will there be, in, on, or under the Project, upon completion of the construction: (i) any "hazardous substance" as that term is defined under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. §9601, *et seq.*, as amended ("CERCLA"), or any other hazardous or toxic substance, waste or material or any other substance or pollutant that poses a risk to human health or the environment, including, but not limited to, petroleum in any form, lead-based paint, asbestos, urea formaldehyde insulation, methane gas, polychlorinated biphenyls ("PCBs") or radon, except for ordinary and necessary quantities of office supplies, cleaning materials and pest control supplies stored in a safe and lawful manner and petroleum products contained in motor vehicles (the "Hazardous Substances"); (ii) any underground storage tanks; (iii) accumulations of debris, mining spoil, spent batteries, except for ordinary garbage stored in receptacles for regular removal; (iv) or any other condition which could result in liability for an owner or operator of the Project under any federal, state, or local law, rule, regulation, or ordinance.

(b) The Managing Member further represents and warrants that (i) neither it nor, to the best of its knowledge, any other party has been, is or will be involved in operations at or, pursuant to the Managing Member's best knowledge, near the Land, which operations could lead to (A) a determination of liability under the Hazardous Waste Laws as to the Company or (B) the creation of a lien on the Land under the Hazardous Waste Laws or under any similar laws or regulations; and (ii) the Managing Member has not permitted, and will use best efforts not to permit, any tenant or occupant of the Project to engage in any activity that could impose liability under the Hazardous Waste Laws on such tenant or occupant, on the Land or on any other owner of the Project.

(c) The Managing Member further warrants and represents to the best of the Managing Member's knowledge that the Project is in compliance with all applicable Hazardous Waste Laws, and the Managing Member has not received notice of any violations of the Hazardous Waste Laws. The Managing Member covenants and agrees to take all necessary action within its control to ensure that the Project is in compliance with the Hazardous Waste Laws at all times and that the Project remains free from the presence of any Hazardous Substances in, on or under the Project. The Managing Member will promptly deliver any notice it may receive of any violation of the Hazardous Waste Laws to the Investor Member and the Special Member.

(d) The Managing Member agrees to indemnify and hold harmless the Company, the Investor Member, the Special Member, and any member of the Investor Member (the “Indemnified Parties”) from and against all claims, actions, causes of action, liability, and expense (including, without limitation, attorneys’ fees, court costs, and remedial and response costs) incurred or suffered by, or asserted by any person, entity, or governmental agency against the Indemnified Parties due to breach of the Managing Member of the Company’s representations, warranties, or covenants, or a violation of the Hazardous Waste Laws, or the presence of Hazardous Substances in, on, or under the Project. The foregoing indemnification shall be a recourse obligation of the Managing Member and shall (to the full extent permitted by law) survive the dissolution of the Company and the death, dissolution, retirement, incompetency, insolvency, bankruptcy, or withdrawal of the Managing Member.

(e) For purposes of this Agreement, the term “Hazardous Waste Laws” shall mean any governmental requirements pertaining to land use, air, soil, subsoil, surface water, groundwater (including the quality of, protection, clean-up, removal, remediation or damage of or to land, air, soil, subsoil, surface water and groundwater), including, without limitation, the following laws as the same may be from time to time amended: the Comprehensive Environmental Response Liability and Compensation Act, 42 U.S.C. § 9601, *et seq.*, the Resource Conservation and Recovery Act, 42 U.S.C. §6901, *et seq.*, the Toxic Substances Control Act, 15 U.S.C. § 2601 *et seq.*, the Federal Water Pollution Control Act, 33 U.S.C. §1251 *et seq.*, the Safe Drinking Water Act, 42 U.S.C. § 300f *et seq.*, the Clean Air Act, 42 U.S.C. § 7401 *et seq.*, the Rivers and Harbors Act, 33 U.S.C. § 401 *et seq.*, the Transportation Safety Act of 1974, portions of which are located at 49 U.S.C. § 1801 *et seq.*, the Endangered Species Act, 16 U.S.C. § 1531 *et seq.*, or any so-called “superfund” or “superlien” law, together with any other foreign or domestic laws (federal, state, provincial or local), common law, local rule, regulation (including, without limitation, any future change in judicial or administrative decisions interpreting or applying any of the laws, rules or regulations referred to herein) relating to emissions, discharges, release or threatened releases of any Hazardous Substances into ambient air, land, soil, subsoil, surface water, groundwater, personal property or structures, or otherwise relating to the manufacture, processing distribution, use treatment, storage, disposal, transport, discharge or handling of any Hazardous Substances, now or at any time hereafter in effect.

16.08 Notices. All notices, demands, requests or other communications to be sent by one party to the other hereunder or required by law shall be in writing and shall be deemed to have been validly given or served by delivery of same in person to the addressee or by depositing same with Federal Express (or another nationally recognized overnight delivery service) for next business day delivery or by depositing same in the United States mail, postage prepaid, registered or certified mail, return receipt requested, addressed as follows:

(a) To the Investor Member:

Housing Equity Fund of Virginia XXI, L.L.C.
c/o Virginia Housing Capital Corporation
1840 West Broad Street, Suite 200

Richmond, Virginia 23220-2151
Attention: Arild O. Trent
with a copy to:

Applegate & Thorne-Thomsen, P.C.
440 South LaSalle St.
Suite 1900
Chicago, Illinois 60605
Attention: Diane K. Corbett

- (b) To the Managing Member:
Chesapeake Vets' Housing
c/o Second Act Communities, Inc
2400 Potters Road
Virginia Beach, VA 23454
Attention: Sharon Shoff

With a copy to:

Kanady & Quinn
16945 General Puller Highway
Deltaville, VA 23043
Attention: Johnson P. Kanady, III

Virginia Beach Community Development
Corporation
2400 Potters Road
Virginia Beach, VA 23454
Attention: Addie Wright Thomason

All notices, demands and requests shall be effective upon such personal delivery or upon being deposited with Federal Express (or another nationally recognized overnight delivery service) or in the United States mail as required above. However, with respect to notices, demands or requests so deposited with Federal Express (or another nationally recognized overnight delivery service) or in the United States mail, the time period in which a response to any such notice, demand or request must be given shall commence to run from the next business day following any such deposit with Federal Express (or another nationally recognized overnight delivery service) or, in the case of a deposit in the United States mail as provided above, the date on the return receipt of the notice, demand or request reflecting the date of delivery or rejection of the same by the addressee thereof. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice, demand or request sent. By giving to the other party hereto at least 30 days' written notice thereof in accordance with the provisions hereof, the parties hereto shall have the right from time to time to change their respective

addresses and each shall have the right to specify as its address any other address within the United States of America.

16.09 Headings. All section headings are for convenience only and shall not be taken into consideration in interpreting or otherwise construing this Agreement.

16.10. Pronouns and Plurals. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural, as the identity of the person or persons may require.

16.11. VHDA Mortgage Requirements. Notwithstanding any other provision of this Agreement, this limited liability company and the Members shall be subject to regulation and supervision by the Virginia Housing Development Authority (“VHDA”) in accordance with the Virginia Housing Development Authority Act, the Rules and Regulations of VHDA, and the Regulatory Agreement executed or to be executed by the Company for the benefit of VHDA and shall be further subject to the exercise by VHDA of the rights and powers conferred on VHDA thereby. Notwithstanding any other provision of this Agreement, VHDA may rely upon the continuing effect of this provision which shall not be amended, altered, waived, supplemented or otherwise changed without the prior written consent of VHDA.

IN WITNESS WHEREOF, the parties have affixed their signatures and seals to this Amended and Restated Operating Agreement of Cypress Landing, LLC as of the date first written above.

MANAGING MEMBER:

Chesapeake Vets' Housing, Inc.,
a Virginia corporation

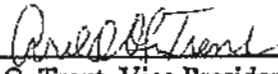
By: _____


Jessica Guglielmo, President

INVESTOR MEMBER:

Housing Equity Fund of Virginia XXI, L.L.C., a
Virginia limited liability company

By: Virginia Housing Capital Corporation, its
managing member

By: 
Arild O. Trent, Vice President

SPECIAL MEMBER:

VAHM, LLC, a Virginia limited liability company

By: Arild O. Trent
Arild O. Trent, Vice President

WITHDRAWING INVESTOR MEMBER:

Second Act Communities, a Virginia nonstock
corporation

By 

Addie Wright Thomason, President/CEO

EXECUTION COPY

TABLE OF EXHIBITS

- A Development Agreement
- B Incentive Management Fee Agreement
- C Description of Land
- D Affiliate Guaranty
- E Pledge and Security Agreement of Managing Member
- F Summary of Project Loan Terms
- G Property Management Agreement
- H Development Budget
- I Insurance Requirements
- J Form of Agreement to Provide Accounting and Reporting Services
- K Post Closing Obligations
- L Right of First Refusal Agreement

**EXHIBIT A
TO OPERATING AGREEMENT**

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (this “Agreement”) made as of December 15, 2017 by and between Cypress Landing, LLC a Virginia limited liability company (the “Company”) and Second Act Communities, a Virginia nonstock corporation (the “Developer”).

Recitals

WHEREAS, the Company was formed to acquire, construct, develop, improve, maintain, own, operate, lease, dispose of and otherwise deal with an apartment project located in Chesapeake, Virginia, known as Cypress Landing Apartments (the “Project”).

WHEREAS, the Project, following the completion of construction, is expected to constitute a “qualified low-income housing project” (as defined in Section 42(g)(1) of the Code).

WHEREAS, the Developer has provided and will continue to provide certain services with respect to the Project during the acquisition, development, rehabilitation and initial operating phases thereof.

WHEREAS, in consideration for such services, the Company has agreed to pay to the Developer certain fees computed in the manner stated herein.

WHEREAS, capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Amended and Restated Operating Agreement of the Company of even date herewith (the “Operating Agreement”).

NOW, THEREFORE, in consideration of the recitals, covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties agree as follows:

Section 1. **Development Services.**

(a) The Developer has performed certain services relating to the development of the Project and shall oversee the development and construction of the Project, and shall perform the services and carry out the responsibilities with respect to the Project as are set forth herein, and such additional duties and responsibilities as are reasonably within the general scope of such services and responsibilities and are designated from time to time by the Company.

(b) The Developer's services shall be performed in the name and on behalf of the Company and shall consist of the duties set forth in subparagraphs (i)-(xiii) below of this Section I(b) and as provided elsewhere in this Agreement; provided, however, that if the performance of any duty of the Developer set forth in this Agreement is beyond the reasonable control of the Developer, the Developer shall nonetheless be obligated to (i) use its best efforts to perform such duty and (ii) promptly notify the Company that the performance of such duty is beyond its reasonable control. The Developer has performed or shall perform the following:

(i) Negotiate and cause to be executed in the name and on behalf of the Company any agreements for architectural, engineering, testing or consulting services for the Project, and any agreements for the construction of any improvements or tenant improvements to be constructed or installed by the Company or the furnishing of any supplies, materials, machinery or equipment therefor, or any amendments thereof, provided that no agreement shall be executed nor binding commitment made until the terms and conditions thereof and the party with whom the agreement is made have been approved by the Managing Member unless the terms, conditions, and parties comply with guidelines issued by the Managing Member concerning such agreements;

(ii) Assist the Company in identifying sources of construction financing for the Project and negotiate the terms of such financing with lenders;

(iii) Establish and implement appropriate administrative and financial controls for the design and construction of the Project, including but not limited to:

(A) coordination and administration of the Project architect, the general contractor, and other contractors, professionals and consultants employed in connection with the design or rehabilitation of the Project;

(B) administration of any construction contracts on behalf of the Company;

(C) participation in conferences and the rendering of such advice and assistance as will aid in developing economical, efficient and desirable design and construction procedures;

(D) the rendering of advice and recommendations as to the selection of subcontractors and suppliers;

(E) the review and submission to the Company for approval of all requests for payments under any architectural agreement, general contractor's agreement, or any loan agreements

with any lending institutions providing funds for the benefit of the Company for the design or construction of any improvements;

(F) the submission of any suggestions or requests for changes which could in any reasonable manner improve the design, efficiency or cost of the Project;

(G) applying for the maintaining in full force and effect any and all governmental permits and approvals required for the lawful construction of the Project;

(H) compliance with all terms and conditions applicable to the Company or the Project contained in any governmental permit or approval required or obtained for the lawful construction of the Project, or in any insurance policy affecting or covering the Project, or in any surety bond obtained in connection with the Project;

(I) furnishing such consultation and advice relating to the Project as may be reasonably requested from time to time by the Company;

(J) keeping the Company fully informed on a regular basis of the progress of the design and construction of the Project, including the preparation of such reports as are provided for herein or as may reasonably be requested by the Company and which are of a nature generally requested or expected of construction managers or similar owner's representatives on similar projects;

(K) giving or making the Company's instructions, requirements, approvals and payments provided for in the agreements with the Project architect, general contractor, and other contractors, professionals and consultants retained for the Project; and

(L) at the Company's expense, filing on behalf of and as the attorney-in-fact for the Company any notices of completion required or permitted to be filed upon the completion of any improvement(s) and taking such actions as may be required to obtain any certificates of occupancy or equivalent documents required to permit the occupancy of the Project.

(iv) Inspect the progress of the course of construction of the Project, including verification of the materials and labor being furnished to and on such

construction so as to be fully competent to approve or disapprove requests for payment made by the Project architect and the general contractor, or by any other parties with respect to the design or construction of the Project, and in addition to verify that the construction is being carried out substantially in accordance with the plans and specifications approved by the Company or, in the event construction is not being so carried out, to promptly notify the Company;

(v) If requested to do so by the Company, perform on behalf of the Company all obligations of the Company with respect to the design or construction of the Project contained in any loan agreement or security agreement in connection with the Project, or in any lease or rental agreement relating to space in the Project, or in any agreement entered into with any governmental body or agency relating to the terms and conditions of such construction, provided that copies of such agreements have been provided by the Company to the Developer or the Company has otherwise notified the Developer in writing of such obligations;

(vi) To the extent requested to do so by the Company, prepare and distribute to the Company a critical path schedule, and periodic updates thereto as necessary to reflect any material changes, but in any event not less frequently than quarterly, other design or construction cost estimates as required by the Company, and financial accounting reports, including monthly progress reports on the quality, progress and cost of construction and recommendations as to the drawing of funds from any loans arranged by the Company to cover the cost of design and construction of the Project, or as to the providing of additional capital contributions should such loan funds for any reason be unavailable or inadequate;

(vii) At the Company's expense, obtain and maintain insurance coverage for the Project, the Company, the Management Agent, and the Developer and its employees, at all times until final completion of construction of the Project, in accordance with an insurance schedule approved by the Company, which insurance shall include general public liability insurance covering claims for personal injury, including but not limited to bodily injury, or property damage, occurring in or upon the Property or the streets, passageways, curbs and vaults adjoining the Property. Such insurance shall be in a liability amount approved by the Company;

(viii) Comply with all applicable present and future laws, ordinances, orders, rules, regulations and requirements (hereinafter in this subparagraph (ix) called "laws") of all federal, state and municipal governments, courts, departments, commissions, boards and offices, any national or local Board of Fire Underwriters or Insurance Services. Offices having jurisdiction in the county in which the Project is located or any other body exercising functions similar to those of any of the foregoing, or any insurance carriers providing any insurance

coverage for the Company or the Project, which may be applicable to the Project or any part thereof. Any such compliance undertaken by the Developer on behalf of and in the name of the Company, in accordance with the provisions of this Agreement, shall be at the Company's expense. The Developer shall likewise ensure that all agreements between the Company and independent contractors performing work in connection with the Project shall include the agreement of said independent contractors to comply with all such applicable laws;

(ix) Assemble and retain all contracts, agreements and other records and data as may be necessary to carry out the Developer's functions hereunder. Without limiting the foregoing, the Developer will prepare, accumulate and furnish to the Company and the appropriate governmental authorities, as necessary, data and information sufficient to identify the market value of improvements in place as of each real property tax lien date, and will take application for appropriate exclusions from the capital costs of the Project for purposes of real property ad valorem taxes;

(x) Coordinate and administer the design and construction of all interior tenant improvements to the extent required under any leases or other occupancy agreements to be constructed or furnished by the Company with respect to the initial leasing of space in the Project, whether involving building standard or non-building standard work;

(xi) Use its best efforts to accomplish the timely completion of the Project in accordance with the approved plans and specifications and the time schedules for such completion approved by the Company;

(xii) At the direction of the Company, implement any decisions of the Company made in connection with the design, development and construction of the Project or any policies and procedures relating thereto, exclusive of leasing activities; and

(xiii) Perform and administer any and all other services and responsibilities of the Developer which are set forth in any other provisions of this Agreement, or which are requested to be performed by the Company and are within the general scope of the services described herein.

Section 2. Limitations and Restrictions. Notwithstanding any provisions of this Agreement, the Developer shall not take any action, expend any sum, make any decision, give any consent, approval or authorization, or incur any obligation with respect to (i) any matter not related to the construction or construction financing of the Project, including but not limited to the acquisition of the Project, the organization of the Company, obtaining permanent financing, obtaining an investor for the Company or leasing up the Project, such matters to be performed or

supervised by the Managing Member and (ii) any of the following matters unless and until the same has been approved by the Company:

(a) Approval of all construction and architectural contracts and all architectural plans, specifications and drawings prior to the construction and/or alteration of any improvements contemplated thereby, except for such matters as may be expressly delegated in writing to the Developer by the Company;

(b) Any proposed change in the work of the construction of the Project, or in the plans and specifications therefor as previously approved by the Company, or in the cost thereof, or any other change which would affect the design, cost, value or quality of the Project, except for such matters as may be expressly delegated in writing to the Developer by the Company;

(c) Making any expenditure or incurring any obligation by or on behalf of the Company or the Project involving a sum in excess of \$25,000 or involving a sum of less than \$5,000 where the same relates to a component part of any work, the combined cost of which exceeds \$25,000, except for expenditures made and obligations incurred pursuant to and specifically set forth in a construction budget approved by the Company (the "Construction Budget") or for such matters as may be otherwise expressly delegated to the Developer by the Company;

(d) Making any expenditure or incurring any obligation which, when added to any other expenditure, exceeds the Construction Budget or any line item specified in the Construction Budget, except for such matters as may be otherwise expressly delegated in writing to the Developer by the Company; or

(e) Expending more than what the Developer in good faith believes to be the fair and reasonable market value at the time and place of contracting for any goods purchased or leased or services engaged on behalf of the Company or otherwise in connection with the Project.

Section 3. Accounts and Records.

(a) The Developer on behalf of the Company, shall keep such books of account and other records as may be required and approved by the Company, including, but not limited to, records relating to the costs of construction advances. The Developer shall keep vouchers, statements, receipted bills and invoices and all other records, in the form approved by the Company, covering all collections, if any, disbursements and other data in connection with the Project prior to final completion of construction. All accounts and records relating to the Project, including all correspondence, shall be surrendered to the Company, upon demand without charge therefor.

(b) The Developer shall cooperate with the Management Agent to facilitate the timely preparation by the Management Agent of such reports and financial statements as the Management Agent is required to furnish pursuant to the Management Agreement.

(c) All books and records prepared or maintained by the Developer shall be kept and maintained at all times at the place or places approved by the Company, and shall be available for and subject to audit, inspection and copying by the Management Agent, the Company or any representative or auditor thereof or supervisory or regulatory authority, at the times and in the manner set forth in the Operating Agreement.

Section 4. Obligation To Complete Construction and to Pay Development Costs.

The Developer shall complete the construction of the Project or cause the same to be completed in a good and workmanlike manner, free and clear of all mechanics', materialmen's or similar liens, and shall equip the Project or cause the same to be equipped with all necessary and appropriate fixtures, equipment and articles of personal property, including refrigerators and ranges, provided for in the Project Documents and the Plans and Specifications. The Developer also shall cause the achievement of Final Closing in accordance with the terms of the Operating Agreement. If the Specified Proceeds as available from time to time are insufficient to cover all Development Costs and achieve Final Closing, the Developer shall advance or cause to be advanced to the Company from time to time as needed all such funds as are required to pay such deficiencies. Any such advances ("Development Advances") shall, to the extent permitted under the Project Documents and any applicable regulations or requirements of any Project Lender or Agency, be reimbursed at or prior to Final Closing only out of Specified Proceeds available from time to time after payment of all Development Costs. Any balance of the amount of each Development Advance not reimbursed through Final Closing shall not be reimbursable, shall not be credited to the Capital Account of any Member, or otherwise change the interest of any Person in the Company, but shall be borne by the Developer under the terms of this Agreement.

Section 5. Development Amount.

Any Development Advances made by the Developer shall be reimbursed from Specified Proceeds as set forth in Section 4. As reimbursement for any additional Development Advances and as a fee for its services in connection with the development of the Project and the supervision of the construction/rehabilitation of the Project, the Developer shall be paid an amount (the "Development Amount") equal to the lesser of (a) Nine Hundred Fifty Thousand and No/100 Dollars (\$950,000.00); or (b) the maximum amount which conforms to the developer fee standards imposed by the Virginia Housing Development Authority. The Development Amount shall be deemed to have been earned as follows:

- (i) Twenty percent (20%) on the date hereof;
- (ii) Eighty percent (80%) upon Substantial Completion of the Project (and, prior to Substantial Completion, a pro rata percentage (based on square footage) of the 80% will be deemed earned as each building of the Project is completed).

The Development Amount shall be paid from and only to the extent of Specified Proceeds as provided in the Operating Agreement, in installments as follows:

- (i) Twenty percent (20%) on Initial Closing;
- (ii) Forty percent (40%) upon Substantial Completion of the Project;
- (iii) Twenty percent (20%) upon achievement of 95% occupancy;
- (iv) Twenty percent (20%) upon receipt of IRS Form 8609 for the Project.

Any installment of the Development Amount not paid when otherwise due hereunder shall be deferred without interest and shall be paid from next available Net Cash Flow in the priority set forth in Section 11.03(b) of the Operating Agreement; provided, however, that any unpaid balance of the Development Amount shall be due and payable in all events on the thirteenth anniversary of placement in service.

Section 6. Applicable Law.

This Agreement, and the application or interpretation hereof, shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

Section 7. Binding Agreement.

This Agreement shall be binding on the parties hereto, their heirs, executors, personal representatives, successors and assigns. As long as the Developer is not in default under this Agreement, the obligation of the Company to pay the Development Amount shall not be affected by any change in the identity of the Managing Member of the Company.

Section 8. Headings.

All section headings in this Agreement are for convenience of reference only and are not intended to qualify the meaning of any section.

Section 9. Terminology.

All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders, the singular shall include the plural, and vice versa as the context may require.

For purposes of this Agreement, the following terms have the following meanings:

“Development Costs” means any and all costs and expenses necessary to (i) cause the construction of the Project to be completed, in a good and workmanlike manner, free and clear of

all mechanics', materialmen's or similar liens, in accordance with the Plans and Specifications, (ii) equip the Project with all necessary and appropriate fixtures, equipment and articles of personal property (including, without limitation, refrigerators and ranges), (iii) obtain all required certificates of occupancy for the apartment units and other space in the Project, (iv) finance the construction of the Project and achieve Final Closing in accordance with the provisions of the Project Documents, (v) discharge all Company liabilities and obligations arising out of any casualty occurring prior to Final Closing generating insurance proceeds for the Company, (vi) fund any Company reserves required hereunder or under any of the Project Documents at or prior to Final Closing, (vii) repay and discharge the construction loan from TowneBank, and (viii) pay any other costs or expenses necessary to achieve the Completion Date and Final Closing.

"Specified Proceeds" means (i) the proceeds of all Project Loans, (ii) the net rental income, if any, generated by the Project prior to Final Closing which is permitted by the Project Lenders to be applied to the payment of Development Costs, (iii) the Capital Contributions of the Investor Member, (iv) the Capital Contributions of the Managing Member in the amounts set forth in Section 5.01(a) of the Operating Agreement as of the Initial Closing, and (v) any insurance proceeds arising out of casualties occurring prior to Final Closing.

Section 10. Benefit of Agreement.

The obligations and undertakings of the Developer set forth in this Agreement are made for the benefit of the Company and its Members and shall not inure to the benefit of any creditor of the Company other than a Member, notwithstanding any pledge or assignment by the Company of this Agreement of any rights hereunder.

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IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first written above.

COMPANY:

CYPRESS LANDING LLC, a Virginia limited liability company

By: CHESAPEAKE VETS' HOUSING, INC., a Virginia corporation, its Managing Member

By: 

Jessica Guglielmo, President

DEVELOPER:

SECOND ACT COMMUNITIES, a Virginia nonstock corporation

By: 

Addie Wright Thomason, President/CEO

**EXHIBIT B
TO OPERATING AGREEMENT**

INCENTIVE MANAGEMENT FEE AGREEMENT

THIS INCENTIVE MANAGEMENT FEE AGREEMENT (this “Agreement”) made as of December 15, 2017, by and between Cypress Landing, LLC, a Virginia limited liability company (the “Company”) and Chesapeake Vets’ Housing, Inc., a Virginia corporation, as the Managing Member (the “Managing Member”).

Recitals

WHEREAS, Managing Member and Housing Equity Fund of Virginia XXI, L.L.C. (the “Investor Member”), as the Investor Member have formed or, simultaneously herewith are forming, the Company pursuant to the Limited Liability Company Act of the Commonwealth of Virginia (the “Act”); and

WHEREAS, the Company has been formed to develop, construct, own, maintain and operate a 50-unit multifamily apartment complex intended for rental to low income individuals and families, to be known as Cypress Landing Apartments, and to be located in Chesapeake, Virginia (the “Project”); and

WHEREAS, the Company is governed by its Amended and Restated Operating Agreement of even date herewith (the “Operating Agreement”); and

WHEREAS, the Company desires that the Managing Member provide certain management services with respect to the business of the Company for the period commencing as of the date hereof and continuing throughout the term of the Company.

NOW, THEREFORE, in consideration of the recitals, covenants and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties agree as follows:

1. **Appointment.** The Company hereby appoints the Managing Member to render services in managing and administering the Company during the term of the Company and for as long as the Managing Member is the managing member of the Company as herein contemplated. The appointment of the Managing Member hereunder shall terminate on the earlier of (i) the date the Managing Member withdraws as the managing member of the Company, including, without limitation, its removal as Managing Member, or (ii) the expiration of the term of the Company.

2. **Authority.** In conformity with the provisions of the Operating Agreement, throughout the term of the Company, the Managing Member shall have the authority and the

obligation, which authority and obligation may, subject to the provisions of the Operating Agreement, be exercised by the Managing Member to:

(i) administer, manage and direct the business of the Company, and take such further action as it may deem necessary or desirable to further the interest of the Company in accordance with the provisions of the Operating Agreement;

(ii) monitor the day-to-day operations of the Project and make recommendations with respect thereto;

(iii) investigate and make recommendations with respect to the selection and conduct of relations with consultants and technical advisors (including, without limitation, accountants and other similar advisors, attorneys, corporate fiduciaries, escrow agents, depositories, custodians, agents for collection, insurers, insurance agents and banks) and persons acting in any other capacity in connection with the Company;

(iv) maintain appropriate books and records of the Company in accordance with sound federal income tax accounting principles and in conformity with the requirements of the Project Lenders, including information relating to the sale by the Managing Member or any Affiliate of goods or services to the Company;

(v) be responsible for the safekeeping and use of all funds and assets of the Company, including the maintenance of bank accounts in accordance with Section 4.02(o) of the Operating Agreement;

(vi) provide reports to Members required pursuant to Sections 13.02 and 13.03 of the Operating Agreement;

(vii) furnish or cause to be furnished to the Members copies of any and all financial reports that may be requested by any party(ies) to any of the Project Documents or any governmental agencies having jurisdiction, including copies of any financial statements required by the Project Lenders;

(viii) furnish or cause to be furnished to the Members and/or any party(ies) to any of the Project Documents all such information as they may reasonably request from time to time with respect to the financial and administrative conditions of the Project and the Company; and

(ix) provide office space, support staff and administrative services as required by the Company.

3. Fees. For services to be performed under this Incentive Management Fee Agreement, from and after Breakeven Operations and achievement of 100% Qualified Occupancy, the Company shall pay the Managing Member solely from the Net Cash Flow of the Company specifically designated for payment of the Incentive Management Fee pursuant to Section 8.13 and 11.03(b) of the Operating Agreement, an annual, noncumulative Incentive Management Fee of up to Ninety percent (90%) of the Net Cash Flow remaining after payment of the items described in Section 11.03(b)(i) through (vii) under the Operating Agreement.

4. Withholding of Fee Payments. In the event that (i) the Managing Member or any successor Managing Member shall not have substantially complied with any material provisions under this Agreement and the Operating Agreement, or (ii) the Managing Member shall have withdrawn or been removed pursuant to Article VI of the Operating Agreement, then such Managing Member shall be in default of this Agreement and the Company shall withhold payment of all or any installment of fees payable to such Managing Member pursuant to Section 3 of this Agreement and Section 8.13 of the Operating Agreement.

All amounts so withheld by the Company under this Section 4 shall be promptly released to the Managing Member, only after the Managing Member has cured the default justifying the withholding, unless the Managing Member shall have been removed pursuant to the Operating Agreement, in which event this Agreement shall terminate in accordance with Section 5 below and all further obligations of the Company hereunder shall cease as of the date of such removal of the Managing Member.

5. Successors and Assigns; Termination. This Agreement shall be binding on the parties hereto, their heirs, successors and assigns. If the membership Interests of a Managing Member, as managing member, are transferred pursuant to Section 6.02 of the Operating Agreement, further payment of the Incentive Management Fee from the Company to such Managing Member pursuant to Section 3 above shall be governed by such Section 8.13, provided that such successor has assumed the obligations of the Managing Member hereunder pursuant to an assumption agreement in form acceptable to the Investor Member. The parties hereto may terminate this Agreement upon mutual consent to do so.

6. Defined Terms. Capitalized terms used in this Agreement and not specifically defined herein shall have the same meanings assigned to them as in the Operating Agreement.

7. Separability of Provisions. Each provision of this Agreement shall be considered separable and if for any reason any provision which is not essential to the effectuation of the basic purposes of this Agreement is determined to be invalid and contrary to any existing or future law, such invalidity shall not impair the operation of or affect those provisions of this Agreement which are valid.

8. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original copy and all of which together shall constitute one

agreement binding on all parties hereto, notwithstanding that all the parties shall not have signed the same counterpart.

9. No Continuing Waiver. The waiver of any party of any breach of this Agreement shall not operate or be construed to be a waiver of any subsequent breach.

10. Applicable Law. This Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Virginia.

11. Third Party Beneficiary. Investor Member is a third party beneficiary of this Agreement, and the Company and Managing Member hereby expressly agree that any amendment to this Agreement shall not be effective unless and until same is consented to by Investor Member.

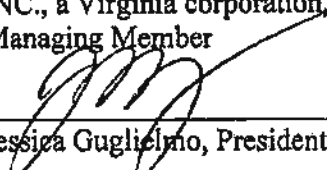
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IN WITNESS WHEREOF, the parties have caused this Incentive Management Fee Agreement to be duly executed as of the date as first written above.

COMPANY:

CYPRESS LANDING, LLC, a Virginia limited liability company

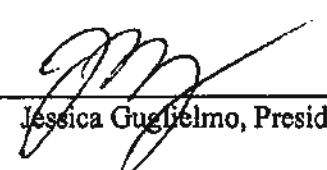
By: CHESAPEAKE VETS' HOUSING, INC., a Virginia corporation, its Managing Member

By: 

Jessica Guglielmo, President

MANAGING MEMBER:

CHESAPEAKE VETS' HOUSING, INC., a Virginia corporation, its Managing Member

By: 

Jessica Guglielmo, President

**EXHIBIT C
TO OPERATING AGREEMENT**

DESCRIPTION OF LAND

ALL THAT certain portion, piece, or parcel of land situated in the Washington Borough of the City of Chesapeake, Virginia, containing approximately 6.358 acres, more or less, of land shown as "PARCEL A" on a certain plat entitled "RESUBDIVISION OF PORTIONS OF LOTS 4, 5 & 6 DIVISION OF CC UPTON FARM NEAR OAK GROVE FOR VETERANS SUPPORT CENTER WASHINGTON BOROUGH CHESAPEAKE, VIRGINIA," dated January 26, 2016, made by Michael J. Ortolano, City Surveyor and recorded March 7, 2016 in the Office of the Clerk of the Circuit Court of the City of Chesapeake in Map Book 161, Page 72.

BEING the same real estate conveyed to Cypress Landing, LLC, a Virginia limited liability company, by deed from the City of Chesapeake, Virginia, a Virginia municipal corporation, dated January 28, 2016, recorded March 7, 2016 in the Clerk's Office, Circuit Court, City of Chesapeake, Virginia in Deed Book 9618, Page 469.

**EXHIBIT D
TO OPERATING AGREEMENT**

AFFILIATE GUARANTY

THIS GUARANTY AGREEMENT (this “Guaranty Agreement”), made as of December 15, 2017, is by Second Act Communities and Virginia Beach Community Development Corporation, (jointly and severally sometimes referred to herein as “Guarantor” or collectively “Guarantors”), for the benefit of Housing Equity Fund of Virginia XXI, L.L.C. a Virginia limited liability company (“HEF”).

Recitals

WHEREAS, Chesapeake Vets’ Housing, Inc., a Virginia corporation (the “Managing Member”), is the Managing Member of Cypress Landing, LLC, a Virginia limited liability company (the “Company”);

WHEREAS, the Company is governed by its Amended and Restated Operating Agreement dated as of December 15, 2017 (the “Operating Agreement”);

WHEREAS, Second Act Communities (“Developer”) and the Company have entered into that certain Development Agreement dated as of the date hereof (the “Development Agreement”);

WHEREAS, HEF has been requested to enter into the Operating Agreement and the Company with the Managing Member;

WHEREAS, each of the Guarantors is an affiliate of the Managing Member, and believes it shall substantially benefit, directly or indirectly, from HEF’s entering into the Operating Agreement and the Company with the Managing Member; and

WHEREAS, as a condition to entering into the Operating Agreement and the Company, HEF has required each of the Guarantors to guarantee to HEF the obligations of the Managing Member under the Operating Agreement and certain other items as herein set forth;

NOW, THEREFORE, in order to induce HEF to enter into the Operating Agreement and the Company in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the Guarantors hereby covenants and agrees as follows:

1. Each Guarantor irrevocably and unconditionally fully guarantees the due, prompt and complete performance of each and every one of the following obligations: (a) the payment and performance by the Managing Member of each and every obligation of the Managing

Member due under the Operating Agreement, and (b) the payment and performance by the Developer of each and every obligation of the Developer under the Development Agreement; and (c) the due, prompt and complete payment of all costs and expenses (including, without limitation, reasonable attorneys' fees) incurred by HEF in collection of the enforcement of this Guaranty Agreement against the Guarantor (the obligations described in this Paragraph 1 are hereinafter collectively referred to as the "Indebtedness"). Notwithstanding the foregoing, certain obligations of the Guarantors set forth above under this Guaranty Agreement are limited as follows: (i) with respect to the obligation to fund Operating Deficits under Section 8.11(b) of the Operating Agreement, until the longer of (1) the fifth anniversary of the termination Construction Completion Guaranty; and (2) two consecutive years of operations with positive distributable cash as determined by the Investor Member after the achievement of Breakeven Operations (the "Unlimited Guaranty Period"), the obligation of Guarantors will be unlimited. After the Unlimited Guaranty Period, the obligation to fund Operating Deficits shall not exceed six months of Operating Expenses (as defined below) of the Project. (ii) with respect to the obligation to repay to HEF excess Capital Contributions (as a result of a Downward Capital Adjustment) under Section 5.01(e)(ii) of the Operating Agreement, the obligation of the Guarantors shall not exceed the sum of the Development Fee in the amount of \$950,000 plus amount (including any deferred portion) of the Incentive Management Fee, and any other fee paid or to be paid to the Guarantors, the Managing Member or an Affiliate with respect to the Project; and (iii) with respect to the obligation to repurchase the Interest of HEF in the Company pursuant to Section 5.05(a) of the Operating Agreement, the Guarantors shall not be required to pay interest on the sum of the Capital Contributions. As used herein, the term "Operating Expenses" shall mean the sum of (A) operating expenses of the Project, maintenance expenses, required deposits into the Reserve Fund for Replacements or any other reserves required under a Loan Agreement or the Operating Agreement and all other Company obligations or expenditures (excluding debt service and other fees and payments set forth in clause (B) below), for the most recent six months prior to the time that this Guaranty Agreement is enforced by HEF, and (B) the current amount of all debt service on Project Loans, as well as any fees then owed to the Project Lenders and/or any applicable mortgage insurance premium payments, to be paid in the six month period beginning at the time that this Guaranty Agreement is enforced by HEF.

2. Each Guarantor hereby grants to HEF, in the uncontrolled discretion of HEF, and without notice to any Guarantor, the power and authority to deal in any lawful manner with the Indebtedness and the other obligations guaranteed hereby, and without limiting the generality of the foregoing, further power and authority, from time to time:

(a) to renew, compromise, extend, accelerate or otherwise change the time or place of payment of or to otherwise change the terms of the Indebtedness;

(b) to modify or to waive any of the terms of the Operating Agreement, the Development Agreement and/or any other obligations guaranteed hereby;

(c) to take and hold security for the payment of the Indebtedness and/or performance of the other obligations guaranteed hereby and to impair, exhaust, exchange, enforce, waive or release any such security;

(d) to direct the order or manner of sale of any such security as HEF, in its discretion, may determine;

(e) to grant any indulgence, forbearance or waiver with respect to the Indebtedness or any of the other obligations guaranteed hereby;

(f) to release or waive rights against any one or more Guarantors without releasing or waiving any rights against any other Guarantor; and/or

(g) to agree to any valuation by HEF of any collateral securing payment of any of the Indebtedness in any proceedings under the United States Bankruptcy Code concerning HEF or any Guarantor.

The liability of each Guarantor hereunder shall not be affected, impaired or reduced in any way by any action taken by HEF under the foregoing provisions or any other provision hereof, or by any delay, failure or refusal of HEF to exercise any right or remedy it may have against the Managing Member or any other person, firm or corporation, including other guarantors, if any, liable for all or any part of the Indebtedness or any of the other obligations guaranteed hereby.

3. Each Guarantor agrees that if any of the Indebtedness is not fully and timely paid or performed according to the tenor thereof, whether by acceleration or otherwise, the Guarantors shall immediately upon receipt of written demand therefor from HEF pay all of the Indebtedness hereby guaranteed in like manner as if the Indebtedness constituted the direct and primary obligation of the Guarantors. The Guarantors shall not have any right of subrogation as a result of any payment hereunder or any other payment made by the Guarantors on account of the Indebtedness, and each of the Guarantors hereby waives, releases and relinquishes any claim based on any right of subrogation, any claim for unjust enrichment or any other theory that would entitle a Guarantor to a claim against the Managing Member based on any payment made hereunder or otherwise on account of the Indebtedness.

4. This Guaranty Agreement and the obligations of the Guarantors hereunder shall be continuing and irrevocable until the Indebtedness has been satisfied in full. Notwithstanding the foregoing or anything else set forth herein, and in addition thereto, if at any time all or any part of any payment received by HEF from a Guarantor under or with respect to this Guaranty Agreement is or must be rescinded or returned for any reason whatsoever (including, but not limited to, determination that said payment was a voidable preference or fraudulent transfer under insolvency, bankruptcy or reorganization laws), then Guarantors' obligations hereunder shall, to the extent of the payment rescinded or returned, be deemed to have continued in existence, notwithstanding such previous receipt of payment by HEF, and Guarantors' obligations hereunder shall continue to be effective or be reinstated as to such payment, all as though such previous payment to HEF had never been made. The provisions of the foregoing

sentence shall survive termination of this Guaranty Agreement, and shall remain a valid and binding obligation of each Guarantor until satisfied.

5. Each Guarantor hereby waives notice of acceptance of this Guaranty Agreement by HEF and this Guaranty Agreement shall immediately be binding upon each Guarantor. Any Guarantor who executes this Agreement shall be fully bound hereby regardless of whether or not any other Guarantor subsequently executes this Guaranty Agreement.

6. Each Guarantor hereby waives and agrees not to assert or take advantage of:

(a) any right to require the Managing Member to proceed against any other person or to proceed against or exhaust any security held by the Managing Member at any time or to pursue any other remedy in the Managing Member's power before proceeding against any one or more Guarantors hereunder;

(b) any right to require HEF to proceed against the Managing Member or any other person or to proceed against or exhaust any security held by HEF at any time or to pursue any other remedy in HEF's power before proceeding against any Guarantor hereunder;

(c) the defense of the statute of limitations in any action hereunder or in any action for the collection of the Indebtedness or the performance of any other obligations guaranteed hereby;

(d) any defense that may arise by reason of the incapacity, lack of authority, death or disability of any other person or persons or the failure of HEF to file or enforce a claim against the estate (in administration, bankruptcy or any other proceeding) of any other person or persons;

(e) demand, presentment for payment, notice of non-payment, protest, notice of protest and all other notices of any kind, including, without limitation, notice of the existence, creation or incurring of any new or additional indebtedness or obligation or of any action or non-action on the part of HEF or any endorser or creditor of HEF or any Guarantor or on the part of any other person whomsoever under this or any other instrument in connection with any obligation or evidence of indebtedness held by HEF or in connection with the Indebtedness;

(f) any defense based upon an election of remedies by HEF, the right of any Guarantor to proceed against HEF for reimbursement, or both, or if contrary to the express agreement of the parties, Virginia law is deemed not to apply to this Guaranty, any rights or benefits under the bankruptcy or insolvency laws of the Commonwealth of Virginia, or under Sections 364 and 1111 of the U.S. Bankruptcy Code as same may be amended or replaced from time to time;

(g) any election by HEF to exercise any right or remedy it may have against the Company or any security held by HEF, including, without limitation, the right to foreclose

upon any such security by judicial or non-judicial sale, without affecting or impairing in any way the liability of any Guarantor hereunder, except to the extent the indebtedness has been paid, and the Guarantors waives any default arising out of the absence, impairment or loss of any right of reimbursement, contribution or subrogation or any other right or remedy of any Guarantor against the Company or any such security whether resulting from such election by HEF or otherwise. The Guarantors understand that if all or any part of the liability of the Company to HEF for the Indebtedness is secured by real property the Guarantors shall be liable for the full amount of their liability hereunder, notwithstanding foreclosure on such real property by trustee sale or any other reason impairing any Guarantor's right to proceed against the Company; and

(h) all duty or obligation on the part of HEF to perfect, protect, not impair, retain or enforce any security for the payment of the Indebtedness or performance of any of the other obligations guaranteed hereby.

7. All existing and future indebtedness of the Managing Member to the Guarantors or to any person controlled or owned in whole or in part by any of the Guarantors and, the right of any Guarantor to withdraw or to cause or permit any person controlled or owned in whole or in part by any of the Guarantors to withdraw any capital invested by such Guarantor or such person in the Managing Member, is hereby subordinated to the Indebtedness at any time after a default exists under the Indebtedness. Furthermore, without the prior written consent of HEF, such subordinated indebtedness shall not be paid and such capital shall not be withdrawn in whole or in part nor shall any Guarantor accept or cause or permit any person controlled or owned in whole or in part by a Guarantor to accept any payment of or on account of any such subordinated indebtedness or as a withdrawal of capital at any time after a default exists under the Indebtedness. Any payment received by any Guarantor in violation of this Guaranty Agreement shall be received by the person to whom paid in trust for HEF, and such Guarantor shall cause the same to be paid to HEF immediately on account of the Indebtedness. No such payment shall reduce or affect in any manner the liability of the Guarantor under this Guaranty Agreement.

8. The amount of each Guarantor's liability and all rights, powers and remedies of HEF hereunder shall be cumulative and not alternative and such rights, powers and remedies shall be in addition to all rights, powers and remedies given to HEF under the Operating Agreement, any document or agreement relating in any way to the terms and provisions thereof or otherwise by law. With respect to each Guarantor, this Guaranty Agreement is in addition to and exclusive of the guaranty of any other Guarantor executing this Guaranty Agreement or any other person or entity which guarantees the Indebtedness and/or the other obligations guaranteed hereby.

9. The liability of each Guarantor under this Guaranty Agreement shall be an absolute, direct, immediate and unconditional guarantee of payment and not of collectability. The obligations of each Guarantor hereunder are independent of the obligations of the Managing Member or any other party which may be initially or otherwise responsible for performance or payment of the obligations hereunder guaranteed and each other Guarantor, and, in the event of

any default hereunder, a separate action or actions may be brought and prosecuted against one or more Guarantor, whether or not the Managing Member is joined therein or a separate action or actions are brought against the Managing Member. HEF may maintain successive actions for other defaults. HEF's rights hereunder shall not be exhausted by its exercise of any of its rights or remedies or by any such action or by any number of successive actions until and unless the Indebtedness has been paid in full.

10. HEF, in its sole discretion, may at any time enter into agreements with the Managing Member or with any other person to amend, modify or change the Operating Agreement or any document or agreement relating in any way to the terms and provisions thereof, or may at any time waive or release any provision or provisions thereof and, with reference thereto, may make and enter into all such agreements as HEF may deem proper or desirable, without any notice or further assent from the Guarantor and without in any manner impairing or affecting this Guaranty Agreement or any of the rights of HEF or any Guarantor's obligations hereunder.

11. The Guarantors hereby agrees to pay to HEF, upon demand, reasonable attorneys' fees and all costs and other expenses which HEF expends or incurs in collecting or compromising the Indebtedness or in enforcing this Guaranty Agreement against any Guarantor whether or not suit is filed, including, without limitation, all costs, attorneys' fees and expenses incurred by HEF in connection with any insolvency, bankruptcy, reorganization, arrangement or other similar proceedings involving a Guarantor which in any way affect the exercise by HEF of its rights and remedies hereunder. Any and all such costs, attorneys' fees and expenses not so paid shall bear interest at an annual interest rate equal to the lesser of (i) 18%, or (ii) the highest rate permitted by applicable law, from the date incurred by HEF until paid by the Guarantor.

12. Should any one or more provisions of this Guaranty Agreement be determined to be illegal or unenforceable, all other provisions nevertheless shall be effective.

13. No provision of this Guaranty Agreement or right of HEF hereunder can be waived nor can any Guarantor be released from such Guarantor's obligations hereunder except by a writing duly executed by HEF. This Guaranty Agreement may not be modified, amended, revised, revoked, terminated, changed or varied in any way whatsoever except by the express terms of a writing duly executed by HEF.

14. When the context and construction so require, all words used in the singular herein shall be deemed to have been used in the plural, and the masculine shall include the feminine and neuter and vice versa. The word "person" as used herein shall include any individual, partnership, firm, association, limited liability company, corporation, trust or other legal entity of any kind whatsoever.

15. If any or all of the Indebtedness is assigned by HEF, this Guaranty Agreement shall automatically be assigned therewith in whole or in part, as applicable, without the need of any express assignment and when so assigned, each Guarantor shall be bound as set forth herein

to the assignee(s) without in any manner affecting any Guarantor's liability hereunder for any part of the Indebtedness retained by such HEF.

16. Each Guarantor is jointly and severally liable with each other Guarantor.

17. This Guaranty Agreement shall inure to the benefit of and bind the heirs, legal representatives, administrators, executors, successors and assigns of HEF and each Guarantor.

18. This Guaranty Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia without regard to principles of conflicts of law, except to the extent that any of such laws may now or hereafter be preempted by Federal law, in which case, such Federal law shall so govern and be controlling. In any action brought under or arising out of this Guaranty Agreement, each Guarantor hereby consents to the jurisdiction of any competent court within the Commonwealth of Virginia and consents to service of process by any means authorized by the laws of such state. Except as provided in any other written agreement now or at any time hereafter in force between HEF and any Guarantor, this Guaranty Agreement shall constitute the entire agreement of the Guarantors with HEF with respect to the subject matter hereof, and no representation, understanding, promise or condition concerning the subject matter hereof shall be binding upon HEF or any Guarantor unless expressed herein.

19. All notices, demands, requests or other communications to be sent by one party to the other hereunder or required by law shall be in writing and shall be deemed to have been validly given or served by delivery of same in person to the addressee or by depositing same with Federal Express for next business day delivery or by depositing same in the United States mail, postage prepaid, registered or certified mail, return receipt requested, addressed as follows:

HEF: Housing Equity Fund of Virginia XXI, L.L.C.
c/o Housing Capital Corporation of Virginia
1840 West Broad Street, Suite 200
Richmond, Virginia 23220

with a copy to:

Applegate & Thorne-Thomsen, P.C.
440 South LaSalle St., Suite 1900
Chicago, Illinois 60605
Attention: Diane K. Corbett

Guarantors: Second Act Communities
2400 Potters Road
Virginia Beach, VA 23454

Virginia Beach Community Development
Corporation
2400 Potters Road
Virginia Beach, VA 23454

All notices, demands and requests shall be effective upon such personal delivery or upon being deposited with Federal Express or in the United States mail as required above. However, with respect to notices, demands or requests so deposited with Federal Express or in the United States mail, the time period in which a response to any such notice, demand or request must be given shall commence to run from the next business day following any such deposit with Federal Express or, in the case of a deposit in the United States mail as provided above, the date on the return receipt of the notice, demand or request reflecting the date of delivery or rejection of the same by the addressee thereof. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to be receipt of the notice, demand or request sent. By giving to the other party hereto at least 30 days' written notice thereof in accordance with the provisions hereof, the parties hereto shall have the right from time to time to change their respective addresses and each shall have the right to specify as its address any other address within the United States of America.

20. Each Guarantor hereby agrees that this Guaranty Agreement, the Indebtedness and all other obligations guaranteed hereby, shall remain in full force and effect at all times hereinafter until paid and/or performed in full notwithstanding any action or undertakings by, or against, HEF, any Guarantor, and/or any member of HEF in any proceeding in the United States Bankruptcy Court, including, without limitation, any proceeding relating to valuation of collateral, election or imposition of secured or unsecured claim status upon claims by HEF pursuant to any Chapter of the Bankruptcy Code or the Rules of Bankruptcy Procedure as same may be applicable from time to time.

21. Any married person who signs this Guaranty hereby agrees that recourse may be had against his or her separate property for all of his or her obligations.

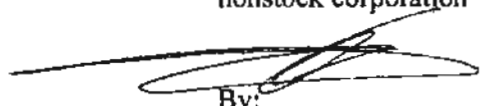
22. This Guaranty Agreement may be executed in any number of counterparts, each of which shall be effective only upon delivery and thereafter shall be deemed an original, and all of which shall be taken to be one and the same instrument, with the same effect as if all parties hereto had signed the same signature page. Any signature page of this Guaranty Agreement may be detached from any counterpart of this Guaranty Agreement without impairing the legal effect of any signatures thereon and may be attached to another counterpart of this Guaranty Agreement identical in form hereto but having attached to it one or more additional signature pages. Execution by any Guarantor shall bind such Guarantor regardless of whether any one or more other Guarantor execute this Guaranty Agreement.

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IN WITNESS WHEREOF, the undersigned Guarantor has executed this Guaranty Agreement as of the day and year first above written.

GUARANTOR:

SECOND ACT COMMUNITIES, a Virginia nonstock corporation



By: _____
Addie Wright Thomason, President/CEO

COMMONWEALTH OF VIRGINIA)
CITY OF Virginia Beach) ss.
)

The foregoing instrument was acknowledged before me this 21st day of December, 2017, by Addie Wright Thomason, President/CEO.



Notary Public

My commission expires:
7/31/2018

Registration Number:
325392



IN WITNESS WHEREOF, the undersigned Guarantor has executed this Guaranty Agreement as of the day and year first above written.

GUARANTOR:

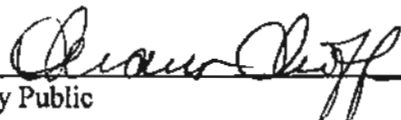
VIRGINIA BEACH COMMUNITY
DEVELOPMENT CORPORATION, a Virginia
nonstock corporation

By: 

Addie Wright Thomason, Executive Director

COMMONWEALTH OF VIRGINIA)
CITY OF Virginia Beach) ss.

The foregoing instrument was acknowledged before me this 21st day of December, 2017, by Addie Wright Thomason, Executive Director.



Notary Public

My commission expires:
7/31/2018

Registration Number:
325392



**EXHIBIT E
TO OPERATING AGREEMENT**

PLEDGE AND SECURITY AGREEMENT

THIS PLEDGE AND SECURITY AGREEMENT (this “Agreement”) made as of December 15, 2017, by Chesapeake Vets’ Housing, Inc., a Virginia corporation (“Pledgor”), having an office at 2400 Potters Rd., Virginia Beach, Virginia 23454, for the benefit of Housing Equity Fund of Virginia XXI, L.L.C., a Virginia limited liability company (“Pledgee”), having an office at 1840 West Broad Street, Suite 200, Richmond, Virginia 23220.

Recitals

WHEREAS, Pledgor is the Managing Member in Cypress Landing, LLC (the “Company”), and the Company is governed by its Amended and Restated Operating Agreement dated as of December 15, 2017 (the “Operating Agreement”) (capitalized terms not otherwise defined herein shall have the definitions given them in the Operating Agreement).

WHEREAS, Pledgee is a Investor Member of the Company; and

WHEREAS, in order to secure the full payment and performance by Pledgor of all of Pledgor’s obligations, duties, expenses and liabilities under or in connection with the Operating Agreement as such Operating Agreement may be now or hereafter amended, modified or restated (such obligations, duties, expenses and liabilities under and in connection with the Operating Agreement and all other sums of any kind which may or shall become due thereunder together with all actual fees and costs of collection including attorney’s fees incurred in bankruptcy are collectively referred to herein as the “Obligations”), Pledgor is entering into this Agreement for the benefit of Pledgee.

NOW, THEREFORE, in consideration of the recitals, covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the parties hereby agree as follows:

1. **Definitions.**

(a) “Collateral” shall mean:

(i) All of Pledgor’s right, title and interest in the Company, whether now owned or hereafter acquired, including, without limitation, its Managing Member interest in the Company and any voting rights and right to receive distributions, allocations and payments under the Operating Agreement, as such Operating Agreement may be modified from time to time with the consent of the Pledgee;

(ii) All fees and charges to be paid by the Company to the Pledgor, whether now owned or hereafter acquired, whether arising under the Operating Agreement or otherwise, including, without limitation, the Incentive Management Fee;

(iii) All indebtedness of the Company to Pledgor of any kind or description, including without limitation, Pledgor's right to receive payment of Operating Deficit Loans or other loans to the Company;

(iv) All products and proceeds, whether cash proceeds or noncash proceeds, and products of any and all of the foregoing.

(b) "Event of Default" shall mean an event of default described in Paragraph 8 herein.

2. Pledge of Collateral and Grant of Security Interest Pledgor does hereby unconditionally and irrevocably assign, pledge, convey, transfer, deliver, set over and grant unto Pledgee, its successors and assigns, as security for Pledgor's complete and timely payment and performance of the Obligations, a continuing first priority security interest under the Uniform Commercial Code of the Commonwealth of Virginia in the Collateral. Pledgor hereby further grants to the Pledgee all rights in the Collateral as are available to a secured party of such collateral under the Uniform Commercial Code of the Commonwealth of Virginia (being the principal place of business of Pledgor and the location of Pledgor's chief executive office) and, concurrently herewith, authorizes Pledgee to file appropriate UCC- 1 Financing Statements in the Commonwealth of Virginia with respect to the Collateral and agrees, upon request, to deliver any other documents which Pledgee may reasonably request with respect thereto.

3. Delivery to Pledgee.

(a) Pledgor agrees to execute and to cause all other necessary parties, and any successors and assigns thereof, to execute and deliver to Pledgee such other agreements, instruments and documentation as Pledgee may reasonably request from time to time to effect the conveyance, transfer, and grant to Pledgee of each and all of Pledgor's right, title and interest in and to the Collateral as security for the Obligations.

(b) Pledgor covenants to execute, if required by Pledgee, an amendment to the Operating Agreement in such form as Pledgee may require to reflect the substitution of the Pledgee in place of Pledgor as a Managing Member in the Company. Pledgor further agrees to execute and to cause the other members of the Company to execute and deliver to Pledgee such other agreements, instruments and documentation as Pledgee may reasonably request from time to time to effectuate the conveyance, transfer, assignment and grant to Pledgee of all

of Pledgor's right, title and interest in and to the Collateral and to evidence the substitution of the Pledgee in place of Pledgor as a Managing Member in the Company.

4. Proceeds and Products of the Collateral.

(a) Unless and until there occurs an Event of Default, Pledgee agrees to forbear in exercising its right to receive all benefits pertaining to the Collateral, and the Pledgor shall be permitted to exercise all rights and to receive all benefits of the Collateral, including, without limitation, the right to exercise all voting, approval, consent and similar rights of Pledgor pertaining to the Collateral, payments due under, proceeds, whether cash proceeds or noncash proceeds, and products of the Collateral and retain and enjoy the same, provided, however, that Pledgor shall not cast any vote or give any approval, consent, waiver or ratification or take any action which would be inconsistent with or violate any provision of this Agreement.

(b) Pledgor acknowledges and agrees with the Pledgee, that unless Pledgee otherwise consents, in Pledgee's sole discretion, Pledgor shall not exercise any voting, approval, consent or other rights with respect to the Collateral at any time (i) after the occurrence of an Event of Default, and (ii) after delivery of notice from the Pledgee instructing Pledgor not to exercise any such voting, approval, consent or other rights with respect to the Collateral; provided, however, that Pledgor shall exercise any such right it may have under the Operating Agreement with respect to the business affairs of the Company as is reasonably necessary to protect and preserve the Collateral.

(c) Upon or at any time after the occurrence of an Event of Default, Pledgee, at its option to be exercised in its sole discretion, may exercise all rights and remedies granted under this Agreement, including, without limitation, the right to require the obligors under the Collateral to make all payments due under and to pay all proceeds, whether cash proceeds or noncash proceeds, and products of the Collateral to Pledgee. Upon the giving of any such notice, the security constituted by this Agreement shall become immediately enforceable by the Pledgee, without any presentment, further demand, protest or other notice of any kind, all of which are hereby expressly and irrevocably waived by Pledgor. Pledgor hereby authorizes and directs each respective obligor under the agreements constituting the Collateral, upon receipt of written notice from Pledgee of an Event of Default by Pledgor hereunder, to assign, set over, transfer, distribute, pay and deliver any and all Collateral or said payments, proceeds or products of the Collateral to Pledgee, at such address as Pledgee may direct, at such time and in such manner as the Collateral and such payments, proceeds and products of the Collateral would otherwise be distributed, transferred, paid or delivered to Pledgor. The respective obligors under the agreements constituting

the Collateral shall be entitled to conclusively rely on such notice and make all such assignments and transfers of the Collateral and all such payments with respect to the Collateral and pay all such proceeds and products of the Collateral to Pledgee and shall have no liability to Pledgor for any loss or damage Pledgor may incur by reason of said reliance.

5. No Assumption. Notwithstanding any of the foregoing, whether or not an Event of Default shall have occurred, and whether or not Pledgee elects to foreclose on its security interest in the Collateral as set forth herein, neither the execution of this Agreement, receipt by Pledgee of any of Pledgor's right, title and interest in and to the Collateral and the payments, proceeds and products of the Collateral, now or hereafter due to Pledgor from any obligor of the Collateral, nor Pledgee's foreclosure of its security interest in the Collateral, shall in any way be deemed to obligate Pledgee to assume any of Pledgor's obligations, duties, expenses or liabilities under the Collateral or any agreements constituting the Collateral, as presently existing or as hereafter amended, or under any and all other agreements now existing or hereafter drafted or executed (collectively, the "Pledgor's Liabilities"), unless Pledgee otherwise agrees to assume any or all of Pledgor's Liabilities in writing. In the event of foreclosure by Pledgee of its security interest in the Collateral, Pledgor shall remain bound and obligated to perform its Pledgor's Liabilities and Pledgee shall not be deemed to have assumed any of Pledgor's Liabilities, except as provided in the preceding sentence. In the event the entity or person acquiring the Collateral at a foreclosure sale elects to assume Pledgor's Liabilities, such assignee shall agree in writing to be bound by the terms and provisions of the applicable agreement.

6. Indemnification. Pledgor hereby agrees to indemnify, defend and hold Pledgee, its successors and assigns harmless from and against any and all damages, losses, claims, costs or expenses (including reasonable attorneys' fees) and any other liabilities whatsoever that Pledgee or its successors or assigns may incur by reason of this Agreement or by reason of any assignment of Pledgor's right, title and interest in and to any or all of the Collateral.

7. Representations, Warranties and Covenants. In addition to the representations made by Pledgor in the Operating Agreement, Pledgor makes the following representations and warranties, which shall be deemed to be continuing representations and warranties in favor of Pledgee, and covenants and agrees to perform all acts necessary to maintain the truth and correctness, in all material respects, of the following:

(a) Pledgor owns the Collateral free and clear of any claim, lien or encumbrance.

(b) Pledgor has delivered to Pledgee true and complete copies of the Operating Agreement, the Incentive Management Fee Agreement and any other agreements pertinent to the Collateral, and such agreements are currently in full force and effect and have not been amended or modified except as disclosed to Pledgee in writing.

(c) Pledgor has the full right and title to its interest in the Collateral and has the full power, legal right and authority to pledge, convey, transfer and assign such interest. None of the Collateral is subject to any existing or subsequent assignment, claim, lien, pledge, transfer or other security interest of any character, or to any attachment, levy, garnishment or other judicial process or to any claim for set-off, counterclaim, deduction or discount. Pledgor shall not, without the prior written consent of Pledgee, which consent may be granted or denied in Pledgee's sole discretion, further convey, transfer, set over or pledge to any party any of its interests in the Collateral. Pledgor agrees to (i) warrant and defend its title to the Collateral and the security interest created by this Agreement against all claims of all persons (other than Pledgee and persons claiming through Pledgee), and (ii) maintain and preserve the Collateral and such security interests.

(d) Pledgor's Employer Identification Number is 35-2554308, and its principal place of business is located at 2400 Potters Rd., Virginia Beach, Virginia 23454.

(e) Pledgor agrees that it shall not, without at least thirty (30) days' prior written notification to Pledgee, move or otherwise change its principal place of business.

(f) Pledgor shall not exercise any voting rights, or give any approvals, consents, waivers or other ratifications in respect to the Collateral which would result in liquidation of the Company or affect the value of the Collateral or violate or contravene, or which would cause or otherwise authorize Pledgor to violate or contravene, any provision of this Agreement.

8. Event of Default. Each of the following shall constitute an Event of Default hereunder:

(a) An event of default shall have occurred under the Operating Agreement or the Incentive Management Fee Agreement, and such default shall not have been cured within any applicable grace period provided therein; or

(b) Any warranty, representation or statement of the Pledgor in this Agreement proves to have been false in any material respect when made or furnished; or

(c) There occurs the issuance of a writ, order of attachment or garnishment with respect to any of the Collateral and such writ, order of attachment or garnishment is not dismissed and removed within fifteen (15) days thereafter; or

(d) A material breach or violation of any covenant or agreement contained herein shall have occurred, which is not cured within ten (10) days after notice has been given to Pledgor by Pledgee.

Any Event of Default under this Agreement shall be an event of default by Pledgor under the Operating Agreement.

9. Remedies.

(a) Upon the occurrence of an Event of Default, Pledgee may by giving notice of such Event of Default, at its option, do any one or more of the following:

(i) Declare all of the Obligations secured hereby to be immediately due and payable, whereupon all unpaid principal and interest on said Obligations and other amounts declared due and payable shall become immediately due and payable without presentment, demand, protest or notice of any kind; and

(ii) Take possession of all or any of the Collateral, collect, and apply against the Obligations, all payments due, proceeds, whether cash proceeds or noncash proceeds, and products from any obligor under the agreements constituting the Collateral, that would otherwise be paid to the Pledgor; and

(iii) Either personally, or by means of a court appointed receiver, take possession of all or any of the Collateral and exclude therefrom Pledgor and all others claiming under Pledgor, and thereafter exercise all rights and powers of Pledgor with respect to the Collateral or any part thereof. In the event Pledgee demands, or attempts to take possession of any of the Collateral in the exercise of any rights under this Agreement, Pledgor promises and agrees to promptly turn over and deliver complete possession thereof to Pledgee; and

(iv) Without notice to or demand upon Pledgor, make such payments and do such acts as Pledgee may deem necessary to protect its security interest in the Collateral, including, without limitation, paying, purchasing, contesting or compromising any encumbrance, charge or lien which is prior to or superior to the security interest granted hereunder, and in exercising any such powers or authority to pay all expenses incurred in connection therewith; and

(v) Require Pledgor to take all actions necessary to deliver such Collateral to Pledgee, or an agent or representative designated by it. Pledgee, and its agents and representatives, shall have the right to enter upon any or all of Pledgor's premises and property to exercise Pledgee's rights hereunder; and

(vi) Foreclose upon this Agreement as herein provided or in any manner permitted by law, and exercise any and all of the rights and remedies conferred upon Pledgee by the Operating Agreement, or in any other document executed by Pledgor in connection with the Obligations secured hereby, either concurrently or in such order as Pledgee may determine; and sell or cause to be sold in such order as Pledgee may determine, as a whole or in such parcels as Pledgee may determine, the Collateral, without affecting in any way the rights or remedies to which Pledgee may be entitled under the other such instruments; and

(vii) Sell or otherwise dispose of the Collateral at public sale, without having the Collateral at the place of sale, and upon terms and in such manner as Pledgee may determine. Pledgee may be a purchaser at any sale; and

(viii) Exercise any remedies of a secured party under the Uniform Commercial Code of the Commonwealth of Virginia or any other applicable law; and

(ix) Exercise any remedies available to Pledgee under the Operating Agreement, including, but not limited to, the removal of the Pledgor as a Managing Member of the Company and exercise of any rights of offset in favor of the Pledgee as a Managing Member of the Company; and

(x) Notwithstanding anything to the contrary contained in this Agreement at any time after an Event of Default, the Pledgee may, by delivering written notice to the Company and to the Pledgor, succeed, or designate its nominee or designee to succeed, to all right, title and interest of Pledgor (including, without limitation, the right, if any, to vote on or take any action with respect to Company matters) as a Managing Member of the Company in respect of the Collateral. The Pledgor hereby irrevocably authorizes and directs the Company on receipt of any such notice (a) to deem and treat the Pledgee or such nominee or designee in all respects as a Managing Member (and not merely an assignee of a Managing Member) of the Company, entitled to exercise all the rights, powers and privileges (including the right to vote on or take any action with respect to Company matters pursuant to the Operating Agreement, to receive all distributions, to be credited with the capital account and to have all other rights, powers and privileges appertaining to the Collateral to which Pledgor would have been entitled had the Collateral not been transferred to the Pledgee or such nominee or designee), and (b) to file amended articles of organization, if required, admitting the Pledgee or such nominee or designee as Managing Member of the Company in place of Pledgor; and

(xi) The rights granted to the Pledgee under this Agreement are of a special, unique, unusual and extraordinary character. The loss of any of such rights cannot reasonably or adequately be compensated by way of damages in any

action at law, and any material breach by Pledgor of any of Pledgor's covenants, agreements or obligations under this Agreement will cause the Pledgee irreparable injury and damage. In the event of any such breach, the Pledgee shall be entitled, as a matter of right, to injunctive relief or other equitable relief in any court of competent jurisdiction to prevent the violation or contravention of any of the provisions of this Agreement or to compel compliance with the terms of this Agreement by Pledgor. The Pledgee is absolutely and irrevocably authorized and empowered by Pledgor to demand specific performance of each of the covenants and agreements of Pledgor in this Agreement. Pledgor hereby irrevocably waives any defense based on the adequacy of any remedy at law that might otherwise be asserted by Pledgor as a bar to the remedy of specific performance in any action brought by the Pledgee against Pledgor to enforce any of the covenants or agreements of Pledgor in this Agreement.

(b) Pledgee shall give Pledgor at least ten (10) days' prior written notice of the time and place of any public sale of the Collateral subject to this Agreement or other intended disposition thereof to be made. Such notice shall be conclusively deemed to have been delivered to Pledgor at the address set forth in paragraph 7(c) of this Agreement, unless Pledgor shall notify Pledgee in writing of its change of its principal place of business and provide Pledgee with the address of its new principal place of business.

(c) The proceeds of any sale under Subparagraphs 9(a)(vi) and (vii) above shall be applied as follows:

(i) To the repayment of the costs and expenses of retaking, holding and preparing for the sale and the selling of the Collateral (including actual legal expenses and attorneys' fees) and the discharge of all assessments, encumbrances, charges or liens, if any, on the Collateral prior to the lien hereof (except any taxes, assessments, encumbrances, charges or liens subject to which such sale shall have been made);

(ii) To the payment of the whole amount then due and unpaid of the Obligations;

(iii) To the payment of all other amounts then secured hereby; and

(iv) The aggregate surplus, if any, shall be paid to Pledgor in a lump sum, without recourse to Pledgee, or as a court or competent jurisdiction may direct.

(d) Pledgee shall have the right to enforce one or more remedies hereunder under this Agreement and under the Operating Agreement, successively or concurrently, and such action shall not operate to estop or prevent Pledgee from pursuing any further remedy which it may have, and any

repossession or retaking or sale of the Collateral pursuant to the terms hereof shall not operate to release Pledgor until full payment of any deficiency has been made in cash.

(e) PLEDGOR ACKNOWLEDGES THAT PLEDGEE MAY BE UNABLE TO EFFECT A PUBLIC SALE OF ALL OR ANY PART OF THE COLLATERAL AND MAY BE COMPELLED TO RESORT TO ONE OR MORE PRIVATE SALES TO A RESTRICTED GROUP OF PURCHASERS WHO WILL BE OBLIGATED TO AGREE, AMONG OTHER THINGS, TO ACQUIRE THE COLLATERAL FOR THEIR OWN ACCOUNT, FOR INVESTMENT AND NOT WITH A VIEW TO THE DISTRIBUTION OR RESALE THEREOF. PLEDGOR FURTHER ACKNOWLEDGES THAT ANY SUCH PRIVATE SALES MAY BE AT PRICES AND ON TERMS LESS FAVORABLE THAN THOSE OF PUBLIC SALES, AND AGREES THAT SUCH PRIVATE SALES SHALL BE DEEMED TO HAVE BEEN MADE IN A COMMERCIALY REASONABLE MANNER AND THAT PLEDGEE HAS NO OBLIGATION TO DELAY SALE OF ANY COLLATERAL TO PERMIT THE ISSUER THEREOF TO REGISTER IT FOR PUBLIC SALE UNDER THE SECURITIES ACT OF 1933. PLEDGOR AGREES THAT PLEDGEE SHALL BE PERMITTED TO TAKE SUCH ACTIONS AS PLEDGEE DEEMS REASONABLY NECESSARY IN DISPOSING OF THE COLLATERAL TO AVOID CONDUCTING A PUBLIC DISTRIBUTION OF SECURITIES IN VIOLATION OF THE SECURITIES ACT OF 1933 OR THE SECURITIES LAWS OF ANY STATE, AS NOW ENACTED OR AS THE SAME MAY IN THE FUTURE BE AMENDED, AND ACKNOWLEDGES THAT ANY SUCH ACTIONS SHALL BE COMMERCIALY REASONABLE. IN ADDITION, PLEDGOR AGREES TO EXECUTE, FROM TIME TO TIME, ANY AMENDMENT TO THIS AGREEMENT OR OTHER DOCUMENT AS PLEDGEE MAY REASONABLY REQUIRE TO EVIDENCE THE ACKNOWLEDGMENTS AND CONSENTS OF PLEDGOR SET FORTH IN THIS PARAGRAPH.

10. Attorneys Fees. Pledgor agrees to pay to Pledgee, without demand, reasonable attorneys' fees and all costs and other expenses which Pledgee expends or incurs in collecting any amounts payable by Pledgor hereunder or in enforcing this Agreement against Pledgor whether or not suit is filed.

11. Further Documentation. Pledgor hereby agrees to execute, from time to time, one or more financing statements and such other instruments as may be required to perfect the security interest created hereby, including any continuation or amendments of such financing statements, and pay the cost of filing or recording the same in the public records specified by Pledgee.

12. Waiver and Estoppel. Pledgor represents and acknowledges that it knowingly waives each and every one of the following rights, and agrees that it will be estopped from asserting any argument to the contrary: (a) any promptness in making any claim or demand hereunder; (b) any defense that may arise by reason of the lack of authority of Pledgor or the failure to file or enforce a claim against Pledgor's estate (in administration, bankruptcy or any other proceeding; (c) any defense based upon an election of remedies by Pledgee which destroys or otherwise impairs any or all of the Collateral; (d) the right of Pledgor to proceed against Pledgee or any other person, for reimbursement; and (e) all duty or obligation of the Pledgee to perfect, protect, retain or enforce any security for the payment of amounts payable by Pledgor hereunder.

TO THE FULLEST EXTENT PERMITTED BY LAW, EACH PARTY TO THIS AGREEMENT SEVERALLY, KNOWINGLY, IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY AND ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, SUIT OR COUNTERCLAIM BROUGHT BY ANY PARTY TO THIS AGREEMENT ARISING IN CONNECTION WITH, OUT OF OR OTHERWISE RELATING TO THIS AGREEMENT.

No delay or failure on the part of Pledgee in the exercise of any right or remedy against Pledgor or any other party against whom Pledgee may have any rights, shall operate as a waiver of any agreement or obligation contained herein, and no single or partial exercise by Pledgee of any rights or remedies hereunder shall preclude other or further exercise thereof or other exercise of any other right or remedy whether contained in this Agreement or in any of the other documents regarding the Obligations, including without limitation the Operating Agreement. No waiver of the rights of Pledgee hereunder or in connection herewith and no release of Pledgor shall be effective unless in writing executed by Pledgee. No actions of Pledgee permitted under this Agreement shall in any way impair or affect the enforceability of any agreement or obligation contained herein.

13. Independent Obligations. The obligations of Pledgor are independent of the obligations of any other party which may be initially or otherwise responsible for performance or payment of the Obligations, and a separate action or actions for payment, damages or performance may be brought and prosecuted by Pledgee against Pledgor, individually, for the full amount of the Obligations then due and payable, whether or not an action is brought against any other party, whether or not the Pledgee is involved in any proceedings and whether or not the Pledgee or the Pledgor or other person is joined in any action or proceedings.

14. No Offset Rights of Pledgor. No lawful act of commission or omission of any kind or at any time upon the part of Pledgor shall in any way affect or impair the rights of the Pledgee to enforce any right, power or benefit under this Agreement, and no set-off, recoupment, counterclaim, claim, reduction or diminution of any obligation or any defense of any kind or nature which Pledgor has or may have against Pledgee or against any other party shall be available against Pledgee in any suit or action brought by Pledgee to enforce any right, power or benefit under this Agreement.

15. Power of Attorney. Pledgor hereby appoints Pledgee as its attorney-in-fact to execute and file, effective upon the occurrence of an Event of Default, on its behalf any financing statements, continuation statements or other documentation required to perfect or continue the security interest created hereby. This power, being coupled with an interest, shall be irrevocable until all amounts secured hereby have been paid, satisfied and discharged in full. Pledgor acknowledges and agrees that the exercise by Pledgee of its rights under this Paragraph 15 will not be deemed a satisfaction of any amounts owed Pledgee unless Pledgee so elects.

16. **GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF VIRGINIA WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. SUCH PARTIES FURTHER AGREE THAT IN THE EVENT OF DEFAULT, THIS AGREEMENT MAY BE ENFORCED IN ANY COURT OF COMPETENT JURISDICTION IN THE COMMONWEALTH OF VIRGINIA AND THEY DO HEREBY SUBMIT TO THE JURISDICTION OF ANY AND ALL SUCH COURTS REGARDLESS OF THEIR RESIDENCE OR WHERE THIS AGREEMENT MAY BE EXECUTED.**

17. Successors and Assigns. All agreements, covenants, conditions and provisions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties hereto.

18. Notices. Whenever any party hereto shall desire to, or be required to, give or serve any notice, demand, request or other communication with respect to this Agreement, each such notice, demand, request or communication shall be in writing and shall be effective only if the same is delivered by personal service (including, without limitation, courier or express service) or mailed certified or registered mail, postage prepaid, return receipt requested, or sent by telegram to the parties at the addresses shown throughout this Agreement or such other addresses which the parties may provide to one another in accordance herewith. If notice is sent to Pledgee, a copy of such notice shall also be given to Diane K Corbett, Applegate & Thorne-Thomsen, P.C. 440 S. LaSalle, Suite 1900, Chicago, Illinois 60605. If notice is sent to Pledgor, a copy of such notice shall also be given to Johnson Kanady III, Kanady & Quinn, PC., 16945 General Puller Highway, Deltaville, VA 23043.

Notices delivered personally will be effective upon delivery to an authorized representative of the party at the designated address; notices sent by mail in accordance with the above paragraph will be effective two days after their deposit in the mail.

19. Consent of Pledgor. Pledgor consents to the exercise by Pledgee of any rights of Pledgor in accordance with the provisions of this Agreement.

20. Severability. Every provision of this Agreement is intended to be severable. In the event any term or provision hereof is declared by a court of competent jurisdiction to be

illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the legality or validity of the balance of the terms and provisions hereof, which terms and provisions shall remain binding and enforceable.

21. Amendment. This Agreement may be modified or rescinded only by a writing expressly relating to this Agreement and signed by all of the parties.

22. Termination. This Agreement shall terminate, and shall be of no further force or effect, upon the earlier to occur of the repayment in full of the Obligations of the Pledgor or upon the mutual consent of Pledgor and the Pledgee.

23. Expenses. Pledgor shall pay all reasonable out-of-pocket fees and charges incurred by Pledgee in connection with this Agreement and the transaction contemplated by this Agreement and the documents entered into in connection therewith, including, without limitation, reasonable attorneys' fees incurred by Pledgee.

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IN WITNESS WHEREOF, the parties hereto have executed this Pledge and Security Agreement as of the date first above written.

CHESAPEAKE VETS' HOUSING, INC., a
Virginia corporation

By:



Jessica Guglielmo, President

**EXHIBIT F
TO OPERATING AGREEMENT**

SUMMARY OF PROJECT LOAN TERMS

Construction Loan

Lender: TowneBank
Amount: \$4,250,000
Interest Rate: LIBOR plus 2.05%
Source: commercial
Term: 18 months
Repayment Terms: monthly interest until maturity
Recourse: Yes

Construction Loan/ First Permanent Loan

Lender: Virginia Housing Development Authority
Amount: \$2,600,000
Interest Rate: 1.0%
Source: REACH
Term: 30 years
Repayment Terms: monthly principal and interest payments
Recourse: No

Second Permanent Loan

Lender: Virginia Department of Housing and Community Development
Amount: \$1,650,000
Interest Rate: 2%
Source: State HOME, Virginia Housing Trust Fund, National Trust Fund
Term: 30 years
Repayment: monthly interest payments
Non-Recourse

Sponsor HRCF Loan – 1st

Lender: Second Act Communities
Amount: \$250,000
Interest Rate: 0%
Source: Hampton Roads Community Foundation
Term: 30 years
Repayment: cash flow
Recourse

Sponsor Home Depot Loan – 2nd

Lender: Second Act Communities
Amount: \$400,000
Interest Rate: 0%
Source: Home Depot

**EXHIBIT F
TO OPERATING AGREEMENT**

SUMMARY OF PROJECT LOAN TERMS

Construction Loan

Lender: TowneBank
Amount: \$4,250,000
Interest Rate: LIBOR plus 2.05%
Source: commercial
Term: 18 months
Repayment Terms: monthly interest until maturity
Recourse: Yes

Construction Loan/ First Permanent Loan

Lender: Virginia Housing Development Authority
Amount: \$2,600,000
Interest Rate: 1.0%
Source: REACH
Term: 30 years
Repayment Terms: monthly principal and interest payments
Recourse: No

Second Permanent Loan

Lender: Virginia Department of Housing and Community Development
Amount: \$1,650,000
Interest Rate: 2%
Source: State HOME, Virginia Housing Trust Fund, National Trust Fund
Term: 30 years
Repayment: monthly interest payments
Non-Recourse

Sponsor HRCF Loan – 1st

Lender: Second Act Communities
Amount: \$250,000
Interest Rate: 0%
Source: Hampton Roads Community Foundation
Term: 30 years
Repayment: cash flow
Recourse

Sponsor Home Depot Loan – 2nd

Lender: Second Act Communities
Amount: \$400,000
Interest Rate: 0%
Source: Home Depot

Term: 30 years
Repayment: cash flow
Recourse

Sponsor Chesapeake Loan – 3rd
Lender: Second Act Communities
Amount: \$554,392
Interest Rate: 0%
Source: City of Chesapeake HOME
Term: 30 years
Repayment: cash flow
Recourse

Sponsor Loan – 4th
Lender: Second Act Communities
Amount: \$500,000
Interest Rate: 0%
Source: AHP
Term: 30 years
Repayment: due at maturity
Recourse

**EXHIBIT G
TO OPERATING AGREEMENT**

PROPERTY MANAGEMENT AGREEMENT

TO BE DELIVERED POST-CLOSING

**EXHIBIT H
TO OPERATING AGREEMENT**

DEVELOPMENT BUDGET

Cypress Landing

Project Sponsor
Second Act Communities
Community
Chesapeake, VA

Project Operating Assumptions

Closing	1/15/2018	Management Fee	7.88%	Initial Asset Management Fee	7,250	Credit Allocation	481,002
Construction Start	1/15/2018	Vacancy Rate	7.00%	Year 1 Building Expenses	204,210	Credit Calculated	1,168,066
Construction Completion	2/1/2019	Income Inflation	2.00%	Replacement Reserve \$/Unit	300		
Full Qualified Occupancy	5/31/2019	Expense Inflation	3.00%	Operating Cost/Unit	5,118		

Project Income Assumptions

Residential Unit Type	Net SF	Number of Units	Net \$/mo	Gross Annual	Subsidy	Ten. Util	Net Rent Per Month	Utility Allowance	Adjusted Rent	UHTC Maximum	Adj. Rent Below LIHTC Max	FMR	Adj. Rent Below FMR	Potential Overhang
1 BR / 1 BA (30%)	683.90	4.0	768.0	36,864	Other	0	768.00	152.00	920.00	411.00	(509.00)	953.00	33.00	(2,036)
1 BR / 1 BA (40%)	683.90	9.0	768.00	82,944	Other	0	768.00	152.00	920.00	532.00	(388.00)	953.00	33.00	(3,492)
1 BR / 1 BA (50%)	687.86	12.0	768.00	110,592	Other	0	768.00	152.00	920.00	665.00	(255.00)	953.00	33.00	(3,060)
1 BR / 1 BA (60%)	690.65	19.0	768.00	175,104	Other	0	768.00	152.00	920.00	798.00	(122.00)	953.00	33.00	(2,318)
2 BR / 1.5 BA (30%)	936.66	1.0	904.00	10,848	Other	0	904.00	201.00	1,105.00	510.00	(595.00)	1,150.00	45.00	(595)
2 BR / 1.5 BA (60%)	936.66	5.0	904.00	54,240	Other	0	904.00	201.00	1,105.00	958.00	(147.00)	1,150.00	45.00	(735)
0.00														
0.00														
0.00														
Residential Totals	35,887	50.0	-	470,592	-	-	-	-	-	-	-	-	-	(146,832)

Other Income	Net SF	Number of Units	Net \$/mo	Gross Annual
Other Income	0.00	0.0	-	0
Other Income Totals	0.00	0.0	-	0
Total PGI	0.00	0.0	0.00	470,592

Cypress Landing

Project Sponsor
 Second Act Communities
 Community
 Chesapeake, VA

Project Expense Assumptions

Administrative	Annual Expense	\$/Unit
Advertising/Marketing	500	10
Office Salaries	8,000	160
Office Supplies	1,750	35
Office/Model Apartment	0	0
Management Fee	35,177	704
Manager Salaries	15,650	313
Staff Units	0	0
Legal	1,500	30
Audit	9,000	180
Bookkeeping/Accounting	0	0
Telephone	1,000	20
VHDA Monitoring	1,500	30
Other Administrative	3,600	72
Total Administrative	77,677	1,554

Taxes and Insurance	Annual Expense	\$/Unit
Real Estate Taxes	50,000	1,000
Payroll Taxes	2,464	49
Misc. Taxes / Licenses / Permits	0	0
Property and Liability Insurance	18,000	360
Fidelity Bond	1,500	30
Workman's Compensation	320	6
Health Insurance and EE Benefits	5,952	119
Other Insurance	224	4
Total Taxes and Insurance	78,460	1,569

Operating / Maintenance	Annual Expense	\$/Unit
Janitor/Cleaning Payroll	0	0
Janitor/Cleaning Supplies	0	0
Janitor/Cleaning/Cleaning Contract	5,400	108
Exterminating	2,000	40
Trash Removal	3,900	78
Security/Payroll	0	0
Grounds Payroll	0	0
Grounds Supplies	0	0
Grounds Contract	4,000	80
Maintenance/Repairs Payroll	19,040	381
Repairs Material	5,000	100
Repair Contract	13,660	273
Elevator Maintenance/Contract	5,000	120
Heating Cooling Repairs and Maint.	5,000	100
Pool Maintenance	0	0
Snow Removal	0	0
Decorating/Payroll/Contract	0	0
Decorating Supplies	0	0
Miscellaneous	10,000	200
Total Operating / Maintenance	74,000	1,480

Utilities	Annual Expense	\$/Unit
Fuel Oil	0	0
Electricity	15,250	305
Water	3,000	60
Sewer	1,500	30
Gas	0	0
Total Utilities	19,750	395

Totals	Annual Expense	\$/Unit
Total Administrative	77,677	1,554
Total Taxes and Insurance	78,460	1,569
Total Operating / Maintenance	74,000	1,480
Total Utilities	19,750	395
Replacement Reserves	15,000	300
Total Operating Expenses	264,887	5,298

Expense Analysis	Annual Expense	\$/Unit
Admin. W/D Mgmt, Audit, VHDA	32,000	640
Utilities	19,750	395
Maintenance	74,000	1,480
Real Estate Taxes	50,000	1,000
Insurance	18,000	360
Other Taxes / Insurance	10,460	209
Total Building Expenses	204,210	4,084
Replacement Reserve	15,000	300
Management	35,177	704
VHDA Monitoring	1,500	30
Total Other Expenses	51,677	1,034
Total Operating Expenses	264,887	5,298
Partnership Management/Audit	7,250	145
Total Annual Expenses	263,137	5,263

Cypress Landing

Project Sponsor
 Second Act Communities
 Community
 Chesapeake, VA

Sources

Sources	Amount	Interest Rate	Interest Only?	Nonrecourse?	Available Only From Cash Flow?	Payment Start Date	Amortization	Term	Payments Per Year	Annual Debt Service	As a % of Debt	As a % of Equity	As a % of Total Capitalization
Hard Debt													
1. VHDA	2,600,000	1.00%	No	Yes	Loan-blended	4/1/19	30	30	12	100,352	42.98%		24.82%
2. SAC Loan (DHCD Sources)	1,650,000	2.00%	Yes	Yes	0.00	4/1/19	30	30	12	33,000	27.28%		15.75%
3													
4													
Soft Debt													
5. SAC Sponsor Loan (FHLB)	500,000	0.00%	No	No	Yes	1/1/19	30	30	12	0	8.27%		4.77%
6. SAC Sponsor Loan (Chesapeake HOME)	554,294	0.00%	0.00	No	Yes	1/1/19	30	30	12	0	9.16%		5.29%
7. SAC Sponsor Loan (Home Depot)	400,000	0.00%	0.00	No	Yes	1/1/19	30	30	12	0	6.61%		3.82%
8. SAC Sponsor Loan (Hampton Roads CF)	250,000	0.00%	0.00	No	No	1/1/19	30	30	12	0	4.13%		2.39%
9. Deferred Developer Fee	95,000	0.00%	0.00	No	Yes	1/1/19	30	13	1	0	1.57%		0.91%
10													
Total Debt	6,049,294										100.00%		57.75%

Equity

1. GP Interest	0												
2. LIHTC Equity	4,425,000												
3. State HTC Equity	0												
4. Federal HTC Equity	0												
5. Energy Credit Equity	0												
6. Grant 1	0												
7. Grant 2	0												
8. Grant 3	0												
9. Construction Period CF	0												
10. MM Contribution	100												
11. Other Equity 2	0												
Total Equity	4,425,100											100.00%	42.25%
Total Sources	10,474,394												
Other													
1. Other 1	0												
2. Other 2	0												
3. Other 3	0												
Total Other Source	0	0.00%	0.00	0.00	0.00	0	0	0	0	0	0.00%	0.00%	0.00%

Cypress Landing
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 Second Act Communities
 Community
 Chesapeake, VA

Uses (2 of 2)

Uses	Amount	% of Total	Per Unit	Per Square Foot (Res Only)	6% Credit Basis Acquisition	4% Credit Basis Rehab	4% Credit Basis New Construction	5% Credit Basis	Amortized Expense	No Credits - Depreciable	No Credits - Expensed	No Credits - Man-Depreciable
Owner Costs												
1 Arch/Engin. Design Fee	411,887	3.93%	8,238	11.46	0	0	0	411,887	0	0	0	0
2 FF&E	294,556	2.81%	5,891	8.21	0	0	0	294,556	0	0	0	0
3 Operating Reserve	206,000	1.97%	4,120	5.74	0	0	0	0	0	0	0	206,000
4 Contingency	170,001	1.62%	3,400	4.74	0	0	0	170,001	0	0	0	0
5 Tap Fees	165,000	1.58%	3,300	4.60	0	0	0	165,000	0	0	0	0
6 Design and Geotechnical Engineering	118,072	1.13%	2,361	3.29	0	0	0	118,072	0	0	0	0
7 Construction Interest	111,565	1.07%	2,231	3.11	0	0	0	111,565	0	0	0	0
8 Arch. Supervision Fee	100,241	0.96%	2,005	2.79	0	0	0	100,241	0	0	0	0
9 Construction/Development Mgt	70,000	0.67%	1,400	1.95	0	0	0	70,000	0	0	0	0
10 Title and Recording	45,943	0.45%	937	1.31	0	0	0	46,843	0	0	0	0
11 Insurances During Construction	42,621	0.41%	852	1.19	0	0	0	42,621	0	0	0	0
12 Legal Fees for Closing	42,552	0.41%	851	1.19	0	0	0	21,276	16,776	5,000	0	0
13 Cost Estimating / PHLB Cost Review	42,440	0.41%	849	1.18	0	0	0	42,440	0	0	0	0
14 Tax Credit Fee	39,650	0.38%	793	1.10	0	0	0	0	39,650	0	30,000	0
15 Lease-Up Contingency	30,000	0.29%	600	0.84	0	0	0	0	0	0	0	0
16 Taxes During Construction	27,766	0.27%	555	0.77	0	0	0	27,766	0	0	0	0
17 Earth/Cable Costs	26,250	0.25%	525	0.73	0	0	0	26,250	0	0	0	0
18 Printing/Copying / Final Drawings	21,836	0.21%	437	0.61	0	0	0	21,836	0	0	0	0
19 Redevelopment Interest	20,000	0.19%	400	0.56	0	0	0	20,000	0	0	0	0
20 Building Permit	18,575	0.18%	372	0.52	0	0	0	18,575	0	0	0	0
21 Site Engineering / Survey	18,285	0.17%	366	0.51	0	0	0	18,285	0	0	0	0
22 Construction Loan	15,000	0.14%	300	0.42	0	0	0	15,000	0	0	0	0
23 Permanent Loan Fee	13,000	0.12%	260	0.36	0	0	0	0	13,000	0	0	0
24 Cost Certification Fee	12,000	0.11%	240	0.33	0	0	0	0	12,000	0	0	10,000
25 Replacement Reserve	10,000	0.10%	200	0.28	0	0	0	0	0	0	0	0
26 Environmental	8,600	0.08%	172	0.24	0	0	0	8,600	0	0	0	0
27 Structural Inspection	7,590	0.07%	152	0.21	0	0	0	7,590	0	0	0	0
28 Soil Borings	6,929	0.07%	139	0.19	0	0	0	6,929	0	0	0	0
29 Appraisal	6,000	0.06%	120	0.17	0	0	0	6,000	0	0	0	0
30 Site Plan / Zoning	4,765	0.05%	95	0.13	0	0	0	4,765	0	0	0	0
31 Market Study	3,500	0.03%	70	0.10	0	0	0	3,500	0	0	0	0
32 Other Permanent Loan Fees	0	0.00%	0	0.00	0	0	0	0	0	0	0	0
33 Letter of Credit - 2	0	0.00%	0	0.00	0	0	0	0	0	0	0	0
34 Accounting	0	0.00%	0	0.00	0	0	0	0	0	0	0	0
35 Mortgage Banker	0	0.00%	0	0.00	0	0	0	0	0	0	0	0
36 Tenant Relocation	0	0.00%	0	0.00	0	0	0	0	0	0	0	0
37 Organization Costs	0	0.00%	0	0.00	0	0	0	0	0	0	0	0
38 Security	0	0.00%	0	0.00	0	0	0	0	0	0	0	0
39 Utilities	0	0.00%	0	0.00	0	0	0	0	0	0	0	0
40 Other OC 1	0	0.00%	0	0.00	0	0	0	0	0	0	0	0
41 Other OC 7	0	0.00%	0	0.00	0	0	0	0	0	0	0	0
42 Other OC 8	0	0.00%	0	0.00	0	0	0	0	0	0	0	0
43 Other OC 9	0	0.00%	0	0.00	0	0	0	0	0	0	0	0
44 Other OC 10	0	0.00%	0	0.00	0	0	0	0	0	0	0	0
45 Other OC 11	0	0.00%	0	0.00	0	0	0	0	0	0	0	0
46 Other OC 12	0	0.00%	0	0.00	0	0	0	0	0	0	0	0
47 Other OC 13	0	0.00%	0	0.00	0	0	0	0	0	0	0	0
48 Other OC 14	0	0.00%	0	0.00	0	0	0	0	0	0	0	0
Construction - Owner Costs Subtotal	2,105,522	20.10%	42,110	58.67	0	0	0	3,775,596	74,926	0	35,000	216,000
Syndicator Fees												
1 Syndicator Legal	35,000	0.33%	700	0.98	0	0	0	0	0	0	0	35,000
2 Bridge Loan Fees	0	0.00%	0	0.00	0	0	0	0	0	0	0	0
3 Consultant	0	0.00%	0	0.00	0	0	0	0	0	0	0	0
4 Tax Opinion	0	0.00%	0	0.00	0	0	0	0	0	0	0	0
5 Other 2 SF	0	0.00%	0	0.00	0	0	0	0	0	0	0	0
Syndicator Fees Subtotal	35,000	0.33%	700	0.98	0	0	0	0	0	0	0	35,000
Developer Fees												
1 Developer Fee	950,000	9.07%	19,000	26.47	0	0	0	950,000	0	0	0	0
2 Other Developer Fee 1	0	0.00%	0	0.00	0	0	0	0	0	0	0	0
3 Other Developer Fee 2	0	0.00%	0	0.00	0	0	0	0	0	0	0	0
Total Developer Fees	950,000	9.07%	19,000	26.47	0	0	0	950,000	0	0	0	0
Total Construction Costs	10,474,394	100.00%	209,468	291.67	0	0	0	9,983,468	74,926	0	35,000	381,000
1. Development Advisory Fee	0	0.00%	0	0.00	0	0	0	0	0	0	0	0
Total Cost	10,474,394	100.00%	209,468	291.67	0	0	0	9,983,468	74,926	0	35,000	381,000

Cypress Landing

Project Sponsor
Second Act Communities
Community
Chesapeake, VA

Pay-In Schedule

Installment Number	1	2	3	4	5	6	7	8	9	10	Total
Projected Date	11/14/17	3/1/18	6/1/18	10/15/18	3/1/19	7/1/19	7/1/21				
Gross Contribution	750,000	750,000	750,000	750,000	1,014,000	205,000	206,000	-	-	-	4,425,000
LH-TC Equity	750,000	750,000	750,000	750,000	1,014,000	205,000	206,000	-	-	-	4,425,000
Federal HTC Equity	0	0	0	0	0	0	0	-	-	-	0
State HTC Equity	0	0	0	0	0	0	0	-	-	-	0
Other Credit Equity	0	0	0	0	0	0	0	-	-	-	0
Distribution											
Project Development	560,000	750,000	690,000	750,000	614,000	0	0	-	-	-	3,364,000
Developers' Fee (cash)	190,000	0	60,000	0	400,000	205,000	0	-	-	-	855,000
Operating Reserve	0	0	0	0	0	0	206,000	-	-	-	206,000
Lease-Up Reserve	0	0	0	30,000	0	0	0	-	-	-	30,000
Replacement Reserve	0	0	0	10,000	0	0	0	-	-	-	10,000
Other	0	0	0	0	0	0	0	-	-	-	0
TOTAL	750,000	750,000	750,000	750,000	1,014,000	205,000	206,000	-	-	-	4,465,000

Cypress Landing
 Project Sponsor
 Second Act Communities
 Community
 Chesapeake, VA

Lease-Up Schedule and Credit Calculation

Lease-Up Schedule		2017	2018	2019	2020
January	#/A	#/A	#/A	0	0
February	#/A	#/A	#/A	0	0
March	#/A	#/A	#/A	0	20
April	#/A	#/A	#/A	0	20
May	#/A	#/A	#/A	0	10
June	#/A	#/A	#/A	0	0
July	#/A	#/A	#/A	0	0
August	#/A	#/A	#/A	0	0
September	#/A	#/A	#/A	0	0
October	#/A	#/A	#/A	0	0
November	#/A	#/A	#/A	0	0
December	#/A	#/A	#/A	0	0
Total	#/A	#/A	#/A	0	50
Months of Occupancy	#/A	0.0	9.2	12.0	
LIHTC	#/A	0	0	481,602	

Low Income Housing Credit Calculation		4% Credit Basis Acquisition	4% Credit Basis Rehab	4% Credit Basis New Construction	9% Credit Basis	Total
Basis Amount		0	0	0	9,983,468	9,983,468
Housing Percentage		100.0%	100.0%	100.0%	100.0%	
Adjusted Housing Basis		0	0	0	9,983,468	9,983,468
Adjustments						
Historic Credit Basis		0	0	0	0	0
Federal Historic Percentage		20.0%	20.0%	20.0%	20.0%	
Historic Credit Adjustment		0	0	0	0	0
Grants		0	0	0	0	0
Federal Financing		0	0	0	0	0
Other		0	0	0	0	0
Total Adjustments		0	0	0	0	0
Adjusted Credit Basis		0	0	0	9,983,468	9,983,468
Qualified Census Tracts		100.0%	100.0%	100.0%	100.0%	
Basis Boost Percentage		30.0%	30.0%	30.0%	30.0%	
Basis Boost		0	0	0	2,995,040	2,995,040
Final Credit Basis		0	0	0	12,978,508	12,978,508
Credit Rate		3.22%	3.22%	3.22%	9.00%	
Calculated LIH Credits		0	0	0	1,168,066	1,168,066
LIHTC Annual Allocation		481,602				
Investor Percentage Allocation of Credits		99.990%				
Credits Available to Investor		480,954				
Price per Credit		\$0.920				
Federal LIHTC Equity to Project		4,425,600				
Overwrite LIHTC Equity Project		4,425,600				

Historic Credit Calculation (If Applicable)		Amount
Historic Credit Basis		-
HTC Percentage		-
Adjusted Historic Credit Basis		-
Federal		-
Federal Credit Percentage		-
Federal Historic Credit to Investor		-
Federal Historic Credit Price Per Credit		-
Federal Historic Equity to Project		-
State		-
State Credit Percentage		-
State Historic Credit to Investor		-
State Historic Credit Price Per Credit		-
State Historic Equity to Project		-
Year of Delivery		-

Cypress Landing

Project Sponsor
Second Act Communities
Community
Chesapeake, VA

Cash Flow Projection

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Total Residential Gross Rent	360,787	480,004	489,604	489,396	509,384	519,572	529,963	540,562	551,374	562,401	573,649	585,122	596,824	608,761	620,936	633,355	646,022
Total Residential Vacancy	0	33,600	34,272	34,958	35,657	36,370	37,097	37,839	38,596	39,368	40,155	40,959	41,778	42,613	43,466	44,335	45,222
Total Residential Net Rent	360,787	446,404	455,332	464,438	473,727	483,202	492,866	502,723	512,777	523,033	533,494	544,163	555,047	566,148	577,471	589,020	600,800
Net Other Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Effective Gross Income	360,787	446,404	455,332	464,438	473,727	483,202	492,866	502,723	512,777	523,033	533,494	544,163	555,047	566,148	577,471	589,020	600,800
Total Operating Expenses	236,748	271,013	278,027	285,559	292,985	300,627	308,490	316,582	324,909	333,478	342,295	351,369	360,707	370,317	380,206	390,382	400,855
Net Operating Income	124,040	175,391	177,305	178,880	180,742	182,575	184,375	186,141	187,868	189,555	191,198	192,794	194,339	195,831	197,265	198,638	199,945
Hard Debt																	
VHDA	75,264	100,352	100,352	100,352	100,352	100,352	100,352	100,352	100,352	100,352	100,352	100,352	100,352	100,352	100,352	100,352	100,352
SAC Loan (DHCD Sources)	24,750	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000	33,000
.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Hard Debt Service	100,014	133,352	133,352	133,352	133,352	133,352	133,352	133,352	133,352	133,352	133,352	133,352	133,352	133,352	133,352	133,352	133,352
Debt Service Coverage Ratio (NOI/Hard Debt)	1.32x	1.33x	1.34x	1.34x	1.35x	1.37x	1.38x	1.40x	1.41x	1.42x	1.43x	1.45x	1.46x	1.47x	1.48x	1.49x	1.50x
Soft Debt																	
SAC Sponsor Loan (FHLB)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	473
SAC Sponsor Loan (Chesapeake HOME)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	473
SAC Sponsor Loan (Home Depot)	0	0	0	0	0	0	0	0	0	38,582	48,103	49,407	50,651	51,833	52,947	53,991	54,987
SAC Sponsor Loan (Hampton Roads CF)	0	0	0	30,216	39,231	40,819	42,367	43,873	45,333	46,752	48,129	49,464	50,757	52,000	53,202	54,363	55,484
Deferred Developer Fee	16,776	34,572	36,262	7,390	0	0	0	0	0	0	0	0	0	0	0	0	0
.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Combining Debt Service / DDF	16,776	34,572	36,262	37,606	39,231	40,819	42,367	43,873	45,333	46,744	48,103	49,407	50,651	51,833	52,947	53,991	55,483
Operating Cash Flow	7,250	7,467	7,692	7,922	8,160	8,405	8,657	8,917	9,184	9,460	9,743	10,036	10,337	10,647	10,966	11,295	11,634
Asset Management Fee	7,250	7,468	7,692	7,922	8,160	8,405	8,657	8,917	9,184	9,460	9,743	10,036	10,337	10,647	10,966	11,295	11,634
Distributable Cash Flow	0	(0)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(473)
Partnership Administrative Fee Paid	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Incentive Management Fee	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Reserve Interest	1,114	1,192	1,273	1,354	1,279	1,204	1,285	1,249	1,212	1,293	1,260	1,227	1,308	1,276	1,243	1,324	1,291
Total Adjusted Cash Flow	1,114	1,192	1,273	1,354	1,279	1,204	1,285	1,249	1,212	1,293	1,260	1,227	1,308	1,276	1,243	1,324	1,291

Cypress Landing

Project Sponsor
Second Act Communities
Community
Chesapeake, VA

Amortization Schedule

Years Amortized	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Permanent Loan Fee	784	867	867	867	867	867	867	867	867	867	867	867	867	867	867	867	867
Cost Certification Fee	13,000	800	800	800	800	800	800	800	800	800	800	800	800	800	800	800	800
Legal Fees for Closing	16,276	995	1,085	1,085	1,085	1,085	1,085	1,085	1,085	1,085	1,085	1,085	1,085	1,085	1,085	1,085	1,085
Tax Credit Fee	33,650	2,056	2,243	2,243	2,243	2,243	2,243	2,243	2,243	2,243	2,243	2,243	2,243	2,243	2,243	2,243	2,243
Other Items	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Amortization	74,926	4,995	4,995	4,995	4,995	4,995	4,995	4,995	4,995	4,995	4,995	4,995	4,995	4,995	4,995	4,995	4,995
Accumulated Amortization	4,579	9,574	14,569	19,564	24,559	29,554	34,549	39,544	44,539	49,534	54,529	59,525	64,520	69,515	74,510	74,926	74,926

Depreciation Schedule

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Total	9,409,059	9,409,059	9,409,059	9,409,059	9,409,059	9,409,059	9,409,059	9,409,059	9,409,059	9,409,059	9,409,059	9,409,059	9,409,059	9,409,059	9,409,059	9,409,059	9,409,059
Housing Building	303,635	311,259	311,259	311,259	311,259	311,259	311,259	311,259	311,259	311,259	311,259	311,259	311,259	311,259	311,259	311,259	311,259
Housing Building Depreciation Years	27.5																
Commercial Building	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Commercial Building Depreciation Years	40.0																
FF&E	234,556	65,601	35,588	23,753	23,753	11,876	0	0	0	0	0	0	0	0	0	0	0
Bonus Depreciation - FF&E	Yes																
Bonus Depreciation Years - FF&E	5.0																
First Year Bonus Amount (Percent)	30.0%																
S&E Improvements	579,859	38,550	34,704	31,254	28,129	25,187	23,948	23,948	23,948	23,948	23,948	23,948	23,948	23,948	23,948	23,948	23,948
Bonus Depreciation - Site Improvements	Yes																
Bonus Depreciation Years - Site Improvements	15.0																
First Year Bonus Amount (Percent)	30.0%																
Capital Depreciation	66,699	0	0	0	2,276	2,276	2,276	3,996	3,996	3,996	5,658	5,658	5,658	7,314	7,314	7,314	8,970
Capital Expenditures	0	0	0	0	62,579	0	0	47,299	0	0	45,713	0	0	45,549	0	0	45,532
Deferred Developer Fee Depreciation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Developer Fee Paid	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cumulative DDF	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other 2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Depreciation	10,050,167	627,491	445,779	386,246	386,396	370,678	357,462	359,182	359,223	359,182	360,885	360,885	360,885	362,501	362,541	350,527	340,208
Accumulated Depreciation	627,491	1,063,270	1,468,801	1,855,047	2,240,442	2,611,120	2,968,582	3,327,764	3,686,987	4,046,169	4,407,064	4,767,898	5,128,783	5,489,284	5,850,825	6,204,352	6,564,560

Cypress Landing

Project Sponsor
Second Act Communities
Community
Chesapeake, VA

P&L Projection

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Operating Cash Flow	7,250	7,467	7,692	7,922	8,160	8,405	8,657	8,917	9,184	9,460	9,743	10,036	10,337	10,647	10,966	11,295	11,661
Operating Adjustments																	
Total Depreciation	627,491	435,779	405,531	386,246	365,396	370,678	357,462	359,182	359,223	359,182	360,885	360,844	360,885	362,501	362,541	350,527	340,208
Total Amortization	4,579	4,995	4,995	4,995	4,995	4,995	4,995	4,995	4,995	4,995	4,995	4,995	4,995	4,995	4,995	416	0
Mortgage Principal/(Accrued Interest)																	
Hard Debt																	
VHDA	55,950	75,255	76,011	76,775	77,546	78,325	79,112	79,907	80,710	81,520	82,339	83,167	84,002	84,846	85,698	86,559	87,429
SAC Loan (DHCD Sources)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Soft Debt																	
SAC Sponsor Loan (FHLB)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	473
SAC Sponsor Loan (Chesapeake HOME)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	473
SAC Sponsor Loan (Home Depot)	0	0	0	0	0	0	0	0	0	38,582	48,103	49,407	50,651	51,833	52,947	53,991	54,987
SAC Sponsor Loan (Hampton Roads CF)	0	0	0	30,216	39,231	40,819	42,367	43,873	45,333	8,152	0	0	0	0	0	0	0
Deferred Developer Fee	16,776	34,572	36,262	7,390	0	0	0	0	0	0	0	0	0	0	0	0	0
.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Replacement Reserve Deposits	13,750	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Total Operating Adjustments	(545,594)	(315,947)	(283,253)	(261,860)	(258,614)	(241,529)	(225,978)	(225,398)	(223,175)	(220,913)	(220,437)	(218,266)	(216,227)	(215,817)	(213,891)	(195,393)	(182,347)
Non-Operating Adjustments																	
Asset Management Fee	7,250	7,468	7,692	7,922	8,160	8,405	8,657	8,917	9,184	9,460	9,743	10,036	10,337	10,647	10,966	11,295	11,634
Partnership Administrative Fee Paid	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Incentive Management Fee	1,114	1,192	1,273	1,354	1,279	1,204	1,285	1,249	1,212	1,293	1,260	1,227	1,308	1,276	1,243	1,324	1,291
Reserve Interest	(41,136)	(6,276)	(6,419)	(6,568)	(6,980)	(7,200)	(7,371)	(7,658)	(7,972)	(8,167)	(8,484)	(8,809)	(9,029)	(9,371)	(9,723)	(9,971)	(10,343)
Total Non-Operating Adjustments	(579,479)	(314,756)	(281,980)	(260,506)	(257,334)	(240,325)	(224,693)	(224,149)	(221,964)	(219,620)	(219,178)	(217,039)	(214,919)	(214,542)	(212,608)	(194,068)	(181,529)
Pre-Tax Earnings	0	481,002	481,002	481,002	481,002	481,002	481,002	481,002	481,002	481,002	481,002	481,002	481,002	481,002	481,002	481,002	481,002
LIHTC	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Federal Historic Credit	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
State Historic Credit Benefit	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital Gain From Sale (Loss / Write-Down)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Cypress Landing

Project Sponsor
Second Act Communities
Community
Chesapeake, VA

Capital Account Analysis

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Project Investment	1,219,000	0	206,000	0	0	0	0	0	0	0	0	0	0	0	0	0
Dev Advisory Fee	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Exchange	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital Investment	1,219,000	0	206,000	0	0	0	0	0	0	0	0	0	0	0	0	0
Investor's Share of Project Profits	(579,421)	(314,724)	(281,952)	(260,450)	(257,909)	(240,301)	(224,670)	(224,126)	(221,941)	(219,598)	(219,156)	(217,018)	(214,897)	(214,520)	(212,626)	(194,049)
Federal Historic Credit	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Beginning Capital Account Balance	2,250,000	2,899,579	2,574,855	2,490,903	2,236,423	1,981,115	1,740,814	1,516,144	1,292,017	1,070,076	850,478	631,322	414,305	199,408	(15,113)	(227,739)
Annual Change in Capital Account	630,579	(314,724)	(75,952)	(260,480)	(257,309)	(240,301)	(224,670)	(224,126)	(221,941)	(219,598)	(219,156)	(217,018)	(214,897)	(214,520)	(212,626)	(194,049)
Capital Account Balance	2,889,579	2,574,855	2,498,903	2,236,423	1,981,115	1,740,814	1,516,144	1,292,017	1,070,076	850,478	631,322	414,305	199,408	(15,113)	(227,739)	(421,788)

Minimum Gain Analysis

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Project Basis	0	9,355,977	8,920,198	8,514,667	8,128,421	7,805,605	7,434,927	7,077,465	6,785,582	6,406,359	6,047,177	5,732,005	5,371,161	5,010,276	4,695,324	4,330,783
4% Credit Basis	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9% Credit Basis	9,983,468	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Land	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Depreciable Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital Expenditures	0	0	0	0	62,579	0	0	47,299	0	0	45,743	0	0	45,549	0	0
Total Depreciation	627,461	435,779	405,531	385,246	385,396	370,678	357,462	359,182	359,223	359,182	360,885	360,844	360,885	362,501	362,541	360,527
Ending Project Basis Balance	9,355,977	8,920,198	8,514,667	8,128,421	7,805,605	7,434,927	7,077,465	6,785,582	6,406,359	6,047,177	5,732,005	5,371,161	5,010,276	4,693,324	4,330,783	3,980,256

Nonrecourse Debt

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Hard Debt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
VHDA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SAC Loan (DHCD Sources)	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000
SAC Loan (FHLM)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SAC Sponsor Loan (Chesapeake HOME)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SAC Sponsor Loan (Home Depot)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
SAC Sponsor Loan (Hampton Roads CF)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Developer Fee	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Nonrecourse Debt	4,194,050	4,118,795	4,042,783	3,966,008	3,888,462	3,810,137	3,731,025	3,651,118	3,570,408	3,488,888	3,406,549	3,323,382	3,239,380	3,154,534	3,069,836	2,982,277

Pledged Reserves

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Operating Reserve	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Replacement Reserve	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Pledged Reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Nonrecourse Debt	4,194,050	4,118,795	4,042,783	3,966,008	3,888,462	3,810,137	3,731,025	3,651,118	3,570,408	3,488,888	3,406,549	3,323,382	3,239,380	3,154,534	3,069,836	2,982,277
Ending Project Basis Balance	9,355,977	8,920,198	8,514,667	8,128,421	7,805,605	7,434,927	7,077,465	6,785,582	6,406,359	6,047,177	5,732,005	5,371,161	5,010,276	4,693,324	4,330,783	3,980,256
Total Pledged Reserves	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Minimum Gain	(5,161,927)	(4,801,403)	(4,471,884)	(4,152,413)	(3,917,402)	(3,624,790)	(3,346,440)	(3,114,463)	(2,835,951)	(2,556,289)	(2,325,457)	(2,047,779)	(1,770,896)	(1,538,790)	(1,261,947)	(997,980)

Cypress Landing

Project Sponsor
Second Act Communities
Community
Chesapeake, VA

Capital Account Reconciliation

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Assets																	
Ending Operating Reserve Balance	207,030	208,065	209,105	210,151	211,202	212,258	213,319	214,386	215,458	216,535	217,618	218,706	219,799	220,898	222,003	223,113	223,754
Ending Replacement Reserve Balance	23,854	38,991	54,224	69,532	82,182	97,330	112,984	129,147	145,820	163,005	180,704	198,920	217,654	236,908	256,682	276,976	297,790
Project Costs	10,474,394	10,474,394	10,474,394	10,474,394	10,474,394	10,474,394	10,474,394	10,474,394	10,474,394	10,474,394	10,474,394	10,474,394	10,474,394	10,474,394	10,474,394	10,474,394	10,474,394
Development Advisory Fee	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Accumulated Capital Expenditures	216,000	216,000	216,000	216,000	216,000	216,000	216,000	216,000	216,000	216,000	216,000	216,000	216,000	216,000	216,000	216,000	216,000
Less: Initial Reserves	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000	35,000
Less: Capitalized Expenses	637,491	1,063,270	1,468,801	1,855,047	2,240,442	2,611,120	2,968,582	3,327,764	3,686,987	4,046,169	4,407,054	4,767,898	5,128,783	5,494,284	5,853,825	6,204,352	6,544,560
Less: Accumulated Depreciation	4,379	9,574	14,569	19,564	24,559	29,554	34,546	39,544	44,539	49,534	54,529	59,525	64,520	69,515	74,510	79,506	74,926
Less: Accumulated Amortization	9,822,189	9,397,606	9,003,353	8,628,467	8,254,355	7,894,987	7,546,725	7,200,786	6,852,780	6,504,896	6,155,276	5,805,663	5,456,091	5,104,871	4,753,578	4,418,960	4,094,569
Total Assets																	
Liabilities - Year End Balances																	
Hard Debt																	
VHDA	2,544,050	2,468,795	2,392,783	2,316,008	2,238,462	2,160,137	2,081,025	2,001,118	1,920,408	1,838,888	1,756,549	1,673,382	1,589,380	1,504,534	1,418,836	1,332,277	1,244,848
SAC Loan (DHCD Sources)	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000	1,650,000
Soft Debt																	
SAC Sponsor Loan (HUB)	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
SAC Sponsor Loan (Chesapeake HOME)	554,294	554,294	554,294	554,294	554,294	554,294	554,294	554,294	554,294	554,294	554,294	554,294	554,294	554,294	554,294	554,294	554,294
SAC Sponsor Loan (Home Depot)	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000	400,000
SAC Sponsor Loan (Hampton Roads CF)	250,000	250,000	250,000	219,784	180,554	139,735	97,368	53,465	8,162	0	0	0	0	0	0	0	0
Deferred Developer Fee	78,224	43,652	7,390	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Debt	5,976,568	5,866,741	5,754,468	5,640,087	5,523,310	5,404,166	5,282,687	5,158,907	5,032,865	4,904,600	4,774,158	4,641,585	4,506,931	4,370,253	4,231,608	4,091,057	3,948,196
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Liabilities	5,976,568	5,866,741	5,754,468	5,640,087	5,523,310	5,404,166	5,282,687	5,158,907	5,032,865	4,904,600	4,774,158	4,641,585	4,506,931	4,370,253	4,231,608	4,091,057	3,948,196
Equity																	
GP Interest	4,425,000	4,425,000	4,425,000	4,425,000	4,425,000	4,425,000	4,425,000	4,425,000	4,425,000	4,425,000	4,425,000	4,425,000	4,425,000	4,425,000	4,425,000	4,425,000	4,425,000
LHIC Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
State HTC Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Federal HTC Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Credit Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Grant 1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Grant 2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Grant 3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Construction Period CF	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MM Contribution	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Other Equity 2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Equity Sources	4,425,100	4,425,100	4,425,100	4,425,100	4,425,100	4,425,100	4,425,100	4,425,100	4,425,100	4,425,100	4,425,100	4,425,100	4,425,100	4,425,100	4,425,100	4,425,100	4,425,100
ADV Fee	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Bridge Interest During Construction	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cumulative Pre-Tax Earnings	(579,479)	(894,235)	(1,176,215)	(1,436,720)	(1,694,055)	(1,934,379)	(2,159,072)	(2,338,221)	(2,605,185)	(2,824,804)	(3,043,982)	(3,261,021)	(3,475,940)	(3,690,482)	(3,903,129)	(4,097,198)	(4,278,727)
Other Equity	9,822,189	9,397,606	9,003,353	8,628,467	8,254,355	7,894,987	7,546,725	7,200,786	6,852,780	6,504,896	6,155,276	5,805,663	5,456,091	5,104,871	4,753,578	4,418,960	4,094,569
Total Assets	9,822,189	9,397,606	9,003,353	8,628,467	8,254,355	7,894,987	7,546,725	7,200,786	6,852,780	6,504,896	6,155,276	5,805,663	5,456,091	5,104,871	4,753,578	4,418,960	4,094,569
Total Liabilities and Equity	9,822,189	9,397,606	9,003,353	8,628,467	8,254,355	7,894,987	7,546,725	7,200,786	6,852,780	6,504,896	6,155,276	5,805,663	5,456,091	5,104,871	4,753,578	4,418,960	4,094,569
Variance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Cypress Landing

Project Sponsor
 Second Act Communities
 Community
 Chesapeake, VA

Sale Analysis

Exit Tax Liability		
Exit Year	2033	
Outstanding Debt		
Hard Debt		
VHDA	1,418,836	
SAC Loan (DHCD Sources)	1,650,000	
-	0	
-	0	
Soft Debt		
SAC Sponsor Loan (FHILB)	500,000	
SAC Sponsor Loan (Chesapeake HOME)	554,294	
SAC Sponsor Loan (Home Depot)	108,478	
SAC Sponsor Loan (Hampton Roads CF)	0	
Deferred Developer Fee	0	
-	0	
Total Debt	4,231,608	
Other	0	
Total Liabilities	4,231,608	
Construction Period Cash Flow	0	
GP Capital Account	0	
Exit Tax Liability	0	
Cash On Hand		
Ending Operating Reserve Balance	222,003	
Ending Replacement Reserve Balance	35,376	
Total Cash on Hand	257,379	
Gross Sales Proceeds	3,974,329	

Total Development Costs	10,474,394
Accumulated Capital Expenditures	201,140
Historic Credit	-
Total Depreciation	5,853,825
Total Amortization	74,510
Capitalized Expense Items	35,000
Initial Replacement Reserve	10,000
Initial Lease Up Reserve	0
Initial Operating Reserve	206,000
Remaining Basis	4,496,199
Capital Gain From Sale (Loss / Write-Down)	(521,871)
Tax on Gain	(182,655)
<i>Tax Rate Assumption</i>	35.00%
Net Benefit (Liability) on Sale	0
Unallocated Cash on Hand	0
Payment for Exit Tax Liability	(182,655)
Tax on Gain	182,655
Potential Net Benefit	182,655

Capital Account Check	
Original Capital Contributions	4,425,000
Exchange	0
Cumulative Pre-Tax Earnings	(3,902,739)
Federal Historic Credit to Investor	0
Cash Distribution of Incentive Fee	0
Cash Distribution at Sale (Exit Tax)	0
Unamortized Bridge Interest	0
Estimated Reserves Expended During Operation	0
Development Financing (Surplus) Deficit	0
Other Member Profits	390
Other Member Capital	(750,000)
Capital Account Balance	(228,129)
Gain/(Loss) On Sale (from above)	(521,871)
Variance	(750,000)

EXHIBIT I
TO OPERATING AGREEMENT
INSURANCE REQUIREMENTS

I. Immediately upon, or prior to, the admission of the Investor Member, and throughout the term of this Agreement, Managing Member shall obtain, and maintain in full force and effect, the following policies of insurance:

- Commercial General Liability insurance, insuring for legal liability of the Company, and caused by bodily injury, property damage, personal injury or advertising injury, arising out of the ownership or management of the Project and including the costs to defend such actions brought against the Company. The policy shall include endorsements adding the Investor Member and Special Member as additional insureds and certificate holders, and shall be primary coverage for the additional insureds and certificate holders, without contribution from other valid insurance policies which may be carried directly by the additional insureds and certificate holders. The policy shall also include a Notice of Cancellation endorsement. Limits of the policy shall be at least \$1 million per occurrence and \$2 million in the aggregate. The Investor Member prefers to have a separate policy for each project however, if the policy is written on a blanket basis, and includes other properties, the aggregate limits must be written on a “per project basis.” After construction, Commercial General Liability shall include products and completed operations insurance. The policy may not contain exclusions for loss or damage caused by mold, fungus, moisture, microbial contamination or pathogenic organisms in connection with another covered peril (e.g. mold in connection with water damage caused by storm or fire, unless the Investor Member determines that such insurance is unavailable and that the potential risk for loss or damage is minimal. The following coverages are required as endorsements to the policy:
 - Automobile Liability insurance, insuring for legal liability of the Company, and caused by bodily injury, property damage, or personal injury arising out of the ownership or use of motor vehicles, including vehicles not owned by the Company, including uninsured motorist liability, and including the costs to defend such actions brought against the Company. The policy shall include endorsements adding the Investor Member and Special Member as additional insureds, and shall be primary coverage for the additional insureds, without contribution from other valid insurance policies which may be carried directly by the additional insureds. Limits of the policy shall be at least \$1 million combined single limits per accident.
 - In the event that the Company has an employee(s), Worker’s Compensation insurance, insuring for occupational disease or injury and

employer's liability, and covering the Company's full liability for statutory compensation to any person or persons who perform work for the Company or perform duties on the site of the Project, and liability to the dependents of such persons. The policy will be in a form which complies with the worker's compensation acts and safety laws of the state in which the Project is located. Worker's Compensation limits shall be statutory; Employer's Liability limits shall be at least \$1 million per occurrence.

II. Prior to the commencement of any construction of the Project, Managing Member shall obtain and keep in force until the Final Closing:

- Builder's Risk insurance, insuring for all risks of physical loss of or damage (excluding the perils of earthquake and flood, unless specifically required by the Investor Member or Special Member to the real property comprising or intended to comprise the Project construction, and personal property of the Company used to maintain or service the Project construction, whether located at the site or elsewhere, including while in-transit. Coverage and limits shall be extended to include the loss of anticipated rents sustained due to an insured loss, for a period of at least twelve months from the date of such loss. The Policy shall provide for claims to be paid based upon replacement cost of the lost or damaged property without deduction for depreciation and for any additional architectural or engineering fees incurred as a result of an insured loss and any other soft costs (see attached worksheet); loss payment shall be to the Company. Limits of policy will be at least the estimated replacement value of the completed Project. The policy shall have a deductible of no greater than \$10,000 per occurrence. The Investor Member will consider higher deductibles based on the financial standing of the Guarantor. The policy shall carry no coinsurance provisions. The policy shall include an endorsement naming the Investor Member and Special Member as Loss Payees and Certificate Holders, as their interests may appear, and as additional insureds, and shall allow the Investor Member and Special Member to be associated in the adjustment of any claim. The policy shall also include a Notice of Cancellation endorsement.
- Other forms or types of insurance which the Investor Member or Special Member may now or hereafter require, including without limitation, earthquake, flood, windstorm, pollution, sinkhole/mine subsidence, ordinance and law coverage and other special hazards.

III. Prior to the commencement of any construction of the Project, Managing Member shall cause to be obtained by the General Contractor and keep in force until the Final Closing:

- Evidence from the Contractor of Worker's Compensation insurance, insuring for occupational disease or injury and employer's liability, and covering the Contractor's full liability for statutory compensation to any person or persons who perform work in, on, or

about the Project construction, including the employees of sub-contractors of any tier, and liability to the dependents of such persons. The policy will be in a form which complies with the worker's compensation acts and safety laws of the state in which the Project is located. Worker's Compensation limits shall be statutory; Employer's Liability Limits shall be at least \$1 million per occurrence.

- Comprehensive General Liability and Property Damage Insurance (including limited contractual liability and completed operations) in the amount of not less than \$1 million per occurrence and \$2 million in the aggregate covering personal injury, bodily injury and property damage, and covering products and completed operations for a minimum of three years following completion of construction. The policy shall include an endorsement naming the Company, Investor Member, and Special Member as additional insureds and certificate holders, and shall also include a Notice of Cancellation endorsement..
- Comprehensive Automobile Liability Insurance, including hired and non-owned vehicles, if any, in the amount of not less than \$1 million covering personal injury, bodily injury and property damage.

IV. Managing Member shall cause to be provided by the architect for the renovation/construction of the Project, and keep in force until Final Closing:

- Architect's professional liability insurance in the amount of not less than \$1 million (including contractual liability coverage with all coverage retroactive to the earlier of the date of this Agreement or the commencement of the Architects' services in relation to the Project) covering personal injury, bodily injury and property damages. The policy shall include an endorsement naming the Company, Investor Member, and Special Member as Certificate Holders, and shall also include a Notice of Cancellation endorsement.
- Comprehensive General Liability Insurance (including limited contractual liability and completed operations) in the amount of not less than \$1 million covering personal injury, bodily injury and property damage. The policy shall include an endorsement naming the Company, Investor Member, and Special Member as additional insureds and Certificate Holders, and shall also include a Notice of Cancellation endorsement.

V. Management Agent shall furnish and maintain, at the expense of the Property, for the duration of the Agreement and any extensions thereof, plus thirty (30) days after the expiration or termination thereof:

- Commercial blanket bond in favor of Company, in an amount not less than the sum of (a) six (6) months, potential maximum gross rents for the Property plus (b) aggregate tenant security deposits held from time to time, both in amounts as determined by Company, and in a form and with a company acceptable to Company, which commercial blanket

bond shall cover Agent and all employees hired by Agent in connection with the Agreement. Such fidelity bond shall cover losses discovered by Company within two (2) years after the occurrence of such losses. Such fidelity bond shall contain a written provision that Company shall be given at least ten (10) days, prior written notice of cancellation.

- Statutory workers compensation and other employee benefits required by all applicable laws, and shall maintain employer's liability insurance for an amount not less than \$1 million covering claims and suits by or on behalf of employees and others, not otherwise covered by statutory workers' compensation insurance. Company, Investor Member, and Special Member shall be protected in all such insurance by specific inclusion of Company under an additional insured or alternate employer rider. Agent shall provide Company with a certificate of insurance evidencing that workers, compensation and employer's liability insurance is in force and providing not less than ten (10) days' notice to Company prior to cancellation.
- Comprehensive General Liability Insurance in the amount of not less than one million dollars (\$1,000,000.00) covering personal injury, bodily injury and property damage.

In some cases the Property Manager may also be asked to furnish and maintain, at the expense of the Property, for the duration of the Agreement and any extensions thereof, plus thirty (30) days after the expiration or termination thereof:

- Comprehensive Automobile Liability Insurance, including hired and non-owned vehicles, if any, in the amount of not less than \$1 million covering personal injury, bodily injury and property damage.

VI. Prior to any occupancy of the Project, Managing Member shall obtain, on behalf of the Company and shall maintain in full force and effect throughout the term of this Agreement, the following policies of insurance:

- Property Damage insurance, insuring for all risks of physical loss of or damage (excluding the perils of earthquake and flood, unless specifically required by the Investor Member to the real property comprising the Project, personal property of the Company used to maintain or service the Project, and new construction, additions, alterations and repairs to structures. The Policy shall provide for claims to be paid based upon replacement cost of the lost or damaged property without deduction for depreciation; loss payment shall be to the Company. Limits of policy will be at least the replacement value of the Project (excluding from the value of the Project, site utilities, foundations and architectural and engineering expenses). The policy shall have a deductible of no greater than \$10,000 per occurrence. The Investor Member will consider higher deductibles based on the financial standing of the Guarantor. The policy shall carry no coinsurance provisions. Coverage and limits shall be extended to include the actual loss of rents

sustained due to an insured loss, for a period of at least twelve months from the date of such loss. Coverage shall be further extended to include debris removal, outdoor trees, shrubs, plants and lawns, and Ordinance or Law coverage for the increased costs of construction caused by the enforcement of building, zoning or Project use law. The policy shall include an endorsement naming the Investor Member and Special Member as Loss Payees and Certificate Holders, as their interests may appear, and as additional insureds, and shall allow the Investor Member and Special Member to be associated in the adjustment of any claim. The policy shall also include a Notice of Cancellation endorsement.

VII. In cases where the Company contracts directly with any contractor (other than as described in III), the Managing Member shall obtain, on behalf of the Company and shall maintain in full force and effect throughout the term of this Agreement, the following policies of insurance:

- Evidence of Worker's Compensation insurance from any contractor performing work for the Company, insuring for occupational disease or injury and employer's liability, and covering the Contractor's full liability for statutory compensation to any person or persons who perform work in, on, or about the Project, including the employees of sub-contractors of any tier, and liability to the dependents of such persons. The policy will be in a form which complies with the worker's compensation acts and safety laws of the state in which the Project is located. Worker's Compensation limits shall be statutory; Employer's Liability limits shall be at least \$1 million per occurrence.
- If applicable, boiler and machinery insurance written on a comprehensive form basis.
- [Rental Interruption insurance in amounts required by all lenders, but not less than the equivalent of actual loss sustained or twelve months' gross rental income].

All such policies (in I-VII) shall be underwritten by companies licensed to write such insurance in the state in which the Project is located, and shall be rated in the latest A.M. Best's Insurance Rating Guide with a rating of at least A, and be in a financial category of at least X. Each policy must be for a term of not less than one year. The Managing Member shall furnish to the Investor Member and Special Member a complete copy of each such policy of insurance. If the policy is not available prior to the Final Closing, then certificates of insurance detailing the policy terms and conditions as noted above shall be provided, but the policies must then be provided within sixty days. All such policies shall include endorsements requiring at least 30 days prior written notice to the Investor Member and Special Member of any cancellation, termination or reduction of coverage therein. Notice of the renewal of any policy shall be made at least 10 days prior to the scheduled date of such renewal, and shall be in the form of endorsement to the policy. Notice to the Investor Member and Special Member of any replacement of any policy shall be

made at least 10 days prior to such replacement, and shall be in the form of a copy of the replacement policy, or by certificate, as noted above.

The Managing Member hereby releases and relieves the Investor Member and Special Member for any and all liability, and waives its entire right of recovery against them, with respect to any loss or damage of property or for property damage, bodily injury or personal injury to third-parties arising out of or incident to any loss or peril insured against under any for the foregoing policies, and any other perils for which the Managing Member has arranged insurance.

ATTACHMENT

Builder's Risk Construction Period Insurance Coverage

Hard Costs

Building Shell	\$
Direct Construction Costs	\$
TOTAL	\$

Soft Costs

Construction Period Interest	\$
Taxes	\$
Insurance	\$
A&E	\$
Developer's Fees	\$
Financing Fees	\$
Lease Up	\$
Marketing	\$
Rent Loss	\$
Historic Credits	\$
TOTAL	\$

TOTAL \$ [builder's risk coverage amount]

EXHIBIT J

FORM OF AGREEMENT TO PROVIDE ACCOUNTING AND REPORTING SERVICES

THIS AGREEMENT TO PROVIDE ACCOUNTING AND REPORTING SERVICES (“Agreement”) made as of December 15, 2017 by and between Cypress Landing, LLC, a Virginia limited liability company (the “Company”) and Virginia Housing Capital Corporation (“VHCC”).

RECITALS

1. The Company was formed to acquire, construct, develop, improve, maintain, own, operate, lease, dispose of and otherwise deal with an apartment project to be known as Cypress Landing Apartments, located in Chesapeake, Virginia (the “Project”).

2. The Company is governed by the terms of that certain Amended and Restated Operating Agreement dated December 15, 2017 (“Operating Agreement”) by, among others, Chesapeake Vets’ Housing, Inc. as Managing Member and Housing Equity Fund of Virginia XXI, L.L.C. as Investor Member.

3. The Project, following the completion of construction, is expected to constitute a “qualified low-income housing project” (as defined in Section 42(g)(1) of the Code).

4. The Company desires to engage the services of VHCC in connection with certain accounting and reporting matters of the Company, and VHCC desires to perform such services on the terms and conditions more fully set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and conditions set forth herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

Section 1. Definitions.

Unless indicated to the contrary herein, capitalized terms used herein shall have the same meaning as set forth in the Operating Agreement.

Section 2. Reports.

(a) Within 120 days after the end of each fiscal year of the Company, VHCC shall cause to be delivered to the Members with respect to such fiscal year the following financial statements:

(i) Audited financial statements for the Company (consisting of a balance sheet, income statement and statement of cash flows) prepared in accordance with generally accepted accounting principles, consistently applied;

(ii) A statement and reconciliation of each Member's Capital Account;

(iii) A statement of the tax basis for the computation of the Tax Credits and depreciation deductions;

(iv) A cash flow statement for such year, which includes a detailed itemization of all Company receipts and expenses, including the amount of fees, expenses and other compensation paid by the Company to the Managing Member and its Affiliates; and

(v) A narrative report summarizing the status of the Company's operations.

(b) Within 45 days after the end of each fiscal year of the Company, VHCC shall deliver or cause to be delivered to the Members with respect to such fiscal year a statement showing all items of income, gain, loss, deduction and credit of the Company for federal income tax purposes and each Member's allocable share thereof. The Members shall have a period of 10 days after their receipt of the aforementioned tax statement to review the same and give any comments thereon to VHCC; it being the express understanding of the parties hereto that VHCC will in no event file or cause any tax returns or reports of the Company to be filed prior to the expiration of the aforementioned 10-day period. After the expiration of the aforementioned 10-day period (and any longer period of time which shall be necessary to respond to the changes thereto requested by a Member), but in no event later than the date prescribed by law therefor, VHCC shall cause all tax returns and reports required to be filed by the Company to be prepared and timely filed with the appropriate authorities and shall furnish to the Members such tax returns and reports, and all information necessary for the preparation by the Members, and their partners, members, and shareholders, of their federal, state and local, if any, income tax returns. The Managing Member shall retain such tax returns and reports for the Company for as long as is required by applicable law, but not less than five years.

(c) The obligations of VHCC hereunder are conditioned upon the Managing Member promptly providing to VHCC any information concerning Company affairs related to, or required for, the performance of such obligations.

Section 3. Accounting Services Fee

As a fee for its services performed hereunder, VHCC shall be paid a fee equal to \$7,250 for each calendar year (or portion thereof), increasing annually at the rate of three percent (3%) per annum.

Section 4. Applicable Law.

This Agreement, and the application or interpretation hereof, shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

Section 5. Binding Agreement.

This Agreement shall be binding on the parties hereto, their heirs, executors, personal representatives, successors and assigns. As long as VHCC is not in default under this Agreement, the obligation of the Company to pay the Accounting Services Fee (described in Section 3 hereof) shall not be affected by any change in the identity of the Managing Member of the Company.

Section 6. Headings.

All section headings in this Agreement are for convenience of reference only and are not intended to qualify the meaning of any section.

Section 7. Terminology.

All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders, the singular shall include the plural, and vice versa as the context may require.

Section 8. Benefit of Agreement.

The obligations and undertakings of VHCC set forth in this Agreement are made for the benefit of the Company and its Members and shall not inure to the benefit of any creditor of the Company other than a Member, notwithstanding any pledge or assignment by the Company of this Agreement of any rights hereunder.

Section 9. Termination.

VHCC shall have the right to terminate this Agreement upon providing ninety (90) days written notice to the Company, at the following address: 2400 Potters Rd., Virginia Beach, Virginia 23454, Attention: Jessica Guglielmo.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed as of the date first written above.

COMPANY:

CYPRESS LANDING, LLC, a Virginia limited liability company

By: CHESAPEAKE VETS' HOUSING, INC., a Virginia corporation, Managing Member

By: 
Jessica Guglielmo, President

VHCC:

Virginia Housing Capital Corporation, a Virginia not-for-profit corporation


By: 
Arild O. Trent, Vice President

EXHIBIT K

POST CLOSING OBLIGATIONS

December 15, 2017

Cypress Landing, LLC
2400 Potters Rd.
Virginia Beach, Virginia 23454
Attention: Jessica Guglielmo

Re: Due Diligence Post-Closing Letter for
Cypress Landing, LLC (the "Company")

Dear Jessica:

As a condition to the equity closing of the Amended and Restated Operating Agreement of Cypress Landing, LLC (the "Operating Agreement") with Housing Equity Fund of Virginia XXI, L.L.C. ("Investor Member"), Chesapeake Vets' Housing, Inc. (the "Managing Member" has agreed, on behalf of itself and the Company, to sign this post-closing letter which details certain due diligence items which were to have been delivered prior to closing, but which will now be delivered to Investor Member by the Managing Member at a later date. Investor Member has agreed to the later delivery of these items as an accommodation to the Managing Member in order to expedite the closing. The delivery of these items is a condition to the funding by Investor Member of any additional capital contributions by it under the Operating Agreement.

To that end, the Managing Member agrees to deliver (in form and substance reasonably satisfactory to Investor Member), the items set forth on the attached list, by the date indicated.


The Managing Member understands that its execution of this Post-Closing Letter was a material inducement to the Investor Member to enter into the Operating Agreement. The Managing Member also understands and agrees to cooperate with Investor Member in connection with any reasonable additional information requests that any investor of Investor Member may have in connection with this Project. If the above listed items are not delivered as required and Investor Member provides Managing Member written notice of same, and Managing Member fails to materially cure such default within ten (10) days of receipt of such notice, Investor Member may elect, at its sole option, by written notice to you, to declare a default under the Operating Agreement, or at its election, provide notice that it desires to terminate the Company, and the Managing Member agrees to immediately take such action as may be necessary to either terminate the Company or repurchase the interest of Investor Member, as provided in the Operating Agreement.

Except as expressly provided herein, the terms and conditions set forth in the Operating Agreement shall remain in full force and effect. All defined terms used herein, shall have the meaning set forth in the Operating Agreement.

Very truly yours,

HOUSING EQUITY FUND OF VIRGINIA XXI,
L.L.C., a Virginia limited liability company

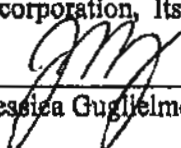
By: Virginia Housing Capital Corporation, its
managing member

By: 
Arild O. Trent, Vice President

Agreed to as of the day written above:

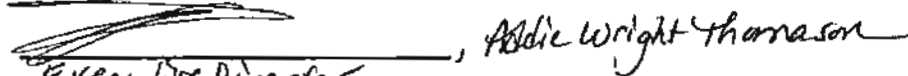
COMPANY:
CYPRESS LANDING, LLC,
a Virginia limited liability company

By: CHESAPEAKE VETS' HOUSING, INC.,
a Virginia corporation, Its Managing Member

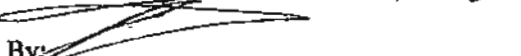
By: 
Jessica Guglielmo, President

The undersigned Affiliate Guarantor acknowledges the foregoing Post Closing requirements as of the day written above.

AFFILIATE GUARANTOR:
VIRGINIA BEACH COMMUNITY DEVELOPMENT
CORPORATION, a Virginia non stock corporation

By: , Addie Wright Thomason
Its: Executive Director

~~SECOND ACT COMMUNITIES~~, a Virginia nonstock corporation

By: 
Addie Wright Thomason
President/CEO

POST-CLOSING LIST

As of December 15, 2017

To be provided and approved by VCDC as specifically provided below:

	Item	Due Date
1.	Copies or originals, as the case may be, and fully executed where indicated, of the following Closing Items, if not previously delivered, amended operating agreement, exhibits, opinion letter, tax certification letter.	Five business days after the payment of the full first Capital Contribution
2.	Final Owner's Title Policy, including copies of all documents recorded as of the closing date	Five business days after the payment of the full first Capital Contribution
3.	Evidence that Managing Member has made a 168(h) election	Upon the timely filing of its first tax return, expected in April, 2018
4.	Fully executed property management agreement.	At or before payment of the full first Capital Contribution

EXHIBIT L

RIGHT OF FIRST REFUSAL AGREEMENT
PURCHASE OPTION AND RIGHT OF FIRST REFUSAL AGREEMENT

[attach recorded version]

VIRGINIA LAND RECORD COVER SHEET
FORM A - COVER SHEET CONTENT

Instrument Date: 10/24/2017
Instrument Type: RFR
Number of Parcels: 1 Number of Pages: 13
 City [] County

CHESAPEAKE

TAX EXEMPT? VIRGINIA/FEDERAL LAW
[] Grantor:
[] Grantee:
Consideration: \$0.00
Existing Debt: \$0.00
Actual Value/Assumed: \$0.00

PRIOR INSTRUMENT UNDER § 58.1-803(D):

Original Principal: \$0.00
Fair Market Value Increase: \$0.00

Original Book Number: Original Page Number: Original Instrument Number:

Prior Recording At: City [] County

CHESAPEAKE

Percentage In This Jurisdiction: 100%

BUSINESS / NAME

- 1 Grantor: CYPRESS LANDING, LLC, A VIRGINIA LIMITED LIABILITY COMPANY
- 2 Grantor: SECOND ACT COMMUNITIES, A VIRGINIA NONSTOCK CORPORATION
- 1 Grantee: CYPRESS LANDING, LLC, A VIRGINIA LIMITED LIABILITY COMPANY
- 2 Grantee: SECOND ACT COMMUNITIES, A VIRGINIA NONSTOCK CORPORATION

GRANTEE ADDRESS

Name: CYPRESS LANDING, LLC, A VIRGINIA LIMITED LIABILITY COMPANY

Address: 2400 POTTERS ROAD

City: VIRGINIA BEACH State: VA Zip Code: 23454

Book Number: 9618 Page Number: 469 Instrument Number:

Parcel Identification Number (PIN): 0360000003900 Tax Map Number: 0360000003900

Short Property Description: PARCEL A
6.358 ACRES

Current Property Address: 40 NELLS RIDGE BOULEVARD

City: CHESAPEAKE State: VA Zip Code: 23320

Instrument Prepared By: DIANE K. CORBETT OUTSIDE Recording Paid By: KANADY & QUINN, P.C.

Recording Returned To: KATHRYN RICE

Address: STEWART LAND TITLE SERVICES 1802 BAYBERRY COURT SUITE 305

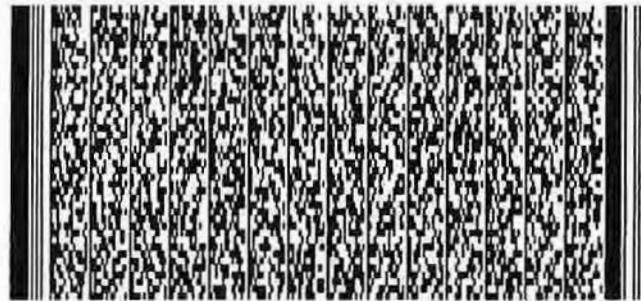
City: RICHMOND State: VA Zip Code: 23226

RECORDED IN
CITY OF CHESAPEAKE, VA
CAROL C. MAYO
CLERK OF CIRCUIT COURT
FILED Nov 03, 2017
AT 03:08 pm
BOOK 09852
START PAGE 0521
END PAGE 0535
INSTRUMENT # 30659

GJB

(Area Above Reserved For Deed Stamp Only)

RECEIVED
FOR RECORDING ONLY
2017 NOV -3 AM 11:23
CHESAPEAKE CIRCUIT COURT



RECEIVED
FOR RECORDING ONLY
2017 OCT 30 AM 11:03
CHESAPEAKE CIRCUIT COURT

**VIRGINIA LAND RECORD COVER SHEET
FORM B - ADDITIONAL GRANTORS/GRANTEES**

Instrument Date: 10/24/2017

Instrument Type: RFR

Number of Parcels: 1 Number of Pages: 13

City [] County
CHESAPEAKE

GRANTOR BUSINESS / NAME

(Area Above Reserved For Deed Stamp Only)

- 3 Grantor: CHESAPEAKE VETS' HOUSING, INC., A VIRGINIA CORPORATION
- 4 Grantor: HOUSING EQUITY OF VIRGINIA XXI, L.L.C., A VIRGINIA LIMITED LIABILITY COMPANY
- [] Grantor:
- [] Grantor:
- [] Grantor:
- [] Grantor:
- [] Grantor:
- [] Grantor:

GRANTEE BUSINESS / NAME

- 3 Grantee: CHESAPEAKE VETS' HOUSING, INC., A VIRGINIA CORPORATION
- 4 Grantee: HOUSING EQUITY FUND OF VIRGINIA, XXI, L.L.C., A VIRGINIA LIMITED LIABILITY COMPAN
- [] Grantee:
- [] Grantee:
- [] Grantee:
- [] Grantee:
- [] Grantee:
- [] Grantee:



This document prepared outside the Commonwealth of Virginia by:

Diane K. Corbett, Attorney
Applegate & Thorne-Thomsen, P.C.
440 LaSalle Street, Suite 1900
Chicago, IL. 60605

GPIN#: 036 000 000 3900
Consideration: - 0-

When recorded, return to:
Kanady & Quinn, P.C.
16945 General Puller Highway
Deltaville, VA 23043

RIGHT OF FIRST REFUSAL AGREEMENT
PURCHASE OPTION AND RIGHT OF FIRST REFUSAL AGREEMENT

This Purchase Option and Right of First Refusal Agreement ("Purchase Agreement") is made as of the 24th day of October, 2017, by and between **CYPRESS LANDING, LLC**, a Virginia limited liability company (the "Company"), **SECOND ACT COMMUNITIES**, a Virginia nonstock corporation ("Grantee"), and **CHESAPEAKE VETS' HOUSING, INC.**, a Virginia corporation (the "Managing Member"), and is consented to hereinbelow by **HOUSING EQUITY OF VIRGINIA XXI, L.L.C.**, a Virginia limited liability company (the "Consenting Investor Member").

Whereas, the Managing Member and one or more other parties, concurrently with the execution and delivery of this Purchase Agreement, are entering into a certain Amended and Restated Operating Agreement dated as of the date hereof (the "Agreement") continuing the Company by amending and restating a prior Operating Agreement; and

Whereas, the Managing Member is wholly owned and controlled by Grantee; and

Whereas, Grantee has been instrumental in the development of the Project Property, as described in the Agreement, and will act as guarantor of the obligations of the Managing Member in the continuation of the Company for the further development of the Project Property; and

Whereas, the Project Property is or will be subject to one or more governmental agency regulatory agreements (collectively, the "Regulatory Agreement") restricting its use to low-income housing and may become subject to a low-income use restriction (the "Special Covenant") pursuant to the terms and conditions of this Agreement (such use restrictions under the Regulatory Agreement and any Special Covenant being referred to collectively herein as the "Use Restrictions"); and

Whereas, Grantee and the Managing Member desire to provide for the continuation of the Project Property as low-income housing upon termination of the Company by Grantee purchasing the Project Property at the applicable price determined under this Purchase Agreement and operating the Project Property in accordance with the Use Restrictions; and

Whereas, as a condition precedent to the formation or continuation of the Company pursuant to the Agreement, Grantee and the Managing Member have negotiated and required that the Company shall execute and deliver this Purchase Agreement in order to provide for such low-income housing, and the Consenting Investor Member has consented to this Agreement in order to induce the Managing Member to execute and deliver this Purchase Agreement and to induce Grantee to guarantee the Managing Member's obligations thereunder;

Whereas, the Company and Grantee entered into a Purchase Option and Right of First Refusal Agreement dated as of October 8, 2015 regarding the Project Property, (the "2015 Purchase Option") and the parties hereto intend that this Purchase Agreement is an amendment and restatement of such 2015 Purchase Option.

Now, Therefore, in consideration of the execution and delivery of the Agreement and the payment by the Grantee to the Company of Ten and No/100 Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. **Grant of Option**. The Company hereby grants to Grantee an option (the "Option") to purchase the real estate, fixtures, and personal property comprising the Project Property or associated with the physical operation thereof, owned by the Company at the time of purchase (the "Property"), after the close of the fifteen (15) year compliance period for the low-income housing tax credit for the Project Property (the "Compliance Period") as determined under Section 42(i)(1) of the Internal Revenue Code of 1986, as amended (the "Code"), on the terms and conditions set forth in this Purchase Agreement and subject to the conditions precedent to exercise of the Option specified herein. The Project Property real estate is legally described in Exhibit A attached hereto and made a part hereof. The Regulatory Agreement containing the Use Restrictions to which the Project Property real estate will remain subject under Section 9 hereof is described in Exhibit B attached hereto and made a part hereof.

2. **Grant of Refusal Right**. In the event that the Company receives a bona fide offer to purchase the Project Property, which offer the Company intends to accept, Grantee shall have a right of first refusal to purchase the Property (the "Refusal Right") after the close of the Compliance Period, on the terms and conditions set forth in this Agreement and subject to the conditions precedent to exercise of the Refusal Right specified herein. In addition to all other applicable conditions set forth in this Agreement, (a) the foregoing grant of the Refusal Right shall be effective only if Grantee is currently and remains at all times hereafter, until (i) the Refusal Right has been exercised and the resulting purchase and sale has been closed or (ii) the Refusal Right has been assigned to a Permitted Assignee described in Section 10 hereof, whichever first occurs, a qualified nonprofit organization, as defined in Section 42(h) (5) (C) of the Code, and (b) any assignment of the Refusal Right permitted under this Agreement and the Refusal Right so assigned shall be effective only if the assignee is at the time of the assignment and remains at all times thereafter, until the Refusal Right has been exercised and the resulting purchase and sale has been closed, a Permitted Assignee described in Section 10 hereof meeting

the requirements of Section 42(i)(7)(A) of the Code as determined in its judgment by tax counsel to the Consenting Investor Member. Prior to accepting any such bona fide offer to purchase the Property, the Company shall notify Grantee, the Managing Member, and the Consenting Investor Member of such offer and deliver to each of them a copy thereof. The Company shall not accept any such offer unless and until the Refusal Right has expired without exercise by Grantee under Section 6 hereof.

3. **Purchase Price Under Option.** The purchase price for the Property pursuant to the Option shall be the greater of the following amounts, subject to the proviso set forth hereinbelow:

a. **Debt and Taxes.** An amount sufficient (i) to pay all debts (including member loans) and liabilities of the Company upon its termination and liquidation as projected to occur immediately following the sale pursuant to the Option, and (ii) to distribute to the Members, after payments under Section 11.04(a) and (b) of the Agreement and payments to the Investor Member of an amount equal to any LIHTC Reduction Guaranty Payment, Unpaid LIHTC Shortfall or Investor Member Special Additional Capital Contribution, cash proceeds equal to the taxes projected to be imposed on the Members of the Company as a result of the sale pursuant to the Option, all as more fully stated in Sections of the Agreement, which is hereby incorporated herein by reference; or

b. **Fair Market Value.** The fair market value of the Property, appraised as low-income housing to the extent continuation of such use is required under the Use Restrictions, any such appraisal to be made by a licensed appraiser, selected by the Company's regular certified public accountants, who is a member of the Master Appraiser Institute and who has experience in the geographic area in which the Project Property is located;

provided, however, that if prior to exercise of the Option the Internal Revenue Service (the "Service") has issued a revenue ruling or provided a private letter ruling to the Company, the applicability of which ruling shall be determined in its judgment by tax counsel to the Consenting Investor Member, or tax counsel to the Consenting Investor Member has issued an opinion letter concluding that property of the nature and use of the Property may be sold under circumstances described in this Agreement at the greater of the price determined under Section 42(i) (7) of the Code or the price determined under subsection 3a hereinabove without limiting tax credits or deductions that would otherwise be available to the Consenting Investor Member, then the Option price shall be such price.

4. **Purchase Price Under Refusal Right.** The purchase price for the Property pursuant to the Refusal Right shall be equal to the sum of (a) an amount sufficient to pay all debts (including member loans) and liabilities of the Company upon its termination and liquidation as projected to occur immediately following the sale pursuant to the Refusal Right, and (b) an amount sufficient to distribute to the Members, after payments under Section 11.04(a) and (b) of the Agreement and an amount equal to any LIHTC Reduction Guaranty Payment,

Unpaid LIHTC Shortfall or Investor Member Special Additional Capital Contribution, cash proceeds equal to the taxes projected to be imposed on the Members of the Company as a result of the sale pursuant to the Refusal Right, all as more fully stated in Section 11.04 of the Agreement, which is hereby incorporated herein by reference.

5. **Conditions Precedent.** Notwithstanding anything in this Agreement to the contrary, the Option and the Refusal Right granted hereunder shall be contingent on the following:

a. **Managing Member.** The Managing Member shall have remained in good standing as Managing Member of the Company without the occurrence of any event of default under the Agreement; and

c. **Regulatory Agreement.** Either (i) the Regulatory Agreement shall have been entered into and remained in full force and effect, and those Use Restrictions to be contained therein, as heretofore approved in writing by the Consenting Investor Member, shall have remained unmodified without its prior written consent, or (ii) if the Regulatory Agreement is no longer in effect due to reasons other than a default thereunder by the Company, such Use Restrictions, as so approved and unmodified, shall have remained in effect by other means and shall continue in effect by inclusion in the deed as required under Paragraph 10 hereof.

If any or all of such conditions precedent have not been met, the Option and the Refusal Right shall not be exercisable. Upon any of the events terminating the Managing Member as Managing Member of the Company under the Agreement or affecting the Regulatory Agreement as described in this Section 5, the Option and the Refusal Right shall be void and of no further force and effect.

6. **Exercise of Option or Refusal Right.** The Option and the Refusal Right may each be exercised by Grantee by (a) giving prior written notice of its intent to exercise the Option or the Refusal Right to the Company and each of its Members in the manner provided in the Agreement and in compliance with the requirements of this Section 6, and (b) complying with the contract and closing requirements of Section 8 hereof. Any such notice of intent to exercise the Option shall be given during the last twelve (12) months of the Compliance Period. Any such notice of intent to exercise the Refusal Right shall be given within one hundred eighty (180) days after Grantee has received the Company's notice of a bona fide offer pursuant to Section 2 hereof, but in no event later than one hundred eighty (180) days immediately following the end of the Compliance Period, notwithstanding any subsequent receipt by the Company of any such offer. In either case, the notice of intent shall specify a closing date within one hundred eighty (180) days immediately following the end of the Compliance Period. If the foregoing requirements (including those of Section 9 hereof) are not met as and when provided herein, the Option or the Refusal Right, or both, as applicable, shall expire and be of no further force or effect. Upon notice by Grantee of its intent to exercise the Option or the Refusal Right, all rights under the other shall be subordinate to the rights then being so exercised unless and until such

exercise is withdrawn or discontinued, and upon the closing of any sale of the Property pursuant to such notice shall expire and be of no further force or effect, provided that in the event that the Option and the Refusal Right are hereafter held by different parties by reason of any permitted assignment or otherwise, Grantee in its assignment(s) or such parties by written agreement may specify any other order of priority consistent with the other terms and conditions of this Agreement.

7. **Determination of Price.** Upon notice by Grantee of its intent to exercise the Option or the Refusal Right, the Company and Grantee shall exercise best efforts in good faith to agree on the purchase price for the Property. Any such agreement shall be subject to the prior written consent of the Consenting Investor Member, which shall not be withheld as to any purchase price determined properly in accordance with this Agreement.

8. **Contract and Closing.** Upon determination of the purchase price, the Company and Grantee shall enter into a written contract for the purchase and sale of the Property in accordance with this Agreement and containing such other terms and conditions as are standard and customary for similar commercial transactions in the geographic area which the Project Property is located, providing for a closing not later than the date specified in Grantee's notice of intent to exercise of the Option or the Refusal Right, as applicable, or thirty (30) days after the purchase price has been determined, whichever is later. In the absence of any such contract, this Agreement shall be specifically enforceable upon the exercise of the Option or the Refusal Right, as applicable. The purchase and sale hereunder shall be closed through a deed-and-money escrow with the title insurer for the Project Property or another mutually acceptable title company.

9. **Use Restrictions.** In consideration of the Option and the Refusal Right granted hereunder at the price specified herein, Grantee hereby agrees that the deed of the Project Property to Grantee shall contain a covenant running with the land, restricting use of the Project Property to low-income housing to the extent required by those Use Restrictions contained in the Regulatory Agreement, as approved in writing by the Consenting Investor Member and unmodified without its prior written consent. Such deed covenant shall contain a reverter clause, enforceable by the Consenting Investor Member, its successors and assigns, in the event of material violation of such Use Restrictions. Such deed covenant shall include a provision requiring Grantee to pay any and all costs, including attorneys' fees, incurred by the Consenting Investor Member or any other holder of such reverter rights in enforcing or attempting to enforce the Use Restrictions or such reverter rights, and to pay any and all damages incurred by the Consenting Investor Member from any delay in or lack of enforceability of the same. All reverter provisions contained in such deed and in this Agreement shall be subject and subordinate to any third-party liens encumbering the Project Property.

If prior to exercise of the Option or the Refusal Right, as applicable, the Service has issued a revenue ruling or provided a private letter ruling to the Company holding that a covenant of the nature described hereinbelow may be utilized without limiting tax credits or deductions that would otherwise be available to the Consenting Investor Member, the

applicability of which ruling shall be determined by counsel to the Consenting Investor Member in its sole judgment, then as a condition of the Option and the Refusal Right, the deed to Grantee shall include a Special Covenant specifically restricting continued use of the Project Property to low-income housing as determined in accordance with the same low-income and maximum rent requirements (excluding any right under the Code to raise rents after notice to the applicable state or local housing credit agency if it is unable to find a buyer at the statutory price) as are currently specified in the Agreement with reference to the low-income housing tax credit (notwithstanding any future discontinuation of such credit or modification of federal requirements therefor), except insofar as more stringent use requirements are imposed by the Regulatory Agreement as approved by the Consenting Investor Member and unmodified without its prior written consent. The Special Covenant shall constitute part of the Use Restrictions. The Special Covenant may state that it is applicable and enforceable only to the extent such housing produces income sufficient to pay all operating expenses and debt service and fund customary reserves and there is a need for low-income housing in the geographic area in which the Project Property is located. The Special Covenant shall run with the land for a period of fifteen (15) years after closing of the purchase under the Option or the Refusal Right, as applicable, or, if longer, for the period measured by the then remaining period of Use Restrictions under the Regulatory Agreement, provided that the Special Covenant shall terminate at the option of any holder of the reverter rights described hereinabove, upon enforcement thereof.

In the event that neither the Option nor the Refusal Right is exercised, or the sale pursuant thereto is not consummated, then upon conveyance of the Project Property to anyone other than Grantee or its permitted assignee hereunder, the foregoing provisions shall terminate and have no further force or effect.

10. **Assignment.** Grantee may assign all or any of its rights under this Agreement to (a) a qualified nonprofit organization, as defined in Section 42(h) (5) (C) of the Code, (b) a government agency, or (c) a tenant organization (in cooperative form or otherwise) or resident management corporation of the Project Property (each a "Permitted Assignee") that demonstrates its ability and willingness to maintain the Project Property as low-income housing in accordance with the Use Restrictions, in any case subject to the prior written consent of the Consenting Investor Member, which shall not be unreasonably withheld if the proposed grantee demonstrates that it is reputable and creditworthy and is a capable, experienced owner and operator of residential rental property, and subject in any event to the conditions precedent to the Refusal Right grant and the Option price set forth in Sections 2 and 3 hereof. Prior to any assignment or proposed assignment of its rights hereunder, Grantee shall give written notice thereof to the Company, the Managing Member, and the Consenting Investor Member. Upon any permitted assignment hereunder, references in this Agreement to Grantee shall mean the permitted Assignee where the context so requires, subject to all applicable conditions to the effectiveness of the rights granted under this Agreement and so assigned. No assignment of Grantee's rights hereunder shall be effective unless and until the permitted Assignee enters into a written agreement accepting the assignment and assuming all of Grantee's obligations under this Agreement and copies of such written agreement are delivered to the Company, the Managing

Member, and the Consenting Investor Member. Except as specifically permitted herein, Grantee's rights hereunder shall not be assignable.

11. **Miscellaneous**. This Agreement shall be governed by the laws of the Commonwealth of Virginia. This Agreement may be executed in counterparts or counterpart signature pages, which together shall constitute a single agreement.

12. **Supersede Prior Agreement**. This Agreement replaces and supersedes in its entirety the 2015 Purchase Option.

(continued on next page)

EXHIBIT A

**LEGAL DESCRIPTION OF
PROJECT REAL ESTATE**

ALL THAT certain portion, piece, or parcel of land situated in the Washington Borough of the City of Chesapeake, Virginia, containing approximately 6.358 acres, more or less, of land shown as "PARCEL A" on a certain plat entitled "RESUBDIVISION OF PORTIONS OF LOTS 4, 5 & 6 DIVISION OF CC UPTON FARM NEAR OAK GROVE FOR VETERANS SUPPORT CENTER WASHINGTON BOROUGH CHESAPEAKE, VIRGINIA," dated January 26, 2016, made by Michael J. Ortolano, City Surveyor and recorded March 7, 2016 in the Office of the Clerk of the Circuit Court of the City of Chesapeake in Map Book 161, Page 72.

BEING the same real estate conveyed to Cypress Landing, LLC, a Virginia limited liability company, by deed from the City of Chesapeake, Virginia, a Virginia municipal corporation, dated January 28, 2016, recorded March 7, 2016 in the Clerk's Office, Circuit Court, City of Chesapeake, Virginia in Deed Book 9618, Page 469.

EXHIBIT B

**DESCRIPTION OF
REGULATORY AGREEMENT**

Title: Extended Use Regulatory Agreement and Declaration of Restrictive Covenants

Parties: Cypress Landing, LLC
Virginia Housing Development Authority

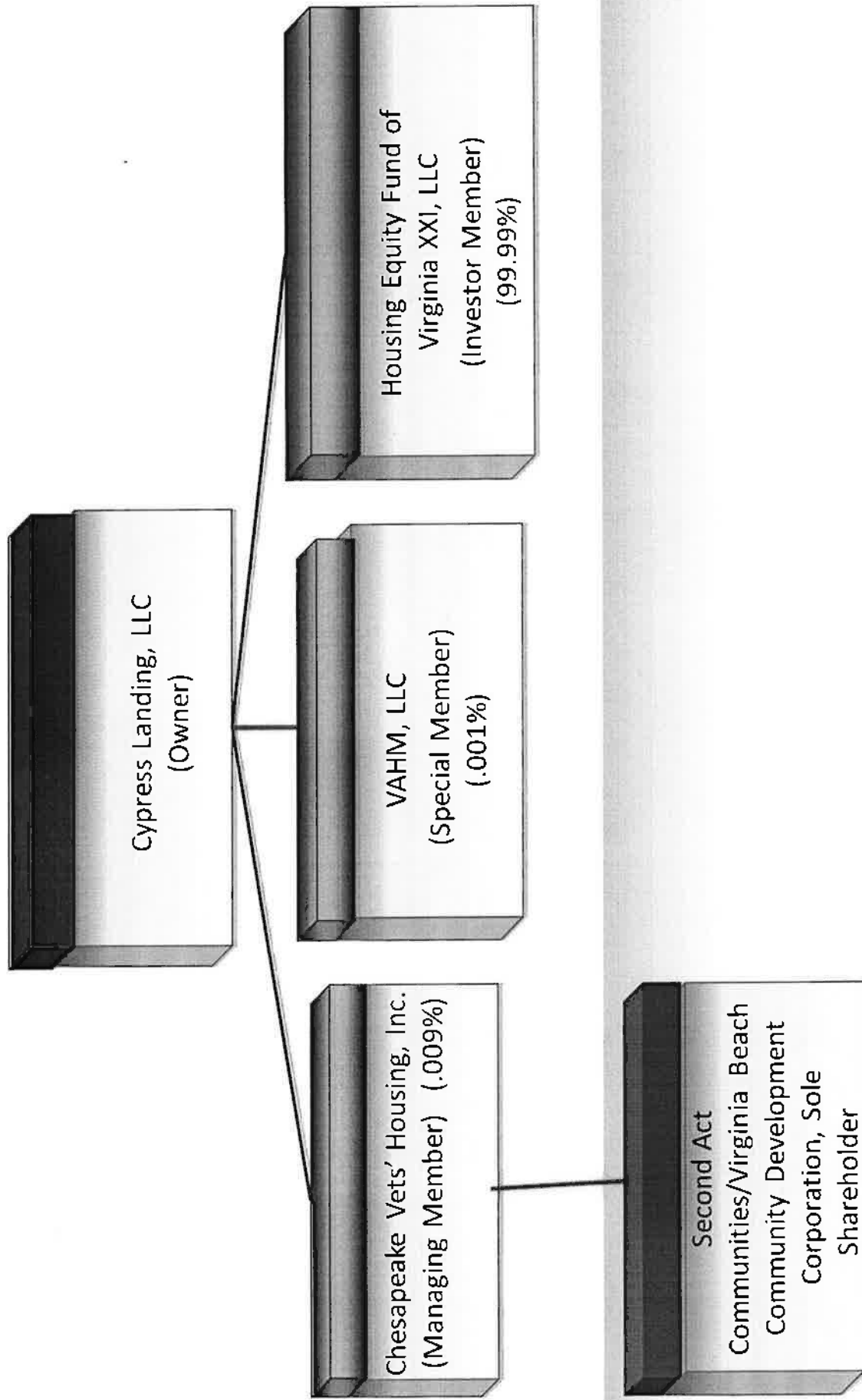
Date: 10/18/2017

Recording Information: Instrument # 170029048
Book 9846 Page 0671

INSTRUMENT # 170030859
RECORDED IN THE CLERK'S OFFICE OF
CHESAPEAKE ON
NOVEMBER 3, 2017 AT 03:08PM

CAROL C. MAYO, CLERK
RECORDED BY: GJB

CYPRESS LANDING ORGANIZATIONAL CHART



Tab Q:

Documentation of Rental Assistance, Tax Abatement
and/or existing RD or HUD Property



City of Virginia Beach

DEPARTMENT OF HOUSING AND
NEIGHBORHOOD PRESERVATION
MAIN: (757)-385-5750
FAX: (757) 385-1874
Date
TDD: (757) 385-5794

VBgov.com
MUNICIPAL CENTER
BUILDING 21, ROOM 144
2408 COURTHOUSE DRIVE
VIRGINIA BEACH, VA 23456-9083
WWW.VBGOV.COM/DEPT/HOUSING

March 10, 2022

Seniors Unlimited Lifestyles,
Inc. Attn: Angela Whitehead,
CEO 453 Longdale Crescent
Chesapeake, VA 23325

RE: Commitment of Project-Based Assistance to Tranquility at the Lakes II

Dear Ms. Whitehead:

The Virginia Beach Department of Housing and Neighborhood Preservation is committed to providing the Tranquility at the Lakes II project with project-based rental assistance vouchers (PBVs) for twenty (20) units. This commitment is in effect from January 12, 2022 - December 31, 2023. This award is conditional upon an execution of AHAP, HAP, and other HUD and DHNP requirements, as applicable. The initial term of the PBVs will be 15 years subject to the execution of a HAP contract and shall be eligible for renewal.

This commitment is contingent on the project's reservation of Low-Income Housing Tax Credits (LIHTC) from Virginia Housing no later than December 31, 2022.

This award is also conditional upon HUD's approval of DHNP's annual plan, your provision of all required pre-requisites in coordination with DHNP and approved HUD subsidy layering review. Re-verification and monitoring of your project and compliance with all applicable laws and regulations will also be required prior to finalizing the HAP.

No physical activity, including rehabilitation, construction, or demolition; can take place on the site or buildings thereon until the entire Environmental Review Process is completed. If any physical activity does take place, no federal assistance will be awarded.

This project will be subject to Davis Bacon and Section 3 federal requirements regarding hiring of labor and contractors.

We look forward to working with you as you develop this project to provide the City of Virginia Beach additional affordable housing opportunities.

Sincerely,

Cindy M Walters

Cindy M. Walters
Compliance & Development Officer
City of Virginia Beach, DHNP

Cc: Ruth D. Hill, Director, DHNP
Jessica Guglielmo, President and CEO, Virginia Beach CDC
David Grigsby, Housing Rental Administrator, DHNP



City of Virginia Beach

DEPARTMENT OF HOUSING AND
NEIGHBORHOOD PRESERVATION
PHONE: (757) 365-5753
FAX: (757) 365-1874
TTY: 711
TDD: (757) 365-5784

MUNICIPAL CENTER
BUILDING 21, ROOM 144
2408 COURTHOUSE DRIVE
VIRGINIA BEACH, VA 23458-0683

January 12, 2022

Seniors Unlimited Lifestyles, Inc.
Attn: Angela Whitehead, CEO *Angela Whitehead*
453 Longdale Crescent
Chesapeake, VA 23325

Via – E-mail

PURPOSE: *Recension of Commitment Letter of January 26, 2021 (superseded) – to be replaced by the following to add additional funds. Only Change is increase in funds.*

RE: Proposal Submission in Response to FY 19-20 HOF RFP for HOME Funding and Project Based Vouchers (PBVs) for "Tranquility at the Lakes, II" a new affordable Seniors Residential Apartment Community

Dear Ms. Whitehead:

You submitted an application for FY 2019-2020 funding for the above referenced project in response to an RFP we issued. In your proposal you proposed to build a new ³⁸30-unit affordable apartment building for seniors in Virginia Beach. You requested \$750,000.00 in HOME funds, setting aside ten (10) HOME units and you requested twenty (20) PBVs. This is to be a second project of same scope and size as your successful Tranquility at the Lakes I. In November of 2022 you submitted a letter of request for an additional amount of HOME funds of \$500,000.00.

AW
AW
edited: *CMW*
CMW

I am pleased to inform you that the Department of Housing and Neighborhood Preservation (DHNP) is making a **conditional commitment of \$1,250,000.00 in HOME funding and twenty (20) PBVs** towards this project. The funding may only be used for the cost of acquisition or construction and not for pre-development costs.

This is a conditional commitment subject to the following actions and approvals.

Condition	Approving Agency(s)
Project Proposal as submitted has no material changes	DHNP
Completion of Environmental Assessment with no significant impact	DHNP & HUD
Availability of funds	City Council & HUD
A Request for Release of Funds and Release of Funds	DHNP & HUD
HOME Subsidy Layering Submission & Approval	DHNP

Condition	Approving Agency(s)
PBV Subsidy Layering Submission & Approval	HUD
All Contract Pre-Requisites are met	DHNP
A HOME contract with the CoVB - fully executed	DHNP
A PBV - AHAP and HAP contracts with the CoVB-fully executed	DHNP

This award is also conditional upon HUD's approval of DHNP's annual plan, your provision of all required pre-requisites in coordination with DHNP, and a mutually agreed upon and fully executed contract, meeting all City of Virginia Beach terms and conditions and applicable Federal requirements. Re-verification and monitoring of your project and compliance with all applicable laws and regulations will also be required prior to award of a contract.

No physical activity, including rehabilitation, construction, or demolition; can take place on the site or buildings thereon until the entire Environmental Review Process is completed and the contract with the City is fully executed. If any physical activity does take place, no federal funds will be awarded.

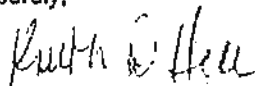
This project will be subject to the Federal Davis Bacon Act and Section 3 federal requirements regarding hiring of labor and contractors. Please ensure that in your project planning you consider any additional costs that may be associated in meeting these requirements.

Please note that this conditional commitment expires on December 31st, 2022 unless renewed. Renewal must be requested by you in writing, will be at our sole discretion, and will be subject to a review of the project's progress or potential progress, and SUL's compliance with requirements to date.

Cindy Walters, DHNP's Compliance & Development Officer, will be your main point of contact for the work needed to meet the required conditions for the Environmental Assessment, as well as the HOME contract. David Grigsby, DHNP Rental Housing Administrator, will be your point of contact regarding PBV contracts.

We look forward to working with you on this project that will benefit the citizens of Virginia Beach!

Sincerely,



Ruth D. Hill
Director

Cc: Cindy M. Walters, Compliance & Development Officer
David Grigsby, Rental Housing Administrator
Karen Prochilo, Housing Development Administrator


Cindy M. Walters (Mar 5, 2022 12:54 EST)

TAB Q.2

TAX ABATEMENT

As noted in the application, TATL II is seeking certification under the ENERGY STAR Multifamily New Construction Program V1 (ESMFNC) and EarthCraft Gold certification. Viridiant conducted a Pre-Review of the TATL II building specifications and determined the development will achieve ENERGY STAR and EarthCraft Gold certifications once constructed.

By delivering an EarthCraft Gold and ENERGY STAR certified building, TATL II will qualify for a reduced tax rate of \$.84 per \$100 of the properties assessed value. The regular real estate tax rate for the City of Virginia Beach is \$1.01 per \$100 assessed value. A copy of the City of Virginia Beach's Energy Efficient Buildings Tax Incentive Program application and a copy of the Viridiant Pre-Review Report are attached to this tab.

Application # _____



The City of Virginia Beach

Application for City Code §35-41 Energy Efficient Buildings Tax Reduction

Date of Application: _____ If Paying by Check, Check Number: _____

Building/Property Owner Name: SUL Tranquility Lakes II, LLC

Contact Person: Ashley Jarvis Virginia Beach Community Development Corporation

Phone No.: 757-500-2740

Email Address: ashleyjarvis@vbcdc.org

Mailing Address: 2400 Potters Road

City: VA Beach State: VA Zip Code: 23455

Property Address (for the building you are filing): Please see attached list of Parcel Addresses

GPIN of Property: Please see attached list of five parcel GPINS for the development. Zip Code: 23455

(The GPIN of the Property can be found by typing in the property address on the following webpage: <https://www.vbgov.com/property-search>)

In accordance with Code of Virginia §58.1-3221.2, Energy-efficient buildings are a separate classification of property from other types of real property. The classification for energy-efficient buildings does not include the underlying real property.

In addition to this application, the following information is to be submitted to Permits and Inspections for review and inspection in order to certify a building as energy efficient:

1) Documentation indicating the building exceeds the energy efficiency standards prescribed in the Virginia Uniform Statewide Building Code by 30 percent.

a. Energy-efficient building certification for purposes of this subsection shall be determined by any qualified architect, professional engineer, or licensed contractor who

10/29/2019

is not related to the taxpayer and who shall certify to the taxpayer that he or she has qualifications to provide the certification.

- b. Buildings shall be deemed in compliance if it meets or exceeds performance standards of the Green Globes Green Building Rating System of the Green Building Initiative, the Leadership in Energy and Environmental Design (LEED) Green Building Rating System of the U.S. Green Building Council, the guidelines under the EarthCraft House Program, or is an Energy Star qualified home under the Energy Star program developed by the United States Environmental Protection Agency

2) Documentation of the previous fiscal year real assessment for the building.

(This can be found by typing in the property address on the following webpage:

<https://www.vbgov.com/property-search>)

Upon review of the city building official, the application and a Certificate of Occupancy, through the issuance of a permit, review of submitted documentation, and inspection verification, indicates the building is in compliance with Code of Virginia §58.1-3221.2 shall be forwarded to the Commissioner of the Revenue and the Real Estate Assessor for purposes of the City land book and assessment. The applicant is required to NOT be in arrears with the City.

The building owner will be notified within 30 days of the decision of the city building official. If qualified, the Commissioner of the Revenue and the Real Estate Assessor will adjust the tax levy on all real estate improvements classified as energy efficient, not exempt from taxation, to the lower tax rate. The real property tax rate imposed in this section shall be applied on the basis of one hundred per centum of fair market value of such real property except for public service property, which shall be on the basis as provided in Section 58.1-2604 of the Code of Virginia.

Certification:

I hereby certify that the information above is correct.

Signature of Building Owner: _____ Date: _____

Return Completed Applications to:

Office of Permits and Inspections/ Department of Planning

2875 Sabre Street

Sulte 500, Room 109

Virginia Beach, VA 23452

Main: (757) 385-4211 Option 3

Fax: (757) 385-5777

10/29/2019

Tranquility at the Lakes II (TATL II) –Site/Parcel Summary

TATL II will be developed on the current site of the following five (5) parcels/property addresses in the City of Virginia Beach.

1. Parcel Address: 5837 Burton Station Road VA Beach, VA 23455
GPIN/Parcel ID#: 1458-89-3052-0000
Legal Description: Simon Elliotts Est Replat Lot D 0.2539

2. Parcel Address: 5841 Burton Station Road VA Beach, VA 23455
GPIN/Parcel ID#: 1458-89-2090-0000
Legal Description: Simon Elliotts Est Lot E 0.2165 Ac

3. Parcel Address: 1020 Finney Circle VA Beach, VA 23455
GPIN/Parcel ID#: 1458-88-2897-0000
Legal Description: Simon Elliotts Est Pt of Lot 12 0.1882 Ac

4. Parcel Address: 1012 Finney Circle VA Beach, VA 23455
GPIN/Parcel ID#: 1458-88-2715-0000
Legal Description: Simon Elliotts Est Part of Lot 12

5. Parcel Address: Private Right Away, City of VA Beach, VA 23455
GPIN/Parcel ID#: 1458-89-2065-0000
Legal Description: Finney Circle 30ft Private Right of Way



📍 Coronavirus Information

For information about Coronavirus, visit our emergency site (<https://emergency.vbgov.com>) at <https://emergency.vbgov.com/coronavirus> (<https://emergency.vbgov.com/coronavirus>).

Energy Efficient Buildings

A special tax rate is available to qualified residential and commercial energy-efficient buildings, not including the land on which they are located. Qualified buildings must be determined to be an energy-efficient building by a qualified licensed engineer or contractor who is not related to the applicant, as required by Section 58.1-3221.2 of the Code of Virginia.

- Applications are available on-line, at the Real Estate Assessor's Office, and at the Planning Department's Office of Permits and Inspections located at 2875 Sabre Street, Suite 500, Virginia Beach, VA 23452. The phone number is (757) 385-4211, option 3.
- Once completed, the application is to be submitted to the Planning Department's Office of Permits and Inspections, 2875 Sabre Street, Suite 500, Virginia Beach, VA 23452. The phone number is (757) 385-4211, option 3.
- The approved application, plus the additional required information, will be submitted to the Planning Department's Office of Permits and Inspections for review.
- If the application is approved, the owner will then bring a copy to the Real Estate Assessor's office for their processing. The Real Estate Assessor is located at the Municipal Complex - 2424 Courthouse Drive, Building #18, Virginia Beach, VA 23456. The phone number is (757) 385-4601.

[Energy Efficient Building FAQ.pdf \(/government/departments/real-estate-assessor/tax-relief-programs/SiteAssets/Pages/energy-efficient/20190221-REA-FIN-EnergyOrdinanceFAQ%27s.pdf\)](#)

[Energy Efficient Tax Application.pdf \(/government/departments/planning/permits-inspections/Documents/form.pdf/Energy%20Efficient%20Building%20Form.pdf\)](#)

CONTACT INFORMATION

Permits & Inspections

☎ (757) 385-4211 (<tel:7573854211>)

✉ perminsp@vbgov.com (<mailto:perminsp@vbgov.com>)

📞 (757) 385-5777

[About the City \(/about\)](#)

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\$0.99 per \$100 assessed value



Real Estate Rate for Energy-Efficient Buildings

\$0.84 per \$100 assessed value

Personal Property

\$4.00 per \$100 assessed value

Machinery and Tools

\$0.00

Business Property

\$4.00 per \$100 assessed value 40% of the original cost (tangible property) 33% of the original cost for manufacturers

Data Center Business Property

\$0.40 per \$100 assessed value

depreciation schedule: 40% of the original cost (computers and peripherals) for year 1-3; 30% for year four; 15% for year five and beyond

Business License (per \$100 of gross receipts)

Retailer: \$0.20

Capped at flat fee of \$50 for the first two years of operation for a business new to the City.

Contracting: \$0.16

Professional: \$0.58

Business license fee applies to businesses with gross receipts exceeding \$100,000.

Service: \$0.36

Wholesalers: \$0.12 per \$100 of gross purchases

Source: City of Virginia Beach

Real estate is assessed at 100% of its fair market value. Re-assessment notices are mailed in the first part of March, and assessment reviews are held from mid-March to the end of April. Annual real estate taxes are collected in two installments. Payment for the first half is due by December 5th of the same year, and the second half is due by June 5th of the following year.

STATE OF VIRGINIA TAX RATES

	VIRGINIA TAX RATES	NATIONAL AVERAGE*
Corporate Income Tax	6%	6.75%
State and Local Sales/Use Tax	6%	7%

*Source: *Calculated by [Virginia Economic Development Partnership](#), 2021*

FEDERAL INCOME TAX RATES

The United States imposes a tax on the profits of US resident corporations at a rate of 21 percent (reduced from 35 percent by the 2017 Tax Cuts and Jobs Act).

Workers' Compensation and Unemployment Costs

Workers' compensation insurance is required for most employers performing work in Virginia. It provides injured workers specific benefits while protecting employers from civil suits.

Unemployment insurance is part of an employer-paid program that provides temporary, partial income replacement to qualified individuals who are unemployed through no fault of their own.

Workers' Compensation and Unemployment Rate Comparison

STATE	WORKERS' COMPENSATION RATE PER \$100 OF PAYROLL	UNEMPLOYMENT INSURANCE RATE PER EMPLOYEE
-------	--	---

City of Virginia Beach
Energy Efficient Building Tax Classification
Frequently Asked Questions

What kind of buildings could qualify for the City of Virginia Beach's Energy Efficient Building Tax Classification?

Both residential and commercial buildings could qualify.

What is a "Qualified" architect, professional engineer or contractor?

This means licensed to practice in the Commonwealth of Virginia.

The documentation indicates the building must exceed the energy efficiency standards prescribed in the Virginia Uniform Statewide Building Code by 30 percent. What year of the code do we have to meet?

It is referring to the current state code.

How much does the application cost?

The permit and certificate of occupancy will be \$117.20. The cost of required certification (options below) is the responsibility of the owner.

Does rental property qualify for the reduction?

*Yes, landlords can pursue this tax classification for rental property. The applicant must be the **property owner**.*

How much will I save in taxes while in this program?

This amount varies for each qualifying building and depends on the assessment each tax year. Remember, this exemption only applies to the building, not the land. So there will still be taxes due on the land and other improvements.

What type of supporting documentation will I need to submit with my application?

You have several options:

Residential Options

- 1. Certified Architect/Engineer energy calculations and certification and sealed on letterhead;*
- 2. Certified under the EarthCraft House Program; details about this program can be found at <http://www.earthcrafthouse.com>.*
- 3. Certified as an Energy Star qualified home under the Energy Star program developed by the United States Department of Energy and the Environmental Protection Agency. Details about the program can be found at <http://www.energystar.gov/>.*
- 4. HOME ENERGY RATERS (HERS) – RESNET – Residential Energy Services Review System. Home Energy Raters (HERS) conducts an analysis of a home and performs on-site inspections. Results of these tests, along with inputs derived from the plan review, are used to generate the home's efficiency rating on the HERS Index.*
 - Must use a RESNET-certified HERS auditor*
 - Must obtain a score below 70*

A list of local home energy raters can be accessed at <http://www.resnet.us/trade/home-energy-raters-hers-raters>

More info:

<http://www.resnet.us/home-energy-ratings>

<http://natresnet.org/directory/raters.aspx>

Commercial Options

- 1. Certified Architect/Engineer energy calculations, certification and seal on letterhead;*
- 2. Certification under the Green Globes Green Building Rating System of the Green Building Initiative. Details about this program can be found at <http://www.greenglobes.com/about.asp>*

3. *Certification under the Leadership in Energy and Environmental Design (LEED) Green Building Rating System of the U.S. Green Building Council. Details about this program can be found at <http://www.usgbc.org>.*
4. *An Energy Star certified building under the Energy Star program developed by the United States Environmental Protection Agency and Department of Energy.*
 - *Commercial buildings with types in the Energy Star Portfolio*
 - *Statement of Energy Performance – for a minimum of a 12 month period*
 - *Score of 75 or above on a scale of 1 – 100*
 - *Structure must match building type used*
 - *Must be stamped and certified by a professional engineer*

What if I don't get the needed rating, can I make a quick modification or energy improvement to building achieve a acceptable score - without having to go through the whole process again?

- *Raters should be able to provide their client with a list of recommended improvements in order to achieve the needed score.*
- *Once those improvements are made, the rater should make another site visit to ensure the work was completed, and to conduct new diagnostic air leakage testing ("blower door" and "duct blaster" test), if necessary. This additional work by the rater will likely be for an additional fee.*

How long will take to review my application?

Please allow 30 days for review.

How often will the reduced tax rate be reviewed?

City Council will review for adoption annually as part of the budget process and tax rate shall be applicable to the classification of the property.



Appendix F

RESNET Rater Certification of Development Plans

I certify that the development's plans and specifications incorporate all items for the required baseline energy performance as indicated in Virginia's Qualified Allocation Plan (QAP).

In the event the plans and specifications do not include requirements to meet the QAP baseline energy performance, then those requirements still must be met, even though the application is accepted for credits.

***Please note that this may cause the Application to be ineligible for credits. The Requirements apply to any new, adaptive reuse or rehabilitated development (including those serving elderly and/or physically disabled households).

In addition provide HERS rating documentation as specified in the manual

X New Construction - EnergyStar Certification
The development's design meets the criteria for the EnergyStar certification.
Rater understands that before issuance of IRS Form 8609, applicant will obtain and provide EnergyStar Certification to Virginia Housing.

Rehabilitation -30% performance increase over existing, based on HERS Index
Or Must evidence a HERS Index of 80 or better
Rater understands that before issuance of IRS Form 8609, rater must provide Certification to Virginia Housing of energy performance.

Adaptive Reuse - Must evidence a HERS Index of 95 or better.
Rater understands that before issuance of IRS Form 8609, rater must provide Certification to Virginia Housing of energy performance.

Additional Optional Certifications

I certify that the development's plans and specifications incorporate all items for the certification as indicated below, and I am a certified verifier of said certification. In the event the plans and specifications do not include requirements to obtain the certification, then those requirements still must be met, even though the application is accepted for credits. Rater understands that before issuance of IRS Form 8609, applicant will obtain and provide Certification to Virginia Housing.

TRUE Earthcraft Certification - The development's design meets the criteria to obtain EarthCraft Multifamily program Gold certification or higher

FALSE LEED Certification - The development's design meets the criteria for the U.S. Green Building Council LEED green building certification.

FALSE National Green Building Standard (NGBS) - The development's design meets the criteria for meeting the NGBS Silver or higher standards to obtain certification

FALSE Enterprise Green Communities - The development's design meets the criteria for meeting meeting the requirements as stated in the Enterprise Green Communities Criteria for this developments construction type to obtain certification.

***Please Note Raters must have completed 500+ ratings in order to certify this form

Signed: Sean Shanley

Date: 3/3/22

Printed Name: Sean Shanley

RESNET Rater

Resnet Provider Agency
Viridian

Signature: Sean Shanley

Provider Contact and Phone/Email (804) 212-1934, sean.shanley@viridian.org



Tranquility at the Lakes II 2022 LIHTC Pre-Review Comments

Potential Project Addresses:

- 5837 Burton Station Road
Virginia Beach, VA 23455
- 5841 Burston Station Road
Virginia Beach, VA 23455
- 1020 Finney Circle
Virginia Beach, VA 23455
- 1012 Finney Circle
Virginia Beach, VA 23455
- Private Right Away
City of Virginia Beach, VA 23455

Project Summary

Tranquility at the Lakes is a new construction low-rise multifamily development, comprised of 38 units located in Virginia Beach, VA. Virginia Beach Community Development Corporation plans to construct the project utilizing 9% LIHTC. As part of their funding application the project is seeking certification under the ENERGY STAR Multifamily New Construction Program V1 (ESMFNC). This level of certification requires the project to have a maximum HERS index in compliance with the ESMFNC floating target HERS score and completion of all ENERGY STAR required checklists. The project is also seeking Earthcraft Gold level certification, requiring 150+ points on the Earthcraft Multifamily Workbook. Colin Arnold of Arnold Design Studio is the primary architect contact for the project.

DOE ZERH Modeling

With the below scope, all units are currently meeting the unit specific Zero Energy Ready House Modeling goals. Certification under this program requires all models to meet specific targets and all checklist items be completed.

Unit-Level Energy Modeling

Unit-level models were generated using Ekotrope v4.0.1 based on the proposed scope and plans provided by the project team dated February 4, 2021. With the current scope of work, the worst case units in the development are obtaining a projected HERS index of 53, meeting the Energy Star unit specific target of 75. The following outlines the scope as it is currently modeled.

Enclosure:

- R-10 Grade II slab insulation
- R-21 Grade I Batt insulation in exterior walls, R-19 spray foam in rim/band
- R-13 Grade I cavity insulation in party walls and adiabatic ceilings/floors



- R-49 Grade I batt insulation in attic
- 0.14 U-Value for opaque doors
- 0.32 U-Value/0.27 SHGC windows & glass doors

Mechanicals:

- SEER 19, HSPF 10.2, 12k mini-split
- 0.93 UEF storage electric water heaters, 40 gallon
- 5 ACH₅₀ for infiltration threshold/blower door test
- 4% duct leakage to the outside, 8% total duct leakage
- All ducts within conditioned space and insulated to R-6
- Renewaire ERV providing fresh air

Lights & Appliances:

- ES rated kitchen appliances
 - 358 kWh/yr refrigerator
 - 295 kWh/yr dishwasher
- Advanced lighting 100% LED

Please let me know if you have any questions or if the above information does not accurately capture your current scope.

Sincerely,

A handwritten signature in black ink that reads "Katy Maher". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Katy Maher
Project Manager, Viridiant

Home Energy Rating Certificate

Projected Report

Rating Date: 2021-04-30
Registry ID:
Ekotrope ID: ILX6nq9v

HERS® Index Score:

53

Your home's HERS score is a relative performance score. The lower the number, the more energy efficient the home. To learn more, visit www.hersindex.com

Annual Savings

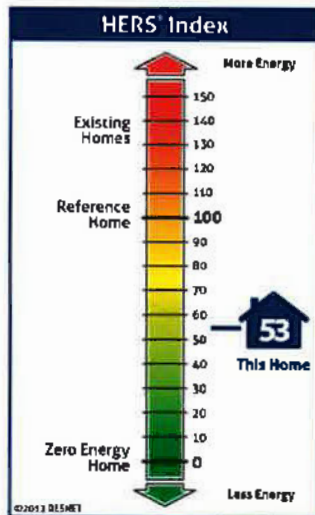
\$693

*Relative to an average U.S. home

Home:
5837 Burton Station Road
Virginia Beach, VA 23455

Builder:

This home meets or exceeds the criteria of the following:



Home Feature Summary:

Home Type: Apartment, end unit
Model: N/A
Community: N/A
Conditioned Floor Area: 727 ft²
Number of Bedrooms: 1
Primary Heating System: Air Source Heat Pump • Electric • 10.2 HSPF
Primary Cooling System: Air Source Heat Pump • Electric • 19 SEER
Primary Water Heating: Residential Water Heater • Electric • 0.93 UEF
House Tightness: 5 ACH50
Ventilation: 40 CFM • 42 Watts
Duct Leakage to Outside: 4 CFM25 / 100 ft²
Above Grade Walls: R-21
Ceiling: Vaulted Roof, R-49
Window Type: U-Value: 0.32, SHGC: 0.27
Foundation Walls: N/A
Framed Floor: R-13

Rating Completed by:

Energy Rater: Katy Maher
RESNET ID: 2430236

Rating Company: Viridiant
1431 W. Main Street, Richmond, VA 23220

Rating Provider: Viridiant
1431 W. Main Street, Richmond, VA 23220



Katy Maher

Katy Maher, Certified Energy Rater
Digitally signed: 3/3/22 at 11:54 AM



Ekotrope RATER - Version:4.0.1.2844
The Energy Rating Disclosure for this home is available from the Approved Rating Provider.
This report does not constitute any warranty or guarantee.

Home Energy Rating Certificate

Projected Report

Rating Date: 2021-04-30
Registry ID:
Ekotrope ID: Od4DBJrd

HERS® Index Score:

52

Your home's HERS score is a relative performance score. The lower the number, the more energy efficient the home. To learn more, visit www.hersindex.com

Annual Savings

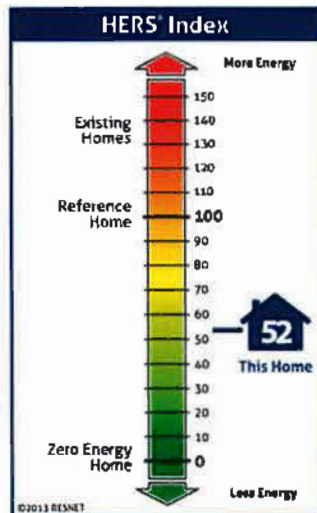
\$732

*Relative to an average U.S. home

Home:
5837 Burton Station Road
Virginia Beach, VA 23455

Builder:

This home meets or exceeds the criteria of the following:



Home Feature Summary:

Home Type: Apartment, inside unit
Model: N/A
Community: N/A
Conditioned Floor Area: 920 ft²
Number of Bedrooms: 1
Primary Heating System: Air Source Heat Pump • Electric • 10.2 HSPF
Primary Cooling System: Air Source Heat Pump • Electric • 19 SEER
Primary Water Heating: Residential Water Heater • Electric • 0.93 UEF
House Tightness: 5 ACH50
Ventilation: 50 CFM • 42 Watts
Duct Leakage to Outside: 4 CFM25 / 100 ft²
Above Grade Walls: R-21
Ceiling: Adiabatic, R-13
Window Type: U-Value: 0.32, SHGC: 0.27
Foundation Walls: N/A
Framed Floor: N/A

Rating Completed by:

Energy Rater: Katy Maher
RESNET ID: 2430236
Rating Company: Viridiant
1431 W. Main Street, Richmond, VA 23220
Rating Provider: Viridiant
1431 W. Main Street, Richmond, VA 23220



Katy Maher

Katy Maher, Certified Energy Rater
Digitally signed: 3/3/22 at 11:55 AM



Home Energy Rating Certificate

Projected Report

Rating Date: 2021-04-30
Registry ID:
Ekotrope ID: 3LMp3qK2

HERS® Index Score:

53

Your home's HERS score is a relative performance score. The lower the number, the more energy efficient the home. To learn more, visit www.hersindex.com

Annual Savings

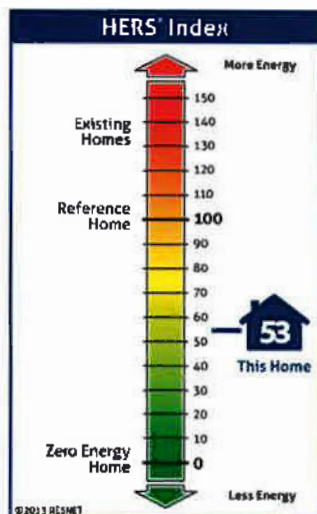
\$759

*Relative to an average U.S. home

Home:
5837 Burton Station Road
Virginia Beach, VA 23455

Builder:

This home meets or exceeds the criteria of the following:



Home Feature Summary:

Home Type: Apartment, inside unit
Model: N/A
Community: N/A
Conditioned Floor Area: 920 ft²
Number of Bedrooms: 1
Primary Heating System: Air Source Heat Pump • Electric • 10.2 HSPF
Primary Cooling System: Air Source Heat Pump • Electric • 19 SEER
Primary Water Heating: Residential Water Heater • Electric • 0.93 UEF
House Tightness: 5 ACH50
Ventilation: 50 CFM • 42 Watts
Duct Leakage to Outside: 4 CFM25 / 100 ft²
Above Grade Walls: R-21
Ceiling: Vaulted Roof, R-49
Window Type: U-Value: 0.32, SHGC: 0.27
Foundation Walls: N/A
Framed Floor: R-13

Rating Completed by:

Energy Rater: Katy Maher
RESNET ID: 2430236

Rating Company: Viridiant
1431 W. Main Street, Richmond, VA 23220

Rating Provider: Viridiant
1431 W. Main Street, Richmond, VA 23220



Katy Maher

Katy Maher, Certified Energy Rater
Digitally signed: 3/3/22 at 11:56 AM



Ekotrope RATER - Version:4.0.1.2844
The Energy Rating Disclosure for this home is available from the Approved Rating Provider.
This report does not constitute any warranty or guarantee.

Home Energy Rating Certificate

Projected Report

Rating Date: 2021-04-30

Registry ID:

Ekotrope ID: gdqDZ8gL

HERS® Index Score:

52

Your home's HERS score is a relative performance score. The lower the number, the more energy efficient the home. To learn more, visit www.hersindex.com

Annual Savings

\$604

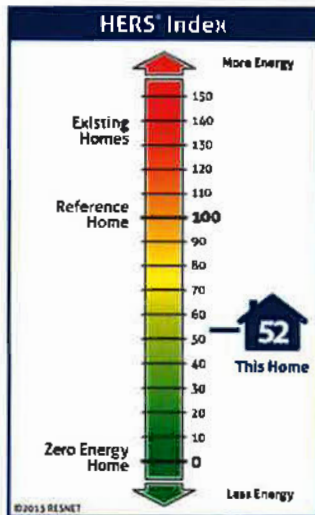
¹Relative to an average U.S. home

Home:

5837 Burton Station Road
Virginia Beach, VA 23455

Builder:

This home meets or exceeds the criteria of the following:



Home Feature Summary:

Home Type: Apartment, end unit
Model: N/A
Community: N/A
Conditioned Floor Area: 580 ft²
Number of Bedrooms: 1
Primary Heating System: Air Source Heat Pump • Electric • 10.2 HSPF
Primary Cooling System: Air Source Heat Pump • Electric • 19 SEER
Primary Water Heating: Residential Water Heater • Electric • 0.93 UEF
House Tightness: 5 ACH50
Ventilation: 40 CFM • 42 Watts
Duct Leakage to Outside: 4 CFM25 / 100 ft²
Above Grade Walls: R-21
Ceiling: Adiabatic, R-13
Window Type: U-Value: 0.32, SHGC: 0.27
Foundation Walls: N/A
Framed Floor: N/A

Rating Completed by:

Energy Rater: Katy Maher

RESNET ID: 2430236

Rating Company: Viridiant

1431 W. Main Street, Richmond, VA 23220

Rating Provider: Viridiant

1431 W. Main Street, Richmond, VA 23220



Katy Maher

Katy Maher, Certified Energy Rater

Digitally signed: 3/3/22 at 11:52 AM



Ekotrope RATER - Version:4.0.1.2844

The Energy Rating Disclosure for this home is available from the Approved Rating Provider.

This report does not constitute any warranty or guarantee.

Home Energy Rating Certificate

Projected Report

Rating Date: 2021-04-30
Registry ID:
Ekotrope ID: 3LMpJ3e2

HERS® Index Score:

53

Your home's HERS score is a relative performance score. The lower the number, the more energy efficient the home. To learn more, visit www.hersindex.com

Annual Savings

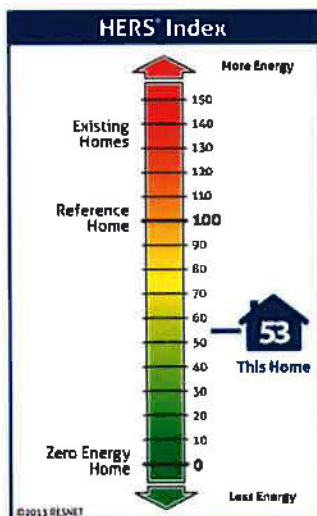
\$615

*Relative to an average U.S. home

Home:
5837 Burton Station Road
Virginia Beach, VA 23455

Builder:

This home meets or exceeds the criteria of the following:



Home Feature Summary:

Home Type: Apartment, end unit
Model: N/A
Community: N/A
Conditioned Floor Area: 580 ft²
Number of Bedrooms: 1
Primary Heating System: Air Source Heat Pump • Electric • 10.2 HSPF
Primary Cooling System: Air Source Heat Pump • Electric • 19 SEER
Primary Water Heating: Residential Water Heater • Electric • 0.93 UEF
House Tightness: 5 ACH50
Ventilation: 40 CFM • 42 Watts
Duct Leakage to Outside: 4 CFM₂₅ / 100 ft²
Above Grade Walls: R-21
Ceiling: Vaulted Roof, R-49
Window Type: U-Value: 0.32, SHGC: 0.27
Foundation Walls: N/A
Framed Floor: R-13

Rating Completed by:

Energy Rater: Katy Maher
RESNET ID: 2430236

Rating Company: Viridiant
1431 W. Main Street, Richmond, VA 23220

Rating Provider: Viridiant
1431 W. Main Street, Richmond, VA 23220



Katy Maher

Katy Maher, Certified Energy Rater
Digitally signed: 3/3/22 at 11:51 AM



Ekotrope RATER - Version:4.0.1.2844
The Energy Rating Disclosure for this home is available from the Approved Rating Provider.
This report does not constitute any warranty or guarantee.

Home Energy Rating Certificate

Projected Report

Rating Date: 2021-04-30
Registry ID:
Ekotrope ID: wdkAqN12

HERS® Index Score:

52

Your home's HERS score is a relative performance score. The lower the number, the more energy efficient the home. To learn more, visit www.hersindex.com

Annual Savings

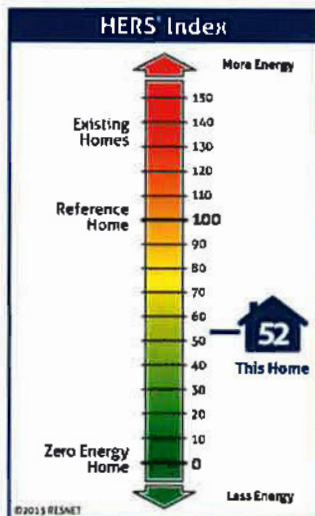
\$690

*Relative to an average U.S. home

Home:
5837 Burton Station Road
Virginia Beach, VA 23455

Builder:

This home meets or exceeds the criteria of the following:



Home Feature Summary:

Home Type: Apartment, end unit
Model: N/A
Community: N/A
Conditioned Floor Area: 727 ft²
Number of Bedrooms: 1
Primary Heating System: Air Source Heat Pump • Electric • 10.2 HSPF
Primary Cooling System: Air Source Heat Pump • Electric • 19 SEER
Primary Water Heating: Residential Water Heater • Electric • 0.93 UEF
House Tightness: 5 ACH50
Ventilation: 40 CFM • 42 Watts
Duct Leakage to Outside: 4 CFM25 / 100 ft²
Above Grade Walls: R-21
Ceiling: Adiabatic, R-13
Window Type: U-Value: 0.32, SHGC: 0.27
Foundation Walls: N/A
Framed Floor: N/A

Rating Completed by:

Energy Rater: Katy Maher
RESNET ID: 2430236

Rating Company: Viridiant
1431 W. Main Street, Richmond, VA 23220

Rating Provider: Viridiant
1431 W. Main Street, Richmond, VA 23220



Katy Maher

Katy Maher, Certified Energy Rater
Digitally signed: 3/3/22 at 11:53 AM



Ekotrope RATER - Version:4.0.1.2844
The Energy Rating Disclosure for this home is available from the Approved Rating Provider.
This report does not constitute any warranty or guarantee.



Project Name: Tranquility at the Lakes II
Construction Type: New Construction
Energy Efficiency Path: Energy Star

Unit Type	Quantity	HERS
1 BR Type X- Bottom	8	52
1BR Type X- Top/mid	20	53
1BR Type Y- Bottom	2	52
1BR Type Y- Top/mid	2	53
2BR Type Z- Bottom	2	52
2BR Type Z- Top/mid	4	53
Projected Project HERS - Weighted Average		53

Tab R:

Documentation of Operating Budget and Utility Allowances

M. OPERATING EXPENSES

Administrative:

Use Whole Numbers Only!

1. Advertising/Marketing			\$100
2. Office Salaries			\$0
3. Office Supplies			\$1,200
4. Office/Model Apartment	(type _____)		\$0
5. Management Fee			\$40,000
<u>8.59%</u> of EGI	<u>\$1,052.63</u>	Per Unit	
6. Manager Salaries			\$22,000
7. Staff Unit (s)	(type _____)		\$0
8. Legal			\$2,400
9. Auditing			\$3,750
10. Bookkeeping/Accounting Fees			\$500
11. Telephone & Answering Service			\$12,671
12. Tax Credit Monitoring Fee			\$1,520
13. Miscellaneous Administrative			\$17,900
Total Administrative			\$102,041

Utilities

14. Fuel Oil			\$0
15. Electricity			\$10,100
16. Water			\$12,500
17. Gas			\$0
18. Sewer			\$12,500
Total Utility			\$35,100

Operating:

19. Janitor/Cleaning Payroll			\$0
20. Janitor/Cleaning Supplies			\$0
21. Janitor/Cleaning Contract			\$11,400
22. Exterminating			\$3,700
23. Trash Removal			\$3,400
24. Security Payroll/Contract			\$0
25. Grounds Payroll			\$0
26. Grounds Supplies			\$0
27. Grounds Contract			\$4,200
28. Maintenance/Repairs Payroll			\$28,028
29. Repairs/Material			\$3,000
30. Repairs Contract			\$22,800
31. Elevator Maintenance/Contract			\$5,000
32. Heating/Cooling Repairs & Maintenance			\$0
33. Pool Maintenance/Contract/Staff			\$0
34. Snow Removal			\$500
35. Decorating/Payroll/Contract			\$0
36. Decorating Supplies			\$0
37. Miscellaneous			\$22,000
Totals Operating & Maintenance			\$104,028

M. OPERATING EXPENSES

Taxes & Insurance

38. Real Estate Taxes	\$21,250
39. Payroll Taxes	\$3,735
40. Miscellaneous Taxes/Licenses/Permits	\$0
41. Property & Liability Insurance	\$10,300
42. Fidelity Bond	\$0
43. Workman's Compensation	\$1,000
44. Health Insurance & Employee Benefits	\$9,600
45. Other Insurance	\$0
Total Taxes & Insurance	\$45,885

Total Operating Expense **\$287,054**

Total Operating Expenses Per Unit \$7,554 **C. Total Operating Expenses as % of EGI** 61.63%

Replacement Reserves (Total # Units X \$300 or \$250 New Const. Elderly Minimum) **\$9,500**

Total Expenses	\$296,554
-----------------------	------------------

ACTION: Provide Documentation of Operating Budget at **Tab R** if applicable.

**Allowances for
Tenant-Furnished Utilities
and Other Services**

**U.S. Department of Housing
and Urban Development**
Office of Public and Indian Housing

OMB Approval No. 2577-0169

Locality		Green Discount		Unit Type			Date (mm/dd/yyyy)
City of Virginia Beach 2424 Courthouse Drive Virginia Beach, VA 23456		ENERGY STAR		Larger Apartment Bldgs. (5+ units)			05/03/2021
Utility or Service		Monthly Dollar Allowances					
		0 BR	1 BR	2 BR	3 BR	4 BR	5 BR
Space Heating	Natural Gas	\$16	\$19	\$21	\$24	\$26	\$29
	Bottled Gas						
	Electric Resistance	\$8	\$9	\$12	\$14	\$16	\$18
	Electric Heat Pump	\$7	\$8	\$10	\$11	\$11	\$12
	Fuel Oil						
Cooking	Natural Gas	\$3	\$3	\$4	\$6	\$7	\$9
	Bottled Gas						
	Electric	\$3	\$3	\$5	\$6	\$8	\$9
	Other						
Other Electric	Electric	\$11	\$13	\$18	\$23	\$28	\$33
Air Conditioning	Electric	\$4	\$5	\$7	\$9	\$11	\$14
Water Heating	Natural Gas	\$6	\$7	\$10	\$13	\$16	\$19
	Bottled Gas						
	Electric	\$7	\$8	\$10	\$13	\$15	\$17
	Fuel Oil						
Water		\$20	\$21	\$32	\$49	\$66	\$83
Sewer		\$24	\$27	\$45	\$72	\$98	\$125
Trash Collection		\$25	\$25	\$25	\$25	\$25	\$25
Range/Microwave							
Refrigerator							
Electric Base Charge		\$7	\$7	\$7	\$7	\$7	\$7
Natural Gas Base Charge		\$17	\$17	\$17	\$17	\$17	\$17
Other - Specify							

Actual Family Allowances to be used by the family	\$92	\$134	Utility or Service	Per Month Cost
Complete below for actual unit rent			Heating	
Name of Family			Cooking	
			Other Electric	
Address of Unit			Air Conditioning	
			Water Heating	
			Water	
			Sewer	
Number of Bedrooms			Trash Collection	
			Refrigerator	
			Total	\$

Tab S:

Supportive Housing Certification

N/A

Tab T:

Funding Documentation



City of Virginia Beach

DEPARTMENT OF HOUSING AND
NEIGHBORHOOD PRESERVATION
PHONE: (757) 365-5753
FAX: (757) 365-1874
TTY: 711
TDD: (757) 365-5784

MUNICIPAL CENTER
BUILDING 21, ROOM 144
2408 COURTHOUSE DRIVE
VIRGINIA BEACH, VA 23458-0683

January 12, 2022

Seniors Unlimited Lifestyles, Inc.
Attn: Angela Whitehead, CEO *Angela Whitehead*
453 Longdale Crescent
Chesapeake, VA 23325

Via – E-mail

PURPOSE: *Recension of Commitment Letter of January 26, 2021 (superseded) – to be replaced by the following to add additional funds. Only Change is increase in funds.*

RE: Proposal Submission in Response to FY 19-20 HOF RFP for HOME Funding and Project Based Vouchers (PBVs) for "Tranquility at the Lakes, II" a new affordable Seniors Residential Apartment Community

Dear Ms. Whitehead:

You submitted an application for FY 2019-2020 funding for the above referenced project in response to an RFP we issued. In your proposal you proposed to build a new ³⁸30-unit affordable apartment building for seniors in Virginia Beach. You requested \$750,000.00 in HOME funds, setting aside ten (10) HOME units and you requested twenty (20) PBVs. This is to be a second project of same scope and size as your successful Tranquility at the Lakes I. In November of 2022 you submitted a letter of request for an additional amount of HOME funds of \$500,000.00.

I am pleased to inform you that the Department of Housing and Neighborhood Preservation (DHNP) is making a **conditional commitment of \$1,250,000.00 in HOME funding and twenty (20) PBVs** towards this project. The funding may only be used for the cost of acquisition or construction and not for pre-development costs.

This is a conditional commitment subject to the following actions and approvals.

Condition	Approving Agency(s)
Project Proposal as submitted has no material changes	DHNP
Completion of Environmental Assessment with no significant impact	DHNP & HUD
Availability of funds	City Council & HUD
A Request for Release of Funds and Release of Funds	DHNP & HUD
HOME Subsidy Layering Submission & Approval	DHNP

AW
AW

edited: *CMW*
38 - unit
CMW

Condition	Approving Agency(s)
PBV Subsidy Layering Submission & Approval	HUD
All Contract Pre-Requisites are met	DHNP
A HOME contract with the CoVB - fully executed	DHNP
A PBV - AHAP and HAP contracts with the CoVB-fully executed	DHNP

This award is also conditional upon HUD's approval of DHNP's annual plan, your provision of all required pre-requisites in coordination with DHNP, and a mutually agreed upon and fully executed contract, meeting all City of Virginia Beach terms and conditions and applicable Federal requirements. Re-verification and monitoring of your project and compliance with all applicable laws and regulations will also be required prior to award of a contract.

No physical activity, including rehabilitation, construction, or demolition; can take place on the site or buildings thereon until the entire Environmental Review Process is completed and the contract with the City is fully executed. If any physical activity does take place, no federal funds will be awarded.

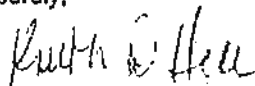
This project will be subject to the Federal Davis Bacon Act and Section 3 federal requirements regarding hiring of labor and contractors. Please ensure that in your project planning you consider any additional costs that may be associated in meeting these requirements.

Please note that this conditional commitment expires on December 31st, 2022 unless renewed. Renewal must be requested by you in writing, will be at our sole discretion, and will be subject to a review of the project's progress or potential progress, and SUL's compliance with requirements to date.

Cindy Walters, DHNP's Compliance & Development Officer, will be your main point of contact for the work needed to meet the required conditions for the Environmental Assessment, as well as the HOME contract. David Grigsby, DHNP Rental Housing Administrator, will be your point of contact regarding PBV contracts.

We look forward to working with you on this project that will benefit the citizens of Virginia Beach!

Sincerely,



Ruth D. Hill
Director

Cc: Cindy M. Walters, Compliance & Development Officer
David Grigsby, Rental Housing Administrator
Karen Prochilo, Housing Development Administrator


Cindy M. Walters (Mar 5, 2022 12:54 EST)



MEMBER JURISDICTIONS

March 9, 2022

CHESAPEAKE

FRANKLIN

Ms. Jessica Guglielmo, President and CEO
Virginia Beach Community Development Corporation
2400 Potters Road
Virginia Beach, VA 23454
VIA email: jguglielmo@vbcdc.org

GLOUCESTER

HAMPTON

RE: Virginia Association of Planning District Commissions - Virginia Housing Grant Award

ISLE OF WIGHT

Dear Ms. Guglielmo:

JAMES CITY

We are pleased to inform you that the Hampton Roads Planning District Commission has made a conditional contingent commitment of funding for the Tranquility at the Lakes II project for **\$300,000**. The funds will be used to develop 38 apartments serving low-income seniors in the City of Virginia Beach.

NEWPORT NEWS

NORFOLK

Please note that this commitment is contingent on providing all required pre-contract documents, a successful LITC application, and ensuring that all funding deficits are met. A formal agreement will be sent to you regarding this award in the next few weeks.

POQUOSON

PORTSMOUTH

Thank you for your commitment to affordable housing. We are pleased to be able to assist with this project.

SMITHFIELD

Sincerely,

SOUTHAMPTON

SUFFOLK

SURRY

Shernita Bethea
Housing Administrator

VIRGINIA BEACH

SLB/cm

WILLIAMSBURG

YORK

Tab U:

Acknowledgement by Tenant of the availability of Renter
Education provided by Virginia Housing

Virginia Housing Renter Education Program

Whether it's a house, apartment, duplex or townhouse, renting can have its advantages over purchasing. Here are some resources to help you understand and explore your options for finding affordable rental housing in Virginia. As a renter, you have certain rights that protect you and your interests, but you also have responsibilities. Become familiar with what you need to know.

Virginia Housing provides Renters the opportunity to complete free courses and access other resources at their website. Renters are encouraged but not required to access this information.

To begin, Renters need to create an account on the VHDA website that is included in the links below. The eBook is a comprehensive resource that covers financial readiness, credit, searching for rentals, the application, the lease agreement, security deposit, tenant rights & responsibilities, housekeeping, and maintenance & repairs.

The online course is available in both English and Spanish. It is comprised of nine (9) standalone modules/chapters and is available 24 hours a day. A Certificate of Completion is made available at the completion of each chapter. Renters can download the certificate, print, save, and share by email if desired.

Links for Assistance to Renters Before Taking the Renter Education Program:

<https://www.virginiahousing.com/renters>

<https://www.virginiahousingsearch.com/Resources.html>

<https://www.virginiahousing.com/renters/education>

Acknowledgment of Renter of _____ (Apartments):

Signature: _____ Dated: _____

Printed: _____

Tab V:

Nonprofit or LHA Purchase Option or Right of First
Refusal

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

Williams Mullen Center
200 South 10th Street
Suite 1600
Richmond, VA 23219
Attention: Lauren Nowlin

RIGHT OF FIRST REFUSAL AGREEMENT
(Tranquility at the Lakes II)

RIGHT OF FIRST REFUSAL AGREEMENT (the “Agreement”) dated as of March 10th, 2022, by and among **SUL TRANQUILITY LAKES II, LLC**, a Virginia limited liability company (the “Owner” or the “Company”), **SENIORS UNLIMITED LIFESTYLES, INC.**, a Virginia nonprofit corporation (the “Grantee”), and is consented to by **SUL TRANQUILITY LAKES II MANAGER, LLC**, a Virginia limited liability company (the “Managing Member”), **[INVESTOR ENTITY]**, a [_____] limited liability company (the “Investor Member”) and [_____] **SPECIAL LIMITED PARTNER, L.L.C.**, a [_____] limited liability company (the “Special Member”). The Managing Member, the Investor Member and the Special Member are sometimes collectively referred to herein as the “Consenting Members”. The Investor Member and Special Member are sometimes collectively referred to herein as the “Non-Managing Members”. This Agreement shall be fully binding upon and inure to the benefit of the parties and their successors and assigns to the foregoing.

Recitals

A. The Owner, pursuant to its [Amended and Restated] Operating Agreement dated on or about the date hereof by and among the Consenting Members (the “Operating Agreement”), is engaged in the ownership and operation of an [_____] -unit apartment project for families located in the City of Virginia Beach, Virginia and commonly known as “Tranquility at the Lakes II” (the “Project”). The real property comprising the Project is legally defined on **Exhibit A**.

B. The Grantee is a member of the Managing Member of the Owner and is instrumental to the development and operation of the Project; and

C. The Owner desires to give, grant, bargain, sell and convey to the Grantees certain rights of first refusal to purchase the Project on the terms and conditions set forth herein;

D. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Operating Agreement.

NOW, THEREFORE, in consideration of the foregoing, of the mutual promises of the parties hereto and of other good and valuable consideration, the receipt and sufficiency of which the parties hereto acknowledge, the parties hereby agree as follows:

Section 1. Right of First Refusal

The Owner hereby grants to the Grantee a right of first refusal (the "Refusal Right") to purchase the real estate, fixtures, and personal property comprising the Project or associated with the physical operation thereof and owned by the Company at the time (the "Property"), for the price and subject to the other terms and conditions set forth below. The Property will include any reserves of the Partnership that are required by the Virginia Housing Development Authority ("Virginia Housing" or the "Credit Authority") or any lender of a loan being assumed in connection with the exercise of the Refusal Right to remain with the Project.

Section 2. Exercise of Refusal Right; Purchase Price

A. After the end of the Compliance Period, the Company agrees that it will not sell the Property or any portion thereof to any Person without first offering the Property to the Grantee (the "Refusal Right"), for the Purchase Price (as defined in Section 3); *provided, however*, that such Refusal Right shall be conditioned upon the receipt by the Company of a "bona fide offer" (the acceptance or rejection of which shall not require the Consent of the Members). The Company shall give the notice of its receipt of such offer (the "Offer Notice") and shall deliver a copy of the Offer Notice to the Grantee. Upon receipt by the Grantee of the Offer Notice, the Grantee shall have 90 days to deliver to Company a written notice of its intent to exercise the Refusal Right (the "Election Notice"). An offer made with the purchase price and basic terms of the proposed sale from a third party shall constitute a "bona fide offer" for purposes of this Agreement. Such offer (i) may be solicited by the Grantee or the Managing Member (with such solicitation permitted to begin at any time following the end of the fourteenth (14th) year of the Compliance Period provided that the Election Notice may not be sent until the end of the Compliance Period) and (ii) may contain customary due diligence, financing, and other contingencies. Notwithstanding anything to the contrary herein, a sale of the Project pursuant to the Refusal Right shall not require the Consent of the Non-Managing Members or of Virginia Housing.

B. If the Grantee fails to deliver the Election Notice within ninety (90) days of receipt of the Offer Notice, or if such Election Notice is delivered but the Grantee does not consummate the purchase of the Project within 270 days from the date of delivery of the Election Notice (each, individually, a "Terminating Event"), then its Refusal Right shall terminate and the Company shall be permitted to sell the Property free of the Refusal Right.

Section 3. Purchase Price; Closing

A. The purchase price for the Property pursuant to the Refusal Right (the "Purchase Price") shall equal the sum of (i) the principal amount of all outstanding indebtedness secured by the Project, and any accrued interest on any of such debts and (ii) all federal, State, and local taxes attributable to such sale, including those incurred or to be incurred by the partners or members of the Non-Managing Members. Notwithstanding the foregoing, however, the Purchase Price shall never be less than the amount of the "minimum purchase price" as defined in Section 42(i)(7)(B) of the Code. The Refusal Right granted hereunder is intended to satisfy the requirements of Section 42(i)(7) of the Code and shall be interpreted consistently therewith. In computing such price, it shall be assumed that each of the Non-Managing Members of the Owner (or their constituent

partners or members) has an effective combined federal, state and local income tax rate equal to the maximum of such rates in effect on the date of Closing.

B. All costs of the Grantee's purchase of the Property pursuant to the Refusal Right, including any filing fees, shall be paid by Grantee.

C. The Purchase Price shall be paid at Closing in one of the following methods:

(i) the payment of all cash or immediately available funds at Closing,
or

(ii) the assumption of any assumable Loans if Grantee has obtained the consent of the lenders to the assumption of such Loans, which consent shall be secured at the sole cost and expense of Grantee; provided, however, that any Purchase Price balance remaining after the assumption of the Loans shall be paid by Grantee in immediately available funds.

Section 4. Conditions Precedent; Termination

A. Notwithstanding anything in this Agreement to the contrary, the right of the Grantee to exercise the Refusal Right and consummate any purchase pursuant thereto is contingent on each of the following being true and correct at the time of exercise of the Refusal Right and any purchase pursuant thereto:

(i) the Grantee or its assignee shall be a "qualified nonprofit organization" as defined in Section 42(h)(5)(C) of the Code or another qualified purchaser described in Section 42(i)(7)(A) of the Code (collectively, each, a "Qualified Beneficiary"); and

(ii) the Project continues to be a "qualified low-income housing project" within the meaning of Section 42 of the Code.

B. This Agreement shall automatically terminate upon the occurrence of any of the following events and, if terminated, shall not be reinstated unless such reinstatement is agreed to in a writing signed by the Grantee and each of the Consenting Members:

(i) the transfer of the Property to a lender in total or partial satisfaction of any loan; or

(ii) any transfer or attempted transfer of all or any part of the Refusal Right by the Grantee, whether by operation of law or otherwise, except as otherwise permitted under Section 7 of this Agreement; or

(iii) the Project ceases to be a "qualified low-income housing project" within the meaning of Section 42 of the Code, or

(iv) the Grantee fails to deliver its Election Notice or consummate the purchase of the Property within the timeframes set forth in Section 2 above.

Section 5. Contract and Closing

Upon determination of the purchase price, the Owner and the Grantee shall enter into a written contract for the purchase and sale of the Property in accordance with the terms of this Agreement and containing such other terms and conditions as are standard and customary for similar commercial transactions in the geographic area which the Property is located, providing for a closing (the "Closing") to occur in the City of Virginia Beach, Virginia not later than the timeframes set forth in Section 2. In the absence of any such contract, this Agreement shall be specifically enforceable upon the exercise of the Refusal Right.

Section 6. Conveyance and Condition of the Property

The Owner's right, title and interest in the Property shall be conveyed by quitclaim deed, subject to such liens, encumbrances and parties in possession as shall exist as of the date of Closing. The Grantee shall accept the Property "**AS IS, WHERE IS**" and "**WITH ALL FAULTS AND DEFECTS,**" latent or otherwise, without any warranty or representation as to the condition thereof whatsoever, including without limitation, without any warranty as to fitness for a particular purpose, habitability, or otherwise and no indemnity for hazardous waste or other conditions with respect to the Property will be provided. It is a condition to Closing that all amounts due to the Owner and the Investor Member from the Grantee or its Affiliates be paid in full. The Grantee shall pay all closing costs, including, without limitation, the Owner's attorney's fees. Upon closing, the Owner shall deliver to the Grantee, along with the deed to the property, an ALTA owner's title insurance policy dated as of the close of escrow in the amount of the purchase price, subject to the liens, encumbrances and other exceptions then affecting the title.

Section 7. Transfer

The Refusal Right shall not be transferred to any Person without the Consent of the Investor Member, except that the Grantee may assign all or any of its rights under this Agreement to an Affiliate of Grantee (a "Permitted Assignee") at the election and direction of the Grantee or to any assignee that shall be a "qualified nonprofit organization" as defined in Section 42(h)(5)(C) of the Code or another qualified purchaser described in Section 42(i)(7)(A) of the Code (collectively, each, a "Qualified Beneficiary").

In the case of any transfer of the Refusal Right (i) all conditions and restrictions applicable to the exercise of the Refusal Right or the purchase of the Property pursuant thereto shall also apply to such transferee, and (ii) such transferee shall be disqualified from the exercise of any rights hereunder at all times during which Grantee would have been ineligible to exercise such rights hereunder had it not effected such transfer.

Section 8. Rights Subordinate; Priority of Requirements of Section 42 of the Code

This Agreement is subordinate in all respects to any regulatory agreements and to the terms and conditions of the Mortgage Loans encumbering the Property. In addition, it is the intention of the parties that nothing in this Agreement be construed to affect the Owner's status as owner of the Property for federal income tax purposes prior to exercise of the Refusal Right granted hereunder. Accordingly, notwithstanding anything to the contrary contained herein, both the grant and the exercise of the Refusal Right shall be subject in all respects to all applicable provisions of

Section 42 of the Code, including, in particular, Section 42(i)(7). In the event of a conflict between the provisions contained in this Agreement and Section 42 of the Code, the provisions of Section 42 shall control.

Section 9. Option to Purchase

A. The parties hereto agree that if the Service hereafter issues public authority to permit the owner of a low-income housing tax credit project to grant an “option to purchase” pursuant to Section 42(i)(7) of the Code as opposed to a “right of first refusal” without adversely affecting the status of such owner as owner of its project for federal income tax purposes, then the parties shall amend this Agreement and the Owner shall grant the Grantee an option to purchase the Property at the Purchase Price provided in Section 3 hereof and that meets the requirements of Code Section 42(i)(7).

B. If the Service hereafter issues public authority to permit the owner of a low-income housing tax credit project to grant a “right of first refusal to purchase partner interests” and/or “purchase option to purchase partner interests” pursuant to Section 42(i)(7) of the Code (or other applicable provision) as opposed to a “right of first refusal to purchase the Project” without adversely affecting the status of such owner as owner of its project for federal income tax purposes (or the status of the Investor Member as a partner of the Company for federal income tax purposes) then the parties shall amend this Agreement and the Investor Members shall provide a right of first refusal and/or purchase option, as the case may be, to acquire their Interests for the Purchase Price provided in Section 3 hereof and that meets the requirements of Code Section 42(i)(7).

Section 10. Notice

Except as otherwise specifically provided herein, all notices, demands or other communications hereunder shall be in writing and shall be deemed to have been given and received (i) two (2) business days after being deposited in the United States mail and sent by certified or registered mail, postage prepaid, (ii) one (1) business day after being delivered to a nationally recognized overnight delivery service, (iii) on the day sent by telecopier or other facsimile transmission, answer back requested, or (iv) on the day delivered personally, in each case, to the parties at the addresses set forth below or at such other addresses as such parties may designate by notice to the other party:

(i) If to the Owner, at the principal office of the Company set forth in Article II of the Operating Agreement;

(ii) If to a Consenting Member, at their respective addresses set forth in Schedule A of the Operating Agreement;

(iii) If to the Grantee, Seniors Unlimited Lifestyles, Inc., 453 Longdale Crescent, Chesapeake, Virginia 23325; and

Section 11. Severability of Provisions

Each provision of this Agreement shall be considered severable, and if for any reason any provision that is not essential to the effectuation of the basic purposes of the Agreement is

determined to be invalid and contrary to any existing or future law, such invalidity shall not impair the operation of or affect those provisions of this Agreement that are valid.

Section 12. Binding Provisions

The covenants and agreements contained herein shall be binding upon, and inure to the benefit of, the heirs, legal representatives, successors and assignees of the respective parties hereto, except in each case as expressly provided to the contrary in this Agreement.

Section 13. Counterparts

This Agreement may be executed in several counterparts and all so executed shall constitute one agreement binding on all parties hereto, notwithstanding that all the parties have not signed the original or the same counterpart.

Section 14. Governing Law

This Agreement shall be construed and enforced in accordance with the laws of the Commonwealth of Virginia without regard to principles of conflicts of law. Notwithstanding the foregoing, Company, Investor Member and Grantee do not intend the Refusal Right in this Agreement to be a common law right of first refusal but rather intend it to be understood and interpreted as a mechanism authorized by Section 42 of the Code to allow non-profit entities to preserve affordable housing for low-income families in accordance with Grantee's charitable objectives.

Section 15. Headings

All headings in this Agreement are for convenience of reference only. Masculine, feminine, or neuter gender, shall include all other genders, the singular shall include the plural, and vice versa as the context may require.

Section 16. Amendments

This Agreement shall not be amended except by written agreement between Grantee and the Owner with the consent of each of the Consenting Members [and Virginia Housing].

Section 17. Time

Time is of the essence with respect to this Agreement, and all provisions relating thereto shall be so construed.

Section 18. Legal Fees

Except as otherwise provided herein, in the event that legal proceedings are commenced by the Owner against the Grantee or by the Grantee against the Owner in connection with this Agreement or the transactions contemplated hereby, the prevailing party shall be entitled to recover all reasonable attorney's fees and expenses.

Section 19. Subordination

This Agreement is and shall remain automatically subject and subordinate to any bona fide mortgage to (or assigned to) an institutional or governmental lender with respect to the Project and, in the event of a foreclosure of any such mortgage, or of the giving of a deed in lieu of foreclosure to any such mortgagee, this Agreement shall become void and shall be of no further force or effect.

Section 20. Rule Against Perpetuities Savings Clause

The term of this Agreement will be ninety years commencing on the date first written above unless sooner terminated pursuant to the provisions hereof. If any provision of this Agreement is construed as violating and applicable "Rule Against Perpetuities" by statute or common law, such provision will be deemed to remain in effect only until the death of the last survivor of the now living descendants of any member of the 116th Congress of the United States, plus twenty-one (21) years thereafter. This Agreement and the Refusal Right herein granted are covenants running with the land and the terms and provisions hereof will be binding upon, inure to the benefits of and be enforceable by the parties hereto and their respective successors and assigns.

Section 21. Third Party Beneficiary; Virginia Housing Rights and Powers

The Virginia Housing Development Authority ("Virginia Housing") shall be a third party beneficiary to this Agreement, and the benefits of all of the covenants and restrictions hereof shall inure to the benefit of Virginia Housing, including the right, in addition to all other remedies provided by law or in equity, to apply to any court of competent jurisdiction within the Commonwealth of Virginia to enforce specific performance by the parties or to obtain an injunction against any violations hereof, or to obtain such other relief as may be appropriate. The Authority and its agents shall have those rights and powers with respect to the Project as set forth in the Act and the Virginia Housing Rules and Regulations promulgated thereunder, including without limitation, those rights and powers set forth in Chapter 1.2 of Title 365 of the Code of Virginia (1950), as amended, and 13VAC10-180-10 et seq., as amended.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this Right of First Refusal Agreement as of the date first stated above.

OWNER:

SUL TRANQUILITY LAKES II, LLC,
a Virginia limited liability company

By: SUL TRANQUILITY LAKES II MANAGER, LLC,
a Virginia limited liability company,
its Managing Member

By: Virginia Beach Community Development
Corporation, a Virginia nonprofit corporation,
its Co-Managing Member

By: 
Name: Jessica Guglielmo
Title: President and CEO

(SEAL)



COMMONWEALTH OF VIRGINIA)
CITY/COUNTY OF Virginia Beach)

On March 8, 2022, before me, the undersigned, a notary public in and for said state, personally appeared Jessica Guglielmo, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity as President and CEO of Virginia Beach Community Development Corporation, a Virginia nonprofit corporation, the co-managing member of SUL Tranquility Lakes II Manager, LLC, a Virginia limited liability company, the managing member of SUL Tranquility Lakes II, LLC, a Virginia limited liability company, and that by her signature on the instrument, the entity, individual or the person on behalf of which the individual acted, executed the instrument.


Notary Public

Commission expires: 12/31/2023

Registration No.: 7840545

EXHIBIT A

LEGAL DESCRIPTION

[insert legal]

Parcel 1: 1012 Finney Circle GPIN 1458-88-2715

ALL THAT certain lot, tract or parcel of land together with improvements thereon belonging, lying, situated and being in the City of Virginia Beach, Virginia and designated and described as: "NOW OR FORMERLY CITY OF VIRGINIA BEACH INST. #20130102000003920 INST. #20121221001461910 1458-88-2715-0000" and further designated as "RESIDUAL AREA OF GPIN 1458-88-2715," as shown on that certain plat entitled: "PLAT SHOWING RIGHT OF WAY HEREBY ESTABLISHED BY CITY OF VIRGINIA BEACH FOR BURTON STATION ROAD IMPROVEMENTS VIRGINIA BEACH, VIRGINIA," Scale: 1" = 40', dated April 19, 2018 and revised through January 8, 2019, to which reference is made for a more particular description.

RESERVING UNTO THE CITY all right, title and interest of the City in and to any and all easements, rights of way, private roads and other rights of access, ingress and/or egress adjacent to, appurtenant to or in any way benefiting the City and/or public.

IT BEING a portion of the same property conveyed to the City of Virginia Beach from Kay Z. Kesser by Deed dated December 18, 2012 and recorded in the aforesaid Clerk's Office as Instrument Number 20130102000003920.

Parcel 2: 1020 Finney Circle GPIN 1458-88-2897

ALL THAT certain lot, tract or parcel of land together with improvements thereon belonging, lying, situated and being in the City of Virginia Beach, Virginia and designated and described as: "RESIDUAL AREA TO BE ACQUIRED BY THE CITY OF VIRGINIA BEACH AREA= 8,198 S.F. OR 0.1882 AC." and further designated as "RESIDUAL AREA TO BE ACQUIRED BY THE CITY OF VIRGINIA BEACH 8,198 SQUARE FEET 0.1882 ACRES," as shown on that certain plat entitled: "PLAT SHOWING RIGHT-OF-WAY AND PROPERTY TO BE ACQUIRED FROM ROBERT L. ELLIOTT & HELEN TYLER BY CITY OF VIRGINIA BEACH FOR BURTON STATION ROAD IMPROVEMENTS CIP #9-081.003 VIRGINIA BEACH, VIRGINIA," Scale: 1" = 40', dated January 11, 2011 and revised through September 26, 2013, which plat is recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia as Instrument Number 20130927001160920, to which reference is made for a more particular description.

RESERVING UNTO THE CITY all right, title and interest of the City in and to any and all easements, rights of way, private roads and other rights of access, ingress and/or egress adjacent to, appurtenant to or in any way benefiting the City and/or public.

IT BEING a portion of the same property conveyed to the City of Virginia Beach by deed from Robert L. Elliott and Helen Tyler dated September 18, 2013 and recorded in the aforesaid Clerk's Office as Instrument Number 20130930001163420.

IT FURTHER BEING a portion of the same property conveyed to the City of Virginia Beach by Deeds of Confirmation dated September 18, 2013 from Earl Littleton Elliott, Jr. recorded in the aforesaid Clerk's Office as Instrument Number 20160815000718630; from Romona S. Corprew as Instrument Number 20160809000693760; and from Adrian T. Elliott as Instrument Number 20160727000644160.

Parcel 3: 5837 Burton Station Road GPIN 1458-89-3052

ALL THAT certain lot, tract or parcel of land together with improvements thereon belonging, lying, situated and being in the City of Virginia Beach, Virginia and designated and described as: "NOW OR FORMERLY CITY OF VIRGINIA BEACH INSTRUMENT #20131017001240220 INSTR#20131016001232250(PLAT) 1458-89-3052" and further designated as "RESIDUAL AREA OF GPIN 1458-89-3052," as shown on that certain plat entitled: "PLAT SHOWING EASEMENTS TO BE ESTABLISHED BY CITY OF VIRGINIA BEACH FOR BURTON STATION ROAD IMPROVEMENTS CIP #9-081.003 VIRGINIA BEACH, VIRGINIA," Scale: 1"= 40', dated August 29, 2016, which plat is recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia as Instrument Number 20180226000152270, to which reference is made for a more particular description.

LESS AND EXCEPT those certain Dominion Virginia Power, Verizon Virginia Inc., Cox Communications Hampton Roads, LLC easements as shown on the aforesaid plat and recorded respectively as Instrument Numbers 20161026000968630, 20160726000641970, and 20160805000683460.

RESERVING UNTO THE CITY the public drainage easement as shown on the aforesaid plat as "PROPOSED PUBLIC DRAINAGE EASEMENT AREA= 930 S.F. OR 0.0213 AC." and further described as "PROPOSED PUBLIC DRAINAGE EASEMENT 930 SQUARE FEET 0.0213 ACRES," as shown on the aforesaid plat.

RESERVING UNTO THE CITY all right, title and interest of the City in and to any and all easements, rights of way, private roads and other rights of access, ingress and/or egress adjacent to, appurtenant to or in any way benefiting the City and/or public.

IT BEING a portion of the same property conveyed to the City of Virginia Beach from Alphonso Elliott, Executor of the Estate of Martha Virginia Elliott by Deed dated October 9, 2013 and recorded in the aforesaid Clerk's Office as Instrument Number 20131017001240220.

Parcel 4: 5841 Burton Station Road GPIN 1458-89-2090

ALL THAT certain lot, tract or parcel of land together with improvements thereon belonging, lying, situated and being in the City of Virginia Beach, Virginia and designated and described as: "NOW OR FORMERLY CITY OF VIRGINIA BEACH D.B. 3617, PG. 652 D.B. 429, PG. 271 (PLAT) 1458-89-2090" and further designated as "RESIDUAL AREA OF GPIN 1458-89-2090 9,430 SQUARE FEET 0.2165 ACRES," as shown on that certain plat entitled: "PLAT SHOWING RIGHT-OF-WAY HEREBY ESTABLISHED AND EASEMENTS TO BE CONVEYED BY CITY OF VIRGINIA BEACH FOR BURTON STATION ROAD IMPROVEMENTS CIP #9-081.003 VIRGINIA BEACH, VIRGINIA," Scale: 1" = 40', dated January 11, 2011, and revised through February 25, 2014, which plat is recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia as Instrument Number 20150204000104180, to which reference is made for a more particular description.

LESS AND EXCEPT those certain Dominion Virginia Power, Verizon Virginia Inc., Cox Communications Hampton Roads, LLC easements as shown on the aforesaid plat and recorded respectively as Instrument Numbers 20160630000559760, 20160726000642000, and 20160627000547020.

RESERVING UNTO THE CITY the public drainage easement as shown on the aforesaid plat as "PROPOSED PUBLIC DRAINAGE EASEMENT HEREBY ESTABLISHED AREA= 750 S.F. OR 0.0172 AC." and further described as "PROPOSED PUBLIC DRAINAGE EASEMENT HEREBY ESTABLISHED 750 SQUARE FEET 0.0172 ACRES," as shown on the aforesaid plat.

RESERVING UNTO THE CITY all right, title and interest of the City in and to any and all easements, rights of way, private roads and other rights of access, ingress and/or egress adjacent to, appurtenant to or in any way benefiting the City and/or public.

IT BEING a portion of the same property conveyed to the City of Virginia Beach from George W. Elliott and Jennie A. Elliott, husband and wife, by Deed dated January 10, 1996 and recorded in the aforesaid Clerk's Office in Deed Book 3617, at page 652.

Parcel 5: Private Right of Way GPIN 1458-89-2065

ALL THAT certain lot, tract or parcel of land together with improvements thereon belonging, lying, situated and being in the City of Virginia Beach, Virginia and designated and described as: "RESIDUAL AREA TO BE ACQUIRED AREA = 7,913 S.F. OR 0.1817 AC." and further designated as "RESIDUAL AREA TO BE ACQUIRED 7,913 SQUARE FEET 0.1817 ACRES," as shown on that certain plat entitled: "PLAT SHOWING PROPERTY TO BE ACQUIRED FROM GEORGE W. ELLIOTT BY CITY OF VIRGINIA BEACH FOR BURTON STATION ROAD IMPROVEMENTS CIP #9-081.003 VIRGINIA BEACH, VIRGINIA," Scale: 1" = 40', dated March 18, 2013 and revised through March 26, 2013, which plat is recorded in the Clerk's Office of the Circuit Court of the City of Virginia Beach, Virginia as Instrument Number 20130328000360010, to which reference is made for a more particular description.

LESS AND EXCEPT those certain Dominion Virginia Power, Verizon Virginia Inc., Cox Communications Hampton Roads, LLC easements as shown on the aforesaid plat and recorded respectively as Instrument Numbers 20160412000297120, 20160804000675130, and 20160602000468670.

RESERVING UNTO THE CITY the public drainage easement as shown on the aforesaid plat as "PROPOSED PUBLIC DRAINAGE EASEMENT AREA = 450 S.F. OR 0.0103 AC." and further described as "PROPOSED PUBLIC DRAINAGE EASEMENT 450 SQUARE FEET 0.0103 ACRES," as shown on the aforesaid plat.

RESERVING UNTO THE CITY all right, title and interest of the City in and to any and all easements, rights of way, private roads and other rights of access, ingress and/or egress adjacent to, appurtenant to or in any way benefiting the City and/or public.

IT BEING a portion of the same property conveyed to the City of Virginia Beach from George W. Elliott by Deed dated April 4, 2013 and recorded in the aforesaid Clerk's Office as Instrument Number 20130423000463620.

Tab W:

Internet Safety Plan and Resident Information Form (if internet amenities selected)

1. Internet Education Information for Residents
2. Internet Acceptable Use Policy:
Resident Acknowledgement Form
3. Internet Security Plan



The Internet might seem intimidating at first - a vast global communications network with billions of webpages. But in this lesson, we simplify and explain the basics about the Internet using a conversational non-technical style to make it understandable, useful, and enjoyable. There's no reason to be left out!

Basic Internet Skills

Microsoft Windows PCs

www.NetLiteracy.org



What the Internet is:

The Internet, the web, cyberspace, and the 'net are all terms that generally mean the same thing, in this case, we will call it the Internet. The Internet is a **NET**work of computers, all over the world, **INTER**connected to each other and available to any individual. The Internet is used for many different activities including shopping, communicating, learning, and distributing information.



Unfortunately, you cannot open a door to a house and walk outside to “go into the Internet.” Computers are a primary tool you’ll utilize to use the Internet. The Internet is somewhat difficult to describe because you cannot touch it (in a way similar to software). It seems invisible—only computers can see it – and you can see it through a computer. Sometimes the Internet is best described in comparison to a library. The Internet is made up of many individual components, just like a library is made up of many books. The Internet’s components have even more individual parts, just like a book has pages.

Changing Constantly:

The Internet is a useful source of information about news, sports, and entertainment because it changes along with the minute-by-minute events that occur in the world brings. This might seem confusing. However, it is not

necessarily so—the Internet can be thought of as a “dynamic” living organism that changes and adapts to its environment. The Internet changes very quickly—just watching a 24 hour news channel on the television. The content on some websites is updated every few seconds.

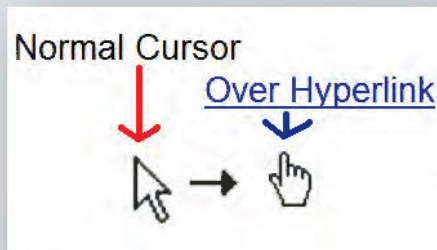




Purpose / Content of Websites

On the Internet, there are many websites. These are usually made for one specific purpose; they range from informing you about the news to teaching you how to cook.

The best analogy of a website is a comparison to an entire book or an entire newspaper. Websites are made up of “pages,” just like newspapers and books.



Websites are usually independent, however sometimes they are linked together by hyperlinks (also called links) that allow you to jump from one website to another website. These links allow you to “turn the page,” and move around on the Internet. They are usually underlined and **blue**, however they can be any color and or even a picture. How

do you identify a hyperlink? When your mouse hovers over a hyperlink, the arrow changes into a pointing hand.

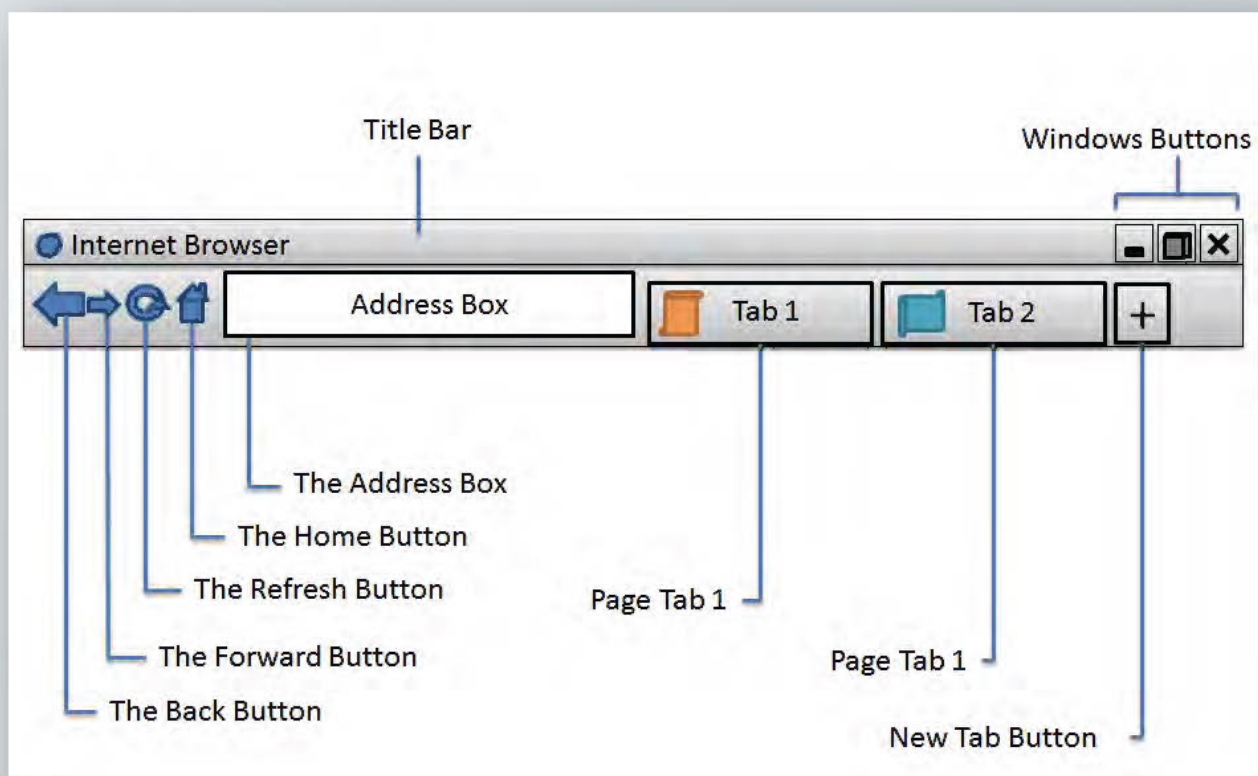
Webpages are what you see and read on the Internet. They are primarily made up of text (words), digital media (pictures, movies, and music), and hyperlinks. The Internet, unlike a book or newspaper, is in no order, and can seem slightly confusing at first. However, there are tools on the Internet that help organize it and will allow you to use it comfortably and easily.





Applications to Access the Internet

On the computer, you use a program to see the Internet. The program is called a web browser — you “browse” the web with it. Some common brands of web browsers include Internet Explorer, Firefox, and Chrome. They serve the same purpose, navigating the internet, and also have many of the same buttons. For instance, we will take a look at a generic browser’s buttons. You will use these buttons to navigate around the Internet. Sometimes extra buttons might be added, while other times, buttons might have been moved around on the toolbar. If you cannot find a button, just ask someone (they seem to be pretty tricky when they hide from you).





The Buttons

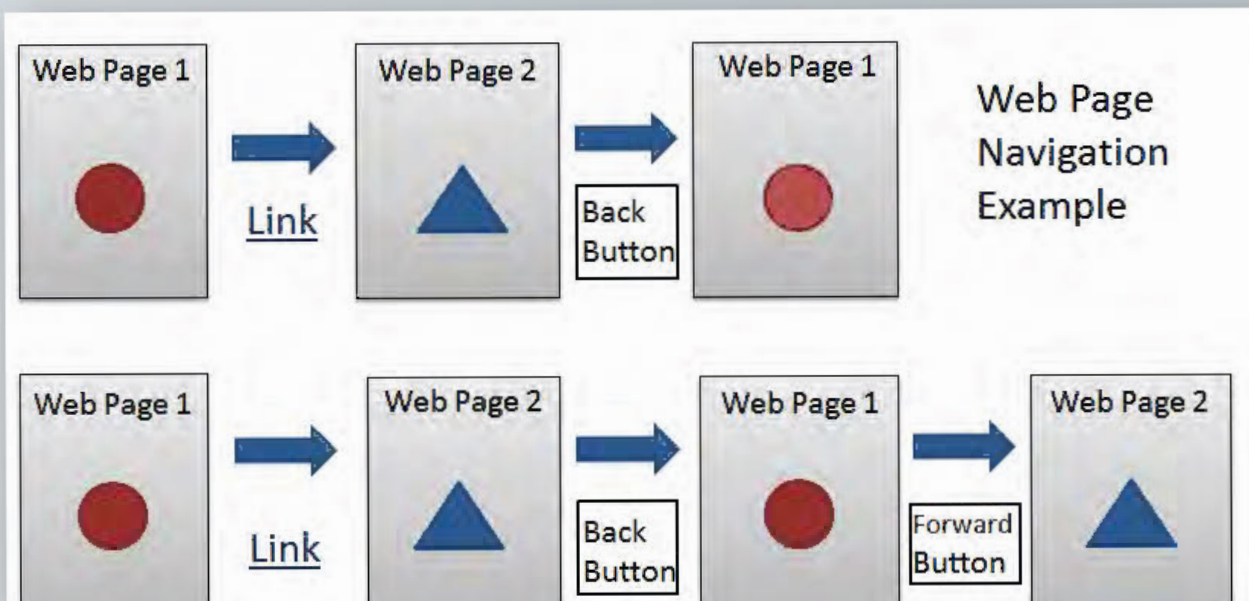
The Back Button – This button allows you to return to the last webpage that you last visited. It is most often used if you accidentally click on a link and wish to return to your previous page.

The Forward Button – If you clicked the back button, you don't have to hunt for the hyperlink on the webpage to return to the previous webpage. Just click on the forward button to return to the previous page that you were at before you pressed the back button.

Note: If the forward button is "grayed out" and when you click on it, nothing happens, this means that it is disabled.

The Refresh Button – This button is useful if you are looking at pages that contain content that is updated more frequently, such as the news, sports scores, or the weather. By clicking on the refresh button, the web page loads again, and is updated with the latest information.

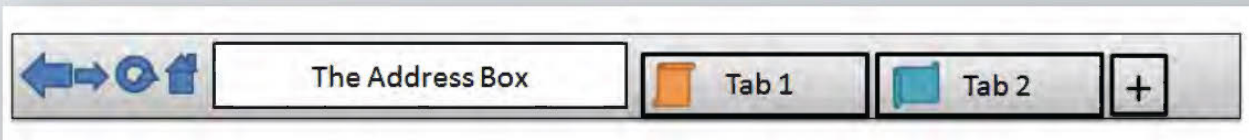
The Home Button - When you open your web browser, the first website that is displayed is your **homepage**. You can change your homepage to fit your preferences. When you click on the home button, it takes you to your homepage.





The Address Box

The Address Box – This displays the URL of a webpage. URL stands for Universal Resource Locator, which is a unique address for each webpage – just like your own home’s address is unique. You can type a specific URL into the address box by left clicking in the box once and then typing. Although URLs are all different, they share common characteristics. The basic diagram of a URL is shown below.



http://www.google.com

Http:// - Begins most web addresses. Tells the internet browser what protocol to use.

www - Stands for “World Wide Web.” Most web addresses have it although it is not necessary. It indicates a web page.

.(dot) - Separates parts of the address so it does not all run together and the computer can distinguish the different parts of the address.

Domain name - Example: “Google” - A series of numbers, letters or hyphens “-” that identifies the owner of the address.

.” (dot) - See previous Definition

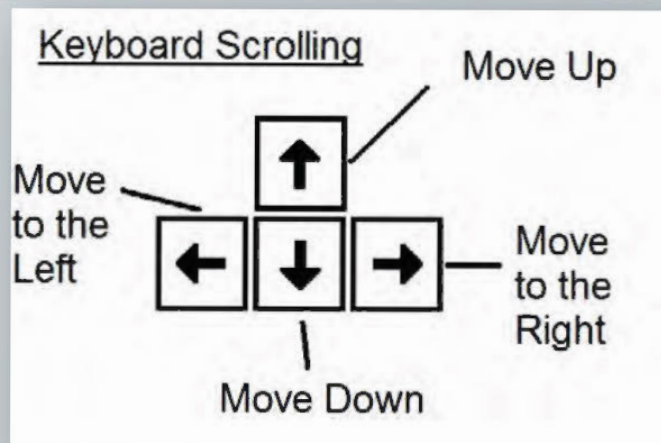
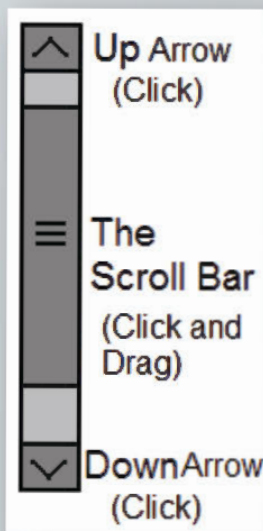
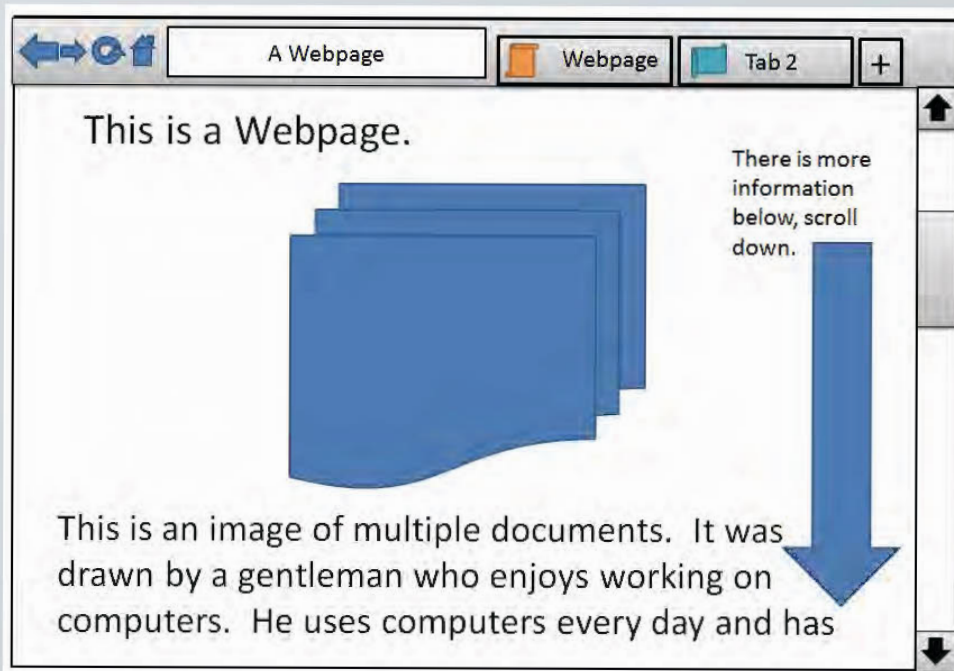
The Domain - At the end of a web address. Tells what type of web page you are viewing.
 .com – Commercial
 .org – Non-For-Profit Organization
 .edu – Education (Colleges/Universities)
 .net – Internet Related
 .mil – US Military
 .gov – US Government
 .us – United States
 .uk – United Kingdom

Important: Make sure you spell everything correctly. Addresses are very specific and if typed incorrectly, they will direct you to the wrong website. If this happens, simply use your back arrow to return to the previous webpage.



Scrolling on Webpages

One thing to keep in mind when viewing the Internet is that a bunch of information might be displayed on a webpage, however, only a small portion can be seen immediately when you load the webpage. Thus, it is important to look at your scroll bars to the right and bottom to see if there is more information you are missing. If you are tired of using the mouse to scroll up and down, try using the arrow keys.

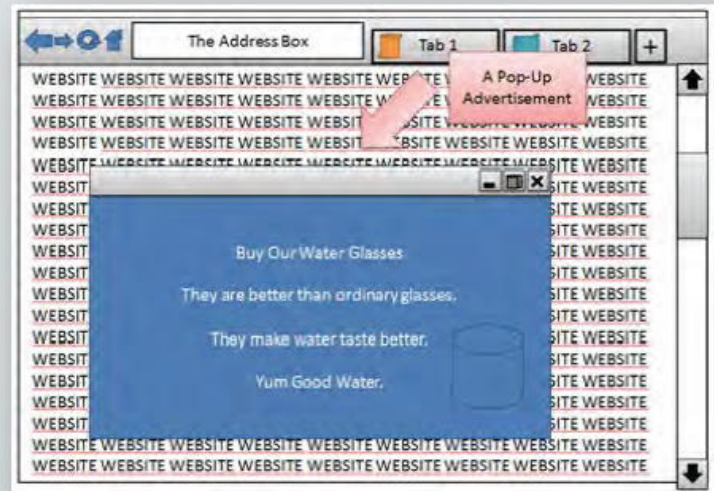


Pop Up Advertisements

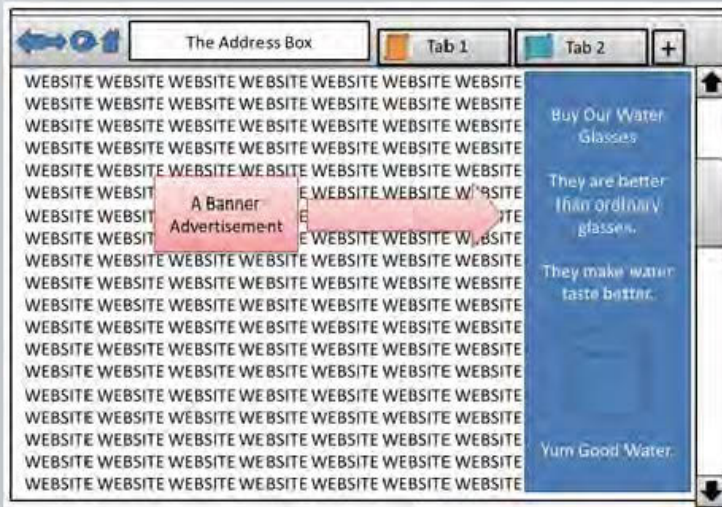


On the Internet, there are things that help you and things that can make you aggravated. One aggravation is the **Pop Up Ad**.

These advertisements are created by aggressive marketers who want you to see their “amazing” product and buy it. Pop ups create their own window and usually appear on top of the information that you are interested in. If you click on a pop up ad, it will take you away from the information you are looking at. If you see a pop up ad, click the X at the top right of the window to close it.



Another type of advertisement is the **Banner**. Banner ads show up at the top of a website or on the side of a website. As a beginner, it's generally wiser to ignore banner advertisements unless you are familiar with the company.



Searching the Internet

Because there are so many things on the Internet, it is frequently hard to locate exactly what you are looking for. Search engines such as Google (www.google.com) are very helpful and allow you search the Internet.

A search engine is a Website used to search for information on the World Wide Web. Google first collects websites using a computer program (called a



wanderer, crawler, robot, worm, or spider). Then Google creates an index of these sites so they are searchable. There are many search engines that are available - we use Google for purposes of instruction because most people use it.

Performing a search in Google (See Next Page for Picture)

1. Go to Google by typing www.google.com in the URL address box (see page 5). Google is also one of the fastest search engines and provides some of the best results.
2. Next type your topic or key words (words closely related to your topic) into the box under the Google logo.
3. Press Enter or click "Google Search"
4. The next page that will appear is your search results page. This page lists the first few results from your search. Click on one of the page title that has an interesting description or seems most relevant.
5. If you are not satisfied with that website, click the back button and try a different website. If you still cannot find a good website, try searching by using different terms in the search box at the top of the webpage.



Google Searching Tips

Google will return pages that include all of your search terms. There is no need to include the word "and" between terms. For example, to look for information about parks in Cincinnati, simply type "Cincinnati parks."

Google is not case sensitive. Typing "United States" is the same as typing "UNITED STATES" or "united states."

The more words you include in your search, the more specific your search will be and the more relevant your search results will be.



Internet Glossary

Browser – A software program that allows Internet documents (like webpages) to be viewed, also called a Web Browser.

Cyberspace – The world of computer networks.

Domain Name – A unique name that identifies a specific computer on the Internet.

Download – A term for transferring software or other files from one computer to another.

Email – Electronic Mail – Messages sent from one specific user to another using the Internet.

Email address – The way a specific user is identified so that they may receive email. An email address can be identified by the “@” sign. E.g., Support@seniorconnects.org

Home Page – The first page of a Website, similar to a table of contents.

HTML – HyperText Markup Language- A computer language used to make hypertext documents that are sent via the World Wide Web and viewed using a Browser.

HTTP – HyperText Transfer Protocol – The way that hypertext documents are transferred over the Internet.

Hypertext – A way of presenting information that allows words, pictures, sounds, and actions to be inter-linked so that you may jump between them however you choose.

Link – A word, phrase, or image that allows you to jump to another document on the World Wide Web.

Search Engine – A website that indexes and allows searching of information gathered from the Internet. Google is an example of this.

URL – Uniform Resource Locator – The entire address for a piece of information of the Internet. E.g., www.google.com

Webpage – A hypertext document available on the World Wide Web.

Website – A collection of webpages.

World Wide Web – A collection of resources available on the Internet using a web browser.

Internet Acceptable Use Policy (AUP)

All users of _____ Internet services agree to and must comply with this Acceptable Use Policy (AUP). _____ does not exercise editorial control or review over the content of any Web site, electronic mail transmission, paper printout, newsgroup, or other material created or accessible over or through the Services. However, _____ may remove, block, filter, or restrict by any other means any materials that, in _____ sole discretion, may be illegal, may subject _____ to liability, or which may violate this AUP. _____ may cooperate with legal authorities and/or third parties in the investigation of any suspected or alleged crime or civil wrong. Violation of this AUP may result in the suspension or termination of either access to the Services and/or _____ account or other actions as detailed below.

The following constitute violations of this AUP (this list is intended to be illustrative and not exhaustive; other uses may violate the AUP and _____ remains the sole and final arbiter of acceptable usage of its Services):

- **Illegal use:** Using the Services to transmit any material (by email, uploading, posting, or otherwise) that, intentionally or unintentionally, violates any applicable local, state, national or international law, or any rules or regulations promulgated there under.
- **Harm to minors:** Using the Services to harm, or attempt to harm, minors in any way.
- **Threats:** Using the Services to transmit any material (by email, uploading, posting, or otherwise) that threatens or encourages bodily harm or destruction of property.
- **Harassment:** Using the Services to transmit any material (by email, uploading, posting, or otherwise) that harasses another.
- **Fraudulent activity:** Using the Services to make fraudulent offers to sell or buy products, items, or services or to advance any type of financial scam such as "pyramid schemes", "Ponzi schemes", unregistered sales of securities, securities fraud and "chain letters."
- **Forgery or impersonation:** Adding, removing or modifying identifying network, message, or article header information in an effort to deceive or mislead is prohibited. Attempting to impersonate any person by using forged headers or other identifying information is prohibited. The use of anonymous remailers or nicknames does not constitute impersonation.
- **Unsolicited commercial email/Unsolicited bulk email:** Using the Services to transmit any unsolicited commercial email or unsolicited bulk email. Activities that have the effect of facilitating unsolicited commercial email or unsolicited bulk email, whether or not that email is commercial in nature, are prohibited. Using deliberately misleading headers in e-mails sent to multiple parties is prohibited.
- **Unauthorized access:** Using the Services to access, or to attempt to access, the accounts of others, or to penetrate, or attempt to penetrate, security measures of _____'s or another entity's computer software or hardware, electronic communications system, or telecommunications system, whether or not the intrusion results in disruption of service or the corruption or loss of data.
- **Copyright or trademark infringement:** Using the Services to transmit any material (by email, uploading, posting, or otherwise) that infringes any copyright, trademark, patent, trade secret, or other proprietary rights of any third party, including, but not limited to, the unauthorized copying of copyrighted material, the digitization and distribution of photographs from magazines, books, or other copyrighted sources, and the unauthorized transmittal of copyrighted software.
- **Collection of personal data:** Using the Services to collect, or attempt to collect, personal information about third parties without their knowledge or consent.

- **Reselling the services:** Reselling the Services without _____ 's authorization.
- **Network disruptions and unfriendly activity:** Using the Services for any activity which adversely affects the ability of other people or systems to use _____ Services or the Internet. This includes excessive consumption of network or system resources whether intentional or unintentional. This also includes "denial of service" (DoS) attacks against another network host or individual user. Interference with or disruption of other network users, network services or network equipment is prohibited. It is the users's responsibility to ensure that their system is configured, operated, and used in a manner to avoid excessive consumption of network or system resources. It is the users's responsibility to ensure that their system is configured in a secure manner. A user may not, through action or inaction, allow others to use their system for illegal or inappropriate actions. A user may not permit their system, through action or inaction, to be configured in such a way that gives a third party the capability to use their system in an illegal or inappropriate manner.
- **High Volume, Server Hosting, and non-traditional end user activities:** The Services are intended for an end user's periodic active use of email, instant messaging, browsing the World Wide Web, and other typical end user activities. High volume data transfers, especially sustained high volume data transfers, are prohibited. Hosting a web server, IRC server, or any other server is prohibited. Accordingly, _____ maintains the right to terminate any user's connection following the detection of any high volume data transfer, server hosting, or non-traditional end user activity as determined by _____ .

_____ requests that anyone who believes that there is a violation of this AUP direct the information to the property manager.

If available, please provide the following information:

- The IP address used to commit the alleged violation
- The date and time of the alleged violation, including the time zone or offset from GMT
- Evidence of the alleged violation

When reporting an issue regarding unsolicited email please provide a copy of the email messages with full headers which typically provides all of the above data. Other situations will require different methods of providing the necessary information.

_____ may take any one or more of the following actions, or other actions not listed, at _____ 's sole discretion in response to complaints:

- Issue warnings: written or verbal
- Terminate the user's access
- Bill the user for administrative costs and/or reactivation charges
- Bring legal action to enjoin violations and/or to collect damages, if any, caused by violations.

_____ reserves the right to revise, amend, or modify this AUP, and our other policies and agreements at any time and in any manner.

_____ provides public access to the Internet. There are potentially serious security issues with any computer connected to the Internet without the appropriate protection. These security issues range from viruses, worms and other programs that can damage the user's computer to attacks on the computer by unauthorized or unwanted third parties. These parties, known

commonly as "hackers" may attempt to penetrate the user's computer and download information from the user's computer. If the user has unprotected files on the computer, these files may be visible to hackers on the Internet, potentially including parties with criminal intent. Hackers also exploit vulnerabilities in operating systems to cause malicious damage to a user's computer or even a whole company's network, up to and including the destruction or deletion of files or the re-formatting of drives. It is recommended that the user uses either a personal firewall or Virtual Private Network systems to protect this information. _____ advises the user that he/she should consult a security expert to determine whether there are any potential security holes in their computer's configuration.

_____ SPECIFICALLY DISCLAIMS ANY LIABILITY FOR UNAUTHORIZED THIRD-PARTY SECURITY BREACHES OR THE RESULTS THEREOF. _____ PROVIDES ACCESS TO THE INTERNET AND THE _____ NETWORK ON AN "AS IS" BASIS WITH ALL RISKS INHERENT IN SUCH ACCESS. BY CONNECTING TO THE _____ NETWORK, THE USER ACKNOWLEDGES THE RISKS ASSOCIATED WITH PUBLIC ACCESS TO THE INTERNET OR DOCUMENT PRINTING AND HEREBY RELEASES AND INDEMNIFIES _____ FROM ANY DAMAGES THAT MIGHT OCCUR.

Acknowledgment of Resident:

Signature: _____ Dated: _____

Printed: _____

Draft Internet Security Plan

Network Security:

1. Purpose

This standard specifies the technical requirements that wireless infrastructure devices must satisfy to connect to a _____ (Owner) network. Only those wireless infrastructure devices that meet the requirements specified in this standard or are granted an exception by the InfoSec Team are approved for connectivity to the Owner's network.

Network devices including, but not limited to, hubs, routers, switches, firewalls, remote access devices, modems, or wireless access points, must be installed, supported, and maintained by an Information Security (Infosec) approved support organization.

2. Scope

All employees, contractors, consultants, temporary and other workers at Owner and its subsidiaries/affiliates, including all personnel that maintain a wireless infrastructure device on behalf of the Owner, must comply with this standard. This standard applies to wireless devices that make a connection the network and all wireless infrastructure devices that provide wireless connectivity to the network. Infosec must approve exceptions to this standard in advance.

3. Standard

3.1 General Requirements:

All wireless infrastructure devices that connect to the Owner's network or provide access to the Owner Confidential, Owner Highly Confidential, or Owner Restricted information must:

- Use Extensible Authentication Protocol-Fast Authentication via Secure Tunneling (EAP-FAST), Protected Extensible Authentication Protocol (PEAP), or Extensible Authentication Protocol-Translation Layer Security (EAP-TLS) as the authentication protocol.
- Use Temporal Key Integrity Protocol (TKIP) or Advanced Encryption System (AES) protocols with a minimum key length of 128 bits.
- All Bluetooth devices must use Secure Simple Pairing with encryption enabled.4.2Lab and Isolated Wireless Device Requirements
- Lab device Service Set Identifier (SSID) must be different from the Owner's production device SSID.
- Broadcast of lab device SSID must be disabled.4.3 Home Wireless Device Requirements
All home wireless infrastructure devices that provide direct access to the Owner's network, such as those behind Enterprise Teleworker (ECT) or hardware VPN, must adhere to the following:
- Enable WiFi Protected Access Pre-shared Key (WPA-PSK), EAP-FAST, PEAP, or EAP-TLS

- When enabling WPA-PSK, configure a complex shared secret key (at least 20 characters) on the wireless client and the wireless access point
- Disable broadcast of SSID
- Change the default SSID name
- Change the default login and password

4. Policy Compliance

4.1 Compliance Measurement

The Infosec team will verify compliance to this policy through various methods, including but not limited to, periodic walk-thrus, video monitoring, business tool reports, internal and external audits, and feedback to the policy owner.

4.2 Exceptions

Any exception to the policy must be approved by the Infosec Team in advance.

4.3 Non-Compliance

An employee found to have violated this policy may be subject to disciplinary action, up to and including termination of employment.

Equipment

1. Purpose

The purpose of this policy is to outline the acceptable use of computer equipment at _____ (Owner). These rules are in place to protect the employee and Owner. Inappropriate use exposes the Owner to risks including virus attacks, compromise of network systems and services, and legal issues.

2. Scope

This policy applies to the use of information, electronic and computing devices, and network resources to conduct the Owner's business or interact with internal networks and business systems, whether owned or leased by Owner, the employee, or a third party. All employees, contractors, consultants, temporary, and other workers at Owner and its subsidiaries are responsible for exercising good judgment regarding appropriate use of information, electronic devices, and network resources in accordance with Owner's policies and standards, and local laws and regulation. Exceptions to this policy are documented in section 5.2.

This policy applies to employees, contractors, consultants, temporaries, and other workers at Owner including all personnel affiliated with third parties. This policy applies to all equipment that is owned or leased by Owner.

3. Policy

3.1 General Use and Ownership

3.1.1 Owner proprietary information stored on electronic and computing devices whether owned or leased by Owner, the employee or a third party, remains the sole property of the Owner. You must ensure through legal or technical means that proprietary information is protected in accordance with the Data Protection Standard.

3.1.2 You have a responsibility to promptly report the theft, loss or unauthorized disclosure of Owner proprietary information.

3.1.3 You may access, use or share Owner proprietary information only to the extent it is authorized and necessary to fulfill your assigned job duties.

3.1.4 Employees are responsible for exercising good judgment regarding the reasonableness of personal use. Individual departments are responsible for creating guidelines concerning personal use of Internet/Intranet/Extranet systems. In the absence of such policies, employees should be guided by departmental policies on personal use, and if there is any uncertainty, employees should consult their supervisor or manager.

3.1.5 For security and network maintenance purposes, authorized individuals within Owner may monitor equipment, systems and network traffic at any time, per Infosec's Audit Policy.

3.1.6 Owner reserves the right to audit networks and systems on a periodic basis to ensure compliance with this policy.

3.2 Security and Proprietary Information

3.2.1 All mobile and computing devices that connect to the internal network must comply with the Minimum Access Policy.

3.2.2 System level and user level passwords must comply with the Password Policy. Providing access to another individual, either deliberately or through failure to secure its access, is prohibited.

3.2.3 All computing devices must be secured with a password-protected screensaver with the automatic activation feature set to 10 minutes or less. You must lock the screen or log off when the device is unattended.

3.2.4 Postings by employees from an Owner email address to newsgroups should contain a disclaimer stating that the opinions expressed are strictly their own and not necessarily those of the Owner, unless posting is in the course of business duties.

3.2.5 Employees must use extreme caution when opening e-mail attachments received from unknown senders, which may contain malware.

3.3 Unacceptable Use

The following activities are, in general, prohibited. Employees may be exempted from these restrictions during the course of their legitimate job responsibilities (e.g., systems administration staff may have a need to disable the network access of a host if that host is disrupting production services).

Under no circumstances is an employee of Owner authorized to engage in any activity that is illegal under local, state, federal or international law while utilizing Owner-owned resources.

The lists below are by no means exhaustive, but attempt to provide a framework for activities which fall into the category of unacceptable use.

3.3.1 System and Network Activities

The following activities are strictly prohibited, with no exceptions:

- Violations of the rights of any person or company protected by copyright, trade secret, patent or other intellectual property, or similar laws or regulations, including, but not limited to, the installation or distribution of "pirated" or other software products that are not appropriately licensed for use by Owner.
- Unauthorized copying of copyrighted material including, but not limited to, digitization and distribution of photographs from magazines, books or other copyrighted sources, copyrighted music, and the installation of any copyrighted software for which Owner or the end user does not have an active license is strictly prohibited.
- Accessing data, a server or an account for any purpose other than conducting Owner's business, even if you have authorized access, is prohibited.
- Exporting software, technical information, encryption software or technology, in violation of international or regional export control laws, is illegal. The appropriate management should be consulted prior to export of any material that is in question.
- Introduction of malicious programs into the network or server (e.g., viruses, worms, Trojan horses, e-mail bombs, etc.).
- 6. Revealing your account password to others or allowing use of your account by others. This includes family and other household members when work is being done at home.
- Using an Owner computing asset to actively engage in procuring or transmitting material that is in violation of sexual harassment or hostile workplace laws in the user's local jurisdiction.
- Making fraudulent offers of products, items, or services originating from any Owner account.

- Making statements about warranty, expressly or implied, unless it is a part of normal job duties.
- Effecting security breaches or disruptions of network communication. Security breaches include, but are not limited to, accessing data of which the employee is not an intended recipient or logging into a server or account that the employee is not expressly authorized to access, unless these duties are within the scope of regular duties. For purposes of this section, "disruption" includes, but is not limited to, network sniffing, pinged floods, packet spoofing, denial of service, and forged routing information for malicious purposes. 11. Port scanning or security scanning is expressly prohibited unless prior notification to Infosec is made.
- Executing any form of network monitoring which will intercept data not intended for the employee's host, unless this activity is a part of the employee's normal job/duty.
- Circumventing user authentication or security of any host, network or account.
- Introducing honeypots, honeynets, or similar technology on the <Company Name> network.
- Interfering with or denying service to any user other than the employee's host (for example, denial of service attack).
- Using any program/script/command, or sending messages of any kind, with the intent to interfere with, or disable, a user's terminal session, via any means, locally or via the Internet/Intranet/Extranet.
- Providing information about, or lists of, Owner's employees to parties outside Owner.

3.3.2 Email and Communication Activities

When using company resources to access and use the Internet, users must realize they represent the company. Whenever employees state an affiliation to the company, they must also clearly indicate that "the opinions expressed are my own and not necessarily those of the company". Questions may be addressed to the IT Department

- Sending unsolicited email messages, including the sending of "junk mail" or other advertising material to individuals who did not specifically request such material (email spam).
- Any form of harassment via email, telephone or paging, whether through language, frequency, or size of messages.
- Unauthorized use, or forging, of email header information.
- Solicitation of email for any other email address, other than that of the poster's account, with the intent to harass or to collect replies.
- Creating or forwarding "chain letters", "Ponzi" or other "pyramid" schemes of any type.
- Use of unsolicited email originating from within Owner's networks of other Internet/Intranet/Extranet service providers on behalf of, or to advertise, any service hosted by Owner or connected via Owner's network.
- Posting the same or similar non-business-related messages to large numbers of Usenet newsgroups (newsgroup spam).

3.3.3 Blogging and Social Media

1. Blogging by employees, whether using Owner's property and systems or personal computer systems, is also subject to the terms and restrictions set forth in this Policy. Limited and occasional use of Owner's systems to engage in blogging is acceptable, provided that it is done in a professional and responsible manner, does not otherwise violate Owner's policy, is not detrimental to Owner's best interests, and does not interfere with an employee's regular work duties. Blogging from Owner's systems is also subject to monitoring.
2. Owner's Confidential Information policy also applies to blogging. As such, Employees are prohibited from revealing any Owner confidential or proprietary information, trade secrets or any other material covered by Owner's Confidential Information policy when engaged in blogging.
3. Employees shall not engage in any blogging that may harm or tarnish the image, reputation and/or goodwill of Owner and/or any of its employees. Employees are also prohibited from making any discriminatory, disparaging, defamatory or harassing when blogging or otherwise engaging in any conduct prohibited by Owner's Non-Discrimination and Anti-Harassment policy.
4. Employees may also not attribute personal statements, opinions or beliefs to Owner when engaged in blogging. If an employee is expressing his other beliefs and/or opinions in blogs, the employee may not, expressly or implicitly, represent themselves as an employee or representative of Owner's Employees assume any and all risk associated with blogging.
5. Apart from following all laws pertaining to the handling and disclosure of copyrighted or export controlled materials, Owner's trademarks, logos and any other Owner intellectual property may also not be used in connection with any blogging activity

4. Policy Compliance

4.1 Compliance Measurement

The Infosec team will verify compliance to this policy through various methods, including but not limited to, business tool reports, internal and external audits, and feedback to the policy owner.

4.2 Exceptions

Any exception to the policy must be approved by the Infosec team in advance.

4.3 Non-Compliance

An employee found to have violated this policy may be subject to disciplinary action, up to and including termination of employment.

Tab X:

Marketing Plan for units meeting accessibility
requirements of HUD section 504

2022-C-39
SUL Tranquility Lakes II, LLC

MARKETING PLAN FOR UNITS MEETING ACCESSIBILITY REQUIREMENTS

Tranquility at the Lakes II Apartments

SUL Tranquility Lakes II, LLC will own Tranquility at the Lakes II, a 38-unit development for low-income elderly households planned for the Burton Station neighborhood in the City of Virginia Beach, Virginia. Five (5) units in the development will be constructed to meet HUD accessibility requirements as outlined in Section 504 of the Rehabilitation Act and will be actively marketed to persons with disabilities in accordance with the Fair Housing Act.

These five (5) accessible units will be held vacant for 60 days, during which ongoing marketing efforts will be documented. Virginia Beach Community Development Corporation (VBCDC), the Owner/Agent, will market the units to persons with disabilities (Target Population) on an ongoing basis throughout the year and will provide sufficient documentation to Virginia Housing's compliance officer. "Ongoing Basis" shall mean the Owner/Agent will contact at least two (2) resources per month to market the available Section 504 accessible units.

When a Section 504 accessible unit becomes available for occupancy, it shall first be offered to a qualified individual/household with disabilities currently residing in a non-accessible unit who requires accessible features. If there are no such persons/households residing at the property, the Owner/Agent shall offer the unit to the next available qualified individual/household with disabilities on the property's waiting list. After 60 days if no qualified applicant with disabilities requires the unit, the Owner/Agent may place a tenant household with no disabled members in the unit upon approval by the designated Virginia Housing compliance officer. The approved lease will contain a provision requiring the household to move to a vacant unit of comparable size within the development if a household in the Target Population applies for the unit. The Target Population Prospective Tenant will be placed on the property's waiting list until a vacant unit of comparable size is available to complete the non-Target Population Tenant's move. The moving costs of the temporary / non-Target Population Tenant will be paid by the property.

Individuals seeking housing will need to qualify under the income restrictions and application screening of Tranquility at the Lakes II, including but not limited to having a household income at least 60% or less of the Area Median Income.

Resources:

SUL Tranquility Lakes II, LLC will utilize the resources of several organizations in the Virginia Beach area to promote the availability of its accessible and affordable housing units for Seniors. Tranquility at the Lakes II will also be listed at **virginiahousingsearch.com**

The following agencies will be contacted regularly and be provided with updated leasing information on Tranquility at the Lakes II. The Owner/Agent will schedule site tours with individuals, agencies and/or groups as needed to guide potential tenants toward units that will best meet accessibility and housing needs.

Virginia Department of Medical Assistance Services (804) 786-7933

Virginia Department of Behavioral Health and Developmental Services (804) 786-3921

Virginia Beach Community Services Board (757) 385-4202

Virginia Department of Social Services (757) 385-3200

Independence Center Inc. (757) 461-8007

Seniors Unlimited Lifestyles, Inc. (757) 737-3713

Virginia Beach Department of Housing and Neighborhood Preservation (757) 385-5750

Hope House Foundation 757-625-6161

Senior Services of Southeastern Virginia 757-461-9481

Leasing Preference for Virginia Housing Target Populations:

Additionally, SUL Tranquility Lakes II, LLC will provide first leasing preference to members of target populations, as defined and required by Virginia Housing. Established by Memorandum of Understanding between Virginia Housing and other participating agencies, target populations will be equipped with state rental assistance. The leasing preference provided by SUL Tranquility Lakes II, LLC shall apply to no more than 10% of the units (total of 4 units) at the property at a given time. The owner will not impose tenant selection criteria or leasing terms to individuals receiving this preference that are more restrictive than:

- 1.) the property's standard eligibility requirements / leasing terms;
- 2.) the eligibility criteria for state rental assistance; or
- 3.) any terms in the Virginia Housing MOU establishing the target population.

Tab Y:

Inducement Resolution for Tax Exempt Bonds

N/A

Tab Z:

Documentation of team member's Diversity, Equity and
Inclusion Designation

SWAM CONTRACT CERTIFICATION
(TO BE PROVIDED AT TIME OF APPLICATION)

LIHTC Applicant Name SUL Tranquility at the Lakes II LLC.

Name of SWaM Service Provider Mark Turner Construction, LLC

Part II, 13VAC10-180-60(E)(5)(e) of the Qualified Allocation Plan (the "Plan") of the Virginia Housing Development Authority (the "Authority" formerly VHDA) for the allocation of federal low income housing tax credits ("Credits") available under §42 of the Internal Revenue Code, as amended, provides that an applicant may receive five (5) points toward its application for Credits for entering into at least one contract for services provided by a business certified as Women-Owned, Minority-Owned, or Service Disabled Veteran-owned through the Commonwealth of Virginia's Small, Women-owned, and Minority-owned Business certification program (SWaM Program). Any applicant seeking points from Part II, 13VAC10-180-60(E)(5)(e) of the Plan must provide in its application this certification together with a copy of the service provider's certification from the Commonwealth of Virginia's SWaM Program. The certification and information requested below will be used by the Authority in its evaluation of whether an applicant meets such requirements.

Complete a separate form for each SWaM Service Provider.

INSTRUCTIONS:

Please complete all parts below. Omission of any information or failure to certify any of the information provided below may result in failure to receive points under Part II, 13VAC10-180-60(E)(5)(e) of the Plan.

1. The SWaM Service Provider will provide the following services and roles eligible for points under the Plan:
- consulting services to complete the LIHTC application;
 - ongoing development services through the placed in service date;
 - general contractor;
 - architect;
 - property manager;
 - accounting services; or
 - legal services.

2. Please describe in the space below the nature of the services contracted for with the SWaM certified service provider listed above. Include in your answer the scope of services to be provided, when said services are anticipated to be rendered, and the length of the contract term.

The term of the contract will be twelve (12) months commencing on June 1, 2023. The contractor will serve as the Owner Representative for the project overseeing the construction for this project. The detailed scope of services is as follows:

- Review architect's plans and specifications and the construction contract between owner and General Contractor.
- Attend pre-construction meetings with owner.
- Review contractor's submitted construction schedule and schedule of values

- Ensure all permits are obtained by General Contractor.
 - Ensure that contractor is submitting appropriate documentation and record-keeping. Review submittals for general conformance with construction documents on the Owner's behalf, and ensure that owner is kept apprised of items that they need to make decisions on; ensure that appropriate parties are reviewing and stamping submittals and determine if additional consultants need to review them; provide comment to the Owner on adequacy of materials specified.
 - Ensure all federal, state, and local requirements are satisfied, to include all inspections.
 - Perform on-site inspections for quality of workmanship, quality of materials, conformity with plans and specifications, code compliance, on-site safety, project schedule vs. progress, and general progress of the construction project.
 - Maintain observation reports/logs including work description, work methods, contractors on site, weather conditions, observations, photos, etc.
 - The frequency of on-site inspections will be determined by the owner. Site visits of no less than once per week are required.
 - Attend, or conduct, construction meetings with contractor, architect, and major subcontractors that are on site.
 - Meetings should include discussions of potential or pending change orders, current problems/issues for the project, schedule, budget, requests for information and any other areas of interest.
 - Report to the President and CEO of VBCDC progress and status of project.
 - Review all test reports and ensure that they are in compliance with specifications (e.g., soil, compaction, concrete, welds, and other required tests).
 - Help the owner resolve disputes or claims that may occur.
 - Review progress billings and when necessary, negotiate revisions.
 - Ensure all lien releases are executed with all progress and final payments.
3. Attach to this certification a copy of the service provider's current certification from the Commonwealth of Virginia's SWaM Program.
4. The undersigned acknowledge by their signatures below that prior to the Authority's issuance of an 8609 to the applicant, the undersigned will be required to certify that the SWaM service provider successfully rendered the services described above, that said services fall within the scope of services outlined within Part II, 13VAC10-180-60(E)(5)(e) of the Plan, and that the undersigned service provider is still a business certified as Women-Owned, Minority-Owned, or Service Disabled Veteran-owned through the Commonwealth of Virginia's SWaM) Program.

[Contract Certification and signatures appear on following page]

CONTRACT CERTIFICATION

The undersigned do hereby certify and acknowledge that they have entered into with each another at least one contract for services as described herein, that said services fall within the scope of services outlined within Part II, 13VAC10-180-60(E)(5)(e) of the Plan, that the undersigned service provider is a business certified as Women-Owned, Minority-Owned, or Service Disabled Veteran-owned through the Commonwealth of Virginia's SWaM Program, and that it is the current intention of the undersigned that the services be performed (i.e., the contract is *bona fide* and not entered into solely for the purpose of obtaining points under the Plan). The undersigned do hereby further certify that all information in this certification is true and complete to the best of their knowledge, that the Authority is relying upon this information for the purpose of allocating Credits, and that any false statements made herein may subject both the undersigned applicant and the undersigned service provider to disqualification from current and future awards of Credits in Virginia.

APPLICANT:

SUL Tranquility at the Lakes II, LLC.
Name of Applicant

See below signature block
Signature of Applicant

See below signature block
Printed Name and Title of Authorized Signer

SWAM CERTIFIED SERVICE PROVIDER:

Mark Turner Construction, LLC
Name of SWaM Certified Service Provider

Franklin Bowser
Signature of SWaM Certified Service Provider


Franklin Bowser, President
Printed Name and Title of Authorized Signer

OWNER:
SUL TRANQUILITY LAKES II, LLC

SUL TRANQUILITY LAKES II, LLC,
a Virginia limited liability company

By: SUL Tranquility Lakes II Manager, LLC,
a Virginia limited liability company,
its Managing Member

By: Virginia Beach Community Development Corporation,
a Virginia nonstock corporation,
its Co-Managing Member

By:  _____ (SEAL)
Name: Jessica Guglielmo
Title: President and CEO

Mark Turner Construction, LLC

DBA: Mark Turner Construction, LLC

Franklin Bowser
10474 Cobbs Rd
Glen Allen, VA 23059
Phone: (804) 998-0068
Fax: (804) 998-0025
fbowser@markturnerconstruction.com
www.markturnerconstruction.com

Certification Number: 726840

SWaM Certification Type:

Small Start Date: 12-18-2017

Micro Start Date: 12-18-2017

Minority-Owned Start Date: 12-18-2017

Business Ethnicity: Black or African American

SWaM Expiration Date: 12-18-2022

NIGP Code and Description:

90900 BUILDING CONSTRUCTION SERVICES, NEW (INCL.

MAINTENANCE AND REPAIR SERVICES)

95826 Construction Management Services

Pcard: N

Business Category: Management Services

Tab AB:

Socially Disadvantaged Population
Documentation

B. _____ I am claiming individual social disadvantage because I meet the requirements of 13 CFR 124.103(c)(2), and my social disadvantage has negatively impacted my entry into or advancement in the business world, as described in 13 CFR 124.103(c)(2)(iv).

II. Ownership and Control

Describe the ownership interest of the socially disadvantaged individual in the general partner or managing member of the applicant for Credits (provide any supporting documentation necessary to verify said ownership interest, such as the organizational chart provided elsewhere in the application for Credits).

Angela Whitehead is the Founder, Chief Executive Officer, and Principal of Seniors Unlimited Lifestyles, Inc. ("SULI"). SULI has a 35% ownership interest in the managing member entity, SUL Tranquility Lakes II Manager, LLC. SULI also owns a 34.99% investor member interest in the ownership entity, SUL Tranquility Lakes II, LLC. Please see the attached Organization Chart and Schedule A of the ownership entity's Operating Agreement.

Additionally, the Previous Participation Certification included in the LIHTC manual defines Principal as "any person (including any individual, joint venture, partnership, limited liability company, corporation, **non-profit organization**, trust, or any other public or private entity that with (i) respect to the proposed development, **will own or participate in the ownership** of the proposed development or (ii) or with respect to an existing multifamily rental property, has owned or **participated** in the ownership of such property, as all more fully described herein below. The person who is the owner of the proposed development or multifamily rental property is considered a principal."

The form also states that "in the case of a public or private corporation or organization or governmental entity that is a principal (whether as the owner or otherwise), principals also include the president, vice president, secretary, and treasurer and other **officers who are directly responsible** to the board of directors or any equivalent governing board, as well as all directors or other members of the governing body and any stockholder having a 25% or more interest."

The form further states that, "In determining whether any other person is a principal, the following guidelines shall govern: In the case of a limited liability company (LLC) that is a principal (whether as the owner or otherwise,) all members are also considered principals, regardless of the percentage interests of the member."

Ms. Angela Whitehead, Founder and Chief Executive Officer of Seniors Unlimited Lifestyles Inc. is considered a principal under the definition above and should also be considered a principal for purposes of this Social Disadvantage Certification.

[Application continues on following page]

CERTIFICATION OF ELIGIBILITY

I hereby certify that the undersigned principal has an ownership interest of at least 25% in the controlling general partner or managing member for the proposed development, as required by the Plan. I hereby further certify that all information in this certification is true and complete to the best of my knowledge, that the Authority is relying upon this information for the purpose of allocating Credits, and that any false statements made herein may subject both the undersigned principal and the undersigned applicant to disqualification from current and future awards of Credits in Virginia.

APPLICANT:

SUL Tranquility at the Lakes II, LLC.
Name of Applicant

See below signature block

Signature of Applicant

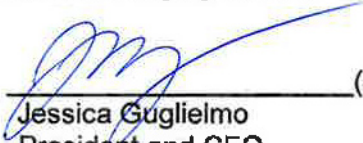
See below signature block
Printed Name and Title of Authorized Signer

OWNER:

SUL TRANQUILITY LAKES II, LLC,
a Virginia limited liability company

By: **SUL TRANQUILITY LAKES II MANAGER, LLC,**
a Virginia limited liability company,
its Managing Member

By: **Virginia Beach Community Development Corporation,**
a Virginia nonprofit corporation,
its Co-Managing Member

By:  (SEAL)
Name: **Jessica Guglielmo**
Title: **President and CEO**

PRINCIPAL:

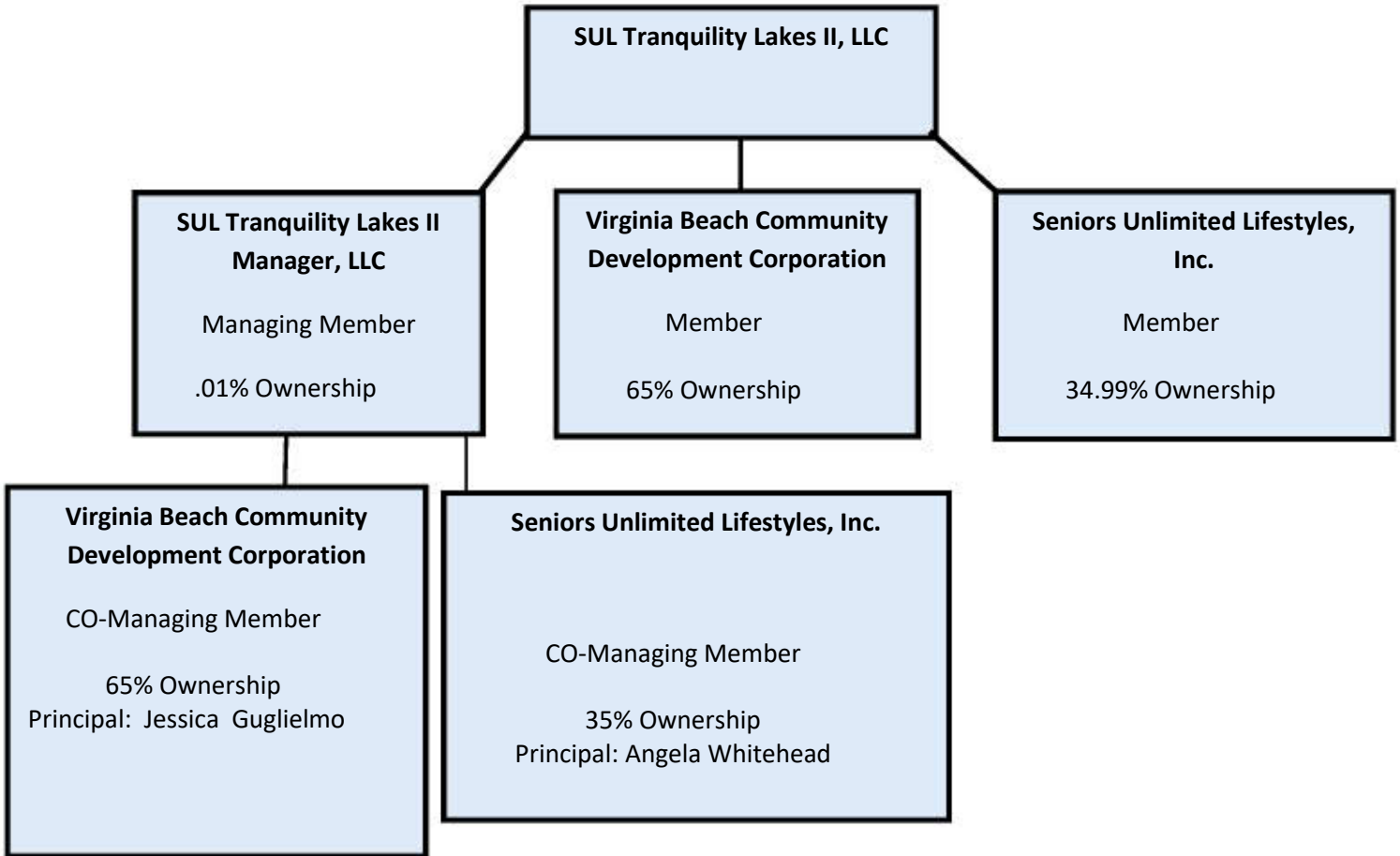


Signature of Qualifying Principal

Angela Whitehead, Chief Executive Officer of Seniors Unlimited Lifestyles Inc. (SUL)
Printed Name and Title of Qualifying Principal

TRANQUILITY AT THE LAKES II ORGANIZATION CHART

VBCDC and SULI have formed SUL Tranquility Lakes II Manager, LLC to serve as the Managing Member of SUL Tranquility Lakes II, LLC. VBCDC and SULI will remain Members of SUL Tranquility Lakes II, LLC until the Investor Member is admitted to the partnership.



Schedule A

**Capital Contributions and
Membership Interests**

Name and Address	Capital Contribution	Membership Interest
SUL Tranquility Lakes II Manager, LLC 2400 Potters Road, Virginia Beach, Virginia 23454-4377	\$10.00	0.01%
Virginia Beach Community Development Corporation 2400 Potters Road, Virginia Beach, Virginia 23454-4377	\$100.00	65.00%
Seniors Unlimited Lifestyles, Inc. 453 Longdale Crescent, Chesapeake, Virginia 23325	\$100.00	34.99%