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

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

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.

X		$1,000 Application Fee **(MANDATORY)**
X		Electronic Copy of the Microsoft Excel Based Application **(MANDATORY)**
X		Scanned Copy of the **Signed** Tax Credit Application with Attachments (excluding market study and plans & specifications) **(MANDATOR**
X		Electronic Copy of the Market Study **(MANDATORY - Application will be disqualified if study is not submitted with application)**
X		Electronic Copy of the Plans and Unit by Unit writeup **(MANDATORY)**
X		Electronic Copy of the Specifications **(MANDATORY)**
X		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**)
X		Electronic Copy of Appraisal (**MANDATORY** if acquisition credits requested)
		Electronic Copy of Environmental Site Assessment (Phase I) (**MANDATORY if 4% credits requested**)
X	Tab A:	Partnership or Operating Agreement, including chart of ownership structure with percentage of interests and Developer Fee Agreement **(MANDATORY)**
X	Tab B:	Virginia State Corporation Commission Certification **(MANDATORY)**
X	Tab C:	Principal's Previous Participation Certification **(MANDATORY)**
X	Tab D:	List of LIHTC Developments (Schedule A) **(MANDATORY)**
X	Tab E:	Site Control Documentation & Most Recent Real Estate Tax Assessment **(MANDATORY)**
X	Tab F:	RESNET Rater Certification **(MANDATORY)**
X	Tab G:	Zoning Certification Letter **(MANDATORY)**
X	Tab H:	Attorney's Opinion **(MANDATORY)**
X	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)
X	Tab J:	Relocation Plan and Unit Delivery Schedule **(MANDATORY)**
	Tab K:	Documentation of Development Location:
X	K.1	Revitalization Area Certification
X	K.2	Location Map
X	K.3	Surveyor's Certification of Proximity To Public Transportation
X	Tab L:	PHA / Section 8 Notification Letter
X	Tab M:	Locality CEO Response Letter
	Tab N:	Homeownership Plan
	Tab O:	Plan of Development Certification Letter
X	Tab P:	Developer Experience documentation and Partnership agreements
X	Tab Q:	Documentation of Rental Assistance, Tax Abatement and/or existing RD or HUD Property
X	Tab R:	Documentation of Operating Budget and Utility Allowances
	Tab S:	Supportive Housing Certification
X	Tab T:	Funding Documentation
X	Tab U:	Acknowledgement by Tenant of the availability of Renter Education provided by Virginia Housing
X	Tab V:	Nonprofit or LHA Purchase Option or Right of First Refusal
X	Tab W:	Internet Safety Plan and Resident Information Form (if internet amenities selected)
X	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

2022 Low-Income Housing Tax Credit Application For Reservation v.2022.1

VHDA TRACKING NUMBER **2022 C-18**

A. GENERAL INFORMATION ABOUT PROPOSED DEVELOPMENT Application Date: 3/9/22

1. Development Name: Fairfax Hall

2. Address (line 1): 1101 Reservoir Street
   Address (line 2):
   City: Waynesboro State: VA Zip: 22980

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 Waynesboro 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: 32.00

7. Development is located in a **Qualified Census Tract**..... TRUE

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	FALSE

Enter only Numeric Values below:

13. Congressional District: 6
    Planning District: 6
    State Senate District: 24
    State House District: 20

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

Fairfax Hall is the historic renovation of a former Railroad Hotel on the outskirts of Waynesboro. The property has provided comfortable, affordable housing to vulnerable seniors for the past 20 years. The project seeks to improve accessibility by combining and converting efficiency units and unutilized space to fully accessible UFAS units. When finished, the property will provide 9 UFAS units out of a total of 54 existing apartments. The project will also provide significant energy improvements.

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: Michael G. Hamp
Chief Executive Officer's Title: City Manager Phone: (540) 942-6600
Street Address: 503 W Main Street
City: Waynesboro State: VA Zip: 22980

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

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: Local Housing Authority Pool

   or

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

   For Tax Exempt Bonds, where are bonds being issued?

   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:** Rehabilitation

   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:

   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

Total Units within 9% allocation request?	0
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 submittin due the Authority, including reservation fees and monitoring fees, by electronic payment (ACH c TRUE

In 2022, Virginia Housing will debut a new Rental Housing Invoicing Portal to allow easy payments via secure ACH transact 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: Fairfax Hall II LLC

Developer Name: South River Development Corporation

Contact: M/M ▶ Ms. First: Kimberley MI: Last: Byrd

Address: PO Box 1844

City: Waynesboro St. ▶ VA Zip: 22980

Phone: (540) 946-9230 Ext. Fax:

Email address: k_byrd@wrha.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.
Jeffrey Michael Meyer - jmeyer@vacdc.org - 8045432208

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.

Names **	Phone	Type Ownership	% Ownership	
Fairfax Hall II Management LLC	(540) 946-9230	MM	#######	
South River Development Corporation			0.000%	needs
Waynesboro Redevelopment and Housing A			0.000%	needs
Kim Byrd, Executive Director			0.000%	needs
			0.000%	
			0.000%	
			0.000%	

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.

C. OWNERSHIP INFORMATION

ACTION:

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

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 controlli general partner or managing member is a socially disavantaged individual as defined in the manual.

FALSE

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.*

FALSE a. A principal of the controlling general partner or managing member for the proposed developn has developed as a controlling general partner or managing member for (i) at least three tax cr 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 developr 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)**

TRUE c. The development's principal(s), as a group or individually, have developed as controlling gener partner or managing member, at least one tax credit development that contains at least the s 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 experience sponsor (as defined in the manual), other than a local hous

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: 12/31/23

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..... 12/31/23

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: Fairfax Hall Limited Partnership

Address: PO Box 1844

City: Waynesboro St.: VA Zip: 22980

Contact Person: Kim Byrd Phone: (540) 946-9230

There is an identity of interest between the seller and the owner/applicant…… TRUE

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

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

Names	Phone	Type Ownership	% Ownership
South River Development Corpor	############	Managing Member	100.00%
			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 Veteran as defined in manual.

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

1. Tax Attorney:	Sara Langan	This is a Related Entity.	FALSE
Firm Name:	Applegate & Thorne-Thomsen	DEI Designation?	FALSE
Address:	425 S Financial Place, Ste 1900, Chicago, IL 60605		
Email:	slangan@att-law.com	Phone:	(312) 491-4451
2. Tax Accountant:	Mike Vicars	This is a Related Entity.	FALSE
Firm Name:	Dooley and Vicars PC	DEI Designation?	FALSE
Address:	21 S Sheppard Street, Richmond VA 23221		
Email:	mike@dvcpas.com	Phone:	(804) 355-2808
3. Consultant:		This is a Related Entity.	FALSE
Firm Name:		DEI Designation?	FALSE
Address:		Role:	
Email:		Phone:	
4. Management Entity:	Kim Byrd	This is a Related Entity.	TRUE
Firm Name:	South River Development Corporation	DEI Designation?	FALSE
Address:	PO Box 1844, Waynesboro VA 22980		
Email:	k_byrd@wrha.org	Phone:	
5. Contractor:	Jimmy Holland	This is a Related Entity.	FALSE
Firm Name:	Peacock Holland Construction LLC	DEI Designation?	FALSE
Address:	301 S Main Street, Ste 105, Blacksburg, VA 24060		
Email:	jimmy@peacockhollandconstruction.co	Phone:	(540) 613-2160
6. Architect:	Carter Green	This is a Related Entity.	FALSE
Firm Name:	Frazier and Associates	DEI Designation?	FALSE
Address:			
Email:	cgreen@frazierassociates.com	Phone:	(540) 886-6230
7. Real Estate Attorney	Ed Burns	This is a Related Entity.	FALSE
Firm Name:	Edward M Burns, II, PC	DEI Designation?	FALSE
Address:	2611 W Main Street, Ste 5		
Email:	burnspc@lumos.net	Phone:	(540) 949-4832
8. Mortgage Banker:		This is a Related Entity.	FALSE
Firm Name:		DEI Designation?	FALSE
Address:			
Email:		Phone:	
9. Other:		This is a Related Entity.	FALSE
Firm Name:		DEI Designation?	FALSE
Address:		Role:	
Email:		Phone:	

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..... TRUE
If so, in what year did this development receive credits? 1998

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..... TRUE

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..... TRUE

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)..... TRUE

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 throughou compliance period (i.e., regular, continuous and substantial involvement) in the operati development throughout the Compliance Period.
TRUE	d.	Own, either directly or through a partnership or limited liability company, 100% of the g 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**

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: ▶ Other

Name: South River Development Corporation

Contact Person: Kim Byrd

Street Address: 116B S Wayne Ave

City: Waynesboro State: ▶ VA Zip: 22980

Phone: ############ Contact Email: k_byrd@wrha.org

G. NONPROFIT INVOLVEMENT

D. Percentage of Nonprofit Ownership (All nonprofit applicants):
Specify the nonprofit entity's percentage ownership of the general partnership interest 100.0%

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: South River Development Corporation affiliate of

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

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

General Information

a. Total number of **all** units in development: 54 bedrooms: 54
Total number of **rental** units in development: 54 bedrooms: 54
Number of low-income rental units: 54 bedrooms: 54
Percentage of rental units designated low-income: 100.00%

b. Number of new units:..... 0 bedrooms 0
Number of adaptive reuse units: ..... 0 bedrooms 0
Number of rehab units:..... 54 bedrooms 54

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..... 57,382.00 (Sq. ft.)

e. Unheated Floor Area (i.e. Breezeways, Balconies, Storage)..... 0.00 (Sq. ft.)

f. Nonresidential Commercial Floor Area (Not eligible for funding)..... 0.00

g. Total Usable Residential Heated Area..... 57,382.00 (Sq. ft.)

h. Percentage of Net Rentable Square Feet Deemed To Be **New Rental Space**. 2.00%

i. Exact area of site in acres 2.981

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..... TRUE
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

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	450.00	SF	3	3
1BR Elderly	590.00	SF	48	48
2BR Elderly	955.00	SF	3	3
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
			54	54

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

Structures

a. Number of Buildings (containing rental units)..... 1

b. Age of Structure:..... 132 years

c. Number of stories:..... 4

d. The development is a scattered site development..... FALSE

e. Commercial Area Intended Use:

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	FALSE	v. Detached Single-family	FALSE
ii. Garden Apartments	TRUE	vi. Detached Two-family	FALSE
iii. Slab on Grade	FALSE	vii. Basement	TRUE
iv. Crawl space	FALSE		

h. Development contains an elevator(s). TRUE
If true, # of Elevators. 2
Elevator Type (if known) Minnesota

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

 # Site Amenities (indicate all proposed)

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

l. Describe Community Facilities: laundry, community room, management on site, farmer's marke

m. Number of Proposed Parking Spaces 70
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 s TRUE
If **True**, Provide required documentation (**TAB K3**).

H. STRUCTURE AND UNITS INFORMATION

 # 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% Applicatic

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.

 # 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	2.90%
Project Wide Capture Rate - Market Units	0.00%
Project Wide Capture Rate - All Units	2.90%
Project Wide Absorption Period (Months)	2

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 Ind
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 b

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.

5.00% b1. Percentage of brick covering the exterior walls.
0.00% b2. Percentage of other similar low-maintenance material approved by the Authority covering exterior wall Community buildings are to be included in percentage calculations.

FALSE 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.

TRUE e. Rehab Only: Each unit is provided with the necessary infrastructure for high-speed internet/broadband s

f. *Not applicable for 2022 Cycles*

FALSE g. Each unit is provided free individual high speed internet access.

or

FALSE 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.

FALSE k. Cooking surfaces are equipped with fire prevention features

or

TRUE 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. *Not applicable for 2022 Cycles*

FALSE 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.

J. ENHANCEMENTS

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.

FALSE 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.

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

17% of Total Rental Units

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

If not, please explain:

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?	TRUE	Heat?	TRUE
Hot Water?	TRUE	AC?	TRUE
Lighting/ Electric?	TRUE	Sewer?	TRUE
Cooking?	TRUE	Trash Removal?	TRUE

Utilities	Enter Allowances by Bedroom Size				
	0-BR	1-BR	2-BR	3-BR	4-BR
Heating	0	0	0	0	0
Air Conditioning	0	0	0	0	0
Cooking	0	0	0	0	0
Lighting	0	0	0	0	0
Hot Water	0	0	0	0	0
Water	0	0	0	0	0
Sewer	0	0	0	0	0
Trash	0	0	0	0	0
Total utility allowance for costs paid by tenant	$0	$0	$0	$0	$0

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

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

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.

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

(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
(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.

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

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.)

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

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. TRUE
(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 -**

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: Waynesboro Redevelopment and Housing Authority

Contact person: Kim Byrd

Title: Executive Director

Phone Number: (540) 946-9230

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)**

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

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

First Name: Kim
Last Name: Byrd

Phone Number: (540) 946-9230 Email: k_byrd@wrha.org

K. SPECIAL HOUSING NEEDS

 # 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

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

d.

Number of units receiving assistance:	12
How many years in rental assistance contract	20.00
Expiration date of contract:	12/31/43
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 CATEG

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	
27	50.00%	50% Area Median	
27	50.00%	60% Area Median	
0	0.00%	70% Area Median	
0	0.00%	80% Area Median	
0	0.00%	Market Units	
54	100.00%	Total	

Rent Levels			Avg Inc.
# of Units	% of Units		
0	0.00%	20% Area Median	
0	0.00%	30% Area Median	
6	11.11%	40% Area Median	
21	38.89%	50% Area Median	
27	50.00%	60% Area Median	
0	0.00%	70% Area Median	
0	0.00%	80% Area Median	
0	0.00%	Market Units	
54	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 co
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	Efficiency	40% AMI	1		427.00	$745.00	$745
Mix 2	Efficiency	40% AMI	1		498.00	$745.00	$745
Mix 3	Efficiency	40% AMI	1		426.00	$745.00	$745
Mix 4	1 BR - 1 Bath	40% AMI	1	1	639.00	$764.00	$764
Mix 5	1 BR - 1 Bath	40% AMI	1	1	634.00	$764.00	$764
Mix 6	1 BR - 1 Bath	40% AMI	1	1	834.00	$764.00	$764
Mix 7	1 BR - 1 Bath	50% AMI	1		546.00	$650.00	$650
Mix 8	1 BR - 1 Bath	50% AMI	1		614.00	$650.00	$650
Mix 9	1 BR - 1 Bath	50% AMI	1		618.00	$650.00	$650
Mix 10	1 BR - 1 Bath	50% AMI	1		523.00	$650.00	$650
Mix 11	1 BR - 1 Bath	50% AMI	1		564.00	$650.00	$650
Mix 12	1 BR - 1 Bath	50% AMI	1		594.00	$650.00	$650
Mix 13	1 BR - 1 Bath	50% AMI	1		626.00	$650.00	$650
Mix 14	1 BR - 1 Bath	50% AMI	1		590.00	$650.00	$650
Mix 15	1 BR - 1 Bath	50% AMI	1		625.00	$650.00	$650
Mix 16	1 BR - 1 Bath	50% AMI	1		627.00	$650.00	$650

L. UNIT DETAILS

Mix 17	1 BR - 1 Bath	50% AMI	1		570.00	$650.00	$650
Mix 18	1 BR - 1 Bath	50% AMI	1		642.00	$650.00	$650
Mix 19	1 BR - 1 Bath	50% AMI	1		533.00	$650.00	$650
Mix 20	1 BR - 1 Bath	50% AMI	1		526.00	$650.00	$650
Mix 21	1 BR - 1 Bath	50% AMI	1		475.00	$650.00	$650
Mix 22	1 BR - 1 Bath	50% AMI	1	1	670.00	$650.00	$650
Mix 23	1 BR - 1 Bath	50% AMI	1		593.00	$650.00	$650
Mix 24	1 BR - 1 Bath	50% AMI	1		638.00	$650.00	$650
Mix 25	1 BR - 1 Bath	60% AMI	1		554.00	$720.00	$720
Mix 26	1 BR - 1 Bath	60% AMI	1		588.00	$720.00	$720
Mix 27	1 BR - 1 Bath	60% AMI	1		562.00	$720.00	$720
Mix 28	1 BR - 1 Bath	60% AMI	1		634.00	$720.00	$720
Mix 29	1 BR - 1 Bath	60% AMI	1		621.00	$720.00	$720
Mix 30	1 BR - 1 Bath	60% AMI	1		601.00	$720.00	$720
Mix 31	1 BR - 1 Bath	60% AMI	1		425.00	$720.00	$720
Mix 32	1 BR - 1 Bath	60% AMI	1		531.00	$720.00	$720
Mix 33	1 BR - 1 Bath	60% AMI	1		576.00	$720.00	$720
Mix 34	1 BR - 1 Bath	60% AMI	1		638.00	$720.00	$720
Mix 35	1 BR - 1 Bath	60% AMI	1		575.00	$720.00	$720
Mix 36	1 BR - 1 Bath	60% AMI	1		611.00	$720.00	$720
Mix 37	1 BR - 1 Bath	60% AMI	1		578.00	$720.00	$720
Mix 38	1 BR - 1 Bath	60% AMI	1		522.00	$720.00	$720
Mix 39	1 BR - 1 Bath	60% AMI	1		606.00	$720.00	$720
Mix 40	1 BR - 1 Bath	60% AMI	1		552.00	$720.00	$720
Mix 41	1 BR - 1 Bath	60% AMI	1		532.00	$720.00	$720
Mix 42	1 BR - 1 Bath	60% AMI	1		622.00	$720.00	$720
Mix 43	1 BR - 1 Bath	60% AMI	1		544.00	$720.00	$720
Mix 44	1 BR - 1 Bath	60% AMI	1		563.00	$720.00	$720
Mix 45	1 BR - 1 Bath	60% AMI	1		737.00	$720.00	$720
Mix 46	1 BR - 1 Bath	60% AMI	1		534.00	$720.00	$720
Mix 47	1 BR - 1 Bath	60% AMI	1		623.00	$720.00	$720
Mix 48	1 BR - 1 Bath	60% AMI	1		688.00	$720.00	$720
Mix 49	1 BR - 1 Bath	60% AMI	1		628.00	$720.00	$720
Mix 50	1 BR - 1 Bath	60% AMI	1		545.00	$720.00	$720
Mix 51	1 BR - 1 Bath	60% AMI	1		507.00	$720.00	$720
Mix 52	2 BR - 1.5 Bath	50% AMI	1	1	1140.00	$1,001.00	$1,001
Mix 53	2 BR - 1.5 Bath	50% AMI	1		833.00	$1,001.00	$1,001
Mix 54	2 BR - 1.5 Bath	50% AMI	1	1	895.00	$1,001.00	$1,001
Mix 55							$0
Mix 56							$0
Mix 57							$0
Mix 58							$0
Mix 59							$0
Mix 60							$0
Mix 61							$0
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
Mix 71							$0
Mix 72							$0

L. UNIT DETAILS

Mix 73							$0
Mix 74							$0
Mix 75							$0
Mix 76							$0
Mix 77							$0
Mix 78							$0
Mix 79							$0
Mix 80							$0
Mix 81							$0
Mix 82							$0
Mix 83							$0
Mix 84							$0
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			54	6			$38,670

Total Units	**54**	**Net Rentable SF: TC Units**	**32,597.00**
		MKT Units	**0.00**
		Total NR SF:	**32,597.00**

Floor Space Fraction (to 7 decimals)	**100.00000%**

M. OPERATING EXPENSES

Administrative:				Use Whole Numbers Only!
1. Advertising/Marketing				$750
2. Office Salaries				$18,000
3. Office Supplies				$6,000
4. Office/Model Apartment	(type	)		$0
5. Management Fee				$21,292
4.93% of EGI	$394.30	Per Unit		
6. Manager Salaries				$25,000
7. Staff Unit (s)	(type	)		$0
8. Legal				$250
9. Auditing				$0
## Bookkeeping/Accounting Fees				$5,000
## Telephone & Answering Service				$3,000
## Tax Credit Monitoring Fee				$1,540
## Miscellaneous Administrative				$0
Total Administrative				$80,832
Utilities				
## Fuel Oil				$0
## Electricity				$50,000
## Water				$6,000
## Gas				$8,300
## Sewer				$4,000
Total Utility				$68,300
Operating:				
## Janitor/Cleaning Payroll				$0
## Janitor/Cleaning Supplies				$0
## Janitor/Cleaning Contract				$9,000
## Exterminating				$1,500
## Trash Removal				$10,500
## Security Payroll/Contract				$3,750
## Grounds Payroll				$0
## Grounds Supplies				$0
## Grounds Contract				$15,000
## Maintenance/Repairs Payroll				$22,000
## Repairs/Material				$11,800
## Repairs Contract				$5,500
## Elevator Maintenance/Contract				$24,000
## Heating/Cooling Repairs & Maintenance				$5,000
## Pool Maintenance/Contract/Staff				$0
## Snow Removal				$2,000
## Decorating/Payroll/Contract				$5,000
## Decorating Supplies				$0
## Miscellaneous				$0
Totals Operating & Maintenance				$115,050

M. OPERATING EXPENSES

Taxes & Insurance		
##	Real Estate Taxes	$20,000
##	Payroll Taxes	$6,100
##	Miscellaneous Taxes/Licenses/Permits	$0
##	Property & Liability Insurance	$30,000
##	Fidelity Bond	$0
##	Workman's Compensation	$0
##	Health Insurance & Employee Benefits	$22,000
##	Other Insurance	$0
	Total Taxes & Insurance	$78,100
	Total Operating Expense	$342,282

Total Operating Expenses Per Unit $6,339 **C. Total Operating Expenses as % of** 79.31%

Replacement Reserves (Total # Units X $300 or $250 New Const. Elderly Mini $16,200

Total Expenses $358,482

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	3/1/22	Kim Byrd
b. Site Acquisition	12/31/22	Kim Byrd
c. Zoning Approval	in place	Kim Byrd
d. Site Plan Approval	in place	Kim Byrd
2. Financing		
a. Construction Loan		
i. Loan Application	9/1/22	Kim Byrd
ii. Conditional Commitment		
iii. Firm Commitment	12/1/22	Kim Byrd
b. Permanent Loan - First Lien		
i. Loan Application	9/1/22	Kim Byrd
ii. Conditional Commitment		
iii. Firm Commitment	12/1/22	Kim Byrd
c. Permanent Loan-Second Lien		
i. Loan Application	4/1/22	Kim Byrd
ii. Conditional Commitment		
iii. Firm Commitment	12/1/22	Kim Byrd
d. Other Loans & Grants		
i. Type & Source, List		
ii. Application		
iii. Award/Commitment		
2. Formation of Owner	complete	Kim Byrd
3. IRS Approval of Nonprofit Status	complete	Kim Byrd
4. Closing and Transfer of Property to Owner	4/1/23	Kim Byrd
5. Plans and Specifications, Working Drawings	1/1/23	Kim Byrd
6. Building Permit Issued by Local Government	3/15/23	Kim Byrd
7. Start Construction	4/1/23	Kim Byrd
8. Begin Lease-up	4/1/24	Kim Byrd
9. Complete Construction	7/1/24	Kim Byrd
10. Complete Lease-Up	9/1/24	Kim Byrd
11. Credit Placed in Service Date	7/1/24	Kim Byrd

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

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.

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" (B) Acquisition	"30% Present Value Credit" (C) Rehab/ New Construction	(D) "70 % Present Value Credit"
1. Contractor Cost				
a. Unit Structures (New)	0	0	0	0
b. Unit Structures (Rehab)	5,230,384	0	0	5,230,384
c. Non Residential Structures	0	0	0	0
d. Commercial Space Costs	0	0	0	0
e. Structured Parking Garage	0	0	0	0
Total Structure	5,230,384	0	0	5,230,384
f. Earthwork	0	0	0	0
g. Site Utilities	0	0	0	0
h. Renewable Energy	0	0	0	0
i. Roads & Walks	0	0	0	0
j. Site Improvements	332,106	0	0	332,106
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	332,106	0	0	332,106
Total Structure and Land	5,562,490	0	0	5,562,490
r. General Requirements	257,533	0	0	257,533
s. Builder's Overhead	171,689	0	0	171,689
(3.1% Contract)				
t. Builder's Profit	171,689	0	0	171,689
(3.1% Contract)				
u. Bonds	52,000	0	0	52,000
v. Building Permits	0	0	0	0
w. Special Construction	0	0	0	0
x. Special Equipment	0	0	0	0
y. Other 1: cost escalation	700,000	0	0	700,000
z. Other 2: license and insurance	59,042	0	0	59,042
aa. Other 3: permits	8,663	0	0	8,663
Contractor Costs	$6,983,106	$0	$0	$6,983,106

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" (B) Acquisition	(C) Rehab/ New Construction	(D) "70 % Present Value Credit"
2. Owner Costs				
a. Building Permit	15,000	0	0	15,000
b. Architecture/Engineering Design Fee ($9,259 /Unit)	500,000	0	0	500,000
c. Architecture Supervision Fee ($0 /Unit)	0	0	0	0
d. Tap Fees	0	0	0	0
e. Environmental	10,000	0	0	10,000
f. Soil Borings	0	0	0	0
g. Green Building (Earthcraft, LEED, etc.)	25,000	0	0	25,000
h. Appraisal	10,000	0	0	10,000
i. Market Study	3,500	0	0	3,500
j. Site Engineering / Survey	10,000	0	0	10,000
k. Construction/Development Mgt	150,000	0	0	150,000
l. Structural/Mechanical Study	0	0	0	0
m. Construction Loan Origination Fee	25,000	0	0	25,000
n. Construction Interest (5.0% fo 18 months)	300,000	0	0	300,000
o. Taxes During Construction	20,000	0	0	20,000
p. Insurance During Construction	30,000	0	0	30,000
q. Permanent Loan Fee (0.0%)	10,000	0	0	0
r. Other Permanent Loan Fees	0	0	0	0
s. Letter of Credit	0	0	0	0
t. Cost Certification Fee	15,000	0	0	0
u. Accounting	0	0	0	0
v. Title and Recording	40,000	0	0	40,000
w. Legal Fees for Closing	195,000	0	0	20,000
x. Mortgage Banker	0	0	0	0
y. Tax Credit Fee	42,300			
z. Tenant Relocation	565,000	0	0	
aa. Fixtures, Furnitures and Equipment	0	0	0	0
ab. Organization Costs	0	0	0	0
ac. Operating Reserve	200,000	0	0	0
ad. Contingency	700,000	0	0	700,000
ae. Security	0	0	0	0
af. Utilities	40,000	0	0	40,000

O. PROJECT BUDGET - OWNER COSTS

ag. Servicing Reserve		0			
(1) Other* specify	soft cost contingency	50,000	0	0	50,000
(2) Other* specify	leasing and marketing	25,000	0	0	0
(3) Other* specify	carrying costs during rer	100,000	0	0	0
(4) Other* specify	historic certification fee	15,000	0	0	15,000
(5) Other * specify	Third Party Inspections	20,000	0	0	20,000
(6) Other* specify	post construction interes	20,000	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))		$3,135,800	$0	$0	$1,983,500
Subtotal 1 + 2 (Owner + Contractor Costs)		$10,118,906	$0	$0	$8,966,606
3. Developer's Fees		1,450,000	0	0	1,160,000
Action: Provide Developer Fee Agreement (Tab A)					
4. Owner's Acquisition Costs					
Land		648,000			
Existing Improvements		2,652,000	2,652,000		
Subtotal 4:		$3,300,000	$2,652,000		
5. Total Development Costs					
Subtotal 1+2+3+4:		$14,868,906	$2,652,000	$0	$10,126,606

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:

	$0	**Land**
(Provide documentation at **Tab E**)	$0	**Building**

Maximum Developer Fee: **$1,503,512**

Proposed Development's Cost per Sq Foot	$202	**Meets Limits**
Applicable Cost Limit by Square Foot:	$231	
Proposed Development's Cost per Unit	$214,239	**Meets Limits**
Applicable Cost Limit per Unit:	$225,968	

P. ELIGIBLE BASIS CALCULATION

Item	(A) Cost	Amount of Cost up to 100% Includable in Eligible Basis--Use Applicable Column(s): "30 % Present Value Credit" (B) Acquisition	(C) Rehab/ New Construction	(D) "70 % Present Value Credit"
1. Total Development Costs	14,868,906	2,652,000	0	10,126,606
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	1,950,061
3. Total Eligible Basis (1 - 2 above)		2,652,000	0	8,176,545
4. Adjustment(s) to Eligible Basis (For non-acquisition costs in eligible basis)				
a. For QCT or DDA (Eligible Basis x 30%)			0	2,452,964
State Designated Basis Boosts:				
b. For Revitalization or Supportive Housing (Eligible Basis x 30%)			0	0
c. For Green Certification (Eligible Basis x 10%)				0
Total Adjusted Eligible basis			0	10,629,509
5. Applicable Fraction		100.00000%	100.00000%	100.00000%
6. Total Qualified Basis (Eligible Basis x Applicable Fraction)		2,652,000	0	10,629,509
7. Applicable Percentage		4.00%	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)		$106,080	$0	$956,656
(Must be same as BIN total and equal to or less than credit amount allowed)		$1,062,736 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.	Atlantic Union Bank			$5,000,000	
2.					
3.					
	Total Construction Funding:			$5,000,000	

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	*(Whole Numbers only)* Amount of Funds	Annual Debt Service Cost	Interest Rate of Loan	Amortization Period IN YEARS	Term of Loan (years)
1.	Virginia Housing (REACH)			$563,815	$28,343	2.95%	30	30
2.	DHCD			$700,000	$7,000	1.00%		30
3.	DHCD HIEE			$1,300,000		0.00%		30
4.	Sponsor Loan (PDC grant)			$150,000		0.00%		30
5.	Seller Note			$2,625,000		2.14%		30
6.	Sponsor Loan (City Funds)			$50,000		0.00%		
7.								
8.								
9.								
10.								
	Total Permanent Funding:			$5,388,815	$35,343			

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.					
2.					
3.					
4.					
5.					
6.					

Q. SOURCES OF FUNDS

Total Permanent Grants:	$0

Q. SOURCES OF FUNDS

4. Subsidized Funding

	Source of Funds	Date of Commitment	Amount of Funds
1.	DHCD		$700,000
2.	DHCD HIEE		$1,300,000
3.	Seller Note		$2,625,000
4.	Sponsor Loan (City Funds)		$50,000
5.			
	Total Subsidized Funding		$4,675,000

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	$563,815
g.	HOME Funds	$0
h.	Other:	$50,000
i.	Other:	$0

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	
e.	Other:	

*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:

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

a. FALSE 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

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	$2,025,321	x Equity $	$0.820	=	$1,660,763
Amount of Virginia historic credits	$2,657,377	x Equity $	$0.790	=	$2,099,328

b. Equity that Sponsor will Fund:

i.	Cash Investment	$0	
ii.	Contributed Land/Building	$0	
iii.	Deferred Developer Fee	$0	(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 $0

2. Equity Gap Calculation

a.	Total Development Cost		$14,868,906
b.	Total of Permanent Funding, Grants and Equity	-	$9,148,906
c.	Equity Gap		$5,720,000
d.	Developer Equity	-	$1,144
e.	Equity gap to be funded with low-income tax credit proceeds		$5,718,856

3. Syndication Information (If Applicable)

a. Actual or Anticipated Name of Syndicator: VCDC

Contact Person: Jeffrey Michael Meyer Phone: (804) 543-2208

Street Address: 1840 W Broad Street

City: Richmond State: Zip: 23220

b. Syndication Equity

i.	Anticipated Annual Credits	$650,000.00
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%)	99.98000%
iv.	Syndication costs not included in Total Development Costs (e.g., advisory fees)	$0
v.	Net credit amount anticipated by user of credits	$649,870
vi.	Total to be paid by anticipated users of credit (e.g., limited partners)	$5,718,856

c. Syndication: Select?

d. Investors: Select?

4. Net Syndication Amount $5,718,856

Which will be used to pay for Total Development Costs

5. Net Equity Factor 88.0000000000%

Must be equal to or greater than 85%

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		$14,868,906
2.	Less Total of Permanent Funding, Grants and Equity	-	$9,148,906
3.	Equals Equity Gap		$5,720,000
4.	Divided by Net Equity Factor (Percent of 10-year credit expected to be raised as equity investment)		88.0000000000%
5.	Equals Ten-Year Credit Amount Needed to Fund Gap		$6,500,000
	Divided by ten years		10
6.	Equals Annual Tax Credit Required to Fund the Equity Gap		$650,000
7.	Maximum Allowable Credit Amount (from Eligible Basis Calculation)		$1,062,736

8. Requested Credit Amount

		For 30% PV Credit:	$0
		For 70% PV Credit:	$650,000
Credit per LI Units	$12,037.0370	**Combined 30% & 70% PV Credit Requested**	**$650,000**
Credit per LI Bedroom	$12,037.0370		

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		$38,670
Plus Other Income Source (list):		$0
Equals Total Monthly Income:		$38,670
Twelve Months		x12
Equals Annual Gross Potential Income		$464,040
Less Vacancy Allowance	7.0%	$32,483
Equals Annual Effective Gross Income (EGI) - Low Income Units		$431,557

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	$431,557
b.	Annual EGI Market Units	$0
c.	Total Effective Gross Income	$431,557
d.	Total Expenses	$358,482
e.	Net Operating Income	$73,075
f.	Total Annual Debt Service	$35,343
g.	Cash Flow Available for Distribution	$37,732

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	431,557	440,188	448,992	457,972	467,131
Less Oper. Expenses	358,482	369,236	380,314	391,723	403,475
Net Income	73,075	70,952	68,679	66,249	63,657
Less Debt Service	35,343	35,343	35,343	35,343	35,343
Cash Flow	37,732	35,609	33,336	30,906	28,314
Debt Coverage Ratio	2.07	2.01	1.94	1.87	1.80

	Year 6	Year 7	Year 8	Year 9	Year 10
Eff. Gross Income	476,474	486,004	495,724	505,638	515,751
Less Oper. Expenses	415,579	428,046	440,888	454,114	467,738
Net Income	60,895	57,957	54,836	51,524	48,013
Less Debt Service	35,343	35,343	35,343	35,343	35,343
Cash Flow	25,552	22,614	19,493	16,181	12,670
Debt Coverage Ratio	1.72	1.64	1.55	1.46	1.36

	Year 11	Year 12	Year 13	Year 14	Year 15
Eff. Gross Income	526,066	536,587	547,319	558,265	569,431
Less Oper. Expenses	481,770	496,223	511,110	526,443	542,236
Net Income	44,296	40,364	36,209	31,822	27,194
Less Debt Service	35,343	35,343	35,343	35,343	35,343
Cash Flow	8,953	5,021	866	-3,521	-8,149
Debt Coverage Ratio	1.25	1.14	1.02	0.90	0.77

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 TAX CREDIT UNITS	NUMBER OF MARKET RATE UNITS	Please help us with the process: DO NOT use the CUT feature DO NOT SKIP LINES BETWEEN BUILDINGS Street Address 1	Street Address 2	City	State	Zip	30% Present Value Credit for Acquisition: Estimate Qualified Basis	Actual or Anticipated In-Service Date	Applicable Percentage	Credit Amount	30% Present Value Credit for Rehab / New Construction: Estimate Qualified Basis	Actual or Anticipated In-Service Date	Applicable Percentage	Credit Amount	70% Present Value Credit: Estimate Qualified Basis	Actual or Anticipated In-Service Date	Applicable Percentage	Credit Amount
1.		54		1101 Reservoir Street		Waynesboro	VA	22980				$0	$2,652,000	08/01/24	4.00%	$106,080	$10,629,509	08/01/24	9.00%	$956,656
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
		54	0	If development has more than 35 buildings, contact Virginia Housing.																
				Totals from all buildings					$0			$0	$2,652,000			$106,080	$10,629,509			$956,656

Qualified basis should not exceed values on Elig Basis.

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 ou of, or relating to Virginia Housing's acceptance, consideration, approval, or disapproval of this reservation reques 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 reservatio 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 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 Fairfax Hall II LLC

By: Kimberly Byrd

Its: Executive Vice President and CEO of South Riv
(Title)

V. STATEMENT OF ARCHITECT

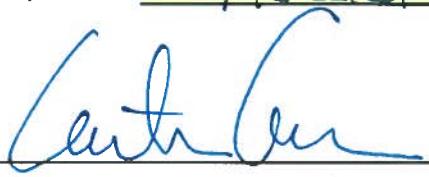
The architect signing this document is certifying that the development plans and specifications incorporate all Virginia Housing Minimum Design and Construction Requirements (MDCR), selected LIHTC enhancements and amenities, applicable building codes and accessibility requirements.

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: CARTER GREEN

Virginia License#: 009451

Architecture Firm or Company: FRAZIER ASSOCIATES

By: 

Its: ARCHITECT / PROJECT MANAGER
(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 t reservation application. Other items, denoted below in the yellow shaded cells, are typically evaluated by Virginia Housin'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 respo where appropriate, which may change the final score.

MANDATORY ITEMS:	Included		Score
a. Signed, completed application with attached tabs in PDF format	Y	Y or N	0
b. Active Excel copy of application	Y	Y or N	0
c. Partnership agreement	Y	Y or N	0
d. SCC Certification	Y	Y or N	0
e. Previous participation form	Y	Y or N	0
f. Site control document	Y	Y or N	0
g. RESNET Certification	Y	Y or N	0
h. Attorney's opinion	Y	Y or N	0
i. Nonprofit questionnaire (if applicable)	Y	Y, N, N/A	0
j. Appraisal	Y	Y or N	0
k. Zoning document	Y	Y or N	0
l. Universal Design Plans	Y	Y or N	0
m. List of LIHTC Developments (Schedule A)	Y	Y or N	0
Total:			0.00

1. READINESS:			
a. Virginia Housing notification letter to CEO (via Locality Notification Information App)	Y	0 or -50	0.00
b. Local CEO Opposition Letter	N	0 or -25	0.00
c. Plan of development < no points offered in Cycle 2022 >	N/A	0 pts for 2022	0.00
d. Location in a revitalization area based on Qualified Census Tract	N	0 or 10	0.00
e. Location in a revitalization area with resolution	Y	0 or 15	15.00
f. Location in a Opportunity Zone	N	0 or 15	0.00
Total:			15.00

2. HOUSING NEEDS CHARACTERISTICS:			
a. Sec 8 or PHA waiting list preference	Y	0 or up to 5	3.89
b. Existing RD, HUD Section 8 or 236 program	N	0 or 20	0.00
c. Subsidized funding commitments	31.44%	Up to 40	40.00
d. Tax abatement on increase of property's value	N	0 or 5	0.00
e. New project based rental subsidy (HUD or RD)	Y	0 or 10	10.00
f. Census tract with <12% poverty rate	0%	0, 20, 25 or30	0.00
g. Development provided priority letter from Rural Development	N	0 or 15	0.00
h. Dev. located in area with increasing rent burdened population	Y	Up to 20	0.40
Total:			54.29

3. DEVELOPMENT CHARACTERISTICS:

a. Enhancements (See calculations below)				27.00
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		17%	Up to 15	0.00
g. Developments with less than 100 low income units		Y	up to 20	18.40
h. Historic Structure eligible for Historic Rehab Credits		Y	0 or 5	5.00
	Total:			120.40

4. TENANT POPULATION CHARACTERISTICS:

Locality AMI	State AMI
$71,200	$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		0.00%	Up to 10	0.00
d. Units with rents at or below 40% of AMI (up to 10% of LI units)		11.11%	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:			60.00

5. SPONSOR CHARACTERISTICS:

a. Developer experience (Subdivision 5a - options a,b or c)		Y	0, 10 or 25	10.00
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 occurer		0	0 or -50 per ite	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		N	0 or 5	0.00
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:			10.00

6. EFFICIENT USE OF RESOURCES:

a. Credit per unit			Up to 200	129.47
b. Cost per unit			Up to 100	25.44
	Total:			154.91

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	N	0 or 5	0.00
g. Commitment to electronic payment of fees	Y	0 or 5	5.00
Total:			65.00

400 Point Threshold - all 9% Tax Credits

300 Point Threshold - Tax Exempt Bonds

TOTAL SCORE: **479.60**

Enhancements:

All units have:	Max Pts	Score
a. Community Room	5	5.00
b. Exterior walls constructed with brick and other low maintenance material	40	2.00
c. Sub metered water expense	5	0.00
d. Watersense labeled faucets, toilets and showerheads	3	0.00
e. Rehab only: Infrastructure for high speed internet/broadband	1	1.00
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	0.00
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	0.00
l. Cooking surfaces equipped with fire suppression features	2	2.00
m. Rehab only: dedicated space to accept permanent dehumidification syste	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	0.00
		24.00
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	0.00
		3.00

Total amenities: **27.00**

X. Development Summary

Summary Information **2022 Low-Income Housing Tax Credit Application For Reservation**

Deal Name:	**Fairfax Hall**

Cycle Type:	9% Tax Credits	**Requested Credit Amount:**	$650,000
Allocation Type:	Rehabilitation	**Jurisdiction:**	Waynesboro City
Total Units	54	**Population Target:**	Elderly
Total LI Units	54		
Project Gross Sq Ft:	57,382.00	**Owner Contact:**	Kimberley Byrd
Green Certified?	TRUE		

Total Score
479.60

Source of Funds	Amount	Per Unit	Per Sq Ft	Annual Debt Service
Permanent Financing	$5,388,815	$99,793	$94	$35,343
Grants	$0	$0		
Subsidized Funding	$4,675,000	$86,574		

Uses of Funds - Actual Costs

Type of Uses	Amount	Per Unit	Sq Ft	% of TDC
Improvements	$5,562,490	$103,009	$97	37.41%
General Req/Overhead/Profit	$600,911	$11,128	$10	4.04%
Other Contract Costs	$819,705	$15,180	$14	5.51%
Owner Costs	$3,135,800	$58,070	$55	21.09%
Acquisition	$3,300,000	$61,111	$58	22.19%
Developer Fee	$1,450,000	$26,852	$25	9.75%
Total Uses	**$14,868,906**	$275,350		

Total Development Costs

Total Improvements	$10,118,906
Land Acquisition	$3,300,000
Developer Fee	$1,450,000
Total Development Costs	**$14,868,906**

Proposed Cost Limit/Sq Ft:	$202
Applicable Cost Limit/Sq Ft:	$231
Proposed Cost Limit/Unit:	$214,239
Applicable Cost Limit/Unit:	$225,968

Income

Gross Potential Income - LI Units		$464,040
Gross Potential Income - Mkt Units		$0
	Subtotal	$464,040
Less Vacancy %	7.00%	$32,483
Effective Gross Income		$431,557

Rental Assistance? TRUE

Unit Breakdown

Supp Hsg	0
# of Eff	3
# of 1BR	48
# of 2BR	3
# of 3BR	0
# of 4+ BR	0
Total Units	54

Expenses

Category	Total	Per Unit
Administrative	$80,832	$1,497
Utilities	$68,300	$1,265
Operating & Maintenance	$115,050	$2,131
Taxes & Insurance	$78,100	$1,446
Total Operating Expenses	$342,282	$6,339
Replacement Reserves	$16,200	$300
Total Expenses	$358,482	$6,639

	Income Levels	Rent Levels
	# of Units	# of Units
<=30% AMI	0	0
40% AMI	0	6
50% AMI	27	21
60% AMI	27	27
>60% AMI	0	0
Market	0	0

Cash Flow

EGI	$431,557
Total Expenses	$358,482
Net Income	$73,075
Debt Service	$35,343
Debt Coverage Ratio (YR1):	2.07

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 Bo

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%) x 200 or 133.33 points.

Combined Max	$1,062,736	
Credit Requested	$650,000	
% of Savings	38.84%	
Sliding Scale Points		129.47

4% Deals EUR Point
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%) x 100 or 71.40 points.

Total Costs Less Acquisition	$11,568,906		
Total Square Feet	57,382.00		
Proposed Cost per SqFt	$201.61		
Applicable Cost Limit per Sq F	$231.00		
% of Savings	12.72%		
Total Units	54		
Proposed Cost per Unit	$214,239		
Applicable Cost Limit per Uni	$225,968		
% of Savings	5.19%		
Max % of Savings	12.72%	Sliding Scale Points	25.44

2022 Low-Income Housing Tax Credit Application For Reservation

v.2022.1

$/SF = $244.34 Credits/SF = 19.9785 Const $/unit = $129,316.78

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

*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	450.00	590.00	955.00	0.00	0.00	0.00
NUMBER OF UNITS	0	3	48	3	0	0	0
PARAMETER-(CREDITS=>35,000)	0	11,925	16,198	20,372	0	0	0
PARAMETER-(CREDITS<35,000)	0	0	0	0	0	0	0
PARAMETER-(CREDITS=>50,000)	0	11,925	16,198	20,372	0	0	0
PARAMETER-(CREDITS<50,000)	0	0	0	0	0	0	0
CREDIT PARAMETER	0	11,925	16,198	20,372	0	0	0
PROJECT CREDIT PER UNIT	0	8,990	11,787	19,079	0	0	0
CREDIT PER UNIT POINTS	**0.00**	**2.73**	**48.41**	**0.70**	**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 ris	0	11,925	16,198	20,372	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	11,925	16,198	20,372	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 ris	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 ris	0	11,925	16,198	20,372	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	11,925	16,198	20,372	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 ris	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
FAIRFAX HALL II LLC

THIS OPERATING AGREEMENT, dated as of January 18, 2022 by and among the undersigned parties, who by their execution of this Operating Agreement have become members of **FAIRFAX HALL II LLC**, a Virginia limited liability company (the "Company"), provides as follows:

RECITALS

The undersigned parties have caused the Company to be organized as a limited liability company under the laws of the Commonwealth of Virginia effective as of the date hereof, and they wish to enter into this Operating Agreement in order to set forth the terms and conditions on which the management, business and financial affairs of the Company shall be conducted.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals and the mutual promises, covenants and conditions herein contained, the receipt and sufficiency of which are hereby acknowledged, the parties do hereby covenant and agree as follows:

ARTICLE I
DEFINITIONS

1.01 The following terms used in this Operating Agreement shall have the following meanings (unless otherwise expressly provided herein):

(1) "Act" shall mean the Virginia Limited Liability Company Act, Va. Code § 13.1-1000 *et seq.*, as amended, and in force from time to time.

(2) "Articles" shall mean the articles of organization of the Company, as amended and in force from time to time.

(3) "Capital Account" shall mean as of any given date the amount calculated and maintained by the Company for each Member as provided in Section 6.04 hereof.

(4) "Capital Contribution" shall mean any contribution to the capital of the Company by a Member in cash, property or services, or a binding obligation to contribute cash, property or services, whenever made. "Initial Capital Contribution" shall mean the initial contribution to the capital of the Company by a Member, as determined pursuant to Section 6.01 hereof.

(5) "Code" shall mean the Internal Revenue Code of 1986 or corresponding provisions of subsequent superseding federal revenue laws.

(6) "Company" shall refer to Fairfax Hall II LLC.

(7) "Entity" shall mean any general partnership, limited partnership, limited liability company, corporation, joint venture, trust, business trust, cooperative or other association.

(8) "Manager" shall mean a manager of the Company, whose rights, powers and duties are specified in Article V hereof.

(9) "Member" shall mean each Person that is identified as an initial Member in Article III hereof or is admitted as a Member (either as a transferee of a Membership Interest or as an additional Member) as provided in Article VIII hereof. A Person shall cease to be a Member at such time as he no longer owns any Membership Interest.

(10) "Membership Interest" shall mean the ownership interest of a Member in the Company, which may be expressed as a percentage equal to such Member's Capital Account divided by the aggregate capital Accounts of all Members. The Membership Interests may be recorded from time to time on a schedule attached to this Operating Agreement.

(11) "Operating Agreement" shall mean this Operating Agreement, as originally executed and as amended from time to time.

(12) "Person" shall mean any natural person or Entity, and the heirs, executors, administrators, legal representatives, successors, and assigns of such Person where the context so admits.

ARTICLE II
PURPOSE AND POWERS OF COMPANY

2.01 Purpose. The purpose of the Company shall be to:

(a) Acquire, own, buy, sell, invest in, trade, manage, finance, refinance, exchange, or otherwise dispose of stocks, securities, partnership interests, CDs, mutual funds, commodities, and any and all investments whatsoever, that the Managers may from time to time deem to be in the best interests of the Company;

(b) Own, acquire, manage, develop, operate, buy, sell, exchange, finance, refinance, and otherwise deal with real estate, personal property, and any type of business, as the Managers may from time to time deem to be in the best interests of the Company; and

(c) Engage in such other activities as are related or incidental to the foregoing purposes.

2.20 Powers. The Company shall have all powers and rights of a limited liability company organized under the Act, to the extent such powers and rights are not prescribed by the Articles.

ARTICLE III
NAMES, ADDRESSES AND MEMBERSHIP INTERESTS OF INITIAL MEMBERS; PRINCIPAL OFFICE

3.01 Names, Addresses and Membership Interests. The names, addresses, and Membership Interests of the initial Member is as follows:

Names and Addresses	Membership Interest
Fairfax Hall II Management LLC 1700 New Hope Road P. O. Box 1138 Waynesboro, Virginia 22980-0821	100%

3.02 Principal Office. The principal office of the Company shall initially be at 1700 New Hope Road, Waynesboro, Virginia 22980. The principal office may be changed from time to time by the Managers.

ARTICLE IV
VOTING POWERS, MEETINGS, ETC. OF MEMBERS

4.01 In General. The Members shall not be entitled to participate in the day-to-day affairs and management of the Company, but instead, the Members' right to vote or otherwise participate with respect to matters relating to the Company shall be limited to those matters as to which the express terms of the Act, the Articles or this Operating Agreement vest in the Members the right to so vote or otherwise participate.

4.02 Actions Requiring Approval of Members.

(a) Notwithstanding any other provision of this Operating Agreement, the approval of the Members shall be required in order for any of the following actions to be taken on behalf of the Company:

(i) Amending the Articles or this Operating Agreement in any manner that materially alters the preferences, privileges or relative rights of the Members.

(ii) Electing the Managers as provided in Article V hereof.

(iii) Taking any action that would make it impossible to carry on the ordinary business of the Company.

(iv) Confessing a judgment against the Company in excess of $5,000.00.

(v) Filing or consenting to filing a petition for or against the Company under any federal or state bankruptcy, insolvency or reorganization act.

(vi) Loaning Company funds in excess of $25,000.00 or for a term in excess of one year to any Member.

(b) Unless the express terms of this Operating Agreement specifically provide otherwise, the affirmative vote of the Members holding a majority of the Membership Interests shall be necessary and sufficient in order to approve or consent to any of the matters set forth in Section 4.02(a) above or any other matters which require the approval or consent of the Members.

4.03 Action by Members. In exercising their rights as provided above, the Members shall act collectively through meetings and/or written consents as provided in this Article.

4.04 Annual Meeting. The annual meeting of the Members shall be held on the first day in May of each year at the principal office of the company or at such other time as shall be determined by the Managers for the purpose of the transaction of such business as may come properly before the meeting.

4.05 Special Meetings. Special meetings of the Members, for any purpose or purposes, unless otherwise prescribed by statute, may be called by the Mangers, and shall bc called by the Managers at the request of any two Members, or such lesser number of Members as are Members of the Company.

4.06 Place of Meeting. The place of any meeting of the Members shall be the principal office of the Company, unless another place, either within or outside the Commonwealth of Virginia, is designated by the Managers.

4.07 Notice of Meetings. Written notice stating the place, day and hour of any meeting of the Members and, if a special meeting, 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 Managers, to each Member, unless the Act or the Articles require difference notice.

4.08 Conduct of Meetings. All meetings of the Members shall be presided over by a chairperson of the meeting, who shall be a Manager, or a Member designated by the Managers. The chairperson of any meeting of the Members shall determine the order of business and the procedure at the meeting, including regulation of the manner of voting and the conduct of discussion, and shall appoint a secretary or such meeting to take minutes thereof.

4.09 Participation by Telephone or Similar Communications. Members may participate and hold a meeting by means of conference telephone or electronic communications equipment by means of which all Members participating can hear and be heard, and such participation shall constitute attendance and presence in person at such meeting.

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

4.11 Action by Written Consent. 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 the Members who are entitled to vote on the matter set forth in the consents and who constitute the requisite number of percentages of such Members necessary for adoption or approval of such matter on behalf of the Company. By way of example and not limitation, the Members holding a majority of the Membership Interests may take action as to any matter specified in Section 4.02 hereof by signing one or more written consents approving such action, without obtaining signed written consents from any other Members. Such consent or consents shall be filed with the minutes of the meetings of the Members. Action taken under this Section shall be effective when the requisite Members have signed the consent or consents, unless the consent or consents specify a different effective date.

ARTICLE V
MANAGERS

5.01 Powers of Manager. Except as expressly provided otherwise in the Act, the Articles or this Operating Agreement, the powers of the Company shall be exercised by or under the authority of, and the business and affairs of the Company shall be managed by, one or more Managers. The powers so exercised shall include but not be limited to the following:

(a) Entering into, making and performing contracts, agreements, and other undertakings binding the Company that may be necessary, appropriate or advisable in furtherance of the purposes of the Company.

(b) Opening and maintaining bank accounts, investment accounts other arrangements, drawing checks and other orders for the payment of money, and designating individuals with authority to sign or give instructions with respect to those accounts and arrangements. Company funds shall not be commingled with funds from other sources and shall be used solely for the business of the Company.

(c) Collecting funds due to the Company.

(d) Aequiring, utilizing for the Company's purposes, maintaining and disposing of any assets of the Company.

(e) To the extent that funds of the Company are available therefore, paying debts and obligations of the Company.

(f) Borrowing money or otherwise committing the credit of the Company for Company activities, and voluntarily prepaying or extending any such borrowings.

(g) Employing from time-to-time persons, firms or corporations for the operating and management of various aspects of the Company's business, including, without limitation, managing agents, contractors, subcontractors, architects, engineers, laborers, suppliers, accountants and attorneys on such terms and for such compensation as the Managers shall determine, notwithstanding the fact that the Managers or any Member may have a financial interest in such firms or corporations.

(h) Making elections available to the Company under the Code.

(i) Registering the Company as a tax shelter with the Secretary of the Treasury and furnishing to such Secretary lists of investors in the Company, if required pursuant to applicable provisions of the Code.

(j) Obtaining general liability, property and other insurance for the Company, as the Managers deem proper.

(k) Taking such actions as may be directed by the Members in furtherance of their approval of any matter set forth in Section 4.02 hereof.

(l) Doing and performing all such things and executing, acknowledging and delivering 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.

5.02 Election, Etc of Managers.

(a) The Members hereby unanimously elect Fairfax Hall II Management LLC as the initial Manager of the Company, to serve until the first annual meeting of the Members and until their respective successors shall be duly elected and qualified.

(b) The Members shall elect one or more Persons as Managers at each annual meeting of the Company to serve until the next annual meeting of the Company and until their respective successors are duly elected and qualified. In addition, if any Person resigns or otherwise vacates the office of Manager, the Members shall elect a replacement Manager to serve the remaining term of such office, unless one or more other Persons then serve as Managers and the Members determine not to fill such vacancy. A Person may be removed as a Manager by the Members with or without cause at any time. A Manager may, but shall not be required to, be elected from among the Members. A Manager shall be a natural person or an Entity. Notwithstanding any of the foregoing provisions, the rights of the Members to elect and remove Managers shall be subject to the restrictions set forth in Section 5.03 hereof.

5.03 Voting Agreement. Reserved.

5.04 Action by Two or More Managers. Unless otherwise expressly provided by the Act, the Articles, or the terms of this Operating Agreement, the vote, approval or consent of a majority of the Managers, determined on a per capital basis, shall be necessary and sufficient for the Managers to take any action on behalf of the Company that the Managers are authorized to take pursuant to

the Act, the Articles or this Operating Agreement.

5.05 Execution of Documents and Other Actions. The Managers may delegate to one or more of their number the authority to execute any documents or take any other actions deemed necessary or desirable in furtherance of any action that they have authorized on behalf of the Company as provided in Section 5.04 hereof.

5.06 Single Manager. If at any time there is only one Person serving as a Manager, such Manager shall be entitled to exercise all powers of the Managers set forth in this Section, and all references in this Section and otherwise in this Operating Agreement to "Managers" shall be deemed to refer to such single Manager.

5.07 Reliance by Other Persons. Any Person dealing with the Company, other than a Member, may rely on the authority of a particular Manager or Managers in taking any action in the name of the Company, if such Manager or Managers provide to such Person a copy of the applicable provision of this Operating Agreement and/or the resolution or written consent of the Managers or Members granting such authority, certified in writing by such Manager or Managers to be genuine and correct and not to have been revoked, superseded or otherwise amended.

5.08 Manager's Expenses and Fees. A Manager shall be entitled, but not required, to receive a reasonable salary for services rendered on behalf of the Company or in his capacity as a Manager. The amount of such salary shall be determined by the Managers and consented to by the Members, which consent shall not be unreasonably withheld. The Company shall reimburse any Manager for reasonable out-of-pocket expenses which were or are incurred by the Manager on behalf of the Company with respect to the start-up or operation of the Company, the on-going conduct of the Company's business, or the dissolution and winding up of the Company and its business.

5.09 Competition. During the existence of the Company, the Managers shall devote such time to the business of the Company as may reasonably be required to conduct its business in an efficient and profitable manner. The Managers, for their own account and for the account of others, may engage in business ventures, including the acquisition of real estate properties or interests therein and the development, operating, management and/or syndication of real estate properties or interests therein, which may compete with the business of the Company. In furtherance and not in limitation of the foregoing, the Members recognize that one or more of them may own or have an interest in other real estate projects in the area, some of which may be in the vicinity of and may compete with the business of the Company. Each Member hereby expressly consents to the continued and future ownership and operating by the other Members and the Managers of such properties and waives any claim for damages or otherwise, or rights to participate therein or with respect to the operation and profits or losses thereof.

5.10 Indemnification. The Company shall indemnify each Manager, whether serving the Company or, at its request, any other Entity, to the full extent permitted by the Act. The foregoing rights of indemnification shall not be exclusive of other rights to which the Managers may be entitled. The Managers may, upon the approval of the Members, take such action as is necessary to carry out these indemnification provisions and may adopt, approve, and amend from time to time

such resolutions or contacts implementing such provisions or such further indemnification arrangements as may be permitted by law.

5.11 Liability of Managers. So long as the Managers act in good faith with respect to the conduct of the business and affairs of the Company, no Manager shall be liable or accountable to the Company or to any of the Members, in damages or otherwise, for any error or judgment, for any mistake of fat or of law, or for any other act or thing which he may do or refrain from doing in connection with the business and affairs of the Company, except for willful misconduct or gross negligence or breach of fiduciary duty, and further except for breaches of contractual obligations or agreements between the Managers and the Company.

ARTICLE VI
CONTRIBUTIONS TO THE COMPANY AND DISTRIBUTIONS

6.01 Initial Capital Contributions. Each Member, upon the execution of this Operating Agreement, shall make as an initial Capital Contribution the amount shown on Exhibit A, which is attached hereto. The initial Capital Contrihution to be made by any Person who hereafter is admitted as a Mcmber and acquires his Membership Interest from the Company shall be determined by the Members.

6.02 Additional Capital Contributions. No Member shall be required to make any Capital Contributions in addition to his Initial Capital Contribution. The Founding Members, as defined in Section 5.03, may make additional Capital Contributions to the Company with the consent of the Members. Otherwise, the Members may make additional Capital Contributions to the Company only if such additional Capital Contributions are made pro rata by all the Members or all the Members consent in writing to any non-pro rata contribution. The fair market value of any property other than cash or widely trade securities to be contributed as an additional Capital Contribution shall be (a) agreed upon by the contributing Member and a majority in interest of the Members before contribution, or (b) determined by a disinterested appraiser selected by the Managers.

6.03 Interests and return of Capital Contribution. No Member shall receive any interest on his Capital Contribution. Except as otherwise specifically provided for herein, the Members shall not be allowed to withdraw or have refundcd any Capital Contribution.

6.04 Capital Accounts. Separate Capital Accounts shall be maintained for each Member in accordance with the following provisions:

(a) To each Member's Capital Account there shall be credited the fair market value of such Member's Initial Capital Contributions and any additional Capital Contributions, such Member's distributive share of profits, and the amount of any Company liabilities that are assumed by such Member.

(b) To each Member's Capital Account there shall be debited the amount of cash and the fair market value of any Property distributed to such Member pursuant to any provision of this Operating Agreement, such Member's distributive share of losses, and the amount of any liabilities of such Member that are assumed by the Company or that are secured by any property

contributed by such Member to the Company.

(c) In the event any interest in the Company is transferred in accordance with the terms of this Operating Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent it related to the transferred interest.

(d) The Capital Account shall also include a pro rata share of the fair market value of any property contributed by a person who is not a Member, such value to be the same value reported for federal gift tax purposes if a gift tax return is filed, and if not, the value in the case of real property shall be determined by an independent M.A.I. appraiser actively engaged in appraisal work in the area where such property is located and selected by the Managers, and otherwise by the certified public accountant or accountants then serving the Company.

(e) If any Member makes a non-pro rata Capital Contribution to the Company or the Company makes a non-pro rata distribution to any Member, the Capital Account of each Member shall be adjusted to reflect the then fair market value of the assets held by the Company immediately before the Capital Contribution or distribution.

6.05 Loans to the Company. If the Company has insufficient funds to meet its obligations as they come due and to carry out its routine, day-to-day affairs, then, in lieu of obtaining required funds from third parties or selling its assets to provide required funds, the Company may, but shall not be required to, borrow necessary funds from one or more of the Members as designated by the Managers; provided that the terms of such borrowing shall be commercially reasonable and the Company shall not pledge its assets to secure such borrowing.

6.06 Effect of Sale or Exchange. In the event of a permitted sale or other transfer of a Membership Interest in the Company, the Capital Account of the transferor shall become the Capital Account of the transferee to the extent they relate to the transferred Membership Interest.

6.07 Distributions. All distributions of cash or other property (except upon the Company's dissolution, which shall be governed by the applicable provisions of the Act and Article IX hereof) shall be made to the Members in proportion to their respective Membership Interests. All distributions of cash or property shall be made at such time and in such amounts as determined by the Managers. All amounts withheld pursuant to the Code or any provisions of 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 Section.

6.08 Allocations. Except as otherwise provided in Section 6.09 hereof, all items of income, gain, loss, deduction and credit, whether resulting from the Company's operations or in connection with its dissolution, shall be allocated to the Members for federal, state and local income tax purposes in proportion to their respective Membership Interests.

6.09 Allocation with Respect to Property. If, at any time during the Company's existence, any Member contributes to the Company property with an adjusted basis to the contributing Member which is more or less than the agreed fair market value and such property is accepted by

the Company at the time of its contribution, the taxable income, gain, loss, deductions and credits with respect to such contributed property for tax purposes only (but not for purposes of calculating the Members' respective Capital Accounts) shall be shared among the Members so as to take account of the variation between the basis of the property to the Company and its agreed fair market value at the time of contribution, pursuant to Section 704(c) of the Code.

ARTICLE VII
RECORDS, REPORTS, ETC.

7.01 Records. The Company shall maintain and make available to the Member its records to the extent provided in the Act.

7.02 Financial and Operating Statements and Tax Returns. Within seventy-five (75) days from the close of each fiscal year of the Company, the Managers shall cause to be delivered to each Member a statement setting forth such Member's allocable share of all tax items of the Company for such year, and all such other information as may be required to enable each Member to prepare his federal, state and local income tax returns in accordance with all then applicable laws, rules and regulations. The Managers also shall cause to be prepared and filed all federal, state and local income tax returns required of the Company for each fiscal year.

7.03 Banking. The funds of the Company shall be kept in one or more separate bank accounts in the name of the Company in such banks or other federally insured depositories as may be designated by the Managers or shall otherwise be invested in the name of the Company in such manner and upon such terms and conditions as may be designated by the Managers. All withdrawals from any such bank accounts or investments established by the Managers hereunder shall be made on such signature or signatures as may be authorized from time to time by the Managers. Any account opened by the Managers for the Company shall not be commingled with other funds of the Managers or interested persons.

7.04 Power of Attorney.

(a) Each Member does hereby irrevocably constitute and appoint the Managers serving in office from time to time, and each of them, as such Member's true and lawful attorney, in his 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:

(i) Any certificate or other instrument which 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 in order to conduct business in any such jurisdiction, to the extent the Managers deem any such filing to be necessary or desirable.

(ii) Any amendment to the Articles adopted as provided in this Operating Agreement.

(iii) Any certificates or other instruments which may be required to effectuate the dissolution and termination of the Company pursuant to the provisions of this

Operating Agreement.

(b) It is expressly understood, intended and agreed by each Member for himself, his successors and assigns that the grant of the power of attorney to the Managers pursuant to subsection (a) is coupled with an interest, is irrevocable, and shall survive the death or legal incompetency of the Member or such assignment of his Membership Interest.

(c) One of the ways that the aforementioned power of attorney may be exercised is by listing the names of the Members and having the signature of the Manager or Managers, as attorney-in-fact appear with the notation that the signatory is signing as attorney-in-fact of the listed Members.

ARTICLE VIII
ASSIGNMENT; RESIGNATION

8.01 Assignment Generally. Except as provided in Sections 8.02, 8.03, and 8.04 of this Operating Agreement, each Member hereby covenants and agrees that he will not sell, assign, transfer, mortgage, pledge, encumber, hypothecate or otherwise dispose of all or any part of his interest in the Company to any person, firm, corporation, trust or other entity without first offering in writing to sell such interest to the Company. The Company shall have the right to accept the offer at any time during the 30 days following the date on which the written offer is delivered to the Company. The consent of all the Managers shall be required to authorize the exercise of such option by the Company. If the Company shall fail to accept the offer within the 30 day period, such interest may during the following 60 days be disposed of free of the restrictions imposed by this Operating Agreement; provided, however, that the purchase price for such interest shall not be less and the terms of purchase for such interest shall not be more favorable than the purchase price and terms of purchase that would have been applicable to the Company had the Company purchased the interest; provided further that the purchaser shall first become a Member pursuant to this Operating Agreement; and provided further that any interest not so disposed of within the 60-day period shall thereafter remain subject to the terms of this Operating Agreement. Notwithstanding the preceding sentence, no assignee of a Membership Interest shall become a Member of the Company except upon the consent of a majority in interest of the non-assigning Members.

8.02 Gift to Family Member. Reserved.

8.03 Transfers from Custodianships. Reserved.

8.04 Purchase of Certain Membership Interests.

(a) If an Option Event (as defined below) occurs with respect to any Member (as "Option Member"), the Company shall have the option to purchase the Option Member's Membership Interest upon the terms and conditions set forth in this Section 8.04. For purposes of the foregoing, an "Option Event" shall mean the (i) the occurrence of any event set forth in Section 9.01(c) hereof, if all or the requisite remaining Members consent to continue the business of the Company as provided therein, and (ii) the inability of a Member to pay its debts generally as they

become due, or any assignment by a Member for the benefit of its creditors, or the filing by a Member of a voluntary petition in bankruptcy or similar insolvency proceedings, or the filing against a Member of an involuntary petition in bankruptcy or similar insolvency proceeding that is not dismissed within ninety (90) days thereafter. The term "Option Member" shall include as Option Member's personal representative or trustee in bankruptcy, to the extent applicable.

(b) Upon any Option Event occurring to an Option Member, the Option Member shall deliver written notice of the occurrence of such Option Event to the Company. The Company shall have the option, but not the obligation, to purchase the Option Member's Membership Interest at any time during the sixty (60) day period immediately following the date on which it receives notice of the occurrence of the Option Event. Such option shall entitle the Company to purchase such Membership Interest for the fair market value of such Membership Interest. The fair market value of the interest shall be the amount that the Option Member would receive in exchange for his entire interest in the Company if the Company sold all of its assets, subject to their liabilities, at their fair market value as of the date on which the Option Event occurred and distributed the net proceeds from such sale in complete liquidation of the Company. The consent of all the Managers shall be required to authorize the exercise of such option by the Company. Such option must be exercised by delivery of a written notice from the Company to the Option Member during the aforementioned period. Upon delivery of such notice the exercise of such option shall be final and binding on the Company and the Option Member.

(c) If the foregoing option is not exercised, the business of the Company shall continue, and the Option Member shall retain his Membership Interest.

(d) The fair market value of the Option Member's Membership Interest shall be determined as expeditiously as possible by a disinterested appraiser mutually selected by the Option Member and the Company (the Company's selection being made by the Managers). If the Option Member and the Company are unable to agree on a disinterested appraiser, then the Option Member and the Company shall each select a disinterested appraiser and if the disinterested appraisers selected are not able to agree as to the fair market value of the interest, then the two disinterested appraisers shall select a third disinterested appraiser who shall determine the fair market value. The determination of the fair market value of the Option Member's Membership Interest by the appraiser or appraisers shall be conclusive and binding on all parties. All costs of an appraiser mutually selected by the Option Member and the Company or the two disinterested appraisers shall be shared equally by the Option Member and the Company. All costs of an individually selected appraiser shall be borne by the parties selecting such appraiser.

(e) If the option to purchase the Option Member's Membership Interest is exercised by the Company, then not later than thirty (30) days after the date on which the appraisal described above is complete (the "Appraisal Date"), the Company shall make a distribution of property (which may be cash or other assets of the Company) to the Option Member with a value equal in amount to the fair market value of the Option Member's Membership Interest; provided, however, that at the election of the Company such distribution to the Option Member in five equal annual installments, the Company may accelerate without penalty all of such installments at any time or any part of such installment at any time. If the Company elects to make distributions to the Option Member in five equal annual installments as provided herein, the Company, in addition to

such annual installments, shall pay the Option Member additional amounts computed as if the Option Member were entitled to interest on the undistributed amount of the total distribution to which the Option Member is entitled hereunder at an annual rate equal to the annual Federal Mid-Term Rate in effect under Section 1274(d) of the Code, as determined on the 30th day after the Appraisal Date, which additional amounts, computed like interest, shall be due and payable on the same dates as the annual installments of the distribution payable to the Option Member hereunder. Any unpaid capital contributions of the Option Member and any damages occurring to the Company as result of the Option Event shall be taken into account in determining the net amount due the Option Member at the closing, and any excess of such unpaid capital contributions or damages over the amount due at closing shall be netted against subsequent installment payments as they become due.

(f) If at a time when the Company has an option to purchase as Option Member's Membership Interest, it is prohibited from purchasing all or any portion of such Membership Interest pursuant to the Act or any loan agreement or similar restrictive agreement, the Option Member and the remaining Members shall, to the extent permitted by law, take appropriate action to adjust the value of the Company's assets from book value to a fair valuation based on accounting practices and principles that are reasonable under the circumstances in order to permit the Company to purchase such Membership Interest. If the Company becomes obligated to purchase an Option Member's Membership Interest under this Section and the above action cannot be taken or does not create sufficient value to permit the Company to do so, the Company shall be obligated to purchase the portion of the Membership Interest it is permitted to purchase, with a proportionate reduction in the aggregate purchase price.

(g) In order to fund any obligations under this Operating Agreement, the Company or the Members may maintain such life insurance policies on the lives of one or more Members as the Members determine from time to time to be desirable.

8.05 Absolute Prohibition. Notwithstanding any other provision in this Article VIII, the Membership Interest of a Member, in whole or in part, or any rights to distributions therefrom, shall not be sold, exchanged, conveyed, assigned, pledged, hypothecated, subjected to a security interest or otherwise transferred or encumbered, if, as a result thereof, the Company would be terminated for federal income tax purposes in the opinion of counsel for the Company or such action would result in a violation of federal or state securities laws in the opinion of Counsel for the Company.

8.06 Members Acquiring Membership Interest From Company. No Person, other than the initial Member, who acquires a Membership Interest from the Company shall be admitted as a Member of the Company, except upon the unanimous consent of the Members.

8.07 Resignation. No Member shall be entitled to resign from the Company except upon the unanimous written consent of the Members. Any attempted resignation, without such consent, shall be of no force or effect.

8.08 Effect of Prohibited Action. Any transfer or other action in violation of this Article shall be void *ab initio* and of no force or effect whatsoever.

8.09 Rights of an Assignee. If an assignee of a Membership Interest is not admitted as a Member because of the failure to satisfy the requirements of Section 8.01 or 8.05 hereof, such assignee shall nevertheless be entitled to receive such distributions from the Company as the assigning Member would have been entitled to receive under Section 6.07 of this Operating Agreement with respect to such Membership Interest.

ARTICLE IX
DISSOLUTION AND TERMINATION

9.01 Events of Dissolution. The Company shall be dissolved upon the first to occur of the following:

(a) Any event that under the Articles required dissolution of the Company.

(b) The unanimous written consent of the Members to the dissolution of the Company.

(c) The death, permitted resignation, bankruptcy or dissolution of a Member or the occurrence of any other event that terminates the continued Membership of such Member in the Company unless the business of the Company is continued by the consent of a majority in interest of the remaining Members.

(d) The entry of a decree of judicial dissolution of the Company as provided in the Act.

(e) Any event not set forth above under which the Act requires dissolution of the Company.

9.02 Liquidation. Upon the dissolution of the Company, it shall wind up its affairs and distribute its assets in accordance with the Act by either or a combination of both the following methods as the Members shall determine:

(a) Selling the Company's assets and, after the payment of Company liabilities, distributing the net proceeds therefrom to the Members in proportion to their Membership Interests and in satisfaction thereof; and/or

(b) Distributing the Company's assets to the Members in kind with each Member accepting an undivided interest in the Company's assets, subject to its liabilities, in satisfaction of his Membership Interest. The interest conveyed to each Member in such assets shall constitute a percentage of the entire interests in such assets equal to such Member's Membership Interest.

9.03 Orderly Liquidation. A reasonable time as determined by the Managers not to exceed eighteen (18) months shall be allowed for the orderly liquidation of the assets of the Company and the discharge of liabilities to the creditors to as to minimize any losses attendant upon dissolution.

9.04 Distributions. Upon liquidation, the Company assets (including any cash on hand) shall be distributed in the following order and in accordance with the following priorities:

(a) First, to the payment of debts and liabilities of the Company and the expenses of liquidation, including a sales commission to the selling agent, if any; then

(b) Second, to the setting up of any reserves that the Managers (or the person or persons carrying out the liquidation) deem reasonably necessary for any contingent or unforeseen liabilities or obligations of the Company. At the expiration of such period as the Managers (or the person or persons carrying out the liquidation) shall deem advisable, but in no event to exceed 18 months, the Company shall distribute the balance thereof in the manner provided in the following subsections; then

(c) Third, to the Members to the extent of their respective positive Capital Account balances in the ratio of said Capital Accounts, after first taking into account the allocations prescribed by Section 9.05 below; then

(d) Fourth, to the Members in proportion to their respective Membership Interests.

(e) In the event of a distribution in liquidation of the Company's property in kind, the fair market value of such property shall be determined by a qualified and disinterested M.A.I. appraiser actively engaged in appraisal work in the Cities of Waynesboro and Staunton and the County of Augusta selected by the Managers (or the person or persons carrying out the liquidation), and each Member shall receive an undivided interest in such property equal to the portion of the proceeds to which he would be entitled under the immediately preceding subsections if such property were sold at such fair market value.

9.05 Taxable Gain or Loss. Taxable income, gain or loss from the sale or distribution of Company property incurred upon or during liquidation and termination of the Company shall be allocated to the Members as provided in Section 6.8 above.

9.06 No Recourse Against Members. Except as provided by law, upon dissolution, each Member shall look solely to the assets of the Company for the return of his Capital Contribution. If the Company property remaining after the payment or discharge of the debts and liabilities of the Company is insufficient to return the Capital Contribution of each Member, such Member shall have no recourse against any other Member.

ARTICLE X
MISCELLANEOUS PROVISIONS

10.01 Attorneys' Fees. In the event any party brings an action to enforce any provisions of this Operating Agreement, whether such action is at law, in equity or otherwise, and such party prevails in such action, such party shall be entitled, in addition to any other rights or remedies available to it, to collect from the non-prevailing party or parties the reasonable costs and expenses incurred in the investigation preceding such action and the prosecution of such action, including but not limited to reasonable attorneys' fees and court costs.

10.01 Notices. Whenever, under the provisions of the Act or other law, the Articles or this Operating Agreement, notice is required to be given to any Person, it shall not be construed to mean exclusively personal notice unless otherwise specifically provided, but such notice may be given in writing, by mail, addressed to the Company at its principal office from time to time and to any other Person at his address as it appears on the records of the Company from time to time, with postage thereon prepaid. Any such notice shall be deemed to have been given at the time it is deposited in the United States mail. Notice to a Person may also be given personally or by telegram or telecopy sent to his address as it appears on the records of the Company. The addresses of the initial Members as shown on the records of the Company shall originally be those set forth in Article III hereof. Any Person may change his address as shown on the records of the Company by delivering written notice to the Company in accordance with this Section.

10.03 Application of Virginia Law. This Operating Agreement and the interpretation hereof, shall be governed exclusively by its terms and by the laws of the Commonwealth of Virginia, without reference to its choice of law provisions, and specifically the Act.

10.04 Amendments. No amendment or modification of this Operating Agreement shall be effective except upon the unanimous written consent of the Members.

10.05 Construction. Whenever the singular number is used in this Operating Agreement and when required by the context, the same shall include the plural, and the masculine gender shall include the feminine and neuter genders, and vice versa.

10.06 Headings. The headings in this Operating Agreement are inserted for convenience only and are in no way intended to describe, interpret, define, or limit the scope, extent or intent of this Operating Agreement or any provision hereof.

10.07 Waivers. The failure of any party to seek redress for violation of or to insist upon the strict performance of any covenant or condition of this Operating Agreement shall not prevent a subsequent act, which would have originally constituted a violation, from having the effect of an original violation.

10.08 Rights and Remedies Cumulative. The rights and remedies provided by this Operating Agreement are cumulative and the use of any one right or remedy by any party shall not preclude or waive the right to use any or all other remedies. Such rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance, or otherwise.

10.09 Severability. If any provision of this Operating Agreement or the application thereof to any Person or circumstance shall be invalid, illegal or unenforceable to any extent, the remainder of this Operating Agreement and the application thereof shall not be affected and shall be enforceable to the fullest extent permitted by law.

10.10 Heirs, Successors and Assigns. Each and all of the covenants, terms, provisions and agreements herein contained shall be binding upon and inure to the benefit of the parties hereto and, to the extent permitted by this Operating Agreement, their respective heirs, legal representatives, successors and assigns.

10.11 Creditors. None of the provisions of this Operating Agreement shall be for the benefit of or enforceable by any creditor of the Company.

10.12 Counterparts. This Operating Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

10.13 Entire Agreement. This Operating Agreement sets forth all of the promises, agreements, conditions and understandings between the parties respecting the subject matter thereof and supersedes all prior negotiations, conversations, discussions, correspondence, memoranda and agreements between the parties concerning such subject matter.

The undersigned, being all the Members of the Company, hereby agree, acknowledge and certify that the foregoing Operating Agreement constitutes the sole and entire Operating Agreement of the Company, unanimously adopted by the Members of the Company as of the date first above written.

MEMBER:

Fairfax Hall II LLC
By:

Fairfax Hall II Management LLC
Sole Member
By:

South River Development Corporation, Inc.
Sole Member
By: _____
Mary Ann Everly-Maupin
President

EXHIBIT A

MEMBER	PROPERTY

FAIRFAX HALL ORGANIZATIONAL CHART

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (this "Agreement") made as of March 1, 2022, by and between **South River Development Corporation,** a Virginia nonstock corporation (the "Developer") and **Fairfax Hall II LLC**, a Virginia limited liability company (the "Company").

W I T N E S S E T H:

WHEREAS, the Company has been formed to develop, construct, ground lease, maintain and operate certain property as low-income residential rental housing, to be known as Fairfax Hall, to be located at 1101 Reservoir Street, Waynesboro, 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 one million four hundred and fifty and No/100 Dollars ($1,450,000). 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) Ten percent (10%) on initial equity funding of the Project;

(ii) Sixty percent (60%) upon substantial completion of the Project; and

(iii) Thirty percent (30%) upon achievement of 95% breakeven 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:

Fairfax Hall II LLC, a Virginia limited liability company

By: Fairfax Hall II Management LLC, a Virginia limited liability company, its sole managing member

By: _____

Name: Kimberly Byrd

Title: Executive Vice President/CEO

DEVELOPER:

South River Development Corporation, a Virginia nonstock corporation

By _____

Name: Kimberly Byrd

Title: Executive Vice President and CEO

Tab B:

Virginia State Corporation Commission Certification
(MANDATORY)

Commonwealth of Virginia

STATE CORPORATION COMMISSION

Richmond, January 18, 2022

This is to certify that the certificate of organization of

Fairfax Hall II LLC

was this day issued and admitted to record in this office and that the said limited liability company is authorized to transact its business subject to all Virginia laws applicable to the company and its business.

Effective date: January 18, 2022

STATE CORPORATION COMMISSION
Attest:

Clerk of the Commission

Tab C:

Principal's Previous Participation Certification
(MANDATORY)

Virginia Housing

Previous Participation Certification

Development Name: Fairfax Hall
Name of Applicant (entity): Fairfax Hall II, LLC

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 praperty has been foreclosed upon, in default or assigned to the mortgage insurer (gavernmental or private); nor has mortgage relief by the martgagee 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 af state or federal audits, management reviews or other gavernmental 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 praperty, there has not been a suspensian ar termination of payments under any state or federal assistance contract for the property;

7. Nane of the participants has been canvicted of a felony and is not presently, ta 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 punishoble 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 ar 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 ony 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 ta comply with Section 42 of the Internol Revenue Code of 1986, as amended, during the period of time in which the participant was a principal in such property. This daes not refer ta 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

Kimberly Byrd

Printed Name

March 1, 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: Fairfax Hall

Name of Applicant: Fairfax Hall II, LLC

INSTRUCTIONS:

1 **A Schedule A is required for <u>every</u> individual that makes up the GP or Managing Member** - does not apply to principals of publicly traded corporations.

2 A resume is required for each principal of the General Partnership or Limited Liability Company (LLC).

3 For each property for which an <u>uncorrected</u> 8823 has been issued, provide a detailed explanation of the nature of the non-compliance, as well as a status statement.

4 List only tax credit development experience since 2002 (i.e. for the past 15 years)

5 Use separate pages as needed, for each principal.

Principal's Name: Fairfax Hall II Management LLC

Controlling GP (CGP) or 'Named' Managing Member of Proposed property?* Yes

	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	Mountain View Apartments Waynesboro	Mountain View Partners, LLC - 540 946 9230	N	129	129	12/31/12	10/29/13	N
2	Mountain Crest Apartments Hot Springs VA	Bath County Retirement Home Limited Partnership 540 946 9230	N	28	28	4/30/07	11/2/1/08	N
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* Must have the ability to bind the LIHTC entity; document with partnership/operating agreements and <u>one 8609</u> (per entity/development) for a total of 6.

1st PAGE TOTAL: 157 157 100%

LIHTC as % of Total Units

ADD ADDITIONAL PROPERTIES USING NEXT TAB

List of LIHTC Developments (Schedule A)

Development Name: Fairfax Hall

Name of Applicant: Fairfax Hall II, LLC

INSTRUCTIONS:

1. **A Schedule A is required for <u>every</u> individual that makes up the GP or Managing Member** - does not apply to principals of publicly traded corporations.
2. A resume is required for each principal of the General Partnership or Limited Liability Company (LLC).
3. For each property for which an <u>uncorrected</u> 8823 has been issued, provide a detailed explanation of the nature of the non-compliance, as well as a status statement.
4. List only tax credit development experience since 2002 (i.e. for the past 15 years)
5. Use separate pages as needed, for each principal.

Principal's Name: Waynesboro Redevelopment and Housing Authorit

Controlling GP (CGP) or 'Named' Managing Member of Proposed property?* No

	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	Mountain View Apartments Waynesboro	Mountain View Partners, LLC - 540 946 9230	N	129	129	12/31/12	10/29/13	N
2	Mountain Crest Apartments Hot Springs VA	Bath County Retirement Home Limited Partnership 540 946 9230	N	28	28	4/30/07	11/2/1/08	N
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* Must have the ability to bind the LIHTC entity; document with partnership/operating agreements and <u>one 8609</u> (per entity/development) for a total of 6.

1st PAGE TOTAL: 157 157 100%

LIHTC as % of Total Units

ADD ADDITIONAL PROPERTIES USING NEXT TAB

List of LIHTC Developments (Schedule A)

Development Name: Fairfax Hall

Name of Applicant: Fairfax Hall II, LLC

INSTRUCTIONS:

1 **A Schedule A is required for <u>every</u> individual that makes up the GP or Managing Member** - does not apply to principals of publicly traded corporations.

2 A resume is required for each principal of the General Partnership or Limited Liability Company (LLC).

3 For each property for which an <u>uncorrected</u> 8823 has been issued, provide a detailed explanation of the nature of the non-compliance, as well as a status statement.

4 List only tax credit development experience since 2002 (i.e. for the past 15 years)

5 Use separate pages as needed, for each principal.

Principal's Name: South River Development Corporation

Controlling GP (CGP) or 'Named' Managing Member of Proposed property?* Fairfax Hall II Management, LLC — No

	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	Mountain View Apartments Waynesboro	Mountain View Partners, LLC - 540 946 9230	No	129	129	12/31/12	10/29/13	N
2	Mountain Crest Apartments Hot Springs VA	Bath County Retirement Home Limited Partnership 540 946 9230	No	28	28	4/30/07	11/2/1/08	N
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* Must have the ability to bind the LIHTC entity; document with partnership/operating agreements and <u>one 8609</u> (per entity/development) for a total of 6.

1st PAGE TOTAL: 157 157 100%

LIHTC as % of Total Units

ADD ADDITIONAL PROPERTIES USING NEXT TAB

List of LIHTC Developments (Schedule A)

Development Name: Fairfax Hall

Name of Applicant: Fairfax Hall II, LLC

INSTRUCTIONS:

1. **A Schedule A is required for <u>every</u> individual that makes up the GP or Managing Member** - does not apply to principals of publicly traded corporations.
2. A resume is required for each principal of the General Partnership or Limited Liability Company (LLC).
3. For each property for which an <u>uncorrected</u> 8823 has been issued, provide a detailed explanation of the nature of the non-compliance, as well as a status statement.
4. List only tax credit development experience since 2002 (i.e. for the past 15 years)
5. Use separate pages as needed, for each principal.

Principal's Name: Kim Byrd

Controlling GP (CGP) or 'Named' Managing Member of Proposed property?* No

	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	Mountain View Apartments Waynesboro	Mountain View Partners, LLC - 540 946 9230	N	129	129	12/31/12	10/29/13	N
2	Mountain Crest Apartments Hot Springs VA	Bath County Retirement Home Limited Partnership 540 946 9230	N	28	28	4/30/07	11/2/1/08	N
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* Must have the ability to bind the LIHTC entity; document with partnership/operating agreements and <u>one 8609</u> (per entity/development) for a total of 6.

1st PAGE TOTAL:	157	157	100%	**LIHTC as % of Total Units**

ADD ADDITIONAL PROPERTIES USING NEXT TAB

Tab E:

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

ASSET PURCHASE AND SALE AGREEMENT

THIS ASSET PURCHASE AND SALE AGREEMENT ("Agreement") is made and entered into as of this 1st day of March 2022, by and among Fairfax Hall Limited Partnership, L.P., a Virginia Limited Partnership, having a principal business address of 1700 New Hope Rd., Waynesboro, Virginia 22980 hereinafter referred to as the "Seller", Party of the First Part, and, Fairfax Hall II LLC, a Virginia Limited Liability Company, having a principal business address of 1700 New Hope Rd., Waynesboro, Virginia 22980, Party of the Second Part, herein referred to as "Purchaser", and Fairfax Hall Ventures, Incorporated, a Virginia non-stock corporation, having a principal business address of PO Box 1844, 1700 New Hope Rd., Waynesboro, VA 22980 ("FHV"), which corporation is the Limited Partner of Seller.

RECITALS

A. Seller owns improved real estate located in the City of Waynesboro, Virginia, which improved real estate is hereafter referred to as the "Real Estate," more particularly described on Exhibit A attached hereto, on which property Seller owns and operates a residential housing development, for elderly and handicapped residents, called Fairfax Hall, located in a structure registered in the Virginia Historic Register. The business address of Fairfax Hall is Fairfax Hall Apartments is 1101 Reservoir St., Waynesboro, VA 22980 and such business is engaged in leasing to tenants and maintaining the rental units therein which business is hereinafter referred to as the "Business."

B. Seller desires to sell and transfer to Purchaser, and Purchaser desires to purchase and receive from Seller, the Real Estate and all of the assets of Seller used in the operation of the Business and not specifically excluded herein, for the consideration and upon the terms and conditions hereinafter set forth.

AGREEMENT

NOW, THEREFORE, in consideration of the covenants and agreements herein set forth and in reliance on the representations and warranties contained herein, the parties agree as follows:

1. Purchase and Sale of Assets-Closing Date. Subject to the terms and conditions set forth in this Agreement, Seller hereby agrees to sell to Purchaser, on the Closing Date set forth herein, free and clear of all liens, pledges, and encumbrances of every kind, character, and description whatsoever, excepting only those described in Exhibit 1 attached hereto that are to be excluded, and Purchaser agrees to purchase from Seller on the Closing Date the Real Estate, together with the assignment of any leases or rental agreements ("Leases") with Tenants of Fairfax Hall Apartment units ("Tenants") and any security deposits paid to Lessor by such Tenants ("Security Deposits"). The Purchaser and Seller will by separate agreement provide for the sale by Seller and purchase by Purchaser of all of the other assets of Seller used in the operation of the Business.

(a) Conveyance of Title to Real Estate. The Real Estate will be conveyed by General Warranty Deed (hereinafter referred to as the "Deed") in the form attached hereto as Exhibit A conveying the Real Estate to Purchaser, free and clear of any lien or encumbrance excepting only for (i) real estate taxes for the current year that are a lien upon the Real Estate but are not yet due and payable; and (ii) those encumbrances which Grantee agrees to assume and satisfy listed in Exhibit B.

(b) Assumption of Liabilities. Purchaser will not assume or have any responsibility with respect to any obligation or liability of the Seller or the Business excepting only those expressly assumed in this Agreement.

(d) Purchase Price and Method of Payment. The "Purchase Price" for the Acquired Assets is Three Million Three Hundred Thousand Dollars ($3,300,000.00), payable as follows:

By wire transfer to the Settlement agent at Settlement, subject to any reductions adjustments and additions as set forth in this agreement.

2. Assignment and Transfer of Leases and Security and Attornment.

(a). Seller represents and warrants that all lease or rental agreements with Tenants for units of Fairfax Hall Apartments in existence at the date hereof (the "Leases") are listed and identified on Schedule 2 attached by Tenant name, rental unit address or number, monthly lease payment amount and due date, date through which rental or lease payments have been received by Seller, the amount of any delinquent rent due including any penalties, late fees or interest thereon, and any security deposit held by Seller with respect to such unit ("Security Deposits") and covenants such information is true and correct as the date hereof.

(b). Seller represents and warrants that there is no default under and there are no pending court suits, actions, mediations, arbitrations, or other proceedings, whether private or public in nature, or claims asserted by or on behalf of, or any dispute, by or between, a Tenant and Landlord, under or regarding any Lease or unit that has been filed, made or to the knowledge of Seller threatened or claimed, except as listed on Schedule 2.

(c). Seller agrees to transfer and assign to Purchaser at Closing (i) all the Leases and any future payments due thereunder and (ii) all Security Deposits. Seller shall have each Tenant execute and deliver to Purchaser at Closing an Attornment agreement in the form attached as Exhibit C for each unit currently under lease in Fairfax Hall Apartments.

3.. Representations and Warranties of Seller. Seller represents and warrants that:

(a) Seller is the sole owner of the Real Estate.

(b) Seller has the authority to own the property sold herein and conduct the Business in the manner in which such business is now being conducted. Seller and the Business are in good standing in each jurisdiction in which the Seller owns the Real Estate or in which it conducts such business.

(c) Seller has full power and authority to execute and deliver this Agreement and to perform its obligations hereunder. This Agreement constitutes a valid and legally binding obligation of Seller, enforceable in accordance with its terms and conditions.

(d) The execution and delivery of this Agreement by Seller and the performance by Seller of its obligations hereunder will not:

i. Violate any constitution, statute, regulation, rule, injunction, judgment, order, decree, stipulation, ruling, charge, or other restriction of any government, governmental agency, or court to which Seller is subject; or

ii. Conflict with, result in a breach of, constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify, or cancel, or require any notice under any agreement, contract, lease, license, instrument or other arrangement to which Seller is a party or by which he is bound or to which any of his assets are subject. All consents by third parties that are required to prevent or eliminate every such conflict, breach, default, acceleration, creation of the above-referenced rights, or encumbrance shall have been validly obtained before the Closing and at the Closing shall be in full force and effect and valid and sufficient for such purpose.

(e) The execution, delivery and performance of this Agreement and the consummation of the transactions herein contemplated do not and will not conflict with, or result in a breach of any term or provision of, or constitute a default under, or result in the creation of any lien or encumbrance upon the property or assets of Seller under any agreement, indenture, mortgage, deed of trust or other instrument to which Seller is a party or by which it is bound or to which its properties are subject, or any law, rule, regulation, judgment, order or decree. All consent by third parties that are required to prevent or eliminate every such conflict, breach, default, lien and encumbrance shall have been validly obtained before the Closing and at the Closing shall be in full force and effect and valid and sufficient for such purpose.

(f) Seller has no material debts, liabilities or other obligations (including, without limitation, obligations for federal, state or local taxes or other governmental assessments or penalties, and obligations and advances, directly or indirectly, to Seller), absolute or contingent, due or to become due, which are unpaid or for which payment has not been adequately provided, and Seller does not know or have reasonable grounds for knowing the basis for any assertion against Seller of any liability (including any tax liability) of any nature or in any amount not paid or for which adequate payment has not been provided for by Seller, except the Exit Taxes for which Purchaser shall be responsible as described in 1(d) above.

(g) Seller is current in the payment of all of the obligations and liabilities of the Business, and there are none that Seller will not be able to satisfy in the ordinary course of business.

(h) From the date of this agreement and through and including the Closing Date, Seller will not engage in any practice, take any action, or enter into any transaction outside

the ordinary course of business consistent with past custom and practice (including with respect to quantity and frequency) and, with respect to the Business of Seller, there has not been and will not be through the Closing Date:

i. Any materially adverse change in the condition (financial or otherwise) or overall business or prospects of Seller;

ii. Any damage, destruction or loss (whether or not covered hy insurance) materially and adversely affecting its properties, assets, business or prospects;

iii. Any agreement, contract or other arrangement obligating Seller entered into, or any debt, obligation or liability (whether direct or indirect, contingent or otherwise) incurred other than in the ordinary course of business;

iv. Any sale or other disposition of or lien or encumbrance placed on any of Seller's properties;

v. Any fee, wage or salary increases;

vii. Any employment contract or arrangements entered into; and

viii. Any other occurrence, event, condition or state of facts of any kind which materially affects or which may materially affect the overall business or prospects of Seller in any adverse manner.

(i) Except for the Leases and as set forth in Schedule 3(h) to this Agreement, Seller is not a party to or obligated under any notes, mortgages, security agreements, contracts, employment contracts, agreements, leases, other commitments or the like (including pension, profit sharing, option, bonus, or other employee benefit plans) which are not terminable on 30 days' notice or which involve termination exposure in excess of $1,000. True and complete copies of all documents for obligations herein described will be furnished to Purchaser upon request. All such notes, mortgages, security agreements, contracts, agreements, leases, other commitments or the like, to which Seller is a party, are fully binding and validly enforceable by and against it in accordance with their terms and there is no default thereunder.

(j) Seller has all governmental licenses and permits (federal, state and local) necessary to conduct the Business and has complied in all material respects with all laws, rules and regulations and orders applicable to the Business. The licenses and permits of Seller are in full force and effect and there is not pending or threatened any proceeding looking toward the revocation or material limitation of any such license or permit.

(k) Seller has filed with the appropriate governmental agencies all tax returns (federal, state and local) required to be filed by the Business, such tax returns are accurate, and all taxes shown to be due and payable on said returns or on any assessments received by the Business, and all other taxes (federal, state and local) due and payable on or before the date of this Agreement have been determined and paid. There are in effect no waivers of any applicable

statute of limitations relating to such returns, and Seller has not granted any one power of attorney with respect to tax matters. No liability for any tax will be imposed upon the Acquired Assets or Seller or the Business with respect to any period before the Closing Date for which there is not an adequate reserve maintained. Seller is not subject to any open audit in respect of its taxes, no deficiency assessment or proposed adjustment for taxes is pending, and Seller has no knowledge of any liability, whether or not proposed, for any taxes with respect to any period through the date hereof to be imposed on any of properties or assets of the Business for which there is not an adequate reserve. Seller has withheld and paid all taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, other third party.

(l) There is no material litigation, claim, proceeding or investigation currently threatened or pending against Seller, and Seller does not know of any basis or grounds for any such suit, action, claim, dispute, investigation or other proceeding, except as described in Schedule 3(k) attached to this Agreement.

(m) Seller is not affected by any present or threatened strike or other labor disturbance, and there have been no petitions for union elections covering any of the employees of Seller filed, and Seller has no knowledge or any reason to know of any union attempting to represent any employees of Seller as a collective bargaining agent. Seller has no knowledge or any reason to know of any executive, key employee, or group of employees who has plans to terminate employment with Seller, excepting only Seller himself and spouse.

(n) Assets.

(i) Seller has good and marketable title to all properties and assets used in the Business, including without limitation, real estate, improvements thereon and equipment used in the Business (except such real and personal properties as are held pursuant to valid leases or licenses described in Schedule 3(m) attached hereto, if any), free and clear of all liens, charges and encumbrances, other than those expressly permitted herein.

(ii) The Real Estate is adequately insured against risks commonly insured against by companies similarly situated, and together with properties and assets held pursuant to valid leases or licenses, constitute all properties and assets which are being used in Seller's present Business.

(o) Reserved.

(p) All leases (except the Leases for Fairfax Hall Rental units) under which Seller holds real or personal property, if any, are described in Schedule 3(p) attached hereto. True and complete copies of all such leases will be furnished to Purchaser upon request. Seller has good title to the leasehold interests in such property free and clear of liens and encumbrances. Each lease is in full force and effect, all accrued and payable payments have been paid, Seller has not violated any term of any such lease in any material respect and no event of default under any such lease has occurred.

(q) Real Property.

i. Exhibit A attached hereto contains a description of all real property owned by Seller ("Real Property"). Seller has good and marketable title to the Real Property owned by Seller free and clear of any liens except those permitted herein.

ii. Purchaser understands and acknowledges and agrees that Purchaser is buying all Acquired Assets "AS IS" with no warranty or assurances by the Seller whatsoever regarding the state or condition of the Acquired Assets being purchased hereunder, excepting only Seller warrants that to the knowledge of Seller the roof of any structure upon the Real Estate is free from leaking, the structural walls and foundations of all buildings upon the Real Estate are sound and not unsafe, and the heating, cooling, electrical, gas, if any, water, sewer, septic, if any, telephone, television. Cable, satellite receiving equipment, if any, and WIFI, if any, are in operating condition and will be in such condition at the Closing Date.

iii. Except for property leased pursuant to leases listed in Schedule 3(p), if any, the Real Property includes all land, buildings, structures, and other improvements used by Seller to enable Seller to conduct the Business as it is presently being conducted and as it has been conducted in the past.

iv. Seller does not own or hold, is not obligated under, or a party to, any option, right of first refusal, or other contractual right to sell, transfer or acquire any real property or interest therein, to be sold hereunder except to South River Development Corporation, Inc. dated February 2,2010 which Purchase Option and Right of First Agreement Purchaser which will be terminated and replaced at Settlement by a new Purchase Option and Right of First Refusal in favor of South River Development Corporation, Inc., which action Purchaser hereby specifically approves and accepts.

v. To the knowledge of Seller, there is no condition of the Real Property, or any real property leased by Seller, that would be revealed by an accurate survey or physical inspection thereof, which would interfere in any respect with the use, occupancy, or operation thereof as currently used, occupied, or operated, or materially reduce the fair market value thereof below the fair market value such parcel would have had but for such encroachment or other fact or condition; and no portion of the Real Property or any real property leased by Seller encroaches on any property belonging to any third party. Seller warrants that, to his knowledge, there is no encroachment upon property belonging to any third party.

vi. No portion of the Real Property or any real property leased by Seller is located in a special flood hazard area designated by any state or federal governmental authority.

vii. Neither the Real Property nor any real property leased by Seller contains any hazardous substances which are not stored, maintained, or used in compliance with applicable state or federal regulations regulating such storage, maintenance or usage. Further, such Real Property does not contain any underground storage tanks regulated by the

Commonwealth of Virginia or the applicable locality. Seller has never been cited for violating any federal, state, or local environmental law or regulation with respect to operation of the Business. Seller has no reports, tests results, and other documents relating to the presence or absence of hazardous materials on such Real Property. Seller has no knowledge or reason to know of any such citations, violations, reports, results, or other documents.

viii. To the best of Seller's knowledge, there is no violation of any applicable zoning or other ordinances, statutes and regulations in respect to the use, maintenance, condition and operation of the Property or any part thereof. Seller has no knowledge of any actions, suits, proceedings or investigations pending or threatened against or affecting the Property.

(r) Employee Benefit Plans.

None.

(s) To the best knowledge of Seller, Seller enjoys good working relationships under all of its rental, supplier, and creditor agreements necessary to the normal operation of the Business. Seller does not have any knowledge or basis for knowledge that any tenant has made a claim against, or any supplier or creditor has terminated or expects to terminate a material portion of its normal business with, Seller, but Seller makes no representation that any tenant, supplier or creditor will continue to patronage the business operated by Purchaser after Closing.

(t) Reserved.

(u) No broker or finder has acted directly or indirectly for Seller in connection with this Agreement or the transactions contemplated hereby, and no broker or finder is entitled to any brokerage or finder's fee or other commission in respect thereof based in any way on the actions or statements of, or agreements, arrangements, or understandings made with Seller.

(v) No statement contained in this Agreement or in any statement, certificate, instrument or other document, furnished to Purchaser pursuant hereto or in connection with the transactions contemplated hereby, contains or will contain any untrue statement of a material fact or will omit to state a material fact necessary to make the statements contained herein or therein not misleading. Notwithstanding any other covenant or representation made herein, Seller makes no representation to Purchaser regarding the future success or profitability of the operation by Purchaser of the same or a similar business as that operated by Seller with the Acquired Assets sold hereunder.

3. Representations and Warranties of Purchaser. Purchaser represents and warrants that:

(a) Purchaser is duly organized and at present in good standing under the laws of the Commonwealth of Virgini and will be at Closing. Purchaser has full power and authority to execute and deliver this Agreement and to perform the obligations hereunder. This Agreement constitutes a valid and legally binding obligation of Purchaser, enforceable in accordance with its terms and conditions.

(b) The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby will not conflict or be inconsistent with or result in the termination of or result in any breach of or constitute a default under the terms of any indenture, mortgage, deed of trust, covenant, agreement, or other instrument to which Purchaser is a party.

(c) Fairfax Hall II LLC is the only person who will be the Purchaser of the Acquired Assets at Closing.

5. Covenants and Further Agreements.

(a) Reliance Upon and Survival of Representations and Warranties. Notwithstanding any investigation at any time conducted by any of the parties hereto, each of the parties hereto shall be entitled to rely on the representations and warranties of the other parties set forth herein or in any schedule, exhibit, or other document delivered pursuant hereto. The representations, warranties, covenants, and agreements of the parties shall be true and accurate as of, and shall survive the Closing Date.

(b) Further Assurances. The parties hereto agree to execute and deliver or cause to be executed and delivered at the Closing or at other reasonable times and places such additional instruments as another party hereto may reasonably request for the purpose of carrying out this Agreement.

(c) Indemnification.

i. Seller covenants and agrees to indemnify and hold harmless the Purchaser from and against any loss, claim, liability, obligation or expense (including reasonable attorneys' fees):

(1) incurred or sustained by Purchaser on account of any misrepresentation or breach of any warranty, covenant, or agreement of Seller contained in this Agreement, or

(2) incurred or sustained on account of the nonfulfillment by Seller any of the conditions or covenants of this Agreement as contemplated hereby. Without limiting the generality of the foregoing, Seller shall be liable for all material undisclosed liabilities of Seller existing before the Closing or which may arise based on facts or events existing prior to the Closing. If any claim is asserted against Purchaser for which indemnification may be sought under the provisions of this Section 5(c), Purchaser shall promptly notify Seller of such claim and thereafter shall permit Seller at his expense to participate in the negotiation and settlement of any such claim and to join in the defense of any legal action arising therefrom.

ii. Purchaser covenants and agrees to indemnify and hold harmless Seller from and against any loss, claim, liability, obligation or expense (including reasonable attorneys' fees):

(1) incurred or sustained on account of any misrepresentation or breach of any warranty, covenant or agreement of Purchaser contained in this Agreement, or

(2) incurred or sustained on account of the nonfulfillment by Purchaser of any of the conditions or covenants of this Agreement as contemplated hereby. If any claim is asserted against Seller for which indemnification may be sought under the provisions of this Section 5(c), Seller shall promptly notify Purchaser of such claim and thereafter shall permit Purchaser at its expense to participate in the negotiation and settlement of any such claim and to join in the defense of any legal action arising therefrom.

(d) Expenses. Each party shall pay its own expenses and costs, including without limitation, counsel fees, in connection with preparation of this Agreement and Closing of this transaction. Seller shall pay the grantor's tax on the Deed of Conveyance, and Purchaser shall pay all other recording taxes and fees with respect to the Deed of Conveyance. Real estate taxes and utility payments shall be pro rated between Seller and Purchaser as of the date of delivery of the Deed of Conveyance.

(e) Notice of Developments. Each party will give prompt written notice to the other party of any material adverse development causing a breach of any of its representations and warranties. No disclosure by any party pursuant to this Section shall, however, be deemed to amend or supplement the required disclosures or to prevent or cure any misrepresentation, breach of warranty, or breach of covenant.

(f) Exclusivity. So long as Purchaser is not then in breach or default of the obligations of Purchaser hereunder, Seller will not solicit, initiate, or encourage the submission of any proposal or offer from any person relating to the acquisition of the Business or the Acquired Assets or participate in any discussions or negotiations regarding, furnish any information with respect to, assist or participate in, or facilitate in any manner any effort or attempt by any person to do or seek any of the foregoing. Seller will notify Purchaser immediately if any person makes any proposal, offer, inquiry or contact with respect to any of the foregoing.

(g) Employees. Seller employs _____ (_) persons (the "Employees") at or in connection with the Business. The Employees are employed on an "at-will" basis. Seller shall be responsible for the payment of all amounts owing to or for the benefit of the Employees accrued and unpaid as of the Closing, including, but not limited to, wages, vacation, sick leave, other benefits, if any, federal and state withholding, Medicare taxes, Social Security taxes, and unemployment insurance. At Closing, Seller shall terminate the employment of those _____ (__) employees, and Purchaser may rehire them or not as Purchaser in its sole discretion decides.

(h) Reserved.

7. Conditions to Obligation of Purchaser. The obligations of the Purchaser at the Closing to consummate the transactions herein contemplated are subject to the fulfillment at or prior to the Closing of each of the following conditions:

(a) Truth of Representations and Warranties. The representations and warranties of Seller contained in this Agreement and in any exhibit or other document delivered pursuant hereto shall be true and correct on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date. Purchaser shall have received a certificate to this effect dated the Closing Date and signed by Seller.

(b) Performance of Agreements. Each agreement of Seller to be performed on or before the Closing Date pursuant to the terms hereof or as contemplated herein shall have been duly performed, and Purchaser shall have received a certificate to this effect dated the Closing Date and signed by Seller.

(c) Consents. All consents by third parties that are required for the consummation of the transactions contemplated herein, or that are required pursuant to Section 3(d) or 3(e) of this Agreement, shall have been obtained in writing.

(d) Access. From and after the date of this Agreement, Seller shall have provided to the attorneys, accountants, and other authorized representatives of Purchaser free and full access to the plants, properties, books, and records of Seller in order that Purchaser shall have had the opportunity to make whatever investigation it shall desire of the affairs of Seller, provided that the investigation shall not unreasonably interfere with the operations of Seller. Such investigation may include entering the property of Seller for the purpose of making surveys or soil boring, engineering, water, sanitary and storm sewer, utilities, topographic and other similar tests, investigations or studies, and to perform zoning and economic feasibility studies, provided that Purchaser restores the property to its prior condition to the extent of any changes made by its agents or representatives in the event Purchaser does not purchase the property. Seller shall furnish to Purchaser during such periods all information concerning the property that Purchaser may reasonably request and which is in the possession of Seller.

(e) Reserved.

(f) Reserved.

(g) Reserved.

(h) Real Property. The real property to be sold by Seller to Purchaser is currently zoned in the City of Waynesboro, Virginia to permit the operation of the current business conducted thereon by Seller. The same zoning shall be in effect at the time of Closing.

(i) Reserved.

(j) Business Licenses and Other Approvals. Seller currently conducts a business involving maintenance and rental of multifamily housing units. Prior to Closing, Purchaser shall have obtained assurances that Purchaser deems to be adequate that all required business licenses and other necessary approvals for the operation of the Business in its current location will be able to be obtained by Purchaser.

Purchaser may waive any conditions specified in this Section 6 if Purchaser executes a writing so stating at or prior to Closing.

8. Conditions to the Obligations of Seller. The obligations of Seller to consummate the transactions herein contemplated are subject to the satisfaction on or before the Closing Date of the following conditions:

(a) Truth of Representations and Warranties. The representations and warranties of Purchaser contained in this Agreement and in any exhibit or other document delivered pursuant hereto shall be true and correct on and as of the Closing Date with the same effect as though such representations and warranties had been made on and as of such date, and Seller shall have received certificates to this effect dated the Closing Date and signed by Purchaser.

(b) Performance of Agreements. Each agreement of Purchaser to be performed on or before the Closing Date pursuant to the terms hereof or as contemplated herein shall have been duly performed, and Seller shall have received certificates to this effect dated the Closing Date and signed by Purchaser.

Seller may waive any conditions specified in this Section 7 if Seller executes a writing so stating at or prior to Closing.

9. The Closing.

(a) The closing (the "Closing") under this Agreement shall be held on December 31,2023 at 11:00 AM (the "Closing Date") or such other date and time as Seller and Purchaser may mutually agree, at the offices of Edward M. Burns II, PC, 2611 W. Main St., Ste 5, Waynesboro, Virginia 22980, or at such other place as the parties may mutually agree.

(b) At the Closing, Seller shall deliver or cause to be delivered to Purchaser general warranty deeds, bills of sale, assignments, or other instruments of transfer or conveyance necessary to vest in Purchaser good and marketable title to the Acquired Assets, any lease assignments, any required third consents of third parties, the accounts receivable listing referred to in Section 1 hereof, and all other instruments and documents required to be delivered by Seller under this Agreement.

(c) At the Closing, Purchaser shall pay and deliver to Seller the Purchase Price in the amount and form specified hereinbefore in Section 1(c) and shall deliver all other instruments and documents required to be delivered by Purchaser under this Agreement.

9. Termination. This Agreement may be terminated:

(a) By mutual consent of the parties at any time before Closing;

(b) Reserved.

(c) Purchaser may terminate this Agreement prior to Closing by giving written notice to Seller as follows:

i. In the event Seller has breached any material representation, warranty, or covenant contained in this Agreement in any material respect, Purchaser has notified Seller of the breach, and the breach has continued without cure for a period of ten (10) business days after notice of the breach; or

ii. If the Closing shall not have occurred on or before August 1,2023 by reason of the failure of any condition precedent under Section 7 hereof.

(d) Seller may terminate this Agreement prior to closing by giving written notice to Purchaser as follows:

i. In the event Purchaser has breached any material representation, warranty, or covenant contained in this Agreement in any material respect, Seller has notified Purchaser of the breach, and the breach has continued without cure for a period of ten (10) business days after notice of the breach; or

ii. If the Closing shall not have occurred on or before August 1,2023 by reason of the failure of any condition precedent under Section 8 hereof.

10. Effect of Termination. If any party terminates this Agreement pursuant to Section 9 above, all rights and obligations of the parties hereunder shall terminate without any liability of any party to any other party (except for any liability of any party then in breach).

11. Benefits. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their assigns and successors in interest.

12. Notices. Any notice or other communication required or permitted hereunder shall be sufficiently given if sent by certified mail, postage prepaid, addressed as follows:

(a) If to Purchaser, addressed as follows:

Fairfax Hall II LLC
Attn: Kimberly D. Byrd, Executive Vice President/CEO
1700 New Hope Rd.
Waynesboro, Virginia 22980

with copies to:

Edward M. Burns, II, Esq.
2611 West Main Street
Suite 5
Waynesboro, Virginia 22980

(b) If to Seller, addressed as follows:

Fairfax Hall Limited Partnership, L.P.
Attn: Kimberly D. Byrd, Executive Vice President/CEO
1700 New Hope Rd.
Waynesboro, Virginia 22980

with copies to:

Edward M. Burns, II, Esq.
2611 West Main Street
Suite 5
Waynesboro, Virginia 22980

(c) Any such notice or communication shall be deemed to have been given as of the date so mailed.

13. Entire Agreement. The exhibits hereto and the certificates and other documents to be furnished in connection herewith are an integral part of this Agreement. All understandings and agreements between the parties are merged into this Agreement which fully and completely expresses their agreements and supersedes any prior agreement or understanding relating to the subject matter, and no party has made any representations or warranties, express or implied, not herein expressly set forth. This Agreement shall not be changed or terminated except by written amendment signed by the parties hereto.

14. Governing Law. This Agreement and the agreements contemplated hereby shall be construed in accordance with and governed by the laws of the Commonwealth of Virginia.

15. Counterparts. This Agreement may be executed in several counterparts, all of which taken together shall constitute one instrument.

16. Severability. If any clause, provision or section of this Agreement shall be held illegal or invalid by any court, the illegality or invalidity of such clause, provision or section shall not affect the remainder of this Agreement which shall be construed and enforced as if such illegal or invalid clause, provision or section had not been contained in this Agreement. If any agreement or obligation contained in this Agreement is held to be in violation of law, then such agreement or obligation shall be deemed to be the agreement or obligation of the respective party hereto only to the extent permitted by law.

Fairfax Ventures, Incorporated is the sole Limited Partner of Seller and has executed this Agreement solely to evidence its consent to the transaction described herein.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above mentioned.

PURCHASER

Fairfax Hall II LLC, a Virginia Limited Liability Company
By:
Fairfax Hall II Management, LLC
A Virginia Limited Liability Company
Sole Managing Member
By:
South River Development Corporation,
A Virginia non-stock corporation
Sole Member
By: _____(SEAL)
M. A. Everly Maupin, President

SELLER

Fairfax Hall Limited Partnership, L.P., a Virginia Limited Partnership
By:
Fairfax Hall LLC
General Partner
By:
South River Development Corporation,
A Virginia non-stock corporation
Sole Member
By: _____(SEAL)
M. A. Everly Maupin, President

LIMITED PARTER

Fairfax Ventures, Incorporated
A Virginia non-stock corporation

By: _____(SEAL)
M. A. Everly Maupin, President

EXHIBITS

A. Legal Description

B. General Warranty Deed

C. Tenant Attornment Agreement

SCHEDULES

1	List of Leases
3(j)	Material contracts, notes, leases, obligations, etc. not terminable on 30 days notice or which involve termination exposure in excess of $1,000.
3(m)	Description of any pending or threatened material litigation, claim, proceeding or investigation, and a description of any known grounds for any such suit, action, claim, dispute, investigation or other proceeding.
3(o)	Listing of all liens, charges or encumbrances on all assets or properties of Seller.
3(p)	Description of all leases under which Seller holds real or personal property, and description of any liens or encumbrances on such leasehold interest.

EXHIBIT A

Fairfax Hall Apartments

Legal Description

All of that certain tract or parcel of real estate, together with all buildings and improvements thereon, located in the City of Waynesboro, Virginia, and being shown and designated as Lot 2A containing 2.981 acres on a "Waiver of Subdivision Plat, Fairfax Hall Property, Waynesboro, Virginia," dated February 3, 1998, made by Thomas E. Shumate, Surveyor, which plat is of record in the Clerk's Office of the Circuit Court of the City of Waynesboro, Virginia, in Plat Book 5, page 196.

Together with the following easements which shall run with and be appurtenant to Lot 2A:

1. D Street Access Easement. An exclusive easement or right-of-way extending in a northwesterly and then northerly direction from the northern boundary of Lot 2A to D Street and described in deed dated November 10, 1998, recorded in Deed Book 256, page 761; and

2. Front Driveway Easement. The non-exclusive right to use a portion of the existing paved driveway lying on both sides of that part of the southern boundary of Lot 2A which is shown on the Plat and described in deed dated November 10, 1998, recorded in Deed Book 256, page 761.

Being the same parcel of real estate acquired by Fairfax Hall Limited Partnership, a Virginia Land Partnership, by deed of Wesley R. Meeteer and Alice K. Meeteer, husband and wife, and Robert L. Stover, Jr. and Betty Jo Stover, husband and wife, and the City of Waynesboro, Virginia, a political subdivision of the Commonwealth of Virginia, dated November 10, 1998, or record in the aforesaid Clerk's Office in Deed Book 256, page 761.

EXHIBIT B

PIN No. 163163
Tax Map No. 47-2-2A
This document was prepared by
Edward M. Burns, II, P. C.
VA State Bar No. 14566

Actual Price and Consideration
$3,300.000

THIS DEED, made this ____day of _____ 202_, by **FAIRFAX HALL LIMITED PARTNERSHIP, L.P.,** a Virginia Limited Partnership, party of the first part ("Grantor"), and **FAIRFAX HALL II LLC,** a Virginia Limited Liability Company, party of the second part ("Grantee"), whose address is 1700 New Hope Rd., Waynesboro, Virginia 22980.

*** W I T N E S S E T H ***

Pursuant to that certain Purchase And Sale Agreement dated March 1,2022, by and between the Grantor herein and the Grantee herein ("Purchase Agreement"), and for good and valuable consideration, the receipt and sufficiency of which consideration is hereby acknowledged, Fairfax Hall Limited Partnership, L.P., a Virginia Limited Partnership, Grantor, party of the first part, does hereby grant and convey with GENERAL WARRANTY AND ENGLISH COVENANTS OF TITLE to Fairfax Hall II LLC, a Virginia Limited Liability Company, Grantee, party of the second part, the following described real estate, to-wit:

> All that certain tract or parcel of land, shown and designated as Lot 2A containing 2.981 Acres, on a Waiver of Subdivision Plat recorded in Plat Book 5, page 196, in the Office of the Clerk of the Circuit Court of the City of Waynesboro, Virginia, together with all improvements thereon and all easements described

therein and other appurtenances thereunto belonging, and being more particularly identified and described on Exhibit A attached hereto and recorded herewith, which real estate is sometimes commonly referred to as Fairfax Hall Apartments;

Being a portion of the same real estate conveyed to Fairfax Hall Limited Partnership, L.P., a Virginia Limited Partnership, by Deed from Wesley J. Meeteer and Alice K. Meeteer , husband and wife, and Robert L. Stover, Jr. and Betty Jo Stover, husband and wife, dated November 10, 1998, recorded in the Clerk's Office of the Circuit Court for the City of Waynesboro, Virginia, in Deed Book 256, at page 761, reference to which is here made for a more complete description as well as derivation of title.

This conveyance is also made and accepted expressly subject to the terms and conditions of VHDA Regulatory Agreement Multi-Family Rental Housing Development dated August 30,2001, recorded as Instrument No. 010002286 in the aforesaid Clerk's Office (the "Regulatory Agreement ").

Sometimes herein the Deed of Trust and the Regulatory Agreement are referred to collectively as the Obligations.

An Extended Use Regulatory Agreement and Declaration of Restrictive Covenants dated _____,202_ from Grantee in favor of Virginia Housing Development Authority is being recorded immediately after this instrument (the "New Regulatory Agreement").

.

This conveyance is further made subject to all other obligations of the Grantee under the Purchase Agreement, and to any other conditions, restrictions, and easements of record to the extent that they may be applicable to the property herein conveyed.

IN WITNESS WHEREOF this instrument has been executed below on behalf of Fairfax Hall Limited Partnership, L.P. by Fairfax Hall LLC, its sole General Partner. This instrument has also been executed on behalf of Fairfax Ventures, Inc., as Limited Partner, to evidence its consent to the conveyance set forth above as the sole Limited Partner of Fairfax Hall Limited Partnership, L.P.

FAIRFAX HALL LIMITED
PARTNERSHIP, L.P.,
a Virginia Limited Partnership

By: FAIRFAX HALL LLC,
A Virginia Limited Liability Company
Corporation,
Its General Partner

BY:
South River Development Corporation,
A Virginia non-stock corporation
Sole Member

BY: _____(SEAL)
M.A. Everly Maupin, President

COMMONWEALTH OF VIRGINIA, AT LARGE,
CITY OF WAYNEBORO, to-wit:

The foregoing instrument was acknowledged before me in the jurisdiction aforesaid on behalf of Fairfax Hall Limited Partnership, L.P., a Virginia Limited Partnership, by M. A. Everly, President of South River Development Corporation, Inc., sole member of Fairfax Hall LLC, which is the General Partner of Fairfax Hall Limited Partnership, L.P., on this the 1 day of March 2022.

Teresa G. Fitzgerald
Notary Public

Registration Number: 7509702

My commission expires: July 31, 2023

FAIRFAX VENTURES, INC.
a Virginia non-stock corporation

By: _____(SEAL)
M.A. Everly Maupin, President

COMMONWEALTH OF VIRGINIA, AT LARGE,
CITY/COUNTY OF Waynesboro, to-wit:

The foregoing instrument was acknowledged before me in the jurisdiction aforesaid on behalf of Fairfax Ventures, Inc. L.P., a a Virginia non-stock Corporation, on this the 1 day of March. 20122.

Teresa G. Fitzgerald
Notary Public
Registration Number: 7509702
My comm.expires: July 31, 2023

LEGAL DESCRIPTION- Exhibit A

All of that certain tract or parcel of real estate, together with all buildings and improvements thereon, located in the City of Waynesboro, Virginia, and being shown and designated as Lot 2A containing 2.981 acres on a "Waiver of Subdivision Plat, Fairfax Hall Property, Waynesboro, Virginia," dated February 3, 1998, made by Thomas E. Shumate, Surveyor, which plat is of record in the Clerk's Office of the Circuit Court of the City of Waynesboro, Virginia, in Plat Book 5, page 196.

Together with the following easements which shall run with and be appurtenant to Lot 2A:

3. D Street Access Easement. An exclusive easement or right-of-way extending in a northwesterly and then northerly direction from the northern boundary of Lot 2A to D Street and described in deed dated November 10, 1998, recorded in Deed Book 256, page 761; and

4. Front Driveway Easement. The non-exclusive right to use a portion of the existing paved driveway lying on both sides of that part of the southern boundary of Lot 2A which is shown on the Plat and described in deed dated November 10, 1998, recorded in Deed Book 256, page 761.

Being the same parcel of real estate acquired by Fairfax Hall Limited Partnership, a Virginia Land Partnership, by deed of Wesley R. Meeteer and Alice K. Meeteer, husband and wife, and Robert L. Stover, Jr. and Betty Jo Stover, husband and wife, and the City of Waynesboro, Virginia, a political subdivision of the Commonwealth of Virginia, dated November 10, 1998, or record in the aforesaid Clerk's Office in Deed Book 256, page 761.

RE: Fairfax Hall. Deed from FRHLP to FH I LLC. .22

EXHIBIT C
Tenant Attornment Agreement

To be supplied

SCHEDULE 1-List of Leases

Attached

SCHEDULE 2(j)-Material Contracts, etc

List and copies delivered to Purchaser

Schedule 3(m)-Pending/Threatened Litigation

NONE

SCHEDULE 3(o) Listing of Liens and Encumbrances

To be supplied with title search report and title insurance commitment

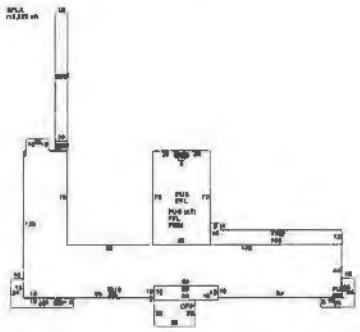
SCHEDULE 3(p)-Description of Leases

List and copies delivered to Purchaser

February 18, 2022

City of Waynesboro, Virginia

Tax Map: 47-2-2A
Account Number: 163163



General Information

Owner Name	FAIRFAX HALL LTD PARTNERSHIP C/O VA HOUSING DEVELOP AUTH
Owner Address	PO BOX 1844 WAYNESBORO VA 22980
Property Address	1101 RESERVOIR ST

Legal Description	LOT 2A CONTAINING 2.981 ACRES BCMM&L
Other Description	2.981 AC
Zoning Type	R-MF

Stormwater Impervious Surface

Parcel	Square Feet
47-2-2A	58,627.12

Assessment Information

Assessment Year	2021
Building Value	$2,434,800
Other Improvements	$37,000
Total Land Value	$270,000
Total Taxable Value	$2,741,800

Other Improvements

Description	Unit(s)	Value
Pavement Pavement	32,900	$32,000
Building Utility	1	$5,000

Total Value
$37,000

Assessment History

Assessment Year	Building Value	Other Improvements	Total Land Value	Total Taxable Value
2021	$2,434,800	$37,000	$270,000	$2,741,800
2020	$1,803,100	$37,900	$270,000	$2,111,000
2019	$1,841,000	$	$270,000	$2,111,000
2017	$1,841,000	$	$270,000	$2,111,000
2015	$1,841,000	$	$270,000	$2,111,000
2013	$1,828,100	$	$208,700	$2,036,800
2011	$1,828,100	$	$208,700	$2,036,800
2009	$2,189,000	$	$208,700	$2,397,700
2007	$2,181,200	$	$80,000	$2,261,200
2005	$1,796,400	$	$50,000	$1,846,400
2003	$1,791,200	$	$47,500	$1,838,700

Dwelling: 1

Exterior Information

Year Built	1890
Occupancy Type	11
Foundation	Concrete
Ext. Walls	Cedar
Ext. Walls 2	
Roofing	Comp Shingle
Roof Type	Hip
Garage	None
Garage - # Of Cars	
Built-In Garage - # of Cars:	
Carport	None
Carport - # Of Cars	0

Interior Information

Story Height	3
# of Rooms	108
# of Bedrooms	
Full Bathrooms	54
Half Bathrooms	
Floors	Wood Carpet
Building SqFt	64,572
Basement SqFt	
Finished Basement SqFt	
Interior Walls	Drywall
Heating	Forced Air
A/C	100%

Utilities

Water	Public Water
Sewer	Public Sewer
Electric	Yes
Gas	Yes
Fuel Type	

Other Information

Fireplace	
Stacked Fireplace	
Flues	
Metal Flues	
Inop. Flues/Fire Place	
Gas Log Fireplaces	

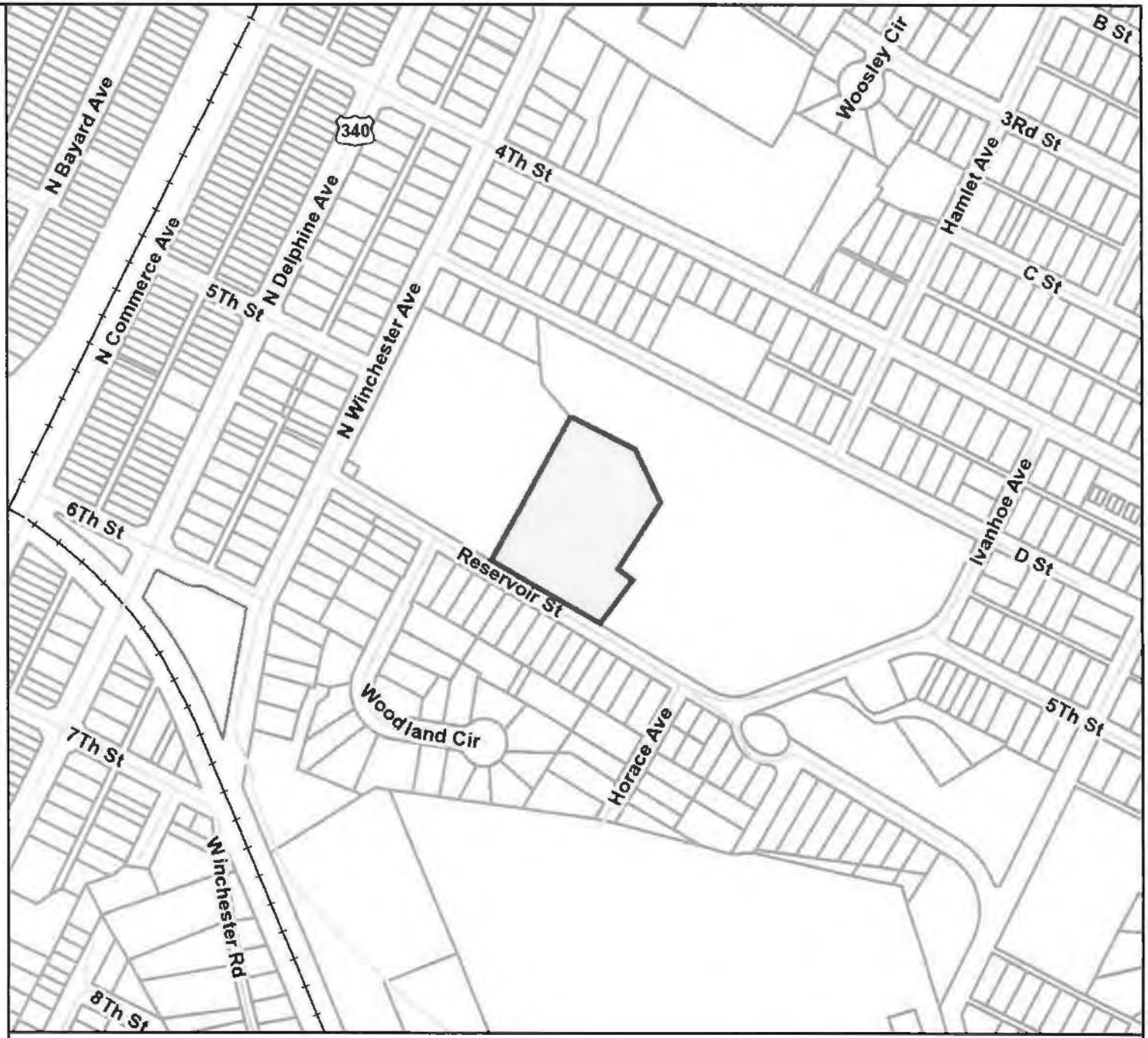
Current Ownership Details

Name	Sale Date	Sale Price	Instrument	Plat Book/Page	Deed Book/Page	Will Book/Page	Grantor
FAIRFAX HALL LTD PARTNERSHIP	11/12/1998	294,000	0 0	256 / 761	/ 0	10	

City of Waynesboro, Virginia

Legend

- Streets
- Railroads
- City Boundary
- Parcel Boundaries



Map Printed from Waynesboro
https://parcelviewer.geodecisions.com/Waynesboro

Feet
0 100 200 300 400
1:4,514 / 1"=376 Feet

Title: Parcel Boundaries

Date: 2/18/2022

DISCLAIMER: This drawing is neither a legally recorded map nor a survey and is not intended to be used as such. The information displayed is a compilation of records, information, and data obtained from various sources, and City of Waynesboro is not responsible for its accuracy or how current it may be.

Tab F:

RESNET Rater Certification (MANDATORY)

Virginia Housing

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 perfomance 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 documention as specified in the manual

False **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.

TRUE **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.

FALSE **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.

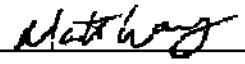
TRUE **Earthcraft Certification -** The development's design meets the criteria to obtain EarthCraft Multifamily program Gold certification or higher

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 developmen'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.

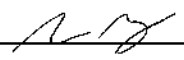
*****Please Note Raters must have completed 500+ ratings in order to certify this form**

Signed: 

Date: 02.28.2022

Printed Name: Matt Waring
RESNET Rater

Resnet Provider Agency
Viridiant

Signature 

Provider Contact and Phone/Email Sean Shanley - (804) 225-9843 / sean.shanley@viridiant.org

Fairfax Hall Renovation
2022 LIHTC Scope Development

Project Address
1101 Reservoir St,
Waynesboro, VA 22980

Project Summary
Fairfax Hall is an existing multifamily, age-restricted development, comprised of 54 units located in Waynesboro, VA. As part of the planned rehabilitation, the development team engaged Viridiant to do preliminary diagnostic testing and a whole building audit.

Unit-Level Energy Modeling
Unit-level models were generated using Ekotrope v4 and a preliminar scope developed with the goal of achieving a 40% improvement over the existing conditions. Drawings provided by the project team dated November 3, 1999 and information gathered while on site were used to create baseline energy models as well as post-rehabilitation models. With the current scope of work, the worst case units in the development are obtaining a projected HERS index improvement of 40.9%. The following outlines the scope as it is currently modeled.

Enclosure:
- No Change to
- 0.21 U-Value for opaque doors
- 0.35 U-Value/0.40 SHGC windows & glass doors

Mechanicals:
- Fujitsu SEER 19, HSPF 11, 18k air source heat pump, programmable thermostat
- 0.92 UEF storage electric water heaters, 50 gallon
- 7 ACH_{50} for infiltration threshold/blower door test
- 6% duct leakage to the outside, 8% total duct leakage
- All ducts within conditioned space and insulated to R-6
- Bath Fan used in modeling for fresh air ventilation
- Dehumidification included in modeling

Lights & Appliances:
- ES rated kitchen appliances
  - 500 kWh/yr refrigerator
  - 270 kWh/yr dishwasher
- Advanced lighting 100% CFL or LED

Please let me know if you have any questions

Matt Waring
Viridiant

VIRIDIANT • 1431 West Main Street • Richmond, VA 23220 • p 804.225.9843 • f 804.562.4159 • viridiant.org

viridiant

Project Name: Fairfax Hall
Construction Type: Renovation
Energy Efficiency Path: 40% improvement

Unit Type	Quantity	Baseline HERS	Projected HERS	% Improvement
Studio/Efficiencies	4	134	70	47.8%
1 BR Unit	49	140	78	44.3%
2 BR Unit	1	201	100	50.2%
Weighted Average for Project		**152**	**84**	44.7%

Tab G:

Zoning Certification Letter (MANDATORY)

Waynesboro
BUILDING & ZONING

Zoning Certification

DATE: February 14, 2022

TO: Virginia Housing
Attention: JD Bondurant
601 South Belvidere Street
Richmond, Virginia 23220

RE: ZONING CERTIFICATION

Name of Development: Fairfax Hall

Name of Owner/Applicant: Fairfax Hall II LLC

Name of Seller/Current Owner: Fairfax Hall Limited Partnership

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:
1101 Reservoir Street
Waynesboro, VA 22980

Legal Description:
Please see attached

Proposed Improvements:

☐ New Construction:	____	# Units	____	# Buildings	____	Total Floor Area Sq. Ft.
☐ Adaptive Reuse:	____	# Units	____	# Buildings	____	Total Floor Area Sq. Ft.
■ Rehabilitation:	54	# Units	1	# Buildings	57832	Total Floor Area Sq. Ft.

Zoning Certification, cont'd

Current Zoning: R-MF (Residential Multi-Family allowing a density of 20 units per acre, and the following other applicable conditions:
750 square feet of lot area per unit

Other Descriptive Information:

LOCAL CERTIFICATION:

Check one of the following as appropriate:

[x] 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.

Laura Martin
Signature

Laura Martin
Printed Name

Zoning Administrator
Title of Local Official or Civil Engineer

540-942-6628
Phone:

February 14, 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.

LEGAL DESCRIPTION- Exhibit A

All of that certain tract or parcel of real estate, together with all buildings and improvements thereon, located in the City of Waynesboro, Virginia, and being shown and designated as Lot 2A containing 2.981 acres on a "Waiver of Subdivision Plat, Fairfax Hall Property, Waynesboro, Virginia," dated February 3, 1998, made by Thomas E. Shumate, Surveyor, which plat is of record in the Clerk's Office of the Circuit Court of the City of Waynesboro, Virginia, in Plat Book 5, page 196.

Together with the following easements which shall run with and be appurtenant to Lot 2A:

3. D Street Access Easement. An exclusive easement or right-of-way extending in a northwesterly and then northerly direction from the northern boundary of Lot 2A to D Street and described in deed dated November 10, 1998, recorded in Deed Book 256, page 761; and

4. Front Driveway Easement. The non-exclusive right to use a portion of the existing paved driveway lying on both sides of that part of the southern boundary of Lot 2A which is shown on the Plat and described in deed dated November 10, 1998, recorded in Deed Book 256, page 761.

Being the same parcel of real estate acquired by Fairfax Hall Limited Partnership, a Virginia Land Partnership, by deed of Wesley R. Meeteer and Alice K. Meeteer, husband and wife, and Robert L. Stover, Jr. and Betty Jo Stover, husband and wife, and the City of Waynesboro, Virginia, a political subdivision of the Commonwealth of Virginia, dated November 10, 1998, or record in the aforesaid Clerk's Office in Deed Book 256, page 761.

Tab H:

Attorney's Opinion (MANDATORY)

Applegate &
Thorne-Thomsen
ATTORNEYS AT LAW

425 S. Financial Place, Suite 1900
Chicago, IL 60605
p 312-491-4400
f 312-491-4411
att-law.com

March 9, 2022

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

RE: 2022 Tax Credit Reservation Request or 2023 Forward Allocation Tax Credit Request

Name of Development: Fairfax Hall
Name of Owner: Fairfax Hall 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 9, 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 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.

8. It is more likely than not that the representations made under the Rehab Information section of the Application form as to the Development's compliance with or exception to the Code's minimum expenditure requirements for rehabilitation projects are correct.

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.

Sincerely,

Applegate & Thorne-Thomsen, P.C.

Applegate & Thorne-Thomsen, P.C.

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)

Virginia Housing

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: Fairfax Hall
- Name of owner/applicant: Fairfax Hall II LLC
- Name of non-profit entity: South River Development Corporation
- Address of principal place of business of non-profit entity:
  1700 New Hope Road Waynesboro, VA 22980
- 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:
  August 1997 Articles of Incorporation of the Waynesboro Housing Corporation and
  October 2004 Articles of Amendment to change name to the South River Development Corporation
- Date of IRS 501(c)(3) or 501(c)(4) determination letter (must be prior to application deadline and copy must be attached):
  February 2002
- Describe exempt purposes (must include the fostering of low-income housing in its articles of incorporation):
  To construct, develop, acquire renovate manage and operate safe and sanitary dwelling accommodations for persons of low income, qualified housing for mentally or physically disabled persons and qualified housing for elderly persons, and to further the economic development of communities, including the elimination of conditions of blight and deterioration and the promotion and assistance of economic and housing opportunities for low income persons, the elderly and/or the disabled in such communities
- 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.)?
  13 How many part time, paid staff members? 5

Describe the duties of all staff members:

Executive Vice President responsible for overall strategic planning and direction of the organization and all development activities
Vice President of Property Operations responsible for rental compliance and overseeing large scale property maintenance
Business Manager responsible for Accounts Payable, financial reporting, insurance and financial audits
Property Managers responsible for collecting rent, managing resident disputes, maintenance referrals, and aiding with eligibility compliance

Non-profit Questionnaire, cont'd

- Does the non-profit share staff with ony other entity besides a related non-profit described above?

  ☐ Yes ☑ No If yes, explain in detail: _____

- What are the sources ond manner of funding of the non-profit? (You must disclose all financial and/ or the arrangements with any individual(s) or far profit entity, including anyane or any entity related, directly, indirectly, to the Owner of the Development

  SRDC operates entirely from the proceeds earned from development activities and property management fees.

- List all directors of the non-profit, their occupations, their length of service on the board, and their residential addresses:

  See attached roster

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 nan-profit; otherwise please skip this question:

- 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:
  SRDC and the Waynesboro Redevelopment and Housing Authority have overlapping Board Members and the Executive Director of the Waynesboro Redevelopment and Housing Authority serves as the CEO of SRDC.

- 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: SRDC is an affiliate of WRHA and the WRHA Board of Commissioners serve as the Board of Directors of SRDC.

- Does any for-profit organization or local housing authority have the right to make such appointments?

  ☑ Yes ☐ No If yes, explain: Please see above.

Non-profit Questionnaire, cont'd

- Does any for profit organization or local housing authority have any other affiliatian 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: Overlapping Boards and staff.

- Was the non-profit formed by any individual(s) or for profit entity for the principal purpose of being included in the non-prafit 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 nan-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:

- (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?

  The operating Agreement of the Managing Member specifically names the non-profit as the Managing Member of the Managing Member.

  (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 hove 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 non-profit purchase option and right of first refusal will be included as and Exhibit to the Amended and Restated Operating Agreement.

☑ 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:

SRDC is the Managing Member of the Managing Member and will be responsible for all day to day deisions regarding the development of the project. SRDC will hire the development team, approve the plans, secure financing, oversee construction and lease-up.

(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):

SRDC will also serve as the proerty management agent for the development and will be responsible for the intial and as needed lease-up, will draft the operating budget annually, will provide reports to lenders and investors, will collect rents and pay bills.

(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 respansible and explain in detail:

Executive VP/CEO - 500+ hours overseeing construction decisions; VP of Property Operations - 263 hours tax credit compliance

Business Manager - 363 hours accounts payable, financial reporting and compliance, audits

Property management staff - 1400 hours collecting rents, updating and securing tenant files, resident relations

- 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.

Not applicable

- 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 praposed 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 orjoint venture partner? ☐ Yes ☑ No If yes, explain in detail the amount and timing of such payments.

- Will the joint venture partner ar 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:
  Not applicable

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:
  The organization is authorized to do business anywhere in the state but to date has concentrated its activities in the lower Shenandoah Valley, the Alleghany Highlands, and SW Virginia. SRDC works with low income and disabled populations.

- 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:
  SRDC is headquartered in Waynesboro and Fairfax Hall was the organization's first LIHTC project in 2000. SRDC has developed and continues to own and operate several other properties in Waynesboro including the 130 unit Mountain View property and several group homes and independent living facilities in collaboration with the Community Services Board.

- 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:
  SRDC Board meetings are open to the public

- 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:
  The City of Waynesboro has committed $50,000 to the Fairfax Hall project as well as political support.

- 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:

  Property management communicates with residents and neighbors on a continuous basis about the proposed project.

- 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:
  SRDC Board meetings are held at the same time as Waynesboro Redevelopment and Housing Authority Board meetings and are open to the public.

- 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: SRDC is an affiliate of the Waynesboro Redevelopment and Housing Authority which is a political subdivision of the Commonwealth, but is considered a unit of local government.

- 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).
  Fairfax Hall - 1998 - awarded and placed in service 2000.
  Mountain Crest - 2005 - awarded and placed in service 2007
  Mountain View - 2010 - awarded and placed in service 2012
  Alleghany Apartments 2016 and 2017 - awarded but voluntarily canceled and returned to VHD in 2020

- To the best of your knowledge, has this development, or a similar development on the same site, ever received tax credits before? ☑ Yes ☐ No

  awarded in 1998 inital compliance period ended 2015.

- 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.

2-14-2022
Date

Fairfax Hall II LLC
Owner/Applicant

By: [signature] Kimberly Byrd

Its: Executive Vice President/CEO
Title

2-14-2022
Date

South River Development Corporation
Non-profit

By: [signature]
Board Chairman

By: [signature]
Executive Director

Tab J:

Relocation Plan and Unit Delivery Schedule

(MANDATORY-Rehab)

RELOCATION PLAN

Fairfax Hall

1101 Reservoir Street
Waynesboro, VA

April 2021

South River Development Corporation
1700 New Hope Road
Waynesboro, VA 22980

1.1 Purpose of this Plan

The objective of this Relocation Plan ("Plan") is to outline the relocation/non-displacement policy for the South River Development Corporation (SRDC). These requirements and policies are to be followed when relocating or displacing persons for a project or program with federal HUD or other financial assistance, including, but not limited to Virginia Housing Development Authority ("VHDA") and the Virginia Department of Housing and Community Development (DHCD). In order to provide a resource for residents and practitioners, policies and procedures are cited in this Plan.

The SRDC understands that requested action is subject to the relocation requirements of 24 CFR Part 970 and Chapter 8, Section 110 of HUD Handbook 1378.

If there is any possibility that residents will be relocated because of acquisition, demolition, or rehabilitation for this project, the SRDC must undertake a planning process in conformance with the federal Uniform Relocation Act to minimize the adverse impacts of relocation.

Good recordkeeping, including a record of contacts with affected residents, is necessary to carry out the policies in an effective manner that maintains continuity, regardless of staff turnover.

1.2 Principles for Relocation

As SRDC moves forward with plans to rebuild or renovate any of its affordable housing communities, it is committed to minimizing the disruption experienced by existing residents who will be required to relocate during the redevelopment process. Most low-income residents have already experienced extensive housing instability in their lives as it is, so relocation for redevelopment must be planned carefully and implemented with the residents' best interests in mind.

Displacing residents from their homes and communities is almost always disruptive in the short term, but SRDC's goal is to implement a model relocation process that not only guarantees that no resident will become homeless as a result of relocation, but actually results in improved long-term housing stability for each affected household. Toward that end, SRDC's resident relocation efforts shall be carried out in accordance with four key principles:

1. SRDC will be transparent, inclusive and proactive in communicating with residents about the timetable and process for redevelopment and relocation. No residents will be blindsided by the changes that are coming to their neighborhood and to their own housing situation.

2. Well in advance of any relocation, SRDC will engage with the residents of each household to develop an individually-tailored Relocation and Housing Stability Plan for that household, based on its own unique needs and aspirations. The goal of this assessment is to identify the best possible short- and long-term housing outcomes for each resident, and to spell out the steps needed to accomplish those outcomes. Replacement housing shall be comparable or superior in quality and characteristics to the housing the resident is leaving behind, and must not leave any household cost-burdened.

3. SRDC will provide substantial wrap-around services and support to each household in carrying out its Relocation and Housing Stability Plan – and not just the minimum level of assistance that's required by federal or state code, such as the Uniform Relocation Act. SRDC will cover 100% of the moving costs for each displaced household and provide hands-on assistance to residents in easing the transition to and from their new home.

4. Any temporary relocation will be minimal in impact and duration. Furthermore, all residents who wish to return to their former neighborhood once the renovation or rebuilding work is completed will have the right to do so.

5. To the extent feasible, SRDC will follow a "build first, move once" philosophy in construction planning to minimize displacement.

With these provisions and protections in place, relocation can be transformed from a typically destabilizing process to one that helps each resident make a smooth transition to a more stable and higher-quality housing future (see **Exhibit B** for the full Principles for Relocation).

From the SRDC's perspective, the following elements must also be considered when planning for relocation of residents:

- Minimize displacement
- Budgetary implications – necessary funds are needed to carry out the relocation process
- Coordination of the project – necessary staffing and inter-agency coordination must be planned to coordinate activities and facilitate a resident's move
- Determine resource needs – staffing, training, capacity building and other considerations must be planned for early on.

- Administrative requirements – must adhere to HUD and other regulatory regulations. In addition, this process must follow requirements of the Fair Housing Act to provide reasonable accommodations for disabled individuals and their special needs.

2.0 PROJECT DESCRIPTION

Due to the limited availability of affordable "decent, safe, and sanitary" housing in the City of Waynesboro, the strategy of minimizing the temporary relocation of residents is the primary goal. The renovation of the existing Fairfax Hall building will proceed in phases or floor-by-floor in order to minimize the relocation of residents. The intent of renovation in phases is to focus on the temporary relocation of those residents in the first phase of construction who choose to return to Fairfax Hall, and to move residents in subsequent phases only once whenever possible.

2.2 The Fairfax Hall Project

Project Site	Project Description and Proposed Timeframe	Proposed Units					
		Total	0-BR	1-BR	2-BR	3-BR	4-BR
Fairfax Hall 1101 Reservoir Street	Renovation of existing units	54	3	46	3	0	0

Fairfax Hall, built in 1890, and converted to affordable housing in 2002, is a 54-unit, three-story building housing primarily disabled and senior residents. (See **EXHIBIT C** for a location map of the property).

The renovation of Fairfax Hall consists of the renovation of 54 apartment units, community and office spaces and miscellaneous site and exterior building improvements. The scope of the interior work includes, but is not limited to: new handicap apartment unit layouts, finishes, plumbing fixtures, electrical light fixtures, mechanical systems, elevator modernization, and new appliances.

The project is anticipated to phase renovation floor-by-floor, rather than a section or building tower.

The estimated start date of construction is January 2023 with estimated completion in March 2024. The estimated timeframes of each phase are as follows:

Phase 1: January 2023 – July 2023
Phase 2: July 2023 – October 2023

Phase 3: October 2023 – December 2023
Phase 4: December 2023 – March 2024

2.3 Measures to Minimize Construction Impact

The goal of a phased construction schedule is to minimize or eliminate the impact of the construction process on the residents while ensuring the delivery of a high quality product. The phasing plan for the Fairfax Hall renovation is broken down into four phases of work, based on the floor-by-floor renovation of the building. The construction of each phase is estimated to occur in a range in time around ten weeks. The total construction process is slated for 15 months assuming there are no unforeseen conditions or owner directed changes that would impact this timeframe.

The anticipated construction start date is January 2023, provided that relocation of residents in Phase 1 is completed. The remaining floors can remain occupied during construction. The following precautionary measures, as required by OSHA (Occupational Safety and Health Administration), will be set in place to insure the safety of residents remaining in Fairfax Hall during construction:

- Create construction barricades that separate residents from construction workers and their work
- Insure the proper signage is posted throughout the building notifying residents of work zones and areas where work is taking place
- Utilize an OSHA approved air monitoring control device during all phases of construction
- Utilize negative air pressure machines as required to control air quality within and outside work zones
- Insure all workers are wearing the proper personal protective equipment when working within the construction work zone so that residents can easily identify the construction workers
- All construction trades will utilize the west staircase during Phase 1 construction operations
- Use of the passenger elevator (for minor deliveries only) will be coordinated with property management as needed to insure there's minimal impact to residents
- All debris will be removed via an attached building chute system provided in each phase
- There will be no instances where heavy construction debris will be near residents or in common area.
- Air monitoring machines will be placed within corridors to insure normal levels are maintained throughout construction

- Weekly owners, tenant, and subcontractor meetings will be held to insure safety and quality compliance has been and continues to be met
- Residents will be given notice about upcoming loud noises and other disturbances.
- Work shall not begin until 8am, and will cease at 7pm unless otherwise announced, with at least 2 days notice or if there is an emergency.
- The lounge area will be part of the first renovation to provide an area for residents to go to escape any noise.

3.0 PROPERTY AND HOUSEHOLD SUMMARY

The following table provides the current demographics (HOH) by site within the Fairfax Hall as of April 2021:

Site	Elderly	Disabled	Non-Disabled	Totals
Fairfax Hall	48	41	6	54

4.0 THE RELOCATION PROGRAM

4.1 Assessment of Impacted Residents and Relocation Needs

Information necessary for the preparation of this Plan will be obtained through workshops and personal interviews conducted with the residents of Fairfax Hall. Inquiries will be made of affected residents through one-on-one interviews as well as group workshops conducted by SRDC staff. These inquiries will include household size and composition, income, monthly rent obligation, length of occupancy, ethnicity, home language, disabilities/health problems, transportation needs, pets, legal presence status, and general information regarding the resident's attitudes towards the redevelopment of their community and their desire to either remain within the community or relocate to a different development. Needs that are identified through this survey will guide relocation planning.

4.2 Replacement Housing Needs

Replacement housing needs are defined by the total number of required replacement units and the distribution of those units by bedroom size.

The projected number of required units by bedroom size is calculated by comparing survey data relative to household size with SRDC's replacement housing occupancy standards. These standards allow for occupancy based on SRDC's admissions policy and is reflected in the following table:

Size of family	Number of Bedrooms in Unit
1-2	1
3-4	2
5-6	3
7-8	4
9-10	5
11-12	5

In addition, where a live-in aide has been approved, SRDC will first determine the appropriate number of bedrooms for the family in accordance with the above chart.

If a household cannot be immediately right-sized at the time of their relocation, SRDC will provide the household with the option to be temporarily over-housed in an on-site unit at no cost to the household. When a new unit becomes available in that phase or a future phase, the household will then be moved into the right-sized unit.

For example based on the number of occupants compared to the number of current bedrooms, ___ units may be currently under-housed, and ___ units may be over-housed. Appropriate actions will be taken to accommodate households that are under- or over- housed.

4.3 Current Housing Data – Fairfax Hall (54 units)

Household Information	Unit Size		
	0 BR	1 BR	2 BR
Occupied Units	6	47	1
# Elderly			
# Non-Elderly Disabled			
# Elderly & Disabled			
Single Household			
Family/Couple Household – No Children			
Family/Couple Household – With children (under 18)		0	0
Income 0-30% AMI			
Income 31-50% AMI		-	
Income 51-80% AMI		-	
Average Income		$	
Average Rent		$	
Average Household Size		1	
Under-housed Units		0	0
Over-housed Units		0	2

4.4 Tenants to be temporarily relocated

If you are to be temporarily relocated during this renovation process, you are guaranteed the right to return to Fairfax Hall, if you so choose.

It is intended that there will be minimal temporarily relocated persons during this redevelopment process. A "Build First and Move Once" philosophy will be used whenever possible.

All residents who are in "good standing" under their current leases at Fairfax Hall will be eligible to move into renovated units, if they so choose. Residents in "good standing" are defined as those household(s) against whom SRDC has been granted possession by the general district court and the appeal period has passed or who have been terminated from housing assistance after a hearing before an uninterested hearing officer.

The renovation of Fairfax Hall will be occurring in four (4) phases. For those residents currently living in Fairfax Hall who wish to permanently relocate, there are other options available, as detailed within this Plan.

PHASE 1

In the first phase, it is intended that approximately 16 units will be renovated starting on the first floor. It is possible, if a buffer is required, that a total of 32 units will be initially renovated. For those residents currently living in this first phase who wish to return to Fairfax Hall after

renovation, they will be required to be temporarily moved possibly to another location. This temporary relocation is anticipated to be no more than 12 months, but may be up to 14 months, during construction.

Upon completion of construction of the first phase units, the following will be the priority of occupancy:
1st priority – residents currently occupying units in the second phase of renovations (which will be the second or third floor and who choose to relocate only once into a newly renovated unit in Fairfax Hall will be moved down a floor into those units
2nd priority – residents currently occupying those units, who were temporarily relocated, and choose to return to a newly-renovated unit will be moved back in
3rd priority – residents currently occupying units in the third and fourth phase of renovations and who choose to relocate only once into a newly renovated unit in Fairfax Hall will be moved into those units

PHASE 2- 3
Upon completion of construction of the first floor units, the following will be the priority of occupancy:
1st priority – residents currently occupying units in the floor below or above the renovations and who choose to relocate only once into a newly renovated unit in Fairfax Hall will be moved into those units
2nd priority – residents who were temporarily relocated from Phase 1, and choose to return to a newly-renovated unit will be moved back in

PHASE 4
Upon completion of construction of the final phase units, the following will be the priority of occupancy:
1st priority – residents who were temporarily relocated from Phase 1, and choose to return to a newly-renovated unit will be moved back in

The SRDC staff will work with those residents who may desire to move back into a newly-renovated unit. As future vacancies in Fairfax Hall occur, normal occupancy procedures will apply.

4.5 Displaced Persons

It is intended that there will be no displaced persons, who by definition are persons that must move from the property permanently, during this redevelopment process. SRDC will operate under a zero involuntary displacement of residents policy during redevelopment. However, if it is determined that there is a possibility of involuntary displacement, the household will have the right to a meeting with the executive director or other uninterested officer who will review the decision. Further,

immediately upon discovery of a potential involuntary displacement, SRDC will make a direct referral to the Legal Aid. If this occurs the plan will be amended to address the special requirements particular to the tenants. These tenants would be given the Notice of Eligibility for Relocation Assistance which would inform them of their rights under the URA.

4.6 Relocation Options

The goal of the redevelopment process involves a strategy requiring little temporary relocation housing. All residents will be provided options for temporary or permanent housing during this renovation process, including:

- Permanent Move to a newly-renovated unit in Fairfax Hall

- Permanent Move to another SRDC - owned unit – any household will be offered the opportunity to relocate to comparable replacement housing, utilizing occupancy standards, in another unit owned by SRDC, if available.

- Temporary Move / Return to the resident's previously occupied neighborhood

- Homeownership / Market-Rate Rental housing - SRDC would assist eligible and interested residents in pursuing these opportunities, if possible.

- LIHTC/Affordable Housing – SRDC would assist eligible and interested residents in pursuing these opportunities, if possible.

- Assisted Living – SRDC would assist eligible and interested residents in pursuing assisted living opportunities, if possible.

4.7 General Relocation Procedure

- All residents will receive the required notices for relocation, including but not limited to a General Information Notion, a 90-day Notice, and a 30-day Notice. SRDC staff will also be sending out updates and posting a relocation calendar in the lobby area.

- Briefing sessions will be held between SRDC and residents to explain the relocation procedures in detail. It is during these sessions that residents will receive written notice regarding the impending relocation (90 Day Notice). SRDC will require a signature from each resident on this form as acknowledgment of receipt of this notice.

- Each resident will be personally interviewed by SRDC staff to determine housing needs and special needs, if applicable.

- If a resident chooses to return to Fairfax Hall following renovation, SRDC staff will assist the resident with identifying a temporary or permanent unit to move to, all moving services, utility connections, if applicable, and scheduling.

- If a suitable unit is selected for rent that is not another unit in Fairfax Hall, the SRDC staff will assist the resident in completing the necessary application, forms, lease, utility connections and deposits and moving services and scheduling, for a permanent move to that unit.

- If a suitable unit is selected for rent with a Section 8 voucher, the SRDC staff will assist the resident in completing the necessary application, forms, obtaining the landlord's signature and negotiating the rent if necessary. Once the unit passes required inspections, the SRDC staff will assist the resident with utility connections, deposits and moving services and scheduling, for a permanent move to that unit.

- Once a unit has been determined and the resident is approved for move in, a move in date is established. At that time, the SRDC staff will assist with scheduling moving services for the resident and the transfer of utilities, if necessary. The SRDC staff will also process the paperwork necessary for a refund of the resident's security deposit and payment of the new security deposit, if applicable.

- Following a temporary move in, the SRDC staff will continue contact with the resident to assist with providing information as to the permanent move in process.

- Following permanent move in, the SRDC staff will assist the resident with services to insure housing needs have been provided.

5.0 RELOCATION SERVICES PROVIDED

SRDC is required to provide the following services during relocation/moving process:

Advisory Services - Once a construction start date is determined, a site office for Advisory Services will be established. SRDC staff will be identified to be the primary contact person for the residents during this relocation process. Services will be provided to all households prior to the commencement of each applicable phase of the redevelopment of the property:

- One-on-one meetings to identify household needs and preferences

- Identify and respond to special needs and reasonable accommodation issues and requests;
- Determine who will be moved where and when
- Identify temporary locations for residents with available units that meet the needs of the household; Where needed negotiate with partner properties. The preference will be for residents to remain somewhere on SRDC property if feasible or otherwise for the SRDC to secure units for residents preferably in writing;
- Work to ensure that temporary housing will not require any rescreening or onerous application process;
- Provide residents with clear options for the move, including the housing identified. Whatever option this is, the SRDC staff will help with the application and other required processes;
- Work with residents to address any pest infestations before the move
- Prepare and issue required notices
- Prepare Individual Move plans
- Determine and provide relocation schedules, calculate and provide payments and logistics

Communication / Notices / Recordkeeping

Relocation Reimbursement Expenses - In addition to advisory services, households may be eligible to receive relocation payments, moving expenses, and replacement housing payments for the increased cost of renting or purchasing a comparable replacement dwelling.

5.1 Advisory and Assistance Services

Advisory services to those households who are required to relocate may be provided by SRDC or an outside vendor. Wherever possible, vendors used in this process should incorporate principles of Section 3, choosing vendors who are people of color owned, who prioritize hiring low-income residents, and are committed to apprenticing low income residents. Advisory and assistance services include, but are not limited to the following:

- Provide information of the nature of, and procedures for, obtaining relocation assistance and benefits;
- Determine the needs and preferences of each affected household
- Explain all options for relocation assistance, where temporary housing is already identified and secured if resident so desires.
- Understand and anticipate the needs of families and the elderly and able to meet the special advisory services they may need.
- Provide referrals for tenants to replacement properties, and contact said properties to request priority for persons being displaced.

- Provide contact information for questions and access to phone or computer if needed to make contact.
- Offer to provide transportation for tenants needing to look at other housing, especially those who are elderly or disabled, if applicable.
- Allow and make tenants aware that appointments can be scheduled outside of normal business hours if needed.
- Supply information about other federal and state programs offering similar assistance
- Offer other assistance (i.e. social services, financial referrals, housing inspections)
- Provide appropriate counseling for tenants who are unable to read and understand notices.
- Provide written information and/or translation services in their native languages if necessary.
- Provide counseling and other assistance to minimize hardship during adjustment period
- Provide other assistance as required by each household
- Explain the appeals process if they are not satisfied with the Agency's decisions

Relocation Staff

Implementation of this Plan will be the responsibility of the SRDC staff, or other individual(s) identified by SRDC. The SRDC staff will be the primary contact person for the residents. This person will be responsible for preparing and distributing all required relocation notices, maintaining the original list of households to be relocated, establishing and maintaining a recordkeeping system, identifying replacement units (if applicable) and coordinating the relocation of households with the required timeframes.

The SRDC staff will meet with all households to confirm their options, their relocation plans/needs and will provide all necessary assistance throughout the relocation process. Prior to, and upon completion of, the newly constructed units, the SRDC staff will do the following:

- Conduct relocation information sessions with each head-of-household;
- Assist residents with the completion of any necessary forms, whether for assistance or otherwise;
- Identify an appropriate temporary (or permanent) replacement unit that meets SRDC occupancy requirements, which is suitable in its living conditions and has comparable amenities to the current unit;
- Facilitate and schedule resident moves, and assist with utility transfers, completion of change of address forms, etc

5.2 Relocation Communication / Notices

Resident participation / meetings

Notice of Availability of Draft Relocation Plan
This notice informs affected households that the Plan is available for review and input. (See **EXHIBIT ___** for sample Notice of Availability of Draft Relocation Plan Notice).

General Information Notice (GIN)
This notice informs affected households of the project and that they may be displaced by the project and establishes their eligibility for relocation assistance and payments. (See **EXHIBIT ___** for sample General Information Notice).

Letter of Eligibility for Relocation Assistance
This notice informs the affected households that they will be displaced by the project and formally establishes their eligibility. (See **EXHIBIT ___** for sample Letter of Eligibility for Relocation Assistance Notice).

Notice of Non-Displacement (may be combined with the 90-day notice)

90 Day Notice
No household shall be required to move without a minimum of 90 days written notice of the required date of the move. This notice informs affected households of the earliest date by which they will be required to move. This notice may not be issued unless a comparable replacement dwelling is available and the displaced person is informed of its location and has sufficient time to lease or purchase the property. (See **EXHIBIT ___** for sample 90 Day Notice).

30 Day Notice
(See **EXHIBIT ___** for sample 30 Day Notice).

30 Day Return Termination of Relocation Benefit Notice

After-move advisory and assistance services

5.3 Recordkeeping

Recipients must maintain all records associated with relocation assistance.

The SRDC Relocation files should include the following documentation:

- General Relocation File: Overall and individual items such as the relocation plan, and documentation of relocation budget.
- List of Occupants: name, address, and occupant characteristics for all persons occupying the property at key relocation milestones (rent roll).
- All Residents: copies of notices; evidence of delivery of notices; evidence of reimbursement of expenses; for tenants who elect to relocate, documentation supporting ineligibility for relocation payments as a displaced person; documentation to support lease violations and/or eviction for cause; documentation to determine illegal occupancy of the property; and copy of any appeal or complaint filed and response.

All pertinent records shall be retained for no less than three (3) years after the latest of:

- The date by which all payments have been received by persons displaced for the project and all payments for the acquisition of real property have been received;
- The date the project has been completed;
- The date by which all issues resulting from litigation, negotiation, audit or other action (e.g., civil rights compliance) have been resolved and final action taken; or
- For real property acquired with HUD funds, the date of final disposition.

5.4 Relocation / Reimbursement Expenses

Covered Costs

- **Security Deposit.** Residents will not be required to pay another security deposit during the relocation process, if they are relocating to another public housing unit. If a resident elects to relocate to a unit other than another public housing units, applicable security deposit provisions will apply.

- **Telephone and Cable TV.** SRDC will pay the required cost of telephone and cable TV installation and troubled wiring (where necessary) to residents with previous telephone and cable TV services prior to the relocation period.

- **Utility Costs.** SRDC will pay the required cost of utility new connection fees. Utilities are identified as electric, water, sewer and gas. Delinquent accounts incurred prior to the relocation will not be covered. SRDC is not allowed to pay utility deposits.

However, SRDC can advance needed deposits to residents who choose reimbursement for the actual and reasonable costs of the move, provided the resident executes an agreement to pay the funds. Such advance payments of deposit are in essence loans, and therefore, are to be repaid in accordance with the terms of the repayment agreement agreed to by the authority and the resident.

- **Incidental Costs.** Reasonable incidental costs incurred due to the relocation may be reimbursed, upon presentation of a valid receipt for approved expenses.

- **Moving Expense Payments**
  Moving assistance will be provided to all households moving to newly rehabilitated units or off-site to other permanent or temporary units. This assistance may be provided in one of the following manners:

  - **Reasonable Moving and Related Expenses**
    Residents may choose to receive a relocation payment to cover the reasonable cost of the move. The lower of two bids or estimates prepared by a commercial mover are required. Claims may include the reasonable and necessary costs for:
    - Transportation for the household
    - Packing, moving and unpacking of household goods
    - Disconnecting and reconnecting household appliances and other personal property (e.g., telephone and cable TV)
    - Insurance for the replacement value of property during the move
    - The replacement value of property lost, stolen or damaged in the move (but not through resident's neglect) if insurance is not reasonably available

    Important:
    - Residents must be able to account for any costs incurred.
    - Full documentation is required, including bills, certified prices, appraisals and other evidence of expenses.
    - Receipts are required for all reimbursements.

  - **Fixed Moving Expense**
    This allowance is based on the number of rooms in your home or the number of rooms of furniture you will be moving as shown on a schedule. If there is not a large amount of personal property to move, this payment may be more advantageous. No special documentation is required to

support a claim. Following the move, the appropriate claim form must be completed and submitted in order to receive payment.

Resident owns furniture									Resident does not own furniture	
Number of rooms									Number of rooms	
1 room	2 rooms	3 rooms	4 rooms	5 rooms	6 rooms	7 rooms	8 rooms	Each Addt'l room	1 room	Each addt'l room
700	900	1100	1300	1500	1700	1900	2100	300	400	75

**Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as Amended Fixed Residential Moving Cost Schedule (2015)*

Note: "Room" excludes bathrooms, hallways and closets.

- **Residential Move is Performed by SRDC**
  This allowance is based on the SRDC sub-contracting full moving services including packing, moving and unpacking of household goods; disconnecting and reconnecting household appliances and other personal property; insurance for the replacement value of property during the move; and the replacement value of property lost, stolen or damaged in the move (but not through resident's neglect). Payment is limited to $100.00 (not including replacement value claims).

If a resident prefers to pack their own personal possessions and items of value, they will be provided with packing boxes and tape for the move. A resident who needs assistance in packing shall notify the SRDC staff for assistance. It is the obligation of the SRDC sub-contractor to pack and move all of a resident's belongings and household goods.

The following table reflects the estimated one-time move budget prepared by SRDC to cover cost for relocation of residents at Fairfax Hall per unit (as of January 2021):

Unit Size	Moving Expense	Moving Fee	Utility Transfers	Per Unit Total	Total Units	Estimated Cost
0 BR	$ 700.00	$ 100.00	$ 45.00	$ 845.00	6	$ 5,070.00
1 BR	$ 1100.00	$ 100.00	$ 45.00	$ 1245.00	47	$ 58,515.00
2 BR	$ 1300.00	$ 100.00	$ 45.00	$ 1445.00	1	$1,445.00
Totals					54	$ 65.030.00

- A Moving Fee of $100.00 is estimated for those residents who allow the SRDC contractor to perform the move.
- This total does not reflect moving insurance which will be necessary.

6.0 OTHER IMPORTANT INFORMATION

6.1 Leases Required

All relocated Residents will be considered eligible to enter into a new lease without eligibility screening required. If a Resident chooses to relocate to a non-SRDC-owned housing unit, applicable lease provisions will apply.

6.2 Resident Owned Fixtures

6.3 Pets/Animals – If a Resident is relocating to another SRDC-owned housing unit, current SRDC policy(ies) apply. If a Resident chooses to relocate to a non-SRDC-owned housing unit, applicable lease provisions will apply.

6.4 Relocation Tax Consequences

In general, relocation payments are not considered income for the purpose of IRS or Personal Income Tax. This information is not intended to be provision of tax advice by the SRDC, its Agents, Consultants, Partners, or Assigns. Tenants in receipt of moving and/or rental assistance payments are encouraged to consult with independent tax advisors concerning the tax consequences of relocation payments.

6.5 Relocation Budget

The proposed budget is as follows:

	FY22/23	FY23/24	FY24/25	Totals
Advisory services (staff)	$30,000	$30,000		$60,000
Packing materials	$10,000	$10,000		$20,000
Packing and moving costs	$45,000	$45,000		$90,000
Utility deposits	$15,000	$15,000		$30,000
After-move advisory services (staff)	$10,000	$10,000		$20,000
Rent Supplements	$150,000	$150,000		$300,000
Totals	$260,000	$260,000		$520,000

6.6 **Projected Rents and Rental Policies after Project Completion**

Residents will pay no more or no less rent than is required pursuant to the applicable rental policies in effect at the time of their move into renovated housing or a new SRDC-owned location as chosen by the resident. If a Resident chooses to relocate to a non-SRDC-owned housing unit, applicable lease provisions will apply.

6.7 **Resources** – this list of service providers currently working in Fairfax Hall may need to be made aware of the relocation plans:

- **Valley Community Services Board**
- **Other medical professionals and nurses/aides that provide services**
- **Valley Program for Aging Services**
- **BRITE Bus Service**
- **USPS**
- **Meals on Wheels**
- **Utility service providers**
- **Disability / SSI office**
- **Interpreters needed for assistance**

6.8 Program Assurances and Standards

Please see **EXHIBIT ___** for assurances provided to residents pursuant to this Plan.

6.9 Grievance Procedures

SRDC's Appeals/Grievance Procedures shall govern any appeals pursuant to this Plan. These policies and procedures may be obtained at SRDC's main office. The Housing Director is also available at this location at:

17 New Hope Road
540 946 9230

A resident may, at any time, exercise their right to appeal SRDC's decision through the U.S. Department of Justice or the local HUD office at:

U.S. Department of Housing and Urban Development
Richmond Field Office
600 East Broad Street, 3rd Floor
Richmond, VA 23219

Telephone: 800-842-2610

6.10 Owner Contact Information

Kim Byrd, Executive Vice President and CEO
South River Development Corporation
1700 New Hope Road
Waynesboro, VA 22
(540) 946 9230
K_byrd@wrha.org

RELOCATION PLAN ASSURANCE

I CERTIFY THAT THIS RELOCATION AND HOUSING STABILITY PLAN CONTAINS ACCURATE INFORMATION AND HAS BEEN PREPARED IN ACCORDANCE WITH 49 CFR PART 24, UNIFORM RELOCATION ASSISTANCE (URA) AND REAL PROPERTY ACQUISITION FINAL RULE AND NOTICE, AS MAYBE AMENDED. I FURTHER ASSURE THAT:

1. Services will be provided to ensure that displacement does not result in different, or separatetreatment of households based on race, nationality, color, religion, national origin, sex, sexualorientation, marital status, familial status, disability or any other basis protected by the federalFair Housing Amendments Act, the Americans with Disabilities Act, Title VI of the Civil Rights Act of 1964, Title VII of the Civil Rights Act of 1964, Title VIII of the Civil Rights Act of 1968, as well as otherwise arbitrary, or unlawful discriminations;
2. Relocation staff will follow URA requirements;
3. Relocation staff who will implement this plan are familiar with its contents and therequirements;
4. Sufficient funds have been appropriated, reserved, set aside or otherwise committed to coverthe anticipated relocation costs;
5. Families and individuals will have full opportunity to occupy comparable, decent, safe andsanitary housing;
6. Relocation payments will be made promptly and to the full extent for which tenants areeligible;
7. The project activities have been planned in a manner that will minimize hardships to tenants;
8. All tenants will be given a reasonable period of time to move and no one will be required tomove unless a comparable replacement unit is available or provided for;
9. Relocation assistance and advisory services will be provided in accordance with the needs ofthe tenant.

SRDC Executive Director

Print Name

Date

SRDC Board of Directors
(Chairperson)

Print Name

Date

(date)

Name
Address
City, State, zip

RE: General Information Notice

Regarding Relocation

Dear_____:

South River Development Corporation (SRDC) is about to embark on important capital improvements to Fairfax Hall that will improve your comfort and convenience. As a current resident of Fairfax Hall, you may be required to move from your apartment either:

- temporarily while renovation is in progress (2 moves); or
- permanently, from your unit into a newly-renovated unit or, if you choose, another preferred housing alternative (1 move)

You may be eligible for Relocation Assistance under the Uniform Relocation Assistance and Real Property Acquisition PoliciesAct of 1970, as amended.

THIS IS NOT A NOTICE TO VACATE YOUR APARTMENT. You will be notified in advance when required to move from your apartment. As required by law, you will be provided additional notice at minimum timeframes of 90 days and 30 days prior tomoving.

We urge you not to move at this time. If you choose to move, you will not be provided relocation assistance. Please remember:

- **This is not a notice to vacate the premises.**
- **This is not a notice of relocation eligibility.**

If you are currently under eviction, your eligibility for relocation assistance will be contingent upon the outcome of the eviction proceedings against you.

You will be contacted soon so that we can provide you with more information about the proposed project. If the project financing is approved, we will make every effort to accommodate your needs. In the meantime, if you have any questions, please contact
____(name)_____,_____(title)_____, at____(phone)____or_____(email)_____.

Sincerely,

Kim Byrd

cc: A copy of this letter is required in your Resident case and relocation file. This notice was delivered (e.g. personally servedor certified mail, return receipt requested) – and the date of delivery.

Date

Tenant Name
ADDRESS

RE: Notice of Non-displacement

Dear TENANT NAME

On __/__/2021, South River Development Corporation notified you of proposed plans to rehabilitate Fairfax Hall. On __/__/2021, the project was approved, and the rehabilitation project will begin soon.

This is a **Notice of Non-displacement**. You **will not** be required to move permanently off-site as a result of the rehabilitation. This notice guarantees you the following:

1. Upon completion of the rehabilitation, you will be able to lease and occupy a newly renovated unit in Fairfax Hall. Your monthly rent will continue to be based on the appropriate LIHTC rent standard.

2. If you must move temporarily so that the rehabilitation can be completed, you will be reimbursed for all extra expenses, including the cost of moving to and from temporary housing and any increased interim housing costs.

To carry out an overall rehabilitation of Fairfax Hall, it may be necessary for you to move, internally, from your unit either to:

- A temporary unit during the rehabilitation process (2 moves); or
- A permanent unit that is newly renovated

YOU DO NOT NEED TO MOVE NOW! Below is a chart detailing 90-day notification for relocation by floor. You will not be required to move until you are given further notification.

Phase Project by Floor	Project Start Date	90-Day Notification
1st Floor		
2nd Floor		
3rd Floor		
Basement		

Note: *Dates are subject to change. Residents may be offered an early move opportunity.*

You will have the opportunity to occupy a unit that is newly rehabilitated, you are urged **not to move from the community.** If you do elect to move from the community, for your own reasons, you will not receive any relocation assistance.

If you have any questions or concerns, please contact Kim Shipe at 540 946 9230. This letter is important and should be retained.

Sincerely,

Kim Byrd
Executive Vice President and CEO

(date)

Name
Address
City, State, zip

RE: 30 Day

Notification to

RelocateDear___:

On_____ (date)_____ , South River Development Corporation notified you of proposed plans to renovate Crescent Halls in order to provide safe, sanitary and decent housing. This previous notice also advised you that as a current resident of Fairfax` Hall, you will be required to move from your apartment either:

- temporarily while renovation is in progress (2 moves); or
- permanently, from your unit into a newly-renovated unit or, if you choose, another preferred housing alternative (1 move)

You do not need to move now! This is a 30 day moving notification - the moving date will not be sooner than 30 days from the effective date of this notice (____effective date_____). To carry out an overall redevelopment strategy, it will be necessaryfor you to move. When you do move, you will be entitled to relocation reimbursement and/or other assistance in accordancewith federal regulations implementing the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended.

We anticipate the moving date to be approximately_____. We will be working with you through continued counselingand other advisory services to finalize your relocation and moving plans. We want to make it clear that you are eligible for assistance to relocate. If you are currently under eviction, your eligibility for relocation assistance will be contingent upon theoutcome of the eviction proceedings against you.

You have the right to appeal the relocation payment or other circumstances regarding relocation. Remember, if you move before receiving a notice from South River Development Corporation to vacate the premises, your eligibility for relocation assistance could be denied.

If you have any questions, please contact_____(name)_____,_____(title)_____,

at_____(phone)____or_____(email)____.

Sincerely,

Kim Byrd

cc: A copy of this letter is required in your Resident case and relocation file. This notice was delivered (e.g. personally served or certified mail, return receipt requested) – and the date of delivery.

Sample Letter: Letter of Eligibility for Relocation Assistance – Residential Tenant

(date)

Name
Address
City, State, zip

RE: Letter of Eligibility for Relocation

Assistance Notice

Dear_____:

On____ (date)____ , South River Development Corporation notified you of proposed plans to renovate Crescent Halls in order to provide safe, sanitary and decent housing. This previous notice also advised you that as a current resident of Fairfax Hall, you may be required to move from your apartment either:

- temporarily while renovation is in progress (2 moves); or
- permanently, from your unit into a newly-renovated unit or, if you choose, another preferred housing alternative (1 move)

YOU DO NOT NEED TO MOVE NOW! This is a notice of eligibility for relocation assistance. To carry out an overall redevelopment strategy, it will be necessary for you to move. You will not be required to move until you receive advance written notification of the date by which you will move. When you do move, you will be entitled to relocation reimbursement and/orother assistance in accordance with federal regulations implementing the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended.

The effective date of this notice is_(date)__. We want to make it clear that you are eligible for assistance to relocate, including counseling and other advisory services. If you are currently under eviction, your eligibility for relocation assistance will be contingent upon the outcome of the eviction proceedings against you.

Remember, do not move before we have a chance to discuss your eligibility for assistance. If you move before receiving a notice from South River Development Corporation to vacate the premises, your eligibili ty for relocation assistance could be denied. This letter is important to you and should be retained. **This is NOT a notice to vacate the premises.**

If you have any questions, please contact_____(name)_____,_____(title)_____,

at_____(phone)____or_____(email)____.

Sincerely,

Kim Byrd

cc: A copy of this letter is required in your Resident case and relocation file. This notice was delivered (e.g. personally served or certified mail, return receipt requested) – and the date of delivery.

Tab K:

Documentation of Development Location:

Tab K.1

Revitalization Area Certification

Waynesboro
VIRGINIA

MICHAEL G HAMPII, CITY MANAGER
hamping@ci.waynesboro.va.us
503 West Main Street, Suite 210
Waynesboro, VA 22980
(540) 942-6600
(540) 942-6671 FAX

February 28, 2022

Mr. JD Bondurant, Director
Low Income Housing Tax Credit Program
Virginia Housing
601 S. Belvidere Street
Richmond, Va. 23220

Subject: 1101 Reservoir Street

Dear Mr. Bondurant,

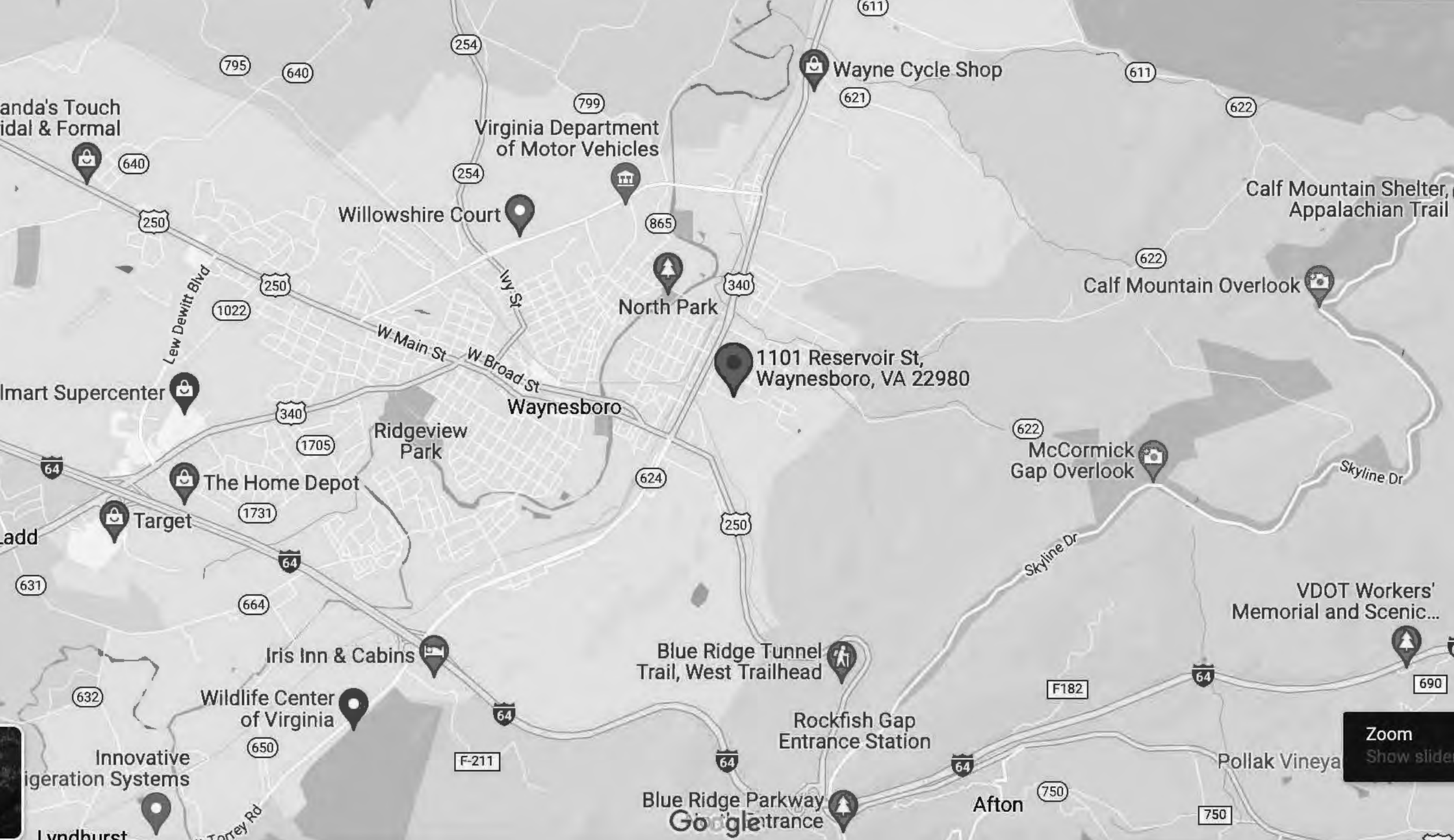
The above-referenced development is located in a Revitalization Area in the City of Waynesboro, Virginia. The industrial, commercial or other economic development of such area will benefit the city or county but such area lacks the housing needed to induce manufacturing, industrial, commercial, governmental, educational, entertainment, community development, healthcare, or nonprofit enterprises or undertakings to locate or remain in such area; and (ii) private enterprise 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 of low and moderate-income persons and families in such area and will induce other persons and families to live within such area and thereby create a desirable economic mix of residents in such area.

Sincerely,

Michael G. Hamp II
City Manager

Tab K.2

Location Map


Wayne Cycle Shop
Virginia Department of Motor Vehicles
Willowshire Court
North Park
1101 Reservoir St, Waynesboro, VA 22980
Waynesboro
Ridgeview Park
Calf Mountain Shelter, Appalachian Trail
Calf Mountain Overlook
McCormick Gap Overlook
Skyline Dr
Lew Dewitt Blvd
Ivy St
W Main St
W Broad St
Walmart Supercenter
The Home Depot
Target
Iris Inn & Cabins
Wildlife Center of Virginia
Innovative Refrigeration Systems
Blue Ridge Tunnel Trail, West Trailhead
Rockfish Gap Entrance Station
Blue Ridge Parkway Entrance
Afton
VDOT Workers' Memorial and Scenic...
Pollak Vineya
Zoom
Show slide
Google

Tab K.3

Surveyor's Certification of Proximity To Public Transportation

Draper Aden Associates
Engineering • Surveying • Environmental Services

2206 South Main Street
Blacksburg, VA 24060
540.552.0444
www.daa.com

DATE: February 18, 2022

TO: Virginia Housing Development Authority
601 South Belvidere Street
Richmond, VA 23220-6500

RE: 2022 Tax Credit Reservation Request

Name of Development: Fairfax Hall

Name of Owner: Fairfax Hall II LLC

To Whom It May Concern:

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 1,320 feet or ¼ mile of the nearest access point to an existing public bus stop.

Sincerely,
Draper Aden Associates

Carolyn A. Howard, PE
Senior Associate / Regional Manager
Site Development & Infrastructure

Tab L:

PHA / Section 8 Notification Letter

Virginia Housing

PHA or Section 8 Notification Letter

Development Name: Fairfax Hall
Tracking #: 2022 C-18

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 poge 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 Informotion' 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:

TO: Kimberly Byrd
Waynesboro Redevelopment and Hou
1700 New Hope Road, Waynesboro22

RE: PROPOSED AFFORDABLE HOUSING DEVELOPMENT

Name of Development: Fairfax Hall
Name of Owner: Fairfax Hall 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 7/1/24 (date).

The following is a brief description of the praposed develapment:

Development Address:
1101 Reservoir Street
Waynesboro, VA 22902

Proposed Improvements:

☐ New Constr.:		# units		# Bldgs
☐ Adaptive Reuse:		# units		# Bldgs
■ Rehabilitation:	54	# units	1	# Bldgs

Proposed Rents:

■ Efficiencies:	$ 745	/ month
■ 1 Bedroom Units:	$ 650-764	/ month
■ 2 Bedroom Units:	$ 1001	/ month
☐ 3 Bedroom Units:	$	/ month
☐ 4 Bedroom Units:	$	/ manth

Other Descriptive Information:

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 (540)946-9230.

Please acknawledge receipt of this letter by signing below and returning it to me.

Sincerely yours,

Name

Executive Vice President and CEO of South River Development Corporation

Title

To be completed by the Local Housing Authority or Sec 8 Administrator:

Seen and Acknowledged By: _____

Printed Name: Kimberly Byrd

Title: Executive Director, Waynesboro Redevelopment and Housing Authority

Phone: 5409469230

Date: March 1, 2022

Tab M:

Locality CEO Response Letter

Waynesboro
VIRGINIA

MICHAEL G. HAMP II, CITY MANAGER

hampmg@ci.waynesboro.va.us
503 West Main Street, Suite 210
Waynesboro, VA 22980
(540) 942-6600
(540) 942-6671 FAX

Locality CEO Letter

2-10-22
Date

JD Bondurant
Virginia Housing Development
Authority 601 South Belvidere Street
Richmond, Virginia 23220

Virginia Housing Tracking Number: 2022 - C-18
Development Name: Fairfax Hall
Name of Owner/Applicant: Fairfax Hall 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 Waynesboro. Accordingly, The City of Waynesboro supports the allocation of federal housing tax credits requested by Fairfax Hall II LLC for this development.

Yours truly,

Michael G Hamp II

Signature
Michael G Hamp II
[CEO Name]
City Manager
[Title]

Not Applicable

Tab N:

Homeownership Plan

Not Applicable

Tab O:

Plan of Development Certification Letter

Tab P:

Developer Experience documentation and Partnership agreements

MOUNTAIN VIEW PARTNERS, LLC,
A VIRGINIA LIMITED LIABILITY COMPANY

AMENDED AND RESTATED OPERATING AGREEMENT

As of June 26, 2012

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

MOUNTAIN VIEW PARTNERS, LLC
A VIRGINIA LIMITED LIABILITY COMPANY

AMENDED AND RESTATED OPERATING AGREEMENT

THIS AMENDED AND RESTATED OPERATING AGREEMENT is made and entered into as of _____, 2012, by and among South River Associates, Inc., a Virginia corporation (the "Managing Member"), South River Development Corporation, Inc., the withdrawing Member (the "Withdrawing Member"), Housing Equity Fund of Virginia XV, L.L.C., a limited liability company formed under the laws of the Commonwealth of Virginia the "Investor Member") and VAHM, L.L.C., a Virginia limited liability corporation (the "Special Member").

WHEREAS, the Withdrawing Member, as organizer, organized Mountain View Partners, LLC (the "Company") pursuant to the terms of the Virginia Limited Liability Company Act (the "Act"), by filing Articles of Organization (the "Articles of Organization") with the State Corporation Commission of the Commonwealth of Virginia (the "State of Formation") on January 23, 2010;

WHEREAS, the Withdrawing Member previously executed a limited liability company operating agreement pursuant to Section 13.1-1023(2) of the Code of Virginia effective February 2, 2010 (the "Original Operating Agreement") of the Company;

WHEREAS, the Investor Member wishes to join the Company as the investor member, the Managing Member wishes to join the Company as the managing 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 Operating Agreement in its entirety;

WHEREAS, the Company has been formed to develop, construct, own, maintain and operate a 129-unit affordable housing project located in Waynesboro, 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 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 Mountain View Partners, LLC.

1.03 Principal Place of Business. The principal place of business of the Company shall be 1700 New Hope Road, Waynesboro, Virginia 22980. 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 Edward Burns, Esq., who is a resident of Virginia and a member of the Virginia State Bar, and whose address is Edward M. Burns II, PC, 2611 W. Main Street, Suite 5, Waynesboro, Virginia 22980, in the county of Waynesboro, Virginia.

1.05 Withdrawal of Withdrawing Member and Admission of Investor Member and Special Member . The Managing Member is hereby admitted as a Member of the Company and, simultaneously therewith, 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 Investor Member and Special Member are hereby admitted to the Company as the sole 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 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, L.L.P. 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, L.L.P. (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 South River Development Corporation, Inc. and Waynesboro Redevelopment and Housing Authority, 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 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 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 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 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.

"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).

"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).

"Certified Credits" means ninety-nine and ninety-nine hundredths percent (99.99%) 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 5.0l(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 Mountain View Partners, 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 $5,467,652 (including all exhibits and attachments thereto) to be entered into between the Company and the Contractor, pursuant to which the Project is to be rehabilitated. Such Construction Contract shall be subject to the Consent of the Investor Member.

"Construction Loan" means the Project Loan, if any, 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, a Virginia non-stock 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 Edward M. Burns, II, PC, 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 South River Development Corporation, Inc.

"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.

"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 to be executed by the Company as of September 2, 2010 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 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 including the funding of the Permanent Loans under Documents acceptable to the Investor Member, 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).

"Hazardous Substances" has the meaning set forth in Section 16.07(a).

"Hazardous Waste Laws" has the meaning set forth in section 16.07(e).

"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 June 26, 2012.

"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 Housing Equity Fund of Virginia XV, 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 South River Associates, 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 and the Accounting Fee, (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 Waynesboro, Virginia and the improvements to rehabilitated, owned and operated thereon by the Company, and to be known as Mountain View Apartments.

"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 Virginia Affordable Housing Management Corporation, a Virginia corporation, or its assignee.

"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 buildings 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 an 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 Fidelity 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 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.

"Withdrawing Member" means South River Development Corporation, Inc.

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 South River Development Corporation, Inc. by providing decent, safe, sanitary and affordable housing for low income persons and families. 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 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 be personally liable for the obligations of the Company under the loan from South River Development Corporation, Inc., as described in **Exhibit F**.

(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 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 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 $22,339 for 2012, $423,042 for 2013, $720,428 for each year 2014 through 2021, $698,089 for 2022, and $297,386 for 2023 which equals the amount of LIHTC the Managing Member has projected will be allocated to the Investor Member, constituting ninety-nine and ninety-nine hundredth percent (99.99%) of the LIHTC which the Managing Member has projected will be available 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 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 December 16, 2010, 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.

(t) 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 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 40-year term in accordance with Code Section 42(h)(6)(E)(i)(II).

(u) Ownership of Managing Member. South River Development Corporation, Inc. 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. In the event the Managing Member or any member or shareholder of the Managing Member is controlled by a tax-exempt entity, such entity will make the election permitted under Section 168(h)(6)(F) of the Code. The Managing Member shall not allow the Company to enter into any lease with a tax-exempt entity without the prior written approval of the Special Member.

(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, an investor member or 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 member, 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 an Investor Member 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) [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 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 6707(A)(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. The Managing Member 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 Managing Member or the Company 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 Managing Member 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 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 Managing Member 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 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. At a minimum, the Managing Member shall cause the Company to annually deposit into a segregated reserve account, commencing upon the year the Project is placed in service, $300 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 increased at a compounded rate of 3% per annum. 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 $400,000 (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 first $50,000 of the Operating Reserve shall be funded from the proceeds of the Fourth Capital Contribution, and $350,000 will be funded from the proceeds of the Sixth 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 $400,000, from Net Cash Flow, as set forth in Section 11.03(b) hereof. To the extent an Unpaid Fee (as defined in Section 5.01(b)) exists on the thirteenth anniversary of placement in service of the Project, and the balance in the Operating Reserve at that time exceeds $400,000 (the difference between the balance and $400,000 being "Excess Funds"), then, during the 14th year after the Project is placed in service, the Managing Member shall use Excess Funds to pay the Unpaid Fee. Withdrawals from the Operating Reserve shall require the prior written approval of the Special Member.

(s) Lease-Up Reserve. By the time of certificate of occupancy, the Managing Member shall establish and cause the Company to deposit into the Operating Account an amount sufficient to pay for operating and marketing expenses during the lease-up period (the "Lease-Up Reserve"). The amount of the Lease-Up Reserve shall be $50,000 and shall be fully funded by the proceeds of the Second and Third Capital Contributions. 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 the nominee if so directed by the Managing Member) as a construction period management incentive fee ("Construction Period Management Incentive Fee").

(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, COMPANY INTERESTS AND OBLIGATIONS OF THE COMPANY.

5.01 Members; Capital Contributions; Company 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:
South River Associates, Inc.
1700 New Hope Road
Waynesboro, Virginia 22980

(ii) Capital Contribution: $2,325,909.63, 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 XV, 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%

(ii) The Special Member, its principal office and place of business, its Percentage Interest and its Capital Contribution are as follows:

Virginia Affordable Housing Management Corporation 1840 West Broad Street Suite 200 Richmond, Virginia 23220	$10.00	0.001%

(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 $5,750,000 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). 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 $28,000 shall be used to pay the Investor Member'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, the remainder shall be used to pay a portion of the Development Fee in an amount of up to $30,332.

(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 $720,428;

(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; and

(M) 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 One Million Seven Hundred Fifty Thousand and No/100 Dollars ($1,750,000). 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, first to establish the

Lease-Up Reserve with an initial deposit of $25,000, second to repay the balance outstanding on the Construction Loan, and the remainder to pay for the cost of construction or rehabilitation of the Project.

(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 the rehabilitation work is at least fifty percent (50%) complete and has been performed 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 Investor Member; (2) an endorsement affording mechanics lien coverage; and (3) such other endorsements as the Investor Member may reasonably require;

(F) 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.

(iii) Third Capital Contribution. The amount of the Third Capital Contribution shall be One Million Five Hundred Thousand and No/100 Dollars ($1,500,000). 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 Third Capital Contribution in the amount requested by the Managing Member in the manner set forth below, first to fund an additional $25,000 into the Lease-Up Reserve, second to repay the balance outstanding on the Construction Loan, and the remainder to pay for the cost of construction or rehabilitation of the Project.

(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 the rehabilitation work is at least seventy-five percent (75%) complete and has been performed 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 Investor Member; (2) an endorsement affording mechanics lien coverage; and (3) such other endorsements as the Investor Member may reasonably require;

(F) 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.

(iv) Fourth Capital Contribution. The amount of the Fourth Capital Contribution shall be One Million Three Hundred Thousand and No/100 Dollars ($1,300,000). 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 Fourth Capital Contribution in the amount requested by the Managing Member in the manner set forth below, first to repay the balance outstanding on the Construction Loan, second to establish the Operating Reserve with an initial deposit of $50,000, third, to pay for the cost of construction or rehabilitation of the Project, and the remainder to pay a portion of the Development Fee in an amount of up to $49,526.

(A) Third Capital Contribution Paid. The occurrence of the Investor Member's Third Capital Contribution;

(B) Final Closing. Simultaneously with Final Closing, provided that the Investor Member 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 Investor Member;

(C) 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) Extended Use Agreement. Receipt by the Investor Member of a copy of an as-recorded Extended Use Agreement;

(H) 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 Fourth 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;

(I) 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;

(J) 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 Fourth Capital Contribution;

(K) 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;

(L) 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;

(M) 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;

(N) 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 Fourth 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;

(O) 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;

(P) 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

(v) Fifth Capital Contribution. The amount of the Fifth Capital Contribution shall be Seventy Five Thousand and No/100 Dollars ($75,000). 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 Fifth Capital Contribution in the amount requested by the Managing Member in the manner set forth below, first to repay the balance outstanding on the Construction Loan, and the remainder to pay for the cost of construction or rehabilitation of the Project, and to pay a portion of the Development Fee in an amount of up to $75,000.

(A) Fourth Capital Contribution Paid. The occurrence of the Investor Member's Fourth 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 95% 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 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 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 2013 and 2014 tax return; and

(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; and

(I) 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.

(vi) Sixth Capital Contribution. The amount of the Sixth Capital Contribution shall be Three Hundred Seventy-Five Thousand and No/100 Dollars ($375,000). 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 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, to deposit an additional $350,000 in the Operating Reserve, and the remainder to pay a portion of the Development Fee in an amount of up to $23,826.

(A) Fifth Capital Contribution Paid. The occurrence of the Investor Member's Fourth Capital Contribution;

(B) 6 Months' Breakeven Operation. The last day of the month following the month in which the Project has achieved Breakeven Operations with at least 95% physical and economic occupancy for the six-month period in which Breakeven Operations has been achieved;

(C) 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;

(D) Company Tax Return. The Investor Member shall have received a complete copy of the Company's 2015 tax return; and

(E) 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) 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 $720,428 and (B) $0.7981. 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 the product of (a) $0.7981 and (b) the amount, if any, by which $22,334 exceeds Actual Credits for calendar year 2012, $422,957 exceeds Actual Credits for 2013, $720,284 exceeds Actual Credits for calendar years 2014 through 2021, and $697,950 exceeds Actual Credits for calendar year 2022, and $297,326 exceeds Actual Credits for calendar year 2023.

F. "Early Delivery Capital Adjustment" shall mean the product of (a) $0.6500 and (b) the amount, if any, by which Actual Credits for calendar year 2012 exceeds $22,334, and Actual Credits for calendar year 2013 exceed $422,957 (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 December 31, 2013, 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 Fifth 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 $28,000.

(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 limited liability company 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 Edward M. Burns II, P.C., 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, 2014 (or such later date as may be Consented to by the Investor Member); (ii) the Company has not received State Designation in 2010 or the IRS Form(s) 8609 (is) (are) not issued by the Agency by December 31, 2014, so as to allow the Credit Period to commence as of December 31, 2012; (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, 2011, 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 the Project is placed-in-service, 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; (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 certificate of limited liability company 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 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 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 limited liability company 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 each Affiliate Guarantor to maintain a minimum net worth of $500,000;

(K) failure of the Company to achieve Breakeven Operations within six 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.

6.06 Construction Lender Requirements.

(a) Notwithstanding anything to the contrary contained in this Agreement, the Members hereby consent to (A) the granting of a security interest in the Company's rights, title and interest in and to the obligation of the Investor Member to make Capital Contributions to the Company pursuant to and in accordance with this Agreement (the "CC Collateral"), to and/or in favor of Branch Banking and Trust Company ("BB&T") to secure the obligations of the Company to BB&T under the loan documents evidencing, securing and otherwise governing the Construction Loan made by BB&T (collectively, as amended from time to time, the "BB&T Construction Loan Documents"), (B) the filing of financing statements by or on behalf of BB&T, the execution and delivery of one or more pledge and/or security agreements in favor of BB&T in the form approved by the Investor Member, and the taking of any and all such other actions as may be required by BB&T to perfect its security interest in the CC Collateral, and (C) the exercise by BB&T of all of its rights and remedies relating to its perfected security interest in the CC Collateral, under the BB&T Construction Loan Documents.

(b) Notwithstanding anything to the contrary contained in this Agreement, the Members hereby consent to (A) the pledge of, and the granting of a security interest in, the Managing Member's Interest and all of the other interests of the Managing Member in the Company (collectively, the "MM Pledged Collateral"), to and/or in favor of BB&T to secure the obligations of the Company to BB&T under the BB&T Construction Loan Documents, (B) the filing of financing statements by or on behalf of BB&T, the execution and delivery of one or more pledge and/or security agreements in favor of BB&T in the form approved by the Investor Member, and the taking

of any and all such other actions as may be required by BB&T to perfect its security interest in the MM Pledged Collateral, and (C) the exercise by BB&T of all of its rights and remedies relating to its perfected pledge and security interest in the MM Pledged Collateral, under the BB&T Construction Loan Documents.

Notwithstanding anything to the contrary contained in this Agreement, the Members agree and covenant that:

(a) upon and Event of Default under the BB&T Construction Loan Documents any exercise by BB&T of its rights and remedies as a pledgee and secured creditor resulting in a transfer of title to all or any portion of the MM Pledged Collateral to BB&T, BB&T's nominee and/or any Person to whom BB&T may transfer such MM Pledged Collateral in a secured creditor's sale (each such Person being referred to herein as a "Foreclosure Transferee"), such Foreclosure Transferee shall automatically be admitted as a substitute Managing Member of the Company and recognized as the owner of the MM Pledged Collateral so transferred without the requirement of any consent of the Company or any other Member and the Managing Member shall no longer be entitled to exercise any rights with respect to the MM Pledged Collateral so transferred;

(b) the Managing Member Interest in the Company, whether now or hereafter issued and outstanding, shall be uncertificated and no election has or will be made to have such Interest governed by Article 8 of the Uniform Commercial Code adopted by the Commonwealth of Virginia without the prior written consent of BB&T; and

(c) the provisions set forth in this Section 6.06 may not be amended or restated without the prior written consent of BB&T, which consent shall not be unreasonably withheld, delayed or conditioned, and any attempt to do so in violation of the foregoing shall be null and void. Notwithstanding this Section 6.06 shall have no further force and effect, upon the final payment of the Construction Loan.

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 an 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;

(viii) 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;

(ix) materially change any accounting method or practice of the Company;

(x) file a voluntary petition for bankruptcy of the Company;

(xi) 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;

(xii) borrow funds from the Company;

(xiii) 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 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 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; or

(xxvii) allow this Agreement to be amended.

(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 as 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 (a) 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 (a) above and ending on the fifteenth anniversary of such date (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) after available fund in the Operating Reserve have been exhausted. 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.

(c) 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 multiplied by $0.7981, (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 multiplied by $0.7981; (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, 2014, 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 $1,000,000 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 $821,316 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.

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 limited liability company 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 five percent (5%) 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. South River Development Corporation, Inc. 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 Development Advisory Fee. 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 certificate 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 certificate 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 certificate 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 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 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) Qualified Allocations. The Managing Member acknowledges that one of its members or shareholders ("Tax-Exempt Member") is exempt from federal income taxation pursuant to Section 501(c) of the Code. The Managing Member hereby agrees and covenants that the Tax-Exempt Member's percentage share of each item of Managing Member income, gain, loss, deduction, credit or basis, to the extent any such items are allocated to the Managing Member by the Company, shall be the same percentage with respect to each such item, and that such percentages for the Tax-Exempt Member, as they have been established as of the date hereof, shall not be changed without the consent of the Investor 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(d) and (e) 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 Company 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, following the full payment of amounts due under the Development Agreement, to replenish the Operating Reserve up to a balance of $400,000, and then the pro rata payment of any outstanding Operating Deficit Loans, Completion Loan, and MM Loans, based upon the respective outstanding balances of each;

(vi) sixth, eighty percent (80%) to the payment of the Incentive Management Fee; and

(vii) thereafter, ninety-nine and ninety-nine hundredths percent (99.99%) to the Investor Member; nine thousandths percent (0.009%) to the Managing Member; and one thousandth percent (.001%) to the Special Member.

(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) 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 members and their respective Members or members until they each have received, cumulatively, an amount equal to their respective Net Projected Tax Liabilities;

(e) the balance, ninety-nine and ninety-nine hundredths percent (99.99%) to the Investor Member, nine thousandths percent (0.009%) to the Managing Member, and one thousandth percent (.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) business 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 §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 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 (i) ensure that all allocations to the Managing Member 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 Investor Member from being allocated the deductions and credits shown as being allocated to the Investor Member in the financial projections approved by the Investor Member, and (ii) 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 taxable income recognized as a result of any receipt of grants by the Company shall be allocated one hundred percent (100%) to the Managing Member. The Investor Member 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 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 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 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.

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 of 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 investor

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 XV, L.L.C.
c/o Virginia Housing Capital Corporation
1840 West Broad Street, Suite 200

Richmond, Virginia 23220-2151

with a copy to:

Applegate &Thorne-Thomsen, P.C.
626 West Jackson Boulevard
Suite 400
Chicago, Illinois 60661
Attention: Thomas Thorne-Thomsen

(b) To the Managing Member:

South River Associates, Inc.
1700 New Hope Road
Waynesboro, VA 22980
Attention: Eddie Delapp

With a copy to:

Edward M. Burns II, PC
2611 W. Main Street, Suite 5
Waynesboro, VA 22980
Attention: Edward Burns, Esq.

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 Mountain View Partners, LLC as of the date first written above.

MANAGING MEMBER:

SOUTH RIVER ASSOCIATES, INC.,
a Virginia corporation

By: M. A. Everly, Pres.
M.A. Everly, President

INVESTOR MEMBER:

Housing Equity Fund of Virginia XV, 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, L.L.C., a Virginia limited liability company

By: _____
Arild O. Trent, Vice President

WITHDRAWING MEMBER:

SOUTH RIVER DEVELOPMENT
CORPORATION, INC.

By: _____
M.A. Everly, President

118242v.6

TABLE OF EXHIBITS

EXHIBIT A
TO OPERATING AGREEMENT

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (this "Agreement") made as of June 26, 2012 by and between Mountain View Partners, LLC, a Virginia limited liability company (the "Company") and South River Development Corporation Inc., a Virginia 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 Waynesboro, Virginia, known as Mountain View 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 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 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) One Million and No/100 Dollars ($1,000,000); 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, 2010;

(ii) Twenty percent (20%) upon commencement of construction of the Project;

(iii) Twenty percent (20%) when the units are placed in service;

(iv) Twenty percent (20%) upon achievement of 100% Qualified Occupancy; and

(v) Twenty percent (20%) upon receipt of IRS Form 8609 for the Project.

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%) upon 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 Branch Banking & Trust Company, 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.

[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:

Mountain View Partners, LLC, a Virginia limited liability company

By: South River Associates, Inc.
its Managing Member

By: _____
M.A. Everly, President

DEVELOPER:

South River Development Corporation
a Virginia corporation

By: _____
M.A. Everly, President

EXHIBIT B
TO OPERATING AGREEMENT

INCENTIVE MANAGEMENT FEE AGREEMENT

THIS INCENTIVE MANAGEMENT FEE AGREEMENT (this "Agreement") made as of June 26, 2012, by and between Mountain View Partners, LLC, a Virginia limited liability company (the "Company") and South River Associates, Inc., a Virginia corporation, as the Managing Member (the "Managing Member").

Recitals

WHEREAS, Managing Member and Housing Equity Fund of Virginia XV, 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 an 129-unit multifamily apartment complex intended for rental to low income individuals and families, to be known as Mountain View Apartments, and to be located in Waynesboro, 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 eighty percent (80%) of the Net Cash Flow remaining after payment of the items described in Section 11.03(b)(i) through (vi) under the Operating Agreement to a maximum amount of ten percent (10%) of gross collections for any given calendar year.

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 Company 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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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:

MOUNTAIN VIEW PARTNERS, LLC, a Virginia limited liability company

By: South River Associates, Inc.,
a Virginia corporation

By: _____
M.A. Everly, President

MANAGING MEMBER:

SOUTH RIVER ASSOCIATES, INC.

By: _____
M.A. Everly, President

EXHIBIT C
TO OPERATING AGREEMENT

DESCRIPTION OF LAND

The land referred to below is located in Waynesboro, Virginia:

LOTS ONE (1), TWO (2), THREE (3) and FOUR (4) of SECTION SIX (6), BLOCK 154, HILANDALE SUBDIVISION.

LOT ONE (1), SECTION NINE (9), Block 154, HILANDALE SUBDIVISION.

LOTS FIVE (5), SIX (6), SEVEN (7), ELEVEN (11) and TWELVE (12) of SECTION TEN (10), BLOCK 154, HILANDALE SUBDIVISION.

All as shown on a plat entitled "ALTA/ACSM LAND TITLE SURVEY OF MOUNTAIN VIEW APARTMENTS, LOTS 1, 2, 3, & 4, SECTION SIX, LOT 1, SECTION 9, and LOTS 5, 6, 7, 11 & 12, SECTION 10, HILANDALE SUBDIVISION, WAYNESBORO, VIRGINIA," dated February 1, 2012, revised June 14, 2012 prepared by David L. Collins, L.S., P.E., said plat of record in the Clerk's Office of the Circuit Court for the City of Waynesboro, Virginia in Plat Book ___, Page ____.

EXHIBIT D
TO OPERATING AGREEMENT

AFFILIATE GUARANTY

THIS GUARANTY AGREEMENT (this "Guaranty Agreement"), made as of June 26, 2012, is by South River Development Corporation, Inc. and Waynesboro Redevelopment and Housing Authority (jointly and severally referred to herein as "Guarantor" or collectively "Guarantors"), for the benefit of Housing Equity Fund of Virginia XV, L.L.C. a Virginia limited liability company ("HEF").

Recitals

WHEREAS, South River Associates, Inc., a Virginia corporation (the "Managing Member"), is the Managing Member of Mountain View Partners Limited Liability Company, a Virginia limited liability company (the "Company");

WHEREAS, the Company is governed by its Amended and Restated Operating Agreement dated as of June 26, 2012 (the "Operating Agreement");

WHEREAS, South River Development Corporation ("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 covenant and agree 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 Guarantors (the obligations described in this Paragraph 1 are hereinafter collectively referred to as the "Indebtedness"). Notwithstanding the foregoing, certain obligations of [the Guarantors] 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, from and after the fifth anniversary of the achievement of Breakeven Operations, the obligation of the Guarantors shall not exceed six months of Operating Expenses (defined below) of the Project (the obligation to fund Operating Deficits prior to the fifth anniversary of the achievement of Breakeven Operations 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 Operating Agreement, the obligation of the Guarantors shall not exceed the sum of the Development Fee (in the amount of $1,000,000, including any deferred portion), the Incentive Management Fee, the Construction Management Incentive Fee and any other fee paid or to be paid to the Guarantors, the Managing Member or an Affiliate 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 Operating Agreement, the obligation of the Guarantors shall not exceed the sum of the Development Fee (in the amount of $1,000,000, including any deferred portion), the Incentive Management Fee, the Construction Incentive Management Fee and any other fee paid or to be paid to the Guarantors, the Managing Member or an Affiliate with respect to the Project; and (iv) 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 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 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 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 any 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 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 Guarantors hereby agree 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 XV, 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. 626 W. Jackson Boulevard, Suite 400 Chicago, Illinois 60661 Attention: Thomas Thorne-Thomsen
Guarantor:	South River Development Corporation, Inc. 1700 New Hope Road Waynesboro, VA 22980
	Waynesboro Redevelopment and Housing Authority 1700 New Hope Road Waynesboro, VA 22980
With a copy to:	Edward M. Burns, II, P.C. 2611 W. Main Street, Suite 5 Waynesboro, VA 22980 Attn: Edward M. Burns, II

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. Capitalized terms not defined herein shall have the meaning set forth in the Operating Agreement.

23. Limitation on Availability of HUD Funds. The source of the monies to fund any of the Guarantor's obligations under this Agreement shall not be public housing operating subsidies, any public housing project of the Guarantor, any operating receipts of the Guarantor (as the term "operating receipts" is defined in its Consolidated Annual Contributions Contract Number P250, dated November, 1969, as amended, or any subsequent, successor, or other ACC or replacement agreement to which Guarantor may become a party (the "ACC")), or any public housing operating reserve of the Guarantor reflected in the Guarantor's annual operating budget and required under the ACC. Excess fees contained in the Guarantor's Section 8 administrative fee reserved under 24 CFR 982.155 that were earned prior to September 30, 2003, shall not be subject to the foregoing restriction, nor shall any other assets of the Guarantor arising under any program not administered by HUD be subject to this restriction.

24. 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:

SOUTH RIVER DEVELOPMENT CORPORATION, INC.

By: M.A. Everly
M.A. Everly, President

COMMONWEALTH OF VIRGINIA)
) ss.
CITY OF WAYNESBORO)

The foregoing instrument was acknowledged before me this 26th day of June, 2012, by M.A. Everly, President.

J. M. Norcross
Notary Public

My commission expires:
05/31/2015

Registration Number:
182917

Commonwealth of Virginia
J.M. Norcross - Notary Public
Commission No: 182917
My Commission Expires 5/31/2015

GUARANTOR:

WAYNESBORO REDEVELOPMENT AND HOUSING AUTHORITY

By: _____
B. Spencer Cross, Chairman of the Board of Commissioners

COMMONWEALTH OF VIRGINIA)
) ss.
CITY OF WAYNESBORO)

The foregoing instrument was acknowledged before me this 26th day of June, 2012, by B. Spencer Cross, Chairman of the Board of Commissioners.

Commonwealth of Virginia
J.M. Norcross - Notary Public
Commission No: 182917
My Commission Expires 5/31/2015

_____
Notary Public

My commission expires:
05/31/2015

Registration Number:
182917

EXHIBIT E
TO OPERATING AGREEMENT

PLEDGE AND SECURITY AGREEMENT

THIS PLEDGE AND SECURITY AGREEMENT (this "Agreement") made as of June 26, 2012, by South River Associates, Inc., a Virginia corporation ("Pledgor"), having an office at 1700 New Hope Road, Waynesboro, Virginia 22980, 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 Managing Member in Mountain View Partners, LLC Limited Liability Company (the "Company"), and the Company is governed by its Amended and Restated Operating Agreement dated as of June 26, 2012 (the "Operating Agreement") (capitalized terms not otherwise defined herein shall have the definitions given them in the Operating Agreement).

WHEREAS, Pledgee is an 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 security interest under the Uniform Commercial Code of the Commonwealth of Virginia in the Collateral, which security interest is subordinate to any lien and/or security interest in the Collateral granted to Branch Banking and Trust Company by Pledgor and/or by the Company as security for a revolving construction loan made by Branch Banking and Trust Company to the Company in the principal amount of $4,750,000 (the "Senior Pledge"). 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, other than the Senior Pledge.

(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. Other than the Senior Pledge, 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 45-4408372, and its principal place of business is located at 1700 New Hope Road, Waynesboro, Virginia 22980.

(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, subject to the Senior Pledge:

(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 an 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 COMMERCIALLY 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 COMMERCIALLY 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 Thomas Thorne-Thomsen, Applegate &Thorne-Thomsen, P.C. 626 W. Jackson Blvd, Suite 400, Chicago, Illinois 60661. If notice is sent to Pledgor, a copy of such notice shall also be given to Edward M. Burns, II, Esq., 2611 W. Main Street, Suite 5, Waynesboro, VA 22980.

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.

SOUTH RIVER ASSOCIATES, INC.

By: M. A. Everly, Pres
M.A. Everly, President

EXHIBIT F
TO OPERATING AGREEMENT

SUMMARY OF PROJECT LOAN TERMS

Construction Loan

Lender: Branch Banking & Trust Company
Amount: $4,750,000
Interest Rate: Bank's prime rate plus 1% per annum, with a floor of 5.25%
Source: Non Federal
Term/Repayment Terms:
Recourse: Yes

Senior Permanent Loan

Lender: VHDA
Amount: $2,600,000
Interest Rate: 2% interest on $950,000 of Loan; 3.95% interest on $950,000 of Loan; 6.451% on $700,000 of Loan
Source: REACH, except for $700,000 of Loan (the source of which is taxable bonds)
Term/Repayment Terms: 360 months; monthly payments of interest and principal required
Recourse: No

Junior Permanent Loan

Lender: Virginia Department of Housing and Community Development
Amount: $500,000
Interest Rate: 3%
Source: HOME
Term/Repayment Terms: 15 years; interest only payments due until maturity
Recourse: No

Junior Permanent Loan

Lender: Sponsor AHP Loan
Amount: $700,000
Interest Rate: 0%
Source: FHLB, AHP Program
Term/Repayment Terms: 30 years
Recourse: Yes

EXHIBIT G
TO OPERATING AGREEMENT

PROPERTY MANAGEMENT AGREEMENT

HOUSING MANAGEMENT AGREEMENT

THIS AGREEMENT is made this _____ day of _____, _____, between Mountain View Partners, LLC (the "Owner") and South River Development 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 housing development identified as Mountain View Apartments (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.

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.

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; REACH *Virginia* Financing; LIHTC). 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) The units in the Development that are subject to the extended low-income housing commitment required by subsection (h)(6) of Section 42 of the Internal Revenue Code of 1986, as heretofore and hereafter amended, or any successor provision, shall be occupied or held available for occupancy by individuals and families whose incomes do not exceed as of the date of their initial occupancy of such units the applicable income limitation under such commitment and (ii) the units (if any) in the Development that are not subject to such commitment (and, upon any termination of such commitment, all 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 one hundred fifty percent (150%) 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 One Thousand and No/100 Dollars ($ 1,000.00) 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, except the Property Manager, shall be employees of the Owner; however, 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 Four percent (4.00 %) 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 Three Thousand and 00 Dollars ($ 3,000.00) 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, at the request of the Owner or VHDA, furnish such monthly occupancy, operations and financial reports as either the Owner or VHDA may require and shall give specific answers to questions upon which information is desired from time to time relative to the income, assets, liabilities, contracts, operation, condition and general management of the Development, residents of the Development and status of the Mortgage Loan. The Agent shall prepare and deliver to the Owner and VHDA any and all other statements, records, papers, documents and information 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. All such reports, answers, statements, records, papers, documents and information shall be delivered to VHDA and the Owner in such manner, format and medium (including, without limitation, electronic) as VHDA may require.

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." Such statement shall be delivered to VHDA and the Owner in such manner, format and medium (including, without limitation, electronic) as VHDA may require.

(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 successive terms of one year each, 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 commencement of any 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 or 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.

IN WITNESS WHEREOF, the Parties (by their duly authorized officers) have executed this Agreement on the date first set forth above.

_____ (SEAL) _____(SEAL)
(AGENT) (OWNER)

ENDORSEMENT BY VHDA

DATE: _____

The Virginia Housing Development Authority hereby consents to the foregoing Management Agreement, by and between Mountain View Partners, LLC (Owner) and South River Development Corporation (Agent).

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

BY: _____(SEAL)
Its: Authorized Officer

ADDENDUM TO LEASE

Apartment Number _____

Landlord _____

Tenant(s) _____

Date _____

The following provisions shall be incorporated into and made a part of the Lease of even date herewith between Landlord and Tenant and shall control over any inconsistent provisions therein.

1. Eligibility. Tenant hereby acknowledges that Tenant's family income and composition and other matters relating to Tenant's eligibility for occupancy of the Apartment are material to this Lease. Prior to execution of this Lease, Tenant provided Landlord with certain information, documents and certifications with respect to Tenant's eligibility for occupancy of the Apartment. Tenant hereby warrants and confirms that such information, documents and certifications are in all respects true, accurate and complete as of the date hereof. Tenant agrees to comply with all requests hereafter made by the Landlord or the Virginia Housing Development Authority ("the Authority") for information, documents, and certifications concerning Tenant's eligibility for occupancy of the Apartment. Such requests may be made annually (and shall be made no less frequently than every three years) and at such other times as Landlord or the Authority may require. Tenant shall furnish all such information, documents and certifications requested by Landlord or the Authority on or before the date specified in such request, which date shall not be earlier than ten (10) days from the date of receipt by Tenant of such request. Such information, documents and certifications shall in all respects be true, accurate and complete.

Any failure by Tenant to comply with any such request in accordance with the terms of this Paragraph or any falsification, misstatement or misrepresentation by Tenant of any information relating to Tenant's eligibility for occupancy of the Apartment shall be deemed a substantial and material violation of this Lease. Furthermore, in the case of any such violation of this Lease, Landlord may (subject to the prior approval of the Authority and in lieu of exercising its rights or remedies arising under this Lease as a result of such violation) determine that Tenant shall no longer be eligible for occupancy of the Apartment and shall be subject to the provisions set forth below relating to ineligibility.

2. Ineligibility. In the event that (a) at the time of any determination by Landlord as to Tenant's eligibility for occupancy of the Apartment, Tenant's adjusted family income shall exceed the maximum limit then established by the Authority for occupancy of the Apartment or (b) Tenant is otherwise determined not to be eligible for occupancy of the Apartment in accordance with criteria then established by the Authority or in accordance with the provisions hereof, this Lease shall remain in full force and effect unless otherwise terminated pursuant to any of the provisions of this Lease; provided, however, that commencing on the first day of the month after Tenant becomes ineligible, Tenant shall pay a surcharge on the rent in the amount set forth in such schedule as shall be prescribed by the Authority; provided, further, that the amount of such surcharge imposed by the Authority shall not cause the rent (including such surcharge) to exceed the limitation imposed by Section 42 of the Internal Revenue Code, if applicable. In the event that such a surcharge is imposed, Tenant shall have the right to terminate this Lease either (a) on the first day of the month in which such surcharge is to commence or (b), upon at least thirty (30) days prior written notice to the Landlord, on the first day of the next succeeding month. For the purposes of this Lease, any such surcharge shall be deemed to be rent and shall be subject to all of the provisions hereof relating to rent. Tenant shall be obligated to pay such surcharge on the first day of each month for such period of time as Tenant shall remain ineligible for occupancy.

3. Assign or Sublease. Tenant may not, without the prior written consent of the Landlord, assign this Lease or sublet the Apartment or any part thereof or give accommodation to any roomer, lodger or other person not herein set forth, nor permit the use of the Apartment for any purposes other than as a private dwelling solely for the use of Tenant and Tenant's family consisting of the following named persons: _____
_____
_____.

4. Rights of the Authority. It is understood and agreed by Landlord and Tenant that the Authority shall have the right (but shall not be obligated) to exercise any and all of the rights of Landlord under this Lease in the event of a breach or violation by Tenant of any of the provisions hereof.

In Witness Whereof, the parties hereto have executed these presents the day and year first above written:

TENANT(s)

_____(SEAL)

_____(SEAL)

LANDLORD

By _____(SEAL)

By _____(SEAL)

EXHIBIT H
TO OPERATING AGREEMENT

DEVELOPMENT BUDGET

Mountain View

PROJECT ASSUMPTIONS

Project Sponsor	Waynesboro RHA
Community	Waynesboro, VA

OPERATING ASSUMPTIONS

PROJECT TIMING	
Closing	01-Apr-12
Construction Start	15-Apr-12
Construction Completion	15-Jun-13
Full Qualified Occupancy	15-Dec-13
Closing Month of the Year	9
Operating Months Year	12
Ave. Qual. Occupancy Mo. Year	0.37

Credit Allocation	720,428
(Insert - 0 - if prior to allocation)	
543225	922,941
Credit Used	720,428

PROJECT OPERATING ASSUMPTIONS

GENERAL			
Management Fee	4.76%	Replacement Reserve $/Unit	300
Vacancy Rate	7.00%		
Inflation Income	2.00%	Operating Cost/Unit	4220
Inflation Expenses	3.00%		
Initial Partnership Admin. Fee	$13,500		
Year 1 Building Expenses	$463,600	(W/O REP.RES.,MGMT.)	

129 units at 60% AMI - tax credit
13 units at 40% rents - tax credit
116 units at 50% rents - tax credit

PROJECT INCOME ASSUMPTIONS

Unit Type	# Units	Net $/Mo.	Gross Pot Ann Inc.	Achievable Rent
0 BR / 1 BA (60% income 40% rent)	1	330.00	3,960	330
2 BR / 1 BA (60% income 40% rent)	12	415.00	59,760	421
2 BR / 1 BA (60% income 50% rent)	116	530.00	737,760	550
			0	
			0	
			0	
			0	
HCV Subsidy from Vouchers			0	
Total Apartment Units	129		801,480	

PROPERTYRENTAL INCOME ANALYSIS

Unit Type	Tenant Pd Utilities	Sq. Ft.	Net $/Mo.	Utility Allow	Adjusted Rent	Program Maximum 40% and 50%	Dollars Below	FMR	Dollars Below	Market Rent
0 BR / 1 BA (60% income 4	All but w/s/t	405	330.00	83.00	413.00	420.00	7.00	498.00	85.00	475
2 BR / 1 BA (60% income 4	All but w/s/t	670	415.00	110.00	525.00	540.00	15.00	668.00	143.00	625
2 BR / 1 BA (60% income 5	All but w/s/t	672	530.00	110.00	640.00	675.00	35.00	668.00	28.00	625
0			0.00		0.00		0.00		0.00	
0			0.00		0.00		0.00		0.00	
0			0.00		0.00		0.00		0.00	
0			0.00		0.00		0.00		0.00	
HCV Subsidy from Vouchers		0	0.00							

Mountain View

OPERATING EXPENSES

VHDA (Taxable Bond proceeds)			Annual Expense		$/Unit	
ADMINISTRATIVE						
Advertising/Marketing			10,000		78	
Office Salaries			7,500		58	
Office supplies			8,000		62	
Office/Model Apartment					0	
Management Fee	4.76% EGI	35480	38,150		296	
Manager Salaries			70,000		543	
Staff units					0	
Legal			1,500		12	
Audit			0		0	
Bookkeeping/Accounting			5,000		39	
Telephone			8,000		62	
VHDA Monitoring			3,870		30	
Other Administrative			3,000		23	
TOTAL ADMINISTRATIVE				155,020		1,202
UTILITIES						
Fuel Oil					0	
Electricity			12,000		93	
Water			22,000		171	
Sewer			32,000		248	
Gas			3,100		24	
TOTAL UTILITIES				69,100		536
OPERATING / MAINTENANCE						
Janitor/Cleaning Payroll					0	
Janitor/Cleaning Supplies					0	
Janitor/Cleaning/Cleaning Contract			8,000		62	
Exterminating			5,000		39	
Trash Removal			16,000		124	
Security/Payroll			17,000		132	
Grounds Payroll					0	
Grounds Supplies					0	
Grounds Contract			16,000		124	
Maintence/Repairs Payroll			60,000		465	
Repairs Material			30,000		233	
Repair Contract			2,000		16	
Heating Cooling Repairs and Maintenance			2,000		16	
Pool Maintenance			3,000		23	
Snow Removal					0	
Decorating/Payroll/Contract			0		0	
Decorating Supplies			0		0	
Miscellaneous			5,000		39	
TOTAL OPERATING / MAINTENANCE				164,000		1,271

0.972727273

EXPENSE ANALYSIS	Annual Expense	$/Unit
Administrative W/O Mgmt, Audit, VHDA	113,000	876
Utilities	69,100	536
Maintence	164,000	1,271
Real Estate Taxes	35,000	271
Insurance	30,000	233
Other Taxes / Insurance	52,500	407
TOTAL Building Expense	463,600	3,594
Replacement Res.	38,700	300
Management	38,150	296
VHDA Monitoring	3,870	30
Total Operating Expense	544,320	4,220
Partnership Management/Audit	13,500	105
Total Annual Expenses	557,820	4,354

			Annual Expense		$/Unit	
TAXES AND INSURANCE						
Real Estate Taxes			35,000		271	
Payroll Taxes			2,500		19	
Miscellaneous Taxes / Linceses / Permits					0	
Property and Liability Insurance			30,000		233	
Fidelity Bond					0	
Workman's Compensation			0		0	
Health Insurance and Employee Benefits			50,000		388	
Other Insurance					0	
TOTAL TAXES AND INSURANCE				117,500		911
Replacement Reserves	300	$/Unit/Yr		38,700		300
TOTAL OPERATING EXPENSES				544,320		4,220

Mountain View

CASH FLOW STATEMENT/RESERVE ACCOUNT BALANCE

Operating Pro-Forma		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
GROSS RENT																		
0 BR / 1 BA (60% income 40% rent)		231	2,325	4,039	4,120	4,202	4,286	4,372	4,460	4,549	4,640	4,733	4,827	4,924	5,022	5,123	5,225	5,330
2 BR / 1 BA (60% income 40% rent)		3,486	35,092	60,955	62,174	63,418	64,686	65,980	67,299	68,645	70,018	71,419	72,847	74,304	75,790	77,306	78,852	80,429
2 BR / 1 BA (60% income 50% rent)		43,036	433,220	752,515	767,566	782,917	798,575	814,547	830,838	847,454	864,403	881,691	899,325	917,312	935,658	954,371	973,459	992,928
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
0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
HCV Subsidy from Vouchers		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL		46,753	470,637	817,510	833,860	850,537	867,548	884,899	902,597	920,649	939,062	957,843	977,000	996,540	1,016,470	1,036,800	#######	#######
VACANCY		3,273	32,945	57,226	58,370	59,538	60,728	61,943	63,182	64,445	65,734	67,049	68,390	69,758	71,153	72,576	74,028	75,508
			0															
Expensed Org. Legal		5,000																
EFFECTIVE GROSS INCOME		38,480	437,692	760,284	775,490	790,999	806,819	822,956	839,415	856,203	873,327	890,794	908,610	926,782	945,318	964,224	983,508	#######
OPERATING EXPENSES																		
Bldng Xpns, Audit, VHDA, Marketing		43,164	301,100	481,378	495,819	510,694	526,015	541,795	558,049	574,791	592,034	609,795	628,089	646,932	666,340	686,330	706,920	728,127
Management fee		1,832	20,834	37,275	36,913	37,652	38,405	39,173	39,956	40,755	41,570	42,402	43,250	44,115	44,997	45,897	46,815	47,751
Replacement Reserve		1,193	22,725	38,700	38,700	38,700	38,700	38,700	38,700	38,700	38,700	38,700	38,700	38,700	38,700	38,700	38,700	38,700
Real Estate Tax Abatement		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL OPERATING EXP.		46,189	344,659	557,353	571,433	587,045	603,119	619,668	636,705	654,246	672,305	690,897	710,039	729,747	750,037	770,927	792,435	814,579
NET OPERATING INCOME		-7,709	93,033	202,931	204,057	203,954	203,700	203,288	202,710	201,957	201,023	199,897	198,571	197,035	195,281	193,297	191,074	188,600
DEBT SERVICE																		
VHDA (Taxable Bond proceeds and REACH)		0	89,437	149,062	149,062	149,062	149,062	149,062	149,062	149,062	149,062	149,062	149,062	149,062	149,062	149,062	149,062	149,062
SPARC		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
HOME		0	9,000	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
Sponsor Loan (AHP)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sponsor Loan (Seller Note)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weatherization		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GP Deferred Developer Fee	100%	0	0	24547	25244	24698	23988	23107	22045	20794	19347	17692	15822	13726	0	0	0	0
				0														
OPERATING CASH FLOW		-7,709	-5,404	14,322	14,752	15,194	15,650	16,120	16,603	17,101	17,614	18,143	18,687	19,248	31,219	29,235	27,012	24,538
ADJUSTMENTS																		
Less: Ptnrshp Admin fee		13,500	13,905	14,322	14,752	15,194	15,650	16,120	16,603	17,101	17,614	18,143	18,687	19,248	19,825	20,420	21,033	21,664
Distributable Cash Flow		-21,209	-19,309	0	0	0	0	0	0	0	0	0	0	0	11,394	8,815	5,979	2,875
Incentive Mgmt Fee	80.0%	0	0	0	0	0	0	0	0	0	0	0	0	0	9,115	7,052	4,784	2,300
Plus: Opr Reserve Int.	0.50%	2,202	2,112	2,074	2,085	2,095	2,106	2,116	2,127	2,137	2,148	2,159	2,170	2,181	2,197	2,218	1,114	1,120
Rep Reserve int		3	63	217	412	608	487	364	560	460	359	555	457	359	555	457	359	554
ADJUSTED CASH FLOW		**-19,003**	**-17,134**	**2,291**	**2,497**	**2,703**	**2,592**	**2,480**	**2,687**	**2,597**	**2,507**	**2,714**	**2,627**	**2,539**	**5,030**	**4,438**	**2,669**	**2,249**
DEBT SERVICE COVERAGE RATIO			**0.95**	**1.24**	**1.24**	**1.24**	**1.24**	**1.24**	**1.24**	**1.23**	**1.23**	**1.22**	**1.21**	**1.20**	**1.19**	**1.18**	**1.16**	**1.15**

Mountain View

Operating and Replacement Reserve Account Analysis

OPERATING RESERVE	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Begining Balance	450,000	430,994	413,796	415,870	417,955	420,050	422,155	424,272	426,398	428,536	430,684	432,842	435,012	437,193	441,668	445,650	447,960
Reserve interest	2,202	2,112	2,074	2,085	2,095	2,106	2,116	2,127	2,137	2,148	2,159	2,170	2,181	2,197	2,218	1,114	1,120
Distributable Cash Flow	-21,209	-19,309	0	0	0	0	0	0	0	0	0	0	0	11,394	8,815	5,979	2,875
Less: Incentive Fee	0	0	0	0	0	0	0	0	0	0	0	0	0	-9,115	-7,052	-4,784	-2,300
Deferred To Reserves	0	0	0	0	0	0	0	0	0	0	0						
ENDING BALANCE	430,994	413,796	415,870	417,955	420,050	422,155	424,272	426,398	428,536	430,684	432,842	435,012	437,193	441,668	445,650	447,960	449,655
Deferred Reserves	0	0	0	0	0	0	0	0	0	0	0	0	0				
REPLACEMENT RESERVE																	
Begining Balance	0	1,196	23,984	62,901	102,014	141,322	53,319	92,383	131,643	52,324	91,384	130,639	52,221	91,280	130,534	52,210	91,269
Interest Income	3	63	217	412	608	487	364	560	460	359	555	457	359	555	457	359	554
Reserve Deposits	1,193	22,725	38,700	38,700	38,700	38,700	38,700	38,700	38,700	38,700	38,700	38,700	38,700	38,700	38,700	38,700	38,700
Capital Expenditures						127,190			118,479			117,575			117,481		
ENDING BALANCE	1,196	23,984	62,901	102,014	141,322	53,319	92,383	131,643	52,324	91,384	130,639	52,221	91,280	130,534	52,210	91,269	130,523

Mountain View

USES OF FUNDS

USES OF FUNDS		Total	Sub Tot	% OF Tot.	Sub Tot	$/unit	Sub Tot	COMMENTS	
Purchase of land		238,992		1.89%		1,853		238991.8818	purchase price =appraised value (4,289,478) less VCDF loan that paid for predevelopment items
Purchase Building		3,805,486	4,044,478	30.13%	32.02%	29,500	31,353	3,805,486	245,000 VCDF loan
Community Building		92,399		0.73%		716			
Site Improvements		360,279		2.85%		2,793			
Abatement/Demolition		247,775		1.96%		1,921			
Unit Structures (Rehab)		3,862,822		30.58%		29,944			
Construction Management		20,000		0.16%		155			
General Conditions, Overhead, Profit		643,973		5.10%		4,992			
Bonding Fee and Business License		53,863		0.43%		418			
Fixtures and Equipment and Blinds		206,541	5,487,652	1.64%	43.44%	1,601	42,540		
Building Permit and County Bond		6,050		0.05%		47			
A&E Fees (Design and Supervision)		240,000		1.90%		1,860			
Termite Treatment		9,600		0.08%		74			
Soil Borings		0		0.00%		0			
Construction Loan Fee		43,500		0.34%		337			
Construction Interest		370,000		2.93%		2,868			
Bridge Interest During Const.	0.5	0		0.00%		0			
Taxes During Construction		50,000		0.40%		388			
Insurance During construction		45,000		0.36%		349			
Cost Certification		12,500		0.10%		97			
Legal Fees Permanent		30,000		0.24%		233			
Legal Fees Construction		60,000		0.48%		465			
Legal Fees Partnership		10,000		0.08%		78			
Legal Fees Syndication		18,000		0.14%		140			
Survey / Title/recording		65,000		0.51%		504			
Permanent Loan Fees		16,500		0.13%		128			
Mortgage Banker		0		0.00%		0			
Environmental Study		19,110		0.15%		148			
EarthCraft		38,000		0.30%		295			
Appraisal Fee		8,750		0.07%		68			
Market Study		6,000		0.05%		47			
Tax Credit Fee		51,180		0.41%		397			
Contingency		400,000		3.17%		3,101			
Replacement Reserve		0		0.00%		0			
Lease Up		50,000		0.40%		388			
Operating Reserve		400,000	1,099,190	3.17%	8.70%	3,101	8,521		
Developer's Fees		1,000,000		7.92%		7,752			
Relocation		150,000		1.19%		1,163			
PROJECT TOTAL		**12,631,320**		**100.00%**		**97,917**			
		12,631,320							

Mountain View

SOURCES OF FUNDS

PROJECT SOURCES OF FUNDS			%									
Financing	Amount		of Tot.		Rate		Term		Ann. D/S		D/S Cover	
VHDA (Taxable Bond proceeds and REACH)	2,600,000		20.58%		4.01%		30		149062		1.36	
SPARC	0		0.00%		3.01%		30		0	149062	1.36	**
HOME	500,000		3.96%		3.00%		15		15000		1.24	
Sponsor Loan (AHP)	700,000		5.54%		0.00%		30		0	Only available from cash flow		
Sponsor Loan (Seller Note)	0		0.00%		3.00%		25		0			
Weatherization	0		0.00%		0.00%				0			
GP Deferred Developer Fee	755,411		5.98%		0.00%		30		Only from available cash flow			
TOTAL FINANCING	**4,555,411**		**36.06%**									
Bridge Interest During Construction	0											
GP Contribution	2,325,909		18.41%	GP capital = appraised value less improvements paid for with VCDF loan					#NUM!	EQUAL PAYMENT FORMULA		
Grants				less hard debt to be repaid to SunTrust and HCCV less exit taxes and fees					0	INTEREST ONLY FORMULA		
Project Investment (LIHTC Equity)	5,750,000		45.52%	79.81%								
Construction-Period Cash Flow			0.00%									
TOTAL FINANCING	12,631,320		100.00%									
PROJECT GAP	0		0.00%									
TOTAL PROJECT COST	**12,631,320**		**100.00%**	1866532.8								

State Tax Credit	Historic		Housing
State Tax Credit	0		0
State Benefit	0		0
Est . State Credit Equity		0	

sale price	4,044,478
GP Cap Contr.	2260004

Mountain View

USES OF FUNDS BY TAX CATEGORY

USES OF FUNDS	TOTAL		CREDIT 4%	CREDIT 9%	AMORT.	NO CREDIT DEP.	EXP.	NON-DEP.	TOTAL	Historic Basis	
Purchase of land	238,992							238,992	238,992	**0**	Historic Percentage
Purchase Building	3,805,486		0			3,805,486			3,805,486		
Community Building	92,399			92,399					92,399	0	
Site Improvements	360,279			250,000				110,279	360,279	0	
Abatement/Demolition	247,775			247,775					247,775	0	
Unit Structures (Rehab)	3,862,822			3,862,822					3,862,822	0	
Construction Management	20,000			20,000				0	20,000	0	
General Conditions, Overhead, Profit	643,973			643,973					643,973	0	
Bonding Fee and Business License	53,863			53,863					53,863	0	
Fixtures and Equipment and Blinds	206,541			206,541					206,541	0	
Building Permit and County Bond	6,050			6,050					6,050	0	
A&E Fees (Design and Supervision)	240,000			240,000					240,000	0	
Termite Treatment	9,600			9,600					9,600	0	
Soil Borings	0			0		0			0	0	
Construction Loan Fee	43,500			43,500					43,500	0	
Construction Interest	370,000			370,000					370,000	0	
Bridge Interest During Const.	0			0					0	0	
Taxes During Construction	50,000			50,000					50,000	0	
Insurance During construction	45,000			45,000					45,000	0	
Cost Certification	12,500			0	12,500				12,500	0	
Legal Fees Permanent	30,000				30,000				30,000		
Legal Fees Construction	60,000			60,000					60,000	0	
Legal Fees Partnership	10,000				5,000				10,000		
Legal Fees Syndication	18,000							18,000	18,000		
Survey / Title/recording	65,000			65,000					65,000	0	
Permanent Loan Fees	16,500				16,500				16,500	0	
Mortgage Banker	0			0	0				0	0	
Environmental Study	19,110			19,110					19,110	0	
EarthCraft	38,000			38,000					38,000	0	
Appraisal Fee	8,750			8,750					8,750	0	
Market Study	6,000			6,000	0				6,000	0	
Tax Credit Fee	51,180			0	51,180				51,180	0	
Contingency	400,000			400,000					400,000	0	
Replacement Reserve	0						0		0	0	
Lease Up	50,000						50,000		50,000		
Operating Reserve	400,000						400,000		400,000		
Developer's Fees	1,000,000			1,000,000					1,000,000	0	
Relocation	150,000			150,000		0			150,000		
PROJECT TOTAL	12,631,320		0	7,888,383	115,180	3,805,486	455,000	367,271	12,631,320		
Development Advisory Fee	0			0						0	
OVERALL TOTAL	12,631,320		0	7,888,383						0	
										0	

Mountain View

Depreciation and Amortization Schedules

ANNUAL AMORTIZATION		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Expense Catagory	**Total**																	
Permanent Legal	30,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Legal Partnership	5,000	1,000	1,000	1,000	1,000	1,000	0											
Permanent loan Fee	16,500	550	550	550	550	550	550	550	550	550	550	550	550	550	550	550	550	550
Cost Certification	12,500	833	833	833	833	833	833	833	833	833	833	833	833	833	833	833	833	0
Tax Credit Fee	51,180	3,412	3,412	3,412	3,412	3,412	3,412	3,412	3,412	3,412	3,412	3,412	3,412	3,412	3,412	3,412	3,412	0
Other																		
Other																	0	0
Total	115,180	6,795	6,795	6,795	6,795	6,795	5,795	5,795	5,795	5,795	5,795	5,795	5,795	5,795	5,795	5,795	5,795	1,550
Tot. From Sched.	115179.96																	

ANNUAL DEPRECIATION		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Housing Building	27.5	404,620	404,620	404,620	404,620	404,620	409,245	409,245	409,245	413,553	413,553	413,553	417,829	417,829	417,829	422,101	422,101	422,101
Commercial Building	40	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FF&E		41,308	66,093	39,656	23,794	23,794	18,423											
Site Work		18,014	34,227	30,804	27,741	24,967	22,445	21,256	21,256	21,292	21,256	21,292	21,256	21,292	21,256	21,292	10,628	0
Total		463,942	504,940	475,080	456,155	453,381	450,114	430,502	430,502	434,846	434,810	434,846	439,085	439,121	439,085	443,393	432,729	422,101

Depreciable Basis Calculation	
4% Aquisition	0
9% Basis	7,888,383
No Credit Depreciable	3,805,486
Total Housing Building	11,693,869
Site Work	360,279
FF&E	206,541
Commercial	0
Housing Historic	0
Commercial Historic	0
Commercial Dep. Basis	0
Housing Building	11,127,049
15 year property	360,279

TAX CREDIT ASSUMPTIONS		
Tax Credit Rates:		
4%	3.34%	
9%	9.00%	
Annual Tax Credit		**720,428**
Credit Allocated to Project		720,428
Credit Calculated for Project		922,941
Credit Calc Net of Exchange		922,941
Applicable Percentage		100.00%
Qualified Census Tracts		100.00%

Credit calculation			
Basis (from Page 7)	7,888,383	Aquisition Basis	0
Applicable Percentage	100%	Applicable %	100%
Adjustments	0		
Basis Boost	2,366,515	Basis Boost	
Credit Basis	10,254,898	Credit Basis	0
Credit Rate	9.00%	Credit Rate	3.34%
Calculated Rehab Credit	922,941	Calc. Aquisit Credit	0
Total	922941		

Basis Adjustments	
Historic Credit	0
Grants	0
Federal Financing	0
Other	0
TOTAL	0

720,428	5763424
0	0
	5763424

HISTORIC TAX CREDITS			
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		

Mountain View

PROJECT FINANCING

VHDA (Taxable Bond proceeds and REACH)	
Principal Balance	2,600,000
Interest Rate	4.01%
Term	30
Annual Debt Serv.	149062

SPARC	
Principal Balance	0
Interest Rate	3.01%
Term	30
Annual Debt Serv.	0

HOME	
Principal Balance	500000
Interest Rate	3.00%
Term	15
Annual Debt Serv.	15000

MORTGAGE AMORTIZATION

VHDA (Taxable Bond proceeds and REACH)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Payment	149,062	149,062	149,062	149,062	149,062	149,062	149,062	149,062	149,062	149,062	149,062	149,062	149,062	149,062	149,062	149,062	149,062
Interest	103,238	101,365	99,415	97,386	95,273	93,074	90,786	88,404	85,924	83,343	80,656	77,860	74,949	71,920	68,766	65,484	62,067
Principal	45,823	47,697	49,646	51,676	53,788	55,987	58,276	60,658	63,138	65,719	68,405	71,201	74,112	77,142	80,295	83,577	86,994
Year End Bal.	2,554,177	2,506,480	2,456,834	2,405,158	2,351,370	2,295,383	2,237,107	2,176,449	2,113,311	2,047,593	1,979,187	1,907,986	1,833,874	1,756,732	1,676,437	1,592,860	1,505,866
SPARC																	
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.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
HOME																	
Payment	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	15,000
Interest	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	15,000
Principal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Year End Bal.	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

Sponsor Loan (AHP)	
Principal l Balance	700000
Interest Rate	0.00%
Term	30
Annual Debt Service	0

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
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.	700000	700000	700000	700000	700000	700000	700000	700000	700000	700000	700000	700000	700000	700000	700000	700000	700000

Sponsor Loan (Seller Note)	
Principal l Balance	0
Interest Rate	3.00%
Term	25
Annual Debt Service	0

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
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.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Weatherization	
Principal l Balance	0
Interest Rate	0.00%
Term	0
Annual Debt Service	0

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
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.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

GP Deferred Developer Fee	
Principal l Balance	755411
Interest Rate	0.00%
Term	30
Annual Debt Service	Only from available cash flow

524401 GP Capital Contribution

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Payment	0	0	24,547	25,244	24,698	23,988	23,107	22,045	20,794	19,347	17,692	15,822	13,726	524,401	0	0	0
Interest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Principal	0	0	24,547	25,244	24,698	23,988	23,107	22,045	20,794	19,347	17,692	15,822	13,726	524,401	0	0	0
Year End Bal.	755,411	755,411	730,864	705,620	680,922	656,934	633,827	611,782	590,988	571,641	553,949	538,127	524,401	0	0	0	0

Equity Investment Page

Installment Number	1	2	3	4	5	6		Total		
Projected Date	15-Jun-12	15-Oct-12	15-Feb-13	15-Jul-13	30-Oct-14	15-Apr-15	15-Sep-16			
			Spc. Ltd.						Budget	Difference
Gross Contribution	750000	1750000	1500000	1300000	75000	0	375000	5,750,000	5,750,000	0
Distribution										
Other	0	0	0	0	0	0	0	0		
Project Development	719,668	1,725,000	1,475,000	1,200,474	0	0	1,174	5,121,316		
Developers' Fee (cash)	30,332	0	0	49,526	75,000	0	23,826	178,684	244,589	-65,905
Operating Reserve	0	0	0	50,000	0	0	350,000	400,000	400,000	0
Lease Up Reserve	0	25,000	25,000	0	0	0	0	50,000	50,000	0
Replacement Reserve	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0			
TOTAL	750,000	1,750,000	1,500,000	1,300,000	75,000	0	375,000	5,750,000		
		50%	75%	Permanent Clo: breakeven		6 mths breakeven				

Mountain View

Profit/Loss Statement

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
OPERATING CASH FLOW	-7,709	-5,404	14,322	14,752	15,194	15,650	16,120	16,603	17,101	17,614	18,143	18,687	19,248	31,219	29,235	27,012	24,538
OPERATING ADJUSTMENTS																	
Less: Depreciation	463,942	504,940	475,080	456,155	453,381	450,114	430,502	430,502	434,846	434,810	434,846	439,085	439,121	439,085	443,393	432,729	422,101
Amortization	6,795	6,795	6,795	6,795	6,795	5,795	5,795	5,795	5,795	5,795	5,795	5,795	5,795	5,795	5,795	5,795	1,550
Plus: Mortgage Principal/(Accrued Interest)																	
VHDA (Taxable Bond proceeds	45,823	47,697	49,646	51,676	53,788	55,987	58,276	60,658	63,138	65,719	68,405	71,201	74,112	77,142	80,295	83,577	86,994
SPARC	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
HOME	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sponsor Loan (AHP)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sponsor Loan (Seller Note)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weatherization	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GP Deferred Developer Fee	0	0	24,547	25,244	24,698	23,988	23,107	22,045	20,794	19,347	17,692	15,822	13,726	0	0	0	0
Plus: Replacement Reserve	1,193	22,725	38,700	38,700	38,700	38,700	38,700	38,700	38,700	38,700	38,700	38,700	38,700	38,700	38,700	38,700	38,700
NON-OPERATING ADJUSTMENTS																	
Admin Fee	13,500	13,905	14,322	14,752	15,194	15,650	16,120	16,603	17,101	17,614	18,143	18,687	19,248	19,825	20,420	21,033	21,664
Incentive Management Fee	0	0	0	0	0	0	0	0	0	0	0	0	0	9,115	7,052	4,784	2,300
Plus: Reserve Interest	2,205	2,175	2,291	2,497	2,703	2,592	2,480	2,687	2,597	2,507	2,714	2,627	2,539	2,752	2,675	1,473	1,674
PROJECT EARNINGS PRE-TAX	-442,724	-458,448	-366,690	-344,834	-340,287	-334,642	-313,734	-312,207	-315,412	-314,333	-313,130	-316,530	-315,839	-324,008	-325,755	-313,578	-295,707

Investor Benefit Calculation

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Limited Partners' Percentage	99.98%																
Project Profits	-442,724	-458,448	-366,690	-344,834	-340,287	-334,642	-313,734	-312,207	-315,412	-314,333	-313,130	-316,530	-315,839	-324,008	-325,755	-313,578	-295,707
Investor's Share of Project Pro	-442,636	-458,356	-366,617	-344,765	-340,218	-334,575	-313,671	-312,145	-315,349	-314,270	-313,067	-316,467	-315,776	-323,944	-325,690	-313,515	-295,648
LIHTC	22,339	423,042	720,428	720,428	720,428	720,428	720,428	720,428	720,428	720,428	698,089	297,386	0	0	0	0	0
Investor's Share of LIHTC	22,334	422,957	720,284	720,284	720,284	720,284	720,284	720,284	720,284	720,284	697,950	297,326	0	0	0	0	0
Federal Historic Credit	0																
Investor's Share of Federal His	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
State Historic Credit Benefit	0																
Investor's Share of State Histo	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Sale Proceeds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	749
Investor's Share net sale Proce	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	749

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CAPITAL ACCOUNT ANALYSIS

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Project Investment	5750000	0	0	0	0	0	0	0	0	0	0							
Dev Advisory Fee	0						0											
Exchange	0																	
Capital Investment	5750000	0	0	0	0	0	0	0	0	0	0							
Project Profits	0	-442636	-458356	-366617	-344765	-340218	543225	-313671	-312145	-315349	-314270	-313067	-316467	-315776	-323944	-325690	-313515	-295648
Historic Tax Credits		0	0	0														
Annual Capital Change	5750000	-442636	-458356	-366617	-344765	-340218	543225	-313671	-312145	-315349	-314270	-313067	-316467	-315776	-323944	-325690	-313515	-295648
Capital Acc. Balance	5750000	5307364	4849008	4482391	4137626	3797408	4340633	4026961	3714817	3399468	3085198	2772131	2455664	2139888	1815944	1490254	1176739	881090

Minimum Gain

		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Project Basis																		
Begin Bal (inc. land) + Rep Res Imp		11,932,861	11,468,919	10,963,979	10,488,900	10,032,745	9,706,554	9,256,440	8,825,938	8,513,916	8,079,070	7,644,260	7,326,989	6,887,903	6,448,782	6,127,178	5,683,784	5,251,055
Depreciation		463,942	504,940	475,080	456,155	453,381	450,114	430,502	430,502	434,846	434,810	434,846	439,085	439,121	439,085	443,393	432,729	422,101
Ending Balance		11,468,919	10,963,979	10,488,900	10,032,745	9,579,364	9,256,440	8,825,938	8,395,437	8,079,070	7,644,260	7,209,414	6,887,903	6,448,782	6,009,697	5,683,784	5,251,055	4,828,954
Nonrecourse Debt	Non -rec =1																	
VHDA (Taxable Bond proceeds and REACH)	1	2,554,177	2,506,480	2,456,834	2,405,158	2,351,370	2,295,383	2,237,107	2,176,449	2,113,311	2,047,593	1,979,187	1,907,986	1,833,874	1,756,732	1,676,437	1,592,860	1,505,866
SPARC	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
HOME	1	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
Sponsor Loan (AHP)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sponsor Loan (Seller Note)	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weatherization	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GP Deferred Developer Fee	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		3,054,177	3,006,480	2,956,834	2,905,158	2,851,370	2,795,383	2,737,107	2,676,449	2,613,311	2,547,593	2,479,187	2,407,986	2,333,874	2,256,732	2,176,437	2,092,860	2,005,866
Building Basis		11,468,919	10,963,979	10,488,900	10,032,745	9,579,364	9,256,440	8,825,938	8,395,437	8,079,070	7,644,260	7,209,414	6,887,903	6,448,782	6,009,697	5,683,784	5,251,055	4,828,954
Reserves Pledged	Pledged = 1																	
Operating Reserve	0	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	0
Minimum Gain		-8,414,742	-7,957,499	-7,532,066	-7,127,587	-6,727,994	-6,461,057	-6,088,831	-5,718,988	-5,465,758	-5,096,667	-4,730,226	-4,479,917	-4,114,908	-3,752,964	-3,507,347	-3,158,196	-2,823,089

[redacted] Mountain View

CAPITAL ACCOUNT RECONCILIATION

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
VHDA (Taxable Bond proceeds)	430,994	413,796	415,870	417,955	420,050	422,155	424,272	426,398	428,536	430,684	432,842	435,012	437,193	441,668	445,650	447,960	449,655
Project Costs	12,181,320	12,181,320	12,181,320	12,181,320	12,181,320	12,181,320	12,181,320	12,181,320	12,181,320	12,181,320	12,181,320	12,181,320	12,181,320	12,181,320	12,181,320	12,181,320	12,181,320
Dev Adv. Fee	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sum Depreciation	463,942	968,882	1,443,961	1,900,116	2,353,497	2,803,611	3,234,113	3,664,614	4,099,460	4,534,270	4,969,116	5,408,201	5,847,322	6,286,408	6,729,801	7,162,530	7,584,631
Sum Amortization	6,795	13,591	20,386	27,181	33,977	39,772	45,567	51,363	57,158	62,953	68,749	74,544	80,339	86,135	91,930	97,725	99,275
Cumualtive Operting Capital Expenditures	0	0	0	0	0	127,190	127,190	127,190	245,669	245,669	245,669	363,243	363,243	363,243	480,724	480,724	480,724
Replacement Reserve	1,196	23,984	62,901	102,014	141,322	53,319	92,383	131,643	52,324	91,384	130,639	52,221	91,280	130,534	52,210	91,269	130,523
Assets	12,142,772	11,636,628	11,195,744	10,773,991	10,355,218	9,940,601	9,545,484	9,150,574	8,751,230	8,351,833	7,952,605	7,549,051	7,145,374	6,744,224	6,338,173	5,941,018	5,558,316
VHDA (Taxable Bond proceeds and REACH)	2,554,177	2,506,480	2,456,834	2,405,158	2,351,370	2,295,383	2,237,107	2,176,449	2,113,311	2,047,593	1,979,187	1,907,986	1,833,874	1,756,732	1,676,437	1,592,860	1,505,866
SPARC	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
HOME	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
Sponsor Loan (AHP)	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000
Sponsor Loan (Seller Note)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Weatherization	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GP Deferred Developer Fee	755,411	755,411	730,864	705,620	680,922	656,934	633,827	611,782	590,988	571,641	553,949	538,127	524,401	0	0	0	0
Equity	5,750,000	5,750,000	5,750,000	5,750,000	5,750,000	5,750,000	5,750,000	5,750,000	5,750,000	5,750,000	5,750,000	5,750,000	5,750,000	6,274,401	6,274,401	6,274,401	6,274,401
General Partner Equity	2,325,909	2,325,909	2,325,909	2,325,909	2,325,909	2,325,909	2,325,909	2,325,909	2,325,909	2,325,909	2,325,909	2,325,909	2,325,909	2,325,909	2,325,909	2,325,909	2,325,909
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
Retained Earnings	-442,724	-901,172	-1,267,862	-1,612,696	-1,952,983	-2,287,625	-2,601,359	-2,913,566	-3,228,978	-3,543,310	-3,856,440	-4,172,970	-4,488,810	-4,812,818	-5,138,573	-5,452,152	-5,747,859
Liab and NW	12,142,772	11,636,628	11,195,744	10,773,991	10,355,218	9,940,601	9,545,484	9,150,574	8,751,230	8,351,833	7,952,605	7,549,051	7,145,374	6,744,224	6,338,173	5,941,018	5,558,316
												GP Capital Contribution		524,401			
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

[redacted] Mountain View

30 Year Analysis

			2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
VHDA (Taxable Bond proceeds and REACH)			2,554,177	2,506,480	2,456,834	2,405,158	2,351,370	2,295,383	2,237,107	2,176,449	2,113,311	2,047,593	1,979,187	1,907,986	1,833,874	1,756,732	1,676,437	1,592,860
SPARC			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
HOME			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
Sponsor Loan (AHP)			700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000
Sponsor Loan (Seller Note)			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GP Deferred Developer Fee			755,411	755,411	730,864	705,620	680,922	656,934	633,827	611,782	590,988	571,641	553,949	538,127	524,401	524,401	524,401	524,401
Total Debt			4,509,588	4,461,891	4,387,698	4,310,778	4,232,292	4,152,317	4,070,934	3,988,231	3,904,299	3,819,234	3,733,136	3,646,113	3,558,275	3,481,133	3,400,838	3,317,260
Value	0.02	6,000,000	6,000,000	6,120,000	6,242,400	6,367,248	6,494,593	6,624,485	6,756,975	6,892,114	7,029,956	7,170,555	7,313,967	7,460,246	7,609,451	7,761,640	7,916,873	8,075,210
	0.03		6,000,000	6,180,000	6,365,400	6,556,362	6,753,053	6,955,644	7,164,314	7,379,243	7,600,620	7,828,639	8,063,498	8,305,403	8,554,565	8,811,202	9,075,538	9,347,804
	0.04		6,000,000	6,240,000	6,489,600	6,749,184	7,019,151	7,299,917	7,591,914	7,895,591	8,211,414	8,539,871	8,881,466	9,236,724	9,606,193	9,990,441	10,390,059	10,805,661
	0.05		6,000,000	6,300,000	6,615,000	6,945,750	7,293,038	7,657,689	8,040,574	8,442,603	8,864,733	9,307,969	9,773,368	10,262,036	10,775,138	11,313,895	11,879,590	12,473,569

		2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
VHDA (Taxable Bond proceeds and REACH)		1,507,608	1,418,941	1,326,723	1,230,810	1,131,054	1,027,303	919,395	807,165	690,438	569,036	442,770	311,445	174,860	32,804	0	0
SPARC		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
HOME		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
Sponsor Loan (AHP)		700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000	700,000
Sponsor Loan (Seller Note)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
GP Deferred Developer Fee		524,401	524,401	524,401	524,401	524,401	524,401	524,401	524,401	524,401	524,401	524,401	524,401	524,401	524,401	524,401	524,401
Total Debt		3,232,009	3,143,342	3,051,123	2,955,210	2,855,455	2,751,704	2,643,796	2,531,565	2,414,839	2,293,436	2,167,170	2,035,846	1,899,261	1,757,205	1,724,401	1,724,401
Value	0.02	8,236,714	8,401,449	8,569,477	8,740,867	8,915,684	9,093,998	9,275,878	9,461,396	9,650,623	9,843,636	10,040,509	10,241,319	10,446,145	10,655,068	10,868,170	11,085,533
	0.03	9,628,239	9,917,086	10,214,598	10,521,036	10,836,667	11,161,767	11,496,620	11,841,519	12,196,765	12,562,668	12,939,548	13,327,734	13,727,566	14,139,393	14,563,575	15,000,482
	0.04	11,237,887	11,687,403	12,154,899	12,641,095	13,146,739	13,672,608	14,219,513	14,788,293	15,379,825	15,995,018	16,634,819	17,300,211	17,992,220	18,711,909	19,460,385	20,238,800
	0.05	13,097,248	13,752,110	14,439,715	15,161,701	15,919,786	16,715,776	17,551,564	18,429,143	19,350,600	20,318,130	21,334,036	22,400,738	23,520,775	24,696,814	25,931,654	27,228,237

2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
149,062	149,062	149,062	149,062	149,062	149,062	149,062	149,062	149,062	149,062	149,062	149,062	149,062	149,062	149,062	0
63,810	60,395	56,843	53,149	49,306	45,310	41,154	36,831	32,335	27,659	22,796	17,737	12,477	7,005	1,314	0
85,252	88,667	92,219	95,913	99,755	103,751	107,908	112,231	116,727	121,403	126,266	131,324	136,585	142,057	32,804	0
1,507,608	1,418,941	1,326,723	1,230,810	1,131,054	1,027,303	919,395	807,165	690,438	569,036	442,770	311,445	174,860	32,804	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	0	0	0	0	0	0	0	0	0	0	0	0
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
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
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
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

2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
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
700000	700000	700000	700000	700000	700000	700000	700000	700000	700000	700000	700000	700000	700000	700000	700000

2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043
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	0	0	0	0	0	0	0	0	0	0

Mountain View

Seller's Exit Tax Liability and Net Benefit

EXIT TAX LIABILITY		
Outstanding Loans		
VHDA (Taxable Bond proceeds and REACH)	1,505,866	
SPARC	0	
HOME	500,000	
Sponsor Loan (AHP)	700,000	
Sponsor Loan (Seller Note)	0	
GP Deferred Developer Fee	0	
TOTAL OUTSTANDING LOANS		2,705,866
Construction Period Cash Flow		0
GP Capital Account		2,850,310
Exit tax Liability		0
Cash on Hand		-580,178
GROSS SALE PROCEEDS		4,975,997
Total Development Costs	12,631,320	
Capital Improvements from Replacement Res	480,724	
Less:		
Historic Credit	0	
Total Depreciation	7,584,631	
Total Amortization	99,275	
Expensed	0	
Initial Replacement Reserve	0	
Initial Lease Up Reserve	50,000	
Initial Operating Reserve	400,000	
REMAINING BASIS		4,978,138
Capital Gain FromSale		-2,141
Tax on gain 35.00%		-749

780000

543225

NET BENEFIT (LIABILITY) ON SALE	
Unallocated Cash on Hand	0
Payment for Exit Tax Liability	0
Less: Tax on Gain	-749
Potential Net Benefit	749

Capital Account Check	
Origional Capital Contributions	5,750,000
Exchange	0
Total Passive Losses	5,747,859
Historic Rehab Credit	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
Capital Account Balance	2,141
Gain/(Loss) On sale	-2,141
Variance	0

cap	dif
881090	[redacted]

Cash On Hand	
Operating Reserve Account	449,655
Replacement Reserve Account	130,523
TOTAL CASH ON HAND	580,178

Construction Completion & Lease-Up Schedule

2012	Units Completed	Units Leased	Unit Months	
Previous Year	0	0	0	
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	12	0	0	
October	12	12	36	
November	0	0	0	
December	24	12	12	
	48	24	48	these formulas were referencing incorrect cells on the operatior

2012	
Total Units in Project	129
Percent of Unit Months Occupied	3.10%
Unit Months Occupied	0.37
First Year Credits (Yes/No)?	Yes
Annual Credits	22339

2013	Units Completed	Units Leased	Unit Months
Previous Year	48	12	288
January	9	0	0
February	12	12	132
March	24	0	0
April	12	12	108
May	12	12	96
June	12	12	84
July	0	12	72
August	0	12	60
September	0	0	0
October	0	12	36
November	0	12	24
December	0	9	9
Total	81	105	909
Previous Yr Total	48	24	
Grand Total	129	129	

2013	
Total Units in Project	129
Percent of Unit Months Occupied	58.72%
Unit Months Occupied	7.0465
First Year Credits (Yes/No)?	No
Annual Credits	423042

EXHIBIT I
TO OPERATING 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 [or Investor Member]) 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		$
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 June 26, 2012 by and between Mountain View Partners, LLC, a Virginia limited liability company (the "Company") and Virginia Housing Capital Corporation ("VHCC").

RECITALS

1. The Company was formed to acquire, construct, rehabilitate develop, improve, maintain, own, operate, lease, dispose of and otherwise deal with an apartment project to be known as Mountain View Apartments, located in Waynesboro, Virginia (the "Project").

2. The Company is governed by the terms of that certain Amended and Restated Operating Agreement dated June 26, 2012 ("Operating Agreement") by and among South River Associates, Inc. as Managing Member and Housing Equity Fund of Virginia XV, L.L.C., as Investor Member.

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 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 members, partners 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. <u>Accounting Services Fee</u>.

As a fee for its services performed hereunder, VHCC shall be paid a fee equal to $13,500 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: 1700 New Hope Road, Waynesboro, VA 22980, Attention: Eddie Delapp.

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

MOUNTAIN VIEW PARTNERS, LLC

Mountain View Partners, LLC, a Virginia limited liability company

By: South River Associates, Inc.
a Virginia corporation, Managing Member

By: M.A. Everly, President

VHCC:

Virginia Housing Capital Corporation, a Virginia not-for-profit corporation

By: Arild O. Trent, Vice President

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

MOUNTAIN VIEW PARTNERS, LLC

Mountain View Partners, LLC, a Virginia limited liability company

By: South River Associates, Inc.
a Virginia corporation, Managing Member

By: _____
M.A. Everly, President

VHCC:

Virginia Housing Capital Corporation, a Virginia not-for-profit corporation

By: _____
Arild O. Trent, Vice President

EXHIBIT K

POST CLOSING OBLIGATIONS

June 22, 2012

Mountain View Partners, LLC
1700 New Hope Road
Waynesboro, VA 22980

Attention: Eddie Delapp

Re: Due Diligence Post-Closing Letter for
Mountain View Partners, LLC (the "Company")

Dear Mr. Delapp:

As a condition to the equity closing of the Amended and Restated Operating Agreement of Mountain View Partners, LLC (the "Operating Agreement") with Housing Equity Fund of Virginia XV, L.L.C. ("Investor Member"), South River Associates, 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,

Arild O. Trent
Vice President

Agreed to as of the day written above:

COMPANY:
Mountain View Partners, LLC,
a Virginia limited liability company

By: South River Associates, Inc.
a Virginia corporation,
its Managing Member

By: _____
M.A. Everly, President

The undersigned Affiliate Guarantor acknowledges the foregoing Post Closing requirements as of the day written above.

AFFILIATE GUARANTOR:

SOUTH RIVER DEVELOPMENT CORPORATION, INC.
a Virginia corporation

By: _____
M.A. Everly, President

AFFILIATE GUARANTOR:

WAYNESBORO REDEVELOPMENT AND HOUSING AUTHORITY,
a political subdivision of the Commonwealth of Virginia

By: _____
B. Spencer Cross
Chairman of the Board of Commissioners

POST-CLOSING LIST

As of June 25, 2012

To be provided and approved by VCDC as specifically provided below:

	Item	Due Date
1.	Executed originals of Closing Items [*list closing checklist numbers of applicable items*]	[*insert date but no more than 5 business days after closing*]
2.	Final Owner's Title Policy, including copies of all documents recorded as of the closing date	[*insert date but no more than 20 business days after closing*
3.	[Evidence that _____., has made a 168(h) election]	Upon the timely filing of its first tax return, expected in April 20___
4.		
5.		
6.		
7.		

Return to:
Ed Burns
June 28. 2012

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 26th day of June, 2012, by and between Mountain View Partners, LLC, a Virginia limited liability company (the "Company"), South River Development Corporation, Inc., a Virginia corporation ("Grantee"), and South River Associates, Inc., a Virginia corporation (the "Managing Member"), and is consented to hereinbelow by Housing Equity Fund of Virginia XV, L.L.C., a Virginia limited liability company (the "Consenting Investor Member") and Waynesboro Redevelopment and Housing Authority, a political subdivision of the Commonwealth of Virginia (the "Previous Grantee").

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 Previous Grantee entered into a Purchase Option and Right of First Refusal Agreement dated as of December 21, 2000 regarding the Project Property, which agreement was recorded on July 26, 2001 with the Clerk's Office of Waynesboro, Virginia as Instrument No. 010001819, (the "2000 Purchase Option"); and the Company and Grantee entered into a Purchase Option and Right of First Refusal Agreement dated as of February 2, 2010 regarding the Project Property, which agreement was recorded on March 30, 2011 with the Clerk's Office of Waynesboro, Virginia as Instrument No. 110000608 (the "2010 Purchase Option") and the parties hereto intend that this Purchase Agreement is an amendment and restatement of such 2000 Purchase Option and of such 2010 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. This Section 2 (including the Refusal Right) shall not apply in the event of a foreclosure or deed in lieu of foreclosure.

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 Projeet 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 State 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 2000 Purchase Option and the 2010 Purchase Option.

13. **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 Property 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.

(continued on next page)

In Witness Whereof, the parties have executed this document as of the date first set forth hereinabove.

Company:

Mountain View Partners, LLC, a Virginia limited liability company

By: South River Associates, Inc., a Virginia corporation, Managing Member

By: M. A. Everly, Pres
M.A. Everly, President

COMMONWEALTH OF VIRGINIA)
) ss
CITY OF WAYNESBORO)

I, Sherrie L. Burns, a Notary Public in and for said City in the State aforesaid, do hereby certify that M.A. Everly, President of South River Associates, Inc., personally known to me to be the same person whose name is subscribed to the foregoing instrument as such officer, appeared before me this day in person and acknowledged that she signed and delivered such instrument as her own free and voluntary act, and as the free and voluntary act of the Company known as South River Associates, Inc., on behalf of which said corporation has executed the foregoing instrument as a Managing Member, all for the uses and purposes set forth therein.

Given under my hand and notarial seal on June 26, 2012.

Sherrie L Burns
Notary Public

My Commission Expires: 1-31-2013 [SEAL]

Registration Number: 7250277

SHERRIE L. BURNS
NOTARY PUBLIC
REGISTRATION # 7256277
COMMONWEALTH OF VIRGINIA
MY COMMISSION EXPIRES
JANUARY 31, 2013

Grantee:

SOUTH RIVER DEVELOPMENT
CORPORATION, INC.

By: M. A. Everly, Pres
M.A. Everly, President

COMMONWEALTH OF VIRGINIA)
) ss
CITY OF WAYNESBORO)

I, Sherrie L Burns, a Notary Public in and for said City in the State aforesaid, do hereby certify that M.A. Everly, President of South River Development Corporation, Inc., personally known to me to be the same person whose name is subscribed to the foregoing instrument as such officer, appeared before me this day in person and acknowledged that she signed and delivered such instrument as her own free and voluntary act, and as the free and voluntary act of the corporation known as South River Development Corporation, Inc., all for the uses and purposes set forth therein.

Given under my hand and notarial seal on June 26, 2012.

Sherrie L Burns
Notary Public

My Commission Expires: 1-31-2013 [SEAL]

Registration Number:
7256277

SHERRIE L. BURNS
NOTARY PUBLIC
REGISTRATION # 7256277
COMMONWEALTH OF VIRGINIA
MY COMMISSION EXPIRES
JANUARY 31, 2013

Managing Member:

South River Associates, Inc.
a Virginia corporation

By: M.A. Everly, President

COMMONWEALTH OF VIRGINIA)
) ss
CITY OF WAYNESBORO)

I, Sherrie L Burns, a Notary Public in and for said City in the State aforesaid, do hereby certify that M.A. Everly, President of South River Associates, Inc., personally known to me to be the same person whose name is subscribed to the foregoing instrument as such officer, appeared before me this day in person and acknowledged that she signed and delivered such instrument as her own free and voluntary act, and as the free and voluntary act of the corporation known as South River Associates, Inc., all for the uses and purposes set forth therein.

Given under my hand and notarial seal on June 26, 2012.

Sherrie L Burns
Notary Public

My Commission Expires: 1-31-2013

[SEAL]

SHERRIE L. BURNS
NOTARY PUBLIC
REGISTRATION # 7256277
COMMONWEALTH OF VIRGINIA
MY COMMISSION EXPIRES
JANUARY 31, 2013

Registration Number: 7256277

The undersigned hereby consents to the foregoing Agreement as of the date first set forth hereinabove.

Previous Grantee:

WAYNESBORO REDEVELOPMENT AND HOUSING AUTHORITY

By: _____
B. Spencer Cross, Chairman of the Board of Commissioners

COMMONWEALTH OF VIRGINIA)
) ss
CITY OF WAYNESBORO)

I, J. M. Norcross, a Notary Public in and for said City in the State aforesaid, do hereby certify that B. Spencer Cross, Chairman of the Board of Commissioners of Waynesboro Redevelopment and Housing Authority, personally known to me to be the same person whose name is subscribed to the foregoing instrument as such officer, appeared before me this day in person and acknowledged that he signed and delivered such instrument as his own free and voluntary act, and as the free and voluntary act of Waynesboro Redevelopment and Housing Authority, all for the uses and purposes set forth therein.

Given under my hand and notarial seal on June 26, 2012.

J. M. Norcross
Notary Public

My Commission Expires: 05/31/15

[SEAL]

Registration Number: 182917

Commonwealth of Virginia
J.M. Norcross - Notary Public
Commission No: 182917
My Commission Expires 5/31/2015

The undersigned hereby consents to the foregoing Agreement as of the date first set forth hereinabove.

Consenting Investor Member:

HOUSING EQUITY FUND OF VIRGINIA XV, L.L.C., a Virginia limited liability company

By: Virginia Housing Capital Corporation, its managing member

By: _____
Arild O. Trent, Vice President

COMMONWEALTH OF VIRGINIA)
) ss
CITY OF RICHMOND)

I, Steven E. Bleile, a Notary Public in and for said City in the State aforesaid, do hereby certify that Arild O. Trent, Vice President of Virginia Housing Capital Corporation, personally known to me to be the same person whose name is subscribed to the foregoing instrument as such officer, appeared before me this day in person and acknowledged that he signed and delivered such instrument as his own free and voluntary act, and as the free and voluntary act of the limited liability company known as Housing Equity Fund of Virginia XV, L.L.C. on behalf of which said corporation has executed the foregoing instrument as a managing member, all for the uses and purposes set forth therein.

Given under my hand and notarial seal on June 21st, 2012.

_____
Notary Public

My Commission Expires: 5-31-2015 [SEAL]

Registration Number:
337174

PG0102 JUN 28 ≥

EXHIBIT A

LEGAL DESCRIPTION OF
PROJECT REAL ESTATE

The land referred to below is located in Waynesboro, Virginia:

LOTS ONE (1), TWO (2), THREE (3) and FOUR (4) of SECTION SIX (6), BLOCK 154, HILANDALE SUBDIVISION.

LOT ONE (1), SECTION NINE (9), Block 154, HILANDALE SUBDIVISION.

LOTS FIVE (5), SIX (6), SEVEN (7), ELEVEN (11) and TWELVE (12) of SECTION TEN (10), BLOCK 154, HILANDALE SUBDIVISION.

All as shown on a plat entitled "ALTA/ACSM LAND TITLE SURVEY OF MOUNTAIN VIEW APARTMENTS, LOTS 1, 2, 3, & 4, SECTION SIX, LOT 1, SECTION 9, and LOTS 5, 6, 7, 11 & 12, SECTION 10, HILANDALE SUBDIVISION, WAYNESBORO, VIRGINIA," dated February 1, 2012, revised June 14, 2012 prepared by David L. Collins, L.S., P.E., said plat of record in the Clerk's Office of the Circuit Court for the City of Waynesboro, Virginia in Plat ~~Book~~ ___, ~~Page~~ ____. Inst. # 120001327

EXHIBIT B

DESCRIPTION OF
REGULATORY AGREEMENT

Title: Extended Use Regulatory Agreement and Declaration of Restrictive Covenants

Parties: Windsor Park Associates, LP and Virginia Housing Development Authority

Date:

Recording Information (if known): Deed Book 209, Page 470

[Attach additional page(s) if there is more than one Regulatory Agreement.)

INSTRUMENT #120001328
RECORDED IN THE CLERK'S OFFICE OF
WAYNESBORO ON
JUNE 28, 2012 AT 03:09PM

NICOLE A. BRIGGS, CLERK
RECORDED BY: CAM

EXHIBIT M

CONSTRUCTION INCENTIVE MANAGEMENT FEE AGREEMENT

THIS AGREEMENT entered into as of June 26, 2012 by and among Mountain View Partners, LLC, a Virginia limited liability company (the "Company") South River Associates, Inc., a Virginia corporation, as the Managing Member (the "Managing Member").

WHEREAS, Managing Member and Housing Equity Fund of Virginia XV, L.L.C., a Virginia limited liability company (the "Investor Member"), as the Investor Member, have formed or, simultaneously herewith are forming, a limited liability company pursuant to Virginia Limited Liability Company Act (the "Act"), to be known as Mountain View Partners, LLC; and

WHEREAS, the Company has been formed to develop, construct, own, maintain and operate a 129-unit multifamily apartment complex intended for rental to low income families, to be known as Mountain View Apartments, and to be located in Waynesboro, Virginia (the "Apartment Complex"); 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 construction management services with respect to the business of the Company 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 Company hereby appoints the Managing Member to render services in managing and administering the construction of the Project during the construction of the Project 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 final construction completion of Project.

2. Authority. In conformity with the provisions of the Operating Agreement, throughout the term of the construction of the Project, 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) 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 Company shall pay the Managing Member 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 Company; 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 Operating 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 Investor Member. Such payment will be made with the Fifth Capital Contribution of the Investor Member.

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 6 of the Operating Agreement, then such Managing Member shall be in default of this Agreement and the Company shall withhold payment of fees payable to such Managing Member pursuant to Section 3 of this 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 Company Interests of a Managing Member, as Managing Member, are transferred pursuant to Article IX of the Operating Agreement, further payment of the Construction Incentive Management Fee from the Company to such Managing Member pursuant to Section 3 above shall be governed by such Article IX, 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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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.

COMPANY:

Mountain View Partners, LLC, a Virginia limited liability company

By: South River Associates, Inc.
a Virginia corporation

By: M. A. Everly, Pres
M.A. Everly, President

MANAGING MEMBER:

South River Associates, Inc., a Virginia corporation

By: M. A. Everly, Pres
M.A. Everly, President

118243v.7

FIRST AMENDMENT TO AMENDED AND RESTATED OPERATING AGREEMENT OF MOUNTAIN VIEW PARTNERS, LLC

This First Amendment to Amended and Restated Operating Agreement of Mountain View Partners, LLC ("First Amendment") is entered into as of the 7th day of March, 2013 by and among South River Associates, Inc., a Virginia corporation (the "Managing Member"), Mountain View Associates, LLC, a Virginia limited liability company (the "Additional Member"), Housing Equity Fund of Virginia XV, L.L.C., a limited liability company formed under the laws of the Commonwealth of Virginia the "Investor Member") and VAHM, L.L.C., a Virginia limited liability corporation (the "Special Member").

WHEREAS, the Managing Member, Investor Member and Special Member entered into that certain Amended and Restated Operating Agreement of Mountain View Partners, LLC (the "Company") dated as of June 26, 2012 (the "Operating Agreement");

WHEREAS, the Members have agreed to amend the Operating Agreement as set forth herein to correct and clarify certain provisions therein.

NOW, THEREFORE, in consideration of the mutual covenants and conditions hereinafter set forth, the parties agree as follows:

1. Capitalized terms not defined herein shall have the meaning ascribed to them in the Operating Agreement.

2. The Managing Member hereby agrees to transfer a portion of its Percentage Interests in the Company to the Additional Member, and the Additional Member is hereby admitted as a Member of the Company. For purposes of the Operating Agreement, the address of the Additional Member is the following:

c/o South River Development Corporation, Inc.
1700 New Hope Road, P.O. Box 1138
Waynesboro, Virginia 22980
Attention: R. Edward Delapp

3. Section 5.01 of the Operating Agreement is hereby amended to provide for the Members to hold the following Percentage Interests:

Managing Member – 0.005%
Investor Member – 99.99%
Special Member – 0.001%
Additional Member – 0.004%

4. Section 6.03(b) of the Operating Agreement is hereby amended to replace the reference to "0.009%" with a reference to "0.005%".

5. Sections 11.03(b)(vii) and Section 11.04(e) of the Operating Agreement are hereby amended to provide for Net Cash Flow and Capital Transaction proceeds, respectively, to be distributed in accordance with the Percentage Interests set forth above.

6. Except as otherwise modified herein, the Operating Agreement, including the Exhibits, shall remain unmodified and in full force and effect. All references in the Operating Agreement to the "Agreement" or "Operating Agreement" shall be deemed to refer to the original Operating Agreement, as amended by this First Amendment.

7. This First Amendment may be executed in several counterparts, each of which shall be deemed an original and all of such counterparts shall constitute one and the same instrument.

{Remainder of Page Intentionally Left Blank}

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

MANAGING MEMBER

SOUTH RIVER ASSOCIATES, INC.,
a Virginia corporation

By: _____
M.A. Everly, President

ADDITIONAL MEMBER

MOUNTAIN VIEW ASSOCIATES, LLC,
a Virginia limited liability company

By: South River Development Corporation, Inc., its sole member

By: _____
M.A. Everly, President

INVESTOR MEMBER:

Housing Equity Fund of Virginia XV, L.L.C., a Virginia limited liability company

By: Virginia Housing Capital Corporation, its managing member

By: _____
Name: _____
Title: _____

[Signatures Continued on Following Page]

SPECIAL MEMBER:

VAHM, L.L.C., a Virginia limited liability company

By: _____
Name: _____
Title: _____

129857 v2

Consent and Reaffirmation of Guarantor

The undersigned, each as an Affiliate Guarantor under that certain Affiliate Guaranty dated as of June 26, 2012, does hereby consent to the execution of this First Amendment, agree that the Indebtedness as defined in the Affiliate Guaranty shall include any and all additional obligations arising out of execution of the First Amendment and does hereby ratify and confirm the terms and conditions of the Affiliate Guaranty.

South River Development Corporation, Inc., a Virginia non stock corporation

By: M. A. Edwards
Its: President

Waynesboro Redevelopment and Housing Authority

By: _____
Its: Chairman

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

MANAGING MEMBER

SOUTH RIVER ASSOCIATES, INC.,
a Virginia corporation

By: _____
M.A. Everly, President

ADDITIONAL MEMBER

MOUNTAIN VIEW ASSOCIATES, LLC,
a Virginia limited liability company

By: South River Development Corporation, Inc., its sole member

By: _____
M.A. Everly, President

INVESTOR MEMBER:

Housing Equity Fund of Virginia XV, L.L.C., a Virginia limited liability company

By: Virginia Housing Capital Corporation, its managing member

By: Arild O. Trent
Name: Arild O. Trent
Title: Vice President

[Signatures Continued on Following Page]

SPECIAL MEMBER:

VAHM, L.L.C., a Virginia limited liability company

By: Arild O. Trent
Name: Arild O. Trent
Title: Vice President

129857 v2

Form **8609**
(Rev. December 2008)
Department of the Treasury
Internal Revenue Service

Low-Income Housing Credit Allocation Certification

OMB No. 1545-0988

Part I Allocation of Credit.

Check If: ☐ Addition to Qualified Basis ☐ Amended Form

A Address of **building** (do not use P. O. box) (see instructions)
1625 Wickham Lane, Building A
Waynesboro, VA 22980

B Name and address of **housing credit agency**
Virginia Housing Development Authority
601 S. Belvidere Street
Richmond, VA 23220-6504

C Name, address, and TIN of **building owner** receiving allocation
Mountain View Partners, LLC
1700 New Hope Road
Waynesboro, VA 22980
TIN ▸ 27-1802428

D Employer identification number of agency
54-0921892

E Building identification number (BIN)
VA1013001

1a	Date of allocation ▸ 12/16/10 b Maximum housing credit dollar amount allowable.	1b	$22,336
2	Maximum applicable credit percentage allowable	2	9.00%
3 a	Maximum qualified basis	3a	$248,178
	If the eligible basis used in the computation of line 3a was increased, check the applicable box and enter the percentage to which the eligible was increased (see instructions)	3b	130%
	☐ Building located in the Gulf Opportunity (GO) Zone, Rita GO Zone, or Wilma GO Zone ☒ Section 42(d)(5)(B) high cost area provisions		
4	Percentage of the aggregate basis financed by tax-exempt bonds. (If zero, enter -0-.)	4	0.00%
5	Date building placed in service ▸ 12/31/12		

6 Check the boxes that describe the allocation for the building (check those that apply):
a ☐ Newly constructed and federally subsidized b ☐ Newly constructed and **not** federally subsidized c ☐ Existing building
d ☐ Sec. 42(e) rehabilitation expenditures federally subsidized e ☒ Sec. 42(e) rehabilitation expenditures **not** federally subsidized
f ☐ Not federally subsidized by reason of 40-50 rule under sec. 42(i)(2)(E) g ☐ Allocation subject to nonprofit set-aside under sec. 42(h)(5)

Signature of Authorized Housing Credit Agency Official – Completed by Housing Credit Agency Only

Under penalties of perjury, I declare that the allocation made is in compliance with the requirements of section 42 of the Internal Revenue Code, and that I have examined this form and to the best of my knowledge and belief, the information is true, correct and complete.

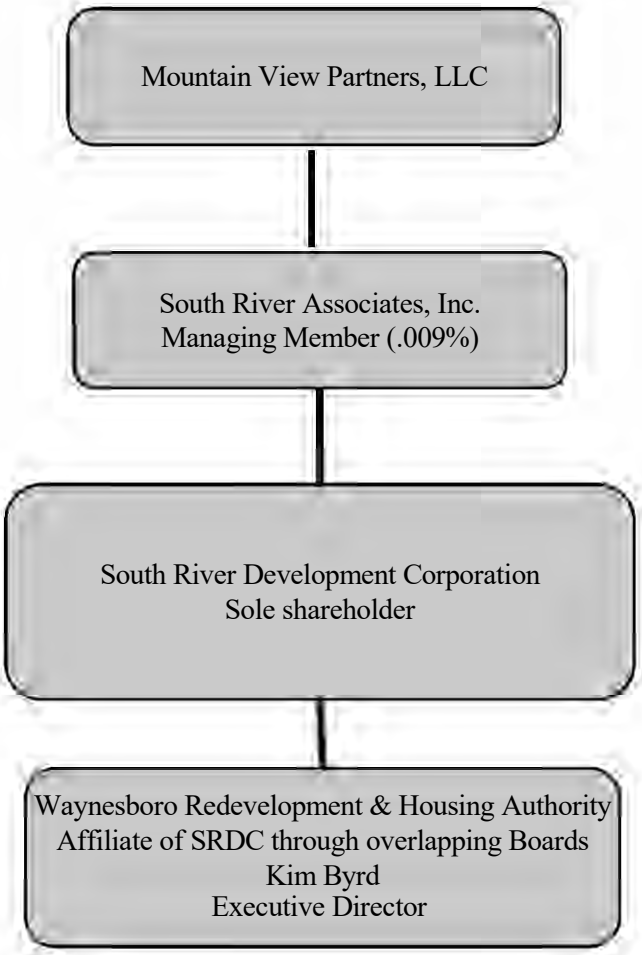
Signature of authorized official	JAMES M. CHANDLER AUTHORIZED OFFICER Name (please type or print)	10-29-13 Date

Part II First-Year Certification – Completed by Building Owners with respect to the first Year of the Credit Period

7	Eligible basis of building (see instructions)	7	300,725	
8 a	Original qualified basis of the building at close of first year of credit period	8a	300,725	
b	Are you treating this building as part of a multiple building project for purposes of section 42 (see instructions)?		☐ Yes	☑ No
9 a	If box 6a or box 6d is checked, do you elect to reduce eligible basis under section (42(i)(2)(B)?		☐ Yes	☐ No
b	For market-rate units above the average quality standards of low-income units in the building, do you elect to reduce eligible basis by disproportionate costs of non-low income units under section 42(d)(3)(B)?		☐ Yes	☐ No
10	Check the appropriate box for each election: **Caution:** *Once made, the following elections are irrevocable.*			
a	Elect to begin credit period the first year after the building is placed in service (section 42(f)(1))		☑ Yes	☐ No
b	Elect **not** to treat large partnership as taxpayer (section 42(j)(5))		☐ Yes	
c	Elect minimum set-aside requirement (section 42(g)) (see instructions) ☐ 20-50 ☑ 40-60		☐ 25-60 (N.Y.C. only)	
d	Elect deep rent skewed project (section 142(d)(4)(B)) (see instructions)		☐ 15-40	

Under penalties of perjury, I declare that the above building continues to qualify as a part of a qualified low-income housing project and meets the requirements of Internal Code section 42. I have examined this form and attachments, and to the best of my knowledge and belief, they are true, correct, and complete.

Signature	27-1802428 Taxpayer identification number	1/31/14 Date
R. Edward Delapp Name (please type or print)	2012 Tax year	


Mountain View Partners, LLC
South River Associates, Inc.
Managing Member (.009%)
South River Development Corporation
Sole shareholder
Waynesboro Redevelopment & Housing Authority
Affiliate of SRDC through overlapping Boards
Kim Byrd
Executive Director

Execution Version

BATH COUNTY RETIREMENT HOME LIMITED PARTNERSHIP, A VIRGINIA LIMITED PARTNERSHIP

AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP

As of May 1, 2006

THE LIMITED 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 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.

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BATH COUNTY RETIREMENT HOME 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 May 1, 2006, by and among Mountain Crest Partners, L.L.C., a Virginia limited liability company (the "General Partner"), Waynesboro Redevelopment and Housing Authority and Bath County Retirement Home Commission, the withdrawing limited partners (collectively, the "Withdrawing Limited Partner"), South River Development Corporation, Inc. (formerly known as Waynesboro Housing Corp.) and Bath County Retirement Home Commission, the withdrawing general partners (collectively, the "Withdrawing General Partner"), and Housing Equity Fund of Virginia X, 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, the Withdrawing General Partner, as general partner, executed a Certificate of Limited Partnership (the "Certificate") for the formation of Bath County Retirement Home 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 dated April 8, 2002, and was subsequently filed with the State Corporation Commissioner of the Commonwealth of Virginia (the "State of Formation") on September 3, 2002;

WHEREAS, the Withdrawing General Partner and the Withdrawing Limited Partner, as limited partner, have previously executed an Agreement of Limited Partnership (the "Original Agreement") of the Partnership;

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, construct, own, maintain and operate 28 housing units to be leased to low-income seniors located in Hot Springs, 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 General Partner and the Withdrawing Limited Partner from the Partnership; (iii) admit the Limited Partner and Special Limited Partner to the Partnership as limited partners; (iv) admit the General Partner to the Partnership as a general partner; 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 Bath County Retirement Home Limited Partnership.

1.03 Principal Place of Business. The principal place of business of the Partnership shall be c/o South River Development Corporation, Inc., 1700 New Hope Road, P.O. Box 1138, Waynesboro, VA 22980-0821. 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 Howard E. Gordon, who is a resident of Virginia and a member of the Virginia State Bar, and whose address is 1700 Dominion Tower, 999 Waterside Drive, Norfolk, Virginia, 23510.

1.05 Withdrawal of Withdrawing Limited Partner and Withdrawing General Partner and Admission of General Partner, Limited Partner and Special Limited Partner . The Withdrawing Limited Partner and the Withdrawing General Partner hereby withdraws as a Partner of the Partnership, and represents and warrants 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 General Partner is hereby admitted to the Partnership as the sole general partner. The Limited Partner and 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 Secretary of the Commonwealth of Virginia, and shall continue until December 31, 2052, unless the Partnership is sooner dissolved in accordance with the provisions of this Agreement.

1.07 Recording of Certificate. 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 Secretary of State 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.

1.08 Prior Development Agreement. Commission and Waynesboro Housing Corporation entered into a Development Services Agreement dated as of July 9, 2001 pursuant to which Waynesboro Housing Corporation agreed to provide certain services with regard to the development of the Project, and both parties agree and acknowledge that the terms and obligations of such Development Services Agreement will be cancelled and replaced by the Development Agreement attached hereto as Exhibit A.

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 PC 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. Mike Vicars of Dooley & Vicars, PC (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 Revised Uniform Limited Partnership Act of the Commonwealth of Virginia, 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 Partnership 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)(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, general partner or trustee, any corporation, partnership or trust for which that Person acts in that capacity, or (v) any Person who is an officer, director, 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 Commission and South River, and Commission and South River are each 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, and in which the Limited Partner or an Affiliate of the Limited Partner is a 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.

"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 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.

"Bridge Loan Interest" means the interest expense incurred by either 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" 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 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 5.0l(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.

"Commission" means Bath County Retirement Home Commission, a Virginia not for profit corporation.

"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 $3,806,704 (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 described on Exhibit F hereto as the construction loan.

"Contractor" means Nielsen Builders, Inc., 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 Edward M. Burns, II, PC, and Peter J. Judah, Attorney at Law, 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 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.

"Developer" means South River.

"Development Advisory Fee" has the meaning set forth in Section 8.20.

"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 rehabilitation, development and financing budget for the 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 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).

"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 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.

"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.

"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).

"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 Mountain Crest Partners, L.L.C., a Virginia limited liability company, 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).

"Ground Lease" means the Ground Lease entered into as of October 1, 2003 by and between Commission, as landlord, and the Partnership, as lessee, regarding the Land.

"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 May 11, 2006.

"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 tract of land currently owned or to be leased 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" 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 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 X, 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 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(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 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 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.

"Partnership" means this Bath County Retirement Home Limited Partnership, a Virginia limited partnership.

"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).

"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, collectively, the loans designated on **Exhibit F** hereto 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(a) and (d) through (j) shall not be taken into account in computing Profits or Losses.

"Project" means the land currently leased by the Partnership in Hot Springs, Virginia and the improvements to be constructed, owned and operated thereon by the Partnership, and to be known as the Mountain Crest Retirement Home.

"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 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).

"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 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, a Virginia corporation, or its assignee.

"South River" means South River Development Corporation, Inc., a Virginia 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 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 Lawyer's Title Insurance Corporation.

"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 Third Capital Contribution, compounded monthly.

"VCCH" means Virginia Capital Corporation for Housing, a Virginia corporation and the managing member of the Limited Partner.

ARTICLE III
PURPOSE AND BUSINESS OF THE PARTNERSHIP

3.01 Purpose of the Partnership. The Partnership has been organized exclusively to acquire the Land (through purchase or lease) 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.

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 or lease the Land on which the Project is to be located, through purchase or lease;

(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 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 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. A good and marketable leasehold interest in 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" (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 Affiliate Guarantor, the Project or the Partnership, or related to the business or assets of the General Partner, the Affiliate Guarantor, 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 Affiliate Guarantor, 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 a fee simple or leasehold interest in 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 $29,526 for 2007, $223,082 for 2008, $275,572 for each year 2009 through 2016, $246,046 for 2017, and $52,489 for 2018 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 lease 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.

(r) State Designation. On December 9, 2005, the Partnership 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 Partnership will comply with the so-called "40-60 Set-Aside Test" of Code Section 42(g)(1)(B), as restricted by Code Section 42(i)(2)(E)(i) so that at least 40% 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 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.

(t) 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).

(u) Ownership of General Partner. Commission owns and shall continue to own at all times during the term of the Partnership 50% of all classes of interests of the General Partner. South River owns and shall continue to own at all times during the term of the Partnership 50% of all classes of interests of the General Partner. Commission and South River are unrelated entities (i.e., do not have overlapping boards of directors, are not under common control or have common owners) for purposes of the Code and shall remain unrelated during the term of the Agreement.

(v) Title to Project; Taxes and Assessments. The Partnership has and shall have at all times a good and marketable leasehold interest in the Land, and good and marketable title to the improvements constituting 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 partner 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. 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, including, but not limited to, complying with all provisions thereof relating to housing for the elderly.

(ak) Lenders to Project Entities Generally. Subject to provisions of this Agreement with respect to related party loans, a limited partner or member including without limitation the Federal Home Loan Mortgage Corporation (such limited partner 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 partner or member, 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) 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 any 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 lender to Fannie Mae, or inclusion of such Financing (or any interest therein) by such 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 General Partner to any Fannie Mae Refinancing.

(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 will promptly notify the Limited Partner of any "reportable transaction" under Treasury Regulation Section 1.6011-4 in which the Partnership shall engage or which it reports under Code Section 6111. The General Partner hereby notifies the other Partners that the transactions provided for in this Agreement may constitute a "reportable transaction". The General Partner shall 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 investor lists as required by the General Partner or the Project Entity under the Code and applicable Treasury Regulations. Notwithstanding the foregoing, the General Partner hereby authorizes VCCH to be a "designated organizer" for the Project for purposes of filing disclosures under Code Section 6111. Such disclosures shall be made on a protective basis and are not intended as an admission that the Project is a reportable transaction under Treasury Regulation Section 1.6011-4(b). Material advisors are required to supplement information disclosed if the information provided is a filed disclosure is not longer accurate, in such instances, the General Partner agrees to provide timely supplemental information about the Project to VCCH.

(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) 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. 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 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 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 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. At a minimum, the General Partner shall cause the Partnership to annually deposit into a segregated reserve account, commencing upon Final Closing, $700 per month 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 with an additional amount equal to the Initial Amount increased at a compounded rate of 4% per annum. 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 an initial amount of $80,000 (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 $80,000 of the Operating Reserve shall be funded on or before the Final Closing from Capital Contributions and/or the proceeds of the Project Loan; provided, however, that if there are insufficient funds from the aforementioned sources upon Final Closing, 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 $80,000, from Net Cash Flow pursuant to Section 11.03(b) hereof. Withdrawals from the Operating Reserve shall require the prior approval of the Special Limited Partner.

(s) Lease-Up Reserve. By the time of certificate of occupancy, the General Partner shall cause the Partnership to fund and maintain a lease-up reserve (the "Lease-Up Reserve"). The amount of the Lease-Up Reserve shall be $20,000. Withdrawals from the Lease-up Reserve account shall require the consent of the Limited Partner. 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), any unused portion of the Lease-Up Reserve shall be paid to the General Partner (or its nominee) as an Incentive Management Fee.

(t) Leasehold Obligations. The General Partner shall comply and cause the Partnership to comply in all respects with the provisions of the Ground Lease and shall not default nor permit any default thereunder to remain uncured within the time periods allowed to the Partnership under the Ground Lease. Upon any breach of this covenant by the General Partner, the Limited Partner and/or the Special Limited Partner, shall have the right to effect such cure of any default or alleged default under the Ground Lease in the place of the Partnership, and charge back any costs and expenses thereof against the General Partner. The General Partner shall reimburse the Limited Partner or Special Limited Partner, as the case may be, for such costs and expenses upon written demand. Further, the General Partner shall not amend, modify or terminate, nor permit any amendment, modification or termination of the Ground Lease that will have a material adverse effect on the Limited Partner, without in each case obtaining the prior written Consent of the Limited Partner. Any and all notices given to the Partnership under the Ground Lease, and any requests for consents, actions, or forbearances on the part of the Partnership to be given or withheld under the Ground Lease, shall immediately, upon receipt by the General Partner, be forwarded to the Limited Partner by the General Partner.

(u) 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 lease of the land upon which the Apartment Complex is located and its related financing.

(9) Performing any other duties or activities relating to the lease of the land upon which the Apartment Complex 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. 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:
Mountain Crest Partners, L.L.C.
c/o South River Development Corporation, Inc.
1700 New Hope Road, P.O. Box 1138
Waynesboro, Virginia 22980-0821

(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 Partnership 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 X, L.L.C. 114 East Cary Street Richmond, Virginia 23219	Capital Contribution of the Limited Partner is as set forth in subparagraph (d) immediately below, as increased for purposes of the Partnership's books of account by the amount of the Development Advisory Fee and Capitalized Bridge Loan Interest allocable to the Class A Limited Partner, also as set forth in subparagraph (d) immediately below	99.99%

(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 114 East Cary Street Suite 101 Richmond, Virginia 23219	$10.00	.001%

(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 $2,300,000 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 such Development Advisory Fee plus each Limited Partner's allocable share of Capitalized Bridge Loan Interest as determined by the Accountants in consultation with each Limited Partner.

(i) First Capital Contribution. The amount of the first Capital Contribution shall be Two Hundred Thousand and No/100 Dollars ($200,000.00). 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 $28,000.00 shall be used to pay the Limited Partners 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 insurance 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 a leasehold estate in 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) Survey. An ALTA survey, dated no more than ninety (90) days prior to the date of funding;

(E) Plans and Specifications. The General Partner shall have submitted to the Limited Partner Plans and Specifications for the Project;

(F) Permits. A copy of any permits and licenses that are required for the construction of the Project, issued by the appropriate governmental authorities;

(G) Cost Certification. The cost certification delivered to the Agency in connection with any carryover of credits, with copies of all invoices and backup information;

(H) Checklist. All other items as the Limited Partner may reasonably request to satisfy its due diligence requirements, including, without limitation, those documents set forth on the Limited Partner's closing checklist and to otherwise verify the accuracy of the representations and warranties and compliance with the covenants, duties and obligations set forth in this Agreement;

(I) Permanent and Construction Financing. Copies of commitment letters or agreements from all anticipated financing sources, in form and substance acceptable to the Limited Partner, necessary to meet the Partnership's financial needs;

(J) Construction Contract. The general construction contract, in form and substance acceptable to the Limited Partner and with a fixed price or guaranteed maximum price acceptable to the Limited Partner, and with a general contractor reasonably acceptable to the Limited Partner;

(K) Financials. Current financial statements of the General Partner and its affiliates, and verification of background information, as needed, to be provided to the Limited Partner by the General Partner;

(L) Form 8832 Election. The General Partner will also provide evidence that it has filed Form 8832 with the IRS electing to be taxed as a corporation and that such election was effective prior to the Initial Closing Date.

(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 Five Hundred Thousand and No/100 Dollars ($500,000.00). 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 to an account established by the construction lender for the Project, which will be used to repay the Construction Loan, with any remainder used to pay for Development Costs of the Project that have been approved by the Limited Partner.

(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, 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;

(D) Physical Inspection; 50% Completion. 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, and that fifty percent (50%) of the construction work has been completed;

(E) Title Policy. The title insurance 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) 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 Fifty Thousand and No/100 Dollars ($650,000.00). 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 Third Capital Contribution to an account established by the construction lender for the Project, which will be used to repay the Construction Loan, with any remainder used to pay for Development Costs of the Project that have been approved by the Limited Partner.

(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, 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 Third Capital Contribution;

(D) Physical Inspection; 75% Completion. 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, and that fifty percent (75%) of the construction work has been completed;

(E) Title Policy. The title insurance 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) 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 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 Limited Partner of the items described below, the Limited Partner shall make the Fourth Capital Contribution to an account established by the construction lender for the Project, which will be used to repay the Construction Loan, with any remainder used to pay for Development Costs of the Project that have been approved by the Limited Partner.

(A) Third Capital Contribution Paid. The occurrence of the Limited Partner's Third 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) 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;

(D) 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;

(E) 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;

(F) Extended Use Agreement. Receipt by the Limited Partner of a copy of an as-recorded Extended Use Agreement;

(G) 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 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 the Project at such time;

(H) 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;

(I) 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;

(J) 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;

(K) Payment of Taxes. The Limited Partner shall have received satisfactory evidence (which may be included in the title policy described in subparagraph (L) 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;

(L) 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 Fourth 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;

(M) 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; and

(M) General Partner Election. 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.

(v) Fifth Capital Contribution. The amount of the Fifth Capital Contribution shall be equal to Two Hundred Thousand and No/100 Dollars ($200,000.00). The Limited Partner shall make the Fifth Capital Contribution to the Partnership following (and conditioned upon):

(A) Fourth Capital Contribution Paid. The occurrence of the Limited Partner's Fourth 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 Operations. 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 Fifth 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) Tax Return. The receipt by the Limited Partner of the Partnership's tax return for the 2007 tax year, in a form reasonably satisfactory to the Limited Partner;

(F) Debt Service Coverage Ratio. The Project has maintained a 1.10 Debt Service Coverage Ratio for all six prior consecutive months;

(E) 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;

(F) 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;

(G) 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; and

(H) 8609's. Receipt of the Form(s) 8609 for the entire Project executed by the Agency.

(vi) 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 $2,755,724, and (B) $0.8345. 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 the product of (A) for calendar year 2007, 2008 or 2009, the amount, if any, by which $29,529, $223,105 or $275,572, respectively, exceeds Actual Credits for such year, and (B) $0.8345.

(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 Third Capital Contribution (if it has not previously been funded), and then to the extent necessary, the Fourth Capital Contribution, and then to the extent necessary, the Fifth 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".

(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. 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 an 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 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.

(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 each of Edward M. Burns, II, PC, and Peter J. Judah, Attorney at Law, 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 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 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 has a leasehold interest in the Land and fee simple ownership of the improvements constituting 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;

(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;

(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) Final Closing has not occurred by December 31, 2007 (or such later date as may be Consented to by the Limited Partner); (ii) the Partnership has not received State Designation in 2006 or the IRS Form(s) 8609 (is) (are) not issued by the Agency by December 31, 2008, so as to allow the Credit Period to commence as of 2008; (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 Internal Revenue Service, as of June 9, 2006, 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; (vi) the Project has not generated at least 95% of the Projected LIHTC for the year 2008 , 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)(vi) 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)(vi) 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, 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 (8.0%), compounded annually; and (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 or a limited liability company, 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 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 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 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 South River to maintain a minimum net worth of $500,000 and liquid assets of $70,000, and the failure of Commission to maintain a minimum net worth of $25,000;

(K) failure of the Partnership to achieve Breakeven Operations within six months of the Partnership's achievement of 95% occupancy; or

(L) the General Partner or Partnership has violated any other material agreement relating to the operation of the Project, or the physical condition or financial performance of the Project has deteriorated due to the acts or omissions of the General Partner or the Management Agent.

(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. 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 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;

(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 of Regulations, including, without limitation, any election under Section 42 (including an election to treat any year other than 2007 as the first year of the Credit Period (as defined in Code Section 42 for the Project of 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 with the prior consent of the Limited 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, and subject further to the exercise by Commission of its rights under the Purchase Option and Right of First Refusal Agreement attached hereto as **Exhibit L**, 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 sixty (60) 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 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) Commission Option. Commission, 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 set forth in the Purchase Option and Right of First Refusal Agreement attached hereto as **Exhibit L**.

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 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 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), 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 achievement of Breakeven Operations and ending on the fifteenth (15^{th}) anniversary of such date (the "Initial Period"), an Operating Deficit shall exist, the General Partner shall provide such funds to the Partnership, after any Operating Reserves have been expended for such purpose, 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 11.03(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, 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 sixty (60) days following the close of such fiscal year, and after all available Operating Reserves have been expended for such purpose, 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 Internal Revenue Service 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 Internal Revenue Service 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, and the General Partner shall use its own funds for such payment after all available Operating Reserves have been expended for such purpose.

(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, 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, or to condemnation of the Project or to a casualty loss of the Project (unless the General Partner has failed to maintain the required insurance for the Project as specified herein).

(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, 2007, on the terms set forth on **Exhibit F** attached hereto. The General Partner represents and warrants that, except for the loan of HOME funds from DHCD described on **Exhibit F**, 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.

(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 $100,000 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 the date of placement in service of the Project. It is anticipated that none of the Development Fee will be deferred and paid pursuant to Article XI. (b) The Partnership has entered into a Construction Incentive Partnership 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 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 Special Limited Partner, but in no event will the annual management fee be greater than four and one-half percent (4.5%) 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 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 if the General Partner is removed or withdraws 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 Development Advisory Fee. A Development Advisory Fee in the amount of $117,337 has been or will be paid to Virginia Community Development Corporation directly by the Limited Partners in consideration of Virginia Community Development Corporation's services in assisting and overseeing the Developer in performing its obligations under the Development Agreement. The Limited Partners shall have no right of reimbursement against the Partnership or the General Partner with respect to the payment of this Fee.

8.21 Accounting Fee. An accounting fee shall be paid to VCCH 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 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.

(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.

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(f)-(g) 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 Apartment Complex 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 in accordance with its respective Percentage Interest 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 in accordance with its respective Percentage Interest 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 the Developer until all amounts due under the Development Agreement have been paid in full;

(v) fifth, to replenish the Operating Reserve as needed so that the Operating Reserve will have a balance of $80,000;

(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, eighty percent (80%) to the payment of the Incentive Management Fee (but in no event not to exceed ten percent (10%) of gross operating revenue from the normal operation of the Project in any fiscal year); and

(viii) thereafter, ninety nine and ninety-nine hundredths percent (99.99%) to the Limited Partner; nine one-thousandths percent (0.009%) to the General Partner; and one one-thousandths percent (0.001%) 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 Apartment Complex, 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; (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 each of the Limited Partner and the Special Limited Partner, an amount equal to their respective Capital Contributions;

(e) to the General Partner, an amount equal to its Capital Contribution;

(f) 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;

(g) the balance, ninety percent (90%) to the General Partner, and ten percent (10%) to the 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.

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 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 8.10(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.

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 net income gains and 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 Apartment Complex 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 partnership in exchange for an interest in the new Partnership. Immediately thereafter, the terminated Partnership shall be deemed to have distributed interests in the new 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 Apartment Complex, 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 Apartment Complex, 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 Partnership 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.

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. 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 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.

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 of 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 or select the forum for judicial review of any Internal Revenue Service 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 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.

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. 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 VCCH. The Partnership shall enter into an agreement with VCCH, essentially in the form attached hereto as **Exhibit J**, pursuant to which VCCH 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 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 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). VCCH 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 5.5(c) 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 of each calendar year; 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 Waste 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 X, L.L.C.
c/o Virginia Housing Capital Corporation
114 East Cary Street
Suite 101
Richmond, Virginia 23219-1321

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:

Mountain Crest Partners, L.L.C.
c/o South River Development Corporation, Inc.
1700 New Hope Road, P.O. Box 1138
Waynesboro, Virginia 22980-0821
Attention: R. Edward Delapp

With a copy to:

Bath County Retirement Commission
P.O. Box 309
Warm Springs, Virginia 24484
Attention: Virginia Nowlin

And a copy to:

Edward M. Burns, II, P.C.
2611 West Main Street
Suite 5
Waynesboro, VA 22980
Attention: Edward M. Burns, II

And a copy to:

Peter J. Judah, Attorney at Law
P.O. Box 774
Hot Springs, VA 24445

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 Amended and Restated Agreement of Limited Partnership of Bath County Retirement Home Limited Partnership as of the date first written above.

GENERAL PARTNER:

Mountain Crest Partners, L.L.C.,
a Virginia limited liability company

By: South River Development Corporation, Inc.,
member

By: M. A. Everly
Name: M A EVERLY
Title: President

By: Bath County Retirement Home Commission,
member

By: Virginia H. Nowlin
Name: VIRGINIA H. NOWLIN
Title: Chairman

LIMITED PARTNER:

Housing Equity Fund of Virginia X, L.L.C., a
Virginia limited liability company

By: Virginia Housing Capital Corporation, its
managing member

By: _____
Name: _____
Title: _____

IN WITNESS WHEREOF, the parties have affixed their signatures and seals to this Amended and Restated Agreement of Limited Partnership of Bath County Retirement Home Limited Partnership as of the date first written above.

GENERAL PARTNER:

Mountain Crest Partners, L.L.C.,
a Virginia limited liability company

By: South River Development Corporation, Inc.,
member

By:_____
Name: _____
Title: _____

By: Bath County Retirement Home Commission,
member

By:_____
Name: _____
Title: _____

LIMITED PARTNER:

Housing Equity Fund of Virginia X, L.L.C., a
Virginia limited liability company

By: Virginia Housing Capital Corporation, its
managing member

By: _____
Name: _____
Title: _____

SPECIAL LIMITED PARTNER:

Virginia Affordable Housing Management Corporation, a Virginia corporation

By: _____
Name: GARY SCH
Title: TREA

WITHDRAWING LIMITED PARTNER:

Waynesboro Redevelopment and Housing Authority

By: _____
Name: _____
Title: _____

Bath County Retirement Home Commission

By: _____
Name: _____
Title: _____

WITHDRAWING GENERAL PARTNER

South River Development Corporation, Inc.

By: _____
Name: _____
Title: _____

Bath County Retirement Home Commission

By: _____
Name: _____
Title: _____

SPECIAL LIMITED PARTNER:

Virginia Affordable Housing Management Corporation, a Virginia corporation

By: _____
Name: _____
Title: _____

WITHDRAWING LIMITED PARTNER:

Waynesboro Redevelopment and Housing Authority

By: _____
Name: David Bullock
Title: Chairman

Bath County Retirement Home Commission

By: Virginia H. Nowlin
Name: Virginia H. Nowlin
Title: Chairman

WITHDRAWING GENERAL PARTNER

South River Development Corporation, Inc.

By: M. A. Everly
Name: M A EVERLY
Title: President

Bath County Retirement Home Commission

By: Virginia H. Nowlin
Name: Virginia H. Nowlin
Title: Chairman

City of
~~COUNTY OF~~ Waynesboro)
) ss.
COMMONWEALTH OF VIRGINIA)

Before me, the undersigned Notary Public in and for the aforesaid County and State, personally appeared M.A. Everly, in his capacity as President of South Riv.Dev.Corp.a(n) Virginia corporation, a member of Mountain Crest Partners, L.L.C., a Virginia limited liability company, and being duly sworn, acknowledged the execution of the foregoing Amended and Restated Agreement of Limited Partnership.

Witness my hand and notarial seal this 11th day of May, 2006.

J. M. Norcross
Notary Public

My Commission Expires:
05/31/2007

City of
~~COUNTY OF~~ Waynesboro)
) ss.
COMMONWEALTH OF VIRGINIA)

Before me, the undersigned Notary Public in and for the aforesaid County and State, personally appeared Virginia H.Nowlin, in his capacity as Chairman of BathCty. Ret.Home, a(n) Virginia corporation, a member of Mountain Crest Partners, L.L.C., a Virginia limited liability company, and being duly sworn, acknowledged the execution of the foregoing Amended and Restated Agreement of Limited Partnership.

Witness my hand and notarial seal this 11th day of May, 2006.

J. M. Norcross
Notary Public

My Commission Expires:
05/31/2007

CITY
~~COUNTY~~ OF Richmond)
) ss.
COMMONWEALTH OF VIRGINIA)

Before me, the undersigned Notary Public in and for the aforesaid County and State, personally appeared Gary D. Schwam, in his capacity as Treasurer of Virginia Housing Capital Corporation, as managing member of Housing Equity Fund of Virginia X, L.L.C., a Virginia limited liability company, as Limited Partner of Bath County Retirement Home Limited Partnership, a Virginia limited partnership, and being duly sworn, acknowledged the execution of the foregoing Amended and Restated Agreement of Limited Partnership.

Witness my hand and notarial seal this 15th day of May 2006.

Arlo O. Trent
Notary Public

My Commission Expires:
My Commission Expires February 28, 2007

COUNTY OF _____)
) ss.
COMMONWEALTH OF _____)

Before me, the undersigned Notary Public in and for the aforesaid County and State, personally appeared _____, in his/her capacity as the _____ of the Bath County Retirement Home Commission, the Withdrawing Limited Partner of Bath County Retirement Home Limited Partnership, a Virginia limited partnership, and being duly sworn, acknowledged the execution of the foregoing Amended and Restated Agreement of Limited Partnership.

Witness my hand and notarial seal this _____ day of _____, 2006.

_____
Notary Public

My Commission Expires:

_____

COUNTY OF _____)
) ss.
COMMONWEALTH OF _____)

Before me, the undersigned Notary Public in and for the aforesaid County and State, personally appeared _____,in his/her capacity as the _____ of Bath County Retirement Home Commission, the Withdrawing General Partner of Bath County Retirement Home Limited Partnership, a Virginia limited partnership, and being duly sworn, acknowledged the execution of the foregoing Amended and Restated Agreement of Limited Partnership.

Witness my hand and notarial seal this _____ day of _____, 2006.

_____
Notary Public

My Commission Expires:

_____

~~COUNTY~~ CITY OF RICHMOND)
) ss.
COMMONWEALTH OF VIRGINIA)

Before me, the undersigned Notary Public in and for the aforesaid County and State, personally appeared Gary Schwam ,in his 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 Amended and Restated Agreement of Limited Partnership.

Witness my hand and notarial seal this 12th day of May, 2006.

Brenda K. Trent
Notary Public

My Commission Expires:
My Commission Expires February 28, 2007

62829 v.5

COUNTY OF _____)
) ss.
COMMONWEALTH OF VIRGINIA)

Before me, the undersigned Notary Public in and for the aforesaid County and State, personally appeared _____,in his capacity as _____ of Virginia Housing Capital Corporation, as managing member of Housing Equity Fund of Virginia X, L.L.C., a Virginia limited liability company, as Limited Partner of _____ Limited Partnership, a Virginia limited partnership, and being duly sworn, acknowledged the execution of the foregoing Amended and Restated Agreement of Limited Partnership.

Witness my hand and notarial seal this _____ day of _____ 2006.

_____
Notary Public

My Commission Expires:

_____

City of
~~COUNTY OF~~ Waynesboro)
) ss.
COMMONWEALTH OF Virginia)

Before me, the undersigned Notary Public in and for the aforesaid County and State, personally appeared Virginia H. Nowlin ,in his/her capacity as the Chairman of the Bath County Retirement Home Commission, the Withdrawing Limited Partner of Bath County Retirement Home Limited Partnership, a Virginia limited partnership, and being duly sworn, acknowledged the execution of the foregoing Amended and Restated Agreement of Limited Partnership.

Witness my hand and notarial seal this 11th day of May, 2006.

J. M. Norcross
Notary Public

My Commission Expires:
05/31/2007

City of
~~COUNTY OF~~ Waynesboro)
) ss.
COMMONWEALTH OF Virginia)

Before me, the undersigned Notary Public in and for the aforesaid County and State, personally appeared David Bullock, in his/her capacity as the Chairman of Waynesboro Redevelopment and Housing Authority, the Withdrawing Limited Partner of Bath County Retirement Home Limited Partnership, a Virginia limited partnership, and being duly sworn, acknowledged the execution of the foregoing Amended and Restated Agreement of Limited Partnership.

Witness my hand and notarial seal this 11th day of May, 2006.

J. M. Norcross
Notary Public

My Commission Expires:
05/31/2007

City of
~~COUNTY OF~~ Waynesboro)
) ss.
COMMONWEALTH OF Virginia)

Before me, the undersigned Notary Public in and for the aforesaid County and State, personally appeared M.A. Everly, in his/her capacity as the President of South River Development Corporation, Inc., the Withdrawing General Partner of Bath County Retirement Home Limited Partnership, a Virginia limited partnership, and being duly sworn, acknowledged the execution of the foregoing Amended and Restated Agreement of Limited Partnership.

Witness my hand and notarial seal this 11th day of May, 2006.

J. M. Norcross
Notary Public

My Commission Expires:
05/31/2007

City of
~~COUNTY OF~~ Waynesboro)
) ss.
COMMONWEALTH OF Virginia)

Before me, the undersigned Notary Public in and for the aforesaid County and State, personally appeared Virginia H. Nowlin ,in his/her capacity as the Chairman of Bath County Retirement Home Commission, the Withdrawing General Partner of Bath County Retirement Home Limited Partnership, a Virginia limited partnership, and being duly sworn, acknowledged the execution of the foregoing Amended and Restated Agreement of Limited Partnership.

Witness my hand and notarial seal this 11th day of May, 2006.

J. M. Norcross
Notary Public

My Commission Expires:
05/31/2007

COUNTY OF _____)
) ss.
COMMONWEALTH OF VIRGINIA)

Before me, the undersigned Notary Public in and for the aforesaid County and State, personally appeared _____,in his 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 Amended and Restated Agreement of Limited Partnership.

Witness my hand and notarial seal this _____ day of _____, 2006.

_____
Notary Public

My Commission Expires:
_____

/re.wrha.mt.crest.partnership.agree

TABLE OF EXHIBITS

EXHIBIT A
TO PARTNERSHIP AGREEMENT

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (this "Agreement") made as of May 1, 2006 by and between Bath County Retirement Home Limited Partnership, a Virginia limited partnership (the "Partnership") and South River Development Corporation, Inc., a Virginia not for profit 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 Bath County, Virginia, known as The Retirement Home (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 without prior written approval from all of the Partners (with respect to the approval of the Partners, failure by a Partner to respond to a request for approval by the end of the second weekday which is not a holiday after the date of such request shall be deemed an approval of such request), 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) One Hundred Thousand and No/100 Dollars ($100,000.00); 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 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 Fifth 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 93% 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 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 date of placement in service of the Project.

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 BB&T, 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.

Section 11. Prior Development Agreement.

The parties hereto acknowledge and agree that this Agreement is intended to replace and supersede the Development Services Agreement dated as of July 9, 2001 by and between Bath County Retirement Home Commission and Waynesboro Housing Corporation (now known as South River Development Corporation, Inc.

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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:

Bath County Retirement Home Limited Partnership,
a Virginia Limited Partnership

By: Mountain Crest Partners, L.L.C., a Virginia limited liability company, its general partner

By: South River Development Corporation, Inc., a Virginia not for profit corporation, a member

By: Mary Lou Ellis

Title: President

By: Bath County Retirement Home Commission, a Virginia not for profit corporation, a member

By: Virginia H. Nowlin

Title: Chairman

DEVELOPER:

South River Development Corporation, Inc.
a Virginia not for profit corporation

By: Mary Lou Ellis

Title: President

EXHIBIT B
TO PARTNERSHIP AGREEMENT

INCENTIVE MANAGEMENT FEE AGREEMENT

THIS INCENTIVE MANAGEMENT FEE AGREEMENT (this "Agreement") made as of May 1, 2006, by and between Bath County Retirement Home Limited Partnership, a Virginia limited partnership (the "Partnership") and Mountain Crest Partners, L.L.C., a Virginia limited liability company, as the General Partner (the "General Partner").

Recitals

WHEREAS, General Partner and Housing Equity Fund of Virginia X, 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 an 28-unit multifamily apartment complex intended for rental to low income individuals and families, to be known as The Retirement Home, and to be located in Bath County, Virginia (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, or (iii) the exercise by Commission of its rights under the Right of First Refusal Agreement attached to the Partnership Agreement.

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 11.03(b) of the Partnership Agreement, an annual, noncumulative Incentive Partnership 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 (vi) under the Partnership Agreement (but not to exceed ten percent (10%) of gross operating revenue from the normal operations of the Project in any fiscal year). In addition, the General Partner shall also receive the unused portion of the Lease-Up Reserve, on the terms set forth in Section 4.02(s) of 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:

BATH COUNTY RETIREMENT HOME
LIMITED PARTNERSHIP,
a Virginia limited partnership

By: Mountain Crest Partners, L.L.C.,
a Virginia limited liability company, its general partner

By: South River Development Corporation, Inc., a Virginia not for profit corporation, a member

By: Mary Lou Wells

Title: President

By: Bath County Retirement Home Commission, a Virginia not for profit corporation, a member

By: Virginia H. Nowlin

Title: Chairman

GENERAL PARTNER:

MOUNTAIN CREST PARTNERS, L.L.C.,
a Virginia limited liability company

By: South River Development Corporation, Inc., a Virginia not for profit corporation, a member

By: Mary Lou Wells

Title: President

By: Bath County Retirement Home Commission, a Virginia not for profit corporation, a member

By: Virginia H. Nourse

Title: Chairman

EXHIBIT C
TO PARTNERSHIP AGREEMENT

DESCRIPTION OF LAND

All that certain tract or parcel of real property containing 8.0 acres, situate, lying and being in the Cedar Creek Magisterial District, Bath County, Virginia, as shown on that Plat of 8.000 Acres of Land Surveyed for the County of Bath by Jeffrey Hiner, Land Surveyor, dated May, 1998, hereinafter referred to as (the "Plat") a copy of which Plat is recorded in Plat Cabinet 1, Slide 133 and incorporated by reference herein.

EXHIBIT D
TO PARTNERSHIP AGREEMENT

AFFILIATE GUARANTY

THIS GUARANTY AGREEMENT (this "Guaranty Agreement"), made as of May 1, 2006, is by Bath County Retirement Home Commission, a Virginia not for profit corporation ("BCRHC"), and South River Development Corporation, Inc., a Virginia not for profit corporation ("South River") (jointly and severally sometimes referred to herein as "Guarantor" or collectively "Guarantors"), for the benefit of Housing Equity Fund of Virginia X, L.L.C. a Virginia limited liability company ("HEF").

Recitals

WHEREAS, Mountain Crest Partners, L.L.C., a Virginia limited liability company (the "General Partner"), is the general partner of Bath County Retirement Home 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 May 1, 2006 (the "Partnership Agreement");

WHEREAS, South River ("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, each of BCRHC and South River is a member of the General Partner, and each of the Guarantors 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 each of the Guarantors 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. 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 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").

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 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 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 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. 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 General Partner 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 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 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 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 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 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 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 Partnership 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 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 Guarantors hereby agree 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, 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 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 X, L.L.C.
c/o Housing Capital Corporation of Virginia
114 East Cary Street
Suite 101
Richmond, Virginia 23219

with a copy to:

Applegate &Thorne-Thomsen, P.C.
322 South Green Street
Suite 400
Chicago, Illinois 60607
Attention: Thomas Thorne-Thomsen

Guarantor:

Bath County Retirement Home Commission
P.O. Box 309
Warm Springs, Virginia 24484
Attention: Virginia Nowlin

South River Development Corporation, Inc.
1700 New Hope Road, P.O. Box 1138
Waynesboro, Virginia 22980-0821
Attention: R. Edward Delapp

And a copy to:

Edward M. Burns, II, P.C.
2611 West Main Street
Suite 5
Waynesboro, VA 22980
Attention: Edward M. Burns, II

And a copy to:

Peter J. Judah, Attorney at Law
P.O. Box 774
Hot Springs, VA 24445

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. 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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned Guarantor has executed this Guaranty Agreement as of the day and year first above written.

GUARANTOR:

BATH COUNTY RETIREMENT HOME COMMISSION

By: Virginia H. Nowlin
Its: VIRGINIA H. NOWLIN

SOUTH RIVER DEVELOPMENT CORPORATION, INC.

By: Mary Ann Clark
Its: President

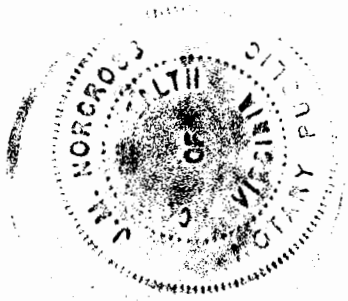
COMMONWEALTH OF VIRGINIA)

City of Waynesboro
~~COUNTY OF BATH~~)

The foregoing instrument was acknowledged before me this 11th day of May, 2006, by Virginia H. Nowlin.

J. M. Norcross
Notary Public

My commission expires:
05/31/2007



COMMONWEALTH OF VIRGINIA)

City of Waynesboro
~~COUNTY OF BATH~~)

The foregoing instrument was acknowledged before me this 11th day of May, 2006, by Mary Ann Everly.

J. M. Norcross
Notary Public

My commission expires:
05/31/2007

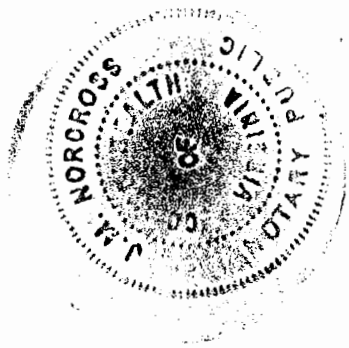


EXHIBIT E
TO PARTNERSHIP AGREEMENT

PLEDGE AND SECURITY AGREEMENT

THIS PLEDGE AND SECURITY AGREEMENT (this "Agreement") made as of May 1, 2006, by Mountain Crest Partners, L.L.C., a Virginia limited liability company ("Pledgor"), having an office at c/o South River Development Corporation, Inc., 1700 New Hope Road, P.O. Box 1138, Waynesboro, Virginia 22980-0821, for the benefit of Housing Equity Fund of Virginia X, L.L.C., a Virginia limited liability company ("Pledgee"), having an office at 114 East Cary Street, Suite 101, Richmond, Virginia 23219-1321.

Recitals

WHEREAS, Pledgor is the General Partner in Bath County Retirement Home Limited Partnership (the "Partnership"), and the Partnership is governed by its Amended and Restated Agreement of Limited Partnership dated as of May 1, 2006 (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 Partnership Management Fee and other payments to be made to the Pledgor under the Incentive Management Fee Agreement and the Construction Incentive Partnership Management Fee Agreement;

(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, the Construction Incentive Partnership 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 41-2205287, and its principal place of business is located at c/o South River Development Corporation, Inc., 1700 New Hope Road, P.O. Box 1138, Waynesboro, Virginia 22980-0821.

(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, the Incentive Management Fee Agreement or the Construction Incentive Partnership 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) 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 COMMERCIALLY 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 COMMERCIALLY 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 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 400, Chicago, Illinois 60607. If notice is sent to the Pledgee, a copy of such notice shall be given to Edward M. Burns, II, P.C., 2611 West Main Street, Suite 5, Waynesboro VA 22980, Attention: Edward M. Burns, II, and to Peter J. Judah, Attorney at Law, P.O. Box 774, Hot Springs, VA 24445.

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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed this Pledge and Security Agreement as of the date first above written.

Mountain Crest Partners, L.L.C., a Virginia limited liability company

By: South River Development Corporation, Inc., a Virginia not for profit corporation, a member

By: Mary Ann Everly

Title: President

By: Bath County Retirement Home Commission, a Virginia not for profit corporation, a member

By: Virginia H. Moulin

Title: Chairman

COMMONWEALTH OF VIRGINIA)
City of Waynesboro) ss.
~~COUNTY OF BATH~~)

The foregoing instrument was acknowledged before me this 11th day of May, 2006 by Mary Ann Everly, the President of South River Development Corp., Inc..

WITNESS my hand and official seal.

J.M. Morcross

Notary Public

(SEAL)

My Commission Expires 05/31/2007

COMMONWEALTH OF VIRGINIA)
City of Waynesboro) ss.
~~COUNTY OF~~ BATH)

The foregoing instrument was acknowledged before me this 11th day of May, 2006 by Virginia H. Nowlin, the Chairman of Bath County Retirement Home Commission

WITNESS my hand and official seal.

(SEAL) Notary Public

My Commission Expires 05/31/2007

EXHIBIT F
TO PARTNERSHIP AGREEMENT

SUMMARY OF PROJECT LOAN TERMS

Construction Loan

Lender: Branch Bank and Trust Company of Virginia
Amount: $2,300,000
Interest Rate: Prime
Repayment Terms: interest only until maturity date (18 month term)

Senior Permanent Loan

Lender: Virginia Housing Development Authority
Amount: $500,000
Interest Rate: 3.5% per annum
Repayment Terms: monthly level payments of principal and interest over 35-year term, starting at project completion

Junior Permanent Loan

Lender: DHCD
Amount: $500,000
Interest Rate: 1% per annum
Repayment Terms: interest only payments until maturity (30 year term, starting at project completion)

Junior Construction/Permanent Loan

Lender: South River Development Corporation, Inc.
Amount: $250,000
Interest Rate: zero percent
Repayment Terms: no payments until maturity (March 31, 2042)

Junior Construction/Permanent Loan

Lender: Bath County Retirement Commission
Amount: $1,105,335
Interest Rate: zero percent
Repayment Terms: no payments until maturity (March 31, 2042)

EXHIBIT G
TO PARTNERSHIP AGREEMENT

PROPERTY MANAGEMENT AGREEMENT

VIRGINIA HOUSING PARTNERSHIP REVOLVING FUND

MULTI-FAMILY PROGRAM

HOUSING MANAGEMENT AGREEMENT

THIS AGREEMENT is made this 11th day of May, 20 06, by and between Bath County Retirement Home Limited Partnership (the "Lessee") and South River Development 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 Lessee 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 Mountain Crest Retirement Home (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 Lessee 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 Lessee 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 Lessee and Agent assume the rights, duties and functions of the Lessee 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 Lessee 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 Lessee hereunder shall accrue to the Fund.

Section 1.04 Fund Guidelines. The Lessee 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 Lessee 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 Lessee 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 Lessee, 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 Lessee 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 Lessee.

Section 3.05 Rent Schedules.

(a) The Lessee 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 Lessee 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 Lessee 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 Lessee 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 Lessee 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 Lessee, to bring actions for eviction, and to execute notices to vacate and commence appropriate judicial proceedings; provided, however, that the Agent shall keep the Lessee informed of such actions and shall follow such instructions as the Lessee.

(d) Subject to the Lessee'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 Lessee 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 Lessee 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 Lessee 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 Lessee 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 Lessee 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 Lessee 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 Lessee is contesting or has affirmed its intention to contest the same. The Agent shall notify the Lessee 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 Lessee'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 Lessee 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 Lessee all discounts, rebates, or commissions obtainable with respect to purchases, service contracts, and all other transactions on the Lessee's behalf.

Section 5.07 Safety and Health Regulations.

(a) The Agent shall take such action as may be necessary to assure that the Lessee 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 Lessee's and Agent's employees who furnish service in connection with the Development.

(b) The Agent agrees to indemnify and hold harmless the Lessee 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 four point five percent (4.5 %) 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 Lessee'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 Lessee.

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 Lessee 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 Lessee 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 Lessee, 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 Lessee 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 Lessee 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 Lessee and the Fund information in a format acceptable to both, as may be requested by the Lessee 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 Lessee 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 Lessee, are filed in a timely manner.

Section 7.05 Lessee's Right to Reallocate Functions. If the Lessee 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 Lessee or the Fund may, at the expense of the Agent, cause such functions to be performed by personnel selected by the Lessee or the Fund.

Section 7.06 Auditors. Auditors of the Development's financial statements shall be selected by the Lessee. 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 Lessee.

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 two year(s) commencing on April 1, 2007 and ending on March 31, 2009. 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 Lessee (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 Lessee and Agent, if the Lessee 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 Lessee 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 Lessee 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 Lessee (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 Lessee, including monies in the Project Account; (ii) notify all residents to make future rent payments to the Lessee or the Lessee's designee (or, in the case of a termination under Section 8.04(a), to the Fund), and (iii) submit to the Lessee 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 Separability. 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 Lessee 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.

LESSEE: Bath County Retirement Home Limited Partnership
ADDRESS: Virginia H. Noble, P.O. Box 306, Warm Springs, VA 24484

BY: Virginia H. Noble
TITLE: Chairman

AGENT: South River Development Corporation
ADDRESS: _____

BY: Mary Lynn Abels
TITLE: President

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 _____ (Lessee) 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 Property Management Agreement or similarly titled contract between the parties hereto (the "Agreement") dated as described below, relating to the Building(s) described below.

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 Building under the Agreement, and to induce Owner's Limited Partner, as described below, to contribute equity capital to Owner for the development and operation of the Building, 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 18 units in the Building (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 Building, 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 form of Low-Income Lease Addendum and Checklist for Resident Files attached hereto as **Exhibits A and B** and all other forms as may be required. 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, addendum, 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, addendum, 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

Addendum 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 Building with respect to federal Section 8 rent subsidies, following procedures required by the U.S. Department of Housing and Urban Development ("HUD").

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 Building.

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 a monthly report, in form satisfactory to Owner, containing and including at least the following: (a) a statement of income and expenses and accounts receivable and payable for the preceding month, including an itemized list of all delinquent rents as of the tenth (10th) day of the current month, as well as a report on action taken thereon by Agent; (b) a rent roll/cash receipts form for the previous month; (c) a

disbursements summary for the previous month; (d) current bank statements with reconciliation of accounts; (e) copies of paid bills and invoices for the previous month; and (f) a narrative of any unusual actions taken or emergencies responded to, and a full report of any accidents, claims, and potential claims, for the previous month. Agent shall submit each such report to Owner on or before the fifteenth (15th) day of each month, and shall concurrently mail a copy of the entire report to Owner's Limited Partner.

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 Building.

4. Fidelity Bond. Agent shall furnish and maintain, at the expense of the Building, 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 Building 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 Escrows. To the extent funds are available, Agent shall make all deposits into the replacement reserve for the Building and any other necessary or advisable reserves or escrows for the Building, as specified in Owner's partnership agreement or dictated by prudent management practices.

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 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, and if such default cannot be cured within such ten (10) day period, Agent shall have such additional time as may be 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.

(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 Building 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) 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 Building to Owner. Within ten (10) days after the termination of the Agreement, Agent shall deliver to Owner all plans and surveys of the Building in its possession and all books and records concerning the Building.

(e) 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.

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 Building, 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.

In Witness Whereof, the parties have executed this Addendum as of the 11th day of May, 2006

Owner::

_____,
a Virginia limited partnership

By: Virginia H. Nowlin Mary Lou Edwards
a _____ corporation

Agent:

By: Mary Lou Edwards
a _____ corporation

EXHIBIT TO ADDENDUM TO
PROPERTY MANAGEMENT AGREEMENT

Exhibit A: Form of Low-Income Lease Addendum
(as attached to this form Addendum)

EXHIBIT A

LEASE ADDENDUM

FEDERAL LOW INCOME HOUSING TAX CREDIT PROGRAM

The following provisions shall be incorporated into and made a part of the Lease Agreement dated _____ for address _____, _____, Virginia _____ (ZIP) (the "Apartment.")
These provisions are agreed to by _____ and _____ _____ ("Resident") and _____ ("Landlord.")

1. Resident acknowledges that Resident's household income and composition and other matters relating to Resident's eligibility for occupancy of the Apartment are material to this Lease.

2. Persons who intentionally mistake household size, income, student status, or otherwise attempt to mislead the owner as to their qualifications to occupy a low-income unit will be evicted.

3. Any change in a unit's household composition must be reported to the property management staff and reflected in the resident's file.

4. Resident agrees to inform management of any change in the student status of any household member. If all members of the household become full-time students not meeting any of the allowable exceptions, the household agrees to move out of the unit within thirty (30)days.

5. Resident agrees to comply with all requests hereafter made by the Landlord or the Virginia Housing Development Authority for information, documents, and certifications concerning Resident's eligibility for occupancy of the Apartment. Resident shall furnish all such information, documentation or certifications on or before the date specified in such request, which date shall not be earlier than ten (10) days from the date of receipt by Resident of such request. Such information, documents and certifications shall in all respects be true, accurate and complete. Failure by the resident to provide required information or documentation is a substantial violation of the lease and is cause for eviction.

6. The owner, owner's representative, and staff of the Virginia Housing Development Authority, accompanied by the owner's representative, reserve the right to enter the unit to inspect the physical condition of such unit.

7. Subletting/assignment is not allowed.

Resident: Landlord:

_____ _____

#6403-v1

EXHIBIT H
TO PARTNERSHIP AGREEMENT

DEVELOPMENT BUDGET

Mountain Crest

PROJECT ASSUMPTIONS

Project Sponsor		South River Development Corporation
Community		Bath County Retirement Home Commission Warm Springs, VA

OPERATING ASSUMPTIONS

PROJECT TIMING		
Closing		May-06
Construction Start		Jan-06
Construction Completion		May-07
Full Qualified Occupancy		Aug-07
Closing Month of the Year		4
Operating Months Year		6
Ave. Qual. Occupancy Mo. Year	1	1.2857143

Credit Allocation	275,600
(Insert - 0 - if prior to allocation)	
Credit Calculated	345404
Credit Used	275,600

PROJECT OPERATING ASSUMPTIONS

market study projects 3% vacancy stabilized

GENERAL			
Management Fee	4.00%	Replacement Reserve $/Unit	300
Vacancy Rate	3.00%		
Inflation Income	2.00%	Operating Cost/Unit	3345
Inflation Expenses	3.00%		
Initial Partnership Admin. Fee	$5,000		
Year 1 Building Expenses	$78,820	(W/O REP.RES.,MGMT.)	

AHP Income requirements: 18 below 50% and 10 below 60%

LIHTC Income 100% @ 60% rents: 3 @40%, 15 @50%, 10@60%

PROJECT INCOME ASSUMPTIONS

Unit Type	# Units	Net $/Mo.	Gross Pot Ann Inc.
[redacted]	[redacted]	[redacted]	12960
[redacted]	[redacted]	[redacted]	70200
[redacted]	[redacted]	[redacted]	14400
[redacted]	[redacted]	[redacted]	0
[redacted]	[redacted]	[redacted]	39900
[redacted]	[redacted]	[redacted]	0
[redacted]	[redacted]	[redacted]	0
Other Income Monthly		0.00	0.00
Total Apartment Units	28		137460

PROPERTYRENTAL INCOME ANALYSIS

Unit Type	Tenant Pd Utilities	Sq. Ft.	Net $/Mo.	Utility Allow	Adjusted Rent	Program Maximum	Dollars Below	FMR	Dollars Below
1 Bed / 1 Ba (40%)	[redacted]	[redacted]	360.00	[redacted]	360.00	[redacted]	13.00	[redacted]	69.00
1 Bed / 1 Ba (50%)	[redacted]	[redacted]	390.00	[redacted]	390.00	[redacted]	76.00	[redacted]	39.00
1 Bed / 1 Ba (60%)	[redacted]	[redacted]	400.00	[redacted]	400.00	[redacted]	179.00	[redacted]	29.00
2 Bed / 1 Ba (50%)	[redacted]	[redacted]	450.00	[redacted]	450.00	[redacted]	108.00	[redacted]	83.00
2 Bed / 1 Ba (60%)	[redacted]	[redacted]	475.00	[redacted]	475.00	[redacted]	195.00	[redacted]	58.00
Other			0.00		0.00		0.00		0.00
Other			0.00		0.00		0.00		0.00
Other Income Monthly			0.00						

Mountain Crest

OPERATING EXPENSES

	Annual Expense	$/Unit
ADMINISTRATIVE		
Advertising/Marketing		54
Office Salaries		0
Office supplies		71
Office/Model Apartment		0
Management Fee 4.50% EGI		210
Manager Salaries		407
Staff units		0
Legal		18
Audit		0
Bookkeeping/Accounting		18
Telephone		64
VHDA Monitoring		20
Other Administrative		0
TOTAL ADMINISTRATIVE	24136	862
UTILITIES		
Fuel Oil		0
Electricity		786
Water		107
Sewer		107
Gas		0
TOTAL UTILITIES	28000	1000
OPERATING / MAINTENANCE		
Janitor/Cleaning Payroll		0
Janitor/Cleaning Supplies		36
Janitor/Cleaning/Cleaning Contract		0
Exterminating		26
Trash Removal		86
Security/Payroll		0
Grounds Payroll		0
Grounds Supplies		0
Grounds Contract		54
Maintence/Repairs Payroll		500
Repairs Material		54
Elevator Maintenance		0
Heating Cooling Repairs and Maintenance		0
Pool Maintenance		0
Snow Removal		18
Decorating/Payroll/Contract		0
Decorating Supplies		18
Miscellaneous		0
TOTAL OPERATING / MAINTENANCE	22120	790

EXPENSE ANALYSIS	Annual Expense	$/Unit
Administrative W/O Mgmt, Audit, VHDA	17700	632
Utilities	28000	1000
Maintence	22120	790
Real Estate Taxes	0	0
Insurance	5500	196
Other Taxes / Insurance	5500	196
TOTAL Building Expense	78820	2815
Replacement Res.	8400	300
Management	5876	210
VHDA Monitoring	560	20
Total Operating Expense	93656	3345
Partnership Management/Audit	5000	179
Total Annual Expenses	98656	3543

	Annual Expense	$/Unit
TAXES AND INSURANCE		
Real Estate Taxes		0
Payroll Taxes		0
Miscellaneous Taxes / Linceses / Permits		0
Property and Liability Insurance		196
Fidelity Bond		18
Workman's Compensation		36
Health Insurance and Employee Benefits		143
Other Insurance		0
TOTAL TAXES AND INSURANCE	11000	393
Replacement Reserves $300.00 $/Unit/Yr	8400	300
TOTAL OPERATING EXPENSES	93656	3345

Mountain Crest

CASH FLOW STATEMENT/RESERVE ACCOUNT BALANCE

1.75

Operating Pro-Forma	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
GROSS RENT																	
1 Bed / 1 Ba (40%)	1389	12960	13219	13484	13753	14028	14309	14595	14887	15185	15488	15798	16114	16436	16765	17100	17442
1 Bed / 1 Ba (50%)	7521	70200	71604	73036	74497	75987	77506	79057	80638	82250	83895	85573	87285	89031	90811	92627	94480
1 Bed / 1 Ba (60%)	1543	14400	14688	14982	15281	15587	15899	16217	16541	16872	17209	17554	17905	18263	18628	19000	19381
2 Bed / 1 Ba (50%)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2 Bed / 1 Ba (60%)	4275	39900	40698	41512	42342	43189	44053	44934	45833	46749	47684	48638	49611	50603	51615	52647	53700
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	14728	137460	140209	143013	145874	148791	151767	154802	157898	161056	164277	167563	170914	174333	177819	181376	185003
VACANCY	736	6873	7010	7151	7294	7440	7588	7740	7895	8053	8214	8378	8546	8717	8891	9069	9250
Lease Up Vacancy	8573	11427															
Expensed Org. Legal	5000																
EFFECTIVE GROSS INCOME	419	119160	133199	135863	138580	141352	144179	147062	150003	153003	156064	159185	162369	165616	168928	172307	175753
OPERATING EXPENSES																	
Building Expenses, Audit, VHD	9005	79380	81761	84214	86741	89343	92023	94784	97627	100556	103573	106680	109880	113177	116572	120069	123671
Management fee	405	5362	5994	6114	6236	6361	6488	6618	6750	6885	7023	7163	7307	7453	7602	7754	7909
Replacement Reserve	900	8400	8400	8400	8400	8400	8400	8400	8400	8400	8400	8400	8400	8400	8400	8400	8400
Real Estate Tax Abatement	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL OPERATING EXP.	10310	93142	96155	98728	101377	104104	106911	109802	112778	115841	118996	122243	125587	129030	132574	136223	139980
NET OPERATING INCOME	-9891	26017	37043	37135	37203	37248	37267	37261	37226	37162	37068	36941	36781	36586	36354	36084	35773
DEBT SERVICE																	
VHDA (VHF)	12399	24797	24797	24797	24797	24797	24797	24797	24797	24797	24797	24797	24797	24797	24797	24797	24797
DHCD (HOME)	2500	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000
Sponsor Loan 1 (Bath County F	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sponsor Loan 2 (SRDC - AHP)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sponsor Loan (def[redacted]	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
			0														
OPERATING CASH FLOW	-24790	-3780	7246	7337	7406	7450	7470	7463	7428	7365	7270	7144	6984	6789	6557	6286	5975
ADJUSTMENTS																	
Less: Ptnrshp Admin fee	5000	5150	5305	5464	5628	5796	5970	6149	6334	6524	6720	6921	7129	7343	7563	7790	8024
Distributable Cash Flow	-29790	-8930	1941	1874	1778	1654	1500	1314	1095	841	551	223	-145	-554	-1006	-1504	-2048
Incentive Mgmt Fe[redacted]	0	0	1553	1499	1423	1323	1200	1051	876	673	441	178	0	0	0	0	0
Plus: Opr Reserve [redacted]	1071	1692	1626	1677	1729	1781	1834	1888	1942	1996	2050	2104	2156	2201	2237	2262	2275
Rep Reserve Int	6	129	345	567	794	612	426	650	531	410	633	522	408	631	520	407	630
ADJUSTED CASH FLOW	**-28713**	**-7109**	**2360**	**2618**	**2878**	**2724**	**2561**	**2801**	**2692**	**2574**	**2793**	**2670**	**2419**	**2278**	**1752**	**1166**	**857**

Mountain Crest

Operating and Replacement Reserve Account Analysis

OPERATING RESERVE	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Begining Balance	100000	71281	64043	66057	68109	70193	72305	74440	76590	78751	80915	83075	85223	87234	88882	90113	90872
Reserve Interest	1071	1692	1626	1677	1729	1781	1834	1888	1942	1996	2050	2104	2156	2201	2237	2262	2275
Distributable Cash Flow	-29790	-8930	1941	1874	1778	1654	1500	1314	1095	841	551	223	-145	-554	-1006	-1504	-2048
Less: Incentive Fee	-0	-0	-1553	-1499	-1423	-1323	-1200	-1051	-876	-673	-441	-178	-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	71281	64043	66057	68109	70193	72305	74440	76590	78751	80915	83075	85223	87234	88882	90113	90872	91098
Deferred Reserves	0	0	0	0	0	0	0	0	0	0	0	0	0				
REPLACEMENT RESERVE																	
Begining Balance	0	906	9435	18180	27147	36340	12646	21473	30523	11984	20793	29826	11904	20712	29743	11895	20702
Interest Income	6	129	345	567	794	612	426	650	531	410	633	522	408	631	520	407	630
Reserve Deposits	900	8400	8400	8400	8400	8400	8400	8400	8400	8400	8400	8400	8400	8400	8400	8400	8400
Capital Expenditures						32706			27471			26843			26768		
ENDING BALANCE	906	9435	18180	27147	36340	12646	21473	30523	11984	20793	29826	11904	20712	29743	11895	20702	29733
Use of Replacement Reserves	1	1=yes		90.00%													

Mountain Crest

USES OF FUNDS

USES OF FUNDS	Total	Sub Tot	% OF Tot.	Sub Tot	$/unit	Sub Tot	COMMENTS
Purchase of land			0.00%		0		
Purchase Building		0	0.00%	0.00%	0	0	
Off-Site Improvements	0		0.00%		0		
Site Improvements	296245		6.31%		10580		
Unit Structures (New)	3212904		68.44%		114747		includes $258713 from cont. sched of values identified as site cost but treated as bldg cost per accou
Unit Structures (Rehab)	0		0.00%		0		
Construction Management	60000		1.28%		2143		Fee paid to Thor
General Conditions, Overhead, Profit	301714		6.43%		10776		
Bonding Fee	35026		0.75%		1251		
Fixtures and Equipment	57000	3962889	1.21%	84.42%	2036	141532	not included in contract
Building permit	0		0.00%		0		waived by County
A&E Fees (Design and Supervision)	160000		3.41%		5714		per contract with all additional services
Tap Fees	0		0.00%		0		waived by County
Soil Borings	0		0.00%		0		included as geotech in DD fee
Construction Loan Fee	10000		0.21%		357		
Construction Interest	95489		2.03%		3410		
Bridge Interest During Const. 0.5	38769		0.83%		1385		
Taxes During Construction	0		0.00%		0		waived by the County
Insurance During construction	0		0.00%		0		County will reimburse Partnership for this expense
Cost Certification	6000		0.13%		214		
Legal Fees Permanent	20000		0.43%		714		
Legal Fees Construction	10000		0.21%		357		
Legal Fees Partnership	15441		0.33%		551		includes 5441 paid to Hoffheimer Nussbaum
Legal Fees Syndication	18000		0.38%		643		
Survey / Title	25000		0.53%		893		includes 57 paid by County
Permanent Loan Fees	4150		0.09%		148		
Other Organizational Costs	185		0.00%		7		SCC Filing fee paid by County
Environmental Study	3000		0.06%		107		
Structural Study)	0		0.00%		0		
Appraisal Fee	2500		0.05%		89		
Market Study	20371		0.43%		728		includes Miller needs assessment and Craven market studies
Tax Credit Fee	29305		0.62%		1047		includes 9513 paid by County for previous allocation
Contingency	73105		1.56%		2611		
Replacement Reserve	0		0.00%		0		
Lease Up	20000		0.43%		714		
Operating Reserve	80000	631315	1.70%	13.45%	2857	22547	
Developer's Fees	100000		2.13%		3571		454 paid to SRDC for reimbursement of expenses
Relocation	0		0.00%		0		
PROJECT TOTAL	**4694204**		**100.00%**		**167650**		

4655435

Mountain Crest

SOURCES OF FUNDS

PROJECT SOURCES OF FUNDS MORTGAGES	Amount	% of Tot.	Rate	Term		Ann. D/S	I/S Cover
VHDA (VHF)	[illegible]	10.65%	3.50%	35	30	24797	1.49
DHCD (HOME)	[illegible]	10.65%	1.00%	30	30	5000	1.24
Sponsor Loan 1 (Bath County Retirement H	[illegible]	23.55%	0.00%	36		Only from available cash flow	
Sponsor Loan 2 (SRDC - AHP)	[illegible]	5.33%	0.00%	36		Only from available cash flow	
Sponsor Loan (deferred fee)	[illegible]	0.00%	0.00%	30		Only from available cash flow	
TOTAL MORTGAGES	**2355335**	**50.18%**					
Bridge Interest During Construction	38769						
GP Contribution	[illegible]	0.00%					
Grants	[illegible]						
Project Investment	[illegible]	49.00%					
Special Limited Partner Equity	[illegible]	0.00%					
TOTAL FINANCING	4694204	100.00%					
[illegible]	[illegible]	[illegible]					
TOTAL PROJECT COST	**4694203.5**	**100.00%**					

ERR	EQUAL PAYMENT FORMU
0	INTEREST ONLY FORMULA

83.45%

State Tax Credit	Historic		Housing
State Tax Credit	0		0
State Benefit	0		0
Est . State Credit Equity		0	

Sponsor Loan 2 Bath County Retirment Home Commission

236335 prepaid expenses
500000 County funds
269000 Additional County Funds

100000 Homestead Preservation Foundation

1105335 Total

Mountain Crest *****

USES OF FUNDS BY TAX CATEGORY

USES OF FUNDS	TOTAL		CREDIT 4%	CREDIT 9%	NO CREDIT AMORT	NO CREDIT DEP.	NO CREDIT EXP.	NON-DEP.	TOTAL	Historic Basis	
Purchase of land	0							0	0	0.00%	Historic Percentag
Purchase Building	0		0			0			0		
Off-Site Improvements	0								0	0	
Site Improvements	296245			120937		0		175308	296245	0	
Unit Structures (New)	3212904			3212904					3212904	0	
Unit Structures (Rehab)	0			0					0	0	
Construction Management	60000			60000					60000	0	
General Conditions, Overhead, Profit	301714			301714					301714	0	
Bonding Fee	35026			35026					35026	0	
Fixtures and Equipment	57000			57000					57000		
Building permit	0			0					0	0	
A&E Fees (Design and Supervision)	160000			160000					160000	0	
Tap Fees	0			0					0	0	
Soil Borings	0			0		0			0	0	
Construction Loan Fee	10000			10000					10000	0	
Construction Interest	95489			95489					95489	0	
Bridge Interest During Const.	38769			38769					38769	0	
Taxes During Construction	0			0					0	0	
Insurance During construction	0			0					0	0	
Cost Certification	6000			0	6000				6000	0	
Legal Fees Permanent	20000				20000				20000		
Legal Fees Construction	10000			10000					10000	0	
Legal Fees Partnership	15441				10441				15441		
Legal Fees Syndication	18000							18000	18000		
Survey / Title	25000			25000					25000	0	
Permanent Loan Fees	4150				4150				4150	0	
Other Organizational Costs	185							185	185	0	
Environmental Study	3000			3000					3000	0	
Structural Study)	0			0					0	0	
Appraisal Fee	2500			2500					2500	0	
Market Study	20371			20371	0				20371	0	
Tax Credit Fee	29305			0	29305				29305	0	
Contingency	73105			73105					73105	0	
Replacement Reserve	0						0		0	0	
Lease Up	20000						20000		20000		
Operating Reserve	80000						80000		80000		
Developer's Fees	100000			100000					100000	0	
Relocation	0			0		0			0		
PROJECT TOTAL	4694204		0	4325815	69896	0	105000	193493	4694204		
Development Advisory Fee	113824			113824						0	
OVERALL TOTAL	4808027		0	4439638						0	
										0	

Mountain Crest

Depreciation and Amortization Schedules

ANNUAL AMORTIZATION		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Expense Catagory	Total																	
Permanent Legal	20000	286	571	571	571	571	571	571	571	571	571	571	571	571	571	571	571	571
Legal Partnership	10441	1044	2088	2088	2088	2088	1044											
Permanent loan Fe	4150	59	119	119	119	119	119	119	119	119	119	119	119	119	119	119	119	119
Cost Certification	6000	200	400	400	400	400	400	400	400	400	400	400	400	400	400	400	400	200
Tax Credit Fee	29305	977	1954	1954	1954	1954	1954	1954	1954	1954	1954	1954	1954	1954	1954	1954	1954	977
Other																		
Other																	0	0
Total	69896	2566	5132	5132	5132	5132	4088	3044	3044	3044	3044	3044	3044	3044	3044	3044	3044	1867
Tot. From Sched.	69896																	

ANNUAL DEPRECIATION	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Building	77485	154971	154971	154971	154971	156160	156160	156160	157159	157159	157159	158135	158135	158135	159109	159109	159109
FF&E	11400	18240	10944	6566	6566	5084											
Site Work	6047	11489	10340	9312	8381	7534	7135	7135	7147	7135	7147	7135	7147	7135	7147	3568	0
Total	94932	184700	176255	170850	169918	168779	163296	163296	164307	164294	164307	165271	165283	165271	166256	162676	159109

Depreciable Basis Calculation	
4% Aquisition	0
9% Basis	4439638
No Credit Depreciable	0
Total Building	4439638
Commercial Depreciation	0
FF&E	57000
Site Work	120937
Housing Historic	0
Commercial Historic	0
27.5 year property	4261701
39 year property	0

TAX CREDIT ASSUMPTIONS	
Tax Credit Rates:	
4%	
9%	
Annual Tax Credit	**275,600**
Credit Allocated to Project	
Credit Calculated for Project	345404
Applicable Percentage	
Qualified Census Tracts	

Credit calculation			
Basis (from Page 7)	4439638	Aquisition Basis	0
Applicable Percentage	100%	Applicable %	100%
Adjustments	0		
Basis Boost	0	Basis Boost	
Credit Basis	4439638	Credit Basis	0
Credit Rate	7.78%	Credit Rate	3.55%
Calculated Rehab Credit	345404	Calc. Aquisit Credit	0
Total		345404	

Basis Adjustments	
Historic Credit	0
Grants	0
Federal Financing	
Other	
TOTAL	0

HISTORIC TAX CREDITS			
Historic Credit Basis	0	Housing Percen	100.00%
Federal Historic Credit	0	Housing Portion	0
State Historic Credit	0	25.00%	
State historic benefit	0		

Mountain Crest

PROJECT FINANCING

VHDA (VHF)	
Principal Balance	500000
Interest Rate	3.50%
Term	35
Annual Debt Serv.	24797

DHCD (HOME)	
Principal Balance	500000
Interest Rate	1.00%
Term	30
Annual Debt Serv.	5000

Sponsor Loan 1 (Bath County Retiren	
Principal Balance	1105335
Interest Rate	0.00%
Term	36
Annual Debt Serv.	0

MORTGAGE AMORTIZATION	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
VHDA (VHF)																	
Payment	12399	24797	24797	24797	24797	24797	24797	24797	24797	24797	24797	24797	24797	24797	24797	24797	24797
Interest	8718	17239	16970	16691	16402	16103	15793	15472	15140	14796	14440	14071	13689	13293	12883	12459	12019
Principal	3681	7559	7828	8107	8395	8695	9004	9325	9657	10001	10357	10726	11109	11504	11914	12339	12778
Year End Bal.	496319	488761	480933	472826	464431	455736	446732	437407	427750	417748	407391	396664	385556	374052	362137	349799	337021
DHCD (HOME)																	
Payment	2500	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000
Interest	2500	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000
Principal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Year End Bal.	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000
Sponsor Loan 1 (Bath County Retirement Home Commission)																	
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.	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335

Sponsor Loan 2 (SRDC - AHP)	
Principal I Balance	250000
Interest Rate	0.00%
Term	36
Annual Debt Service	0

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
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.	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000

Sponsor Loan (deferred fee)	
Principal I Balance	0
Interest Rate	0.00%
Term	30
Annual Debt Service	0

0 GP Capital Contribution

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
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.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Mountain Crest

Equity Investment Page

Installment Number	1	2	3	4	5	6	Total	
Proected Date	05/15/2006	**********	**********	**********	**********	**********		
			Spc. Ltd.					
Gross Contribution	200000	0	500000	650000	750000	200000	2300000	2300000
Distribution								0
Other	0	0	0	0	0	0	0	
Project Development	200000	0	500000	650000	710000	40000	2100000	
Developers' Fee (cash)	0	0	0	0	0	100000	100000	100000
Operating Reserve	0	0	0	0	20000	60000	80000	80000
Lease Up Reserve	0	0	0		20000	0	20000	20000
Replacement Reserve	0	0	0	0	0	0	0	0
	0	0	0	0	0	0		
TOTAL	200000	0	500000	650000	750000	200000	2300000	

Draws for Load 253990

Mountain Crest

PAGE A DRAFT 05/09/2006

Bridge Loan

	Rate	6.00%		9.73%				
Pay-in Period Bridge Interest								
first six months	**********	3433						3433
second six months	**********	13835	0	1315				15151
Third Six Months	**********	14022	0	14916	11433	0	0	40370
Fourth Six Months	**********	14678	0	15614	20006	7644	0	57942

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Jan to June																	
Beginning Balance	0	18583	2670886	2827830	2485045	2018384	0	0	0	0	0						
Draws Initial (Inc Fee	0	253990															
Draws Closing (Inc Fee)		0															
Interest	3433	40370		84835	74551	60552	0	0	0	0	0						
Ending Balance	3433	312943	2744809	2912665	2559596	2078936	0	0	0	0	0						
Investor payments in July.																	
July to Dec.																	
Beginning Balance	3433	312943	2744809	2912665	2559596	2078936	0	0	0	0	0						
Draws Initial (Inc Fee)		0															
Draws Closing (Inc F	0	2300000															
Payment From Invest	0	0	0	500000	600000	2078936	0	0	0	0	0						
Interest	15151	57942		72380	58788	0	0	0	0	0	0						
Remaining Balance	18583	2670886	2827830	2485045	2018384	0	0	0	0	0	0						
	624946																

Mountain Crest

Profit/Loss Statement

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
OPERATING CASH FLOW	-24790	-3780	7246	7337	7406	7450	7470	7463	7428	7365	7270	7144	6984	6789	6557	6286	5975
OPERATING ADJUSTMENTS																	
Less: Depreciation	94932	184700	176255	170850	169918	168779	163296	163296	164307	164294	164307	165271	165283	165271	166256	162676	159109
Amortization	2566	5132	5132	5132	5132	4088	3044	3044	3044	3044	3044	3044	3044	3044	3044	3044	1867
Plus: Mortgage Principal/(Accrued Interest)																	
VHDA (VHF)	3681	7559	7828	8107	8395	8695	9004	9325	9657	10001	10357	10726	11109	11504	11914	12339	12778
DHCD (HOME)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sponsor Loan 1 (Bath C	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sponsor Loan 2 (SRDC	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sponsor Loan (deferrec	0	0	0	0	0	0	0	0	0	0	0	0	0	-0	0	0	0
Plus: Replacement Reserve	900	8400	8400	8400	8400	8400	8400	8400	8400	8400	8400	8400	8400	8400	8400	8400	8400
NON-OPERATING ADJUSTMENTS																	
Admin Fee	5000	5150	5305	5464	5628	5796	5970	6149	6334	6524	6720	6921	7129	7343	7563	7790	8024
Incentive Management Fee	0	0	1553	1499	1423	1323	1200	1051	876	673	441	178	0	0	0	0	0
Plus: Reserve Interest	1076	1821	1971	2244	2522	2394	2261	2538	2473	2406	2683	2625	2563	2832	2758	2670	2905
PROJECT EARNINGS PRE-TAX	-121631	-180982	-162799	-156856	-155377	-153048	-146374	-145814	-146601	-146363	-145800	-146518	-146399	-146132	-147234	-143815	-138941
UPPER TIER ADJUSTMENTS																	
Less: Bridge Loan Interes 586177	78127	156945	157215	133339	60552	0	0	0	0	0	0	0					
Less: Upper Tier Amortization	9937	9937	9937	9937	7498	1774	1774	1774	1774	1774	1774	1774	1774	1774	1774	1774	1774
ADJUSTED TAXABLE EARNINGS	-209695	-347864	-329951	-300132	-223426	-154822	-148148	-147588	-148375	-148137	-147574	-148292	-148173	-147906	-149008	-145589	-140715
FEDERAL TAX RATE 35.00%																	
STATE TAX RATE 0.00%																	
TAXES (TAXES SAVED)	-73393	-121752	-115483	-105046	-78199	-54188	-51852	-51656	-51931	-51848	-51651	-51902	-51861	-51767	-52153	-50956	-49250

TOTAL BENEFIT STATEMENT

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Cash Distributions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Tax Savings	73393	121752	115483	105046	78199	54188	51852	51656	51931	51848	51651	51902	51861	51767	52153	50956	49250
Tax Credit 2756000	29529		275600	275600	275600	275600	275600	275600	275600	275600	246071	52495	0	0	0	0	0
Federal Historic Credit	0																
State Historic Credit Benefit	0																
Net Sale Proceeds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-27332
TOTAL PARTNERSHIP BENEFITS	102922	344857	391083	380646	353799	329788	327452	327256	327531	327448	297722	104397	51861	51767	52153	50956	21918
Limited Partners' Percentage 99.98%																	
LIMITED PARTNERS' BENEFITS	102901	344788	391005	380570	353728	329722	327386	327190	327466	327382	297663	104376	51850	51757	52142	50946	21914

UPPER TIER AMORTIZATION

		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Bridge Loan Costs	9756	2439	2439	2439	2439													
Aquisition	48782	1774	1774	1774	1774	1774	1774	1774	1774	1774	1774	1774	1774	1774	1774	1774	1774	1774
Organization	28619	5724	5724	5724	5724	5724												
Syndication	28619	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL PARTNERSHIP BENEFITS		9937	9937	9937	9937	7498	1774	1774	1774	1774	1774	1774	1774	1774	1774	1774	1774	1774

Amortized 115775 losses 2530684 credits 2756000 sum amort 68531

Mountain Crest

CAPITAL ACCOUNT ANALYSIS

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Project Investment	0	2300000	0	0	0	0	0	0	0	0	0							
Dev Advisory Fee	113824																	
Bridge Int. During Const	38769																	
Capital Investment	152592	2300000	0	0	0	0	0	0	0	0	0							
Project Profits	0	-121606	-180946	-162767	-156825	-155346	-153017	-146345	-145784	-146572	-146334	-145771	-146489	-146370	-146102	-147204	-143787	-138913
Historic Tax Credits		0	0	0														
Annual Capital Change	152592	2178394	-180946	-162767	-156825	-155346	-153017	-146345	-145784	-146572	-146334	-145771	-146489	-146370	-146102	-147204	-143787	-138913
Capital Acc. Balance	152592	2330986	2150040	1987273	1830448	1675102	1522085	1375740	1229956	1083384	937050	791279	644790	498421	352318	205114	61327	-77586

Minimum Gain

		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Project Basis																		
Begin Bal (inc. land) + Rep Res Im		4439638	4344706	4160006	3983751	3812901	3675689	3506910	3343615	3207790	3043483	2879189	2741726	2576455	2411172	2272670	2106414	1943738
Depreciation		94932	184700	176255	170850	169918	168779	163296	163296	164307	164294	164307	165271	165283	165271	166256	162676	159109
Ending Balance		4344706	4160006	3983751	3812901	3642983	3506910	3343615	3180319	3043483	2879189	2714882	2576455	2411172	2245902	2106414	1943738	1784629
Nonrecourse Debt	Non-rec = 1																	
VHDA (VHF)	1	496319	488761	480933	472826	464431	455736	446732	437407	427750	417748	407391	396664	385556	374052	362137	349799	337021
DHCD (HOME)	1	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000
Sponsor Loan 1 (Bath C	1	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335
Sponsor Loan 2 (SRDC	1	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000
Sponsor Loan (deferrec	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		2351654	2344096	2336268	2328161	2319766	2311071	2302067	2292742	2283085	2273083	2262726	2251999	2240891	2229387	2217472	2205134	2192356
Building Basis		4344706	4160006	3983751	3812901	3642983	3506910	3343615	3180319	3043483	2879189	2714882	2576455	2411172	2245902	2106414	1943738	1784629
Reserves Pledged	Pledged = 1																	
Operating Reserve	0	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	0
Minimum Gain		-1993052	-1815910	-1647483	-1484740	-1323218	-1195839	-1041548	-887577	-760399	-606105	-452156	-324456	-170281	-16515	111059	261396	407727

Mountain Crest

CAPITAL ACCOUNT RECONCILIATION

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Reserves (Cash)	71281	64043	66057	68109	70193	72305	74440	76590	78751	80915	83075	85223	87234	88882	90113	90872	91098
Project Costs	4594204	4594204	4594204	4594204	4594204	4594204	4594204	4594204	4594204	4594204	4594204	4594204	4594204	4594204	4594204	4594204	4594204
Dev Adv. Fee	113824	113824	113824	113824	113824	113824	113824	113824	113824	113824	113824	113824	113824	113824	113824	113824	113824
Sum Depreciation	94932	279632	455887	626737	796655	965434	1128730	1292025	1456332	1620626	1784933	1950204	2115486	2280757	2447013	2609689	2768798
Sum Amortization	2566	7698	12830	17962	23093	27181	30225	33269	36312	39356	42400	45443	48487	51531	54574	57618	59485
Cumualtive Operting Capital Expend	0	0	0	0	0	32706	32706	32706	60177	60177	60177	87020	87020	87020	113789	113789	113789
Replacement Reserve	906	9435	18180	27147	36340	12646	21473	30523	11984	20793	29826	11904	20712	29743	11895	20702	29733
Assets	4682716	4494175	4323547	4158584	3994812	3833070	3677691	3522553	3366295	3209930	3053773	2896528	2739020	2581384	2422236	2266083	2114364
VHDA (VHF)	496319	488761	480933	472826	464431	455736	446732	437407	427750	417748	407391	396664	385556	374052	362137	349799	337021
DHCD (HOME)	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000
Sponsor Loan 1 (Bath County Retire	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335
Sponsor Loan 2 (SRDC - AHP)	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000
Sponsor Loan (deferred fee)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Equity	2300000	2300000	2300000	2300000	2300000	2300000	2300000	2300000	2300000	2300000	2300000	2300000	2300000	2300000	2300000	2300000	2300000
GP Capital Contribution	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
ADV Fee	113824	113824	113824	113824	113824	113824	113824	113824	113824	113824	113824	113824	113824	113824	113824	113824	113824
Bridge Interest During Construction	38769	38769	38769	38769	38769	38769	38769	38769	38769	38769	38769	38769	38769	38769	38769	38769	38769
Retained Earnings	-121631	-302613	-465413	-622269	-777646	-930694	-1077068	-1222881	-1369482	-1515846	-1661646	-1808164	-1954563	-2100694	-2247928	-2391744	-2530684
Liab and NW	4682716	4494175	4323548	4158585	3994812	3833070	3677691	3522553	3366295	3209930	3053773	2896528	2739021	2581385	2422237	2266083	2114364
													GP Capital Contribution	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

Mountain Crest

30 Year Analysis

			2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
VHDA (VHF)			496319	488761	480933	472826	464431	455736	446732	437407	427750	417748	407391	396664	385556	374052	362137	349799
DHCD (HOME)			500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000
Sponsor Loan 1 (Bath County Retire			1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335
Sponsor Loan 2 (SRDC - AHP)			250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000
Sponsor Loan (deferred fee)			0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Debt			2351654	2344096	2336268	2328161	2319766	2311071	2302067	2292742	2283085	2273083	2262726	2251999	2240891	2229387	2217472	2205134
Value	0.02	1400000	1400000	1428000	1456560	1485691	1515405	1545713	1576627	1608160	1640323	1673130	1706592	1740724	1775539	1811049	1847270	1884216
	0.03		1400000	1442000	1485260	1529818	1575712	1622984	1671673	1721823	1773478	1826682	1881483	1937927	1996065	2055947	2117626	2181154
	0.04		1400000	1456000	1514240	1574810	1637802	1703314	1771447	1842304	1915997	1992637	2072342	2155236	2241445	2331103	2424347	2521321
	0.05		1400000	1470000	1543500	1620675	1701709	1786794	1876134	1969941	2068438	2171860	2280452	2394475	2514199	2639909	2771904	2910499

		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
VHDA (VHF)		337244	324251	310802	296882	282476	267565	252132	236160	219628	202517	184808	166479	147508	127874	107552	86519	64749	42218	18898	0	0	0
DHCD (HOME)		500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000
Sponsor Loan 1 (Bath County Retire		1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335
Sponsor Loan 2 (SRDC - AHP)		250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000
Sponsor Loan (deferred fee)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Debt		2192579	2179586	2166137	2152217	2137811	2122900	2107467	2091495	2074963	2057852	2040143	2021814	2002843	1983209	1962887	1941854	1920084	1897553	1874233	1855335	1855335	1855335
Value	0.02	1921900	1960338	1999545	2039536	2080326	2121933	2164372	2207659	2251812	2296848	2342785	2389641	2437434	2486183	2535906	2586624	2638357	2691124	2744946	2799845	2855842	2586624
	0.03	2246589	2313987	2383406	2454908	2528556	2604412	2682545	2763021	2845912	2931289	3019228	3109805	3203099	3299192	3398167	3500112	3605116	3713269	3824667	3939407	4057590	3500112
	0.04	2622174	2727061	2836143	2949589	3067572	3190275	3317886	3450602	3588626	3732171	3881458	4036716	4198185	4366112	4540757	4722387	4911282	5107734	5312043	5524525	5745506	4722387
	0.05	3056024	3208826	3369267	3537730	3714617	3900348	4095365	4300133	4515140	4740897	4977942	5226839	5488181	5762590	6050719	6353255	6670918	7004464	7354687	7722422	8108543	6353255

2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
24797	24797	24797	24797	24797	24797	24797	24797	24797	24797	24797	24797	24797	24797	24797	24797	24797	24797	24797	19560	0	0
12243	11804	11349	10878	10391	9887	9365	8825	8266	7687	7088	6468	5827	5163	4476	3764	3028	2266	1478	661	0	0
12554	12994	13449	13919	14407	14911	15433	15973	16532	17110	17709	18329	18971	19635	20322	21033	21769	22531	23320	18898	0	0
337244	324251	310802	296882	282476	267565	252132	236160	219628	202517	184808	166479	147508	127874	107552	86519	64749	42218	18898	0	0	0

5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000
5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000	5000
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000	500000

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	0	0	0	0	0	0	0	0	0	0	0	0
1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335	1105335

2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044
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	0	0	0	0	0	0	0	0	0	0	0	0
250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000	250000

2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
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	0	0	0	0	0	0	0	0	0	0

Mountain Crest

Seller's Exit Tax Liability and Net Benefit

EXIT TAX LIABILITY		
Outstanding Loans		
VHDA (VHF)	337021	
DHCD (HOME)	500000	
Sponsor Loan 1 (Bath County Retirement Home	1105335	
Sponsor Loan 2 (SRDC - AHP)	250000	
Sponsor Loan (deferred fee)	0	
TOTAL OUTSTANDING LOANS		2192356
Special Limited Partner Equity		0
GP Capital Account		100
Exit tax Liability		0
Cash on Hand		-120830
GROSS SALE PROCEEDS		2071625
Total Development Costs	4808027	
Capital Improvements from Replacement Res	113789	
Less:		
Historic Credit	0	
Total Depreciation	2768798	
Total Amortization	59485	
Expensed	0	
Initial Replacement Reserve	0	
Initial Lease Up Reserve	20000	
Initial Operating Reserve	80000	
REMAINING BASIS		1993533
Capital Gain FromSale		78092
Tax on gain 35.00%		27332

NET BENEFIT (LIABILITY) ON SALE	
Unallocated Cash on Hand	0
Payment for Exit Tax Liability	0
Less: Tax on Gain	27332
Potential Net Benefit	-27332

Really this won't be distributed

Capital Account Check	
Origional Capital Contributions	2413824
Bridge Interest During Construction	38769
Total Passive Losses	2530684
Historic Rehab Credit	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
Capital Account Balance	-78092
Gain/(Loss) On sale	78092
Variance	0

cap	dif
-77586	-506

Cash On Hand	
Operating Reserve Account	91098
Replacement Reserve Account	29733
TOTAL CASH ON HAND	120830

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

FORM OF AGREEMENT TO PROVIDE ACCOUNTING AND REPORTING SERVICES

THIS AGREEMENT TO PROVIDE ACCOUNTING AND REPORTING SERVICES ("Agreement") made as of May 1, 2006 by and between Bath County Retirement Home Limited Partnership, a Virginia limited partnership (the "Partnership") and Virginia Capital Corporation for Housing ("VCCH").

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 The Retirement Home, located in Bath County, Virginia (the "Project").

2. The Partnership is governed by the terms of that certain Amended and Restated Agreement of Limited Partnership dated May 1, 2006 ("Partnership Agreement") by and among Mountain Crest Partners, L.L.C. as general partner and Housing Equity Fund of Virginia X, 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 VCCH in connection with certain accounting and reporting matters of the Partnership, and VCCH 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, VCCH 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, VCCH 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 VCCH; it being the express understanding of the parties hereto that VCCH 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, VCCH 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 VCCH hereunder are conditioned upon the General Partner promptly providing to VCCH 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, VCCH shall be paid a fee equal to $5,000 for each calendar year (or portion thereof), increasing annually at the rate of four percent (4.0%) 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 VCCH 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 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 VCCH 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:

BATH COUNTY RETIREMENT HOME LIMITED PARTNERSHIP
a Virginia limited partnership

By: Mountain Crest Partners, L.L.C.,
a Virginia limited liability company,
its general partner

By: Virginia H. Nourse
Title: Chairman

By: South River Development Corporation, Inc., a Virginia not for profit corporation, a member

By: Mary Lee Eberly
Title: President

By: Bath County Retirement Home Commission, a Virginia not for profit corporation, a member

By: Virginia H. Nourse
Title: Chairman

VCCH:

Virginia Capital Corporation for Housing, a Virginia corporation

By: _____
Title: _____

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

PARTNERSHIP:

BATH COUNTY RETIREMENT HOME LIMITED PARTNERSHIP
a Virginia limited partnership

By: Mountain Crest Partners, L.L.C.,
a Virginia limited liability company,
its general partner

By:_____
Title:_____

By: South River Development Corporation, Inc., a Virginia not for profit corporation, a member

By:_____
Title:_____

By: Bath County Retirement Home Commission, a Virginia not for profit corporation, a member

By: _____
Title: _____

VCCH:

Virginia Capital Corporation for Housing, a Virginia corporation

By:_____
Title:_____

EXHIBIT K

POST CLOSING OBLIGATIONS

EXHIBIT L

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 1st day of May, 2006, by and between Bath County Retirement Home Limited Partnership, a Virginia limited partnership (the "Partnership"), Bath County Retirement Home Commission, a Virginia not for profit corporation ("Grantee"), and Mountain Crest Partners, L.L.C., a Virginia limited liability company (the "General Partner"), and is consented to hereinbelow by Housing Equity Fund of Virginia X, 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 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, Grantee is one of the members of the General Partner; 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 the Purchase Agreement and to induce Grantee to guarantee the General Partner's obligations thereunder;

Whereas, the Partnership and Grantee have previously executed and recorded an Agreement as to Right of First Refusal dated as of October 1, 2003 pursuant to which Grantee was granted a right of first refusal to purchase the Project (the "Prior Agreement"), and this Purchase Agreement is intended by the parties hereto to replace the Prior 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 (subject to obtaining any required lender consent, the assumption of a debt will be considered payment of a debt for purposes of this subsection), and (ii) to distribute to the Partners, after payments under Section 11.04(c) 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 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) $1.00, plus (b) 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 (subject to obtaining any required lender consent, the assumption of a debt will be considered payment of a debt for purposes of this subsection), plus (c) an amount sufficient to distribute to the Partners, after payments under Section 11.04(c) 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 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 State of Virginia. This Agreement may be executed in counterparts or counterpart signature pages, which together shall constitute a single agreement.

12. **Prior Agreement**. The Prior Agreement is void and shall have no further force and effect.

13. **Assumption of South River Loan**. South River hereby executes this Agreement to consent to the assumption by Grantee of the Partnership's obligations under the $250,000 loan from South River to the Partnership in connection with the exercise by Grantee of the right of first refusal or option set forth herein.

In Witness Whereof, the parties have executed this document as of the date first set forth hereinabove.

Partnership:

Bath County Retirement Home Limited Partnership, a Virginia limited partnership

By: Mountain Crest Partners, L.L.C.
a Virginia limited liability company, its general partner

Attest:

By: Bath County Retirement Home Commission, a Virginia not for profit corporation, a member

By: Virginia H. Nowlin

Title: Chairman

_____

Title: _____

By: South River Development Corporation, Inc., a Virginia not for profit corporation, a member

By: Mary Lou Wolz

Title: President

[SEAL]

Grantee:

Bath County Retirement Home Commission, a Virginia not for profit corporation

Attest:

By: Virginia H. Nowlin

Title: Chairman

_____

Title: _____

General Partner:

Mountain Crest Partners, L.L.C.,
a Virginia limited liability company

By: Bath County Retirement Home Commission, a Virginia not for profit corporation, a member

By: Virginia H. Nowlin

Title: Chairman

By: South River Development Corporation, Inc., a Virginia not for profit corporation, a member

By: Mary Ann Wells

Title: President

The undersigned hereby consents to the foregoing Agreement as of the date first set forth hereinabove.

Consenting Limited Partner:

HOUSING EQUITY FUND OF VIRGINIA X, L.L.C., a Virginia limited liability company

By: Housing Capital Corporation of Virginia, its managing member

By: _____

Title: _____

The undersigned, South River Development Corporation, Inc., hereby executes the foregoing Agreement in its individual capacity for purposes of Section 13 only.

South River Development Corporation, Inc., a Virginia not for profit corporation, a member

By: _____

Its: _____

The undersigned hereby consents to the foregoing Agreement as of the date first set forth hereinabove.

Consenting Limited Partner:

HOUSING EQUITY FUND OF VIRGINIA X, L.L.C., a Virginia limited liability company

By: Housing Capital Corporation of Virginia, its managing member

By: _____

Title: _____

The undersigned, South River Development Corporation, Inc., hereby executes the foregoing Agreement in its individual capacity for purposes of Section 13 only.

South River Development Corporation, Inc., a Virginia not for profit corporation, a member

By: Mary Ann Black

Its: President

Partnership Acknowledgment

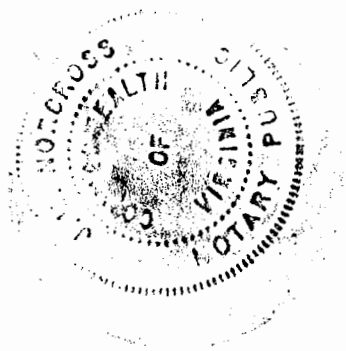
STATE OF Virginia)
City of Waynesboro) SS
~~COUNTY~~ OF _____)

I, J.M. Norcross, a Notary Public in and for said County in the State aforesaid, do hereby certify that Mary Ann Everly, Virginia H. Nowlin, President of South River Development Corp., Inc., and Bath County Retirement Home Comm. Secretary of said corporation, both personally known to me to be the same persons whose names are subscribed to the foregoing instrument as such respective officers, appeared before me this day in person and acknowledged that they signed and delivered such instrument as their own free and voluntary acts, and as the free and voluntary act of the partnership known as Bath County Retirement Home Limited Partnership on behalf of which said corporation has executed the foregoing instrument as a general partner, all for the uses and purposes set forth therein; and the latter officer also then and there acknowledged that (s)he, as custodian of the corporate seal of said corporation, affixed the same to the foregoing instrument as his/her free and voluntary act and as the free and voluntary act of said corporation, for the uses and purposes set forth therein.

Given under my hand and notarial seal on May 11, 2006.

J M Norcross
Notary Public

My Commission Expires: 05/31/2007 [SEAL]



Grantee Acknowledgment

STATE OF Virginia)
City of Waynesboro) SS
~~COUNTY OF~~ _____)

I, J.M. Norcross, a Notary Public in and for said County in the State aforesaid, do hereby certify that Virginia H. Nowlin, _____ President of Bath County Retirement Home Commission, and _____, _____ Secretary of said corporation, both personally known to me to be the same persons whose names are subscribed to the foregoing instrument as such respective officers, appeared before me this day in person and acknowledged that they signed and delivered such instrument as their own free and voluntary acts, and as the free and voluntary act of the corporation known as Bath County Retirement Home Commission on behalf of which said corporation has executed the foregoing instrument as a general partner, all for the uses and purposes set forth therein; and the latter officer also then and there acknowledged that (s)he, as custodian of the corporate seal of said corporation, affixed the same to the foregoing instrument as his/her free and voluntary act and as the free and voluntary act of said corporation, for the uses and purposes set forth therein.

Given under my hand and notarial seal on May 11, 2006.

J.M. Norcross
Notary Public

My Commission Expires: 05/31/2007 [SEAL]

General Partner Acknowledgment

STATE OF Virginia)
City of Waynesboro) ss
~~COUNTY~~ OF _____)

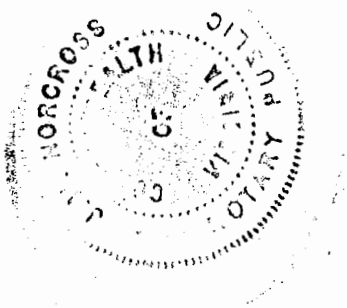
I, J.M. Norcross, a Notary Public in and for said County in the State aforesaid, do hereby certify that Virginia H.Nowlin , Chairman , Mary Ann Everly President of Bath County Retriement Home Commission , and South RiverDevelopment Corp., Inc. Secretary of said corporation, both personally known to me to be the same persons whose names are subscribed to the foregoing instrument as such respective officers, appeared before me this day in person and acknowledged that they signed and delivered such instrument as their own free and voluntary acts, and as the free and voluntary act of the limited liability company known as Mountain Crest Partners, L.L.C. on behalf of which said corporation has executed the foregoing instrument as a general partner, all for the uses and purposes set forth therein; and the latter officer also then and there acknowledged that (s)he, as custodian of the corporate seal of said corporation, affixed the same to the foregoing instrument as his/her free and voluntary act and as the free and voluntary act of said corporation, for the uses and purposes set forth therein.

Given under my hand and notarial seal on May 11, 2006.

J M Norcross

Notary Public

My Commission Expires: 05/31/2007 [SEAL]



Consenting Limited Partner Acknowledgment

STATE OF VIRGINIA)
CITY) ss
COUNTY OF RICHMOND)

I, Arild O. Trent, a Notary Public in and for said County in the State aforesaid, do hereby certify that Gary Schwam, ~~President~~ Treasurer of Housing Capital Corp. of Virginia, and ~~Secretary of~~ said corporation, both personally known to me to be the same persons whose names are subscribed to the foregoing instrument as such respective officers, appeared before me this day in person and acknowledged that they signed and delivered such instrument as their own free and voluntary acts, and as the free and voluntary act of the partnership known as Housing Equity Fund of Virginia X, L.L.C. on behalf of which said corporation has executed the foregoing instrument as a general partner, all for the uses and purposes set forth therein; and the latter officer also then and there acknowledged that (s)he, as custodian of the corporate seal of said corporation, affixed the same to the foregoing instrument as his/her free and voluntary act and as the free and voluntary act of said corporation, for the uses and purposes set forth therein.

Given under my hand and notarial seal on May 12, 2006.

Arild O. Trent
Notary Public

My Commission Expires February 28, 2007

My Commission Expires: _____ [SEAL]

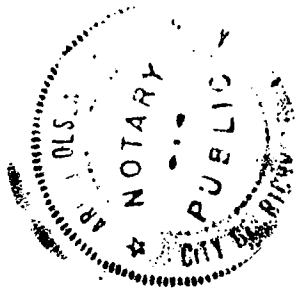


EXHIBIT A

LEGAL DESCRIPTION OF PROJECT REAL ESTATE

All that certain tract or parcel of real property containing 8.0 acres, situate, lying and being in the Cedar Creek Magisterial District, Bath County, Virginia, as shown on that Plat of 8.000 Acres of Land Surveyed for the County of Bath by Jeffrey Hiner, Land Surveyor, dated May, 1998, hereinafter referred to as (the "Plat") a copy of which Plat is recorded in Plat Cabinet 1, Slide 133 and incorporated by reference herein.

EXHIBIT B

DESCRIPTION OF
REGULATORY AGREEMENT

Title: Extended Use Regulatory Agreement and Declaration of Restrictive Covenants

Parties: Bath County Retirement Home Limited Partnership and
Virginia Housing Development Authority

Date: August 1, 2005

Recording Information: Instrument No. 05-1396

****

Title: Extended Use Regulatory Agreement and Declaration of Restrictive Covenants

Parties: Bath County Retirement Home Limited Partnership and
Virginia Housing Development Authority

Date: July 18, 2003

Recording Information: Book 195, Page 681

EXHIBIT M

CONSTRUCTION INCENTIVE PARTNERSHIP MANAGEMENT FEE AGREEMENT

THIS AGREEMENT entered into as of May 1, 2006, by and among BATH COUNTY RETIREMENT HOME LIMITED PARTNERSHIP, a Virginia limited partnership (the "Partnership") Mountain Crest Partners, L.L.C., a Virginia limited liability company, as the General Partner (collectively, the "General Partner").

WHEREAS, General Partner and Housing Equity Fund of Virginia X, L.L.C., a Virginia limited liability company (the "Investment Partnership"), as the Limited Partner, have formed or, simultaneously herewith are forming, a limited partnership pursuant to Virginia Revised Uniform Limited Partnership Act (the "Act"), to be known as Bath County Retirement Home Limited Partnership; and

WHEREAS, the Partnership has been formed to develop, construct, own, maintain and operate a 28-unit multifamily apartment complex intended for rental to low income seniors, to be known as The Retirement Home, and to be located in Bath County, 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 Partnership 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.

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 9 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 9, provided that such successor has assumed the obligations of the General Partner hereunder pursuant to an assumption agreement in form acceptable to the Investment Partnership. 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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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

PARTNERSHIP:

BATH COUNTY RETIREMENT HOME LIMITED PARTNERSHIP,
a Virginia limited partnership

By: Mountain Crest Partners, L.L.C., a Virginia limited liability company, its general partner

By: South River Development Corporation, Inc., a Virginia not for profit corporation, a member

By: _____
Title: President

By: Bath County Retirement Home Commission, a Virginia not for profit corporation, a member

By: Virginia H. Mowbray
Title: Chairman

GENERAL PARTNER:

MOUNTAIN CREST PARTNERS, L.L.C., a Virginia limited liability company

By: South River Development Corporation, Inc., a Virginia not for profit corporation, a member

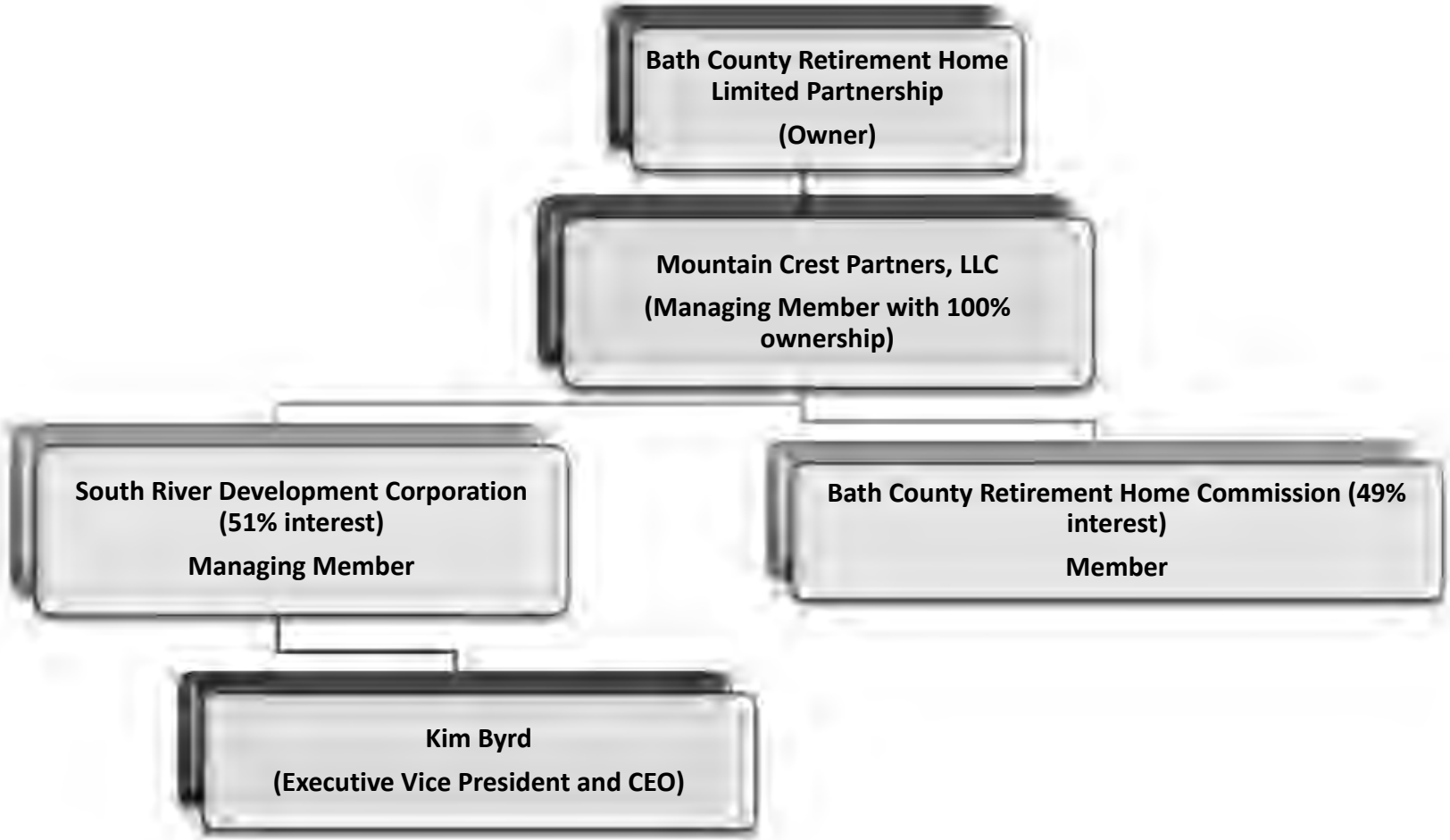
By: _____
Title: President

By: Bath County Retirement Home Commission, a Virginia not for profit corporation, a member

By: Virginia H. Nowlin
Title: Chairman

62912v6

MOUNTAIN CREST ORGANIZATIONAL CHART



Form **8609**
(Rev. December 2007)
Department of the Treasury

Low-Income Housing Credit Allocation Certification

OMB No. 1545-0988

privacy protection

Tab Q:

Documentation of Rental Assistance, Tax Abatement and/or existing RD or HUD Property

WAYNESBORO
REDEVELOPMENT
AND HOUSING
AUTHORITY

October 25, 2021

Ms. Kimberly Byrd
Executive Vice President and CEO
South River Development Corporation
1700 New Hope Road
Waynesboro, VA 22980

Re: Fairfax Hall

Dear Ms. Byrd:

Thank you for responding to the Waynesboro Redevelopment and Housing Authority's Request for Proposal for Project-Based Housing Choice Vouchers issued on September 2, 2021.

In response to your proposal, I am pleased to inform you that you have been awarded twelve (12) project-based vouchers for the Fairfax Hall project located at 1101 Reservoir Street in Waynesboro, Virginia. The term of the PBV's will be 20 years and is subject to satisfactory approval by HUD of a Part 58 Environmental Review and Subsidy Layering Review. Upon completion of these conditions, WRHA will enter into a Housing Assistance Payment contract with the owner. This commitment is effective immediately and is conditioned upon the project's successful award of Low Income Housing Tax Credits.

Fairfax Hall is an important piece of the affordable housing portfolio in the City of Waynesboro and your proposed retrofit of units to meet UFAS compliance would be a perfect fit with the anticipated HAP contract. We look forward to working closely with you in the near future.

Please don't hesitate to contact me if you should have any further questions.

Sincerely,

Kimberly D. Byrd
Executive Director
Waynesboro Redevelopment and Housing Authority

1700 New Hope Road P.O. Box 1138 | Waynesboro, Va 22980
540-946-9230 540-946-9233 [fax] | wrha@cfw.com

Tab R:

Documentation of Operating Budget and Utility Allowances

Utility Allowance Schedule

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing

OMB Approval No. 2577-0169 (7/31/2022)

The following allowances are used to determine the total cost of tenant-furnished utilities and appliances.

LOCALITY	UNIT TYPE	DATE
Waynesboro Redevelopment and Housing Authority	Garden	3/30/2020

UTILITY OR SERVICE	MONTHLY DOLLAR ALLOWANCE					
	0-BR	1-BR	2-BR	3-BR	4-BR	5-BR
HEATING						
a. Natural Gas	$16	$20	$23	$26	$30	$33
b. Electric	$23	$30	$35	$42	$50	$55
c. Heat Pump	$14	$17	$20	$24	$29	$32
d. Fuel Oil	$34	$41	$47	$53	$62	$68
e. Propane	$41	$49	$58	$64	$74	$81
AIR CONDITIONING	$8	$11	$14	$18	$22	$26
COOKING						
a. Natural Gas	$6	$6	$7	$8	$9	$9
b. Electric	$11	$11	$13	$14	$16	$18
c. Propane	$17	$17	$21	$22	$24	$25
OTHER ELECTRIC	$27	$30	$34	$39	$44	$52
WATER HEATING						
a. Natural Gas	$9	$12	$15	$21	$28	$34
b. Electric	$11	$18	$26	$41	$57	$72
c. Fuel Oil	$17	$23	$30	$42	$55	$68
d. Propane	$25	$33	$42	$59	$78	$96
WATER	$16	$23	$31	$45	$60	$74
SEWER	$26	$39	$51	$75	$100	$124
TRASH COLLECTION	$15	$15	$15	$15	$15	$15
REFRIGERATOR	$5	$5	$5	$5	$5	$5
RANGE	$4	$4	$4	$4	$4	$4
OTHER: Natural Gas Base Charge	$18	$18	$18	$18	$18	$18

ACTUAL FAMILY ALLOWANCES: (To be used by family to complete allowance. Complete below for Actual Unit Rented)

NAME OF FAMILY

ADDRESS OF UNIT

NUMBER OF BEDROOMS

UTILITY OR SERVICE	PER MONTH
HEATING	$
AIR CONDITIONING	$
COOKING	$
OTHER ELECTRIC	$
WATER HEATING	$
WATER	$
SEWER	$
TRASH COLLECTION	$
REFRIGERATOR	$
RANGE	$
OTHER	$
TOTAL	$

Not Applicable

Tab S:

Supportive Housing Certification

Tab T:

Funding Documentation

SOUTHRIVER
DEVELOPMENT
CORPORATION

March 9, 2022

Mr. JD Bondurant
LIHTC Program Director
Virginia Housing Development Authority
601 S. Belvidere Street
Richmond, VA 23220-6500

Re: Fairfax Hall
2022-C-18

Dear Mr. Bondurant:

The South River Development Corporation (SRDC), an affiliate of the Waynesboro Redevelopment and Housing Authority, owns all of the interests of the Fairfax Hall Limited Partnership through our subsidiaries, Fairfax Hall, L.L.C. and Fairfax Hall Ventures, Inc. (the current general and limited partners respectively). Fairfax Hall Limited Partnership is the current owner of record of the property at 1101 Reservoir Street in Waynesboro, also known as Fairfax Hall.

SRDC is firmly committed to contributing its equity in the land and buildings, currently estimated at $2,625,000 and arrived at by subtracting the anticipated debt remaining on the property at the time of closing of $675,000 (see attached VHDA loan balance schedule) from the appraised value of $3,300,000 (please see appraisal attached separately as part of the application package.

This below market rate contribution will be documented with a promissory note, secured by a deed of trust, and reflecting an interest rate equal to the AFR at the time of closing, and with a term of 30 years. Loan payments will be made from available cash flow only.

Thank you for your attention to this matter.

Sincerely,

Kimberly Byrd
Executive Vice President and CEO

1700 New Hope Road • P.O. Box 1138 • Waynesboro, VA 22980-0821
540•946•9230 • 540•942•3281 FAX • E-mail: WRHA@cfw.com

Virginia Housing

Borrower Inquiry - Powered by McCracken

- Loan Search
  - * Borrower Info
  - * Loan Profile
  - * Property Profile
  - * Loan Balances
  - * Escrow/Impound
  - * Transaction History
  - * Late Charges
  - * Year-to-Date
  - * Payment Information
- * Manage Users
- * Manage User Profiles
- + Reports
- * Forms
- * Contacts

FAIRFAX HALL : Loan Number 100115964 : CIF.NO 07767

Log Out

Loan Profile

Original Principal Balance:	1,000,000.00
Outstanding Principal Balance:	706,103.17
Note Date:	11/22/2010
Maturity Date:	12/01/2035
Loan Term:	25 Years, 00 Months
Current Interest Rate:	5.2500000000000
Next Payment Due Date:	03/01/2022
Loan Status:	PERMANENT (FINAL CLOSED)
G/L Matrix:	GF LOANS
VHDA Attorney:	EVERETT GARDNER
Development Officer:	HEATHER RICHEY
Asset Manager:	JESSICA BRADEN
Program Compliance Officer:	DANIELLE OWEN
Balloon Payment:	No

All Funds Are In U.S. Dollars

MB579

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
SCHEDULE OF DIRECT REDUCTION LOAN

NAME FAIRFAX HALL @100-115964

LOAN AMOUNT 1,000,000.00 INTEREST RATE 5.25000% PAYMENT AMOUNT $5,992.48
PAYMENT BEGINS JAN 01 2011 MATURITY DATE DEC 01 2035 INTEREST BASIS 360/30

PMT #	DUE DATE	INTEREST	PRINCIPAL	PRINCIPAL BALANCE	TOTAL INTEREST	TOTAL PRINCIPAL	
115	JUL 01 20	3,331.93	2,660.55	758,924.26	448,059.46	241,075.74	
116	AUG 01 20	3,320.29	2,672.19	756,252.07	451,379.75	243,747.93	
117	SEP 01 20	3,308.60	2,683.88	753,568.19	454,688.35	246,431.81	
118	OCT 01 20	3,296.86	2,695.62	750,872.57	457,985.21	249,127.43	
119	NOV 01 20	3,285.07	2,707.41	748,165.16	461,270.28	251,834.84	
120	DEC 01 20	3,273.22	2,719.26	745,445.90	464,543.50	254,554.10	
***	2020				40,049.19	31,860.57	*
121	JAN 01 21	3,261.33	2,731.15	742,714.75	467,804.83	257,285.25	
122	FEB 01 21	3,249.38	2,743.10	739,971.65	471,054.21	260,028.35	
123	MAR 01 21	3,237.38	2,755.10	737,216.55	474,291.59	262,783.45	
124	APR 01 21	3,225.32	2,767.16	734,449.39	477,516.91	265,550.61	
125	MAY 01 21	3,213.22	2,779.26	731,670.13	480,730.13	268,329.87	
126	JUN 01 21	3,201.06	2,791.42	728,878.71	483,931.19	271,121.29	
127	JUL 01 21	3,188.84	2,803.64	726,075.07	487,120.03	273,924.93	
128	AUG 01 21	3,176.58	2,815.90	723,259.17	490,296.61	276,740.83	
129	SEP 01 21	3,164.26	2,828.22	720,430.95	493,460.87	279,569.05	
130	OCT 01 21	3,151.89	2,840.59	717,590.36	496,612.76	282,409.64	
131	NOV 01 21	3,139.46	2,853.02	714,737.34	499,752.22	285,262.66	
132	DEC 01 21	3,126.98	2,865.50	711,871.84	502,879.20	288,128.16	
***	2021				38,335.70	33,574.06	*
133	JAN 01 22	3,114.44	2,878.04	708,993.80	505,993.64	291,006.20	
134	FEB 01 22	3,101.85	2,890.63	706,103.17	509,095.49	293,896.83	
135	MAR 01 22	3,089.20	2,903.28	703,199.89	512,184.69	296,800.11	
136	APR 01 22	3,076.50	2,915.98	700,283.91	515,261.19	299,716.09	
137	MAY 01 22	3,063.74	2,928.74	697,355.17	518,324.93	302,644.83	
138	JUN 01 22	3,050.93	2,941.55	694,413.62	521,375.86	305,586.38	
139	JUL 01 22	3,038.06	2,954.42	691,459.20	524,413.92	308,540.80	
140	AUG 01 22	3,025.13	2,967.35	688,491.85	527,439.05	311,508.15	
141	SEP 01 22	3,012.15	2,980.33	685,511.52	530,451.20	314,488.48	
142	OCT 01 22	2,999.11	2,993.37	682,518.15	533,450.31	317,481.85	
143	NOV 01 22	2,986.02	3,006.46	679,511.69	536,436.33	320,488.31	
144	DEC 01 22	2,972.86	3,019.62	676,492.07	539,409.19	323,507.93	
***	2022				36,529.99	35,379.77	*
145	JAN 01 23	2,959.65	3,032.83	673,459.24	542,368.84	326,540.76	
146	FEB 01 23	2,946.38	3,046.10	670,413.14	545,315.22	329,586.86	
147	MAR 01 23	2,933.06	3,059.42	667,353.72	548,248.28	332,646.28	
148	APR 01 23	2,919.67	3,072.81	664,280.91	551,167.95	335,719.09	
149	MAY 01 23	2,906.23	3,086.25	661,194.66	554,074.18	338,805.34	
150	JUN 01 23	2,892.73	3,099.75	658,094.91	556,966.91	341,905.09	
151	JUL 01 23	2,879.17	3,113.31	654,981.60	559,846.08	345,018.40	
152	AUG 01 23	2,865.54	3,126.94	651,854.66	562,711.62	348,145.34	

Ralph S. Northam
Governor

R. Brian Ball
Secretary of
Commerce and Trade

COMMONWEALTH of VIRGINIA

Erik C. Johnston
Director

DEPARTMENT OF
HOUSING AND COMMUNITY DEVELOPMENT

January 13, 2022

Ms. Kimberly Byrd
Executive Director
South River Development Corporation
1700 New Home Rd.
Waynesboro, VA 22980
k_byrd@wrha.org

Re: Affordable and Special Needs Housing Funding Proposal

Dear Ms. Kimberly Byrd:

On behalf of the Department of Housing and Community Development (DHCD), it gives me great pleasure to inform you that South River Development Corporation will receive a preliminary offer from the Fall 2021 Affordable and Special Needs Housing competitive loan pool in the amount of $1,300,000 in Housing Innovations in Energy Efficiency (HIEE) funds to support the Fairfax Hall project.

Please note that you will receive further communication regarding the need to execute a HIEE program agreement within the next few weeks. The program agreement must be fully executed within 12 months from the date of this letter in order for this preliminary offer to result in a program commitment and reservation of funds.

As the project gets underway, please be aware that any adjustments to the capital budget, operating expense budget, pro forma numbers, and other project parameters must be approved by DHCD before the program funding agreement is transferred to Virginia Housing to request formal loan documents be drafted. Execution of the program agreement is necessary in order to finalize a formal funding reservation and loan commitment.

A member of our ASNH team will be contacting you via email to begin the contract negotiation process soon. We are pleased to be of assistance to South River Development Corporation in its affordable housing efforts.

Sincerely,

Sandra Powell
Senior Deputy Director
Community Development & Housing

Ralph S. Northam
Governor

R. Brian Ball
Secretary of
Commerce and Trade

COMMONWEALTH of VIRGINIA

Erik C. Johnston
Director

DEPARTMENT OF
HOUSING AND COMMUNITY DEVELOPMENT

January 13, 2022

Ms. Kimberly Byrd
Executive Director
South River Development Corportion
1700 New Home Rd.
Waynesboro, VA 22980
k_byrd@wrha.org

Re: Affordable and Special Needs Housing Funding Proposal

Dear Ms. Kimberly Byrd:

On behalf of the Department of Housing and Community Development (DHCD), it gives me great pleasure to inform you that South River Development Corportion will receive a preliminary offer from the Fall 2021 Affordable and Special Needs Housing competitive loan pool in the amount of $350,000 in National Housing Trust Fund (NHTF) funds to support the Fairfax Hall project.

Please note that you will receive further communication regarding the need to execute a NHTF program agreement within the next few weeks. The program agreement must be fully executed within 12 months from the date of this letter in order for this preliminary offer to result in a program commitment and reservation of funds.

An allocation of federal NHTF funds requires a developer to designate a specific number of targeted units at 30 percent AMI. The specific number of NHTF-assisted units will be determined prior to the execution of the NHTF program agreement. No work activities on the proposed project can be initiated prior to fully executing the HOME program agreement. A HUD required environmental review must be completed, and any adjustment to the capital budget, operating expense budget, pro forma numbers and other project parameters must be approved by DHCD before the program agreement can be executed.

A member of our ASNH team will be contacting you via email to begin the contract negotiation process soon. We are pleased to be of assistance to South River Development Corportion in its affordable housing efforts.

Sincerely,

Sandra Powell
Senior Deputy Director
Community Development & Housing

Ralph S. Northam
Governor

R. Brian Ball
Secretary of
Commerce and Trade

COMMONWEALTH of VIRGINIA

Erik C. Johnston
Director

DEPARTMENT OF
HOUSING AND COMMUNITY DEVELOPMENT

January 13, 2022

Ms. Kimberly Byrd
Executive Director
South River Development Corporation
1700 New Home Rd.
Waynesboro, VA 22980
k_byrd@wrha.org

Re: Affordable and Special Needs Housing Funding Proposal

Dear Ms. Kimberly Byrd:

On behalf of the Department of Housing and Community Development (DHCD), it gives me great pleasure to inform you that South River Development Corporation will receive a preliminary offer from the Fall 2021 Affordable and Special Needs Housing competitive loan pool in the amount of $350,000 in Virginia Housing Trust Fund (VHTF) funds to support the Fairfax Hall project.

Please note that you will receive further communication regarding the need to execute a VHTF program agreement within the next few weeks. The program agreement must be fully executed within 12 months from the date of this letter in order for this preliminary offer to result in a program commitment and reservation of funds.

As the project gets underway, please be aware that any adjustments to the capital budget, operating expense budget, pro forma numbers, and other project parameters must be approved by DHCD before the program funding agreement is transferred to Virginia Housing to request formal loan documents be drafted. Execution of the program agreement is necessary in order to finalize a formal funding reservation and loan commitment.

A member of our ASNH team will be contacting you via email to begin the contract negotiation process soon. We are pleased to be of assistance to South River Development Corporation in its affordable housing efforts.

Sincerely,

Sandra Powell

Sandra Powell
Senior Deputy Director
Community Development & Housing

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:

RIGHT OF FIRST REFUSAL AGREEMENT
([Project name] Apartments)

RIGHT OF FIRST REFUSAL AGREEMENT (the "Agreement") dated as of [Closing Date] by and among **FAIRFAX HALL II, LLC**, a Virginia limited liability company (the "Owner" or the "Company"), , **South River Development Corporation**, a Virginia non-stock nonprofit corporation (the "Grantee"), and is consented to by **FAIRFAX HALL II MANAGEMENT, LLC**, a Virginia limited liability company (the "Managing Member"), **HOUSING EQUITY FUND OF VIRGINIA XXIV, LLC**, a Virginia limited liability company (the "Investor Member") and **VAHM, L.L.C.**, a Virginia limited liability company (the "Special Investor Member"). The Managing Member, the Investor Member and the Special Investor 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 a 54-unit apartment project for families located in Waynesboro, Virginia and commonly known as "Fairfax Hall Apartments" (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 is 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 (14^{th}) 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 [_____], 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, Kim Byrd, Executive Vice President and CEO; 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:

FAIRFAX HALL II LLC, a Virginia limited liability company

By: Fairfax Hall II Management LLC, a Virginia limited liability company, its managing member

By: South River Development Corporation

By: M A Maupin
Mary Ann Maupin, President

COMMONWEALTH OF VIRGINIA)
)
CITY/COUNTY OF Waynesboro)

On March 2, 2022 before me, the undersigned, a notary public in and for said state, personally appeared [M A Maupin], 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, the Executive Vice President and CEO of the managing member of Fairfax Hall II Management LLC, which is the managing member of **Fairfax Hall II LLC** and that by her signature on the instrument, the entity, individual or the person on behalf of which the individual acted, executed the instrument.

Teresa G. Fitzgerald
Notary Public

Commission expires: July 31, 2023

Registration No.: 7509702

GRANTEE:

South River Development Corporation

, a Virginia non-stock nonprofit corporation

By: _____
Name: Mary Ann Maupin
Title: President

COMMONWEALTH OF VIRGINIA)
)
CITY/COUNTY OF Waynesboro)

On March 2, 2022, before me, the undersigned, a notary public in and for said state, personally appeared [M A Maupin], 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 Executive Vice President, and that by her signature on the instrument, the entity, individual or the person on behalf of which the individual acted, executed the instrument.

Teresa G. Fitzgerald
Notary Public

Commission expires: July 31, 2023

Registration No.: 7509702

The undersigned hereby consents to the foregoing Right of First Refusal Agreement as of the date first set forth hereinabove.

MANAGING MEMBER:

FAIRFAX HALL II MANAGEMENT LLC, a Virginia limited liability company

By: South River Development Corporation

By: _____
Mary Ann Maupin
President

COMMONWEALTH OF VIRGINIA)
)
CITY/COUNTY OF Waynesboro)

On March 2, 2022 before me, the undersigned, a notary public in and for said state, personally appeared [M A Maupin], 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 Executive Vice President and CEO of South River Development Corporation, the sole member of Fairfax Hall Management LLC, and that by her signature on the instrument, the entity, individual or the person on behalf of which the individual acted, executed the instrument.

Teresa G. Fitzgerald
Notary Public

Commission expires: July 31, 2023

Registration No.: 7509702

The undersigned hereby consents to the foregoing Right of First Refusal Agreement as of the date first set forth hereinabove.

INVESTOR MEMBER:

[INVESTOR ENTITY], a
[_____][_____]limited liability company

By: [_____]

By: _____

SPECIAL MEMBER:

[_____][_____] SPECIAL LIMITED PARTNER, L.L.C., a [_____][____] limited liability company

By: [_____], LLC, a [____][____] limited liability company, its manager

By: _____

STATE OF _____)
)
CITY/COUNTY OF _____

On , 20 before me, the undersigned, a notary public in and for said state, personally appeared [_____], 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 he executed the same in his capacity as [_____], the manager of **[Investor Entity]**, a [_____] limited liability company, and [_____] **Special Limited Partner, L.L.C.**, a [_____] limited liability company, and that by his signature on the instrument, the entity, individual or the person on behalf of which the individual acted, executed the instrument.

Notary Public

Commission expires:
Stration

EXHIBIT A

LEGAL DESCRIPTION

[insert legal]

LEGAL DESCRIPTION- Exhibit A

All of that certain tract or parcel of real estate, together with all buildings and improvements thereon, located in the City of Waynesboro, Virginia, and being shown and designated as Lot 2A containing 2.981 acres on a "Waiver of Subdivision Plat, Fairfax Hall Property, Waynesboro, Virginia," dated February 3, 1998, made by Thomas E. Shumate, Surveyor, which plat is of record in the Clerk's Office of the Circuit Court of the City of Waynesboro, Virginia, in Plat Book 5, page 196.

Together with the following easements which shall run with and be appurtenant to Lot 2A:

3. D Street Access Easement. An exclusive easement or right-of-way extending in a northwesterly and then northerly direction from the northern boundary of Lot 2A to D Street and described in deed dated November 10, 1998, recorded in Deed Book 256, page 761; and

4. Front Driveway Easement. The non-exclusive right to use a portion of the existing paved driveway lying on both sides of that part of the southern boundary of Lot 2A which is shown on the Plat and described in deed dated November 10, 1998, recorded in Deed Book 256, page 761.

Being the same parcel of real estate acquired by Fairfax Hall Limited Partnership, a Virginia Land Partnership, by deed of Wesley R. Meeteer and Alice K. Meeteer, husband and wife, and Robert L. Stover, Jr. and Betty Jo Stover, husband and wife, and the City of Waynesboro, Virginia, a political subdivision of the Commonwealth of Virginia, dated November 10, 1998, or record in the aforesaid Clerk's Office in Deed Book 256, page 761.

Tab W:

Internet Safety Plan and Resident Information Form (if internet amenities selected)

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.

3.3Unacceptable 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 Infosecis 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 Infosecteam 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 Infosecteam 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.

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:_____

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

NETLITERACY

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:

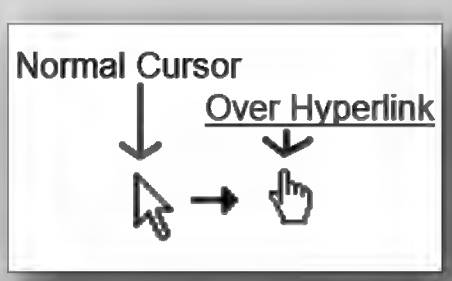
The Internet is a useful source of information about news, sports, and entertainment because it changes along with the minute-by-minute events that occur in the world brings. This might seem confusing. However, it is not necessarily so—the Internet can be thought of as a "dynamic" living organism that 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.

NETLITERACY

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.



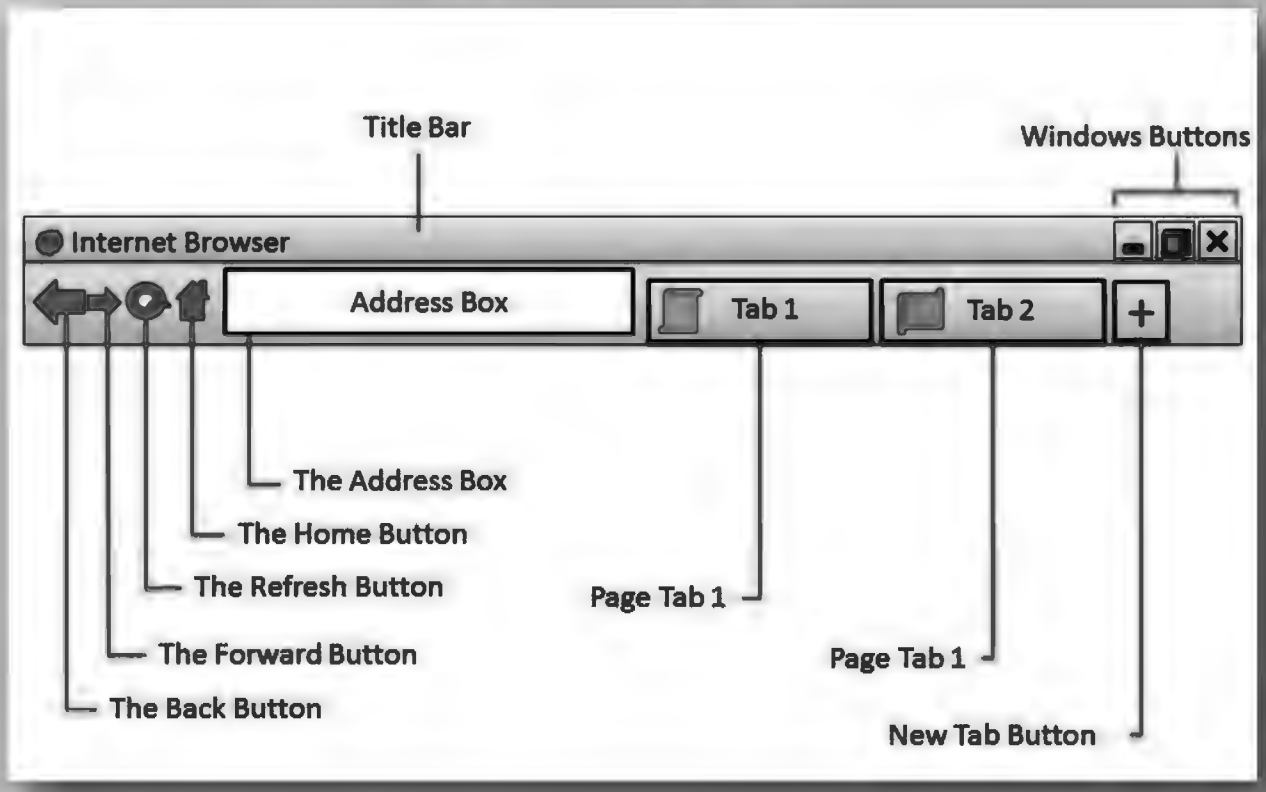
Websites are usually independent, however sometimes they are linked together by hyperlinks (also called links) that allow you to jump from one website to another website. These links allow you to "turn the page," and move around on the Internet. They are usually underlined and blue, however they can 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.

NETLITERACY

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).



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The Buttons

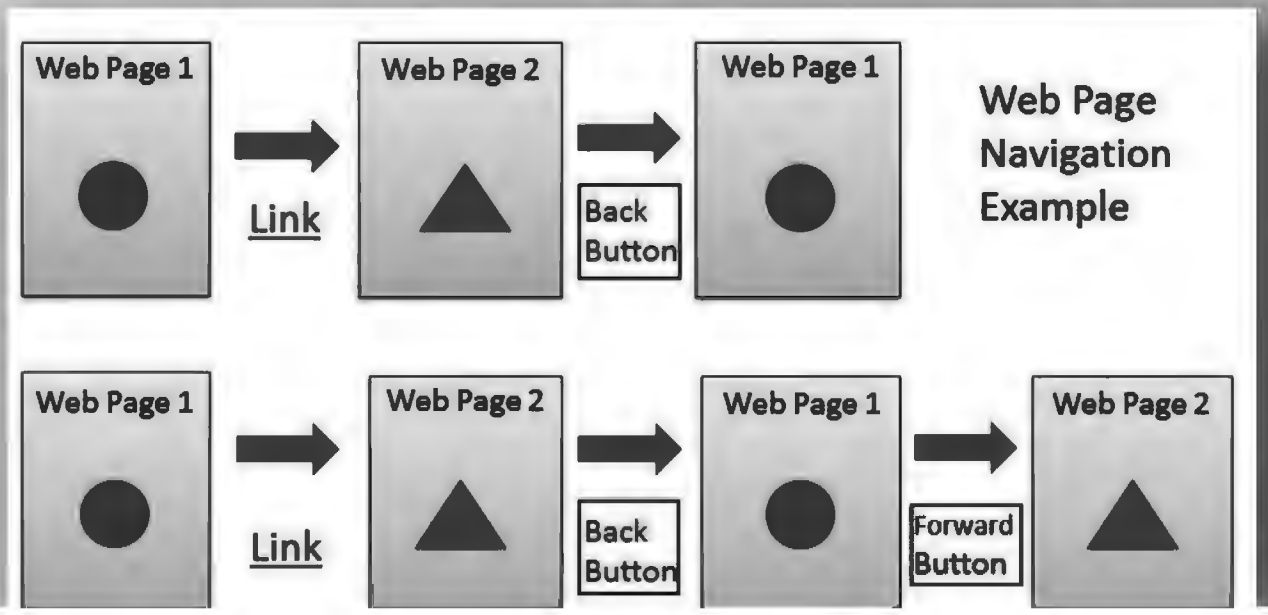
The Back Button – This button allows you to return to the last webpage that you last visited. It is most often used if you accidentally click on a link and wish to return to your previous page.

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.



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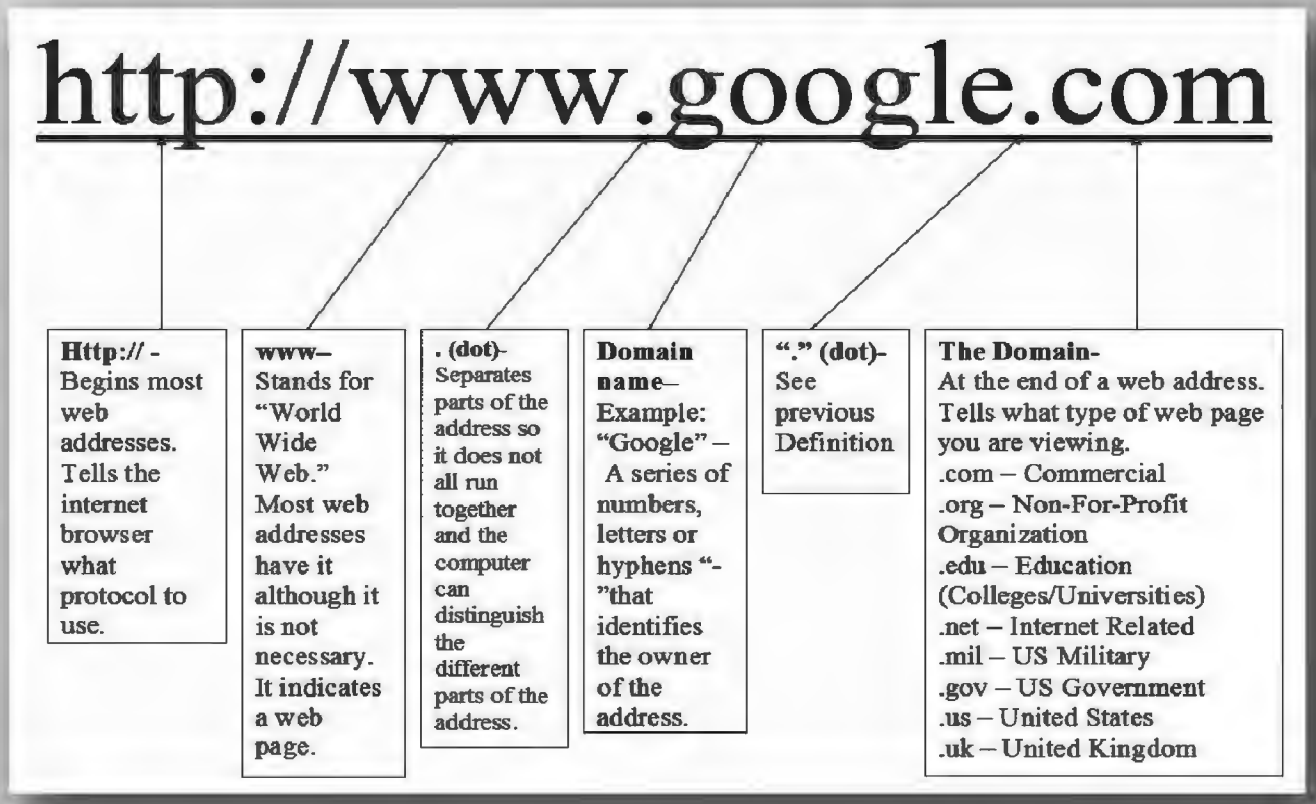
The Address Box

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.



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.

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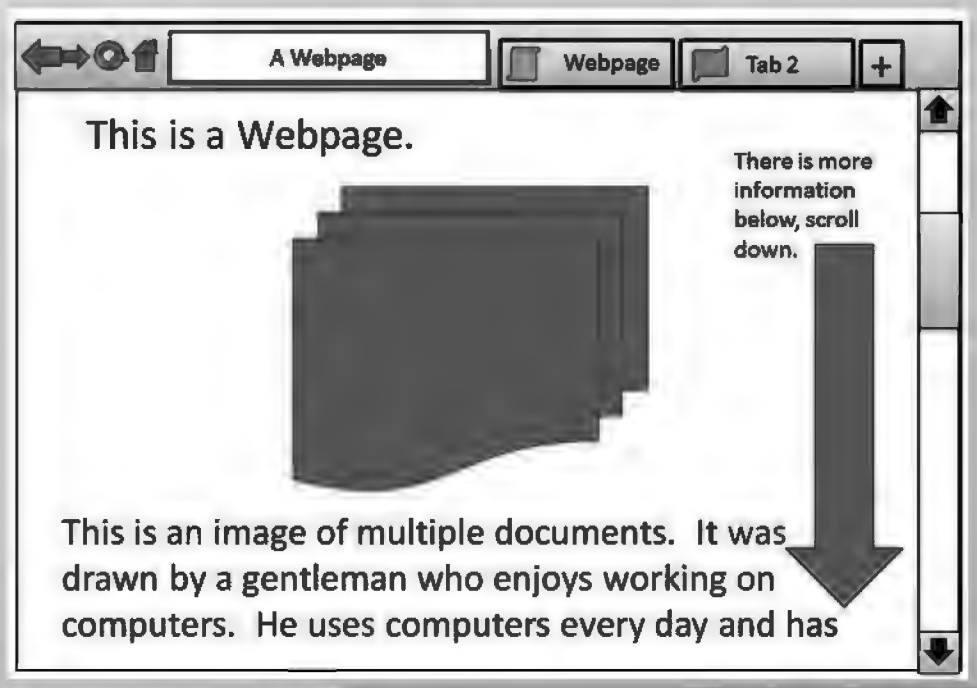
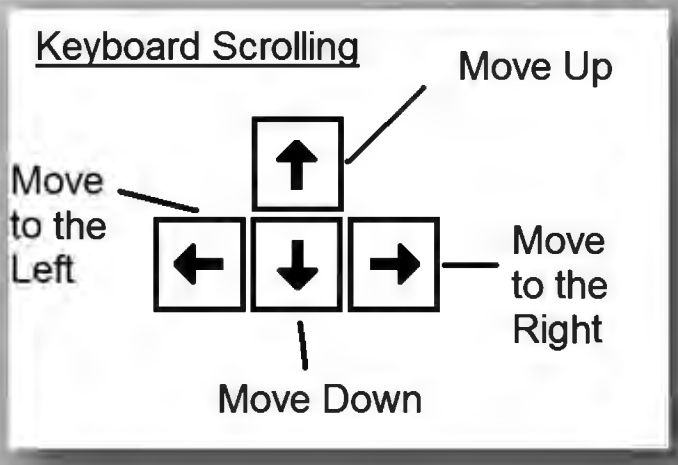
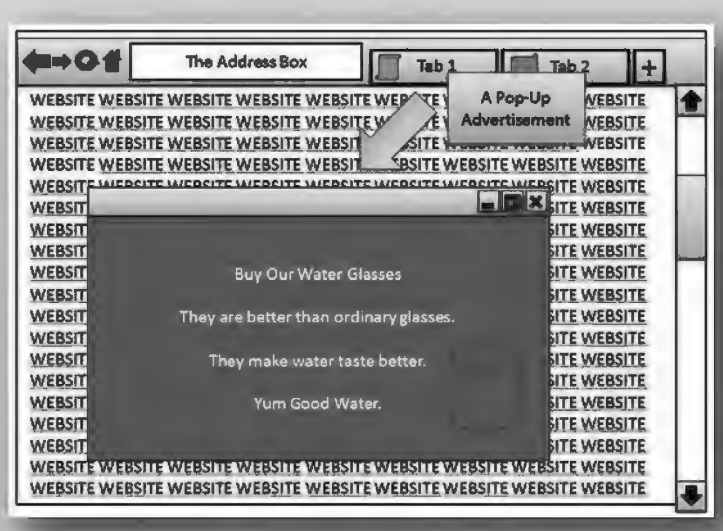
Scrolling on Webpages

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.

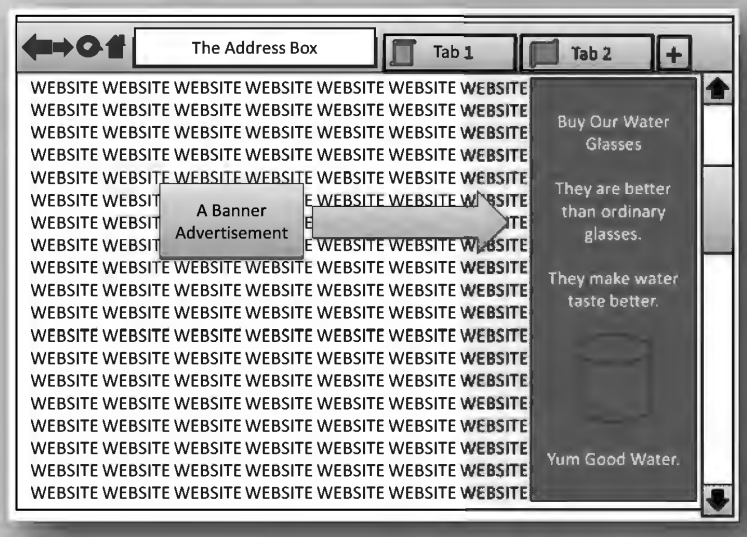




Pop Up Advertisements



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.

NETLITERACY

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.

Tab X:

Marketing Plan for units meeting accessibility requirements of HUD section 504

Fairfax Hall II, LLC

Waynesboro, Virginia

Low Income Housing Tax Credit Application for Reservation

VHDA Accessibility Requirements for Section 504 of the Rehabilitation Act

Marketing Plan

Fairfax Hall II, LLC is proposing to undertake the rehabilitation of low income housing units on Reservoir Street in Waynesboro, VA. The project will result in 54 efficiency, one and two-bedroom apartments and will utilize proceeds from the syndication of Low Income Housing Tax Credits. This initiative is being undertaken in accordance with the requirements of VHDA's QAP.

At least 6 apartments at the complex are designed to serve frail elderly or persons with physical disabilities. Accordingly, the following will apply:

(1) Construction on such apartments will conform to HUD regulations defining the accessibility requirements of Section 504 of the Rehabilitation Act.

(2) Marketing for residents to occupy these units will be targeted to frail elders and people with special needs. These fully accessible apartments will include zero step entrances, open floor plans, roll under sinks and counters, ranges with front controls, wide doors and hallways, and fully accessible bathrooms. All of the building amenities and services will be on accessible pathways.

(3) People with intellectual and/or developmental disabilities will be given a first preference for occupancy.
(4) Unless the unit is rented to a qualified disabled resident, units will be held vacant for a minimum of 60 days during which ongoing marketing efforts are documented and reported to VHDA's program compliance officer before being authorized to rent to non-disabled household.

Contacts will be made to the organizations below in advance of the completion of the construction of the project to insure that the apartments are occupied as quickly as possible by the people who need them.

Further, throughout the compliance period, regular contacts will be made with residents of such units to determine if their needs have changed. Contacts will also be made regularly to those local organizations at initial occupancy but also throughout the term of the lease.

- Valley Community Services Board
  85 Sangers Lane
  Staunton, Virginia 24401
  276 964 9702

- Valley Program for Aging Services, Inc.
  325 Pine Ave
  Waynesboro, Virginia 22980

In addition to the above, the property will be affirmatively market to the target population as follows:

- Registering Fairfax Hall and vacancies on VirginiaHousingSearch.com
- Registering Fairfax Hall and vacancies on accessva.org
- Registering Fairfax Hall in the Virginia Housing Directory
- Communicating regularly with the appropriate personnel at the Virginia Department of Behavioral Health and Developmental Services Housing Team regarding vacancies at the property.
- Communicating regularly with the Asset Management staff at VHDA.

Not Applicable

Tab Y:

Inducement Resolution for Tax Exempt Bonds

Not Applicable

Tab Z:

Documentation of team member's Diversity, Equity and Inclusion Designation

Not Applicable

Tab AA:

Priority Letter from Rural Development

Not Applicable

Tab AB:

Socially Disadvantaged Population Documentation