

VIRGINIA HOUSING DEVELOPMENT AUTHORITY
MORTGAGE LOAN COMMITMENT - CONVENTIONAL
MULTI-FAMILY RENTAL HOUSING DEVELOPMENT

Re: Development: Vanguard Landing
VHDA Development No.: 10085/Deal No.:3534
Mortgagor: Vanguard Landing, Inc.

TO: Vanguard Landing, Inc.
c/o Ms. Debra Dear
2133 Upton Drive, Suite 125
Virginia Beach, Virginia 23454

The Virginia Housing Development Authority (the "Authority") hereby notifies you of the Authority's approval of your application for a mortgage loan (the "Mortgage Loan") for the financing of the captioned proposed multi-family rental housing development (the "Development"), located or to be located on certain property more particularly described in Exhibit A attached hereto and made a part hereof (the "Property"), subject to your full and timely compliance with all applicable provisions of the Virginia Housing Development Authority Act, being Chapter 1.2 of Title 36 of the Code of Virginia of 1950, as amended (the "Act"), the Rules and Regulations of the Authority, and the following terms and conditions:

1. Principal Amount of Mortgage Loan.

Subject to the terms hereof, the principal amount of the Mortgage Loan shall be the lesser of Twenty-Five Million Eight Hundred Fifty Thousand Dollars and Zero Cents (\$25,850,000.00) or Ninety-Five percent (95%) of the Total Development Cost of the Development as determined by the Authority in accordance with Section 9 hereof.

2. Mortgage Loan Interest Rate (Taxable Bond and Single REACH Financing; Initial and Permanent Rates).

The Authority is to provide the financing for Nineteen Million Eight Hundred Fifty Thousand Dollars and Zero Cents (\$19,850,000.00) original principal amount of the Mortgage Loan under its standard multi-family mortgage loan program (the "Standard Program"), and the Authority's REACH *Virginia* program (the "REACH Program") is to provide financing for the remaining Six Million Dollars and Zero Cents (\$6,000,000.00) original principal amount of the Mortgage Loan.

The portion of the Mortgage Loan to be financed under the Standard Program shall bear interest at an initial interest rate (as determined by the Authority in accordance with this Section 2) from the date of the Deed of Trust Note referenced below to, but not including, the effective date of the permanent interest rate (such effective date to be established on the Rate Lock Date by the Authority) and shall thereafter bear interest at a permanent rate (as determined by the Authority in accordance with this Section 2).

Subject to the provisions of Section 14 hereof, the initial interest rate and the permanent interest rate on the portion of the Mortgage Loan to be financed under the Standard Program shall be determined by the Authority as of such date (the "Rate Lock Date") as shall be determined by the Authority and which shall be within One Hundred Twenty (120) days after the date that this Commitment becomes effective in accordance with the requirements of Section 14a(1) hereof and prior to the closing (the "Closing") of the Mortgage Loan, but in no event shall such initial interest rate and permanent interest rate exceed Six and Seven Tenths percent (6.7%) per annum (the "Maximum Interest Rate"). If the Authority shall fail to so determine a Rate Lock Date within One Hundred Twenty (120) days after such effective date of this Commitment, this Commitment shall thereupon terminate (unless the Mortgagor and the Authority shall agree otherwise pursuant to the following paragraph), provided that the Financing Fee (as set forth in Section 5 hereof) and the letter of credit or cash, as applicable, delivered pursuant to Section 14a(1) hereof shall be returned by the Authority to the Mortgagor. The Processing Fee less the non-refundable portion of such Processing Fee, as both described in Section 5

hereof, shall also be returned to the Mortgagor. If the Mortgage Loan is Construction/Permanent loan, the Authority shall not determine a Rate Lock Date prior to receiving from the Mortgagor: (i) final site plan approval from the applicable local jurisdiction; (ii) a full-size "VHDA Contract Set" of plans and specifications prepared in accordance with the Authority's Architectural and Engineering Review Process and signed by the Mortgagor, General Contractor, and Architect; and (iii) the executed VHDA Construction Contract, General Conditions, and Trade Payment Breakdown based upon the set of plans described in this paragraph.

If the Authority determines, in its sole discretion, before or at the Rate Lock Date that it will not be able to provide funds at or below the maximum interest rate stated in paragraph 2 of the Commitment, then the Authority may immediately provide Mortgagor with an amendment letter to the Commitment (the "Commitment Amendment Letter"), which will reduce the portion of the Mortgage Loan to be financed under the Standard Program to an amount that will result in a debt service coverage ratio equal to that shown on the attached Development Cost Analysis form under the Authority's anticipated achievable interest rate. Any funding gap resulting from a reduction of loan amount in the Commitment Amendment Letter will be the Mortgagor's sole responsibility. If such a Commitment Amendment Letter is provided by the Authority and Mortgagor desires to accept it, Mortgagor shall execute and return the Commitment Amendment Letter to the Authority on the same day the Mortgagor receives the Commitment Amendment Letter from the Authority. In the event Mortgagor fails to return the Commitment Amendment Letter on the same day, this Commitment shall be terminable by the Authority. If the Authority terminates the Commitment pursuant to this paragraph, the Processing Fee less the non-refundable portion of such fee, the Financing Fee (all as set forth in Section 5 hereof) and the letter of credit or cash, as applicable, delivered pursuant to Section 14a(1) hereof shall be returned by the Authority to the Mortgagor.

The Maximum Interest Rate is not an interest rate guaranteed by the Authority as the highest interest rate to be charged on the portion of the Mortgage Loan to be financed under the Standard Program but rather is the maximum interest rate on such portion of the Mortgage Loan at which, in the determination of the Authority, the rental and other income of the Development (net of operating expenses and reserves) will be sufficient to pay principal and interest on the Mortgage Loan (see Section 14 herein for additional terms and conditions relating to the Maximum Interest Rate, including the provision for termination of this Commitment if the Authority notifies the Mortgagor that sufficient funds to finance such portion of the Mortgage Loan will not be made available at or below the Maximum Interest Rate).

The interest rate on the portion of the Mortgage Loan to be financed under the REACH Program shall be Two and Ninety-Five Hundredths percent (2.95%) per annum.

During the period that interest only is due and payable on the Mortgage Loan, the interest rate on the Mortgage Loan shall be the rate that will result in interest only payments on the Mortgage Loan that are equal to the sum of the interest only payments on all of the portions of the Mortgage Loan. During the period that monthly payments of principal and interest are due and payable on the Mortgage Loan, the interest rate on the Mortgage Loan shall be the rate, as determined by the Authority, that will result in a monthly payment of principal and interest on the Mortgage Loan (payable on a level annuity basis by equal payments of principal and interest in accordance with Section 3 hereof) which is equal to the total of the monthly payments of principal and interest that would fully amortize the principal amounts of the portions of the Mortgage Loan financed under the above described Programs at their respective interest rates over the term of the Mortgage Loan as set forth in Section 3 hereof.

3. Repayment of Mortgage Loan (Construction/Permanent Financing).

Beginning on the first day of the month following the Closing and on the first day of each and every month thereafter until and including the first day of the month preceding the month in which monthly payments of principal and interest are commenced, the Mortgagor shall pay to the Authority all interest then due on the Mortgage Loan. The first monthly payment of principal and interest on the Mortgage Loan shall be due on the first day of the Twenty-first (21st) month following the month in which the Deed of Trust is dated or on such later date as may be established by the Authority. The Mortgage Loan shall be payable on a level annuity basis by Four Hundred Twenty (420) equal payments of principal and interest in such amount as shall be established by the Authority. The maturity and final payment date of the Mortgage Loan shall be Thirty-Four (34) years and Eleven (11) months following the due date of the first monthly payment of principal and interest or such later date as may be established by the Authority.

4. Mortgage Loan Closing (Construction/Permanent Financing).

a. As a condition precedent to the Closing of the Mortgage Loan hereunder, the Mortgagor, the Architect and the General Contractor (if any) shall have scheduled and attended a pre-construction conference with the VHDA Construction Control Officer.

b. As a condition precedent to the Closing of the Mortgage Loan hereunder, each of the following shall be delivered to the Authority in form and substance satisfactory to the Authority:

(1) Deed of Trust Note (VHDA Form No. CD-200 Conv) executed by the Mortgagor (Taxable Financing). Under the terms of the Deed of Trust Note, the Mortgagor shall covenant not to pay the debt evidenced by the Deed of Trust Note or any part thereof prior to or in advance of the payment schedule described therein until the date (the "Prepayment Date") which is the later of either a) ten years after the date on which fifty percent (50%) of the units in the Development are first occupied, as determined by the Authority, or b) ten years after the date of the Deed of Trust Note. Subsequent to the Prepayment Date, the Mortgagor shall have the right to prepay, in whole but not in part, the debt evidenced by the Deed of Trust Note; provided, however, that the Mortgagor in connection with such prepayment shall pay, in addition to all amounts due under the Deed of Trust Note, a prepayment fee equal to the greater of either (i) six percent (6%) of the then outstanding principal balance of the Mortgage Loan reduced by one percentage point for each twelve month period that has expired since the Prepayment Date, but in no event less than one percent (1%) of the then outstanding principal balance, or (ii) the total of (a) all fees, costs or other sums required to be paid under the resolutions adopted by the Authority to authorize the notes or bonds which are then financing the Mortgage Loan, (b) all other costs paid or to be paid by the Authority in connection with the issuance and retirement of such notes or bonds and any other notes or bonds theretofore issued to finance the Mortgage Loan, and (c) any other costs of the Authority relating to the financing of the Mortgage Loan. For further requirements regarding prepayment of the Mortgage Loan, see the Deed of Trust Note enclosed herewith.

(2) Deed of Trust (VHDA Form No. CD 210-Conv) executed by the Mortgagor and securing the Mortgage Loan, conveying in the Property and constituting a first lien thereon.

(3) Construction Loan Agreement (VHDA Form No. CD 220-Conv.) governing advances of the proceeds of the Mortgage Loan and providing for completion of the construction or rehabilitation within Eighteen (18) months from Closing.

(4) Regulatory Agreement (VHDA Form No. CD 230-Conv) to permit the Authority's regulation of the Mortgagor pursuant to the Act and the Authority's Rules and Regulations. (Taxable Financing; REACH *Virginia* Financing; No LIHTC; Non-Rural Areas). This Regulatory Agreement shall require the maintenance of a Reserve Fund for Replacements and monthly deposits thereto in the amount of Three Thousand Two Hundred Dollars and Zero Cents (\$3,200.00), subject to such reductions or increases as provided therein. In this Regulatory Agreement, the Mortgagor shall covenant and agree that at least the percentage(s) set forth below of the units in the Development (the "Low and Moderate Income Units") will be occupied or held available for occupancy by persons and families whose adjusted family incomes, as determined in accordance with the Authority'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 Low and Moderate Income Units the applicable percentage(s) set forth below of the area median gross income as then determined by the Authority (without adjustments for family size).

Percentage of Units Set Aside	Percentage of AMI	Adjusted for Family Size
30%	80%	No
70%	Unrestricted	--

If multiple percentages of units are set forth above, no unit may be included in determining compliance with more than one of the percentages of area median gross income set forth above. Seventy percent (70%) of the units in the Development shall not be subject to any limitations on the adjusted family incomes of individuals and families who occupy such units.

For further terms and conditions regarding the above covenants, see the Regulatory Agreement enclosed herewith.

(5) Prior to October 3, 2022 (the "Bond Inclusion Date"), the Authority must have reviewed the Architectural and Engineering plans and specifications for the Development and determined they are satisfactory to the Authority in its sole discretion. Said Architectural and Engineering plans and specifications must be in final form, including any and all proposed value engineering, prior to the completion of the Authority's review.

(6) Prior to the Bond Inclusion Date and after completion of the Authority's Architectural and Engineering Review, Construction Contract (VHDA Form No. CD 300-Conv.), providing for the construction or rehabilitation of the Development by the Authority-approved General Contractor in accordance with the Drawings and Specifications or Work Write-up described below.

(7) Prior to the Bond Inclusion Date and after completion of the Authority's Architectural and Engineering Review, General Conditions of the Contract for Construction (VHDA Form No. CD 310 Conv), between the Mortgagor and the Authority-approved General Contractor pursuant to which the Development is to be built or rehabilitated.

(8) Assurance of completion of construction of the Development by the General Contractor in the form of a Completion Assurance Agreement (VHDA Form No. CD-333 Conv) with an unconditional, irrevocable Letter of Credit issued to the Authority, by a commercial bank acceptable to the Authority, in the form required by the Authority and in the amount of One Million Six Hundred Fifty-Eight Thousand Nine Hundred Seventeen Dollars and Zero Cents (\$1,658,917.00).

(9) Prior to the Bond Inclusion Date and after completion of the Authority's Architectural and Engineering Review, Trade Payment Breakdown (VHDA Form No. CD-400) executed by the Mortgagor and the General Contractor specifying the cost of each classification of construction requirements pursuant to the Drawings and Specifications or Work Write-up described below and within the scope of the Construction Contract.

(10) Prior to the Bond Inclusion Date and after completion of the Authority's Architectural and Engineering Review, a complete full-size set of "For Construction" Drawings and Specifications ("Final Drawings") must be submitted to the Authority for its review. Such Final Drawings must (i) must be labeled "VHDA Contract Set"; (ii) must include a title sheet, sheet index, and all sheets listed on the sheet index; (iii) the sheet index must list all revision dates of each sheet; and (iv) the title sheet and sheet index sheet must include the Authority's signature block and must be signed by the Architect, the General Contractor and the Owner.

(11) (a) Owner-Architect Agreement (VHDA Form No. CD 340-Conv.) between the Mortgagor and the Authority-approved Architect(s) for the rendering to the Mortgagor of design and supervisory architectural services, together with Architect's Certificate (VHDA Form No. 352).

(b) Prior to Closing, the Architect shall deliver Certificates confirming professional liability insurance coverage in an amount at least equal to Two Hundred Fifty Thousand (\$250,000) Dollars. Such Certificates shall be issued by the writing agent to the Owner (if so required by the Owner) and to the Authority. The Agreement described in (a) above will require the Architect to keep such professional liability insurance required in force for a period of at least six (6) years from the date of the Final Closing of the Authority's Mortgage Loan as to the Development.

(12) {Mortgagor's Certificate of Actual Costs and Closing Determinations - Deleted}

(13) Title Insurance Policy, in an amount equal to the maximum principal amount of the Mortgage Loan, insuring the Authority's interest in the Property which shall show that title to the Property on the date of the Closing of the Mortgage Loan is vested in the Mortgagor free of encumbrances other than the Deed of Trust and the Regulatory Agreement, and free from all objections to title, except such as are specifically determined to be acceptable by the Authority. The Title Insurance Policy shall be issued by a title insurance company acceptable to the Authority and shall contain such terms and conditions and shall provide such coverage (including coverage against mechanics' and materialmen's liens) as shall be satisfactory to the Authority. The title insurance company shall issue an insured closing protection letter acceptable to the Authority with respect to the Mortgagor's counsel.

(14) Financing Statement(s) securing the Mortgage Loan, naming the Authority as the secured party, and covering certain tangible and intangible personal property used in, arising out of or relating to the Development. Such Financing Statement(s) shall be prepared and filed in accordance with the Instructions for Preparation and Filing of Financing Statement(s) enclosed herewith. Prior to Closing, the Authority must receive from the Mortgagor's legal counsel a UCC search report in form and substance satisfactory to the Authority, by a firm acceptable to the Authority or by the applicable filing office(s), listing all prior financing statements filed in the name of the Mortgagor. Mortgagor's legal counsel must confirm to the Authority prior to Closing that any such prior liens shall be terminated in conjunction with Closing. Within thirty (30) days after Closing, the Mortgagor shall also submit a Statement of Fact issued by each state filing office in which the filing of the above referenced Financing Statement(s) is required by the Authority, which Statement of Fact shall indicate that no prior financing statements shall have been filed in the name of the Mortgagor with respect to such personal property as of the date and time of the filing of the above referenced Financing Statement(s).

(15) Certificate of Mortgagor's Attorney (VHDA Form No. CD 371).

(16) Such certificates of the Mortgagor and principals therein as is necessary, in the opinion of the Authority or its counsel, to evidence their legal capacity to execute the documents described in this Section 4.

(17) Any and all building permit(s) required by law, ordinance or regulation necessary to complete all work detailed within the Drawings and Specifications or Work Write-up, which permit(s) shall be issued by the legally constituted authorities having jurisdiction.

(17) {Certificates of Occupancy - Deleted}

(19) An ALTA survey and Surveyor's Certificate (VHDA Form No. CD-360) addressed to the Authority, both certified as of a date within ninety (90) days of the date of the Closing, showing no easements, encroachments or other matters pertaining to the Property except as may be acceptable to the Authority.

(20) {Escrow Agreement for Incomplete On-Site Improvements - Deleted}

(21) {Latent Defect Agreement - Deleted}

(22) The Mortgagor shall deliver to the Authority evidence satisfactory to the Authority of the existence of all policies of insurance necessary to comply with the Authority's minimum insurance requirements as amended from time to time. Reference is hereby made to the Minimum Insurance Requirements for Closing of VHDA Financed Developments form enclosed with this Mortgage Loan Commitment. The Mortgagor shall maintain insurance coverage at all times throughout the life of the

Mortgage Loan in accordance with the terms of the Regulatory Agreement and in compliance with the Authority's minimum insurance requirements, as amended.

(23) The Mortgagor shall cause the General Contractor to obtain, pay for, and keep in effect from the inception of construction or rehabilitation, or from such time as the Authority may require, all policies of insurance necessary to comply with the Authority's minimum insurance requirements. Reference is hereby made to the Minimum Insurance Requirements for Closing of VHDA Financed Developments form enclosed with this Mortgage Loan Commitment.

At the Closing, the General Contractor shall submit a certificate or certificates of insurance, in form satisfactory to the Authority, evidencing that such insurance is in effect. The insurance policies providing the above described coverage shall be issued by companies acceptable to the Authority, and the policies or certificates of insurance therefor shall provide that the insurer(s) shall endeavor to give the Authority thirty (30) days advance written notice of any cancellation of the policies before the expiration thereof.

(24) If the Development is in an area that has been identified by HUD as having special flood hazards and in which the sale of flood insurance has been made available under the National Flood Insurance Act of 1968, the Mortgagor shall provide a certificate of insurance evidencing such flood insurance coverage of the Development as is satisfactory to the Authority and as is required by the Flood Disaster Protection Act of 1973.

(25) {Initial Equity Escrow Agreement - Deleted}

(26) A copy of the Deed conveying the Property to the Mortgagor.

(27) A Housing Management Agreement (VHDA Form No. CD 610-Conv.) providing for the management of the Development. The fee to be paid the Authority-approved Management Agent, if any, shall be equal to Three percent (3.00%) of gross rent collections received during each month as determined by the Authority.

(28) Phase I Assessment as described in the Environmental Hazards Management Procedures of the Federal National Mortgage Association for its Multifamily Delegated Underwriting and Servicing Product Line, which Assessment shall be performed by an independent, competent and qualified engineer satisfactory to the Authority, shall be dated not more than one hundred and eighty (180) days prior to Closing, and shall indicate no environmental conditions or other matters unacceptable to the Authority. Such Phase I Assessment shall be addressed to both the Mortgagor and the Authority; or pursuant to a separate agreement with or letter from such engineer, the Mortgagor and the Authority shall be entitled to rely upon such Phase I Assessment without any limitations or conditions unacceptable to the Authority.

(29) {Confirmations of Resident Eligibility - Deleted}

(30) Mortgagor's Attorney's Opinion addressed to the Authority indicating, among other things, compliance with all legal requirements in the formation of the Mortgagor and the execution of documents.

(31) One of the following: (a) a copy of the written staff determination received by the Mortgagor from the locality in which the Development is to be located in form and substance acceptable to the Authority stating that the Development is consistent with current zoning and other land use regulations, (b) a written certification from the Mortgagor that such locality failed to respond to the Mortgagor's written request for such a written staff determination within 30 days after the locality's receipt of such written request or (c) a copy of the building permit(s) issued by such locality for the construction or rehabilitation (if any) of the Development to be completed after the date hereof. If

paragraph (17) of this subsection 4b requires the delivery of the building permit(s) for the construction or rehabilitation of the Development, the delivery of such building permit(s) at or prior to the Closing shall satisfy the requirement of this paragraph (30); however, compliance with (a) or (b) of this paragraph (30) shall not be deemed to satisfy the requirement (if any) for the building permit(s) in paragraph (17) of this subsection 4b.

(32) Completed W-9 Request for Taxpayer Identification Number and Certification form.

(33) Prior to Closing, an appraisal of the proposed Development satisfactory to the Authority shall have been performed and shall have been received by the Authority. If the appraised value is less than \$28,722,222, the maximum amount of the Mortgage Loan shall be reduced to 90% of the greater of (a) such appraised value or (b) the value of the proposed Development as determined by the Authority based upon its review of such appraisal. No adjustment shall be made if the appraised value is equal to or greater than \$28,722,222.

(34) Prior to the Closing, the Mortgagor shall execute and deliver to the Authority a Tenant Selection Plan in accordance with the requirements of the Act and the Authority's Rules and Regulations and in form and substance acceptable to the Authority.

(35) Prior to the Bond Inclusion Date, Mortgagor shall deliver to the Authority, and the Authority must find acceptable in its sole and absolute discretion, copies of any and all agreements, proffers, declarations, and conditional approvals by governmental or private entities which in any way govern the use of the Development or which impose any restriction or expense upon any owners thereof.

(36) Prior to the Bond Inclusion Date, Mortgagor shall provide, and the Authority must approve, evidence in form and substance satisfactory to the Authority, in the Authority's sole discretion, that the Development shall contain a minimum of 71 parking spaces or such amount as is necessary to satisfy applicable zoning laws, whichever amount is greater.

(37) Prior to Closing, the Authority must have inspected the Property and Development and determined that their condition is satisfactory to the Authority in its sole discretion.

(38) The Authority's Commitment to finance the Mortgage Loan shall be contingent upon the sale, issuance and delivery of bonds by the Authority prior to the Closing in such amounts, at such rates and on such terms and conditions as shall be acceptable to the Authority in its sole discretion.

(39) Prior to Closing, the Mortgagor shall provide to the Authority evidence, in form and substance satisfactory to the Authority in its sole discretion, that any Authority-defined equity as shown on the attached Development Cost Analysis form will be invested into the deal.

(40) Prior to Closing, the Authority must have received, reviewed, and approved final drafts of all notes, security instruments, and restrictive covenants associated with any financing subordinate to the Mortgage Loan. All subordinate financing must mature either simultaneously with or after the maturity date of the Note unless otherwise expressly agreed to in writing by the Authority.

(41) The Mortgagor shall provide the Authority, in the timeline required by the Authority, any and all other documentation requested by the Authority subsequent to the issuance of this Mortgage Loan Commitment necessary to, in the Authority's sole discretion, provide the Authority comfort that its security interest in the Development will be sufficiently protected.

5. Processing Fee and Financing Fee.

Prior to or simultaneously with the acceptance of this Commitment pursuant to Section 14 hereof, the Mortgagor shall have paid to the Authority a processing fee (the "Processing Fee") in the amount of One Hundred Twenty-

Nine Thousand Two Hundred Fifty Dollars and Zero Cents (\$129,250.00) of which Ten Thousand Dollars and Zero Cents (\$10,000.00) has been paid prior to the date hereof. The Processing Fee shall be non-refundable in the event the Mortgagor does not proceed with the Closing of the Mortgage Loan and the Authority is prepared to proceed with the financing of the Mortgage Loan. The portion of the Processing Fee equal to costs paid or incurred to third parties by the Authority and for the Authority's staffing and administrative costs in connection with its processing and underwriting of the application for the Mortgage Loan and issuance of the Commitment and loan documentation shall be non-refundable in all cases. The portion of the Processing Fee described in the preceding sentence shall be referred to herein as the non-refundable portion of the Processing Fee and is hereby determined by the Authority to be the lesser of (i) the entire Processing Fee or (ii) Thirty-Five Thousand Dollars and Zero Cents (\$35,000.00) and is inclusive of the amount paid prior to the date hereof that is referenced above. Prior to or simultaneously with the acceptance of this Commitment pursuant to Section 14 hereof, the Mortgagor shall pay to the Authority a financing fee (the "Financing Fee") in the amount of Two Hundred Twenty-Seven Thousand One Hundred Eighty-Eight Dollars and Zero Cents (\$227,188.00) of which No Dollars and Zero Cents (\$0.00) has been paid prior to the date hereof.

6. {Tenant Certification - Deleted}

7. Rate of Return.

The Authority has determined, in accordance with the applicable provisions of the Act and the Authority's Rules and Regulations, that there shall be no limitation on the annual distributions which may be made by or to the Mortgagor in respect of the Development.

8. Development Cost Analysis.

Attached hereto and made a part hereof is a Development Cost Analysis setting forth the Authority-approved estimated Total Development Cost, annual operating expenses and cash flow analysis, and the schedule of minimum rents intended to be charged to occupants. Subject to the terms of the Construction Loan Agreement, this Development Cost Analysis shall govern the allocation of all disbursements of proceeds of the Mortgage Loan, except to the extent the Authority shall require adjustments as a result of its review of the Drawings and Specifications or Work Write-up (as applicable) and the Trade Payment Breakdown.

9. Determination of Total Development Cost, Principal Amount of Mortgage Loan and Equity Investment (Construction/Permanent Financing).

The Total Development Cost, the principal amount of the Mortgage Loan, and the Mortgagor's equity investment shall be determined by the Authority at the Final Closing and final disbursement of the Mortgage Loan in accordance with the terms of the Construction Loan Agreement. The Principal Amount of the Mortgage Loan shall be determined in accordance with Section 1 hereof. The equity investment shall be determined to be the difference between (i) the Total Development Cost and (ii) the principal amount of the Mortgage Loan.

10. Scheduling of Closing, Closing Attorney.

The date of the Closing of the Mortgage Loan will be scheduled by the Authority upon receipt, at the Authority Offices, from the Mortgagor of a complete set of draft copies of all documents required to be delivered at the Closing. Construction or rehabilitation of the Development shall not commence prior to the Closing of the Mortgage Loan unless specifically so authorized in writing by the Authority and on such terms and conditions as the Authority may deem to be appropriate.

The Mortgagor agrees that the attorney(s) who will represent the Mortgagor in the Closing of the Mortgage Loan shall not be on the Authority's list of attorneys who are debarred from closing the Authority's multi-family mortgage loans. A copy of such list may be obtained from the Authority's General Counsel.

11. Assignment or Transfer of Commitment.

This Commitment shall not be assignable or transferable by the Mortgagor without the prior written consent of the Authority.

12. Term of Commitment.

Subject to the provisions of Section 14 hereof, this Commitment shall terminate on the date that is Thirty (30) days after the Authority gives notification (if any) to the Mortgagor specified by Section 14a(2)(i) or such later date as the Authority may approve at the request of the Mortgagor at the time of such notification, unless the Closing of the Mortgage Loan shall have occurred prior to such date in accordance with the terms hereof or unless this Commitment is renewed or, pursuant to Section 14a(3) below, is extended by the Authority.

13. Litigation and Change in Circumstances.

In the event that (i) litigation commences or a change occurs in the circumstances, facts, conditions or assumptions upon which this Commitment is based and (ii) the Authority determines that such litigation or change would adversely affect (a) the financial feasibility of the Development, (b) the ability of the Mortgagor to construct or rehabilitate (as may be applicable) or to own and operate the Development in accordance with the documents required hereunder to be submitted at Closing, (c) the security of the Mortgage Loan or (d) the Authority's interests, rights or obligations with respect to the Development, then in any such event the Authority shall have the right to terminate or suspend this Commitment by giving the Mortgagor written notice thereof. In the event of suspension, the Authority shall not be obligated to consummate the Closing or to make the Mortgage Loan in accordance herewith until such time as the Authority determines to its satisfaction that the above described adverse effects will not occur, and the Authority may at any time after suspension terminate this Commitment by written notice to the Mortgagor.

Any change in any person or entity who is to act as a general partner, member, or principal in the Mortgagor or as General Contractor (if any), Architect (if any), or Management Agent (if any) with respect to the Development shall be subject to the prior written approval of the Authority.

14. Effectiveness of Commitment.

a. (1) This Commitment shall not become effective unless it is duly executed by the party or parties indicated below and delivered on or before October 3, 2022, at 3:00 p.m., Richmond time, to the Authority, Attention: Ms. Kay Nicholas, Construction Loan Accountant, together with a cashier's or certified check or wire payable to the Authority in the amount of Three Hundred Forty-Six Thousand Four Hundred Thirty-Eight Dollars and Zero Cents (\$346,438.00) for all or the remaining balance of the Financing Fee and all or the remaining balance of the Processing Fee due and payable pursuant to Section 5 hereof. The effectiveness of this Commitment shall be additionally contingent upon the authority's receipt of either i) a letter of credit issued to the Authority by a commercial bank acceptable to the Authority in the form required by the Authority, for a term expiring no earlier than the total of the number of days set forth in Section 12 (and the first sentence in subsection (a)(3) of this Section plus thirty days after the date on which this Commitment becomes effective), and in the amount of Four Hundred Nineteen Thousand Sixty-Two Dollars and Zero Cents (\$419,062.00), or (ii) a cashier's or certified check or wire payable to the Authority in the amount of Four Hundred Nineteen Thousand Sixty-Two Dollars and Zero Cents (\$419,062.00).

(2) On the Rate Lock Date, the Authority shall notify the Mortgagor that either (i) the Authority will make available sufficient funds at or below the Maximum Interest Rate set forth in Section 2 hereof to finance the portion of the Mortgage Loan to be financed under the Standard Program or (ii) the Authority will not make available such funds at or below such Maximum Interest Rate.

(3) If the Authority notifies the Mortgagor in accordance with subsection (2)(i) above that sufficient funds to finance the portion of the Mortgage Loan to be financed under the Standard Program

will be made available at or below the aforesaid Maximum Interest Rate, the Mortgagor shall be obligated to complete the Closing of the Mortgage Loan in accordance with the terms of this Commitment on or before the date that is Thirty (30) days after such notification by the Authority or such later date as the Authority may approve at the request of the Mortgagor at the time of such notification. The Authority may, but shall not be obligated to, extend the time period (as specified in Section 12 and this subsection a(3)) in which the Mortgagor is obligated to complete the Closing of the Mortgage Loan. As a precondition to any such extension, the Authority shall require the payment of a non-refundable fee of one-half percent (0.5%) of the principal amount of the Mortgage Loan for each period of 30 days (and any period of less than 30 days) that such time period is so extended.

(4) If the Authority notifies the Mortgagor in accordance with subsection (2)(ii) above that sufficient funds to finance the portion of the Mortgage Loan to be financed under the Standard Program will not be made available at or below the aforesaid Maximum Interest Rate, unless the Authority and the Mortgagor enter into a Commitment Amendment Letter as described in Section 2 hereof, this Commitment shall terminate, and the Authority shall return to the Mortgagor the Processing Fee less the non-refundable portion of such fee, the Financing Fee and the letter of credit or cash deposit, as applicable, delivered pursuant to subsection a(1) above.

b. A failure by the Mortgagor to complete the Closing of the Mortgage Loan in accordance with subsection a(3) above shall entitle the Authority to terminate this Commitment, shall cause the forfeiture, in full, of the Financing Fee (as well as the Processing Fee pursuant to Section 5 hereof), and shall entitle the Authority either to draw upon any letter of credit delivered pursuant to subsection a(1) above and retain the proceeds therefrom or to retain any cash deposit delivered pursuant to subsection a(1) above, as applicable.

c. At the completion of Closing of the Mortgage Loan in accordance with the terms of this Commitment and the satisfaction of all post-Closing requirements, the Authority shall return to the Mortgagor any letter of credit or cash deposit delivered pursuant to subsection a(1) above; however, all of the Financing Fee (as well as the Processing Fee) will be retained by the Authority at Closing.

d. The Mortgagor shall keep the letter of credit (if any) described in a(1) above in full force and effect until either (i) the date on which the Closing has been completed in accordance with the terms of this Commitment and all post-Closing requirements have been satisfied or (ii) in the event of termination of this Commitment, the date which is fifteen days after the date of such termination, provided that the Mortgagor shall not be obligated to keep such letter of credit in full force and effect subsequent to any return thereof by the Authority to the Mortgagor pursuant to Section 2 or subsection a(4) above. The Mortgagor shall provide the requisite renewals, extensions and replacements of any such letter of credit at least fifteen (15) days prior to the expiration thereof. If the Mortgagor shall fail to so renew, extend or replace any such letter of credit, the Authority shall have the right to draw on such letter of credit and to deposit the funds in an account under the Authority's control, and such funds shall be thereafter held and disbursed in accordance with the terms of this Section 14 in the same manner as a cash deposit delivered pursuant to subsection a(1) above. If the issuer of the letter of credit refuses to honor any draft thereon or indicates that any draft will not be so honored, the Mortgagor shall within five (5) days after notice from the Authority replace such letter of credit with another letter of credit acceptable to the Authority. The Mortgagor shall immediately reimburse the Authority for all costs and expenses incurred by the Authority in drawing or attempting to draw on any letter of credit or in accomplishing the renewal, extension or replacement thereof; and if not so reimbursed, the Authority shall have the right to draw on the letter of credit for the purpose of such reimbursement. If the Mortgagor shall fail to comply with the provisions of this subsection d, the Authority shall have the right to terminate this Commitment and to retain the Financing Fee (as well as the Processing Fee pursuant to Section 5 hereof) and any cash deposit delivered pursuant to subsection a(1) above; provided, however, that the Authority may not exercise such right upon any failure by the Mortgagor to renew, extend or replace the letter of credit if the Authority shall have received the full amount of any draw on the letter of credit of funds to be held as a cash deposit in accordance herewith.

15. Requirements with Respect to the Authority's Bonds (Taxable Financing).

The Mortgagor shall submit, at such time or times prior to the Closing as the Authority may require, any documents or instruments (in addition to those described in Section 4 hereof) which are required by the Authority's bond

counsel as a result of obligations imposed upon the Authority by contract or agreement relating to the notes or bonds issued by the Authority to finance the Mortgage Loan.

16. Organizational Documents.

Upon the request of the Authority, the Mortgagor shall, prior to Closing, provide to the Authority true and complete copies of the organizational documents of the Mortgagor and entities having any direct or indirect ownership interest in the Mortgagor.

17. Receipt of Documents.

By execution hereof, the Mortgagor acknowledges receipt of all of the hereinabove referenced VHDA form documents and understand and agree that the Mortgage Loan shall be made subject to and in accordance with the terms and conditions therein.

18. Third Parties.

It is understood and agreed that the provisions of this Commitment are not intended, and shall not be construed, to benefit or protect any person or entity other than the parties hereto 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 provision of this Commitment by the parties hereto.

19. Public Communication.

The Mortgagor shall give the Authority reasonable notice of and right to approve in advance all communication to the press or the general public (including, without limitation, press releases, public announcements, advertisements, promotional materials, signage, interviews in newspapers or on television or radio, and promotional and publicity events) by or on behalf of the Mortgagor regarding the Development or the financing provided by the Authority pursuant to this Commitment. Such right of approval shall include, but not be limited to, the right to approve the content, appearance, timing, manner of release or distribution, recipients, participants, and location, as applicable, of each such communication. The Mortgagor shall give the Authority the opportunity to participate in all releases and distributions of such communication, all interviews in newspapers or on television or radio, and all promotional and publicity events regarding the Development or such financing and shall otherwise coordinate and cooperate with the Authority with respect to all such communication. This Section shall survive the Closing.

20. Nonhousing Rental Space Certification.

By execution hereof, the Mortgagor hereby certifies that a mortgage loan for the financing of the nonhousing rental space is not otherwise available from private lenders upon terms and conditions that are reasonably equivalent to the terms and conditions of the Mortgage Loan.

21. Additional or Special Conditions.

This Commitment is subject to the additional or special conditions set forth in Attachment A which is attached hereto and is made a part hereof.

VIRGINIA HOUSING DEVELOPMENT AUTHORITY,
a political subdivision of the Commonwealth of Virginia

By: Bennet Dwyer (SEAL)
Its: Authorized Officer

Dated: July 12, 2022

Accepted this ___ day of _____, ____.

VANGUARD LANDING, INC.,
a Virginia Corporation

By: _____ (SEAL)
Name: _____
Its: _____

EXHIBIT A

Property Description

That multifamily family rental property to be located in the east side of Princess Anne Road near the Sandbridge area 7 miles south of I-264 and 4 mile west of the oceanfront in the city of Virginia Beach, Virginia.

ATTACHMENT A

Special Conditions:

1. Bond Issue Inclusion Items:

Prior to **October 3, 2022**, (the "Bond Inclusion Date"), the Authority must have received and reviewed the following and determined they are satisfactory to the Authority in its sole discretion:

- a. a firm commitment letter and, in the case of locality funding, final City Council or County Board of Supervisor approval, and commitments for charitable donations, from any lender or other source of equity identified in the attached Development Cost Analysis, along with copies of all subordinate loan documents; if Mortgagor will assume all or some of any current debt on the Development from the seller as part of the acquisition price of the project, the loan documents for such debt and evidence of the outstanding balance being assumed;
 - b. Authority approval of all Architectural and Engineering requirements listed within Section 4(b) of this Commitment;
 - c. all requisite site plan approval from the applicable locality;
 - d. the anticipated draw schedule of the Mortgage Loan showing the timing and amount of the pay-in of all equity and debt sources as well as the disbursement of debt and equity;
 - e. drafts of the plans, plats, declarations, by-laws, and all other types of documents related to the property owner's association or condominium to be formed, if any, with final documentation;
 - f. easements, parking leases/agreements, use agreements, and any other instruments governing shared amenities or spaces;
 - g. any income restrictions imposed by the locality;
 - h. either (i) final issued licenses for the Development or (ii) evidence of satisfactory progress towards license issuance. Such licenses shall include the following:
 - (1) Department of Behavioral Health and Developmental Services (DBHDS) – Supervised Living Residential Services license
 - (2) Department of Medical Assistance Services (DMAS) – Supported Living Residential service license
 - (3) Designation as a DMAS Participating Provider and approval to receive Medicaid waiver payments.
 - i. a copy of the contract the Mortgagor intends to execute with an approved Managed Care Organization;
 - j. approved subordination agreement for the existing loan with the City of Virginia Beach, Virginia;
 - k. the Authority must review and approve any proposed modifications to the Housing Management Agreement, including any proposal to permit the Mortgagor to self-manage all or any aspect of the Development.
2. Prior to the Bond Inclusion Date, Mortgagor shall deliver to the Authority, and the Authority must find acceptable in its sole and absolute discretion, copies of any and all agreements, proffers, declarations, and conditional approvals by governmental or private entities which in any way govern the use of the Development or which impose any restriction or expense upon any owners thereof.
 3. Prior to the Bond Inclusion Date, the Mortgagor shall provide a proposed draw schedule to the Authority, and the Authority must find said schedule acceptable in the Authority's sole and absolute discretion.

4. On or before the Bond Inclusion Date, one of the following requirements shall be satisfied: (1) the City Council of the City of Virginia Beach, Virginia shall adopt and deliver to the Authority a resolution, in form and substance acceptable to the Authority, that designates the area in which the Development is to be located as a revitalization area in accordance with the provisions of Section 36-55.30:2.A of the Code of Virginia, that makes the determinations required by such provisions for such designation, and that determines the nonhousing building(s) or nonhousing portion(s) of any building(s) to be necessary or appropriate for the revitalization of such area or the industrial, commercial or other economic development of such area, or (2) the appropriate authorized official of such jurisdiction shall advise the Authority in writing, in form and substance acceptable to the Authority, that the Development is located within a redevelopment area, conservation area, or rehabilitation area created or designated by the city or county pursuant to Chapter 1 of Title 36 (Section 36-1 et seq.) of the Code of Virginia and that the governing body of such jurisdiction has determined the nonhousing building(s) or nonhousing portion(s) of any building(s) in the Development to be necessary or appropriate for the revitalization of such project or district or for the industrial, commercial or other economic development of such project or district.
5. Prior to Final Closing, the Mortgagor shall provide to the Authority for its review and approval the following licenses, if not provided prior to Closing: (i) DBHDS – Supervised Living Residential Services, (ii) DMAS – Supported Living Residential; (iii) DMAS Participating Provider, and (iv) dining facility license from the Department of Health. This special condition shall survive Closing of the Mortgage Loan.
6. Notwithstanding anything contained in this commitment to the contrary, prior to Closing, the Mortgagor must obtain such additional insurance coverage as the Authority shall determine is necessary for operation of the Development and the provision of services by the Mortgagor.
7. Prior to Closing, the Mortgagor shall confirm to the Authority's satisfaction that it has employed an Operational Programming Director with sufficient experience directing the operations of projects similar to the Development.
8. Prior to Closing, the Authority must have inspected the Property and Development and determined that their condition is satisfactory to the Authority in its sole discretion.

OWNER SOFT COSTS

Building Permits	
Design Engineering	\$547,338
Design Architect	\$750,000
Architect Supervision	
Tap Fees	\$75,000
Environmental	\$5,000
Construction Interest Taxes	\$604,697
Insurance (Hazard)	\$123,533
Insurance (Builders Risk & Liability)	\$121,508
VHDA Processing Fee	\$129,249
VHDA Financing Fee	\$227,186
Certification	
Title & Recording	\$40,000
Legal	\$100,000
Mortgage Banker	\$258,498
Tax Credit Fee	
Soil Borings	
Appraisal	\$10,000
Market Study	
Fixtures, Furniture & Equipment	\$950,000
Accounting	\$20,000
Construction Management Consultants	
Development Management	
Green Building Certification	
Equity Financed	
Geotechnical Engineer	\$99,897
Letter of Credit/ Bond Premiums	
Loan Prepayment Fee	
Marketing and General Lease up	\$400,000
Monitoring/Lease up Res.	
Organizational Costs	
Proffers	
RR funding	
Security	
Site Engineering/Survey	
Tenant Relocation	
Utilities	\$120,000
Miscellaneous (From Other Costs not funded by VH)	
Est. Remaining Equity	
Contingency	7.79% of Hard Costs \$1,723,894
Other Costs 1, specify	Vans & Golf Carts \$75,000
Other Costs 2, specify	Vanguarden \$100,000
Other Costs 3, specify	Operating Reserve \$500,000
Other Costs 4, specify	Landscaping-Irrigation \$100,000
Other Costs 5, specify	Signage \$35,000
Other Costs 6, specify	
Other Costs 7, specify	
Other Costs 8, specify	
Other Costs 9, specify	
Other Costs 10, specify	
Total Owner Soft Costs	\$7,115,800

OPERATING EXPENSES

	Per Unit	
Administrative	\$ 25,750	\$ 3,295,978
Utilities	\$ 1,891	\$ 242,000
Operating & Maintenance	\$ 6,104	\$ 781,273
Taxes & Insurance	\$ 6,796	\$ 869,915
Total Operating Expenses		\$ 5,189,166
Replacement Reserves	\$ 300	\$ 38,400
Total Expenses	\$ 40,840	\$ 5,227,566

CASH FLOW

Estimated Gross Income (EGI)	\$ 7,236,787
Operating Expenses	\$ 5,227,566
Net Income	\$ 2,009,221
Virginia Housing Debt Service	\$ 1,747,043
Cash Distribution	\$ 262,178

Loan to Cost 75.89%
Loan to Value 71.61%

VHDA Fees Expected Is this REACH Funds Only?

Fee Type	% of Fee	Loan Amt	Fee Amount
Application Fee		\$ -	\$ 10,000
Processing Fee	0.50%	\$ 25,850,000	\$ 119,250
Financing Fee (Permanent)	0.50%	\$ -	\$ -
Fin. Fee (Construction/Gap)	1.50%	\$ 7,500,000	\$ 112,500
Fin. Fee Const (over 7.5 Million)	0.625%	\$ 18,350,000	\$ 114,688
Unsecured Gap Loan Fee		\$ -	\$ -
Out of Balance Fee		\$ -	\$ -
Other Fee		\$ -	\$ -
Total Expected Fees			\$356,438

Current Exp. Fees: **\$356,435**

Other Costs Not Funded by Virginia Housing Developer Fee

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10

TOTAL DEVELOPMENT COST

Total Contractor's Hard Costs	\$ 22,118,897
Existing Improvement Acquisition	\$ -
Land Acquisition	\$ 4,830,000
Owner Soft Costs	\$ 7,115,800
Total Development Cost	\$ 34,064,697