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**AHC LIMITED PARTNERSHIP - 2  
CHDO HOME PROMISSORY NOTE**

**\$73,180.00**

**Effective: August 31, 2017**

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**FOR VALUE RECEIVED, AHC LIMITED PARTNERSHIP - 2**, a Virginia limited partnership, or any assigns, successors, successor organization or organizations (the “**Borrower**”) promises to pay to **THE COUNTY BOARD OF ARLINGTON COUNTY, VIRGINIA**, a body corporate and politic of the Commonwealth of Virginia (together with any and all of its successors and assigns and/or any other holder of this CHDO HOME Note, the “**County**”), without offset, in immediately available funds in lawful money of the United States of America, at 2100 Clarendon Blvd, Suite 700, Arlington, Virginia 22201, Attn: Housing Division Director, or at such other place as the holder of this CHDO HOME Note may from time to time designate in writing, the principal sum of **SEVENTY THREE THOUSAND ONE HUNDRED EIGHTY AND 00/100 (\$73,180.00)** (the “CHDO HOME Loan”) funds to be disbursed by the County pursuant to that certain Community Housing Development Organization and HOME Investment Partnerships Program Loan Agreement, dated of even date herewith and executed by and between the Borrower, the County and AHC Inc. (the “**Loan Agreement**”), together with accrued interest on the unpaid principal balance of this CHDO HOME Note from day to day outstanding as hereinafter provided. Capitalized terms used but not defined herein shall have the meaning ascribed to such terms in the Loan Agreement.

Interest shall accrue on the outstanding principal balance of this CHDO HOME Note at a rate equal to zero percent (0.00%) interest per annum, commencing on the Effective Date. Interest shall be calculated on the basis of a year of 365 days, compounded annually and charged for the actual number of days elapsed. This CHDO HOME Note has been executed and delivered pursuant to and in accordance with the Loan Agreement and is subject to the terms and conditions of the Loan Agreement, which is by this reference incorporated herein and made a part hereof.

This CHDO HOME Note shall be secured by the CHDO HOME Deed of Trust conveying the Borrower’s interest in the Property, including all improvements thereon, in trust to certain County Board trustees, as security for payment of this CHDO HOME Note, and the Restrictive Covenants containing covenants, conditions and restrictions regarding the ownership, operation, use, rent and occupancy of the Property during the HOME Affordability Compliance Period, each dated as of the date hereof and executed by the Borrower and recorded upon the initial disbursement of CHDO HOME Loan funds for the benefit of the County as described therein. The County shall be entitled to the benefits of the security provided by the CHDO HOME Deed of Trust and the Restrictive Covenants, and shall have the right to enforce the covenants and agreements contained herein, in the CHDO HOME Deed of Trust, Restrictive Covenants, the Loan Agreement and the other CHDO HOME Loan Documents, if any. The Restrictive Covenants shall remain effective for the full term of the HOME Affordability Compliance Period and shall survive the repayment of this CHDO HOME Note.

**1. PAYMENTS.**

(a) **Maturity Date.** The entire outstanding principal balance of this CHDO HOME Note, together with interest accrued thereon and any other sums accrued hereunder shall be payable in full on the date (the “**Maturity Date**”) which is the earlier of (i) **August 31, 2032**, or (ii) the occurrence of an Event of Default for which the County exercises its rights to cause the entire outstanding principal balance of this CHDO HOME Note, together with interest accrued thereon and any other sums accrued hereunder to become immediately due and payable pursuant to applicable provisions of the Loan Agreement. In no event shall any amount due under this CHDO HOME Note become subject to any rights of offset, deduction or counterclaim on the part of the Borrower.

(b) **Reduction of the Principal Balance of the CHDO HOME Loan.** Subject to an Event of Default, beginning August 31, 2018, as long as the Borrower is in full compliance with the covenants and agreements contained herein, in the CHDO HOME Deed of Trust, Restrictive Covenants, the Loan Agreement and the other CHDO HOME Loan Documents, if any, the County shall reduce the amount of the principal balance of the CHDO HOME Loan by 1/15<sup>th</sup> of Seventy-Three Thousand One Hundred Eighty and 00/100 (\$73,180.00). Thereafter, subject to an Event of Default, on August 31<sup>st</sup> of each subsequent year during the Term of the of the CHDO HOME Loan, as long as the Borrower is in full compliance with the covenants and agreements contained herein, in the CHDO HOME

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Deed of Trust, Restrictive Covenants, the Loan Agreement and the other CHDO HOME Loan Documents, if any, the County shall reduce the amount of the principal balance of the CHDO HOME Loan by 1/15<sup>th</sup> of Seventy-Three Thousand One Hundred Eighty and 00/100 (\$73,180.00) until the balance of the CHDO HOME Loan reaches zero.

(c) **Prepayment.** The Borrower may, without premium or penalty, at any time and from time to time, prepay all or any portion of the outstanding principal balance due under this CHDO HOME Note, provided that each such prepayment is accompanied by accrued interest on the amount of principal prepaid calculated to the date of such prepayment. Prepayments shall be applied first to any unpaid late charges and other costs and fees then due, then to accrued but unpaid interest, and then to principal. The Restrictive Covenants shall remain in full force for the entire HOME Affordability Compliance Period regardless of any prepayment of this CHDO HOME Note.

(d) **Payment in Full.** Notwithstanding any other provision to the contrary, all outstanding principal and accrued interest on the HOME Loan, together with any other sums evidenced by the CHDO HOME Note or secured by the CHDO HOME Deed of Trust and/or any other CHDO HOME Loan Documents, as well as any future advances that may be made to the Borrower by the County, shall be immediately due and payable in full by the Borrower upon the earlier of:

(i) August 31, 2032; or

(ii) the occurrence of an Event of Default for which the County exercises its right to cause the CHDO HOME Loan to become immediately due and payable, or for which the CHDO HOME Loan is automatically specified to become immediately due and payable pursuant to applicable subsections of the Loan Agreement.

(e) **Manner of Payment.** All payments of principal and interest on this CHDO HOME Note shall be made in U.S. dollars to the County:

Arlington CPHD Housing Division  
2100 Clarendon Boulevard, Suite 700  
Arlington, Virginia 22201  
Attn: David Cristeal, Housing Director

or by wire transfer as arranged by County Staff.

(f) Without limiting the generality of the foregoing, this CHDO HOME Note shall not be assumable without the County's prior written consent, which consent may be granted or denied in the County's sole discretion.

**2. DEFAULT AND REMEDIES.**

(a) **Events of Default.** The occurrence or happening, from time to time, of any one or more of the following events shall constitute an event of default hereunder ("**Event of Default**"):

(i) the Borrower fails to adhere to all laws, rules and regulations associated with the HOME program, the cross cutting Federal laws and regulations, and Virginia and local law; or

(ii) the Borrower fails to keep, observe, perform, carry out, and execute in every particular the covenants, agreements, obligations, and conditions set out in this Agreement or any of the other CHDO HOME Loan Documents; or

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(iii) subject to Borrower's right to contest the following charges, Borrower fails to pay prior to delinquency taxes or assessments due on the Property or fails to pay when due any other charge that may result in a lien on the Property, and Borrower fails to cure such default within fifteen (15) days of date of delinquency, but in all events upon the imposition of any such tax or other lien.

(iv) any information contained in any financial statement, schedule, report or any other document delivered by Borrower to the County in connection with the CHDO HOME Loan proves at any time not to be in all material respects true and accurate, or Borrower shall have failed to state any material fact or any fact necessary to make such information not misleading, or any representation or warranty contained in the Loan Agreement or in any other CHDO HOME Loan Document or other document, certificate or opinion delivered to County in connection with the CHDO HOME Loan, proves at any time to be incorrect or misleading in any material respect either on the date when made or on the date when reaffirmed pursuant to the terms of the Loan Agreement. Any such information, facts or documents must have a material adverse effect on the CHDO HOME Loan to constitute a default; or

(v) there shall occur a default or an event of default under the terms of any of the other CHDO HOME Loan Documents (unless Borrower has cured within any applicable grace period as herein or therein provided); or

(vi) any default or event of default under any instrument, deed, or agreement given or made by Borrower to or with any third party, shall occur which would authorize said third party's acceleration of any debt or exercise foreclosure or any other right or remedy which said third party may have; or

(vii) the proceeds of the CHDO HOME Loan, or any part thereof, are being or shall at any time have been diverted by the Borrower, any entity comprising the Borrower, any affiliate of the Borrower, or any person or entity under the direct control of or under common control with the Borrower, to a purpose other than the purpose for which such proceeds shall have been disbursed or if, without the prior written consent of the County Manager, the Borrower assigns this Agreement or any disbursements to be made hereunder or any interest in either; or

(viii) there shall be an attachment, execution, levy or other judicial seizure of or affecting the Property and assets of the Borrower; or

(ix) Borrower sells, or otherwise transfers control of the Property to a third party without the express consent of the County Manager; or

(x) AHC Inc. fails to qualify as a CHDO pursuant to the HOME Program Regulations; or

(xi) Borrower files a bankruptcy petition or makes a general assignment for the benefit of creditors, or a bankruptcy petition is filed against Borrower and such involuntary bankruptcy petition continues undismissed for a period of sixty (60) days after the filing thereof; or

(xii) Borrower admits in writing its inability or fails generally to pay its debts as they become due; or

(xiii) Without the prior written consent of the County (which consent may be conditioned, among other matters, on the issuance of a satisfactory endorsement to the title insurance policy insuring

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County's interest under the CHDO HOME Deed of Trust) or as expressly permitted under the terms of the CHDO HOME Deed of Trust, the controlling interest in Borrower ceases to be owned, directly or indirectly, by AHC Inc.

(b) **Notice, Cure Period.** Unless a shorter cure period is specified for a default in the performance of any term, provision, covenant or agreement contained in this CHDO HOME Note, including the obligations enumerated in this Section 2, no default shall mature into an "Event of Default" and the County shall not exercise any right or remedy on account thereof unless the default continues for ten (10) days in the event of a monetary default or sixty (60) days in the event of a nonmonetary default after the date upon which the County shall have given written notice of the default to the Borrower; provided, however, if the nonmonetary default is of a nature that cannot be cured within sixty (60) days, an Event of Default shall not arise hereunder if Borrower commences to cure the default within sixty (60) days and thereafter prosecutes the curing of such default with due diligence and in good faith to completion and in no event later than one hundred twenty (120) days after receipt of notice of the default.

(c) **Default Rate.** Upon the occurrence of an Event of Default, interest shall automatically be increased without notice to the rate of the lesser of fifteen percent (15%) per annum or the maximum rate permitted by law (the "**Default Rate**"). Notwithstanding the foregoing provisions, if the interest rate charged exceeds the maximum legal rate of interest, the rate shall be the maximum rate permitted by law. The imposition or acceptance of the Default Rate shall in no event constitute a waiver of a default under this CHDO HOME Note or prevent the County from exercising any of its other rights or remedies.

(d) **Remedies.** Upon the occurrence of an Event of Default hereunder, the County may, at its option (i) by written notice to Borrower, declare the entire unpaid principal balance of this CHDO HOME Note, together with all accrued interest thereon and all sums due hereunder, immediately due and payable regardless of any prior forbearance, (ii) exercise any and all rights and remedies available to it under applicable law, and (iii) exercise any and all rights and remedies available to the County under this CHDO HOME Note, the Loan Agreement and the other CHDO HOME Loan Documents, including without limitation the right to pursue foreclosure under the CHDO HOME Deed of Trust. Borrower shall pay all reasonable costs and expenses incurred by or on behalf of the County including, without limitation, reasonable attorneys' fees, incurred in connection with the County's enforcement of this CHDO HOME Note and the exercise of any or all of its rights and remedies hereunder and all such sums shall be a part of the indebtedness secured by the CHDO HOME Deed of Trust. The rights and remedies of the County under this CHDO HOME Note shall be cumulative and not alternative.

**3. MISCELLANEOUS.**

(a) **Waivers; Amendments; Borrower's Waivers.** No waiver by the County of any right or remedy under this CHDO HOME Note shall be effective unless in writing signed by the County Manager at the direction of the County Board. Neither the failure nor any delay in exercising any right, power or privilege under this CHDO HOME Note will operate as a waiver of such right, power or privilege, and no single or partial exercise of any such right, power or privilege by the County will preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. No waiver that may be given by the County will be applicable except in the specific instance for which it is given. No notice to or demand on Borrower will be deemed to be a waiver of any obligation of Borrower or of the right of the County to take further action without notice or demand as provided in this CHDO HOME Note. There shall be no amendment to or modification of this CHDO HOME Note except by written instrument executed by Borrower and the County.

To the maximum extent permitted by applicable law Borrower hereby waives presentment, demand, protest, notices of dishonor and of protest and all defenses and pleas on the grounds of any extension or extensions of the time of payment or of any due date under this CHDO HOME Note, in whole or in part, whether before or after maturity and with or without notice.

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(b) **Notices.** Any notice required or permitted to be given hereunder shall be given in accordance with Paragraph 12(a) of the Loan Agreement.

(c) **Severability.** If any provision in this CHDO HOME Note is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this CHDO HOME Note will remain in full force and effect. Any provision of this CHDO HOME Note held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

(d) **Governing Law; Venue.** This CHDO HOME Note is governed by the laws of the Commonwealth of Virginia without regard to principles of conflicts of laws. Any legal action filed in connection with this CHDO HOME Note shall be filed in the Arlington County Circuit Court or in the Federal District Court for the Eastern District of Virginia (Alexandria Division).

(e) **Parties in Interest.** This CHDO HOME Note shall bind Borrower and its successors and assigns and shall accrue to the benefit of the County and its successors and assigns.

(f) **Section Headings, Construction.** The headings of Sections in this CHDO HOME Note are provided for convenience only and will not affect its construction or interpretation.

(g) **Relationship of the Parties.** The relationship of Borrower and the County under this CHDO HOME Note is solely that of borrower and lender, and the loan evidenced by this CHDO HOME Note and secured by the CHDO HOME Deed of Trust and Restrictive Covenants will in no manner make the County the partner or joint venture of Borrower.

(h) **Time is of the Essence.** Time is of the essence with respect to every provision of this CHDO HOME Note.

(i) **Nonrecourse.** Except as expressly provided in this Section 3(i), the Borrower shall not have personal liability for payment of the principal of, or interest on, this CHDO HOME Note, and the sole recourse of the County with respect to the payment of the principal of, and interest on, this CHDO HOME Note shall be to the Property and any other collateral held by the County as security for this CHDO HOME Note; provided however, nothing contained in the foregoing limitation of liability shall:

(i) impair the enforcement against all such security for the CHDO HOME Loan of all the rights and remedies of the County under the CHDO HOME Deed of Trust and any financing statements the County files in connection with the CHDO HOME Loan as each of the foregoing may be amended, modified, or restated from time to time;

(ii) impair the right of the County to bring a foreclosure action, action for specific performance or other appropriate action or proceeding to enable the County to enforce and realize upon the CHDO HOME Deed of Trust, the interest in the Property created thereby and any other collateral given to the County in connection with the indebtedness evidenced hereby and to name the Borrower as party defendant in any such action;

(iii) constitute a waiver of any right which the County may have under any bankruptcy law to file a claim for the full amount of the indebtedness owed to the County hereunder or to require that the Property shall continue to secure all of the indebtedness owed to County hereunder in accordance with this CHDO HOME Note and the CHDO HOME Deed of Trust; or

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(iv) limit or restrict the ability of County to seek or obtain a judgment against Borrower to enforce against Borrower to:

1. recover under those sections of the Loan Agreement that pertain to Borrower's indemnification obligations, or

2. recover from Borrower compensatory damages as well as other costs and expenses incurred by County (including without limitation attorney's fees and expenses) arising as a result of the occurrence of any of the following:

a. any fraud or material misrepresentation on the part of the Borrower, any member thereof, or any officer, director or authorized representative of Borrower or any affiliate thereof in connection with the request for or creation of the HOME Loan, or in the Loan Agreement or any other CHDO HOME Loan Documents, or in connection with any request for any action or consent by the County in connection with the CHDO HOME Loan;

b. any failure to maintain insurance on the Property as required pursuant to the Loan Agreement;

c. failure to pay taxes, assessments or other charges which may become liens on the Property;

d. the presence of Hazardous Materials on the Property or other violation of the Borrower's obligations under the Loan Agreement or the CHDO HOME Deed of Trust (pertaining to environmental matters);

e. the occurrence of any act or omission of Borrower that results in waste to or of the Property and which has a material adverse effect on the value of the Property;

f. the material misappropriation of the CHDO HOME Loan proceeds;

g. the removal or disposal of any personal property or fixtures or the retention of rents, insurance proceeds, or condemnation awards in violation of the CHDO HOME Deed of Trust;

h. the material misappropriation of the proceeds of any insurance policy or award resulting from condemnation or the exercise of the power of eminent domain or by reason of damage, loss or destruction to any portion of the Property; and

i. the failure of Borrower to pay all amounts payable under this CHDO HOME Note in full if Borrower Transfers the Property in violation of the Loan Agreement.

**Signatures on Following Page**

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IN WITNESS WHEREOF, Borrower has executed and delivered this AHIF Note as of the date first written above.

**BORROWER**

**AHC LIMITED PARTNERSHIP - 2**, a Virginia limited partnership

**By: Colonial Village Housing Corporation**, a Virginia corporation, its Sole General Partner

\_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ACKNOWLEDGMENT**

COMMONWEALTH OF VIRGINIA  
COUNTY OF ARLINGTON

On this the \_\_\_ day of August, 2017, before me, personally appeared \_\_\_\_\_, who acknowledged himself to be \_\_\_\_\_ of Colonial Village Housing Corporation, sole general partner of AHC Limited Partnership – 2 in the above instrument, and that he, as \_\_\_\_\_, being authorized so to do, executed the foregoing instrument for the purposes therein contained, by signing the name of Colonial Village Housing Corporation., sole General Partner of AHC Limited Partnership – 2, by himself as \_\_\_\_\_ of Colonial Village Housing Corporation.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_  
My Registration Identification Number: \_\_\_\_\_