

INTRODUCED: June 27, 2016

AN ORDINANCE No. 2016-194

To authorize the Chief Administrative Officer to accept funds in the amount of \$14,739.20 from the Richmond Redevelopment and Housing Authority and to appropriate the increase to the Fiscal Year 2016-2017 Special Fund Budget by increasing estimated revenues and the amount appropriated to the Department of Economic and Community Development’s Affordable Housing - Non CDBG Project Areas special fund by \$14,739.20 for the purpose of funding the Affordable Housing Trust Fund.

\_\_\_\_\_  
Patron – Mayor Jones

\_\_\_\_\_  
Approved as to form and legality  
by the City Attorney

PUBLIC HEARING: JULY 25 2016 AT 6 P.M.

THE CITY OF RICHMOND HEREBY ORDAINS:

§ 1. That the Chief Administrative Officer, for and on behalf of the City of Richmond, is authorized to accept funds in the amount of \$14,739.20 from the Richmond Redevelopment and Housing Authority for the purpose of funding the Affordable Housing Trust Fund.

§ 2. That the funds received are hereby appropriated to the Special Fund Budget for the fiscal year commencing July 1, 2016, and ending June 30, 2017, by increasing estimated revenues by \$14,739.20, increasing the amount appropriated for expenditures by \$14,739.20 and allotting to the Department of Economic and Community Development’s Affordable Housing - Non CDBG

AYES:            9            NOES:            0            ABSTAIN:            \_\_\_\_\_

ADOPTED:   JULY 25 2016   REJECTED: \_\_\_\_\_ STRICKEN: \_\_\_\_\_

Project Areas special fund the sum of \$14,739.20 for the purpose of funding the Affordable Housing Trust Fund.

§ 3. This ordinance shall be in force and effect upon adoption.



CITY OF RICHMOND
INTRACITY CORRESPONDENCE

O & R REQUEST

MAY 31 2016

Chief Administration Office
City of Richmond

4-5242

O&R REQUEST

RECEIVED

DATE: May 13, 2016

EDITION: 1

JUN 10 2016

TO: The Honorable Members of City Council

OFFICE OF CITY ATTORNEY

THROUGH: Dwight C. Jones, Mayor [Signature]

THROUGH: Selena Cuffee-Glenn, Chief Administrative Officer [Signature]

THROUGH: Lenora Reid, Deputy Chief Administrative Officer for Finance & Administration [Signature]

THROUGH: Jay A. Brown, Director of Budget and Strategic Planning [Signature]

THROUGH: Peter L. Downey, Deputy Chief Administrative Officer for Economic Development and Planning [Signature]

FROM: Douglas C. Dunlap, Interim Director of Economic & Community Development [Signature]

RE: To Accept the Interest Income received from the Richmond Redevelopment and Housing Authority (RRHA) under a Cooperation Agreement dated November 28, 2012 between the City and RRHA for the Dove Street II Project which is now marketed as Highland Grove, be appropriated to the City's Affordable Housing Trust Fund (AHTF) account.

ORD. OR RES. No. \_\_\_\_\_

PURPOSE: To authorize the CAO to accept funds in the amount of \$14,739.20 from RRHA; and to appropriate the increase to the AHTF Fiscal Year 2015-2016 Special Fund Account: Fund: 0401, Cost Center: 03609, Account: 70121, & Service: SV0406..

**REASON:** To establish a designated funding source for the AHTF with the net interest and principal income derived from the City's recoverable grant in Phase II of the project to allow the RRHA to provide a loan to Dove Street II, LLC.

**RECOMMENDATION:** Approval is requested.

**BACKGROUND:** The City invested \$1,500,000 in the form of a 20 year recoverable grant to the RRHA in 2012 to assist in the Phase II construction of a 48-unit affordable housing complex (including 8 public housing units). This investment was memorized under a Cooperation Agreement between the City and RRHA on November 28, 2012 and funded in June, 2013 under Ordinance NO. 2012-220-207. The Department of Economic and Community Development negotiated an annual return of up to 1% or \$15,000 (less administrative fee) contingent on available cash flow after the payment of the project's first mortgage and the required asset management fees related to the Low Income Housing Tax Credit (LIHTC) bonds. The RRHA's loan to the developer of the project was for 20 years. At maturity or at any time its Borrower's assets are transferred to any entity other than the RRHA, and its loan is paid in full, the outstanding principal balance of \$1,500,000 will be due in full. If the asset stays in control of RRHA, the City and RRHA will negotiate the future terms and conditions of the City's subordinated debt.

**FISCAL IMPACT/COST:** The City will received up to \$14,000 in net interest income for up to 20 years for a potential revenue stream up to \$267,000. There will be no additional cost to the City beyond its \$1,500,000 initial investment in June, 2013. However, the City has the right to recover its \$1,500,000 should the asset be sold to a third party or is not owned by RRHA.

**FISCAL IMPLICATIONS:** The adoption of this paper will provide the AHTF with its first designated funding source outside of its potential annual general fund allocation.

**BUDGET AMENDMENT NECESSARY:** No.

**REVENUE TO CITY:** \$14,739.20 will be received in FY16.

**DESIRED EFFECTIVE DATE:** Upon adoption by City Council.

**REQUESTED INTRODUCTION DATE:** May 23, 2016

**CITY COUNCIL PUBLIC HEARING DATE:** June 27, 2016

**REQUESTED AGENDA:** Consent

**RECOMMENDED COUNCIL COMMITTEE:** Finance & Economic Development

**CONSIDERATION BY OTHER GOVERNMENTAL ENTITIES:**

**AFFECTED AGENCIES:** Richmond Redevelopment and Housing Authority, Economic and Community Development, Office of Budget and Strategic Planning, Finance Department and City Attorney's Office.

**RELATIONSHIP TO EXISTING ORD. OR RES.:** 2012-220-207

**REQUIRED CHANGES TO WORK PROGRAM(S):** None

**ATTACHMENTS:** City of Richmond & RRHA Cooperation Agreement with Exhibits

**STAFF:** Ronnie N. "Ron" Johnson, Chief Credit & Financial Strategies Officer, 804-646-7489, Department of Economic and Community Development.



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## COOPERATION AGREEMENT

THIS COOPERATION AGREEMENT (this "Agreement") is made as of this 28<sup>th</sup> day of November, 2012, by and between the CITY OF RICHMOND, a municipal corporation of the Commonwealth of Virginia (the "City") and the RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY, a political subdivision of the Commonwealth of Virginia (the "Authority").

### RECITALS:

WHEREAS, the Authority has undertaken a project in its area of operation to support the redevelopment of the Dove Street area, in part by financing new construction of a 48 unit affordable housing complex ("the Project");

WHEREAS, the City wishes to provide to the Authority funds necessary to make a loan to Dove Street II LLC, a Virginia limited liability company, in furtherance of the Project ("the Loan");

WHEREAS, the Authority is authorized by Virginia Code section 36-19(9) and the City is authorized by Virginia Code section 36-6 and Virginia Code section 36-7 to undertake the transactions contemplated herein;

NOW, THEREFORE, in consideration of the benefits to accrue to the City and its citizens from the Project and of the mutual covenants hereinafter set forth, the City and the Authority agree as follows:

1. The City agrees to provide funds currently appropriated in its Non-Departmental budget to the Authority in the amount of ONE MILLION FIVE HUNDRED THOUSAND DOLLARS (\$1,500,000) (the "Funds") to allow the Authority to provide the Loan to Dove Street II, LLC, a Virginia limited liability company ("the Borrower"), for assistance with the Project. The City further agrees that such Funds will not be funded or subsidized, in whole or in part, directly or indirectly, by the proceeds of any obligation (including, but not limited tax-exempt bonds) the interest on which is exempt from tax under Section 103 of the Internal Revenue Code of 1986, as amended.

2. The Funds shall be utilized by the Authority solely for the purpose of making the Loan, the terms and conditions of which are set forth in Exhibit A attached hereto.

3. The Funds shall be disbursed by the City to the Authority in a lump sum within ten (10) business days of a written request by the Authority beginning in June 2013, following City Council approval of this Agreement and the execution of this Agreement by the City and the Authority.

4. The Authority shall require the Borrower to execute closing documents with respect to the Loan in substantially the form as those attached hereto as Exhibit B (the "Loan Documents").

5. The Authority shall provide the City the following services with regard to oversight and administration of the Loan authorized hereby:

a. At least 72 hours prior to the financial closing on the Project, the Authority shall provide all information regarding all lenders/funders in the Borrower's capital stack in order that same may be reviewed by the City's Department of Economic and Community Development (ECD) and the City's Attorney's office.

b. The Authority shall deliver of the complete set of executed Loan Documents and subsequently recorded collateral documents to ECD, c/o Financial Strategies Group, 1500 E. Main Street, Suite 400, Richmond, Virginia, 23219, within 30 days of such closing.

c. The Authority shall require the Borrower to provide the Authority with initial financial statements, including a balance sheet and income statement, beginning the following month after the loan closing and annually thereafter based on the Borrower's fiscal year end as provided in the Loan Documents. The Authority shall provide such financial statements received from the Borrower to the City upon the City's written request.

6. The Authority shall earn an annual \$1,000 administration/servicing fee, which may be netted out from each annual interest payment to the City during the life of the loan as set forth below. The fee is payable only when an annual interest payment is received; in the event that the City receives a partial interest payment, the Authority's administration/servicing fee shall be pro-rated accordingly.

7. Beginning on the permanent loan closing date, the annual interest income will be credited to Borrower's loan account, and unconditionally disbursed to ECD, c/o Financial Strategies Group, 1500 E. Main Street, Suite 400, Richmond, Virginia, 23219.

8. At loan maturity in twenty years (20), or at any time the Borrower's assets are transferred to any entity other than the Authority and this Loan is paid in full, the outstanding principal balance of \$1,500,000 shall be remitted to the City by the Authority. Otherwise, this Loan shall continue to be long term subordinate debt for the Dove Street project and will remain such as long as the Authority controls this asset. At loan maturity, if the asset is within the control of the Authority, the City and the Authority shall negotiate the future terms and conditions of the City's subordinate debt. Notwithstanding anything to the contrary herein, transfers of interests in Borrower made in accordance with the Declaration of Restrictive Covenants, and transfers of other interests in Borrower to the Authority shall not be deemed to be transfers of assets within the meaning of this Section 8.

9. The Authority shall deposit the Funds upon receipt in a dedicated account ("Project Account") until disbursement to the Borrower. Following closing, and during the term of the loan, the Project Account shall be maintained for administration of the Loan and shall be



used only to satisfy its obligations related to this Project. With the exception of the annual \$1,000 fee to the Authority, all Funds in the Project Account shall be held in trust for the City. The Authority's deposit of such funds into its Dove Street Phase II account with Bank of America shall be deemed to satisfy the requirements of this Section 9.

10. It is the intent of the parties not to impose upon the Authority any responsibility other than what may be required to execute the Loan Documents and remit any payments received by the Authority to City (less any administrative fees as described herein) with respect to the Loan under this agreement. Accordingly, the Authority does not assume any responsibility or liability whatsoever except as specifically stated herein.

11. The Authority shall be responsible for the servicing and collection costs of the loan. Under no circumstances shall the City's total liability under this Agreement exceed the total amount of the Funds appropriated by the City Council, and in no event shall the Authority's total liability under this Agreement exceed the total amount of the Funds received by the Authority from the City.

12. The Authority shall keep records of its financial transactions made with respect to the Project in accordance with generally accepted accounting principles. The City Auditor or his/her designee may, at any time, audit the financial transactions undertaken by the Authority for the Project. The Authority shall cooperate to assure that the City Auditor or his/her designee are granted access to all books and records of the Authority necessary to complete such audit, and as further provided in the Loan Documents.

13. In the instance of any disputes or disagreements regarding any aspect of this Agreement, such disputes or disagreements will be resolved jointly between the City's Chief Administrative Officer and the Executive Director of the Authority.

14. [Reserved]

15. Neither the City nor the Authority shall discriminate, in carrying out this Agreement, against any employee or applicant because of race, color, religion, sex, or national origin, and the City and the Authority shall take affirmative action to ensure that applicants are employed and that employees are treated during employment without regard to race, color, religion, sex, or national origin. Such action shall include, but not be limited to, employment, promotion, demotion, termination, rates of pay, other compensation and selection for training, including apprenticeship.

16. This Agreement and the performance thereof shall be governed, interpreted, construed and regulated by the laws of the Commonwealth of Virginia.

17. Any notices required to be given under this Agreement shall be sufficient if in writing and sent by first class, registered, or certified mail, return receipt requested; if to the Authority, to Executive Director, Post Office Box 26887, Richmond, Virginia 23261, or if to the City, to Chief Administrative Officer, City Hall, 900 East Broad Street, 2<sup>nd</sup> Floor, Richmond,

Virginia 23219. Either party may change its address for purposes of notice by giving notice to the other in accordance with this paragraph.

18. This Agreement shall be binding upon and shall inure to the benefit of the successors and permitted assigns of the parties hereto, provided, however, that in no event may this Agreement or any of the rights, benefits, duties, or obligations of the parties hereto be assigned, transferred or otherwise disposed of without the prior written consent of the other, which consent neither party shall be obligated to give.

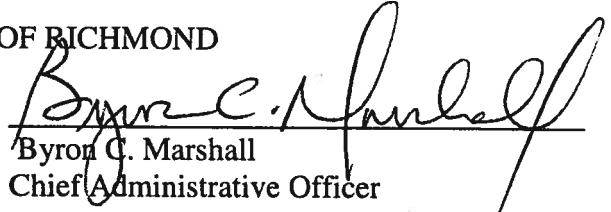
19. The Authority and the City hereby agree that: (i) no individual or entity shall be considered, deemed or otherwise recognized to be a third-party beneficiary of this Agreement; (ii) the provisions of this Agreement are not intended to be for the benefit of any individual or entity other than the Authority or the City; (iii) no individual or entity shall obtain any right to make any claim against the Authority or the City under the provisions of this Agreement; and (iv) no provision of this Agreement shall be construed or interpreted to confer third-party beneficiary status on any individual or entity.

20. This Agreement may only be amended by mutual consent of the parties and only by a written instrument signed by both parties.

21. The City and the Authority acknowledge and agree that this Cooperation Agreement and any other records furnished, prepared by or in the possession of the City or the Authority may be subject to the retention and disposition requirements of the Virginia Public Records Act and the public disclosure requirements of the Virginia Freedom of Information Act.

CITY OF RICHMOND

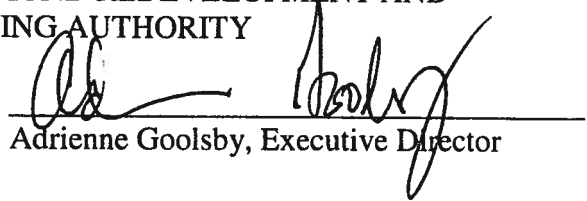
By:

  
Byron C. Marshall  
Chief Administrative Officer

Authorized by Ordinance No. 2012-220-207

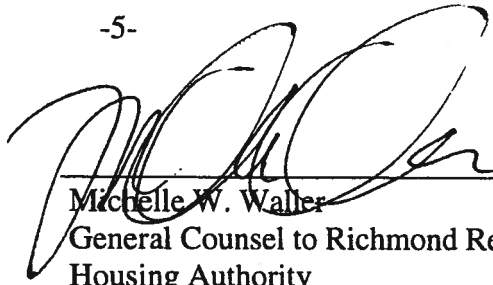
RICHMOND REDEVELOPMENT AND  
HOUSING AUTHORITY

By:

  
Adrienne Goolsby, Executive Director

APPROVED AS TO FORM:

 11/29/2012  
Bonnie M. Ashley, Deputy City Attorney

A handwritten signature in black ink, appearing to read 'Michelle W. Waller', is written over a horizontal line. The signature is stylized and cursive.

Michelle W. Waller  
General Counsel to Richmond Redevelopment and  
Housing Authority

**EXHIBIT A**

**Dove Street II, LLC  
Loan Terms and Conditions**

# City of Richmond



BYRON C. MARSHALL  
CHIEF ADMINISTRATIVE OFFICER

"SIC ITUR AD ASTRA"  
SUCH IS THE WAY TO THE STARS

October 11, 2012

Ms. Adrienne Goolsby  
Chief Executive Officer  
Richmond Redevelopment Housing Authority  
P.O. Box 26887  
Richmond, Virginia 23261

Ms. Dionne Nelson  
Principal and CEO  
Laurel Street Residential  
1300 Baxter Street, Suite 370  
Charlotte, NC 28204

**Re: Loan to Dove Street II, LLC**

Dear Ms. Goolsby and Ms. Nelson:

The following are the terms for the Richmond Economic and Community Development funding through the Richmond Redevelopment & Housing Authority to fund Phase Two of the Dove Street Redevelopment.

- Project:** New construction of a 48-unit affordable housing complex (including 8 public housing units) to be located in Richmond, Virginia, the second phase of the Dove Street Redevelopment.
- Borrower:** Dove Street II, LLC, a single-purpose entity.
- Source Grantor:** The City of Richmond. The City's representative for purposes of finalizing cooperation agreement and loan terms and reviewing documentation as provided herein is Ron N. Johnson. References to the "Cooperation Agreement" shall be deemed to refer to the non-departmental funds from the City to the Richmond Redevelopment & Housing Authority ("RRHA") as described herein.

**Lender:** RRHA. RRHA shall be bound under its loan documents with Borrower to provide funding to the Borrower in accordance with their terms out of the City non-departmental funds, but shall have no liability to Borrower for the absence or late delivery of City non-departmental funds, so long as Lender is making reasonable efforts to enforce the City commitment. Borrower shall be a third-party beneficiary of the City's commitment with the right to enforce it if RRHA shall fail to do so. References to the "Loan" shall refer to RRHA's loan of the City non-departmental funds to the Borrower as described herein.

**Source of Funds:** The City has determined with finality the program from which it will fund the monies to RRHA, and commits that (a) it has currently appropriated funds available for this purpose of providing infrastructure funding as described below; (b) it will work with Borrower and Lender to identify the precise source, funding mechanism and funding documentation, with the intent to not impede a November 2012 closing; and (c) in no event will the non-departmental funds be sourced with proceeds of tax-exempt bonds. Funds will be transmitted to RRHA as provided in the unsecured Grant funding agreement to be executed between the City and RRHA (the form and content of which shall be acceptable to the City and RRHA), but in any event so as to permit RRHA to fund the Loan as and when required by the Loan documents.

**Source Documentation:** The City funding will be made available to RRHA through a grant agreement, as provided in the foregoing section. RRHA shall then lend such funds to the Borrower as provided below. The City Grant funding agreement shall provide for the pass-through from RRHA to the City of amounts paid to RRHA under the Loan, whether as interest or principal, and shall specify who is to receive payments and other relevant information. RRHA shall have no obligation to make payments of such amounts to the City in the event that RRHA does not receive such payments from the Borrower.

**Loan Documentation:** RRHA will provide loan documentation substantially identical to the documentation it is using for its other loan to the Borrower, referenced below, except for such changes as the City reasonably requests and RRHA and Borrower agree to, subject to HUD requirements as described below. The City will have the opportunity to review and comment on such Loan documentation in accordance with, and so as not to impede, the closing schedule.

**Grant/Loan Amount:** One Million, Five Hundred Thousand Dollars (\$1,500,000).

**Type of Loan:** Construction/Permanent Loan to the Borrower.

**Interest/Payments on the Loan:** 0% during construction; 1% interest only, beginning at permanent conversion and payable contingent on available cash flow after payment of the first mortgage loan and the required asset management fees.

**Amortization:** Loan is non-amortizing; all principal and accrued interest is due upon default or maturity.

**Term:** 20 years from placement in service of the Project.

**Recourse:** The Loan is non-recourse to the Borrower and/or the Developer.

**Loan Security:** Second mortgage lien behind the conventional construction loan from Bank of America and the permanent loan of \$515,000 from Community Development Trust.

**Guaranty:** The Developer, Laurel Street Residential, will guaranty performance to complete the Project to the Lender and/or City of Richmond. The Lender will not receive a guaranty of payment on this loan. RRHA shall not be required to provide guaranties with respect to the Grant or the Loan.

**Subordinate Debt:** The Borrower will receive a loan of \$880,889 at an accrued interest rate of 6.5% from RRHA which will be in third mortgage lien position. Payments on this RRHA loan will be made from RRHA's share of cash flow after payment of the City's interest payment as described above.

**Timing of Closing:** The City of Richmond and the Lender understand that the projected closing date for construction financing is November 12, 2012 with funding from the Loan to begin in June 2013. The Loan will be funded when the Borrower has satisfied all the commitment terms and conditions of all the lenders in the capital stack.

The City is prepared to complete funding agreements prior to the November Dove Street II closing. The Lender is prepared to complete and execute loan documents (loan agreement, note, etc.) at a projected November closing. The Borrower will be responsible for customary closing costs such as entity document and lien searches at the State Corporation Commission, UCC filing fees for financing statements, flood zone determination on real estate, title work on real estate and deed recordation costs. Additionally, the Borrower will pay loan closing document preparation and legal review fees for the lender and/or City of Richmond up to \$5,000.00.

**Public Housing Requirements:** The City acknowledges that the Project will be developed in accordance with the requirements of the U.S. Department of Housing and Urban Development with respect to mixed-finance projects, including those requirements of 24 CFR Part 941, Subpart F, and remains subject to HUD approval in accordance with such requirements.

**All provisions herein are subject to and conditioned upon the approval of the City Council of the City of Richmond and the appropriation of funds.**

Agreed this 11 day of October, 2012

By: Sharon Jenkins for  
Byron C. Marshall  
Chief Administrative Officer

Accepted this 11<sup>th</sup> day of October, 2012

Richmond Redevelopment Housing Authority  
By: Adrienne Goolsby  
Adrienne Goolsby, Chief Executive Officer

Accepted this 11<sup>th</sup> day of October, 2012

Dove Street II, LLC,  
a Virginia limited liability company

By: LSR Dove Street II, LLC,  
a Virginia limited liability company,  
its Managing Member

By: Laurel Street Manager,  
a North Carolina limited liability company,  
its Co-Manager

By: Dionne Nelson  
Name: Dionne Nelson  
Title: Manager



EXHIBIT B

Dove Street II, LLC  
Loan Documents

## RRHA/CITY OF RICHMOND PROMISSORY NOTE

Richmond, Virginia

December 13, 2012

\$1,500,000.00

For value received, Dove Street II LLC, a limited liability company organized and existing under the laws of the Commonwealth of Virginia (the "**Borrower**"), promises to pay to the order of the Richmond Redevelopment and Housing Authority, a political subdivision of the Commonwealth of Virginia and a "public housing agency" as defined in the United States Housing Act of 1937 (42 U.S.C. Section 1401 et seq., as amended) (the "**Lender**") ONE MILLION FIVE HUNDRED THOUSAND DOLLARS (\$1,500,000.00) or the amount as shall be advanced to or for the account of the Borrower ("**RRHA/City of Richmond Loan Amount**") pursuant to the terms of a certain RRHA/City of Richmond Loan Agreement (the "**Agreement**") of substantially even date herewith between the Borrower and the Lender, which Agreement is incorporated herein by reference. The term of this promissory note ("**RRHA/City of Richmond Loan Note**") shall commence on the date hereof and continue until December 31, 2033 or, if later, the last day of the month that is twenty (20) years after the month in which Certificates of Occupancy are issued, unless sooner accelerated in accordance with the terms hereof or the terms of the Agreement (the "**Maturity Date**"). Advances made pursuant to this RRHA/City of Richmond Loan Note shall bear no interest during construction of the Development, and beginning on the closing date of the Development's permanent financing ("**Perm Loan Closing Date**"), interest shall accrue at the rate of one percent (1%) per annum, compounded annually. Defined terms are defined where they first appear herein or in the Agreement.

Beginning on the Perm Loan Closing Date, Borrower shall make annual payments within ninety (90) days after the end of each fiscal year of the Borrower following Final Closing (as defined in Borrower's Amended and Restated Operating Agreement of even date herewith, "**Operating Agreement**") in an amount equal to the total accrued interest for such fiscal year, but not to exceed the amount of Net Cash Flow for such fiscal year (as defined in and available pursuant to the priority set forth in Section 11.03(b) of the Operating Agreement). Accrued and unpaid interest shall be added to principal. Except as set forth in the preceding portion of this paragraph, no payments of principal or interest shall be due until the Maturity Date, whereupon the Borrower shall pay the outstanding principal and accrued interest. The right of the holder of this promissory note to payment of any of the indebtedness evidenced by this promissory note is and shall at all times be subordinate to the rights of the Construction Lender and Community Development Trust, LP (the "**Senior Lien Holders**").

In the event of a casualty or condemnation event, subject to the rights of the Senior Lien Holders, Borrower shall pay to Lender any Condemnation/Insurance Proceeds received by Borrower, to be applied first to any accrued, but unpaid interest and then to the principal of the RRHA/City of Richmond Loan Note until fully repaid. Such payments shall be made within 120 days following such event. Provided, however, that in the event the Lender determines that Restoration is feasible, then the Lender shall hold such Condemnation/Insurance Proceeds for the purpose of re-advancing such proceeds to the Borrower for such Restoration, subject to the Mixed Finance Amendment. Such funds shall be disbursed in accordance with the Agreement.

Except as set forth in the preceding paragraphs, no payment of principal or interest shall be due during the term hereof until the Maturity Date, whereupon the outstanding principal balance hereof, together with all accrued interest and other charges, shall be due and payable. All interest accruing yearly shall be added to principal on each anniversary of the date hereof and, therefore, shall itself accrue interest.

This RRHA/City of Richmond of Richmond Loan Note evidences a loan of funds referred to as the RRHA/City of Richmond Loan in, and pursuant to, the Agreement and is secured by a deed of trust dated the date hereof from the Borrower to the Lender entitled RRHA/City of Richmond Leasehold Deed of Trust (Future Advances), Assignment of Rents, Leases and Profits, Security Agreement and Fixture Filing (the "*RRHA/City of Richmond Deed of Trust*") covering certain premises in the City and County of Richmond, Virginia and more particularly described therein.

The Borrower shall have the right to prepay this RRHA/City of Richmond Loan Note in whole at any time or in part from time to time during its term. Any such prepayment may be made without premium or penalty.

All payments hereunder shall be made at the office of the Lender, 901 Chamberlayne Parkway, Richmond, Virginia 23220 or elsewhere as shall be directed in writing by any holder hereof.

In the event that an Event of Default occurs and is continuing, the entire unpaid balance of the principal debt and all accrued and unpaid interest, and all other sums paid by any holder hereof to or on behalf of the Borrower pursuant to the terms of the RRHA/City of Richmond Loan Documents together with unpaid interest thereon, shall at the option of the Lender and without further notice become immediately due and payable, and no failure on the part of the Lender to exercise any of its rights hereunder shall be deemed a waiver of any such rights or any default hereunder.

Commencing on an Event of Default and continuing until this RRHA/City of Richmond Loan Note is paid in full or all defaults are cured, whichever first occurs, interest on this RRHA/City of Richmond Loan Note shall accrue on the outstanding principal balance at the Default Rate.

If this RRHA/City of Richmond Loan Note is not paid when due and is placed with an attorney for collection, and whether or not suit is entered hereon, the Borrower further agrees to pay the Lender, in addition to the principal and interest then due, the costs of suit, and reasonable attorneys' fees and costs.

No failure on the part of the Lender to exercise any of its rights hereunder shall be deemed a waiver of such rights or of any Event of Default. Any notice which the Lender shall elect or be required to give shall be deemed to be given in the manner set forth in the Agreement and addressed to the Borrower at the address for notices established pursuant to the Agreement.

Presentment, protest, and notice of dishonor are hereby waived, to the extent such may legally be waived.

The liability of Borrower and its members, managers, directors, partners, officers, and employees for the payment of any amount payable hereunder or any obligation set forth herein shall be enforceable only out of the property subject to the RRHA/City of Richmond Deed of Trust, and the rents and issues therefrom. Neither the Lender nor any subsequent holder of this RRHA/City of Richmond Loan Note have any right to seek collection of this RRHA/City of Richmond Loan Note or the performance of any obligation hereunder out of the assets (personal or otherwise) of Borrower or any partner, manager, member, stockholder, officer or director of any partner of the Borrower, it being understood that the Lender's sole recourse shall be to the property subject to the RRHA/City of Richmond Deed of Trust (except as otherwise set forth in the Agreement). This limitation of liability does not apply to that certain Performance and Completion Guaranty executed simultaneously herewith in conjunction with and as one of the RRHA/City of Richmond Loan Documents.

This Note shall be governed by, construed, and enforced in accordance with the laws of the Commonwealth of Virginia, without application of any statute relating to conflicts of law.

*[SIGNATURE PAGE FOLLOWS]*

IN WITNESS WHEREOF, the Borrower has executed this instrument on the day and year first above written.

DOVE STREET II LLC,  
a Virginia limited liability company

By: LSR Dove Street II LLC,  
a Virginia limited liability company,  
its Managing Member

By: Laurel Street Manager, LLC,  
a North Carolina limited liability company  
its Manager

By:   
Name: Dionne Nelson  
Its: Manager



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RRHA/CITY OF RICHMOND DEED OF TRUST

PG 0268 DEC 17 12

Page 1 of 14

This document is being re-recorded to correct reference contained in Exhibit B attached hereto.

Prepared Outside Commonwealth of Virginia  
Title Insurer: Commonwealth Land Title

12-25126  
13-6240

Amount Secured: \$1,500,000.00

GPIN Numbers: N0000454022, N0000454024, N0000454026, N0000454027, N0000454028, N0000454029, N0000454030, N0000454032, N0000454033, N0000454034, N0000454035, N0000454036, N0000454038, N0000454046, N0000454047, N0000454054, N0000454056, N0000454060, N0000650030, N0000650031, N0000650032, N0000650033, N0000650034

PG 0722 MAR 25 12

RECORDING REQUESTED BY AND WHEN RECORDED MAIL TO:

David P. Nelson  
Vice President and Major Transactions Counsel Commonwealth Land Title Insurance Company  
Fidelity National Title Insurance Company 1015 15<sup>th</sup> Street, N.W., Suite 300  
Washington, DC 20005

12-001733 14 + 1870

JC-1357

RRHA/CITY OF RICHMOND LEASEHOLD DEED OF TRUST

(Future Advances)

Assignment of Rents, Leases and Profits, Security Agreement  
and Fixture Filing

This RRHA/City of Richmond Leasehold Deed of Trust (Future Advances), Assignment of Rents, Leases and Profits, Security Agreement and Fixture Filing (this "RRHA/City of Richmond Deed of Trust") is made and effective as of December 13, 2012, by DOVE STREET II LLC, a Virginia limited liability company having an address of 1300 Baxter Street, Suite 370, Charlotte, NC 28204 ("Grantor") to ADRIENNE GOOLSBY, whose mailing address is 901 Chamberlayne Parkway, Richmond, VA 23220, as trustee ("Trustee") (to be indexed as a Grantee), in favor of the RICHMOND REDEVELOPMENT AND HOUSING AUTHORITY, a political subdivision of the Commonwealth of Virginia and a "public housing agency" as defined in the United States Housing Act of 1937 (42 U.S.C. Section 1401 et seq., as amended), ("Beneficiary") (to be indexed as a Grantee).

RECITALS

WHEREAS, Grantor is indebted to Beneficiary for money advanced and/or to be advanced pursuant to the RRHA/City of Richmond Loan Agreement of even date herewith between Beneficiary and the Owner, which is evidenced by the RRHA/City of Richmond Loan Note and bears interest and is payable as set forth therein; and Grantor has incurred certain obligations pursuant to the RRHA/City of Richmond Loan Documents;

WHEREAS, to induce Beneficiary to make the RRHA/City of Richmond Loan, Grantor has agreed to execute this RRHA/City of Richmond Deed of Trust as security for the full and punctual payment of the RRHA/City of Richmond Loan Note and of the indebtedness evidenced

thereby and the interest thereon, and of any modification, renewal or extension of the RRHA/City of Richmond Loan Note, and the full performance of all the provisions, agreements and covenants contained and in each of the RRHA/City of Richmond Loan Documents; and

WHEREAS, this RRHA/City of Richmond Deed of Trust is given to secure present and/or future obligations of Grantor as more particularly described below.

NOW, THEREFORE, in consideration of the debt and trust herein mentioned and created and in further consideration of the sum of One Dollar (\$1.00) paid by Trustee to Grantor, receipt of which is hereby acknowledged, Grantor has granted, bargained, sold, assigned, and conveyed and does by these present grant, bargain, sell, assign, and convey unto the Trustee, his heirs, successors and assigns, with power of sale, all of Grantor's leasehold interest in that certain real property in the City of Richmond, Commonwealth of Virginia, that is described in Exhibit A, attached hereto and incorporated herein by reference ("*Land*"), wherein the Land, Improvements, Fixtures and Personalty, and other Rights (all as defined below) shall be referred to collectively as the "*Property*".

**COLLATERAL IS OR INCLUDES FIXTURES**

- (i) Together with all buildings, structures and other improvements of every nature whatsoever now or hereafter situated on the Land (the "*Improvements*"); and
- (ii) Together with all fixtures, equipment, general intangibles, inventory and personal property of every kind and nature whatsoever, now or hereafter owned by Grantor and/or located in, on, about or attached to the Land and Improvements or used or intended to be used with or in connection with the use, operation, maintenance or enjoyment of the Land and Improvements or relating or appertaining thereto, and all extensions, additions, improvements, betterments, renewals, replacements or proceeds (including, but not limited to, insurance and condemnation proceeds) of the foregoing, including, but not limited to, all goods, furniture, appliances, furnishings, apparatus, machinery, equipment, motors, fittings, ranges, refrigerators, awnings, shades, screens, blinds, carpeting, office equipment and other furnishings and all plumbing, heating, lighting, cooking, laundry, ventilating, refrigerating, incinerating, air conditioning and sprinkler equipment, telephone systems, television and television systems, computer systems and appurtenances thereto and all renewals or replacements thereof or articles in substitution thereof, whether or not the same are or shall be attached to the Land in any manner, all of which are hereby declared and shall be deemed to be fixtures and accessions and a part of the Land and Improvements as between the parties hereto and all persons claiming by, through or under them, and which shall be deemed to be a portion of the security for the indebtedness herein mentioned and to be covered by this RRHA/City of Richmond Deed of Trust (the "*Fixtures and Personalty*"); and
- (iii) . Together with all easements, rights-of-way, gores of land, utility vaults, streets, ways, alleys, passages, sewer rights, waters, water courses, water rights and powers, and all estates, rights, titles, interests, privileges, liberties, tenements, hereditaments and appurtenances whatsoever, in any way belonging, relating to or appertaining to the Land, or any part thereof, or which hereafter shall in any way belong, relate or be appurtenant thereto, whether now owned or hereafter acquired by the Grantor and the reversion and reversions, remainder and remainders,



and rents, issues, profits, revenues thereof (including, but not limited to, all condemnation payments, insurance proceeds, payments under leases and tenancies, sale proceeds, purchase deposits, tenant security deposits and escrow funds), and all the estate, right, title, interest, property, possession, claim and demand whatsoever at law, as well as in equity, of the Grantor of, in and to the same (the "*Other Rights*");

The Land, Improvements, Fixtures and Personalty, and Other Rights shall be referred to collectively as the "Property."

TO HAVE AND TO HOLD, the Property, with all rights, privileges and appurtenances thereunto belonging to Trustee, with power of sale, upon the Trusts and for the uses and purposes hereinafter set out.

GRANTOR COVENANTS with Trustee and Beneficiary (and their respective heirs, successors, substitutes and assigns) as follows:

1. **Loan Note Payments and Loan Document Obligations.** Grantor shall make timely payments of principal and interest on the RRHA/City of Richmond Loan Note in the amounts, in the manner, and at the place set forth therein, and shall fulfill each and all or its obligations pursuant to the RRHA/City of Richmond Loan Documents. This RRHA/City of Richmond Deed of Trust secures payment of the RRHA/City of Richmond Loan Note and fulfillment of Borrower's obligations pursuant to the RRHA/City of Richmond Loan Documents according to their terms, which are incorporated herein by reference.
2. **Taxes and Charges.** Grantor shall pay all taxes, charges and assessments, which may become a lien upon the Property hereby conveyed before any penalty or interest accrues thereon and shall promptly deliver to Beneficiary official receipts evidencing payment thereof. The foregoing sentence, however, shall not prohibit Grantor from contesting the amount or appropriateness of the tax, charge, or assessment. Grantor shall pay all recording fees, filing fees and documentary stamp taxes associated with the recording of this RRHA/City of Richmond Deed of Trust and any modifications, extensions or amendments thereto.
3. **Insurance.** Grantor shall maintain such insurance as required by the RRHA/City of Richmond Loan Agreement.
4. **Care of Property.** Grantor will keep the Property in good order and repair and will not commit or permit any waste, deterioration, impairment or any other thing whereby the value of the Property might be impaired. Grantor will not remove or demolish any building or materially alter any part or all of the Property without the written consent of Beneficiary.
5. **Compliance with Laws.** Grantor shall promptly comply with any applicable legal requirements of the Commonwealth of Virginia or other governmental entity, agency or instrumentality relating to the use or condition of the Property.
6. **Condemnation Award.** Any award for the taking of, or damages to, all or any part of the Property or any interest therein upon the lawful exercise of power of eminent domain shall be utilized in accordance with the RRHA/City of Richmond Loan Agreement.

7. **Payments by Beneficiary.** If Grantor shall be in default in the timely payment or performance of any obligation under this RRHA/City of Richmond Deed of Trust or the RRHA/City of Richmond Loan Note hereto secured or the RRHA/City of Richmond Loan Documents, Beneficiary, at its option and without any obligation on its part to determine the validity or necessity thereof, may pay the sums for which Grantor is obligated. Further, Beneficiary, at its option, may advance, pay, or expend such sums as may be proper and necessary for the protection of the Property and the maintenance of this trust, including, but not limited to sums to satisfy taxes or other levies, and assessments, liens, and/or encumbrances, to maintain insurance (including title insurance), to make repairs, to provide security guards, or to intervene in any condemnation proceedings or foreclosures or other proceedings or disputes affecting the Property. Any amounts so advanced, paid or expended shall be deemed principal advances secured by this RRHA/City of Richmond Deed of Trust (even though when added to other advances the sum thereof may exceed the face amount of the RRHA/City of Richmond Loan Note), shall bear interest from the time advanced, paid or expended at the rate prescribed in the RRHA/City of Richmond Loan Note hereby and to be secured by this RRHA/City of Richmond Deed of Trust and its payment enforced as if it were part of the original debt. Any sum expended, paid or advanced under this paragraph shall be at Beneficiary's sole option and shall not constitute a waiver of any default or right arising from the breach by Grantor of any covenant or agreement contained herein or in the RRHA/City of Richmond Loan Note.

8. **Rents and Profits.** Subject to All Applicable Public Housing Requirements, as such term is defined in the Regulatory and Operating Agreement by and between Grantor and Beneficiary of even date herewith, Grantor hereby assigns to Beneficiary all leases, income, rents, issues and profits, including tenant security deposits (whether held by Grantor or others or in a trust account), from the Property as additional security for the payment of the indebtedness hereby secured and full performance of the undertakings of Grantor hereunder. Beneficiary is given a prior and continuing lien thereon, and Grantor hereby appoints Beneficiary as its attorney-in-fact to collect such rents and profits with or without suit and apply the same (less expenses of collection) to said indebtedness and the performance of said undertakings in such manner as Beneficiary may desire. However, until an Event of Default hereunder or under the RRHA/City of Richmond Loan Note secured hereby or under the other RRHA/City of Richmond Loan Documents, Grantor may continue to collect and enjoy such rents and profits, and shall hold the same as a trust fund to be applied to satisfy Borrower's obligations to the Beneficiary pursuant to the RRHA/City of Richmond Loan Documents. This assignment shall be irrevocable and shall be in addition to other remedies herein provided for in event of default and may be put into effect by Beneficiary independently of or concurrently with any of said remedies.

9. **Substitute Trustees.** Beneficiary shall have the unqualified right to remove the Trustee and to appoint one or more substitute or successor Trustees by instruments filed for registration in the Clerk's Office of the Circuit Court where this RRHA/City of Richmond Deed of Trust is recorded. Any such removal or appointment may be made any time without notice without specifying any reason therefore and without any court approval. Any such appointee shall become vested with title to the Property and with all rights, powers and duties conferred upon the Trustee herein in the same manner and to the same effect as though he were named herein as the original Trustee. The necessity of the Trustee herein named, or any successor in trust,

making oath or giving bond is expressly waived.

10. **Attorneys' Fees.** In the event that Grantor shall default in its obligations hereunder and in the opinion of Trustee or Beneficiary it becomes necessary or proper to employ an attorney to enforce compliance by Grantor with any of the provisions herein contained, or in the event the Trustee or Beneficiary voluntarily or otherwise shall become a party to any suit or legal proceeding (including a proceeding conducted under the Bankruptcy Code) to protect the Property herein conveyed or to protect the lien of this RRHA/City of Richmond Deed of Trust, Grantor agrees to pay reasonable attorneys' fees and all of the costs that may reasonably be incurred and such fees and costs shall be secured by this RRHA/City of Richmond Deed of Trust and its payment enforced as if it were a part of the RRHA/City of Richmond Loan Note. Grantor shall be liable for such reasonable attorneys' fees and costs of Trustee whether or not any suit or proceeding is commenced.

11. **Anti-Marshalling Provision.** The right is hereby given by Grantor to Trustee and Beneficiary to make a partial release or releases of security hereunder provided Grantor is not in default under the RRHA/City of Richmond Loan Note or other RRHA/City of Richmond Loan Documents (whether or not such releases are required by agreement among the parties) agreeable to Trustee and Beneficiary without notice to, or the consent, approval or agreement of, other parties in interest, including junior lienors and purchasers subject to this lien, which partial release or releases shall not impair in any manner the validity of or priority of this RRHA/City of Richmond Deed of Trust on the Property remaining hereunder. Notwithstanding the existence of any other security interests in the Property held by Beneficiary or by any other party, Beneficiary shall have the right to determine the order in which any or all of the Property shall be subjected to the remedies provided herein. Beneficiary shall have the right to determine the order in which any or all portions of the indebtedness secured hereby are satisfied from the proceeds realized upon the exercise of the remedies provided herein. Grantor, and any party who consents to this instrument or who has actual or constructive notice hereof, shall have no right to require the marshalling of assets in connection with the exercise of any of the remedies permitted by applicable law or provided herein.

12. **Notice to Grantor.** All notices required to be given to Grantor shall be mailed by certified mail, return receipt requested, or delivered personally to Grantor at the address stated herein or such other address as given in writing to Beneficiary:

Dove Street II LLC  
c/o Laurel Street Residential  
1300 Baxter Street Suite 370  
Charlotte, NC 28204  
Attn: Dionne Nelson  
Fax: (704) 561-5228

With copy to: Klein Hornig LLP  
1275 K Street, NW  
Washington, DC 20005  
Attn: Erik T. Hoffman

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Fax: (202) 842-3936

And a copy to: Red Stone Equity Partners  
200 Public Square  
Suite 1550  
Cleveland, OH 44114  
Attn: Managing Director and General Counsel  
Fax: (216) 820-4751

13. **Notice to Beneficiary.** All notices required to be given to Beneficiary by Grantor or any intervening lienor or encumbrancer shall be mailed or delivered personally to Beneficiary at the address below or at such other address given to Grantor in writing:

Richmond Redevelopment and Housing Authority  
901 Chamberlayne Parkway  
Richmond, Virginia 23220  
Attn: Chief Executive Officer  
Fax: (804) 7810-4083

With copies, which shall not constitute notice, to:

Richmond Redevelopment and Housing Authority  
901 Chamberlayne Parkway  
Richmond, Virginia 23220  
Attn: General Counsel  
Fax: (804) 7810-4083

And: Reno & Cavanaugh, PLLC  
455 Massachusetts Avenue, N.W., Suite 400  
Washington, D.C. 20001  
Attn: Megan Glasheen  
Fax: (202) 783-0550

And: City of Richmond  
Department of Economic and Community Development  
1500 East Main Street, Suite 400  
Richmond, Virginia 23219  
Attn: Ron N. Johnson  
Fax: (804) 646-6793

14. **Transfer of Property.** If all or any part of the Property or any interest therein is sold, leased (other than pursuant to terms of the Ground Lease between Richmond Redevelopment & Housing Authority and Borrower of even date herewith or a sale to the Beneficiary pursuant to the Right of First Refusal and Purchase Option Agreement of even date herewith) or otherwise transferred by deed, land sale contracts, or any other means including the execution or enforcement of any lien, security interest or right whether subordinate, superior or equal to this RRHA/City of Richmond Deed of Trust, without Beneficiary's prior written consent,

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Beneficiary may, at Beneficiary's option, declare all sums secured by this RRHA/City of Richmond Deed of Trust to be immediately due and payable. Beneficiary hereby acknowledges and consents to the encumbrances as shown on Exhibit B attached hereto and incorporated hereby ("*Permitted Encumbrances*").

15. **Events of Default.** The occurrence of an Event of Default under the RRHA/City of Richmond Loan Documents (as such term is defined in the RRHA/City of Richmond Loan Agreement) shall constitute an Event of Default under the terms of this RRHA/City of Richmond Deed of Trust.

16. **Power of Sale.**

(a) Upon the occurrence of an Event of Default and after expiration of any permitted cure or notice period, including the Investor's notice and cure rights as set forth in Section 5.07 of the RRHA/City of Richmond Loan Agreement, the entire principal balance of the RRHA/City of Richmond Loan Note, including all accrued interest, shall, at the option of Beneficiary and without further notice to Grantor, become immediately due and payable. Thereupon, Beneficiary may direct the Trustee to exercise the power of sale and to sell the Property as set forth herein and it shall be the duty of Trustee to so sell the Property.

(b) In exercising the power of sale, Trustee shall sell all or any parcel of the Property as Beneficiary may direct in compliance with the applicable laws in effect with respect to the exercise of powers of sale contained in deeds of trust as of the date of the commencement of the proceeding. Pursuant to Virginia law, Trustee may sell any parcel of the Property as Beneficiary may direct, whether or not, in the judgment of Trustee, the proceeds of the parcel sold will be sufficient to satisfy all indebtedness secured hereby, and this provision shall govern the sale or sales of the parcel(s) of the Property. Grantor agrees that in the event of sale hereunder, Beneficiary shall have the right to bid thereat. Trustee may require the successful bidder at any sale to deposit immediately with Trustee cash or a certified check in an amount determined by the Trustee, provided notice of such requirement is contained in the advertisement of the sale. The bid may be rejected if the deposit is not immediately made, and thereupon the next highest bidder may be declared to be the purchaser. Such deposit shall be refunded in case a resale is had; otherwise, it shall be applied to the purchase price.

(c) Following a foreclosure sale, Trustee shall deliver to the purchaser the Trustee's Deed conveying the property so sold without any covenant or warranty, express or implied. The recitals in the Trustee's Deed shall be prima facie evidence of the statements made therein. Trustee shall apply the proceeds of such sale in the following order: (a) to all costs and expenses of the sale, including but not limited to, the Trustee's commission of three percent (3%) of the highest bid; provided, however, if the Trustee is an attorney, the Trustee's reasonable attorneys' fees actually incurred at customary rates and expenses shall constitute the Trustee's total commission; (b) to all sums secured by this RRHA/City of Richmond Deed of Trust in such order as the Beneficiary shall determine; and (c) the excess, if any, to the person or persons legally entitled thereto.

(d) If a foreclosure proceeding is commenced by Trustee but terminated prior to its completion, the Trustee's commission will be two percent (2.0%) of the RRHA/City of

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Richmond Loan obligation if the termination occurs prior to the first public auction sale and two and one-half percent (2.5%) if the termination occurs after the first public auction sale; provided, however, if the Trustee is an attorney, the Trustee's reasonable attorneys' fees actually incurred at customary rates and expenses shall constitute the Trustee's total commission.

(e) As to any Personalty or Fixtures conveyed herein, Trustee may, in its absolute discretion, sell such Personalty and Fixtures as a part of the Property and subject to the laws respecting foreclosure sales or Beneficiary may proceed separately against the Personalty and Fixtures in accordance with the Uniform Commercial Code as adopted in Virginia (the "UCC"). If the Personalty and Fixtures are sold with the Property, the Personalty and Fixtures need not be at the place of sale. The published notice, however, shall state the time and place where such Personalty and Fixtures may be inspected prior to sale.

(f) Notwithstanding anything to the contrary set forth above, or elsewhere in this RRHA/City of Richmond Deed of Trust, neither the Beneficiary nor the Trustee shall declare any default, breach and/or Event of Default hereunder against the Grantor or any member of the Grantor or against any party having the benefit of any guaranty or guaranty agreement associated with the foregoing, and neither the Beneficiary nor the Trustee shall exercise any remedy associated with any default, breach or Event of Default hereunder against the Grantor or any member of the Grantor or against any party having the benefit of such guaranty or guaranty agreement for so long as there is any identity of interest between the parties or either's affiliates to this RRHA/City of Richmond Deed of Trust.

**17. Additional Rights and Remedies of Beneficiary.**

(a) Upon an Event of Default and after expiration of any permitted notice or cure period, Beneficiary, immediately and without further notice and without liability therefore, the Grantor, may do or cause to be done any or all of the following: (i) enter and take physical possession of the Property; (ii) exercise its right to collect the rents and profits derived from the Property; (iii) continue or complete construction of the Improvements; (iv) enter into contracts for the construction, repair or maintenance of the Improvements; (v) expend any rents, income and profits derived from the Property or other funds for payment of any taxes, insurance premiums, assessments and charges for repair and maintenance of the Improvements and the preservation of this RRHA/City of Richmond Deed of Trust or the Property; (vi) enter into leases demising the Property or any part thereof; (vii) take such steps to protect and enforce the specific performance of any covenant, condition or agreement in the RRHA/City of Richmond Loan Note or this RRHA/City of Richmond Deed of Trust or the RRHA/City of Richmond Loan Documents or to aid the execution of any power herein or therein granted; and (viii) generally, supervise, manage and contract with reference to the Property as if Beneficiary were the owner of the Property. Any of the foregoing rights and remedies of Beneficiary may be exercised at any time independently of the exercise of any other such rights and remedies. Beneficiary may continue to exercise any or all such rights and remedies until the Event of Default of the Grantor is cured with the consent of Beneficiary or until foreclosure and conveyance to the high bidder pursuant hereto, or until the obligations secured hereby are otherwise satisfied or paid in full.

(b) Upon the occurrence of Event of Default and subject to Section 19 hereof, Beneficiary shall be entitled, without notice and without regard to the adequacy of any security for the RRHA/City of Richmond Loan Note or the solvency of any party bound for its payment, to the appointment of a receiver to take possession of and to operate the Property, and to collect the rents, issues, profits and income thereof, all reasonable expenses of which shall be added to the RRHA/City of Richmond Loan Note and secured hereby.

(c) No waiver of any default shall at any time thereafter be held to be a waiver of any rights of Beneficiary or Trustee stated anywhere in the RRHA/City of Richmond Loan Note or this RRHA/City of Richmond Deed of Trust or the RRHA/City of Richmond Loan Documents. No waiver of a prior Event of Default shall operate to waive any subsequent Event of Default(s). All remedies provided in this RRHA/City of Richmond Deed of Trust, in the RRHA/City of Richmond Loan Note and any other RRHA/City of Richmond Loan Documents are cumulative and may, at the election of Beneficiary, be exercised alternatively, successively, or in any manner and are in addition to any other rights provided by law.

18. **Uniform Commercial Code Security Agreement.** This RRHA/City of Richmond Deed of Trust constitutes a security agreement with respect to property referred to herein which may be subject to a security interest pursuant to the Uniform Commercial Code, and Grantor hereby grants Beneficiary a security interest in said property (and the proceeds thereof) included in the Property which might be deemed "personal property". If there is any conflict between this security agreement and another security agreement to Beneficiary, this security agreement will control as to fixtures and the other security agreement(s) will control as to non-fixtures. Grantor agrees that this RRHA/City of Richmond Deed of Trust is a financing statement filed as a fixture filing for the goods described herein which are or are to become fixtures. At Beneficiary's request, Grantor agrees to execute such other financing statements, extensions or amendments or other security agreements as Beneficiary and to authorize Beneficiary to file one or more such financing statements as may reasonably be required to perfect a security interest with respect to the Property. Pursuant to an Event of Default, Beneficiary shall have, in addition to its other remedies, all rights and remedies provided for in the Uniform Commercial Code as enacted in Virginia.

19. **Appointment of Receiver.** Beneficiary may immediately, after any Event of Default under the terms and conditions of this RRHA/City of Richmond Deed of Trust, apply for the appointment of a receiver of the rents, income and profits from the Property, without notice, and Beneficiary shall be entitled to the appointment of such receiver as a matter of right, without consideration to the value of the Property as security for the amounts due or the solvency of any person or persons liable for the payment of such amounts. The inability of Beneficiary to obtain appointment of a receiver will constitute cause, and effect irreparable harm to Beneficiary.

20. **Use of Property.** Unless required by applicable law or unless Beneficiary has otherwise agreed in writing, Grantor shall not allow changes in the designated use of the Property as disclosed to Beneficiary at the time of the RRHA/City of Richmond Loan and as is required under the Ground Lease and HUD Declaration of Restrictive Covenants. Grantor shall not initiate or acquiesce in a change in the zoning classification of the Property without Beneficiary's prior written consent.

21. **Books and Records.** Grantor shall keep such books and records, make such reports, and provide for such audits as required by the RRHA/City of Richmond Loan Agreement.
22. **Inspection.** Beneficiary may make or cause to be made reasonable entries during business hours upon and inspection of the Property, and Grantor agrees to pay all costs incurred by Beneficiary in said inspection.
23. **Definitions.** The term, "*Grantor*", as used herein, shall include all parties hereinabove named as Grantor, its heirs, legal representatives, successors and assigns, and subsequent owners of the Property hereby conveyed; the term, "*Beneficiary*", as used herein, shall include any lawful owner or holder of the indebtedness secured hereby; the term, "*Trustee*" shall include any subsequent or successor trustee or trustees hereunder; any other capitalized terms herein shall have the same meaning as set forth in the RRHA/City of Richmond Loan Agreement unless the context clearly implies otherwise; the singular as used herein shall include the plural; and the use of one gender shall include all genders.
24. **Remedies.** All remedies provided in this RRHA/City of Richmond Deed of Trust to Beneficiary are cumulative to any other right or remedy under this RRHA/City of Richmond Deed of Trust, the RRHA/City of Richmond Loan Agreement, or the RRHA/City of Richmond Loan Documents, or afforded by law or equity, and may be exercised concurrently, independently or successively and any costs, expenses or monetary rights (including rights of the Beneficiary to attorneys' fees) associated with the exercise of such remedy or remedies shall be secured by this RRHA/City of Richmond Deed of Trust in addition to all other obligations herein provided for.
25. **Representations, Warranties and Covenants.** Grantor hereby incorporates and repeats all of the representations, warranties and covenants of the of the RRHA/City of Richmond Loan Agreement.
26. **Indemnification Pertaining to Hazardous Materials.** Grantor shall indemnify the Beneficiary as provided in Section 2.32 of the RRHA/City of Richmond Loan Agreement.
27. **Liability.** Grantor (including any of its members) and its successors and assigns, shall not be personally liable for payment of any of the principal, interest and other charges owing pursuant to the RRHA/City of Richmond Loan Note, and any judgment or decree in any action brought to enforce the obligations of the Grantor and its successors or assigns, to pay such amounts shall be enforceable against the Grantor only to the extent of Grantor's interests in the Property, and any such judgment or decree shall not be subject to execution upon or be a lien upon the assets of Grantor, other than its interests, if any, in the Property. The obligations of the Grantor under this RRHA/City of Richmond Deed Trust are nonrecourse to members of the Grantor and, therefore, in an Event of Default, no member of the Grantor shall have any personal liability hereunder. However, the Grantor shall be personally liable, with recourse, for the obligations undertaken by the Grantor to indemnify the Beneficiary for Hazardous Materials pursuant to 2.32 of the RRHA/City of Richmond Loan Agreement, and there shall be no limitations upon the availability of any assets of the Grantor to satisfy such indemnity obligations. To the extent that the terms or provisions of any other part of this RRHA/City of Richmond Deed of Trust or the RRHA/City of Richmond Loan Documents conflict with the



provisions of this Paragraph 27, the terms and provisions of this Paragraph 27 shall control.

28. **Future Advances.** This RRHA/City of Richmond Deed of Trust is given to secure not only existing obligations, but also future advances made within 3 years of the date of this RRHA/City of Richmond Deed of Trust to the same extent as if such future advances are made on the date of the execution of this RRHA/City of Richmond Deed of Trust. The principal amount (including any future advances) that may be so secured may decrease or increase from time to time, but the total amount so secured at any one time shall not exceed the maximum principal amount of One Million Five Hundred Thousand and No/100 Dollars (\$1,500,000.00), plus all interest, costs, reimbursements, fees and expenses due under this RRHA/City of Richmond Deed of Trust and secured hereby. Grantor shall not execute any document that impairs or otherwise impacts the priority of any future advances secured by this RRHA/City of Richmond Deed of Trust. The amount of present obligations secured hereby is \$0.00.

29. **Subordination.** Beneficiary hereby acknowledges that this RRHA/City of Richmond Deed of Trust and all liens and security interests created hereunder shall be subordinated to the Permitted Encumbrances.

30. **Extended Low Income Housing Commitment.** Beneficiary agrees that the lien of this Instrument shall be subordinate to any extended low-income housing commitment (as such term is defined in Section 42(h)(6)(B) of the Internal Revenue Code) (the "Extended Use Agreement") recorded against the Property; provided that such Extended Use Agreement, by its terms, must terminate upon foreclosure under this Instrument or upon a transfer of the Property by Instrument in lieu of foreclosure, in accordance with Section 42(h)(6)(E) of the Internal Revenue Code. Beneficiary acknowledges and agrees that in the event of a foreclosure of this Instrument, the following rules contained in Section 42(h)(6)(E)(ii) of the Internal Revenue Code shall apply: for a period of three years from the date of foreclosure with respect to any unit that had been regulated by the Extended Use Agreement, (i) none of the eligible tenants occupying those units at the time of foreclosure may be evicted or their tenancy terminated (other than for good cause) and (ii) nor may any rent be increased except as otherwise permitted under Section 42 of the Code.

[SIGNATURE PAGE FOLLOWS]

RRHA/CITY OF RICHMOND DEED OF TRUST

IN WITNESS WHEREOF, the Owner has caused this RRHA/CITY LEASEHOLD DEED OF TRUST (Future Advances) Assignment of Rents, Leases and Profits, Security Agreement and Fixture Filing to be executed by its duly authorized officers for proper recording in the public records.

DOVE STREET II LLC,  
a Virginia limited liability company

By: LSR Dove Street II LLC,  
a Virginia limited liability company,  
its Managing Member

By: Laurel Street Manager, LLC,  
a North Carolina limited liability company  
its Manager

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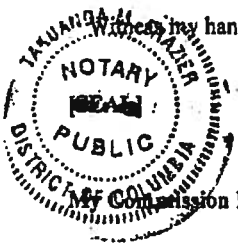
By: *[Signature]*  
Name: Dionne Nelson  
Its: Manager

ACKNOWLEDGMENT

District of Columbia )  
) ss:

I, *Takuanda M. Frazier* a Notary Public in and for the above jurisdiction, hereby certify that DIONNE NELSON, the manager of LAUREL STREET CORPORATION, LLC, the manager of LSR DOVE Street II, LLC, the managing member of DOVE STREET II, LLC in the foregoing RRHA/City of Richmond Leasehold Deed of Trust bearing date the *30<sup>th</sup>* day of *December* 2012, personally appeared before me in said jurisdiction, and as said the manager of LAUREL STREET CORPORATION, LLC, the manager of LSR DOVE Street II, LLC, the managing member of DOVE STREET II, LLC, acknowledged and delivered said RRHA/City of Richmond Leasehold Deed of Trust to be the act and deed of the Owner.

Witness my hand and official seal this *10<sup>th</sup>* day of *December* 2012.



*[Signature]*  
Notary Public

**Takuanda M. Frazier**  
Notary Public, District of Columbia  
My Commission Expires 10/31/2013

(D0271176.DOCX

DC110-103)

Exhibit A

LEGAL DESCRIPTION

All those certain lots, pieces or parcels of land with the improvements thereon and appurtenances thereto belonging, lying and being situate in the City of Richmond, Virginia, more particularly described as follows:

Being the following twenty-three (23) lots of the Dove Street Redevelopment Phase 1 Subdivision as shown on the plat entitled "Final Plat of Dove Street Redevelopment Phase 1 Subdivision" dated April 23, 2012 and recorded May 1, 2012 as Plat No. 12-22A-G: Lot 2, Lot 4, Lots 6 through 10, inclusive, Lots 12 through 16, inclusive, Lot 18, Lot 26, Lot 27, Lot 34, Lot 36, Lot 40 and Lots 50-54, inclusive.

TOGETHER WITH Shared Use Agreement and Declaration of Easements dated December 13, 2012 by and between Richmond Redevelopment and Housing Authority and Dove Street LLC, a Virginia limited liability company, and Dove Street II LLC, a Virginia limited liability company, recorded December 14, 2012 as Instrument No. 120625115

NOTE FOR INFORMATIONAL PURPOSES:

- Lot 2 - Parcel Identification Number N0000454022
- Lot 4 - Parcel Identification Number N0000454024
- Lot 6 - Parcel Identification Number N0000454026
- Lot 7 - Parcel Identification Number N0000454027
- Lot 8 - Parcel Identification Number N0000454028
- Lot 9 - Parcel Identification Number N0000454029
- Lot 10 - Parcel Identification Number N0000454030
- Lot 12 - Parcel Identification Number N0000454032
- Lot 13 - Parcel Identification Number N0000454033
- Lot 14 - Parcel Identification Number N0000454034
- Lot 15 - Parcel Identification Number N0000454035
- Lot 16 - Parcel Identification Number N0000454036
- Lot 18 - Parcel Identification Number N0000454038
- Lot 26 - Parcel Identification Number N0000454046
- Lot 27 - Parcel Identification Number N0000454047
- Lot 34 - Parcel Identification Number N0000454054
- Lot 36 - Parcel Identification Number N0000454056
- Lot 40 - Parcel Identification Number N0000454060
- Lot 50 - Parcel Identification Number N0000650030
- Lot 51 - Parcel Identification Number N0000650031
- Lot 52 - Parcel Identification Number N0000650032
- Lot 53 - Parcel Identification Number N0000650033
- Lot 54 - Parcel Identification Number N0000650034

PG 0734 MAR 25 2013

Exhibit B

**PERMITTED ENCUMBRANCES**

~~Permitted Encumbrances shall be as set forth in Schedule B to the Richmond Redevelopment & Housing Authority's Lender's Title Policy Trust No. 2 in the amount of \$ 180,819.00, File No. 12-co-1733, as issued by Commonwealth Land Title Insurance Company.~~

NO 0735 MAR 25<sup>th</sup>

~~INSTRUMENT #120025126  
RECORDED IN THE CLERK'S OFFICE OF  
CITY OF RICHMOND ON  
DECEMBER 17, 2012 AT 09:55AM~~

~~BEVILL M. DEAN, CLERK  
RECORDED BY: VEB~~

{D0271176.DOCX/11

DC110-103}

A Copy,  
Teste: BEVILL M. DEAN, CLERK  
by Ox Shotton D.C.

Exhibit B

**PERMITTED ENCUMBRANCES**

Permitted Encumbrances shall be as set forth in Schedule B to the Richmond Redevelopment & Housing Authority's Lender's Title Policy Trust No. / in the amount of \$ 1,500,000.00 File No. 12-001733, as issued by Commonwealth Land Title Insurance Company.

PG 0736 MAR 25 02

~~INSTRUMENT #120025126  
RECORDED IN THE CLERK'S OFFICE OF  
CITY OF RICHMOND ON  
DECEMBER 17, 2012 AT 09:55AM~~

~~BEVILL M. DEAN; CLERK  
RECORDED BY: VEB~~

INSTRUMENT #130005240  
RECORDED IN THE CLERK'S OFFICE OF  
CITY OF RICHMOND ON  
MARCH 25, 2013 AT 01:31PM

BEVILL M. DEAN; CLERK  
RECORDED BY: VEB