

LIMITED PARTNERSHIP AGREEMENT
OF
VHDC COMMUNITY INVESTMENT PARTNERS, LP

CONFIDENTIAL

THE LIMITED PARTNERSHIP INTERESTS (THE "INTERESTS") OF VHDC (VIRGINIA HOUSING AND COMMUNITY DEVELOPMENT CORPORATION) COMMUNITY INVESTMENT PARTNERS, L.P. (THE "PARTNERSHIP") HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), THE SECURITIES LAWS OF ANY STATE OR ANY OTHER APPLICABLE SECURITIES LAWS IN RELIANCE UPON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND SUCH LAWS. SUCH INTERESTS MUST BE ACQUIRED FOR INVESTMENT ONLY AND MAY NOT BE OFFERED FOR SALE, PLEDGED, HYPOTHECATED, SOLD, ASSIGNED OR TRANSFERRED AT ANY TIME EXCEPT IN COMPLIANCE WITH (I) THE SECURITIES ACT, ANY APPLICABLE STATE SECURITIES LAWS, AND ANY OTHER APPLICABLE SECURITIES LAWS; AND (II) THE TERMS AND CONDITIONS OF THIS PARTNERSHIP AGREEMENT. THE INTERESTS MAY NOT BE TRANSFERRED OF RECORD EXCEPT IN COMPLIANCE WITH SUCH LAWS AND THIS PARTNERSHIP AGREEMENT. THEREFORE; PURCHASERS OF SUCH INTERESTS WILL BE REQUIRED TO BEAR THE RISK OF THEIR INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

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LIMITED PARTNERSHIP AGREEMENT
OF
VHDC COMMUNITY INVESTMENT PARTNERS, LP.

This LIMITED PARTNERSHIP AGREEMENT OF VHDC COMMUNITY INVESTMENT PARTNERS, LP. (the "Partnership") is made as of the 1st day of November, 2015, by and among Virginia Housing and Community Development Corporation (VHDC), a non-stock corporation formed under the laws of the State of Virginia, as General Partner and the Persons listed on the Schedule of Partners as Limited Partners.

RECITALS

Whereas, the parties hereto desire to form this limited partnership as a limited partnership pursuant to Title 50, Chapter 2.1 of the Code of Virginia (as amended from time to time, the "Code"); and

Now, Therefore, in consideration of the mutual covenants and promises contained herein and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1 Organizational Matters

1.1 Formation. The Partners hereby agree to limited partnership under the Code for the purposes and upon the terms and conditions set forth herein, and the General Partner hereby agrees to serve as general partner. The rights and liabilities of the Partners will be as provided in the Code, except as otherwise expressly provided herein. In the event of any inconsistency between any terms and conditions contained in this Agreement and any non-mandatory provisions of the Code, the terms and conditions contained in this Agreement will govern.

1.2 Name. The name of the Partnership is VHDC Community Investment Partners, L.P. If the General Partner determines that it is in the best interests of the Partnership, the Partnership also may conduct business at the same time under one or more fictitious names. The General Partner may change the name of the Partnership from time to time, in accordance with applicable law, and will promptly give written notice of any such change to the Limited Partners.

1.3 Principal Place of Business; Other Places of Business. The principal place of business of the Partnership will be located at Suffolk, Virginia 23439, or such other place within the Commonwealth of Virginia as the General Partner may from time to time designate. The General Partner will promptly give written notice of any such change to the Limited Partners. The Partnership may maintain offices and places of business at such other place or places within the Commonwealth of Virginia as the General Partner deems advisable.

1.4 Business Purpose. The principal purpose and investment objective of the Partnership is to make investments in Portfolio Investments, Real Estate Acquisitions and Developments, and Temporary Investments (the "Investments") of Virginia Housing and Community Development Corporation in accordance with the investment objectives, policies, procedures and restrictions more specifically set forth herein.

1.5 Certificate of Limited Partnership; Filings. The General Partner has caused to be executed and filed a Certificate of Limited Partnership in the Office of the Clerk of the State Corporation Commission of the Commonwealth of Virginia, as required by the Code. The General Partner may execute and file any duly authorized amendments to the Certificate of Limited Partnership from time to time in a form prescribed by the Code. The General Partner will also cause to be made, on behalf of the Partnership, such additional filings and recordings as the General Partner deems necessary or advisable.

1.6 Designated Agent for Service of Process. So long as is required by the Code, the Partnership will continuously maintain a registered office and a designated and duly qualified agent for service of process on the Partnership in the Commonwealth of Virginia. As of the date of this Agreement, the address of the registered office of the Partnership in the Commonwealth of Virginia is 445 N. Main Street, #1574, Suffolk, Virginia 23439. The Partnership's registered agent for service of process at such address is Virginia Housing and Community Development Corporation.

1.7 Term. The term of the Partnership commences on the date that the Certificate of Limited Partnership was filed with the Office of the Clerk of the State Corporation Commission of the Commonwealth of Virginia, and will continue until the first to occur of the events or date enumerated in Section 11.

1.8 Authorized Acts. In furtherance of the Partnership Business, but subject to all other provisions of this Agreement, the General Partner, on behalf of the Partnership, is hereby authorized and empowered:

- (a) To direct the formulation of investment policies and strategies for the Partnership;
- (b) To qualify and admit additional Limited Partners to the Partnership;
- (c) To investigate, select, negotiate, structure, purchase, invest in, hold, pledge, exchange, transfer and sell, manage, or otherwise dispose of Investments;
- (d) To monitor the performance of Investments, to designate members of the board of directors of Portfolio Investments or to obtain equivalent representation, to exercise all rights, powers, privileges and other incidents of ownership or possession with respect to Investments and to take whatever action, including steps to influence key management decisions and voting shares of capital stock or other ownership interests issued by such Investments, as may be necessary or advisable as determined by the General Partner in its discretion;
- (e) To form subsidiaries in connection with the Partnership Business;

- (f) To enter into any kind of activity and to enter into, perform and carry out contracts of any kind necessary to, in connection with, or incidental to the accomplishment of the purposes of the Partnership, including, without limitation, Subscription Agreements or side letters with Limited Partners;
- (g) To open, maintain and close bank accounts and draw checks or other orders for the payment of money and open, maintain and close brokerage, money market fund and similar accounts;
- (h) To hire, for usual and customary payments and expenses, consultants, brokers, attorneys, accountants and such other agents for the Partnership as it may deem necessary or advisable, and authorize any such agent to act for and on behalf of the Partnership;
- (i) To purchase insurance policies on behalf of the General Partner and the Partnership, including for director and officer liability and other liabilities of the General Partner and the Partnership;
- (j) To pay all Expenses of the Partnership and the General Partner;
- (k) To cause the Partnership to borrow money;
- (l) To cause the Partnership to guarantee loans or other extensions of credit to any Portfolio Company (or any affiliate thereof) or any vehicle formed to effect an Investment in such Portfolio Company; provided, however, that such guarantees together with any borrowings shall not, in the aggregate, exceed the aggregate Available Commitments at such time;
- (m) To cause the Partnership to guarantee loans or otherwise extension of credit to VHCDC (or any affiliate thereof) or any vehicle formed to effect an Investment in such Real Estate Acquisition and Development; provided, however, that such guarantees together with any borrowings shall not, in the aggregate, exceed the aggregate Available Commitments at such time; and,
- (n) To take any and all other actions which are determined by the General Partner to be necessary, convenient or incidental to the conducting of the Partnership Business.

2 Capital; Capital Accounts; Partners

2.1 Capital Contributions, Minimum Account Balance, Installment Payments, and Management Expenses. Each Limited Partner agrees to contribute to the capital of the Partnership and to maintain their capital account, as follows:

- (a) The minimum capital contribution shall be one thousand dollars (\$1,000.00) and each Limited Partner shall maintain in their capital account a minimum balance of one thousand dollars (\$1,000.00);

- (b) Limited Partners may make additional contributions to their capital account. Each contribution above the minimum shall be in increments of one hundred dollars (\$100.00);
- (c) At no time, shall any part of the earnings of the partnership shall inure to a Limited Partner whose capital account is below the minimum capital contribution;
- (d) Capital contributions may be paid in-full or in installments of one hundred dollars (\$100.00) per month in order to meet the minimum capital contribution in section 2.1(a). Each Limited Partner electing to make their capital contribution in installments shall cause their payments to be delivered to the General Partner no later than the 5th day of the month. Limited Partners may be assessed, and the Limited Partners shall pay, an account maintenance fee of ten dollars (\$10.00) if such installment payment is not received by the 5th day of the month. Each Limited Partner electing installment payments will ensure their capital account is fully funded within twelve months of their election to make installment payments;
- (e) Any Limited Partner whose capital account balance is less than the minimum capital contribution shall not be considered vested, and shall be considered to be in default. Limited Partners are considered vested when their capital contribution and capital account balance meets the minimum amount in section 2.1(a); and,
- (f) Each Limited Partner who contributes the minimum capital contribution, and whose capital account balance meets or exceeds the minimum capital contribution, shall be vested in the Partnership. Limited Partners agree to maintain their capital account for a minimum of three (3) years as of the date of achieving the minimum capital contribution.

2.2 Capital Accounts. A Capital Account will be established and maintained for each Partner in accordance with the terms of this Agreement.

2.3 Management Expenses. Each Limited Partner will make a Capital Contribution equal to its share of Management Expenses and Increased Capital Amount, as applicable. Not less than 10 Business Days prior to the date by which such Capital Contribution is due, the General Partner will provide written notice to each Limited Partner of the amount of Management Expenses and Increased Capital Amount, as applicable, for which a Capital Contribution will be required from such Limited Partner. Capital Contributions for Management Expenses and the Increased Capital Amount made pursuant to this Section 2.3 will not result in a reduction of the Unused Capital Commitment of the Limited Partner making such contribution or payment.

3. Limitations on Contributions; Failure to Contribute; Default.

3.1 Exclusion. The General Partner may exclude a Limited Partner from participating in a Portfolio Investment at any time prior to the making of such Investment if the General Partner notifies such Limited Partner in writing that the General Partner has reasonably

determined that the participation of such Limited Partner would have a Material Adverse Effect.

3.2 Default. If any Limited Partner fails to contribute timely all or any portion of a capital contribution required to be made by such Limited Partner, make payment to the Partnership or return any distribution which such Limited Partner is required to return, and such failure continues for a period of five Business Days after receipt by such Limited Partner of written notice from the General Partner specifying such failure, then such Limited Partner will be designated a "Defaulting Limited Partner" and the General Partner may then take any one or more of the following actions (unless the Limited Partner has cured its failure to make the required contribution within such five Business Day period and reimbursed the Partnership for all costs and expenses incurred as a result of such failure):

- (a) The General Partner may sell the Defaulting Limited Partner's interest in the Partnership or any portion thereof to the other Partners wishing to participate on a pro rata basis, based upon the respective Percentage Interests of such other Partners, or to any other Person, including the General Partner or any Limited Partner(s) if, and to the extent, the Partners fail to purchase their pro rata share, without further notice to the Defaulting Limited Partner. Such interest will be sold for the lesser of (i) 50% of the value of the Defaulting Limited Partner's interest in each Investment, measured by the Fair Value of such Investment and the Defaulting Limited Partner's Sharing Percentage therein, and (ii) 50% of that portion of the Defaulting Limited Partner's Capital Contributions attributable to each Investment, and on such other terms as the General Partner may determine in its sole discretion. The proceeds of such sale will be applied first to the payment of Management Expenses with respect to which the Defaulting Limited Partner failed to make a capital contribution, if any, second to the payment of any costs and expenses incurred as a result of the Defaulting Limited Partner's failure to contribute, and third to the advance payment of Management Expenses that otherwise would have been payable by the Defaulting Limited. Thereafter, the Defaulting Limited Partner will not be entitled to make any further Capital Contributions to the Partnership.
- (b) The General Partner may segregate the Capital Account of the Defaulting Limited Partner on the books of the Partnership, and the Defaulting Limited Partner thereafter will not be allocated any portion of Net Income or Current Income (which will instead be allocated to the non-defaulting Partners), or otherwise be taken account of in any determination of Capital Accounts, Percentage Interests, Sharing Percentages or Unadjusted Sharing Percentages, but such Defaulting Limited Partner will be allocated Net Loss and its share of Partnership Expenses. A Defaulting Limited Partner will not be entitled to any distributions under Article 7 until the dissolution of the Partnership. Upon such dissolution, after the payment in full of all amounts required to be paid to Persons other than the Defaulting Limited Partner, the Partnership will pay the Defaulting Limited Partner an amount equal to the lesser of its unreturned Capital Contributions and its Capital Account as of the date of dissolution. To the extent permitted by law, each Defaulting Limited Partner waives any right to receive any payments or to

demand an accounting of the Partnership, in each case, prior to the dissolution of the Partnership.

(c) The General Partner may bring an action against the Defaulting Limited Partner, in which action the General Partner may seek, on behalf of itself and the Partnership, specific performance, damages and any other available remedies.

(d) The General Partner may withhold from any distribution otherwise payable to the Defaulting Limited Partner the amount of any contribution or payment required hereunder that the Defaulting Limited Partner failed to contribute or pay.

3.3 Shortfall. Nothing shall limit the right of the General Partner to call for additional Capital Contributions from the Limited Partners after taking into account the failure of a Defaulting Limited Partner to make its Capital Contribution.

3.4 Voting. Whenever the vote, consent or decision of the Limited Partners or of the Partners is required or permitted pursuant to this Agreement (except with respect to Section 11.2(c)), any Defaulting Limited Partner will not be entitled to participate in such vote or consent, or to make such decision, and such vote, consent or decision will be tabulated or made as if such Defaulting Limited Partner were not a Partner.

3.5 Remedies Non-Exclusive. No right, power or remedy conferred upon the General Partner will be exclusive, and each such right, power or remedy will be cumulative and in addition to every other right, power or remedy whether conferred now or hereafter available at law or in equity or by statute or otherwise.

4. Admission of General Partners. Upon the agreement to continue the business of the Partnership by a Majority of Remaining Partners, a Majority in Interest of the Limited Partners (or such greater percentage as is required by the Act) will admit one or more Persons as general partners of the Partnership. Such admission will be effective as of the date of the occurrence of the Incapacity or removal of the last remaining General Partner

5. Partner Capital. Except as otherwise provided in this Agreement, (a) no Partner may demand or will be entitled to receive a return of or interest on its Capital Contributions or Capital Account, (b) no Partner will be permitted to withdraw any portion of its Capital Contributions or receive any distributions from the Partnership as a return of capital on account of such Capital Contributions and (c) the Partnership will not redeem the Interest of any Partner.

6. Allocations of Net Income and Net Loss

6.1 Timing and Amount of Allocations of Net Income and Net Loss. Net Income and Net Loss will be determined and allocated with respect to each Fiscal Year as of the end of each such year and more often as required hereby or by the Code. Subject to the other provisions of this Agreement, an allocation to a Partner of a share of Net Income or Net Loss will be treated as an allocation of the same share of each item of income, gain, loss or deduction that is taken into account in computing Net Income or Net Loss.

6.2 General Allocations

6.2.1 Net Income and Net Loss. Net Income and Net Loss and items thereof will be allocated to the Partners' Capital Accounts in a manner such that, after such allocations have been made, the balance of each Partner's Capital Account (which may be a positive, negative or zero balance) will equal the amount that would be distributed to such Partner, determined as if the Partnership were to sell all of its assets for the Gross Asset Value thereof and distribute the proceeds thereof.

6.2.2 Temporary Investments. For the avoidance of doubt, to the extent one or more Partners (i) are entitled to the cash flows and/or bear the losses associated with temporary investments or (ii) are required to fund expenses, the Partnership will allocate to such Partners the Net Income, Net Losses and items thereof associated with such investments or expenses, as the case may be.

6.2.3 Capital Account Deficits. Notwithstanding the foregoing provisions of this Article 6, a Limited Partner will not be allocated its portion of any item of Portfolio Investment Loss, Real Estate Acquisition and Development Loss, Temporary Investment Loss, or Management Expense if such Limited Partner's Capital Account is negative or to the extent that such allocation would reduce such Limited Partner's Capital Account below zero. Any item of Portfolio Investment Loss, Real Estate Acquisition and Development Loss, Temporary Investment Loss, or Management Expense or portion thereof which, but for the limitation in the first sentence of this Section 6.2.3, would be allocated to a Limited Partner, will be allocated to each Limited Partner having a positive balance in its Capital Account, to the extent of such positive balance, in proportion to a fraction the numerator of which is such Limited Partner's Capital Commitment and the denominator of which is the sum of all such Limited Partners' Capital Commitments, provided that if all of the Limited Partners' Capital Accounts have been reduced to zero, any remaining Portfolio Investment Loss, Real Estate Acquisition and Development Loss, Temporary Investment Loss or deductions in respect of Management Expenses will be allocated to the General Partner.

6.2.4 Section 754 Adjustment. To the extent an adjustment to the adjusted tax basis of any Partnership asset pursuant to Code Section 734(b) or Code Section 743(b) is permitted pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m) to be taken into account in determining Capital Accounts, appropriate adjustments to the Capital Accounts will be made.

6.2.5 Curative Allocation. The allocations set forth in Section 6.2.1 through Sections 6.2.4 (the "Regulatory Allocations") are intended to comply with certain regulatory requirements, including the requirements of Treasury Regulation Sections 1.704-1(b) and 1.704-2. The Regulatory Allocations will be taken into account in allocating other items of income, gain, loss and deduction among the Partners so that, to the extent possible, the net amount of such allocations of other items and the Regulatory Allocations to each Partner on a cumulative basis will be equal to the

net amount that would have been allocated to each such Partner on a cumulative basis if the Regulatory Allocations had not occurred.

6.3 Tax Allocation

6.3.1 In General. Except as otherwise provided in Section 6.2 and this Section 6.3, for income tax purposes each item of income, gain, loss and deduction will be allocated generally among the Partners in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated.

6.3.2 Allocations Respecting Section 704(c). Items of income, gain, loss and deduction with respect to Partnership property that is contributed to the Partnership by a Partner will be shared among the Partners for income tax purposes pursuant to Treasury Regulation promulgated under Code Section 704(c), so as to take into account the variation, if any, between the basis of the property to the Partnership and its initial Gross Asset Value.

With respect to Partnership property, if any, that is initially contributed to the Partnership upon its formation, such variation between basis and initial Gross Asset Value will be taken into account under the "traditional method" as described in Treasury Regulation Section 1.704-3(b) and Treasury Regulation Section 1.704-1(c)(2), or any other method selected by the General Partner in its discretion. With respect to properties, if any, subsequently contributed to the Partnership, the Partnership will account for such variation under any method approved under Code Section 704(c) and the applicable Treasury Regulation as chosen by the General Partner. If the Gross Asset Value of any Partnership asset is adjusted pursuant to subparagraph (b) of the definition of Gross Asset Value, subsequent allocations of items of income, gain, loss and deduction with respect to such asset will take account of the variation, if any, between the adjusted basis of such asset and its Gross Asset Value in the same manner as under Code Section 704(c) and the applicable Treasury Regulation under any method chosen by the General Partner.

6.4 Other Provisions

6.4.1 Transfers. For any Fiscal Year during which any part of a Partnership Interest is transferred between the Partners or to another Person, the portion of the Net Income, Net Loss and other items of income, gain, loss, deduction and credit that are allocable with respect to such part of a Partnership Interest will be apportioned between the transferor and the transferee under any method allowed pursuant to Code Section 706 and the applicable Treasury Regulations as determined by the General Partner.

6.4.2 New Allocations. If the General Partner determines that the Code or any Treasury Regulations require allocations of items of income, gain, loss, deduction or credit different from those set forth in this Article 4, the General Partner is hereby authorized to make new allocations in reliance on the Code and such Treasury Regulations, and no such new allocation will give rise to any claim or cause of action by any Partner. If any such new allocation is made, the General Partner will use its

best efforts, not inconsistent with the Code and such Treasury Regulations, to make further allocations (if necessary) so as to cause such new allocation not to affect the amounts distributed to any Partner hereunder on a cumulative basis.

6.4.3 Income Tax Consequences. The Partners acknowledge and are aware of the income tax consequences of the allocations made by this Article 6 and hereby agree to be bound by the provisions of this Article 6 in reporting their shares of Net Income, Net Loss and other items of income, gain, loss and deduction for United States federal, state and local income tax purposes, if and to the extent applicable.

7. Distributions

7.1 Distributions Generally

7.1.1 Holders of Record. Distributions of Partnership assets will be made only to Persons who, according to the books and records of the Partnership, were the holders of record of Interests on the date determined by the General Partner as of which the Partners are entitled to any such distributions.

7.1.2 Property. Except as otherwise expressly provided herein, no right is given to any Partner to demand and receive Partnership property other than cash.

7.1.3 Timing. Distributions will be made at such times and intervals as the General Partner, in its sole discretion, shall determine, but no less frequently than within 30 days following the end of each calendar year with respect to proceeds received in such calendar year.

7.1.4 Partial Sale of an Investment. For all purposes of this Agreement, whenever a portion of an Investment (but not the entire Investment) is the subject of a Disposition, that portion will be treated as having been a separate Investment from the portion of the Investment that is retained by the Partnership, and the Current Income from, Capital Contributions for, Allocable Partnership Expenses relating to and Disposition Proceeds from the Investment, a portion of which was sold, will be treated as having been divided between the sold portion and the retained portion on a pro rata basis.

7.1.5 General Partner Reimbursements; Prohibited. Distributions Fees and reimbursements received by the General Partner and its Affiliates pursuant to Article 6 are not, and will not be deemed to be, distributions. Notwithstanding any contrary provision in this Agreement, the Partnership will not make a distribution to any Partner on account of its Interest if such distribution would violate the Act or other applicable law.

7.1.6 Certain Distributions. Distributions will be made pursuant to Section 10.10.1 and Section 10.10.4 in the circumstances described therein.

7.2 Investment Proceeds. Each distribution of Investment Proceeds attributable to an Investment will be made as follows. A portion of such distribution will be tentatively

assigned to each Partner in accordance with the Partners' Sharing Percentages in respect of such Investment.

7.2.1 To Limited Partners and General Partner. The portion tentatively assigned to each Limited Partner will be divided between such Limited Partner and the General Partner.

7.2.2 Tax Liability Distributions. The General Partner may, in its sole discretion, cause the Partnership to make a distribution to the General Partner to the extent of Available Assets in amounts intended to enable the General Partner to discharge the Partnership's United States federal, state and local income tax liabilities arising from the allocations of income or gain to the General Partner corresponding to distributions to Limited Partners described. The amount of any such Tax Liability Distribution will be determined in good faith by the General Partner, taking into account (a) the maximum combined United States and Virginia rate applicable to individuals resident in Virginia on the relevant type of income (for example ordinary income or net long-term capital gain), and taking into account the deductibility of state and local income taxes for United States federal income tax purposes, if applicable, and (b) the amounts thereof so allocated to the General Partner, and otherwise based on such assumptions as the General Partner determines to be appropriate. Any Tax Liability Distributions will reduce the amount of the next distribution(s) that the General Partner would otherwise receive.

7.2.3 Available Assets. For purposes of this Section 7.2 "Available Assets" means the excess of the amount of Investments over the sum of (a) the amount reasonably determined by the General Partner to be necessary for the payment of the Partnership's liabilities and other obligations and the establishment of appropriate reserves for such liabilities and obligations as may arise and (b) the amount to be applied to Investments.

7.3 Distributions Upon Liquidation. Distributions made in conjunction with the final liquidation of the Partnership will be applied or distributed as provided in Article 9.

7.4 In-Kind Distributions

7.4.1 Securities Generally. The Partnership will not make distributions in-kind of Securities, other than Marketable Securities that are not subject to material legal or contractual restrictions on transferability; unless the General Partner believes that the distribution is in the best interests of the Partnership. The General Partner will give not less than 20 days' prior written notice of any in-kind distribution by the Partnership pursuant to this Section 7.4.1.

Any in-kind distribution will be made so that each Partner receives not greater than its pro rata share of such in-kind distribution, except as otherwise provided in this Agreement. The Partnership will not make any in-kind distribution to any Limited Partner if, in the opinion of counsel to such Limited Partner (which counsel and opinion shall be reasonably acceptable to the General Partner), such in-kind distribution would be reasonably likely to cause such Limited Partner to be in

violation of any federal, state or local law or any rule or regulation adopted thereunder by any agency, commission or authority having, in which case such Limited Partner and the General Partner will each use its best efforts to make alternative arrangements for the sale or transfer into an escrow account of any such distribution on mutually agreeable terms.

7.4.2 Debt Securities. Each Partner hereby consents to the distribution to such Partner at any time of any debt securities that are not Marketable Securities and that are held by the Partnership, provided that, if receiving such distribution would be inconsistent with fiduciary responsibilities of a Limited Partner, as determined by the Limited Partner, the Limited Partner may elect (by providing written notice to the General Partner at any time prior to the distribution) not to receive such distribution. With respect to debt securities not distributed, the General Partner will cause the Partnership to segregate solely for the account of the Limited Partner such debt securities and, notwithstanding any other provision of this Agreement, such distribution will be deemed made in-kind for purposes hereof by virtue of the debt securities being so segregated for the account of the Limited Partner. If any such debt securities are distributed as provided in this Section 7.4.2, each Partner will have the opportunity to enter into a Custody Agreement with the Partnership or another Person designated by the General Partner, in a mutually acceptable form, relating to the custody of such debt securities.

7.4.3 Net Income or Net Loss. In connection with distributions in kind of Securities, Net Income or Net Loss will arise (unless there has been no change in the value of such Securities since they were acquired) pursuant to the application of clause (c) of the definition of Net Income or Net Loss, by virtue of any increase or decrease in the Gross Asset Value of the Securities being distributed as determined pursuant to clause (c) of the definition of Gross Asset Value.

7.5 Withholding

7.5.1 Indemnification. Each Partner shall indemnify, to the fullest extent permitted by law, the Partnership and its Affiliates, employees and agents against, and pay on behalf of or reimburse such Person as and when incurred for, any liability, cost, penalty, interest or expense (including, but not limited to, legal and accounting fees) to which any such Person may become subject as a result of the Partnership's obligation pursuant to any tax laws to withhold amounts with respect to such Partner or to pay any tax on behalf of such Partner. The Partner's obligation to make payment pursuant to this Section 7.6 will be effected, at the sole option of the Partnership or such other indemnified Person, either by (i) the Partner's immediate payment in cash to the Partnership or such other indemnified Person or (ii) the Partnership's retention of amounts that would otherwise be distributable to such Partner (any amount so retained will be treated as distributed to such Partner for purposes hereof) or (iii) the Partnership's payment of any tax on behalf of or with respect to such Partner (any such payment to be treated as a demand loan by the Partnership to such Partner bearing interest at a rate, calculated quarterly, equal to the Wall Street Journal Prime Rate. The General Partner and the Partnership will be

entitled to take any other action determined to be necessary or appropriate in connection with any obligation or possible obligation to impose withholding pursuant to any tax law or to pay any tax with respect to a Partner. Each Partner's obligations under this Section 7.6 will survive the dissolution, liquidation and winding up of the Partnership for the applicable statute of limitations period.

7.5.2 Withholdings from and Payments by Partnership. If any tax assessment or other governmental charge is withheld or deducted from any amount payable to the Partnership, or the Partnership pays any such assessment or charge, the amount so deducted, withheld or paid will be treated for purposes of this Agreement as an additional amount received by the Partnership and distributed to the Partners in accordance with the allocation of the related income, as determined by the General Partner.

7.5.3 Hedging. Any amounts paid by the Partnership for any instrument or other arrangement designed to reduce one or more risks associated with one or more Investments will be considered an Allocable Partnership Expense relating to such Investments. Any distributions resulting from any such arrangements shall be treated as Current Income from the related Investments.

8. Operations

8.1 Authority of the General Partner

8.1.1 General. Subject to the provisions hereof, the management, control, operation and policy of the Partnership shall be vested exclusively in the General Partner, which shall have the power by itself (or through its duly appointed agents) and shall be authorized and empowered on behalf and in the name of the Partnership to carry out any and all of the objects and purposes of the Partnership and to perform all acts (including the payment of Partnership obligations) and enter into and perform all contracts and other undertakings that it may in its discretion deem necessary or advisable or incidental thereto.

8.1.2 Specific Authority. Without in any way limiting the foregoing, but subject to the express restrictions hereof, the General Partner, on behalf of the Partnership, shall have the right, in its sole discretion, to, or cause the Partnership to, as applicable:

- (a) take all actions necessary to fulfill the Partnership's purpose and objectives set forth in Section 1.4 and Article 2;
- (b) assess and collect from the Partnership funds sufficient to pay for its expenses related to management of the Partnership and Investments;
- (c) identify, analyze, acquire, hold, manage and own Investments;

- (d) dispose of (including, without limitation, by way of transfer, exchange, sale or redemption) or distribute to the Partners all or any portion of any Investments or other Partnership assets;
- (e) enter into purchase and sale agreements to make or dispose of Investments, which agreements may include such representations, warranties, covenants, indemnities and guaranties as the General Partner deems necessary or advisable;
- (f) open, maintain and close bank accounts and draw checks or other orders for the payment of monies;
- (g) exercise any and all voting or other rights related to any Securities, including, without limitation, to the extent applicable: the exercise of any options, warrants or other conversion features of such Securities; and the selection of members of (i) the board of directors or (ii) management or advisory groups, in each case, of any Investment;
- (h) loan funds or pledge or grant security over assets or enter into other similar credit, guarantee, financing or refinancing arrangements, for any purpose concerning any Investments;
- (i) direct the formulation of investment policies and strategies for the Partnership and select and approve Investments in accordance with this Agreement;
- (j) retain consultants to provide economic and investment analysis and to perform such other acts and exercise such additional powers as shall be approved by the General Partner, and arrange for significant managerial assistance and advice to Portfolio Investments, provided that the management and the conduct of the activities of the Partnership shall remain the sole responsibility of the General Partner and all decisions relating to the selection and disposition of the Partnership's Investments shall be made exclusively by the General Partner in accordance with this Agreement;
- (k) hire attorneys, accountants, investment bankers and such other agents for the Partnership as it may deem necessary or advisable, and authorize any such agent to act for and on behalf of the Partnership;
- (l) institute, and settle or compromise, suits, administrative proceedings and other similar matters;
- (m) solicit proxies or consents in connection with any stockholder vote of any Portfolio Company to the extent necessary or desirable to fulfill the purposes of the Partnership;

- (n) indemnify banks and other financial institutions in connection with any commitment letter or similar agreement of such institutions to provide financing to a Portfolio Company;
- (o) control all other aspects of the business or operations of the Partnership (including, without limitation, with respect to any Investments) that the General Partner elects to so control; and,
- (p) make and perform such other agreements and undertakings as may be necessary or advisable to the carrying out of any of the foregoing powers, objects or purposes, including entering into instruments and other arrangements designed to reduce one or more risks associated with one or more Investments.

8.2 Time Commitment of the Principals. The General Partner shall devote such time as it reasonably determines to be necessary to manage and operate the business affairs of the Partnership, and its Investments, in an appropriate manner.

8.3 Specific Authorization. The Partnership, and the General Partner on behalf of the Partnership, may enter into and perform the Management Agreement, without any further act, vote or approval of any Person, including any Partner, notwithstanding any other provision of this Agreement.

8.4 No Limited Partner Management

8.4.1 General. No Limited Partner, in its capacity as such, shall participate in the management of the Partnership or have any control over the business of the Partnership. No Limited Partner, in its capacity as such, shall have any right or authority to act for or to bind the Partnership.

Notwithstanding any contrary provisions in this Agreement, (i) in no event shall a Limited Partner be considered a general partner of the Partnership by agreement, estoppel, as a result of the performance of its duties or otherwise, and (ii) the Limited Partners shall not be deemed to be participating in the control of the business of the Partnership within the meaning of the Act as a result of any actions taken by a Limited Partner hereunder.

To the fullest extent permitted by law, no Limited Partner shall owe any fiduciary duty to any other Partner or the Partnership.

8.4.2 General Partner as Limited Partner. The General Partner will be a Limited Partner to the extent that it purchases or becomes a transferee of all or any part of the Interest of a Limited Partner, and to such extent will be treated as a Limited Partner in all respects. except that it will not be: (i) subject to the restrictions in this Agreement; (ii) obligated to pay a share of the Management Expense; or (iii) entitled to vote in circumstances where an approval or consent of the Limited Partners is required or permitted hereunder.

8.4.3 Waiver of Rights. Any Limited Partner will have the option, exercisable upon written notice to the General Partner, to irrevocably waive, to the fullest extent permitted by applicable law, all or any portion of its rights under this Agreement, other than the right to make Capital Contributions called for hereunder.

8.4.4 General Prohibitions.

- (a) The General Partner, Virginia Housing and Community Development Corporation and its Affiliates, will not engage in any transaction with the Partnership or any Portfolio Company or subsidiary thereof unless the terms of the transaction are on an arm's-length basis and no less favorable to the Partnership or such Portfolio Company than would be obtained in a transaction with an unaffiliated party, provided that the terms of any such transaction will be deemed to be on an arm's-length basis and no less favorable than would be obtained in a transaction with an unaffiliated party if (i) the specific transaction is expressly provided for under this Agreement (including, without limitation, the payment of Management Expenses, Monitoring Fees, Transaction Fees and Break-up Fees), or (ii) the transaction is for consulting or advisory services provided by a Portfolio Company in connection with an investment or proposed investment in another Portfolio.
- (b) The General Partner will not cause the Partnership to borrow funds. For purposes hereof, a pledge of, or grant of security over, assets of the Partnership and guaranties of indebtedness of others by the Partnership are not borrowings by the Partnership and are not prohibited, so long as the General Partner reasonably determines that such pledge or guaranty will not materially increase the likelihood of any Tax-Exempt Limited Partner receiving Unrelated Business Taxable Income (UBTI).
- (c) The General Partner and its directors, officers, and employees will not be precluded from engaging directly or indirectly in any other business or other activity, including, but not limited to, exercising investment advisory and management responsibility and buying, selling or otherwise dealing with Securities for their own accounts, for the accounts of immediate family or for the accounts of others;
- (d) Neither the Partnership nor any Limited Partner will have any rights of first refusal, co-investment or other rights in respect of the investments of other accounts or in any fees, profits or other income earned or otherwise derived therefrom;
- (e) No Limited Partner will, by reason of being a Limited Partner in the Partnership, have any right to participate in any manner in any profits or income earned or derived by or accruing to the General Partner, any of its Affiliates or their respective partners, members, directors, officers, stockholders or employees from the conduct of any business other than the business of the Partnership or from any transaction in Securities effected by

the General Partner, any of its Affiliates or their respective partners, members, directors, officers, stockholders or employees for any account other than that of the Partnership;

(f) Any Limited Partner may engage in any business of any kind whatsoever, including those which conflict or compete with the activities of the Partnership or any Portfolio Company, and may become affiliated in any way with any other business enterprise, and need not contribute to the Partnership any compensation or distribution received by such Partner for any such permitted activity;

(g) In order to facilitate an Investment, the General Partner may cause the Partnership to participate with one or more Persons in any such Investment (the "Equity Partners"), but only if in the General Partner's opinion such participation facilitates the consummation of such Investment or is otherwise beneficial to such Investment or the Partnership;

8.5 Direct Investment Opportunities for Limited Partners

8.5.1 Participation. Limited Partners may be invited to participate individually in Investments in which the Partnership invests, including, without limitation (where appropriate), as lenders, placement agents, underwriters and purchasers of debt, equity and equity-related securities in Investments, subject to a determination by the General Partner that such participation by such Limited Partners is in the best interests of the Partnership and the Investment.

8.5.2 Independent Investment Decisions. Participation, if any, by a Limited Partner in an Investment otherwise than through the Partnership, (i) will be entirely the investment decision and responsibility of such Limited Partner, and neither the Partnership, the General Partner nor any Affiliate of the General Partner will assume any risk, responsibility or expense, or be deemed to have provided any advice or recommendation, in connection therewith, and (ii) will not entitle such Limited Partner to any right to participate in the management or control of the Investments of the Partnership.

8.6 Valuation. The calculation of the fair market value (the "Fair Value") of any Investment or of any other Partnership asset will be made in good faith by the General Partner. In determining the Fair Value of any Investment or of any other Partnership asset for purposes of an in-kind distribution, the General Partner will apply the following:

8.6.1 Marketable Securities. Marketable Securities will be valued at (i) the average of their last sales price on the principal securities exchange on which such Marketable Securities are traded during the five trading day period over which such Marketable Securities were traded immediately preceding the date of the notice given to the Partners by the General Partner, or, if available, such sales price on the consolidated tape, or (ii) if neither determination referred to in clause (i) can be made, or if such Marketable Securities are not primarily traded on a securities

exchange, (A) the average of their last closing "bid" price as shown by the United States National Association of Securities Dealers Automated Quotation System or comparable non-U.S. established over-the-counter trading system during the five trading day period over which such Marketable Securities were traded immediately preceding the date of the notice given to the Partners by the General Partner or (B) if trading of such Marketable Securities is not reported through the National Association of Securities Dealers Automated Quotation System or such comparable non-U.S. system, such value as may be determined in good faith by the General Partner in its reasonable discretion. If the valuation determined pursuant to clauses (i) and (ii)(A) above is greater than the average of the last sales price or closing bid price, as applicable, for the five consecutive trading day period yielding the highest valuation at any time following the date of the notice given to the Partners by the General Partner and ending on the tenth day prior to the distribution, then such valuation will be adjusted to equal the arithmetical average of the pre- and post-notice valuations.

8.6.2 Other Assets. All assets of the Partnership other than Marketable Securities will be valued using methodologies generally accepted in the investment banking industry, and will be made without regard to temporary market fluctuations or aberrations and assuming a plan of orderly disposition of such property which does not involve unreasonable delays in cash realization. Any valuation pursuant to this Section 8.6.2 will be net of actual and contingent associated liabilities and estimated costs of sale.

8.6.3 Third-Party Valuations. In connection with any determination of Fair Value made in the discretion of the General Partner pursuant to this Section 8.6, the General Partner may rely upon a valuation provided by any nationally recognized investment bank or valuation expert, and any such valuation will be final and binding on the Partnership and all Partners.

8.6.4 Notice of Certain Valuations. Any determination other than Fair Value will be sent to the Limited Partners in writing at least 20 days prior to the date of any proposed distribution, together with written information as to the basis upon which the General Partner made such determination. Such determination will be final and binding on the Partnership and all Partners unless disapproved of in writing at least five days prior to the date of such proposed distribution by the General Partner. In case of such disapproval, the determination of Fair Value will be made by a nationally-recognized investment bank or valuation expert selected by the General Partner. The determination made by such expert will be final and binding on the Partnership and all Partners.

8.7 General Partner's Liability; Indemnification

8.7.1 Exculpation. To the fullest extent permitted by law, neither the General Partner nor its Affiliates (excluding the Partnership), nor the officers, directors, employees, partners, stockholders, members or agents of any of the foregoing, will be liable to the Partnership or to any Partner for any losses sustained or liabilities

incurred as a result of any act or omission taken or suffered by the General Partner or any such other Person if (i) the act or failure to act of the General Partner or such other Person was in good faith and in a manner it believed to be in, or not contrary to, the best interests of the Partnership, and (ii) the conduct of the General Partner or such other Person did not constitute Malfeasance. The termination of an action, suit or proceeding by judgment, order, settlement or upon a plea of nolo contendere or its equivalent will not, in and of itself, create a presumption or otherwise constitute evidence that the General Partner or such other Person is not entitled to exculpation hereunder, provided that a final, non-appealable judgment or order adverse to the General Partner or such other Person expressly covering the exculpation exceptions set forth in clauses (i) or (ii) above may constitute evidence that the General Partner or such other Person is not so entitled to exculpation.

8.7.2 Actions of Other Partners or Agents. The General Partner, in its capacity as General Partner of the Partnership, will not be liable to the Partnership or any other Partner for any action taken by any other Partner, nor will the General Partner (in the absence of Malfeasance by the General Partner) be liable to the Partnership or any other Partner for any action of any agent of the Partnership which has been selected in good faith by the General Partner with reasonable care.

8.7.3 Indemnification. The Partnership shall indemnify and hold harmless the General Partner and its Affiliates, and all officers, directors, employees, partners and agents of any of the foregoing (each, an "Indemnitee"), to the fullest extent permitted by law from and against any and all losses, claims, demands, costs, damages, liabilities, reasonable expenses of any nature (including costs of investigation and attorneys' fees and disbursements), judgments, fines, settlements and other amounts, of any nature whatever, known or unknown, liquidated or unliquidated (collectively, "Liabilities") arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative (collectively, "Actions"), in which the Indemnitee may be involved, or threatened to be involved as a party or otherwise, relating to the performance or nonperformance of any act concerning the activities of any Fund Vehicle, including acting as a director or the equivalent of a Portfolio Company during the period of time in which any Fund Vehicle holds an interest therein, or the performance by such Indemnitee of any of the General Partner's responsibilities hereunder, unless (i) the act or failure to act of the Indemnitee was not in good faith or not in a manner it believed to be in, or not contrary to, the best interests of the Partnership, or (ii) the Indemnitee's conduct constituted Malfeasance. The termination of an action, suit or proceeding by judgment, order, settlement or upon a plea of nolo contendere or its equivalent will not, in and of itself, create a presumption or otherwise constitute evidence that the Indemnitee is not entitled to indemnification hereunder, provided that a final, non-appealable judgment or order adverse to the Indemnitee expressly covering the indemnification exceptions set forth in clauses (i) or (ii) above may constitute evidence that the Indemnitee is not so entitled to indemnification.

8.7.4 Advancement of Expenses. Expenses incurred by an Indemnitee in defending any Action subject to this Section 8.7 will be advanced by the Partnership

prior to any judgment or settlement of such Action (but not during any appeal therefrom) entered by any court of competent jurisdiction which includes a finding that such Indemnitee's conduct constituted Malfeasance, but only if the Partnership has received a written commitment by or on behalf of the Indemnitee to repay such advances to the extent that, and at such time as, it has been determined by a final, non-appealable judgment or settlement entered by any court of competent jurisdiction that (i) the act or failure to act of the Indemnitee was not in good faith or not in a manner it believed to be in, or not contrary to, the best interests of the Partnership, or (ii) the Indemnitee's conduct constituted Malfeasance. Notwithstanding the foregoing (but without overriding Section 8.8.3), the Partnership will not advance any such expenses incurred in an Action brought against an Indemnitee by at least a Majority in Interest of the Limited Partners, whether such Action is brought directly or in the name of the Partnership by such Limited Partners.

8.7.5 Indemnitee Obligations. Each Indemnitee will use commercially reasonable efforts to pursue any insurance, contribution or indemnity claims it may have against third parties with respect to the expenses incurred in defending any Action subject to this Section 8.7, provided that no such claims, nor any efforts or obligation hereunder, will delay the availability of the advances provided in Section 8.8.4. Each Indemnitee, other than the General Partner, will obtain the written consent of the General Partner prior to entering into any compromise or settlement which would result in an obligation of the Partnership to indemnify such Indemnitee.

8.7.6 No Third-Party Beneficiaries. The provisions of this Section 8.7 are for the benefit of the Indemnitees and will not be deemed to create any rights for the benefit of any other Person, except as otherwise provided in Section 8.7.7.

8.7.7 Good Faith Reliance. To the extent that, at law or in equity, the General Partner has duties (including fiduciary duties) and liabilities relating thereto to the Partnership or to another Partner, the General Partner acting under this Agreement will not be liable to the Partnership or to any such other Partner for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they expand or restrict the duties and liabilities of the General Partner otherwise existing at law or in equity, are agreed by the Partners.

8.7.8 Reliance on Counsel and Accountants. The General Partner may consult with legal counsel and accountants and any act or omission suffered or taken by the General Partner on behalf of the Partnership or in furtherance of the interests of the Partnership in good faith in reliance upon and in accordance with the advice of such counsel or accountants will be full justification for any such act or omission, and the General Partner will be fully protected in so acting or omitting to act so long as such counsel or accountants were selected with reasonable care.

8.8 Fees and Expenses

8.8.1 Expenses. The Partnership will bear and be charged with all Fees and Expenses, relating to its Business, to the extent such fees and expenses are not paid or reimbursed by its Investments or other Persons.

8.8.2 Management Expense. The General Partner will be paid for its Management of the affairs of the Partnership. The Fees and Expenses relating to such management of the affairs of the Partnership will be allocated to the Limited Partners in accordance with their Sharing Percentages (adjusted to exclude the General Partner) in the relevant Portfolio Investments. No Limited Partner other than the Defaulting Limited Partner will be required to pay any portion of the Management Fees and Expense not paid by such Defaulting Limited Partner.

9 Books and Records; Accounting; Reporting

9.1 Books and Records. The General Partner will cause to be kept, at the principal place of business of the Partnership, or at such other location as the General Partner reasonably deems appropriate (with notice thereof to the Limited Partners), full and proper ledgers, other books of account and records of all receipts and disbursements, other financial activities and the internal affairs of the Partnership. The books of the Partnership will be maintained, for financial reporting purposes, in accordance with generally accepted accounting principles in the United States consistently applied. The Fiscal Year of the Partnership may be changed in the reasonable discretion of the General Partner. The books and records of the Partnership will be retained for a period of at least three years from the date of the termination of the Partnership.

9.2 Inspection. Each Limited Partner (personally or through an authorized representative) may, for purposes reasonably related to its Interest, examine the books and records of the Partnership during reasonable business hours and upon 10 days' prior written notice to the General Partner.

9.3 Reports to the Partners

9.3.1 Annual. Within 90 days after the end of each Fiscal Year or as soon as practicable thereafter, the General Partner will send to each Person who was a Partner at any time during such year: (A) the following financial statements, prepared in accordance with generally accepted accounting principles in the United States: (i) a statement of assets, liabilities and Partners' equity of the Partnership as of the end of such year, (ii) a statement of operations of the Partnership for such year, (iii) a statement of changes in Partners' equity for such year and (iv) such other statements as may be required under generally accepted accounting principles in the United States; (B) a valuation of each Investment held as of the end of such year, such valuation to be determined by the General Partner in its sole discretion; and (C) notice of the amount of any indemnification payment by the Partnership pursuant to Section 8.7.3 made during the final quarter of such Fiscal Year. The General Partner will cause the annual financial statements to be audited by and reported upon by independent public accountants of recognized national standing, in accordance with generally accepted auditing standards in the United States.

9.3.2 Tax or Information Returns. Within 90 days following the end of each Fiscal Year or as soon as practicable thereafter, the General Partner will send to each person who was a Partner at any time during such year a report that will include each Partner's pro rata share of Net Income, Net Loss and any other items of

income, gain, loss and deduction for such Fiscal Year, and such other information reasonably available to the General Partner that is necessary for the Partners to prepare their tax or information returns.

9.3.3 Quarterly. Within 60 days after the end of each of the first three quarters of each Fiscal Year, the General Partner will send to each person who was a Partner as of the last day of the relevant quarter (i) notice of the amount of any indemnification payment by the Partnership pursuant to Section 8.7.3 made during such quarter and (ii) a valuation of each Investment held as of such day, such valuation to be determined by the General Partner in its sole discretion, provided that the General Partner will not be required to update the most recent year-end valuation of Investments that are not based upon publicly traded prices as of the last day of the relevant quarter other than to reflect the occurrence of tangible, material events with respect to any such Investment that have had a material, negative effect on the value of such Investment.

9.3.4 Investments. The General Partner will send or cause to be sent to each Limited Partner quarterly and annual financial statements of each public Investment as promptly as possible after such statements are mailed to the major creditors of such Investment. To the extent the Partnership has access thereto, the Partnership will also provide to each Limited Partner, with reasonable promptness, such other public data and information concerning the Investments as from time to time may reasonably be requested.

9.3.5 ERISA. Certification If the Partnership is not subject to the "plan asset" regulations under ERISA because participation in the Partnership by "benefit plan investors" is not "significant" (as such terms are defined in the ERISA Regulations, as modified by Section 3(42) of ERISA), the General Partner will provide a certification to such effect to the ERISA Limited Partners, within 60 days after the end of each Fiscal Year. The General Partner is entitled to rely on information provided by the Limited Partners in connection with such certification.

9.4 Meetings of Partners. The General Partner may organize and convene, at its sole discretion, and at such date, time, and site as the General Partner shall select, an annual information meeting for the Partners. Such information meetings, when convened, may be conducted via Internet, telephone, or combination thereof.

9.5 Partnership Tax Elections; Tax Controversies. The General Partner has the right in its sole discretion to make all elections for the Partnership provided for in the Code, including, but not limited to, the election provided for in Code Section 754. The General Partner is hereby designated as the "Tax Matters Partner" pursuant to the requirements of Code Section 6231(a)(7) and in such capacity will represent the Partnership in any disputes, controversies or proceedings with the United States Internal Revenue Service or any other taxing authority.

9.6 Confidentiality of Information. The General Partner has the right to keep confidential from the Limited Partners (and their respective agents and attorneys) for such period of time as the General Partner deems reasonable, any information that the General

Partner reasonably believes to be in the nature of trade secrets or other information the disclosure of which the General Partner in good faith believes is not in the best interests of the Partnership or any Investment or could damage the Partnership or such Investment or their respective businesses or which the Partnership or such Investment is required by law or by agreement with a third party to keep confidential.

9.7 Tax Exemptions and Refunds. The General Partner agrees that, at the request of a Limited Partner, the General Partner will provide such information and take such other action as may reasonably be necessary to assist the Limited Partner in making any filings, applications or elections to obtain any available exemption from, or refund of, any withholding or other taxes imposed by any taxing authority with respect to amounts distributable to the Limited Partner under this Agreement.

9.8 Safe Harbor Election.

9.8.1 Each Partner hereby authorizes and directs the Partnership to elect to have the "Safe Harbor" described in the proposed Revenue Procedure set forth in United States Internal Revenue Service Notice 2005-43 (the "IRS Notice") apply to any interest in the Partnership transferred to a service provider by the Partnership on or after the effective date of such Revenue Procedure in connection with services provided to the Partnership (a "Safe Harbor Interest"). For purposes of making such Safe Harbor election, the General Partner is hereby designated as the "partner who has responsibility for federal income tax reporting" by the Partnership and, accordingly, execution of such Safe Harbor election by the General Partner constitutes execution of a "Safe Harbor Election" in accordance with Section 3.03(1) of the IRS Notice. The Partnership and each Partner hereby agrees to use commercially reasonable efforts to comply with all requirements of the Safe Harbor described in the IRS Notice, and each Partner will prepare and file all U.S. federal income tax returns reporting the income tax effects of each Safe Harbor Interest in a manner consistent with the requirements of the IRS Notice.

9.8.2 A Partner's obligations to comply with the requirements of Section 9.8.1 shall survive such Partner's ceasing to be a Partner of the Partnership and the termination, dissolution, liquidation and winding up of the Partnership.

9.8.3 Each Partner authorizes the General Partner to amend Section 9.8.1 and Section 9.8.2 to the extent necessary to achieve substantially the same tax treatment with respect to any Safe Harbor Interest as set forth in Section 4 of the IRS Notice (e.g., to reflect changes from the rules set forth in the IRS Notice in subsequent United States Internal Revenue Service guidance), provided that such amendment is not materially adverse to any Partner (as compared with the after tax consequences that would result if the provisions of the IRS Notice applied to all Safe Harbor Interests).

10 Interests; Transfers and Encumbrances of Interests

10.1 Limited Partner Transfers. Except as provided in Section 10.9, no Limited Partner or Assignee thereof may Transfer all or any portion of its Partnership Interest (or beneficial

interest therein), without the prior written consent of the General Partner, which consent may be given or withheld, or made subject to such conditions (including, without limitation, the conditions set forth in clauses (c) and (d) of Section 10.7) as are determined by the General Partner, in the General Partner's sole discretion. If the General Partner consents to any such Transfer by a Limited Partner to an Affiliate of such Limited Partner, the Affiliate will be required to covenant to the General Partner that it will remain an Affiliate of the transferor. Any transferee to which the foregoing covenant applies that is in violation of such covenant will be a Defaulting Limited Partner hereunder. Any purported Transfer pursuant to this Section 10.1 which is not in accordance with, or subsequently violates, this Agreement shall be null and void.

10.2 General Partner Transfers .The General Partner may not Transfer all or any portion of its Partnership Interest without the prior written consent of the Limited. Notwithstanding the foregoing or any other provision in this Agreement, the General Partner may, at any time prior to any Incapacity or removal of such General Partner, and without the consent of any other Partner, convert or merge into, or otherwise Transfer its interest as the General Partner of the Partnership to, any other Person, and such other Person will succeed, upon its execution of a counterpart of this Agreement, to the position of general partner of the Partnership effective immediately prior to such Transfer (and is hereby authorized to and will continue the business of the Partnership without dissolution), with all of the rights, powers and obligations associated therewith, provided that the Principals and any individuals who are partners of the General Partner will control and own (in the aggregate), directly or indirectly, not less than a majority of the equity interests in such other Person. If the General Partner converts to another type of Person pursuant to this Section 10.2, the General Partner will not cease to be the General Partner of the Partnership and, upon such conversion, the Partnership will continue without dissolution. If a merger of the General Partner into another Person pursuant to this Section 10.2 will not result in the General Partner being the surviving entity of the merger, the Person that will be the surviving entity in the merger with the General Partner will itself be admitted to the Partnership as an additional general partner of the Partnership immediately preceding the merger upon its execution of a counterpart to this Agreement and, upon such merger, is hereby authorized to and will continue the Partnership without dissolution.

10.3 Encumbrances. No Partner or Assignee may create an Encumbrance with respect to all or any portion of its Partnership Interest (or any beneficial interest therein) unless the General Partner consents in writing thereto, which consent may be given or withheld, or made subject to such conditions as are determined by the General Partner, in the General Partner's sole discretion. Any purported Encumbrance which is not in accordance with this Agreement shall be null and void.

10.4 Further Restrictions. Notwithstanding any contrary provision in this Agreement, any otherwise permitted Transfer of an Interest shall be null and void if:

- (a) such Transfer would be reasonably likely to cause the Partnership to cease to be classified as a partnership for United States federal or state income tax purposes;

(b) such Transfer would require the registration of such Transferred Interest pursuant to any applicable foreign, federal or state securities laws;

(c) such Transfer would be reasonably likely to cause the Partnership to become a "Publicly Traded Partnership," as such term is defined in Code Section 469(k)(2) or Code Section 7704(b);

(d) such Transfer would subject the Partnership to regulation under the Investment Company Act or ERISA, or would subject the Partnership, the General Partner or the Management Company to regulation under the Investment Advisers Act;

(e) such Transfer would result in a violation of any applicable law;

(f) such Transfer would cause the revaluation or reassessment of the value of any Partnership asset resulting in any foreign, federal, state or local tax liability;

(g) such Transfer is made to any Person who lacks the legal right, power or capacity to own such Interest; or

(h) the Partnership does not receive written instruments (including, without limitation, copies of any instruments of Transfer and such Assignee's consent to be bound by this Agreement as an Assignee) that are in a form satisfactory to the General Partner, as determined in the General Partner's sole discretion.

10.5 Rights of Assignees. Subject to Section 10.7, the transferee of any permitted Transfer pursuant to this Article 8 will be an Assignee only, and only will receive, to the extent Transferred, the distributions and allocations of income, gain, loss, deduction, credit or similar item to which the Partner which Transferred its Interest would be entitled, and such Assignee will not be entitled or enabled to exercise any other rights or powers of a Partner, such other rights, and all obligations relating to, or in connection with, such Interest (including, without limitation, the obligation to make Capital Contributions) remaining with the transferring Partner. The transferring Partner will remain a Partner even if it has Transferred its entire Interest in the Partnership to one or more Assignees until such time as the Assignee(s) is admitted to the Partnership as a Partner pursuant to Section 10.7. Amounts distributed to an Assignee hereunder will be deemed to have been distributed to the Partner which transferred the Interest to such Assignee, until such time as the Assignee is admitted to the Partnership as a Partner pursuant to Section 10.7. In the event, any Assignee desires to make a further assignment of any Interest in the Partnership, such Assignee will be subject to all of the provisions of this Agreement to the same extent and in the same manner as the Partner who initially held such Interest.

10.6 Admissions, Withdrawals and Removals. Limited Partners may be admitted to the Partnership at any time during the first five (5) business days of any calendar month, at the sole discretion of the General Partner. Applicants shall fully execute a Subscription Agreement and submit the Agreement together with a personal check, company check, money order, or cashier check for at least the minimum capital contribution provided in Section 2. The Subscription Agreement and Minimum Capital Contribution payment shall be mailed to the attention of the General Partner at the address provided in Section 1.3.

No Person will be admitted to the Partnership as a General Partner except in accordance with Section 3.8 or Section 10.2. No Limited Partner will be removed or entitled to withdraw from being a Partner of the Partnership except in accordance with Section 10.8 or Section 10.10. The General Partner will not be entitled to withdraw from being a Partner of the Partnership, except in accordance with Section 10.2 or Section 10.8. Except as otherwise provided in Section 11.2(c) and Section 11.2(g), no admission, withdrawal or removal of a Partner will cause the dissolution of the Partnership. To the fullest extent permitted by law, any purported admission, withdrawal or removal which is not in accordance with this Agreement shall be null and void.

10.7 Admission of Assignees as Substitute Limited Partners. An Assignee will become a Substitute Limited Partner only if and when each of the following conditions are satisfied:

- (a) the General Partner consents in writing to such admission, which consent may be given or withheld, or made subject to such conditions as are determined by the General Partner, in the General Partner's sole discretion;
- (b) the General Partner receives written instruments (including, without limitation, copies of any instruments of Transfer and such Assignee's consent to be bound by this Agreement as a Substitute Limited Partner) that are in a form satisfactory to the General Partner (as determined in its sole discretion);
- (c) the General Partner receives an opinion of counsel satisfactory to the General Partner to the effect that such Transfer is in compliance with this Agreement and all applicable laws; and
- (d) the parties to the Transfer, or any one of them, pays all of the Partnership's reasonable expenses connected with such Transfer (including, but not limited to, the reasonable legal and accounting fees of the Partnership).

10.8 Withdrawal of Certain Partners. If a Partner has Transferred all of its Partnership Interest to one or more Assignees in accordance with this Article 8, then such Partner shall withdraw from the Partnership and shall cease to be a Partner and to have the power to exercise any rights or powers of a Partner when all such Assignees have been admitted as Partners in accordance with Section 10.2 or Section 10.7. The General Partner may withdraw as the general partner of the Partnership only if (A) it suffers an Incapacity or (B) it reasonably determines that remaining as general partner (i) would cause it or the Partnership to be in violation of any material and applicable law, rule, regulation or order of any governmental authority or (ii) would be materially adverse to the interests of the Limited Partners.

10.9 Conversion of Partnership Interest. Upon the Incapacity of a Partner (and the subsequent continuation of the business of the Partnership, if such Incapacity relates to the General Partner), such incapacitated Partner automatically will be converted to an Assignee only, and such incapacitated Partner (or its executor, administrator, trustee or receiver, as applicable) will thereafter be deemed an Assignee for all purposes hereunder, with the same rights to allocations of Net Income, Net Loss and similar items and to distributions as was

held by such incapacitated Partner prior to its Incapacity, but without any rights of a Partner.

10.10 Limitations on Participation

10.10.1 Discontinuance. Unless the provisions of Section 10.10.2 apply, the General Partner may discontinue any Limited Partner's participation in a Portfolio Investment (through an adjustment to such Limited Partner's Sharing Percentage for such Portfolio Investment) if the General Partner (i) determines that the continuation of such Limited Partner's participation therein will have a Material Adverse Effect and (ii) gives five days' prior written notice to any such Limited Partner of such determination. The General Partner will thereafter take commercially reasonable steps to discontinue such Limited Partner's participation in such Portfolio Investment, including, without limitation, causing a portion of such Portfolio Investment equal to such Limited Partner's Sharing Percentage thereof promptly to be sold by the Partnership at a cash price not less than the value determined by the General Partner. In the case of such a sale, items of income, gain, loss or deduction will be divided among such Limited Partner and the General Partner. Such Limited Partner's Sharing Percentage for such Investment will thereafter be reduced to zero and the other Limited Partners' Sharing Percentages therefor will be adjusted accordingly. All costs and expenses in respect of the determinations and other matters referred to in this Section 10.10.1 will be borne by such Limited Partner.

10.10.2 Required Transfer. If at any time the General Partner determines that the continuing participation in the Partnership by any Limited Partner will have a Material Adverse Effect, such Limited Partner will, at the request of the General Partner, use its best efforts to assign its entire Interest (or such portion thereof as is sufficient, in the reasonable discretion of the General Partner, to prevent or remedy such Material Adverse Effect) to any Person approved by the General Partner pursuant to Section 10.1 at a price acceptable to such Limited Partner, in a transaction which complies with Section 10.4 (provided that the admission of such Assignee as a Substitute Limited Partner will remain subject to Section 10.7). The General Partner agrees to provide any prospective transferee of such Interest with such reasonable access to the books and records of the Partnership as the General Partner reasonably determines is appropriate and subject to confidentiality arrangements satisfactory to the General Partner. If such Limited Partner has not assigned its entire Interest (or such portion thereof as is sufficient, in the reasonable discretion of the General Partner, to prevent or remedy such Material Adverse Effect) within 30 days of the General Partner's having notified such Limited Partner of the determination set forth in the preceding sentence, then, notwithstanding anything to the contrary herein, the General Partner will have the right, but not the obligation, upon at least 15 days' prior written notice to such Limited Partner, to do, in its sole discretion, any or all of the following to prevent or remedy the Material Adverse Effect:

- (a) prohibit such Limited Partner from making any and all Capital Contributions with respect to future Investments and reduce its Capital Commitment accordingly;

(b) offer to any Person, including each other Limited Partner (other than Defaulting Limited Partners), the opportunity to purchase all or a portion of such Limited Partner's Interest at a cash price determined by the General Partner;

(c) liquidate all or any portion of such Limited Partner's Interest or make a special distribution in respect of such Interest to such Limited Partner in an amount equal to the amount such Limited Partner would receive (in the reasonable determination of the General Partner) if the Partnership were to be dissolved and liquidated in accordance with Article 11 at such time, the General Partner determining in its sole discretion whether to distribute cash or Securities or any combination of the foregoing; or

(d) dissolve and terminate the Partnership, if none of the above actions is sufficient (in the reasonable discretion of the General Partner) to prevent or remedy the Material Adverse Effect.

The details and documentation relating to any transaction or transactions set forth in this Section 10.10.2 will be as determined by the General Partner in its reasonable discretion. Upon the closing of any transaction or transactions contemplated by this Section 10.10.2, the General Partner will make such additional adjustments to the Capital Accounts, Capital Commitments, Unused Capital Commitments, Percentage Interests and Sharing Percentages of such Limited Partner and of all other Partners as it shall reasonably deem to be appropriate. All costs and expenses in respect of the determinations and other matters referred to in this Section 10.10.2 will be borne by such Limited Partner.

10.10.3 Material Adverse Effect. A Capital Contribution to the Partnership or participation in an Investment or in the Partnership by any Limited Partner will be deemed to have a "Material Adverse Effect" if the General Partner reasonably determines that such contribution or participation, when taken by itself or together with the contributions or participations by any other Partner, is: (a) based upon an opinion of counsel, reasonably likely to (i) result in a violation of a statute, rule, regulation or order of a United States federal, state or local or foreign governmental authority which is reasonably likely to jeopardize the ability of the Partnership to consummate an Investment or to have a material adverse effect on a Portfolio Investment, the General Partner, the Partnership or any Affiliate of the Partnership, (ii) subject an Investment, the General Partner, the Partnership or any Affiliate of the Partnership to any material filing or material regulatory requirement (including the registration or other requirements of the Investment Company Act or the Investment Advisers Act), or make such filing or regulatory requirement substantially more burdensome, or (iii) result in any Securities or other assets owned by the Partnership being deemed to be "plan assets" of any ERISA Limited Partner, and that such result would not be advisable in light of the circumstances, as determined by the General Partner; or (b) reasonably likely to jeopardize the ability of the Partnership to consummate an Investment or to have a material adverse effect on a Portfolio Company, the General Partner, the Partnership or any Affiliate of the Partnership.

10.10.4 Certain Regulated Partners. A Limited Partner that is either a Governmental Plan (or comparable foreign governmental entity) or an ERISA Limited Partner may request to discontinue its participation in the Partnership in whole or in part, including with respect to one or more Investments, to the extent that such Limited Partner determines that its continued participation in the Partnership or Investments(s), as applicable, would be reasonably likely to result in a violation of any law or governmental regulation to which such Limited Partner is subject or would be reasonably likely to result in the assets of the Partnership being deemed to be "plan assets" of such Limited Partner that is an ERISA Limited Partner. A Bank Regulated Partner may request to discontinue its participation in the Partnership to the extent that such Bank Regulated Partner determines that its aggregate Capital Contributions (including those of its Affiliates) exceed 24.99% of the aggregate Capital Contributions of all Partners, and that having such percentage interest causes such Bank Regulated Partner to violate Regulation Y.

(a) Any Limited Partner seeking to rely on this Section 10.10.4 will make its request to the General Partner in writing and will deliver to the General Partner an opinion of counsel, which opinion and counsel shall be reasonably acceptable to the General Partner, supporting the foregoing determination. The General Partner may disregard the request (other than a request of a Bank Regulated Partner) to the extent that, after consultation with its counsel, the General Partner reasonably concludes that the determination made by the Limited Partner is contrary to the weight of available facts and prevailing legal opinion, including without limitation the actions taken by such Limited Partner and other Persons subject to such laws and regulations (or similar laws and regulations) with respect to the Partnership or investment funds similar to the Partnership; provided that the General Partner acknowledges that a Limited Partner that is a Governmental Plan in making such request may be relying upon and be required to follow an opinion of the attorney general of a state in which such Limited Partner is located, and to take whatever affirmative actions it determines to be necessary to discontinue its participation in the Partnership and the Investments, as applicable, and such Limited Partner will not be in breach of this Section 10.10 for so acting. The General Partner will provide written notice to the Limited Partner of its decision to disregard the request of such Limited Partner, which notice will set forth in reasonable detail the basis for the General Partner's decision and will include any documentation (which may include legal opinions) supporting such decision.

(b) To the extent the participation of a Limited Partner in an Investment is to be discontinued pursuant to this Section 10.10.4, the General Partner will take, no later than the end of the first calendar quarter beginning after receipt of the requisite notice and legal opinion, commercially reasonable steps (consistent with the fiduciary duties of the General Partner to the Partnership and the other Limited Partners) to discontinue the participation of such Limited Partner in such Investment. The General Partner will be deemed to have taken commercially reasonable steps if the General Partner causes a

portion of such Investment equal to the Sharing Percentage of such Limited Partner therein to be (i) sold by the Partnership at a cash price not less than the value (taking into account the timing of a forced sale and the effect generally of the law or regulation giving rise to the Limited Partner's request) determined by a nationally-recognized investment bank or valuation expert reasonably acceptable to the Limited Partner and chosen by the General Partner or (ii) distributed, with the consent of such Limited Partner, to such Limited Partner in kind. The proceeds of any such sale will be divided between such Limited Partner and the General Partner and distributed pursuant to Section 7.2.1. In the case of such a sale, items of income, gain, loss or deduction will be divided among such Limited Partner and the General Partner and allocated pursuant to Section 6.2. Such Limited Partner's Sharing Percentage for such Investment will thereafter be reduced to zero and the other Limited Partners' Sharing Percentages therefor will be adjusted accordingly.

(c) The details and documentation relating to any transaction or transactions in connection with this Section 10.10.4 will be as determined by the General Partner in its reasonable discretion, except as otherwise expressly provided. Upon the closing of any transaction or transactions contemplated by this Section 10.10.4, the General Partner will make such additional adjustments to the Capital Accounts, Capital Commitments, Unused Capital Commitments, Percentage Interests and Sharing Percentages of such Limited Partner and of all other Partners as it shall reasonably deem to be appropriate. All costs and expenses in respect of the determinations and other matters referred to in this Section 10.10.4 will be borne by the Limited Partner making a request for discontinuance hereunder.

10.11 Successor Governmental Entity. The General Partner will not withhold its consent to (i) a Transfer of a Partnership Interest pursuant to Section 10.1 by a Limited Partner that is a Governmental Plan to a successor governmental entity or plan pursuant to state law or (ii) the admission of such entity or plan as a Substitute Limited Partner pursuant to Section 10.7, provided that the Transfer and substitution otherwise complies with this Agreement.

10.12 Successor Trustee. A change in any trustee or fiduciary of any ERISA Limited Partner will not be considered a Transfer for purposes of this Article 10, but only if the replacement trustee or fiduciary is also a fiduciary under ERISA, the replacement trustee or fiduciary is a "Qualified Purchaser" as defined in Section 2(51)(A) of the Investment Company Act and written notice of such change is given to the General Partner in advance of the effective date thereof.

10.13 General Partner Removal

10.13.1 Removal/Dissolution for Cause

(a) Within 30 calendar days following an event constituting Cause (as defined in clause (b) below) and a failure of the General Partner to cure such Cause within the period of time specified in clause (c) below, two thirds in interest of the Limited

Partners may either (x) require the removal of the General Partner from the Partnership, effective as of a date not less than 30 calendar days and not more than 60 calendar days from the date of notice to the General Partner of such removal, and the substitution of another Person as general partner of the Partnership, or (y) dissolve and liquidate the Partnership effective as of a date not less than 60 calendar days from the date of notice to the General Partner of such dissolution. Any removal pursuant to this clause (a) will be effected in accordance with the procedures set forth in Section 10.13.2, and any successor to the General Partner under sub-clause (x) above will be substituted prior to, or at the same time as, the removal of the General Partner. Any removal or dissolution under this Section 10.13.1 will result in the cancellation of the obligation of the Partners to make Capital Contributions for the acquisition of new Investments that are not then subject to a letter of intent or contractual or other legally binding commitment on behalf of the Partnership.

(b) For purposes of this Section 10.13.1, "Cause" means a finding by any court or governmental body of competent jurisdiction or an admission by the General Partner in a settlement of any lawsuit (x) of fraud, willful misconduct or gross negligence by the General Partner in connection with the performance of its duties under the terms of this Agreement, or (y) that the General Partner has committed a knowing and material breach of its duties under the terms of this Agreement, or the General Partner has committed a material violation of applicable United States federal securities laws in connection with their activities relating to the Partnership, in each case which has a material adverse effect on the business of the Partnership. The General Partner shall promptly give notice to the Limited Partners of the occurrence of any event constituting Cause of which the General Partner has actual knowledge.

(c) A cure of any event constituting Cause under this Section 10.13.1 must occur within 60 calendar days after a determination that such event constitutes Cause. An event of Cause shall be deemed to be cured if (x) the General Partner submits a plan to the Limited Partners describing the intended course of action of the General Partner and period of time required to cure the event constituting Cause, (y) the Limited Partners approve such plan prior to the expiration of the cure period, and (z) the General Partner actually cures the event of Cause in the manner contemplated by the plan and in the time period specified therein. The General Partner also shall be deemed to have cured any event of Cause if the General Partner terminates or causes the termination of employment with the Partnership of all individuals who engaged in the conduct constituting such Cause and makes the Partnership whole for any actual financial loss that such conduct caused the Partnership.

10.13.2 Purchase of General Partner's Interest. In connection with the removal of the General Partner under Section 10.13.1, the Partnership will purchase for cash the interest of the General Partner at a price equal to the amount the General Partner would be entitled to receive if all of the assets of the Partnership were liquidated, as of the date notice of removal is given to the General Partner. The purchase price for such interest will be determined within 30 calendar days from the date of such notice by an investment bank or valuation expert chosen by the

Advisory Committee and reasonably acceptable to the General Partner. Such purchase will occur on the date of removal of the General Partner.

10.13.3 Use of VHDCD Name. In connection with any removal of the General Partner pursuant to this Section 10.13 or otherwise, the name of the Partnership will be changed to omit reference to "VHDCD" and no further use of "VHDCD" or any derivations thereof will be permitted by the Partnership, the successor general partner or any other Person in relation to the activities of the Partnership.

11 Dissolution, Liquidation and Termination

11.1 Limitations. The Partnership may be dissolved, liquidated and terminated only pursuant to the provisions of this Article 119, and the Partners hereby irrevocably waive, to the fullest extent permitted by law, any and all other rights they may have to cause a dissolution of the Partnership or a sale or partition of any or all of the Partnership assets.

11.2 Exclusive Causes of Dissolution. The following and only the following events will cause the Partnership to be dissolved:

- (a) By the election of the General Partner;
- (b) The Incapacity or removal of the General Partner or the occurrence of any other event which causes the General Partner to cease to be a general partner of the Partnership;
- (c) Judicial dissolution;
- (d) By the election of the General Partner pursuant to Section 10.10.2(d);
- (e) At any time there are no Limited Partners, unless the business of the Partnership is continued in accordance with the Act; or
- (f) At the election of two thirds in interest of the Limited Partners pursuant to clause (y) of Section 10.13.1 (a).

Any dissolution of the Partnership other than as provided in this Section 11.2 will be a dissolution in contravention of this Agreement.

11.3 Effect of Dissolution. The dissolution of the Partnership will be effective on the day on which the event occurs giving rise to the dissolution, but the Partnership will not terminate until it has been wound up, its assets have been distributed as provided in Section 11.4 and its certificate of limited partnership has been cancelled by the filing of a certificate of cancellation with the Delaware Secretary of State.

11.4 Liquidation and Final Distribution of Proceeds. Upon the dissolution of the Partnership pursuant to Section 11.2, the Partnership will thereafter engage in no further business other than that which is necessary to wind up the business and the General Partner or, in the case of dissolution pursuant to Section 11.2(c), a liquidating trustee appointed by a Majority in Interest of the Limited Partners will liquidate in an orderly fashion all Securities and any other Partnership assets and distribute the cash proceeds therefrom.

The cash proceeds from the liquidation of Partnership assets will be applied or distributed by the Partnership in the following order:

(a) first, to the creditors of the Partnership (including, without limitation, the General Partner, to the extent it is owed any fees, reimbursements or payments), in satisfaction of liabilities of the Partnership (whether by payment or the making of reasonable provision for payment thereof) other than liabilities for distributions to Partners and former Partners pursuant to Sections 17-601 or 17-604 of the Act;

(b) second, to Partners and former Partners in satisfaction of liabilities, if any, for distributions pursuant to Sections 17-601, 17-604 or 17-606 of the Act; and as reasonable reserves therefor; and

(c) third, to the Partners in the same manner and amounts as distributions under Section 7.2, such distributions to be made by the end of the taxable year in which such liquidation occurs (or, if later, within 90 days after the date of the liquidation).

Notwithstanding the foregoing, in the event that the General Partner determines that a sale of all or any portion of the Securities or other assets of the Partnership would not be in the best interests of the Partners, the General Partner, to the extent not then prohibited by the Act, may distribute such Securities or other assets of the Partnership to the Partners in kind.

12 Miscellaneous

12.1 Partnership Advisers. The Partnership and the General Partner are not represented by separate counsel. The attorneys, accountants and other experts who perform services for the Partnership also perform services for the General Partner, and the attorneys, accountants and other experts who perform services for the General Partner, may also perform services for the Partnership. It is contemplated that such dual representation will continue. The Limited Partners acknowledge that (i) counsel for the Partnership and the General Partner are not representing the Limited Partners in connection with the Partnership or this Agreement and (ii) the continued representation of the Partnership and the General Partner by such counsel will not be deemed to be the representation by such counsel of any Limited Partner.

12.2 Appointment of General Partner as Attorney-in-Fact

12.2.1 Appointment. Each Limited Partner, by its execution of this Agreement, irrevocably constitutes and appoints the General Partner as its true and lawful attorney-in-fact with full power and authority in its name, place and stead to execute, acknowledge, deliver, swear to, file and record at the appropriate public offices the following documents:

(a) All Certificates and other instruments, and all amendments thereto, which the General Partner deems appropriate to form, qualify, continue or otherwise operate the Partnership as a limited partnership (or other entity permitted hereunder) in accordance with this Agreement, in the Commonwealth of Virginia and the jurisdictions in which the Partnership may conduct business or in which such formation, qualification or continuation is, in the opinion of

the General Partner, necessary or desirable to protect the limited liability of the Limited Partners.

(b) All amendments to this Agreement adopted in accordance with the terms hereof, and all instruments which the General Partner deems appropriate to reflect a change or modification of the Partnership in accordance with the terms of this Agreement.

(c) All conveyances of Partnership assets and other instruments which the General Partner reasonably deems necessary in order to complete a dissolution, winding up and termination of the Partnership pursuant to this Agreement.

12.2.2 Coupled with an Interest. The appointment by all Limited Partners of the General Partner as attorney-in-fact will be deemed to be a power coupled with an interest, in recognition of the fact that each of the Partners under this Agreement will be relying upon the power of the General Partner to act as contemplated by this Agreement in any filing and other action by it on behalf of the Partnership, will survive the disability or Incapacity of any Person hereby giving such power, and the transfer or assignment of all or any portion of the Interest of such Person in the Partnership, and will not be affected by the subsequent Incapacity of the principal. In the event of the assignment by a Partner of all of its Interest in the Partnership, the foregoing power of attorney of an assignor Partner will survive such assignment until such Partner has withdrawn from the Partnership pursuant to Section 10.8.

12.3 Amendments

12.3.1 By the General Partner. In addition to other amendments authorized herein, amendments may be made to this Agreement from time to time by the General Partner: (a) to cure any ambiguity or defect, to correct or supplement any provision herein which may be inconsistent with any other provision herein or to add any other provision with respect to matters or questions arising under this Agreement that are not inconsistent with the provisions of this Agreement, so long as none of the foregoing amendments adversely affect the Limited Partners in any material respect; (b) to delete or add any provision of this Agreement required to be so deleted or added by any foreign, federal or state official, which addition or deletion is deemed by such official to be for the benefit or protection of one or more Partners so long as such addition or deletion does not adversely affect the Limited Partners in any material respect; (c) to take such actions as may be necessary to ensure that the Partnership will be treated as a partnership, and not a publicly traded partnership, for United States federal income tax purposes; (d) to amend this Agreement, pursuant to the power of attorney granted to the General Partner, to reflect the admission of any Substitute Limited Partner; (e) to reflect on the Schedule of Partners the admission of any Substitute Limited Partner; and (f) to modify Section 11.6.

12.3.2 Filings. In making any amendments, there will be prepared and filed by, or for, the General Partner such documents and certificates as may be required under the Act and under the laws of any other jurisdiction applicable to the Partnership.

12.4 Jurisdiction, etc. Each Partner hereby submits to the jurisdiction of any state or federal court sitting in or having jurisdiction for the City of Suffolk in the Commonwealth of Virginia in any action or proceeding arising out of or relating to this Agreement or the transactions contemplated herein.

Each Partner that is not a United States Person hereby unconditionally appoints Virginia Housing and Community Development Corporation, 445 N. Main Street, #1574, Suffolk, Virginia 23439-0016, as its agent to receive on its behalf service of copies of the summons and complaint and any other process issued out of or relating to any proceedings before any court in the United States by delivery of a copy of such process to the process agent at such address. Any final judgment against a Partner in any proceedings brought in the United States will, to the fullest extent permitted by law, be conclusive and binding upon such Partner and may be enforced against such Partner in the courts of any other jurisdiction. Nothing in this Section 12.4 limits the rights of the Partnership to commence any proceedings or to serve process by another manner permitted by law in any other court of competent jurisdiction; nor will the bringing or continuing of proceedings in one or more jurisdictions preclude the bringing or continuing of proceedings in any other jurisdiction, whether concurrently or otherwise. Each Partner's obligation under this Section 12.4 will survive the dissolution, liquidation, winding up and termination of the Partnership.

12.5 Entire Agreement. This Agreement, together with the Subscription Agreement, and any other agreement between the General Partner and any other party hereto relating to the subject matter hereof, constitutes the entire agreement between the parties hereto pertaining to the subject matter hereof and fully supersedes any and all prior or contemporaneous agreements or understandings between the parties hereto pertaining to the subject matter hereof.

12.6 Further Assurances. Each of the parties hereto covenants and agrees on behalf of itself, its successors and its assigns, without further consideration, to prepare, execute, acknowledge, file, record, publish and deliver such other instruments, documents and statements, and to take such other action, as may be required by law or reasonably necessary to effectively carry out the purposes of this Agreement.

12.7 Notices

12.7.1 Any notice, consent, payment, demand or communication required or permitted to be given by any provision of this Agreement shall be in writing and shall be (a) delivered personally to the Person or to an officer of the Person to whom the same is directed, (b) sent by facsimile, overnight courier or registered or certified mail, return receipt requested, postage prepaid, addressed as follows: if to the Partnership, to the Partnership at the address set forth in Section 1.3 of the Fund Agreement, or to such other address as the Partnership may from time to time specify by written notice to the Partners; and if to a Partner, to such Partner at the address set forth on the Schedule of Partners, or to such other address as such

Partner may from time to time specify by written notice to the Partnership. Any such notice shall be deemed to be delivered, given and received for all purposes as of: (i) the date so delivered, if delivered personally; (ii) upon receipt, if sent by facsimile or overnight courier; or (iii) on the date of receipt or refusal indicated on the return receipt, if sent by registered or certified mail, return receipt requested, postage and charges prepaid and properly addressed.

12.7.2 The General Partner may provide any notice, report, request, demand, consent or other communication to a Limited Partner by sending an email to such Limited Partner notifying it of such posting, unless such Limited Partner has elected in the Subscription Agreement not to receive notices, reports, requests, demands or other communications electronically.

12.8 Governing Law. This Agreement, including its existence, validity, construction and operating effect, and the rights of each of the parties hereto, shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia without regard to otherwise governing principles of conflicts of law.

12.9 Binding Effect. Except as otherwise expressly provided herein, this Agreement shall be binding on and inure to the benefit of the parties hereto, their heirs, executors, administrators, successors and all other Persons hereafter holding, having or receiving an interest in the Partnership, whether as Assignees, Substitute Limited Partners or otherwise.

12.10 Severability. In the event that any provision of this Agreement as applied to any party or to any circumstance shall be adjudged by a court to be void, unenforceable or inoperative as a matter of law, then the same shall in no way affect any other provision in this Agreement, the application of such provision in any other circumstance or with respect to any other party or the validity or enforceability of the Agreement as a whole.

12.11 Confidentiality

12.11.1 Each Partner agrees that the provisions of this Agreement, all understandings, agreements and other arrangements between and among the parties hereto and all other nonpublic information received from, or otherwise relating to, the Partnership, any Partner, any Portfolio Investment, or any of its Affiliates shall be confidential, and will use its best efforts not to disclose or otherwise release to any other Person such confidential matters without the written consent of the General Partner, except that: (i) any such confidential matters may be disclosed solely to the directors, officers, partners, employees, advisors, counsel or agents of a Partner or any of its Affiliates who need to know such information for the purpose of monitoring the Partner's participation in the Partnership or the relevant Investment (it being understood that such Partner will inform such Persons of the confidential nature of such information, will direct and cause them to agree to treat such information in accordance with the terms hereof and will be liable for any breach of this Section 12.11 by any such Person); (ii) a Partner may provide such confidential matters if required by law or in response to legal process, applicable governmental regulations or governmental agency request, but only that portion of such confidential matters which, in the written opinion of counsel for such Partner, is

required or would be required to be furnished to avoid liability for contempt or the suffering of other material judicial or governmental penalty or censure, provided that such Partner (other than the General Partner) notifies the Partnership of its obligation to provide such confidential matters prior to disclosure (unless notification is prohibited by applicable law, regulation or court order) and such Partner fully cooperates to protect the confidentiality of such confidential matters, and provided further that any Bank Regulated Partner (or bank trustee of an ERISA Limited Partner, if relevant) may provide such confidential matters in connection with regular and recurring examinations by banking regulatory authorities having jurisdiction over it, and will not be required to provide the opinion and notice otherwise required by this clause (ii), but will inform such authorities of the confidential nature of the information being disclosed; (iii) a Partner may provide such confidential matters to another Partner; (iv) a Partner may disclose such confidential matters in connection with enforcing its rights under this Agreement, but only to the extent such disclosure is necessary, in the opinion of counsel to such Partner, to the enforcement of such rights; and (v) a Partner (and each employee, representative or other agent of such Partner) may disclose to any and all Persons, without limitation of any kind, the U.S. federal income tax treatment and tax structure of the Partnership and any of its transactions, it being understood that "tax treatment" and "tax structure" as used herein do not include (1) the name or any other identifying information of the Partnership, any existing or future investor (or any affiliate thereof) in the Partnership or any transaction or investment entered into by the Partnership, (2) any performance information relating to the Partnership or its investments and (3) any performance or other information relating to previous investments sponsored by the General Partner. The obligations of the Partners under this Section 12.11 will not apply to information already known to the general public other than as a result of a breach of this covenant.

12.11.2 Notwithstanding the confidentiality requirements of Section 12.11.1, a Limited Partner that is a Governmental Plan (or comparable foreign governmental entity) may disclose publicly (including by posting on its website) a table that lists the Partnership along with the other private equity funds in which such Limited Partner has invested.

12.11.3 Notwithstanding the confidentiality requirements of Section 12.11.1, a Limited Partner that is a fund-of-funds or similar type of collective investment vehicle may disclose to its investors summary financial information relating to the Partnership, but only if the organizational documents of such Limited Partner contain confidentiality covenants with respect to such information and such disclosure is made pursuant and subject to such covenants.

12.12 Counterparts. This Agreement may be executed in any number of multiple counterparts, each of which shall be deemed to be an original copy and all of which shall constitute one agreement, binding on all parties hereto.

12.13 Waivers No waiver by any Partner of any default or breach with respect to any provision, condition or requirement hereof shall be deemed to be a waiver of any other

provision, condition or requirement hereof; nor shall any delay or omission of any Partner to exercise any right hereunder in any manner impair the exercise of any such right accruing to it hereafter.

12.14 Preservation of Intent. If any provision of this Agreement is determined by an arbitrator or any court having jurisdiction to be illegal or in conflict with any laws of any state or jurisdiction, then the Partners agree that such provision shall be modified to the extent legally possible so that the intent of this Agreement may be legally carried out. If any one or more of the provisions contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect or for any reason, then the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired or affected, it being intended that all of the Partners' rights and privileges shall be enforceable to the fullest extent permitted by law.

12.15 Certain Rules of Construction. Any ambiguities shall be resolved without reference to which party may have drafted this Agreement. All Article or Section titles or other captions in this Agreement are for convenience only, and they shall not be deemed part of this Agreement and in no way define, limit, extend or describe the scope or intent of any provisions hereof. Unless the context otherwise requires: (a) a term has the meaning assigned to it; (b) an accounting term not otherwise defined has the meaning assigned to it in accordance with generally accepted auditing standards in the United States; (c) "or" is not exclusive; (d) words in the singular include the plural, and words in the plural include the singular; (e) provisions apply to successive events and transactions; (f) "herein," "hereof" and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision; (g) all references to "clauses," "Sections" or "Articles" refer to clauses, Sections or Articles of this Agreement; and (h) any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms.

To the fullest extent permitted by law and notwithstanding any other provisions of this Agreement or in any agreement contemplated herein or applicable provisions of law or equity or otherwise, whenever in this Agreement a Person is permitted or required to make a decision or a determination (i) in its "discretion" or "sole discretion" or under a grant of similar authority or latitude, the Person will be entitled to consider any interests and factors as it desires, including its own interests, or (ii) in its "good faith" or under another express standard, the Person will act under such express standard and will not be subject to any other or different standards, or (iii) and no standard is expressed, the Person will apply relevant provisions of this Agreement in making such decision or determination.

12.16 No Third Party Beneficiary. This Agreement is entered into for the sole and exclusive benefit of the General Partner and the Limited Partners, and their permitted successors and assigns, and no other Person will have any rights hereunder.

12.17 Other Agreements. Notwithstanding the provisions of this Agreement, it is hereby acknowledged and agreed that the General Partner on its own behalf or on behalf of the Partnership without the approval of any Limited Partner or any other Person may enter into a similar agreement with any Limited Partner. Neither the Partnership nor the General

Partner will enter into any such agreement that has the effect of providing such Limited Partner with economic benefits (including with respect to allocations, distributions and fees) that are more favorable in any material respect than the economic benefits provided to Limited Partners generally by this Agreement, unless the General Partner offers to each of the other Limited Partners the opportunity to receive such benefits.

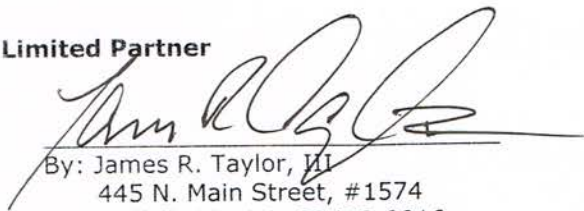
In Witness Whereof, the parties hereto have duly executed this Agreement as of the day and year first written above.

General Partner



By: Katrina S. Taylor, Vice President
Virginia Housing and Community
Development Corporation
445 N. Main Street, #1574
Suffolk, Virginia 23439-0016

Limited Partner



By: James R. Taylor, III
445 N. Main Street, #1574
Suffolk, Virginia 23439-0016

VHCDC Community Investment Partners, L.P.
Limited Partner Interests

Subscription Booklet

If you decide not to participate in the Limited Partnership, please return this Subscription Booklet (together with the Partnership Agreement, and all related documents to the Partnership at the address contained herein.

INSTRUCTIONS

This Subscription Booklet relates to the offering of limited partner interests (the "Interests") in VHDC Community Investment Partners, L.P., a Virginia limited partnership (the "Partnership"). Investors shall be required to make a minimum Commitment (as defined in the Partnership Agreement of the Partnership described herein) of \$1,000, unless Virginia Housing and Community Development Corporation, a Virginia non-stock corporation, (the "General Partner"), as the General Partner of the Partnership, decides, in its sole discretion, to accept Commitments of lesser amounts. As more fully described in the Partnership Agreement, investors shall become limited partners of the Partnership and shall make capital contributions to the Partnership in accordance with the Partnership Agreement (as amended from time to time).

This Subscription Booklet contains the materials necessary for you to apply to become a limited partner of the Partnership:

1. Subscription Agreement
2. Prospective Investor Questionnaire
3. Signature Page to the Subscription Agreement and Prospective Investor Questionnaire (two copies)

Each prospective investor should read the Partnership Agreement and Subscription Agreement and then complete the appropriate portion of the Prospective Investor Questionnaire and execute the Signature Pages to the Subscription Agreement and Prospective Investor Questionnaire contained herein. The instructions to the Prospective Investor Questionnaire will inform you of the parts thereof that you are required to complete.

Please return the entire Prospective Investor Questionnaire and the Signature Pages to the Subscription Agreement and Prospective Investor Questionnaire, your Capital Contribution, and any additional required documents described in the Prospective Investor Questionnaire to the Partnership at the address indicated below. **FAILURE TO COMPLY WITH THE INSTRUCTIONS CONTAINED HEREIN SHALL CONSTITUTE AN INVALID SUBSCRIPTION THAT MAY RESULT IN THE REJECTION OF YOUR SUBSCRIPTION REQUEST.**

Please send all executed documents to:

VHDC Community Investment Partners, L.P.
Virginia Housing and Community Development Corporation
445 N. Main Street, #1574
Suffolk, VA 23439-0016
T: 866.931.5760
F: 866.931.5843
E: info@vhcdc.org

THE GENERAL PARTNER, IN ITS SOLE DISCRETION, MAY ACCEPT OR REJECT ANY SUBSCRIPTION (WHICH INCLUDES THE COMMITMENT APPLIED FOR BY THE UNDERSIGNED AND SET FORTH ON THE SIGNATURE PAGE HERETO) IN WHOLE OR IN PART.

THE INTERESTS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OR UNDER THE SECURITIES LAWS OF ANY STATE OR FOREIGN JURISDICTION AND MAY NOT BE SOLD OR TRANSFERRED WITHOUT COMPLIANCE WITH APPLICABLE FEDERAL, STATE AND FOREIGN SECURITIES LAWS. IN ADDITION, TRANSFER OR OTHER DISPOSITION OF THE INTERESTS IS RESTRICTED AS PROVIDED IN THE PARTNERSHIP AGREEMENT.

SUBSCRIPTION AGREEMENT

VHCDC Community Investment Partners, L.P.
c/o: Virginia Housing and Community Development Corporation
445 N. Main Street, #1574
Suffolk, VA 23439-0016

Ladies and Gentlemen:

1. The Subscriber named on the signature page to this Subscription Agreement (the "Subscriber") hereby applies to become a limited partner of VHCDC Community Investment Partners, L.P., a Virginia limited partnership (the "Partnership"). Capitalized terms used in this Subscription Agreement and not otherwise defined in this Subscription Agreement shall have the meanings assigned to them in the Partnership Agreement.

2. (a) To the fullest extent permitted by law, the Subscriber hereby irrevocably subscribes for a limited partner interest in the Partnership (an "Interest") with a Commitment as set forth on the Subscriber's signature page hereto (subject to reduction as provided in Section 3 below). To the fullest extent permitted by law, the Subscriber understands that it is not entitled to cancel, terminate or revoke this subscription or any agreements of the Subscriber hereunder.

(b) The Subscriber acknowledges and agrees that it shall be obligated to pay the amount of its Commitment in such increments, at such times and in such manner as determined by the General Partner pursuant to the Partnership Agreement.

3. The Subscriber acknowledges and agrees that the General Partner, on behalf of the Partnership, reserves the right, in its sole discretion, to accept or reject this subscription for an Interest (which includes the Commitment applied for by the Subscriber and set forth on the signature page hereto) for any reason or no reason, in whole or in part, at any time prior to acceptance thereof, notwithstanding execution of this Subscription Agreement by or on behalf of the Subscriber.

4. The Subscriber acknowledges that the General Partner shall notify the Subscriber in writing as to the acceptance, in whole or in part, or rejection of the Subscriber's subscription for an Interest. An Interest shall not be deemed to be sold or issued to, or owned by, the Subscriber until the date that the Subscriber's subscription is accepted by the General Partner acting on behalf of the Partnership (notice of which shall be given promptly in writing to the Subscriber). The Subscriber agrees that the General Partner reserves the right, in its sole discretion, to admit the Subscriber to the Partnership either on the initial Closing Date or on the date of any subsequent Closing Date (as defined below) following the initial Closing Date (a "Subsequent Closing Date"). For purposes of this Agreement, "Closing Date" means the date, if any, on which the Subscriber is admitted as a Limited Partner to the Partnership.

5. If this subscription is rejected in full, or in the event the closing applicable to the Subscriber does not occur (in which event this subscription shall be deemed to be rejected), this Subscription Agreement shall thereafter have no force or effect. If so rejected, the Partnership shall return to the Subscriber, without interest or deduction, any payment tendered by the Subscriber, if any, and the Partnership and the Subscriber shall have no further obligation to each other hereunder.

6. The Subscriber agrees to furnish to the General Partner all information that the General Partner has requested in this Subscription Agreement (and in the Prospective Investor Questionnaire attached hereto and forming a part of this Subscription Agreement), or may hereafter reasonably require.

7. The Subscriber hereby represents and warrants to, and agrees with, the General Partner and the Partnership that the following statements are true as of the date hereof and shall be true and correct as of the Closing Date applicable to the Subscriber:

(a) The Subscriber is acquiring the Interest for its own account, solely for investment purposes and not with a view to, or for resale in connection with, the distribution thereof in violation of the Securities Act. The Subscriber is not obligated to sell or transfer the Interest purchased hereunder pursuant to any binding agreement, undertaking or arrangement and the Subscriber has no current plan or intention to sell or otherwise dispose of the Interest in any transaction that could be integrated with the purchase and sale of Interests contemplated by this Subscription Agreement;

(b) The Subscriber acknowledges that (i) the offering and sale of Interests have not been and shall not be registered under the Securities Act and are being made in reliance upon federal and state exemptions for transactions not involving a public offering and (ii) the Partnership shall not be registered as an investment company under the Investment Company Act;

(c) The Subscriber (either alone or together with any advisors retained by such person in connection with evaluating the merits and risks of prospective investments) has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of purchasing an Interest and is able to bear the economic risk of such investment, including a complete loss. The Subscriber understands that (i) the Interest has not been and shall not be registered under the Securities Act or the securities laws of any U.S. state and accordingly may not be offered, sold, transferred or pledged unless the Interests are duly registered under the Securities Act and all other applicable securities laws or such offer or sale is made in accordance with an exemption from registration, (ii) substantial restrictions shall exist on transferability of the Interest, (iii) no market for resale of any Interest exists or is expected to develop, (iv) the Subscriber may not be able to liquidate its investment in the Partnership, and (v) any instruments representing an Interest may bear legends restricting transfer thereof;

(d) The Subscriber understands that the Interests are not offered and will not be sold in non-U.S. jurisdictions and that the General Partner will reject applications from non-U.S. jurisdictions. The Subscriber understands that the offering and sale of Interests may be subject to additional restrictions and limitations and warrants that it is acquiring its Interest in compliance with all laws, rules, regulation, and other legal requirements applicable to the Subscriber in the jurisdiction which the Subscriber is resident and in which such acquisition is being consummated;

(e) The Subscriber has been furnished with, and has carefully read, the Partnership Agreement and has been given the opportunity to (i) ask questions of, and received answers from, the General Partner concerning the terms and conditions of the offering and other matters pertaining to an investment in the Partnership and (ii) obtain any additional information which the General Partner can acquire without unreasonable effort or expense that is necessary to evaluate the merits and risks of an investment in the Partnership. In considering a subscription of Interests, the Subscriber has not relied upon any representations made by, or other information (whether oral or written) furnished by or on behalf of, the Partnership or the General Partner or any officer, employee, agent or Affiliate of either thereof, other than as set forth in the Partnership Agreement. The Subscriber has carefully considered and has, to the extent

it believes such discussion necessary, discussed with legal, tax, accounting and financial advisors the suitability of an investment in the Partnership in light of its particular tax and financial situation, and has determined that the Interests being subscriber for it hereunder are a suitable investment;

(f) The Subscriber, if it is a corporation, limited liability company, trust, partnership or other entity, is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and the execution, delivery and performance by it of this Subscription Agreement and the Partnership Agreement are within its powers, have been duly authorized by all necessary corporate or other action on its behalf, require no action by or in respect of, or filing with, any government body, agency or official (except as disclosed in writing to the General Partner) and do not and shall not contravene, or constitute a default under, any provision or applicable law or regulation or of its certificate of incorporation or other comparable organizational documents or any agreement, judgment, injunction, order, decree or other instrument to which the Subscriber is a party or by which the Subscriber or any of the Subscriber's properties is bound. The signature on the signature page of this Subscription Agreement is genuine, and the signatory has been duly authorized to execute the same, and this Subscription Agreement constitutes, and the Partnership Agreement, when executed and delivered by the General Partner on Subscriber's behalf, shall constitute, a valid and binding agreement of the Subscriber, enforceable against the Subscriber in accordance with its terms;

(g) If the Subscriber is a natural person, the execution, delivery and performance by such person of this Subscription Agreement and the Partnership Agreement are within such person's legal right, power and capacity, require no action by or in respect of or filing with, any governmental body, agency or official (except as disclosed in writing to the General Partner) and do not and shall not contravene, or constitute default under, any provision of applicable law or regulation or of any agreement, judgment, injunction, order, decree or other instrument to which such person is a party or by which such person or any of such person's properties are bound. The signature on the signature page of the Subscription Agreement constitutes, and the Partnership Agreement when executed and delivered by the General Partner on the Subscriber's behalf shall constitute, a valid and binding agreement of the Subscriber, enforceable against the Subscriber in accordance with its terms;

(h) Unless otherwise indicated in the Prospective Investor Questionnaire, the Subscriber is not a participate-directed defined contribution plan (such as a 401(k) plan), or a partnership or other investment vehicle (i) in which its partners or participants have or shall have any discretion as to their level of investment in the Subscriber or in investments made by the Subscriber (including the Subscriber's investment in an Interest), or (ii) that it is otherwise an entity managed to facilitate the individual decisions of its beneficial owners to invest in the Partnership;

(i) If the Subscriber is a private investment company exempt from registration under the Investment Company Act pursuant to Section 3(c)(1), 3(c)(7) or 7(d) thereunder, unless otherwise indicated in the Prospective Investor Questionnaire, the Subscriber's Interest constitutes, and after the Closing Date applicable to the Subscriber shall continue to constitute, less than 40% of each of the Subscriber's total assets and committed capital;

(j) Unless otherwise disclosed in writing to the General Partner, the Subscriber is not a registered investment company under the Investment Company Act, is not required to register as an investment company under the Investment Company Act and is not a business development company as defined in the Advisers Act;

(k) If the subscriber is purchasing its Interests with funds that constitute, directly or indirectly, the assets of an employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended from time to time (“ERISA”) or Section 4975 of the Internal Revenue Code of 1986, as amended from time to time (the “Code”), it acknowledges that the subscriber (and, as applicable, any person responsible for the decision to purchase an Interest) has evaluated for itself the merits of such investment, is qualified to make such investment decision and, to the extent it deems necessary, has consulted its own investment advisors and legal counsel regarding the purchase of an Interest and it has not solicited and has not received from the General Partner or any director, officer, employee, agent or Affiliate thereof, any evaluation or other investment advice on any basis in respect of the advisability of a subscription for an Interest in light of the plan’s assets, cash needs, investment policies or strategy, overall portfolio composition or plan for diversification of assets and it is not relying and has not relied on the General Partner or any director, officer, employee, agent or Affiliate thereof for any such advice. The Subscriber represents that, based upon the assumption that the assets of the Partnership do not constitute “plan assets” under Title I of ERISA or Section 4975 of the Code, neither the execution and delivery of this Subscription Agreement nor the purchase of the Subscriber’s Interest in the Partnership constitutes a prohibited transaction under Section 406 of ERISA or 4975 of the Code for which an exemption is not available. If the Subscriber is subject to Part 4 of Subtitle B of Title I of ERISA, the Subscriber acknowledges that neither the General Partner nor any of its Affiliates is a “fiduciary” (within the meaning of ERISA) of the Subscriber in connection with the Subscriber’s purchase of Interests.

(l) Unless otherwise indicated, the Subscriber is not a “Beneficial Plan Investor” as defined under section 3(42) of ERISA and any regulations thereunder. The Subscriber agrees to promptly notify the General Partner in writing if there is any change in the percentage of the Subscriber’s assets that are treated as “plan assets” for the purpose of Section 3(42) of ERISA and any regulations promulgated thereunder.

(m) If the Subscriber is an insurance company and is investing assets of its general account (or the assets of a wholly-owned subsidiary of its general account) in the Partnership, then, unless otherwise indicated, such assets underlying the general account do not constitute “plan assets” (within the meaning of Section 401(c) of ERISA). The Subscriber agrees to promptly notify the General Partner in writing if there is any change in the percentage of the general account’s assets that constitute “plan assets” (within the meaning of Section 401(c) of ERISA).

(n) If the Subscriber is a corporation, limited liability company, trust, or partnership, the Subscriber represents and warrants that it is not aware of any laws, foreign or otherwise, that might restrict its ability to make capital contributions pursuant to the Partnership Agreement.

(o) The Subscriber (i)(A) is subscribing for Interests solely for its own account, own risk and own beneficial interest, (B) if it is an entity, including without limitation, a fund-of-funds, trust, pension plan or any other entity that is not a natural person (each, an “Entity”), has carried out thorough due diligence as to, and established the identities of, such Entity’s Related Persons, holds the evidence of such identities and shall maintain all such evidence for at least 7 years from the date of the completion of the liquidation of the Partnership, and shall make such information available to the Partnership and the General Partner upon the General Partner’s reasonable request, and (C) does not have the intention or obligation to sell, pledge, distribute, assign or transfer all of a portion of the Interests to any other person (whether directly or indirectly), including without limitation, through any option, swap, forward or any other hedging or derivative transaction), or (ii)(A) is subscribing for Interests as a record owner and shall not have a beneficial ownership interest in the Interests, (B) is acting as an agent, representative, intermediary, nominee or in a similar capacity for one or more natural persons, Entities, nominee accounts or beneficial

owners (each such person or Entity, if any, for whom the Subscriber acts as agent, representative, intermediary, nominee or in a similar capacity, an “Underlying Beneficial Owner”), and understands and acknowledges that the representations, warrants and agreements made in this Subscription Agreement are made by the Subscriber with respect to both the Subscriber and each such Underlying Beneficial Owner, (C) has all requisite power and authority from each such Underlying Beneficial Owner to execute and perform the obligations under this Subscription Agreement, (D) has carried out thorough due diligence as to, and established the identity of, each such Underlying Beneficial Owner (and, if an Underlying Beneficial Owner is not a natural person, the identities of such Underlying Beneficial Owner’s Related Persons (to the extent applicable)), holds the evidence of such identities and shall maintain such evidence for at least 7 years from the date of the completion of the liquidation of the Partnership and shall make such information available to the Partnership and the General Partner upon the General Partner’s reasonable request, and (E) does not have the intention or obligation to sell, pledge, distribute, assign or transfer all or a portion of the interests to any person (whether directly or indirectly, including without limitation, through any option, swap, forward or any other hedging or derivative transaction) other than any such Underlying Beneficial Owner.

(p) If the Subscriber is a grantor trust, S Corporation or entity treated as a partnership for U.S. federal income tax purposes, (i) at no time during the term of the Partnership shall substantially all of the value of a beneficial owner’s interest in the Subscriber (directly or indirectly) be attributable to the Subscriber’s ownership of the Interest, or (ii) the Subscriber does not have, in acquiring the Interest, a principal purpose of permitting the Partnership to satisfy the 100 partner limitation in Treasury Regulations Section 1.7704-1(h)(1), and, to the best of the Subscriber’s knowledge, no beneficial owner has such a principal purpose.

(q) The proposed investment in the Partnership by the Subscriber or any Underlying Beneficial Owner, as the case may be, shall not directly or indirectly contravene anti-money laundering laws, rules and regulations (a “Prohibited Investment”) and no capital contribution to the Partnership by such Subscriber or, if applicable, any Underlying Beneficial Owner” shall be derived from any illegal or illegitimate activities. The Subscriber does not know or have any reason to suspect that the proceeds from the Subscriber’s investment in the Interests will be used to finance any illegal activities.

(r) The Subscriber understands that federal regulations and executive orders administered by the United States Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) prohibit, among other things, the engagement of transactions with, and the provision of services to, certain foreign countries, territories, entities and individuals. The Subscriber further represents and warrants that none of the Subscriber, any of its Affiliates, or, if applicable, any Underlying Beneficial Owner or Related Person, is a country, territory, person or entity named on an OFAC list, and none of the Subscriber, any of its Affiliates, or, if applicable, any Underlying Beneficial Owner or Related Person, is a natural person or Entity with whom dealings are prohibited under any OFAC regulation.

(s) Neither the Subscriber nor, if applicable, any Underlying Beneficial Owner or Related Person, is, receives deposits from, makes payments to or conducts transactions relating to a foreign bank without a physical presence in any country other than a foreign bank that (i) is an Affiliate of a depository institution, credit union or foreign bank that maintains a physical presence in the United States or a foreign country, as applicable, (ii) is subject to supervision by a banking authority in the country regulating such affiliated depository institution, credit union, or foreign bank (each, a “Regulated Affiliate”), (iii) has a fixed address, other than an electronic address or a post office box, in a country in which it is authorized to conduct banking activities, (iv) employs one or more individuals on a full-time basis, (v) maintains operating records related to its banking activities, and (vi) does not provide banking services to

any other foreign bank that does not have a physical presence in any country and that is not a Regulated Affiliate.

(t) The Subscriber acknowledges and agrees that, notwithstanding anything to the contrary contained in any document (including the Partnership Agreement, and side letters or similar agreements) if, following the Subscriber's investment in the Partnership, the General Partner believes that the investment is or has become a Prohibited Investment or if otherwise required by Law, the General Partner on behalf of the Partnership may be obligated to "freeze the account" of the Subscriber, either by (i) prohibiting additional capital contributions, (ii) restricting any distributions, (iii) declining any requests to transfer the Subscriber's interest, and/or (iv) segregating the assets in the Subscriber's account in compliance with governmental regulations. In addition, in any such event, the Subscriber (A) may forfeit its interest, (B) may be forced to withdraw from the Partnership or may otherwise be subject to the remedies required by law, (C) to the fullest extent permitted by law, the Subscriber shall have no claim against any Indemnified Party (as such term is defined in the Partnership Agreement) for any form of damages as a result of any of the actions described in this paragraph, and (D) shall promptly pay or reimburse the Partnership and the General Partner for any and all expenses incurred by the Partnership or the General Partner in connection with any such actions (which such payment shall not be deemed a capital contribution). The Partnership may also be required to report such action and to disclose the Subscriber's identity or provide other information with respect to the Subscriber to OFAC or other governmental entities.

(u) Except as otherwise disclosed to the General Partner in writing: (i) neither the Subscriber nor, if applicable, any Underlying Beneficial Owner or Related Person, is resident in, or organized or chartered under the laws of, (A) a jurisdiction that has been designed by the Secretary of the Treasury under Section 311 or 312 of the Uniting and Strengthening America by Providing Appropriate Tools Required to Interrupt and Obstruct Terrorism Act of 2001 (the "PATRIOT Act") as warranting special measures due to money laundering concerns, or (B) any foreign country that has been designated as non-cooperative with international anti-money laundering principles or procedures by an intergovernmental group or organization, such as the Financial Action Task Force on Money Laundering, of which the United States is a member and with which designation the United States representative to the group or organization continues to concur (a "Non-Cooperative Jurisdiction"), (ii) the subscription funds of the Subscriber and, if applicable, any Underlying Beneficial Owner, do not originate from and shall not be routed through, an account maintained at (A) a Foreign Shell Bank, (B) a foreign bank (other than a Regulated Affiliate) that is barred, pursuant to its banking license, from conducting banking activities with the citizens of, or with the local currency of, the country that issued the license, or (C) a bank organized or chartered under the laws of a Non-Cooperative Jurisdiction, and (iii) neither the Subscriber nor, if applicable, any Underlying Beneficial Owner or Related Person, is a senior political figure, or any immediate family member or close associate of a senior foreign political figure, in each case within the meaning of the PATRIOT Act.

(v) The Subscriber agrees to promptly notify the Partnership should the Subscriber becomes aware of any change in the information set forth in paragraphs (a) through (u) of this Section 7.

(w) The Subscriber understands that legal counsel to the Partnership, the General Partner and to any of their respective Affiliates shall not be representing the Subscriber, or any other investor in the Partnership, and no independent counsel has been retained to represent the Subscriber or any other investor in the Partnership.

(x) The Subscriber understands and agrees that any distribution paid to it by the Partnership shall be paid to, and any contributions made by it to the Partnership shall be made from, an account in the Subscriber's name unless the General Partner, in its sole discretion, agrees otherwise.

(y) The Subscriber agrees to provide any information requested by the General Partner which the General Partner reasonably believes shall enable the Partnership to comply with all applicable anti-money laundering laws, rules and regulations, including any laws, rules and regulations applicable to an investment held or proposed to be held by the Partnership and information related to the Subscriber necessary to allow the Partnership to comply with any tax reporting, tax withholding or tax payment obligations of the Partnership or to establish the Partnership's, and Alternative Investment Vehicle's or any Portfolio Company's legal entitlement to an exemption from, or reduction of, withholding tax including U.S. federal withholding tax under Section 1471 and 1472 of the Code. The Subscriber understands and agrees that the Partnership may release confidential information about the Subscriber and, if applicable, and Underlying Beneficial Owner or Related Person to any person, if the General Partner, in its sole discretion, determines that such disclosure is in the best interests of the Partnership in light of relevant laws, rules and regulations concerning Prohibited Investments.

(z) The Subscriber acknowledges and agrees that: (i) the Partnership has only recently been formed and has no financial or operating history; (ii) Virginia Housing and Community Development Corporation (the "Management Company"), shall receive compensation in connection with the management of the Partnership; (iii) neither the General Partner, the Management Company, nor any of their respective Affiliates has acted as or is an agent or employee of or has advised the Subscriber in connection with the investment in the Partnership by the Subscriber; and, (iv) no federal, state, local or foreign agency has passed upon the Interests or made any finding or determination as to the fairness of the Subscriber's investment.

(aa) The Subscriber has read carefully and understands the privacy policy of the Partnership.

(bb) The foregoing representations, warranties and agreements shall survive the Closing Date applicable to the Subscriber.

8. Unless otherwise agreed by the General Partner in writing, the Subscriber shall, to the fullest extent permitted by applicable law, indemnify each Indemnified Party and the Partnership against any losses, claims, damages or liabilities to which any of them may become subject in any capacity in any action, proceeding or investigation arising out of or based upon any false representation or warranty, or breach or failure by the Subscriber to comply with any covenant or agreement made by the Subscriber herein, or in any other document furnished to the general Partner or the Partnership by the Subscriber in connection with the offering of the Interests. The Subscriber shall reimburse each Indemnified Party and the Partnership for legal and other expenses (including, without limitation, the cost of any investigation and preparation) as they are incurred in connection with any such action, proceeding or investigation (whether incurred between any Indemnified Party or the Partnership and the Subscriber or between any Indemnified Party or the Partnership and any third party). The reimbursement and indemnity obligations of the Subscriber under this Section 8 shall survive the Closing Date applicable to the Subscriber and shall be in addition to any liability which the Subscriber may otherwise have (including, without limitation, liabilities under the Partnership Agreement), and shall be binding upon, and inure to the benefit of, any successors, assigns, heirs, estates, executors, administrators and personal representatives of any Indemnified Party and the Partnership

9. Neither this Subscription Agreement nor any provisions hereof shall be waived, modified, discharged or terminated except by an instrument in writing signed by the party against whom any waiver, modification, discharge or termination is sought.

10. This Subscription Agreement is not transferable or assignable by the Subscriber. This Subscription Agreement shall be binding upon, and inure to the benefit of, the parties and their successors and permitted assigns. If the Subscriber is more than one person, the obligation of the Subscriber shall be joint and several, and the agreements, representations, warranties and acknowledgments herein contained shall be deemed to be made by and be binding upon each such person and its successors and assigns.

11. This Subscription Agreement and any other agreements and documents referred to herein or in the Partnership Agreement contain the entire agreement of the parties, and there are no representations, covenants, or other agreements, except as stated or referred to herein and in such other agreements or documents. The signature page to this Subscription Agreement may be executed in several counterparts with the same effect as if the parties executing the several counterparts had all executed one counterpart.

12. This Subscription Agreement and all claims or causes of action that may be based upon, arise out of or relate to this Subscription Agreement, or the negotiation, execution or performance of this Subscription Agreement (including, without limitation, any claims or cause of action based upon, arising out of or related to any representation or warranty made in or in connection with this Subscription Agreement or as an inducement to enter into this Subscription Agreement) shall be enforced in accordance with and governed by the internal laws of the Commonwealth of Virginia, without regard to conflicts of law principles. To the fullest extent permitted by law, in the event of any dispute arising out of or relating to this Subscription Agreement, or the negotiation, execution or performance of this Subscription Agreement (including, without limitation, any claim or cause of action based upon, arising out of or related to any representation or warranty made in or in connection with this Subscription Agreement or as an inducement to enter this Subscription Agreement), the parties hereto consent and submit to the non-exclusive jurisdiction of the federal and state courts of the Commonwealth of Virginia, *provided*, that with regard to any actions brought against the Partnership, the General Partner or their respective Affiliates and employees, such jurisdiction shall be exclusive unless otherwise expressly agreed by the General Partner.

13. Any term or provision of this Subscription Agreement that is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms or provisions of this Subscription Agreement or affecting the validity or unenforceability of any of the terms or provisions of this Subscription Agreement in any other jurisdiction.

14. The Subscriber hereby irrevocably constitutes, appoints, and empowers the General Partner as its true and lawful attorney-in-fact, in its name, place and stead and for its use and benefit, to execute, certify, acknowledge, file, record and swear to all instruments, agreements and documents necessary or advisable to carrying out the following:

- (a) any and all organizational documents pertaining to any Alternative Investment Vehicle or Feeder Vehicle that may be permitted or required by the Partnership Agreement or the act;
- (b) the Partnership Agreement and any and all duly adopted amendments to the Partnership Agreement (or organizational documents pertaining to any Alternative Investment Vehicle or Feeder Vehicle) that may be permitted or required by the Partnership Agreement (or similar agreement pertaining to any Alternative Investment Vehicle or Feeder Vehicle) or the Act, including, without limitation, amendments

required to effect the admission of Additional or substituted Limited Partners pursuant to and as permitted by the Partnership Agreement or to revoke any admission of a Limited Partner which is prohibited by the Partnership Agreement;

- (c) any instruments relating to the Interest of a Defaulting Limited Partner in connection with the taking of any actions contemplated by Article 3 of the Partnership Agreement.
- (d) Any certificate of cancellation of the Certificate (or similar instrument pertaining to any Alternative Investment Vehicle or Feeder Vehicle) that may be necessary upon the termination of the Partnership;
- (e) Any business certificate, certificate of limited partnership (or similar instrument pertaining to any Alternative Investment Vehicle or Feeder Vehicle), amendment thereto, or other instrument or document of any kind necessary to accomplish the Partnership Business; and,
- (f) All other instruments that may be required or permitted by law to be filed on behalf of the Partnership and that are not inconsistent with the Partnership Agreement.

The Subscriber authorizes such attorney-in-fact to take any further action which such attorney-in-fact shall consider necessary or advisable in connection with any of the foregoing, hereby giving such attorney-in-fact full power and authority to do and perform each and every act or thing whatsoever necessary or advisable to be done in and about the foregoing as fully as such attorney-in-fact shall lawfully do or cause to be done by virtue hereof. The appointment by the Subscriber of the General Partner and each of its duly authorized officers, successors and assigns with full power of substitution and re-substitution, as aforesaid, as attorney-in-fact shall be deemed to be a power coupled with an interest, shall be irrevocable and shall survive and not be affected by the dissolution, bankruptcy, incapacity, disability or death of the Subscriber, in recognition of the fact that the Subscriber under the Partnership Agreement shall be relying upon the power of the General Partner to act as contemplated by the Partnership Agreement in such filing and other action by it on behalf of the Partnership. The foregoing power of attorney shall survive the Transfer by the Subscriber of the whole or any part of its Interest in accordance with the Partnership Agreement.

By executing the signature pages to this Subscription Agreement the Subscriber agrees to be bound by the foregoing.

PROSPECTIVE INVESTOR QUESTIONNAIRE

The Prospective Investor Questionnaire contains two parts. Prospective investors should complete each applicable part. In addition, each prospective investor that is a “United States person”, including a disregarded entity owned by a United States person must submit to the General Partner a fully completed and executed W-9.

**PART I
VHDC Community Investment Partners, L.P.
Subscriber Information Page**

SUBSCRIBER (Full Legal Name): _____

TOTAL COMMITMENT: \$ _____

STATE SUBSCRIPTION SIGNED: _____

DATE OF EXECUTION: _____

The Subscriber represents that it is a/an (as such terms are generally defined):

- | | | |
|-------------------------|------------------------------|-----------------------------|
| ERISA PARTNER | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| GOVERNMENT PLAN PARTNER | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| NON-US PARTNER | Yes <input type="checkbox"/> | No <input type="checkbox"/> |
| TAX-EXEMPT PARTNER | Yes <input type="checkbox"/> | No <input type="checkbox"/> |

CLASS (TYPE OF INSTITUTION):

- | | | | |
|----------------------------|--------------------------|-------------------|--------------------------|
| Bank | <input type="checkbox"/> | Insurance | <input type="checkbox"/> |
| Corporation | <input type="checkbox"/> | Nominee Trust | <input type="checkbox"/> |
| Endowment (School) | <input type="checkbox"/> | Partnership | <input type="checkbox"/> |
| Endowment (Non-School) | <input type="checkbox"/> | Pension | <input type="checkbox"/> |
| Family Limited Partnership | <input type="checkbox"/> | Trust | <input type="checkbox"/> |
| Financial | <input type="checkbox"/> | | |
| Foundation | <input type="checkbox"/> | | |
| Fund-of-Funds | <input type="checkbox"/> | | |
| Government Entity | <input type="checkbox"/> | | |
| Individual | <input type="checkbox"/> | | |
| U.S. Resident | <input type="checkbox"/> | Non-U.S. Resident | <input type="checkbox"/> |

STATE OF LEGAL RESIDENCE _____

TAX ID NUMBER: _____

TAX STATUS

- | | | | |
|---|--|--|--------------------------|
| <input type="checkbox"/> 501(c)3 Exempt Corporation | <input type="checkbox"/> Individual | <input type="checkbox"/> Nominee | <input type="checkbox"/> |
| <input type="checkbox"/> C-Corporation | <input type="checkbox"/> IRA | <input type="checkbox"/> Partnership | <input type="checkbox"/> |
| <input type="checkbox"/> Corporation | <input type="checkbox"/> LLC - Disregarded Entity | <input type="checkbox"/> S-Corporation | <input type="checkbox"/> |
| <input type="checkbox"/> Exempt Organization | <input type="checkbox"/> LLC - Corporation | <input type="checkbox"/> Trust | <input type="checkbox"/> |
| <input type="checkbox"/> Foundation | <input type="checkbox"/> LLC - Partnership | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> Grantor Trust | <input type="checkbox"/> Limited Liability Partnership | <input type="checkbox"/> | <input type="checkbox"/> |

PRIMARY CONTACT

Name: _____

Title: _____

Company Name: _____

Department: _____

Address: _____

Address: _____

City, State & Zip Code: _____

E-Mail (Required): _____

Telephone Number: _____

Facsimile: _____

PART II
TO BE COMPLETED BY CORPORATIONS, LIMITED LIABILITY COMPANYS,
PARTNERSHIPS, TRUSTS AND OTHER ENTITIES

A. General Information.

1. Is the Subscriber subscribing for an Interest as agent, nominee, trustee or otherwise on behalf of, for the account of or jointly with any other person or entity?

Yes No

2. Will any other person or persons have a beneficial interest in the Interest acquired (other than as a shareholder, partner, member, trust beneficiary or other beneficial owner of equity interests in the Subscriber)?

Yes No

3. Does the Subscriber control, or is the Subscriber controlled by or under common control with, any other existing or prospective investor in the Partnership?

Yes No

4. Legal form of Subscriber: _____

5. U.S. State or foreign jurisdiction in which the Subscriber was incorporated or formed:

6. Date of incorporation of Subscriber: _____

7. Is the Subscriber in any way affiliated with the General Partner or the Partnership?

Yes No

If Yes, please describe the relationship: _____

8. Is the Subscriber in any way affiliated with a senior non-U.S. government, political or military official, or an immediate family member or close associate of such person (a "politically exposed person")?

Yes No

If yes, please describe:

(a) Which government? _____

(b) What position in the government? _____

(c) If any immediate family member or close associate of a politically exposed person, what relationship to the politically exposed person?

9. The authorized individual executing the Subscription Agreement on behalf of the investing entity is:

Name: _____

Title: _____

Telephone: _____ Extension: _____

Facsimile: _____

Email Address: _____

B. Subscriber Qualification

1. **Accredited Investor.** Interests shall be sold investors who are accredited and non-accredited. Please indicate the basis of "accredited investor" status of the Subscriber by checking the applicable statement or statements.

The Subscriber has total assets in excess of \$5,000,000, was not formed for the purpose of investing in the Partnership and is one of the following:

a corporation; or

a partnership; or

a limited liability company; or

a business trust; or

a tax-exempt organization described in Section 501(c)3 of the Code.

The Subscriber is a personal (non-business) trust, other than an employee benefit trust, with total assets in excess of \$5,000,000 which was not formed for the purpose of investing in the Partnership and whose decision to invest in the Partnership has been directed by a person who has knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the investment.

The Subscriber is licensed, or subject to supervision, by U.S. federal or state examining authorities as a "bank", "savings and loan association", "insurance company", "or "small business investment

company” (as such terms are used and defined in §17 CFR 230.501(a) or is an account for which a bank or savings and loan association is subscribing in a fiduciary capacity.

- The Subscriber is registered with the SEC, as a broker or dealer or an investment company, or has elected to be treated or qualifies as a “business development company” (within the meaning of Section 2(a)(48) of the Investment Company Act or Section 202(a)(22) of the Advisers Act.
- The Subscriber is an employee benefit plan within the meaning of ERISA (including an individual retirement account (“IRA”), which satisfies at least one of the following conditions:
 - it has total assets in excess of \$5,000,000, or
 - the investment decision is being made by a plan fiduciary which is a bank, savings and loan association, insurance company or registered investment adviser; or
 - it is a self-directed plan (i.e. a tax-qualified defined contribution plan in which a participant may exercise control over the investment of assets credited to the participant’s account) and the decision to invest is made by those participants investing, and each such participant qualifies as an accredited investor.
- The Subscriber is an employee benefit plan established and maintained by a state, its political subdivision or any agency or instrumentality of a state or its political subdivisions, which has total assets in excess of \$5,000,000.
 - The Subscriber is an entity in which all of the equity owners are accredited investors. *PLEASE NOTE: This certification is not applicable to beneficiaries of an irrevocable trust.*
- The Subscriber does not qualify in any of the above accredited investor categories.

2. ERISA Information

- (a) Is the Subscriber a “benefit plan investor” (a “Benefit Plan Investor”?) as defined in Section 3(42) of ERISA and any regulations thereunder (i.e., (i) an “employee benefit plan” that is subject to provisions of Title I of ERISA; (ii) a “plan” that is not subject to the provisions of Title I of ERISA, but is subject to the prohibited transaction provisions of Section 4975 of the Code, such as IRAs and certain retirement plans for self-employed individuals; or (iii) a pooled investment fund whose assets are treated as “plan assets” under Section 3(42) of ERISA and any regulations promulgated thereunder because “employee benefit plan” or “plans” hold 25% or more of any class of equity interest in such pooled investment fund)?

Yes No

If the answer is “Yes” because the Subscriber is a pooled investment fund whose assets are treated as “plan assets” under Section 3(42) of ERISA and any regulations

promulgated thereunder, what percentage of the equity interests the Subscriber is held by Benefit Plan Investors?

_____ %

(b) Is the Subscriber an insurance company investing the assets of its general account (or the assets of a wholly owned subsidiary of the general account) in the Partnership?

Yes No

If the answer is "Yes", does any portion of the underlying assets of the Subscriber's general account constitute "plan assets" within the meaning of Section 401(c) of ERISA?

Yes No

If the answer is "Yes", what percentage of the general account assets of the Subscriber constitutes "plan assets" within the meaning of Section 401(c) of ERISA?

(c) Is the Subscriber a "governmental plan" as defined in Section 3(32) of ERISA or a "church plan" as defined in Section 3(33) of ERISA?

Yes No

(d) Is the Subscriber subscribing as a trustee or custodian for an Individual Retirement Account?

Yes No

If the answer is "Yes", is the Subscriber a qualified IRA custodian or trustee?

Yes No

3. Tax Information

(a) Is the Subscriber a "United States Person" as defined in Section (7701(a)(30) of the Code and the regulations promulgated thereunder? As per Section 7701(a)(30) of the Code and regulations promulgated thereunder, "United States Person" means: (i) a citizen or resident of the United States, (ii) a U.S. partnership, (iii) a U.S. corporation, (iv) any estate (other than a non-United States estate, within the meaning of Section 7701(a)(31) of the Code, (v) any trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or (vi) any trust which has elected to be taxed as a trust described in (v).

Yes No

If the answer is Yes, has the Subscriber included a fully executed Form W-9 with this Prospective Investor Questionnaire?

Yes No

If the answer is "No", has the Subscriber included a fully executed Form W-8BEN, W-8ECI, W-8 IMY or W-8EXP, as applicable, with this Prospective Investor Questionnaire?

Yes No

(b) Please provide the Subscriber's U.S. state or foreign country of residence for tax purposes;

(c) Subscriber reports income for federal tax purposes on the following basis:

calendar year taxable year; or

other taxable year (please specify): _____

(d) Is the Subscriber exempt from U.S. federal income tax (e.g., a qualified employee benefit plan or trust, retirement account, charitable remainder trust, or a charitable foundation or other tax-exempt organization described in Section 501(c)3 of the Code)?

Yes No

(e) Is the Subscriber treated as a disregarded entity for U.S. federal tax purposes?

Yes No

If the answer is "Yes", is the beneficial owner an individual?

Yes No

If the answer is "Yes", is the owner of the Subscriber a "United States Person"?

Yes No

If the answer is "Yes", please provide a fully executed Form W-9 of such owner.

If the answer is "No", please provide a fully executed Form W-8BEN, W-8ECI, W-8IMY or W-8EXP, as applicable.

(f) Is the Subscriber a “simple trust” or a “grantor trust” for U.S. federal income tax purposes?

Yes No

If the answer is “Yes”, please provide a fully executed Form W-9 or Form W-8BEN, W-8ECI, W-8IMY or W-8EXP, as applicable, with respect to the persons who are subject to U.S. federal income tax on the trust’s income.

(g) Is the Subscriber a “grantor trust”, “S-Corporation” or an entity treated as a partnership for U.S. federal income tax purposes?

Yes No

SIGNATURE PAGE

This page constitutes the signature page for the Subscription Agreement and the Prospective Investor Questionnaire relating to the offering of Interests in the Partnership. Execution of this signature page constitutes execution of the Subscription Agreement and the Prospective Investment Questionnaire.

IN WITNESS WHEREOF, the Subscriber has executed this Subscription Agreement and Prospective Investor Questionnaire as of this _____ day of _____, 20 _____.

\$ _____
Commitment Applied For

Name of Prospective Investor (Print or Type)

By: _____
(Signature, if individual)

By: _____
(Signature, if executing on behalf of an Entity)

Name: _____

Title: _____

\$ _____
Commitment Accepted

Accepted and Agreed, as of _____, 20 _____

VHCDC Community Investment Partners, L.P.

By: Virginia Housing and Community Development Corporation
General Partner

By: _____

Name: _____

Title: _____

SIGNATURE PAGE

This page constitutes the signature page for the Subscription Agreement and the Prospective Investor Questionnaire relating to the offering of Interests in the Partnership. Execution of this signature page constitutes execution of the Subscription Agreement and the Prospective Investment Questionnaire.

IN WITNESS WHEREOF, the Subscriber has executed this Subscription Agreement and Prospective Investor Questionnaire as of this _____ day of _____, 20 _____.

\$ _____
Commitment Applied For

Name of Prospective Investor (Print or Type)

By: _____
(Signature, if individual)

By: _____
(Signature, if executing on behalf of an Entity)

Name: _____

Title: _____

\$ _____
Commitment Accepted

Accepted and Agreed, as of _____, 20 _____

VHCDC Community Investment Partners, L.P.

By: Virginia Housing and Community Development Corporation
General Partner

By: _____

Name: _____

Title: _____

Request for Taxpayer Identification Number and Certification

**Give Form to the
requester. Do not
send to the IRS.**

Print or type See Specific Instructions on page 2.	Name (as shown on your income tax return)	
	Business name/disregarded entity name, if different from above	
	Check appropriate box for federal tax classification: <input type="checkbox"/> Individual/sole proprietor <input type="checkbox"/> C Corporation <input type="checkbox"/> S Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Trust/estate <input type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=partnership) ▶ _____ <input type="checkbox"/> Other (see instructions) ▶ _____	
	<input type="checkbox"/> Exempt payee	
	Address (number, street, and apt. or suite no.)	Requester's name and address (optional)
City, state, and ZIP code		
List account number(s) here (optional)		

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on the "Name" line to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

Social security number									

Note. If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.

Employer identification number									

Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
3. I am a U.S. citizen or other U.S. person (defined below).

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions on page 4.

Sign Here	Signature of U.S. person ▶	Date ▶
------------------	----------------------------	--------

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Purpose of Form

A person who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) to report, for example, income paid to you, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN to the person requesting it (the requester) and, when applicable, to:

1. Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
2. Certify that you are not subject to backup withholding, or
3. Claim exemption from backup withholding if you are a U.S. exempt payee. If applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the withholding tax on foreign partners' share of effectively connected income.

Note. If a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

Definition of a U.S. person. For federal tax purposes, you are considered a U.S. person if you are:

- An individual who is a U.S. citizen or U.S. resident alien,
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States,
- An estate (other than a foreign estate), or
- A domestic trust (as defined in Regulations section 301.7701-7).

Special rules for partnerships. Partnerships that conduct a trade or business in the United States are generally required to pay a withholding tax on any foreign partners' share of income from such business. Further, in certain cases where a Form W-9 has not been received, a partnership is required to presume that a partner is a foreign person, and pay the withholding tax. Therefore, if you are a U.S. person that is a partner in a partnership conducting a trade or business in the United States, provide Form W-9 to the partnership to establish your U.S. status and avoid withholding on your share of partnership income.

The person who gives Form W-9 to the partnership for purposes of establishing its U.S. status and avoiding withholding on its allocable share of net income from the partnership conducting a trade or business in the United States is in the following cases:

- The U.S. owner of a disregarded entity and not the entity,
- The U.S. grantor or other owner of a grantor trust and not the trust, and
- The U.S. trust (other than a grantor trust) and not the beneficiaries of the trust.

Foreign person. If you are a foreign person, do not use Form W-9. Instead, use the appropriate Form W-8 (see Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities).

Nonresident alien who becomes a resident alien. Generally, only a nonresident alien individual may use the terms of a tax treaty to reduce or eliminate U.S. tax on certain types of income. However, most tax treaties contain a provision known as a “saving clause.” Exceptions specified in the saving clause may permit an exemption from tax to continue for certain types of income even after the payee has otherwise become a U.S. resident alien for tax purposes.

If you are a U.S. resident alien who is relying on an exception contained in the saving clause of a tax treaty to claim an exemption from U.S. tax on certain types of income, you must attach a statement to Form W-9 that specifies the following five items:

1. The treaty country. Generally, this must be the same treaty under which you claimed exemption from tax as a nonresident alien.
2. The treaty article addressing the income.
3. The article number (or location) in the tax treaty that contains the saving clause and its exceptions.
4. The type and amount of income that qualifies for the exemption from tax.
5. Sufficient facts to justify the exemption from tax under the terms of the treaty article.

Example. Article 20 of the U.S.-China income tax treaty allows an exemption from tax for scholarship income received by a Chinese student temporarily present in the United States. Under U.S. law, this student will become a resident alien for tax purposes if his or her stay in the United States exceeds 5 calendar years. However, paragraph 2 of the first Protocol to the U.S.-China treaty (dated April 30, 1984) allows the provisions of Article 20 to continue to apply even after the Chinese student becomes a resident alien of the United States. A Chinese student who qualifies for this exception (under paragraph 2 of the first protocol) and is relying on this exception to claim an exemption from tax on his or her scholarship or fellowship income would attach to Form W-9 a statement that includes the information described above to support that exemption.

If you are a nonresident alien or a foreign entity not subject to backup withholding, give the requester the appropriate completed Form W-8.

What is backup withholding? Persons making certain payments to you must under certain conditions withhold and pay to the IRS a percentage of such payments. This is called “backup withholding.” Payments that may be subject to backup withholding include interest, tax-exempt interest, dividends, broker and barter exchange transactions, rents, royalties, nonemployee pay, and certain payments from fishing boat operators. Real estate transactions are not subject to backup withholding.

You will not be subject to backup withholding on payments you receive if you give the requester your correct TIN, make the proper certifications, and report all your taxable interest and dividends on your tax return.

Payments you receive will be subject to backup withholding if:

1. You do not furnish your TIN to the requester,
2. You do not certify your TIN when required (see the Part II instructions on page 3 for details),
3. The IRS tells the requester that you furnished an incorrect TIN,
4. The IRS tells you that you are subject to backup withholding because you did not report all your interest and dividends on your tax return (for reportable interest and dividends only), or
5. You do not certify to the requester that you are not subject to backup withholding under 4 above (for reportable interest and dividend accounts opened after 1983 only).

Certain payees and payments are exempt from backup withholding. See the instructions below and the separate Instructions for the Requester of Form W-9.

Also see *Special rules for partnerships* on page 1.

Updating Your Information

You must provide updated information to any person to whom you claimed to be an exempt payee if you are no longer an exempt payee and anticipate receiving reportable payments in the future from this person. For example, you may need to provide updated information if you are a C corporation that elects to be an S corporation, or if you no longer are tax exempt. In addition, you must furnish a new Form W-9 if the name or TIN changes for the account, for example, if the grantor of a grantor trust dies.

Penalties

Failure to furnish TIN. If you fail to furnish your correct TIN to a requester, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

Civil penalty for false information with respect to withholding. If you make a false statement with no reasonable basis that results in no backup withholding, you are subject to a \$500 penalty.

Criminal penalty for falsifying information. Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

Misuse of TINs. If the requester discloses or uses TINs in violation of federal law, the requester may be subject to civil and criminal penalties.

Specific Instructions

Name

If you are an individual, you must generally enter the name shown on your income tax return. However, if you have changed your last name, for instance, due to marriage without informing the Social Security Administration of the name change, enter your first name, the last name shown on your social security card, and your new last name.

If the account is in joint names, list first, and then circle, the name of the person or entity whose number you entered in Part I of the form.

Sole proprietor. Enter your individual name as shown on your income tax return on the “Name” line. You may enter your business, trade, or “doing business as (DBA)” name on the “Business name/disregarded entity name” line.

Partnership, C Corporation, or S Corporation. Enter the entity's name on the “Name” line and any business, trade, or “doing business as (DBA) name” on the “Business name/disregarded entity name” line.

Disregarded entity. Enter the owner's name on the “Name” line. The name of the entity entered on the “Name” line should never be a disregarded entity. The name on the “Name” line must be the name shown on the income tax return on which the income will be reported. For example, if a foreign LLC that is treated as a disregarded entity for U.S. federal tax purposes has a domestic owner, the domestic owner's name is required to be provided on the “Name” line. If the direct owner of the entity is also a disregarded entity, enter the first owner that is not disregarded for federal tax purposes. Enter the disregarded entity's name on the “Business name/disregarded entity name” line. If the owner of the disregarded entity is a foreign person, you must complete an appropriate Form W-8.

Note. Check the appropriate box for the federal tax classification of the person whose name is entered on the “Name” line (Individual/sole proprietor, Partnership, C Corporation, S Corporation, Trust/estate).

Limited Liability Company (LLC). If the person identified on the “Name” line is an LLC, check the “Limited liability company” box only and enter the appropriate code for the tax classification in the space provided. If you are an LLC that is treated as a partnership for federal tax purposes, enter “P” for partnership. If you are an LLC that has filed a Form 8832 or a Form 2553 to be taxed as a corporation, enter “C” for C corporation or “S” for S corporation. If you are an LLC that is disregarded as an entity separate from its owner under Regulation section 301.7701-3 (except for employment and excise tax), do not check the LLC box unless the owner of the LLC (required to be identified on the “Name” line) is another LLC that is not disregarded for federal tax purposes. If the LLC is disregarded as an entity separate from its owner, enter the appropriate tax classification of the owner identified on the “Name” line.

Other entities. Enter your business name as shown on required federal tax documents on the "Name" line. This name should match the name shown on the charter or other legal document creating the entity. You may enter any business, trade, or DBA name on the "Business name/disregarded entity name" line.

Exempt Payee

If you are exempt from backup withholding, enter your name as described above and check the appropriate box for your status, then check the "Exempt payee" box in the line following the "Business name/disregarded entity name," sign and date the form.

Generally, individuals (including sole proprietors) are not exempt from backup withholding. Corporations are exempt from backup withholding for certain payments, such as interest and dividends.

Note. If you are exempt from backup withholding, you should still complete this form to avoid possible erroneous backup withholding.

The following payees are exempt from backup withholding:

1. An organization exempt from tax under section 501(a), any IRA, or a custodial account under section 403(b)(7) if the account satisfies the requirements of section 401(f)(2),
 2. The United States or any of its agencies or instrumentalities,
 3. A state, the District of Columbia, a possession of the United States, or any of their political subdivisions or instrumentalities,
 4. A foreign government or any of its political subdivisions, agencies, or instrumentalities, or
 5. An international organization or any of its agencies or instrumentalities.
- Other payees that may be exempt from backup withholding include:
6. A corporation,
 7. A foreign central bank of issue,
 8. A dealer in securities or commodities required to register in the United States, the District of Columbia, or a possession of the United States,
 9. A futures commission merchant registered with the Commodity Futures Trading Commission,
 10. A real estate investment trust,
 11. An entity registered at all times during the tax year under the Investment Company Act of 1940,
 12. A common trust fund operated by a bank under section 584(a),
 13. A financial institution,
 14. A middleman known in the investment community as a nominee or custodian, or
 15. A trust exempt from tax under section 664 or described in section 4947.

The following chart shows types of payments that may be exempt from backup withholding. The chart applies to the exempt payees listed above, 1 through 15.

IF the payment is for . . .	THEN the payment is exempt for . . .
Interest and dividend payments	All exempt payees except for 9
Broker transactions	Exempt payees 1 through 5 and 7 through 13. Also, C corporations.
Barter exchange transactions and patronage dividends	Exempt payees 1 through 5
Payments over \$600 required to be reported and direct sales over \$5,000 ¹	Generally, exempt payees 1 through 7 ²

¹ See Form 1099-MISC, Miscellaneous Income, and its instructions.

² However, the following payments made to a corporation and reportable on Form 1099-MISC are not exempt from backup withholding: medical and health care payments, attorneys' fees, gross proceeds paid to an attorney, and payments for services paid by a federal executive agency.

Part I. Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. If you are a resident alien and you do not have and are not eligible to get an SSN, your TIN is your IRS individual taxpayer identification number (ITIN). Enter it in the social security number box. If you do not have an ITIN, see *How to get a TIN* below.

If you are a sole proprietor and you have an EIN, you may enter either your SSN or EIN. However, the IRS prefers that you use your SSN.

If you are a single-member LLC that is disregarded as an entity separate from its owner (see *Limited Liability Company (LLC)* on page 2), enter the owner's SSN (or EIN, if the owner has one). Do not enter the disregarded entity's EIN. If the LLC is classified as a corporation or partnership, enter the entity's EIN.

Note. See the chart on page 4 for further clarification of name and TIN combinations.

How to get a TIN. If you do not have a TIN, apply for one immediately. To apply for an SSN, get Form SS-5, Application for a Social Security Card, from your local Social Security Administration office or get this form online at www.ssa.gov. You may also get this form by calling 1-800-772-1213. Use Form W-7, Application for IRS Individual Taxpayer Identification Number, to apply for an ITIN, or Form SS-4, Application for Employer Identification Number, to apply for an EIN. You can apply for an EIN online by accessing the IRS website at www.irs.gov/businesses and clicking on Employer Identification Number (EIN) under Starting a Business. You can get Forms W-7 and SS-4 from the IRS by visiting IRS.gov or by calling 1-800-TAX-FORM (1-800-829-3676).

If you are asked to complete Form W-9 but do not have a TIN, write "Applied For" in the space for the TIN, sign and date the form, and give it to the requester. For interest and dividend payments, and certain payments made with respect to readily tradable instruments, generally you will have 60 days to get a TIN and give it to the requester before you are subject to backup withholding on payments. The 60-day rule does not apply to other types of payments. You will be subject to backup withholding on all such payments until you provide your TIN to the requester.

Note. Entering "Applied For" means that you have already applied for a TIN or that you intend to apply for one soon.

Caution: A disregarded domestic entity that has a foreign owner must use the appropriate Form W-8.

Part II. Certification

To establish to the withholding agent that you are a U.S. person, or resident alien, sign Form W-9. You may be requested to sign by the withholding agent even if item 1, below, and items 4 and 5 on page 4 indicate otherwise.

For a joint account, only the person whose TIN is shown in Part I should sign (when required). In the case of a disregarded entity, the person identified on the "Name" line must sign. Exempt payees, see *Exempt Payee* on page 3.

Signature requirements. Complete the certification as indicated in items 1 through 3, below, and items 4 and 5 on page 4.

1. Interest, dividend, and barter exchange accounts opened before 1984 and broker accounts considered active during 1983. You must give your correct TIN, but you do not have to sign the certification.

2. Interest, dividend, broker, and barter exchange accounts opened after 1983 and broker accounts considered inactive during 1983. You must sign the certification or backup withholding will apply. If you are subject to backup withholding and you are merely providing your correct TIN to the requester, you must cross out item 2 in the certification before signing the form.

3. Real estate transactions. You must sign the certification. You may cross out item 2 of the certification.

4. Other payments. You must give your correct TIN, but you do not have to sign the certification unless you have been notified that you have previously given an incorrect TIN. "Other payments" include payments made in the course of the requester's trade or business for rents, royalties, goods (other than bills for merchandise), medical and health care services (including payments to corporations), payments to a nonemployee for services, payments to certain fishing boat crew members and fishermen, and gross proceeds paid to attorneys (including payments to corporations).

5. Mortgage interest paid by you, acquisition or abandonment of secured property, cancellation of debt, qualified tuition program payments (under section 529), IRA, Coverdell ESA, Archer MSA or HSA contributions or distributions, and pension distributions. You must give your correct TIN, but you do not have to sign the certification.

What Name and Number To Give the Requester

For this type of account:	Give name and SSN of:
1. Individual	The individual
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account ¹
3. Custodian account of a minor (Uniform Gift to Minors Act)	The minor ²
4. a. The usual revocable savings trust (grantor is also trustee) b. So-called trust account that is not a legal or valid trust under state law	The grantor-trustee ¹ The actual owner ¹
5. Sole proprietorship or disregarded entity owned by an individual	The owner ³
6. Grantor trust filing under Optional Form 1099 Filing Method 1 (see Regulation section 1.671-4(b)(2)(i)(A))	The grantor*
For this type of account:	Give name and EIN of:
7. Disregarded entity not owned by an individual	The owner
8. A valid trust, estate, or pension trust	Legal entity ⁴
9. Corporation or LLC electing corporate status on Form 8832 or Form 2553	The corporation
10. Association, club, religious, charitable, educational, or other tax-exempt organization	The organization
11. Partnership or multi-member LLC	The partnership
12. A broker or registered nominee	The broker or nominee
13. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments	The public entity
14. Grantor trust filing under the Form 1041 Filing Method or the Optional Form 1099 Filing Method 2 (see Regulation section 1.671-4(b)(2)(i)(B))	The trust

¹ List first and circle the name of the person whose number you furnish. If only one person on a joint account has an SSN, that person's number must be furnished.

² Circle the minor's name and furnish the minor's SSN.

³ You must show your individual name and you may also enter your business or "DBA" name on the "Business name/disregarded entity" name line. You may use either your SSN or EIN (if you have one), but the IRS encourages you to use your SSN.

⁴ List first and circle the name of the trust, estate, or pension trust. (Do not furnish the TIN of the personal representative or trustee unless the legal entity itself is not designated in the account title.) Also see *Special rules for partnerships* on page 1.

*Note. Grantor also must provide a Form W-9 to trustee of trust.

Note. If no name is circled when more than one name is listed, the number will be considered to be that of the first name listed.

Secure Your Tax Records from Identity Theft

Identity theft occurs when someone uses your personal information such as your name, social security number (SSN), or other identifying information, without your permission, to commit fraud or other crimes. An identity thief may use your SSN to get a job or may file a tax return using your SSN to receive a refund.

To reduce your risk:

- Protect your SSN,
- Ensure your employer is protecting your SSN, and
- Be careful when choosing a tax preparer.

If your tax records are affected by identity theft and you receive a notice from the IRS, respond right away to the name and phone number printed on the IRS notice or letter.

If your tax records are not currently affected by identity theft but you think you are at risk due to a lost or stolen purse or wallet, questionable credit card activity or credit report, contact the IRS Identity Theft Hotline at 1-800-908-4490 or submit Form 14039.

For more information, see Publication 4535, Identity Theft Prevention and Victim Assistance.

Victims of identity theft who are experiencing economic harm or a system problem, or are seeking help in resolving tax problems that have not been resolved through normal channels, may be eligible for Taxpayer Advocate Service (TAS) assistance. You can reach TAS by calling the TAS toll-free case intake line at 1-877-777-4778 or TTY/TDD 1-800-829-4059.

Protect yourself from suspicious emails or phishing schemes.

Phishing is the creation and use of email and websites designed to mimic legitimate business emails and websites. The most common act is sending an email to a user falsely claiming to be an established legitimate enterprise in an attempt to scam the user into surrendering private information that will be used for identity theft.

The IRS does not initiate contacts with taxpayers via emails. Also, the IRS does not request personal detailed information through email or ask taxpayers for the PIN numbers, passwords, or similar secret access information for their credit card, bank, or other financial accounts.

If you receive an unsolicited email claiming to be from the IRS, forward this message to phishing@irs.gov. You may also report misuse of the IRS name, logo, or other IRS property to the Treasury Inspector General for Tax Administration at 1-800-366-4484. You can forward suspicious emails to the Federal Trade Commission at: spam@uce.gov or contact them at www.ftc.gov/idtheft or 1-877-IDTHEFT (1-877-438-4338).

Visit IRS.gov to learn more about identity theft and how to reduce your risk.

Privacy Act Notice

Section 6109 of the Internal Revenue Code requires you to provide your correct TIN to persons (including federal agencies) who are required to file information returns with the IRS to report interest, dividends, or certain other income paid to you; mortgage interest you paid; the acquisition or abandonment of secured property; the cancellation of debt; or contributions you made to an IRA, Archer MSA, or HSA. The person collecting this form uses the information on the form to file information returns with the IRS, reporting the above information. Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation and to cities, states, the District of Columbia, and U.S. possessions for use in administering their laws. The information also may be disclosed to other countries under a treaty, to federal and state agencies to enforce civil and criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism. You must provide your TIN whether or not you are required to file a tax return. Under section 3406, payers must generally withhold a percentage of taxable interest, dividend, and certain other payments to a payee who does not give a TIN to the payer. Certain penalties may also apply for providing false or fraudulent information.

VHDC Community Investment Partners, LP

Statement of Financial Position

As of March 31, 2020

04/30/20

Accrual Basis

	Mar 31, 20	Mar 31, 19	\$ Change	% Change
ASSETS				
Current Assets				
Checking/Savings				
10000 · Bank				
10001 · E-Trade	307.08	0.06	307.02	511,700.0%
10002 · Wells Fargo Savings	3,787.66	2,586.67	1,200.99	46.4%
Total 10000 · Bank	4,094.74	2,586.73	1,508.01	58.3%
Total Checking/Savings	4,094.74	2,586.73	1,508.01	58.3%
Accounts Receivable				
11000 · Accounts Receivable	100.00	100.00	0.00	0.0%
Total Accounts Receivable	100.00	100.00	0.00	0.0%
Total Current Assets	4,194.74	2,686.73	1,508.01	56.1%
Other Assets				
18800 · Investment	20,000.00	20,000.00	0.00	0.0%
Total Other Assets	20,000.00	20,000.00	0.00	0.0%
TOTAL ASSETS	24,194.74	22,686.73	1,508.01	6.7%
LIABILITIES & EQUITY				
Equity				
31000 · Partners Equity	20,152.86	19,110.00	1,042.86	5.5%
32000 · Retained Earnings	3,441.61	2,976.52	465.09	15.6%
Net Income	600.27	600.21	0.06	0.0%
Total Equity	24,194.74	22,686.73	1,508.01	6.7%
TOTAL LIABILITIES & EQUITY	24,194.74	22,686.73	1,508.01	6.7%

12:09 AM

04/30/20

Accrual Basis

VHDC Community Investment Partners, LP
Statement of Financial Income and Expense
January through March 2020

	<u>NDI</u>	<u>Unclassified</u>	<u>TOTAL</u>
Other Income/Expense			
Other Income			
70000 · Finance Charge Income	600.00	0.00	600.00
70200 · Interest Income	0.00	0.27	0.27
Total Other Income	<u>600.00</u>	<u>0.27</u>	<u>600.27</u>
Net Other Income	<u>600.00</u>	<u>0.27</u>	<u>600.27</u>
Net Income	<u><u>600.00</u></u>	<u><u>0.27</u></u>	<u><u>600.27</u></u>

VIRGINIA HOUSING AND COMMUNITY DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2019

VIRGINIA HOUSING AND COMMUNITY DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Virginia Housing and Community Development Corporation
Suffolk, Virginia

We have audited the accompanying financial statements of Virginia Housing and Community Development Corporation (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of December 31, 2019 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Virginia Housing and Community Development Corporation as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Barnes, Brock, Cornwell & Painter, PLC

Chesapeake, Virginia
March 31, 2020

VIRGINIA HOUSING AND COMMUNITY DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 1,981
Accounts receivable	780
Investments	<u>1,001</u>

Total current assets \$ 3,762

PROPERTY AND EQUIPMENT, NET \$ 237,153

OTHER ASSETS:

Long-term investments	<u>\$ 6,958</u>
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Total assets \$ 247,873

LIABILITIES AND NET ASSETS

LIABILITIES:

Notes payable - long-term	<u>\$ 75,100</u>
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NET ASSETS:

Without donor restrictions	<u>\$ 172,773</u>
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Total liabilities and net assets \$ 247,873

See independent auditor's report and accompanying notes to the financial statements.

VIRGINIA HOUSING AND COMMUNITY DEVELOPMENT CORPORATION

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE AND SUPPORT:			
Contributions	\$ 566	\$ -	\$ 566
Program service revenue	10,800	-	10,800
Event income	3,245	-	3,245
In-kind donations	868	-	868
Other income	55	-	55
	<u>15,534</u>	<u>-</u>	<u>15,534</u>
Total operating revenue and support	<u>\$ 15,534</u>	<u>\$ -</u>	<u>\$ 15,534</u>
OPERATING EXPENSES:			
Program services	\$ 18,726	\$ -	\$ 18,726
Support services:			
Management and general	3,041	-	3,041
Fundraising	379	-	379
	<u>22,146</u>	<u>-</u>	<u>22,146</u>
Total operating expenses	<u>\$ 22,146</u>	<u>\$ -</u>	<u>\$ 22,146</u>
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	<u>\$ (6,612)</u>	<u>\$ -</u>	<u>\$ (6,612)</u>
NON-OPERATING ACTIVITIES:			
Interest and dividend income	\$ 473	\$ -	\$ 473
Interest expense	(4,750)	-	(4,750)
	<u>(4,277)</u>	<u>-</u>	<u>(4,277)</u>
CHANGE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	<u>\$ (4,277)</u>	<u>\$ -</u>	<u>\$ (4,277)</u>
CHANGE IN NET ASSETS	<u>\$ (10,889)</u>	<u>\$ -</u>	<u>\$ (10,889)</u>
NET ASSETS, BEGINNING OF YEAR	<u>183,662</u>	<u>-</u>	<u>183,662</u>
NET ASSETS, END OF YEAR	<u>\$ 172,773</u>	<u>\$ -</u>	<u>\$ 172,773</u>

See independent auditor's report and accompanying notes to the financial statements.

VIRGINIA HOUSING AND COMMUNITY DEVELOPMENT CORPORATION

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	SUPPORT SERVICES				Total
	Program Services	Management and General	Fund Raising	Total	
Accounting fees	\$ 1,049	\$ 124	\$ 62	\$ 186	\$ 1,235
Advertising	1,838	216	108	324	2,162
Bank charges	103	12	6	18	121
Conferences and meetings	78	9	5	14	92
Construction - rehabilitation	2,277	-	-	-	2,277
Contract services	522	-	-	-	522
Depreciation	8,022	2,121	-	2,121	10,143
Dues and subscriptions	85	10	5	15	100
Insurance	1,315	155	77	232	1,547
Licenses and fees	117	13	-	13	130
Office expenses	487	57	29	86	573
Other supplies	69	8	4	12	81
Postage	126	15	7	22	148
Repairs and maintenance	426	47	-	47	473
Taxes	917	102	-	102	1,019
Telephone	403	47	24	71	474
Utilities	892	105	52	157	1,049
Total expenses	\$ 18,726	\$ 3,041	\$ 379	\$ 3,420	\$ 22,146

See independent auditor's report and accompanying notes to the financial statements.

VIRGINIA HOUSING AND COMMUNITY DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING AND NON-OPERATING ACTIVITIES:	
Change in net assets	\$ (10,889)
Adjustments to reconcile change in net assets to net cash used by operating and non-operating activities:	
Depreciation	10,143
(Increase) decrease in assets:	
Accounts receivable	<u>(780)</u>
NET CASH USED BY OPERATING AND NON-OPERATING ACTIVITIES	<u>\$ (1,526)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of investments	<u>\$ (1,395)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from notes payable	<u>\$ 3,500</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	\$ 579
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,402</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,981</u></u>

SUPPLEMENTAL DISCLOSURES OF NONCASH INFORMATION

Fair value of donated supplies and equipment	<u>\$ 868</u>
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See independent auditor's report and accompanying notes to the financial statements.

VIRGINIA HOUSING AND COMMUNITY DEVELOPMENT CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 - ORGANIZATION:

The community development mission of Virginia Housing and Community Development Corporation (VHCDC) is to educate and empower individuals, families and minority business owners to build wealth, access capital and credit, and achieve home ownership. VHCDC achieves this mission through a steady stream of wealth building initiatives, home ownership education and assistance, small business financing, and acquiring and rehabilitating distressed housing in targeted communities. VHCDC is a 501(c)(3) tax-exempt Community Development Corporation (CDC).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, as such, recognize income when earned and expenses when incurred.

Basis of Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

- Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.
- Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

VIRGINIA HOUSING AND COMMUNITY DEVELOPMENT CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Recognition of Restrictions on Assets

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the same reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction.

Donated Materials and Services

VHDCDC recognizes in-kind contributions as revenue and expense in the period in which they are received. Donated materials are valued by donor at fair market value on the date of the gift. No amounts have been reflected in the accompanying financial statements for volunteer services since they are not susceptible to objective measurement or valuation; however, a number of volunteers donated significant amounts of their time performing services that would otherwise be performed by paid employees.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are reported at the amount management expects to collect on balances outstanding at year end, less an allowance for doubtful accounts and discount, if necessary. VHDCDC uses the allowance method to determine uncollectible receivables. The allowance is based on prior collection experience and management's analysis of specific accounts. There was no allowance for doubtful accounts for the year ended December 31, 2019.

Property and Equipment

Property and equipment are recorded at cost. Expenditures for maintenance and repairs are expensed as incurred while renewals and betterments are capitalized. The gain or loss on items traded is applied to the asset account, and that on items otherwise disposed of is reflected in income.

Depreciation has been provided for using straight-line method over the estimated useful lives of the assets. The estimated useful lives of the assets are as follows:

Building	27.5 years
Furniture, fixtures and equipment	3 - 7 years
Intangible assets	10 years

Depreciation and amortization expense for the year ended December 31, 2019 amounted to \$10,143.

Income Taxes

VHDCDC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. Internal Revenue Code Section 513(a) defines an unrelated trade or business of an unexempt organization as any trade or business which is not substantially related to the exercise or performance of its exempt purpose. Currently the Organization has no obligation for any unrelated business income tax. The Organization believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements; however, any penalties and interest incurred as a result of uncertain tax positions would be recorded in general administration. The Organization's federal return of Organization Exempt from Income Tax (Form 990) for the years ending 2019, 2018, 2017, and 2016 are subject to examination by the IRS, generally for three years after they were filed.

See independent auditor's report. Notes continued on next page.

VIRGINIA HOUSING AND COMMUNITY DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The cost of providing VHDC's programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Accounting fees	Reasonable basis consistently applied
Advertising	Reasonable basis consistently applied
Bank charges	Reasonable basis consistently applied
Conferences and meetings	Reasonable basis consistently applied
Depreciation	Square footage
Dues and subscriptions	Reasonable basis consistently applied
Insurance	Reasonable basis consistently applied
Licenses and fees	Reasonable basis consistently applied
Office expenses	Reasonable basis consistently applied
Other supplies	Reasonable basis consistently applied
Postage	Reasonable basis consistently applied
Repairs and maintenance	Reasonable basis consistently applied
Taxes	Reasonable basis consistently applied
Telephone	Reasonable basis consistently applied
Utilities	Reasonable basis consistently applied

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities. Non-operating activities are limited to resources that generate return from investments, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair market values in the statement of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Money market funds maintained with investment portfolios are included with investments. Unrealized gains and losses are reported as changes from non-operating activities in the accompanying statement of activities. Realized gains and losses on investment transactions are determined on the first-in, first-out basis except for mutual funds in which realized gains and losses are determined on an average cost basis.

See independent auditor's report. Notes continued on next page.

VIRGINIA HOUSING AND COMMUNITY DEVELOPMENT CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Advertising

VHCDC expenses the cost of advertising when incurred. Advertising cost amounted to \$2,162 as of December 31, 2019.

NOTE 3 - CONCENTRATION OF CREDIT RISK:

Financial instruments, which potentially subject VHCDC to concentration of credit risk, consist principally of cash, temporary cash investments and receivables. The Organization places its cash and cash equivalents on deposit with financial institutions in the United States. All of a depositor's accounts are at an insured depository institution, including all non-interest bearing transaction accounts, are insured by the Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC) up to the standard deposit insurance amount of \$250,000, for each deposit insurance ownership category. For the year ended December 31, 2019, the Organization did not have demand deposits on hand in financial institutions that exceeded depositor's insurance provided by the applicable guaranty agency.

VHCDC solicits contributions from individuals, businesses, and various agencies. Contributions are not collateralized, and there is no legal recourse to collect unpaid contributions.

NOTE 4 - FAIR VALUE MEASUREMENTS:

VHCDC adopted the provisions of this statement for its financial assets and liabilities that are re-measured and reported at fair value each reporting period. The adoption of SFAS 157 did not have any impact on the statements of activities or statements of financial position, but does require additional disclosures.

FASB Statement No. 157, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB statement No. 157 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that VHCDC has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement. As of December 31, 2019, there are no level 3 assets or liabilities.

VIRGINIA HOUSING AND COMMUNITY DEVELOPMENT CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued):

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019.

Domestic bonds - fixed income: The investment grade corporate bonds held by the Organization generally do not trade in active markets on the measurement date. Therefore, the domestic bonds are valued using inputs including yields currently available on comparable securities of issuers with similar credit ratings, recent market price quotations (where observable), bond spreads, and fundamental data relating to the issuer.

Government, corporate and municipal bonds: Valued based on compilation of primarily observable market information in an inactive market.

Exchange traded funds: Valued at the daily closing priced as reported on the active market on which the individual exchange traded funds are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although VHDC believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, VHDC's assets at fair value as of December 31, 2019.

	Level 1	Level 2	Level 3	Total
US Treasury Funds	\$ 533	\$ -	\$ -	\$ 533
Program Investments	-	6,958	-	6,958
Exchange Traded Funds	468	-	-	468
Total	\$ 1,001	\$ 6,958	\$ -	\$ 7,959

NOTE 5 - LIQUIDITY AND AVAILABILITY:

The following represents VHDC's financial assets at December 31, 2019:

Financial assets at year end:

Cash and cash equivalents	\$ 1,981
Accounts receivable	780
Current investments	1,001
Financial assets available to meet general expenditures within one year	\$ 3,762

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

VIRGINIA HOUSING AND COMMUNITY DEVELOPMENT CORPORATION

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 6 - PROPERTY AND EQUIPMENT:

Property and equipment at December 31, 2019 consisted of the following:

	<u>2019</u>
Buildings and land	\$ 232,501
Furniture, fixtures and equipment	6,414
Intangible assets	<u>8,381</u>
Total property and equipment	\$ 247,296
Less accumulated depreciation	<u>10,143</u>
Net property and equipment	<u><u>\$ 237,153</u></u>

NOTE 7 - NOTES PAYABLE:

The Organization secured financing on November 28, 2016 from VHDC Community Investment Partners, LP (see Note 8) in the amount of \$20,000 with interest only payments at 12% per annum beginning January 1, 2017 and continuing until the property is sold or the debt is refinanced, with the balance then due. The loan was secured by the real property located at 527 Virginia Avenue in the city of Suffolk, Virginia. At December 31, 2019, the outstanding balance was \$20,000.

The Organization secured financing on November 28, 2016 from Katrina S. Taylor and James R Taylor III, the vice president and president of the VHDC respectively, in the amount of \$50,000 with interest only payments at 6% per annum beginning January 1, 2017 and continuing until the property is sold or the debt is refinanced, with the balance then due. The loan was secured by the real property located at 527 Virginia Avenue in the city of Suffolk, Virginia. At December 31, 2019, the outstanding balance was \$51,600 including accrued interest of \$1,600.

The Organization secured financing on October 21, 2019 from James R Taylor III, the president of VHDC in the amount of \$3,500 with zero interest on the balance due. The loan matures in November 2021. At December 31, 2019, the outstanding balance was \$3,500.

NOTE 8 - RELATED PARTY TRANSACTIONS:

The Organization is the general partner of the VHDC Community Investment Partners, LP, whose limited partner is James R. Taylor III. Mr. Taylor is one of eleven members of the VHDC Community Investment Partners, LP. The VHDC had \$20,000 due to VHDC Community Investment Partners, LP.

In addition, the Organization owes \$55,100 due to James R. Taylor III, President of VHDC, as of December 31, 2019 (see Note 7).

NOTE 9 - PROGRAM REVENUE:

The Organization leased a single-family home to tenants under two-year operating lease with an option to purchase. On March 20, 2020, the lease was renewed for an additional six months and will expire on September 30, 2020. The monthly rental income of \$1,136 is due from the tenants on the first of every month.

NOTE 10 - SUBSEQUENT EVENTS:

Subsequent events were evaluated through March 31, 2020, which is the date the financial statements were available to be issued. No events have occurred subsequent to the balance sheet date and through March 31, 2020 that would require adjustment to, or disclosure in, the financial statements.

See independent auditor's report.