

**PHFA NOTE**  
(TCAP FUNDS)

Harrisburg, Pennsylvania  
\_\_\_\_\_, 2009

FOR VALUE RECEIVED, the undersigned, \_\_\_\_\_,  
a \_\_\_\_\_, ("Mortgagor"), promises to pay to  
PENNSYLVANIA HOUSING FINANCE AGENCY, ("Mortgagee"), a public corporation and  
government instrumentality, created by and existing pursuant to the Housing Finance Agency Law (35  
P.S. Section 1680.101, et seq., as amended) having a mailing address of P. O. Box 8029, Harrisburg,  
Pennsylvania, the principal sum of \_\_\_\_\_ Dollars  
(\$ \_\_\_\_\_) ("Mortgage Loan"), payable as follows:

(a) Commencing on the date the Project is cost certified by the Agency and placed in service  
under Section 42 of the Internal Revenue Code (the "Code"), payment of principal only shall be made  
from surplus of revenues over expenses generated by the project after the payment of all project costs  
required by Mortgagee to be paid during any calendar year prior to repayment of subordinate project  
financing, any and all partnership fees or payments, operating expense loans, deferred developer's fees,  
asset management fees, priority distributions or payments to the general partner or investor or any other  
fees or payments not originally underwritten as a project operating expense and due and payable by  
Mortgagor ("Excess Revenue"). During the first three (3) years of project operations, 50% of Excess  
Revenue shall be deposited into the operating reserve established for the Project and the other 50% shall  
be paid to Mortgagor as owner distribution. Upon the expiration of three (3) years of project operations,  
in the event there is a surplus of revenues over expenses in any calendar year, 50% of Excess Revenue  
shall repay the Mortgage Loan and the other 50% shall be paid to Mortgagor as owner distribution.

(b) There will be no interest due and payable on the Mortgage Loan.

(c) The term of the Mortgage Loan is thirty (30) years from the date the Project is cost certified  
by the Agency and placed in service under the Code.

(d) Mortgagee will determine, in its sole discretion, the amount of Excess Revenue that is  
available for distribution based upon review of audited financial statements. Mortgagee will notify  
Mortgagor of the amount due and payable under the PHFA Note.

(e) NOTWITHSTANDING THE ABOVE, ANY BALANCE OF PRINCIPAL REMAINING  
UNPAID SHALL BE DUE AND PAYABLE UPON AN EVENT OF DEFAULT UNDER THE PHFA  
LOAN DOCUMENTS, UPON SALE OF THE PROJECT, UPON REFINANCING OF THE PROJECT,  
TERMINATION OF THE PROJECT OR UPON THIRTY (30) YEARS FROM THE DATE OF  
CONSTRUCTION COMPLETION, WHICHEVER OCCURS EARLIER.

The terms of repayment, without limitations, may be extended or amended in writing by mutual  
consent of the parties at any time for any reason.

All payments due under this Note, as well as any additional payments due under an Open-End  
PHFA Mortgage and Security Agreement (the "PHFA Mortgage"), shall be payable at the office of

Pennsylvania Housing Finance Agency, P. O. Box 8029, Harrisburg, Pennsylvania 17105-8029, or such other place as Mortgagee may designate in writing.

This Note and the PHFA Mortgage may be assumable, subject to Mortgagee's written prior consent, in the event of an approved sale or transfer of the property secured hereunder. This Note may not be prepaid for three years from the date hereof. Thereafter, this Note may be prepaid, in whole or in part, at any time, subject to Mortgagee's written prior consent.

Simultaneously with the execution of this Note, Mortgagor has executed and delivered to Mortgagee the PHFA Mortgage and the Indenture of Restrictive Covenants for Low Income Housing Tax Credits and Tax Credit Assistance Program secured by certain premises situated in the County of \_\_\_\_\_, Commonwealth of Pennsylvania, as more particularly described therein. All of the terms, covenants, provisions, conditions, stipulations and agreements contained in said Agreements (collectively the "Loan Documents"), are hereby made a part of this Note to the same extent and with the same force and effect as if they were fully set forth herein, and Mortgagor covenants and agrees to perform the same, or cause the same to be kept and performed, strictly in accordance with the terms and provisions thereof. The proceeds of this Note shall be used to cover only project related costs that are basis eligible under the federal Low Income Housing Tax Credit Program.

Mortgagor agrees that its obligations hereunder shall be and remain in full force and effect, and in no way impaired until it makes full and actual payment of the principal sum and fees due or to become due under the Loan Documents to Mortgagee unless the terms of this Note are modified in writing by Mortgagee. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN OR ELSEWHERE, NEITHER MORTGAGOR NOR ANY GENERAL PARTNER NOR LIMITED PARTNER OF MORTGAGOR SHALL HAVE ANY PERSONAL LIABILITY FOR THE PAYMENT OF PRINCIPAL DUE AND PAYABLE UNDER THE MORTGAGE LOAN WITH THE EXCEPTION OF THE PAYMENT OF ALL FEES AND EXPENSES INCURRED BY MORTGAGEE UPON THE OCCURRENCE OF AN EVENT OF DEFAULT UNDER THIS NOTE, THE PHFA MORTGAGE, THE PHFA REGULATORY AGREEMENT OR OTHER LOAN DOCUMENTS AS PROVIDED THEREIN, AND FOR THE PAYMENT OVER TO MORTGAGEE OF ALL RENTS AND OTHER PROCEEDS OF OPERATION OF THE PROJECT TO THE EXTENT OF THE OBLIGATION HEREIN SET FORTH. Mortgagee shall look solely to the project for satisfaction of the outstanding indebtedness thereon. Mortgagor acknowledges and agrees to be bound by all the covenants contained or incorporated herein. Subject to the foregoing, Mortgagor acknowledges and agrees that Mortgagee may prosecute any suit necessary to satisfy the indebtedness on the project and on any improvements, fixtures and equipment located thereon or used or usable in connection with the operation of the project.

Mortgagee shall not be deemed, by any act or commission, to have waived any of its rights or remedies hereunder, unless such waiver is in writing and signed by Mortgagee, and then only to the extent specifically set forth in writing. A waiver on one event shall not be construed as continuing or as a bar to or a waiver of any rights or remedies to a subsequent event.

The unpaid principal of this Note, at the option of Mortgagee, shall become immediately due and payable upon the occurrence of an Event of Default of any of the terms, provisions, conditions or covenants as set forth in any of the Loan Documents or in the event of the commencement by Mortgagor of a voluntary case under any Chapter of the Bankruptcy Code (Title 11 of the United States Code) as now or hereafter in effect, or the taking by Mortgagor of any equivalent or similar action by filing a petition or otherwise under any other federal or state law in effect at the time relating to bankruptcy or insolvency, or the filing of a petition seeking any such equivalent or similar relief against Mortgagor

under any chapter of the Bankruptcy Code (Title 11 of the United States Code) as now or hereafter in effect, or the filing of a petition seeking any such equivalent or similar relief against Mortgagor under any other federal or state law in effect at the time relating to bankruptcy or insolvency or the making by Mortgagor of a general assignment for the benefit of any of its creditors; or the appointment of any receiver, trustee, custodian or similar officer for Mortgagor or for the property of Mortgagor and the failure by Mortgagor to secure the discharge of such involuntary petition, receiver, trustee, custodian or similar officer within sixty (60) consecutive days from the date of the filing of such involuntary petition or of their appointment.

During such periods of time when an Event of Default has occurred under the terms of this Note or other Loan Documents referenced herein, Mortgagor shall incur late payment fees in the accordance with the PHFA Mortgage of even date herewith.

SUBJECT TO THE APPLICABLE GRACE PERIODS, UPON OCCURRENCE OF AN EVENT OF DEFAULT UNDER ANY OF THE PHFA LOAN DOCUMENTS, MORTGAGOR HEREBY AUTHORIZES AND EMPOWERS ANY ATTORNEY OF ANY COURT OF COMMON PLEAS OF PENNSYLVANIA OR ANY ATTORNEY OF ANY OTHER COURT ELSEWHERE, OR THE PROTHONOTARY OR CLERK OF ANY COURT IN PENNSYLVANIA, OR ELSEWHERE, TO APPEAR FOR MORTGAGOR IN SUCH COURT IN AN APPROPRIATE ACTION THERE OR ELSEWHERE BROUGHT OR TO BE BROUGHT AGAINST MORTGAGOR AT THE SUIT OF MORTGAGEE ON THIS NOTE, WITH OR WITHOUT DECLARATION, DEMAND OR NOTICE FILED AS OF ANY TERM OR TIME THERE OR ELSEWHERE TO BE HELD, AND CONFESS OR ENTER JUDGMENT AGAINST MORTGAGOR IN FAVOR OF MORTGAGEE OR ANY ENDORSEE OR LEGAL HOLDER OF THIS NOTE FOR THE EXACT SUM WHICH SHALL BE THE AMOUNT OF THE PRINCIPAL SUM OF THIS NOTE WITH ANY OTHER PAYMENTS AND CHARGES WHICH SHOULD HAVE BEEN PAID BY THE MORTGAGOR UNDER THE TERMS OF THE NOTE, AND WITH COSTS OF SUIT AND REASONABLE ATTORNEY'S FEES; AND FOR SO DOING, THIS NOTE OR A COPY THEREOF VERIFIED BY AFFIDAVIT SHALL BE SUFFICIENT WARRANT, WITHOUT FURTHER STAY, AND FULL RELEASE OF ERRORS, ANY LAW, USAGE OR CUSTOM TO THE CONTRARY NOTWITHSTANDING. FURTHERMORE, THE MORTGAGOR HEREBY WAIVES AND RELEASES ALL RELIEF FROM ANY AND ALL APPRAISEMENT, STAY OR EXEMPTION LAWS OF ANY STATE NOW IN FORCE OF HEREAFTER TO BE PASSED AND ALSO WAIVES ALL RIGHT AND BENEFIT OF APPEAL AND ANY AND ALL PROCEEDINGS TO SET ASIDE, VACATE, OPEN, SUSPEND OR REVERSE SUCH JUDGMENT AND ANY EXECUTION ISSUED THEREON, AND, FURTHER, WAIVES ANY RIGHT AGAINST EXECUTION ON REAL ESTATE WHICH MAY BE LEVIED UPON TO COLLECT THIS NOTE AND HEREBY VOLUNTARILY CONDEMNS THE SAME.

THE FOREGOING WARRANT AND POWER TO CONFESS JUDGMENT SHALL NOT BE DEEMED TO HAVE BEEN EXHAUSTED BY ANY SINGLE EXERCISE THEREOF, (REGARDLESS OF WHETHER OR NOT ANY SUCH EXERCISE SHALL BE HELD BY ANY COURT TO BE INVALID, VOIDABLE OR VOID), BUT MAY BE EXERCISED FROM TIME TO TIME, AS OFTEN AS MORTGAGEE SHALL ELECT, UNTIL ALL SUMS PAYABLE OR THAT MAY BECOME PAYABLE BY THE MORTGAGOR HAVE BEEN PAID IN FULL.

All covenants, conditions and remedies of this Note shall be construed as affording to Mortgagee rights and remedies additional to, and not exclusive of, any and all other rights and remedies conferred by law or equity.

Unless the context indicates otherwise, the word "Mortgagee" herein shall be deemed and construed to include successors and assigns of Mortgagee, and the word "Mortgagor" herein shall be deemed and construed to include the respective heirs, executors, administrators, successors and assigns of "Mortgagor"; and in the event there is more than one party named herein as a Mortgagor, the word "Mortgagor" whenever occurring herein shall be deemed and taken to be plural, and all the covenants, waivers, warrants, promises and releases by, and obligations or liabilities imposed upon "Mortgagor" shall bind them jointly and severally and its, his, her and their, and each of their respective heirs, executors, administrators, successors and assigns.

This instrument shall be governed by and construed according to the laws of the Commonwealth of Pennsylvania.

IN WITNESS WHEREOF, Mortgagor has caused these presents to be executed on this \_\_\_\_ day of \_\_\_\_\_, 2009.

WITNESS (ATTEST)

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\_\_\_\_\_

By: \_\_\_\_\_  
\_\_\_\_\_

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By: \_\_\_\_\_  
\_\_\_\_\_  
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WITNESS (ATTEST)

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By: \_\_\_\_\_  
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By: \_\_\_\_\_  
\_\_\_\_\_  
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**EXPLANATION AND WAIVER OF RIGHTS IN CONNECTION  
WITH THE SIGNING OF AN INSTRUMENT CONTAINING  
CONFESSION OF JUDGMENT**

This explanation and waiver is appended to that certain PHFA Note of even date herewith, which has been executed by the undersigned (the "Document").

The undersigned acknowledges and agrees that the Document contains provisions under which lender may enter judgment by confession against the undersigned. Being fully aware of its rights to prior notice and a hearing on the validity of any claims that may be asserted against it by the holder of the documents (the "Mortgage") before judgment is entered, the undersigned hereby freely, knowingly and intelligently waives these rights and expressly agrees and consents to the Mortgagee's entering judgment against it by confession pursuant to the terms hereof.

The undersigned also acknowledges and agrees that the Document contains provisions under which the Mortgagee may, after entry of judgment and without notice and a hearing, foreclose upon, attach, levy or otherwise seize property of the undersigned in full or partial payment of the judgment. Being fully aware of its rights after judgment is entered, the undersigned hereby freely, knowingly and intelligently waives these rights and expressly agrees and consents to the Mortgagee's taking such actions as may be permitted under applicable law without prior notice to the undersigned.

WITNESS (ATTEST)

\_\_\_\_\_,  
\_\_\_\_\_

By: \_\_\_\_\_,  
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By: \_\_\_\_\_  
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WITNESS (ATTEST)

By: \_\_\_\_\_,  
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By: \_\_\_\_\_  
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