

**DEED OF TRUST NOTE
HOUSING INITIATIVE FUND (“Note”)**

LOAN AMOUNT: \$1,500,000.00

December, 2024

PROJECT NAME: Scarborough Square Townhomes & Apartments

FOR VALUE RECEIVED, RHE SCARBOROUGH SQUARE, LLC, a limited liability company organized and existing under the laws of the State of Maryland (the “**Promisor**”), located at 1300 Piccard Drive Suite 203, Rockville, MD 20850, promises to pay to the order of MONTGOMERY COUNTY, MARYLAND, a body politic and corporate (the “**Beneficiary**”), located at 101 Monroe Street, 2nd Floor, Rockville, Maryland 20850, the principal sum of One Million Five Hundred Thousand Dollars (\$1,500,000.00), or so much thereof as may be advanced hereunder (the “**Loan**”), as set forth below.

RECITALS:

The Promisor agrees to utilize the proceeds of the Loan made from Beneficiary’s Housing Initiative Fund (“**HIF**”) to pay essential mortgage payments, interest reserve replenishment, and new extension fees related to the prior financing of the acquisition of a multifamily, rental housing project known as Scarborough Square Townhomes & Apartments located in Rockville, Maryland on property described in Exhibit A (“**Development**” or “**Property**”). The Development includes 121 units, with more than 61 of the units currently occupied by households whose income is no greater than sixty percent (60%) of the area median income, for the Washington Metropolitan Statistical Area, as adjusted by the United States Department of Housing and Urban Development from time to time, as more fully described in a Regulatory Agreement between the parties hereto (the “**Regulatory Agreement**”) dated as of December 20, 2022 and recorded in the land records of Montgomery County, Maryland. This Note is secured by a Subordinate Deed of Trust, Security Agreement and Assignment of Rents (“**Deed of Trust**”) and the Regulatory Agreement which govern the terms under which the occupancy of the Development is to be administered, maintained and monitored. The Deed of Trust is of even date herewith, and will be recorded among the land records of Montgomery County, Maryland. The Regulatory Agreement and the Deed of Trust are incorporated herein by reference as if fully set forth herein. The source of funds for the Loan is the Beneficiary’s Housing Initiative Fund.

AGREEMENT:

1. Recitals. The recitals and exhibits to this Note are incorporated herein.
2. Interest. No interest will accrue, and no interest will be due, on the outstanding balance of this Note.
3. Maturity Date. The full outstanding balance of this Note is all due and payable on May 31, 2025 (“**Maturity Date**”). Beneficiary may, in its discretion, extend the Maturity Date of

the Loan if Beneficiary determines that an extension of the term of the Loan will further the County's public policy of promoting the development of affordable housing in Montgomery County.

4. The Beneficiary may exercise its option to accelerate during any Event of Default (as defined in the Deed of Trust) (an "**Event of Default**") by Promisor, regardless of any prior forbearance. If suit is brought to collect this Note, the Beneficiary, if it prevails, shall be entitled to collect all reasonable expenses of suit, including but not limited to, reasonable attorneys' fees.

5. This Note is secured by the Deed of Trust of even date herewith from Promisor to the County Attorney of Montgomery County, as Trustee for the benefit of the Beneficiary, covering real estate located in Montgomery County, Maryland, to which Deed of Trust reference is made for a description of the property, definition of terms, the nature and extent of the security, and the rights and obligations of the Beneficiary and its successors and assigns, in respect of such security. Reference is also made to the Deed of Trust for rights as to assumption, acceleration, subordination and release of collateral. This Note is also secured by certain financing statements, for the benefit of the Beneficiary, which have been properly recorded with the Maryland State Department of Assessment and Taxation and the land records for Montgomery County, Maryland. The Regulatory Agreement will include the regulatory and occupancy terms required by the Beneficiary in connection with this Loan.

6. The Promisor may prepay the entire sum due under this Note at any time without penalty or premium; provided, however, the requirements of the Regulatory Agreement shall remain in effect for the term stated therein. The terms of the Deed of Trust and Regulatory Agreements are incorporated herein by reference as if said terms were fully set forth in this Note.

7. Upon an Event of Default, the unpaid principal and all other sums secured by the Deed of Trust shall at the option of the holder of this Note become immediately due and payable. Failure to exercise this option shall not constitute a waiver of the right to exercise this option in the event of any subsequent default.

8. This Note represents a commercial loan as defined in Section 12-101(c) of the Commercial Law Article of the Annotated Code of Maryland.

9. All payments due under this Note shall be made during regular business hours at the principal office of the Beneficiary located at the Department of Housing and Community Affairs, 1401 Rockville Pike, 4th Floor, Rockville, Maryland 20852 or at such place as the Beneficiary shall designate in writing.

10. Time is of the essence with respect to the Promisor's performance of its obligations under this Note, the Deed of Trust and the Regulatory Agreement.

11. Upon the occurrence of an Event of Default, the Promisor hereby authorizes any Clerk of any Court of Record in the State of Maryland to enter judgment by confession against the Promisor in favor of the holder of this Note for the full amount of the indebtedness due hereunder, including all interest and costs, and reasonable attorney's fees; provided that the

holder of this Note shall give the Promisor written notice fifteen (15) days in advance of the filing of such action. The Promisor waives summons and other process and does further consent to the immediate execution of said judgment, expressly waiving the benefit of any homestead or other exemption laws.

12. As to this Note and the Deed of Trust, Promisor waives all applicable exemption rights, whether under any state constitution, homestead laws or otherwise, waives all rights to trial by jury in any action or proceeding instituted by or against the Beneficiary which pertains directly to this Note, and also waives valuation and appraisal, presentment, protest and demand, notice of protest, demand and dishonor and nonpayment of this Note, and expressly agrees that the maturity of this Note or any payment under this Note, may be extended from time to time without in any way affecting the liability of Promisor.

13. Neither the Promisor nor any partner, officer, director, employee, member, or agent of any of the foregoing, nor any of their respective spouses, assumes any personal liability for any payments of principal, interest or other amounts due hereunder, other than for funds or property coming into their hands which, by the provisions of the Deed of Trust, they are not entitled to retain, or for any damages suffered by Beneficiary as a proximate result of any fraud or illegal activity by such party or person. Except as specified in the preceding sentence, Promisor and its partners shall have no personal liability under this Note for the repayment of the indebtedness defined herein, and the Beneficiary's sole recourse for the satisfaction of the indebtedness shall be the Beneficiary's exercise of its rights and remedies under the Deed of Trust. Notices provided under this Note shall be given in the manner prescribed in the Deed of Trust.

14. Orlo Scarborough Investors, LLC, a Maryland limited liability company, has provided primary financing to Promisor in the form of a loan with a current outstanding approximate principal amount of Twenty-Four Million and 00/100 Dollars (\$24,000,000.00) (the "**Orlo Loan**"). The Orlo Loan is evidenced and secured by, among other things, a Multifamily Deed of Trust and Security Agreement and Assignment of Rents encumbering the Property. The Orlo Loan is hereinafter referred to as the "**Orlo Senior Loan**."

15. The Beneficiary has provided secondary financing to Promisor in the form of a loan with a current outstanding approximate principal amount of Ten Million Seven Hundred Seventy Thousand and 00/100 Dollars (\$10,770,000.00) (the "**County Senior Loan**"). The County Senior Loan is evidenced and secured by, among other things, a Deed of Trust and Security Agreement and Assignment of Rents Housing Initiative Fund (HIF) encumbering the Property. The County Loan, together with the Orlo Senior Loan, are hereinafter referred to as the "**Senior Loans**."

16. The rights and remedies of the Beneficiary under this Note and the Deed of Trust are, and shall be, subject and subordinate in all respects to the liens, terms, covenants and conditions of the documents evidencing and securing the Senior Loans.

17. In the event of any conflict between the terms of this Note and the Deed of Trust, the terms of the Deed of Trust shall control, provided, however, that nothing in the Deed of Trust shall be deemed to affect the Senior Loans.

(Signatures on following page)

IN WITNESS WHEREOF, the Promisor has caused this Note to be executed and delivered on its behalf by its duly authorized representative on the first date written above.

WITNESS/ATTEST:

PROMISOR:

RHE SCARBOROUGH SQUARE, LLC, a
Maryland limited liability company

By: RHE Development Corporation, Inc., a
Maryland not-for-profit nonstock
corporation, its Sole Member

By: _____
Name: Christele Etienbla
Title: Secretary

EXHIBIT A
(Legal Description of Development)

All that certain lot or parcel of land together with all improvements thereon located and being in the County of Montgomery, Maryland and being more particularly described as follows:

Parcel lettered B, in the subdivision known as “College Gardens” as per plat thereof duly recorded among the land records of Montgomery County, Maryland in Plat Book 80 at Plat 8131.

Having a street address of 438 College Pkwy, Rockville, MD 20850.

Tax ID No. 04-00239013