

U.S. Department of Housing and Urban Development  
Federal Housing Administrator

F L E X I B L E   S U B S I D Y   R E S I D U A L  
R E C E I P T S   N O T E

(For Use Only in the Operating Assistance Program)

For value received, the undersigned maker promises to pay to the Secretary of Housing and Urban Development ("Secretary"), or his or her successors or assigns, the principal sum of \_\_\_\_\_ Dollars (\$) with interest thereon at the rate of one (1) percent (%) per annum, which shall not be compounded, subject to the terms, conditions, and limitations described below.

(1) This note is made and delivered in payment of a Loan made by the Secretary in accordance with a Financial Assistance Contract (The "Contract") dated \_\_\_\_\_, 19 \_\_\_\_, between the maker and the Secretary. That Contract is hereby incorporated and made part of this Note. The Secretary and maker of this Note acknowledge all terms and conditions of the Contract and specifically agree that upon termination of the Contract for any reason, any and all funds paid to the owner by the Secretary through the Flexible Subsidy Program continue as an obligation of the owner and shall be repaid according to the terms herein.

(2) This note secures a Loan made by the Secretary for the sole purpose of utilizing those funds pursuant to the Financial Assistance Contract for FHA Project No. \_\_\_\_\_ (The "Project").

(3) Principal and Interest on this note shall be due and payable upon the occurrence of any of the following events:

- (a) Where the FHA-Insured project mortgage note matures or is prepaid, the whole principal sum of this Note or any balance thereof, together with interest thereon, immediately is due and payable, or,
- (b) Payments on principal or interest on this Note shall be made only from Residual Receipts or non-project funds, and only after obtaining the prior written approval of the Secretary acting by and through the Federal Housing Commissioner. Such payments may be made only after the end of a semi-annual or annual fiscal period; or

- (c) Principal and interest on this note shall be immediately due and payable upon the sale, foreclosure, refinancing, assignment or any other disposition of the Project. The proceeds from any of the aforementioned dispositions shall be used to repay this indebtedness.

For purposes of this Note, "Residual Receipts" is used as it is defined in the Regulatory Agreement by and between the maker and the Secretary executed in connection with the aforementioned project.

(4) The limited distribution of six percent per annum on the initial equity investment allowed by the Regulatory Agreement and any surplus cash shall be placed in the Residual Receipts account. For as long as the Note remains outstanding, no limited distributions shall be made, and HUD may require that Residual Receipts be used to repay the note. After the fiscal year following the fiscal year in which Operating Assistance was received, the owner may accrue distributions. Once the Operating Assistance loan is paid in full, the owner may pay these accrued distributions from surplus cash.

(5) In consideration of this Loan, which is made by the United States Department of Housing and Urban Development, the owner agrees that for federal income tax purposes no interest deductions will be taken unless and until the owner actually has paid these amounts to the Secretary under the terms of this Note.

(6) This Note shall be regarded by the Secretary as nonrecourse and the payee or holder hereof shall look solely to the assets of the Partnership and not to the assets of any general or limited partner thereof, for satisfaction of any obligations evidenced by this Note.

(7) This Note is non-negotiable and may not be sold, transferred, assigned or pledged by the payee except with the prior written approval of the Secretary.

(8) In the event of default in the payment of this Note and if the same is collected by the holder, the undersigned hereby agrees to pay all costs of collection, including a reasonable attorney's fee.

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Presentation, demand, and notice of demand, non-payment and protest of this Note are waived.

Executed this \_\_\_\_\_ day of \_\_\_\_\_ 19 \_\_\_\_.

\_\_\_\_\_  
Name of Partnership

(SEAL)  
Witness

By: \_\_\_\_\_  
General Partner

\_\_\_\_\_