May 24, 2021

TO: CADA Board of Directors
Capitol Area Community Development Corporation (CACDC) Board of Directors

**SUBJECT: May 27, 2021 Special Board Meeting**
**AGENDA ITEM 5**
**VARIOUS ACTIONS TO CLOSE ON FINANCING FOR THE 1322 O STREET AFFORDABLE HOUSING PROJECT**

**CONTACT:** Renée Funston, Development Manager (CADA)
Tom Kigar, Special Projects Director (CADA)
Wendy S. Saunders, Executive Director (CADA), President (CACDC)

## RECOMMENDED ACTION

Staff recommends the CADA Board of Directors and the CACDC Board of Directors approve various agreements and authorize any and all actions necessary to close on financing for 1322 O Street as a 58-unit affordable project.

**[CADA]**
Adopt a resolution authorizing the Executive Director to:

1. Execute a Gap Financing Loan Agreement and Promissory Note with 1322 O St Investors LP in an amount not to exceed $1.5 million.
2. Pre-approve a potential increase in the Gap Financing Loan amount by $2.5 million, for a total not to exceed $4 million and an amendment to the current loan docs to reflect the increase.
3. Execute a contract with Krazan & Associates.
4. Authorize issuance of a $100,000 Letter of Credit to the City.
5. Authorize execution of a Guaranty by CADA for the obligations of the General Partners under the terms of the Amended and Restated Agreement of Limited Partnership ("Amended LPA") of 1322 O St Investors LP (the "Partnership").
6. Take any and all actions on behalf of CADA to close on financing for the Project, including execution of all necessary documents and project loans.

**[CACDC]**
Adopt a resolution authorizing the President to:

1. Execute the Amended LPA.
2. Execute the Guaranteed Max Price Contract ("GMP Contract") with Tricorp Group, Inc., as the Managing General Partner of the Partnership.
3. Take any and all actions on behalf of the Partnership to close on financing for the Project, including execution of all necessary documents and project loans.

## BACKGROUND

On November 12, 2019, CACDC and Cyrus Youssefi formed 1322 O St Investors LP pursuant to an Agreement of Limited Partnership ("Original LPA") to develop, construct, and operate an affordable housing project at 1322 O Street (the "Project").

At the November 13, 2019 meeting, the Board authorized execution of a Development Ground Lease with the State of California for 1322 O Street that allowed for development of a 58-unit affordable housing project; approved a predevelopment loan for $850,000 to cover all predevelopment costs to be repaid at project financing close of escrow; approved a Gap Financing Loan of $2.5 million; and authorized the filing of a CEQA Notice of Exemption.

On February 18, 2020, CADA entered into a contract with Tricorp Group, Inc. ("Tricorp") for Design-Assist Services from schematic design through the preparation of the final construction documents for the Project at a cost of $47,000. This contract included an option for a Guaranteed Max Price (GMP) Proposal.

At the May 15, 2020 meeting, the CADA Board authorized an increase of the CADA Gap Financing Loan from $2.5 million to $4.5 million.

On December 9, 2020, the Project was awarded tax credits and bonds. The California Debt Limit Allocation Committee regulations require close of financing and commencement of construction within 180 days, which is June 7, 2021.

On December 27, 2020, Congress signed into law a fixed 4% floor for the low-income housing tax credit (LIHTC) rate to increase equity and thus boost the future supply of affordable rental housing.

On January 28, 2021, the project received a $10 million award for the California Department of Housing and Community Development Transit-Oriented Development (TOD) funds, which was the final piece of public gap financing needed to fund the project and allow for start of construction.

On March 19, 2021, the Board adopted a resolution authorizing the Executive Director to increase the Predevelopment Loan from CADA to the Partnership from $850,000 to $1.1 million; and to assign the Predevelopment Contracts from CADA to the Partnership.

## ANALYSIS

### 1. AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP

The Amended LPA defines how the Partnership will make business decisions, and is included as **Attachment 1**. Major sections in the Amended LPA include delineation of rights and responsibilities, allocation of profits or losses, exercise of management, accounting and general record keeping, conflict resolution, ownership structure alteration, and Partnership dissolution and termination of business. As specified in the Amended LPA, "The exclusive purpose of the Partnership is to acquire, construct, own and operate the Apartment Housing in order to provide affordable housing to needy and distressed persons of Sacramento County, California in furtherance of the charitable purpose of the Managing General Partner."

Limited partnership structures have at least one general partner, and limited partners are protected from liability for debts of the partnership. In return for having limited liability, the limited partners give up management power to the general partners who run the business of the partnership. General partners remain liable for the undertakings of the partnership and are rewarded financially for the liability burden. In the case of affordable housing projects, the general partners are liable for

completion of projects in accordance with approvals, and operation of projects in accordance with restrictive covenants that govern affordability. Financial rewards to the general partners include both developer fees and management fees.

**Attachment 2** is the Post-Close Organizational Chart. Of immediate significance are the Administrative General Partner (Cyrus Youssefi) and the Managing General Partner (CACDC). When the Board approved creating the original LPA, it was expected that staff would return to the Board to approve an Amended LPA once tax credit financing was secured for the Project so that the tax credit investor could enter the Partnership to provide the financing. There are two limited partners entering into the Partnership, both entities of WNC, an affordable housing investor. The Amended LPA requires WNC contribute $1.1 million in tax credit equity at close of escrow and its remaining $5.7 in equity at project completion and stabilization.

| | |
|---|---|
| The Partnership: | 1322 O St Investors LP |
| Managing General Partner: | CACDC |
| Administrative General Partner: | Cyrus Youssefi |
| Limited Partner: | WNC Holding, LLC |
| Special Limited Partner | WNC Housing, LP |

**CACDC Responsibilities**

CACDC, in its role as the Managing General Partner, will manage and control the affairs of the Partnership, use best efforts to carry out the purpose of the Partnership, and devote such time as is necessary to the affairs of the Partnership. In short, CACDC will have the day-to-day responsibility of managing and operating the Project, and ensuring fulfillment of the administrative duties of the Partnership. Both General Partners, including the CACDC, are required to provide a guarantee to WNC for project delivery, lease up, tax certification and various other tax issues under the terms of the Amended LPA. In no event would the guarantee exceed the total amount of the WNC investment, which is $6.8 million.

CACDC also has a unique role because of its Section 501(c)(3) tax-exempt status. Pursuant to Revenue & Taxation Code Section 214(g), the Partnership is eligible for California property tax exemption because the qualified low-income housing project is owned by a limited partnership in which the managing general partner is an eligible nonprofit corporation. To qualify for a property tax exemption, CACDC must apply for a welfare exemption as required in the Amended LPA.

**Cyrus Youssefi's Responsibilities**

Cyrus Youssefi, in his role as Administrative General Partner, will provide advice and support to the Managing General Partner as needed. The Partnership anticipates that Mr. Youssefi will withdraw from the Partnership following stabilization of the project (six to nine months after completion), after which CACDC will be the sole general partner.

The Partnership signed a Residential Management Agreement with Mr. Youssefi's company, CFY Development, to provide property management services (see **Attachment 3**). As part of the California Tax Credit Allocation Committee (CTCAC) regulations, a threshold requirement is that the "experienced" property manager remains with the project for at least the first three years. (CTCAC defines experience as managing at least two LIHTC projects in California for more than three years.) For continuity of service and ease of underwriting, CFY Development will retain its role as the management agent for at least the first three years.

During the course of construction through project stabilization, Mr. Youssefi is also required to provide guarantees to both WNC and JP Morgan Chase, the project's construction and permanent lender, for

project delivery, lease up, and tax certification. Because of his limited role in day to day construction oversite and project operation, Mr. Youssefi requested that CADA indemnify him against any claims made pursuant to the guarantees. Staff considers this request to be reasonable. **Attachment 4** is the term sheet for the side letter between CADA and Mr. Youssefi.

In anticipation of Mr. Youssefi's withdrawal from the Partnership following completion and stabilization of the project, WNC has approved CADA as a substitute guarantor and preliminarily approved a guarantee limit of $3 million. The limit of CADA's guarantee, however, is subject to further agreement by investors in the WNC fund, which is scheduled to be finalized this summer. In no event would the guarantee exceed the total amount of the investment, which is $6.8 million. If WNC requires an increase in the guarantee that staff believes to be unreasonable, staff will bring alternative solutions to the Board for consideration. Staff have been advised that an unreasonable guarantee demand is unlikely to occur.

## 2. PROJECT FINANCING

### Construction and Permanent Financing

JP Morgan Chase will provide a construction loan in the amount of approximately $15.5 million. CADA's $1.5 million soft loan will be used as a financing source for construction, as will approximately $1.1 million in tax credit equity from WNC and approximately $1 million of the deferred developer fee. Upon project completion and conversion to permanent financing, HCD will provide a $10 million TOD permanent loan, WNC will make its final tax credit equity payment of $5.8 million, and approximately $1.5 million of Chase's construction loan will convert to a 35-year permanent loan at an interest rate of 4.32%.

Project financing escrow is scheduled to close on May 28th which will allow the project to meet CDLAC's deadline for construction start of June 7.

**Tables 1 and 2** below outline the permanent financing sources and uses. Please note that these amounts are subject to change as final costs are solidified. Changes from estimates presented in January are noted.

| **Table 1 – Financing Sources** | | | |
|---|---|---|---|
| | 1/28/21 | 5/21/21 | Increased Sources |
| Tax Credit Investor Equity – WNC | $ 6,089,879 | $ 6,826,239 | $ 736,360 |
| Perm. Financing Loan – Chase Bank | $ 1,205,127 | $ 1,480,000 | $ 274,873 |
| HCD TOD Loan | $ 10,000,000 | $ 10,000,000 | $ 0 |
| CADA Gap Financing Loan | $ 856,853 | $ 1,500,000 | $ 643,147 |
| Deferred Developer Fee | $ 230,626 | $ 1,084,311 | $ 853,685 |
| **Total** | **$18,382,484** | **$20,890,551** | **$ 2,508,065** |

| **Table 2 – Development Uses** | | | |
|---|---|---|---|
| | 1/28/21 | 5/21/21 | Increased Uses |
| Construction Hard Costs | $ 13,458,010 | $ 14,207,285 | $ 749,275 |
| Construction Contingency | $ 582,940 | $ 275,870 | $ (307,070) |
| Architectural and Engineering | $ 640,000 | $ 691,093 | $ 51,093 |
| Construction Interest and Fees | $ 468,000 | $ 1,091,678 | $ 623,678 |
| Financing Fees | $ 119,250 | $ 115,606 | $ (3,644) |
| Legal Fees | $ 150,000 | $ 292,912 | $ 142,912 |
| Reserves | $ 244,621 | $ 436,328 | $ 191,707 |

| | | | |
|---|---|---|---|
| Permits, Studies, Misc. Fees | $ 532,205 | $ 923,483 | $ 391,278 |
| Furnishings | $ 60,000 | $ 460,000 | $ 400,000 |
| Developer Fee | $ 2,127,458 | $ 2,396,296 | $ 268,838 |
| **Total** | **$ 18,382,484** | **$ 20,890,551** | **$ 2,508,065** |

**Increased Project Costs and Funding Sources**

The general contractor, Tricorp, has established a Guaranteed Maximum Price (GMP) of approximately $14.2 million, which is approximately $749,000 over Tricorp's preliminary estimate as shown in **Table 2**. The GMP is based on subcontractor bids received in May. The majority of the increased cost amount is because of increased lumber costs. A number of soft costs have also increased including the addition of $400,000 for built-in murphy beds and wardrobes, resulting in a project budget that is approximately $2.5 over the January estimate, as shown in **Table 1**.

Under the GMP contract, Tricorp is responsible for any cost overruns unless the owner directs a significant change in scope. Any cost savings will be split evenly between 1322 O St Investors LP and Tricorp, which incentivizes Tricorp to save costs.

To cover the additional costs, the amount of tax credit equity, the deferred development fee, and the CADA loan have all increased as indicated in **Table 2**.

**CADA Gap Financing Loan**

The Board authorized the proposed terms of the CADA Gap Financing Loan at the November 2019 meeting. Attached for Board action are the loan agreement and promissory note (see **Attachments 5 and 6**).

The CADA Gap Loan is $1.5 million. However, a U.S. Treasury Department ruling could require an increase in the CADA loan to approximately $4 million. At the end of 2020, Congress approved legislation setting a Low Income Housing Tax Credit floor rate of 4%. The 4% floor is beneficial because it increases the amount of tax credit equity available to the project. However, because tax credits for this project were approved prior to establishment of the floor, it is uncertain whether it will apply retroactively to this project. If the Treasury Department rules that the LIHTC rate floor is not applicable, the amount of tax credit equity will be reduced and will need to be offset by increasing the amount of the CADA loan up to $4 million as set forth in the above Recommended Action #2 to be taken by CADA. (The Board approved a loan of up to $4.5 million in May 2020.)

**3. CONTRACTS**

The City Building Department completed their building permit review on April 21, 2021. A requirement for building permit approval was identification of the firm and tests to be completed for special inspections for structural steel/wood and reinforced concrete/masonry work during construction. Staff solicited bids from three firms, and among the firms, Krazan & Associates ("Krazan") had the lowest cost at $64,514. Staff entered into this contract to fulfill this condition for building permit approval.

Assignment of predevelopment contracts from CADA to the Partnership, as previously approved by the Board, has not yet occurred because the Amended LP needed to be finalized first, which establishes contract insurance limits. Following execution of the Amended LPA, CADA will assign the relevant contracts to the Partnership, including the Krazan contract.

## 4. CONSTRUCTION SCHEDULE

**Table 3** provides an outline of the construction schedule, which is planned to commence in June 2021 and last 17 months through November 2022.

| **Table 3 – Construction Schedule** | | | | | | |
|---|---|---|---|---|---|---|
| | 2021 | | 2022 | | | |
| | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Demolition | | | | | | |
| Environmental mitigation | | | | | | |
| Mechanical, electrical & plumbing | | | | | | |
| Foundation | | | | | | |
| Framing | | | | | | |
| Drywall | | | | | | |
| Finishes | | | | | | |

## FINANCIAL IMPACT

### CADA Predevelopment Loan

When project financing closes by June 7, 2021, the Partnership will reimburse CACDC for the predevelopment loan, and CACDC will repay its predevelopment loan with CADA for predevelopment expenses. CADA approved a loan of up to $1.1 million to the Partnership for predevelopment work leading to construction of the project. To date, $791,204 has been expended or encumbered.

### Permanent Financing

Given the complexity of the financing and the number of participants, there are numerous agreements related to the financing. **Attachment 7** is a list of the financing documents.

Following project completion and conversion to permanent financing, the Partnership will make the following annual payments for the Financing Sources shown in **Table 1** above:

- Approximately $82,000 to Chase Bank for its 35-year term $1.5 million permanent loan at 4.32% interest.

- $42,000 to California Department of Housing and Community Development (HCD) for its a 55-year term $10 million permanent nonrecourse loan bearing at 3% simple interest with all outstanding principal due at maturity.

Repayment of the CADA Gap Financing Loan will begin after payoff of the Deferred Developer Fee (in year 15) and as cash flow permits.

### Development Fee

When construction financing is converted to permanent financing at construction completion, the non-deferred portion of the development fee of approximately $1.3 million will be split with 2/3rds distributed to CACDC and 1/3rd to Mr. Youssefi. The remaining deferred portion of the developer fee of approximately $1.1 will be paid to the general partners from project cash flow over the 15-year period following project completion. Based on agreement between Mr. Youssefi and CACDC, Mr. Youssefi will be paid his portion of the deferred developer fee in full prior to payment to CACDC.

## Budget Amendment

The foregoing actions require a budget amendment with funds to come from the 2020 bond for the following:

- Increase the previously authorized Gap Financing Loan by $643,147 to $1.5 million
- Increase the project budget by approximately $65,000 to cover the Krazan and Associates special inspections during construction
- Increase the project budget by $100,000 to cover the cost of a Letter of Credit to satisfy the City's requirement that CADA provide a letter of credit to guarantee that off-site improvements will be completed. The $100,000 will be returned upon acceptance of such improvements by the City

## CONTRACT AWARD CONSIDERATIONS

Staff is requesting Board approval to execute the Krazan contract because the contract amount exceeds the $50,000 limit of the Executive Director's authority to approve professional services contracts.

Attachments:

1. Amended and Restated Agreement of Limited Partnership of 1322 O St Investors LP
2. Post-Close Organizational Chart
3. Residential Management Agreement
4. Terms for Side Letter between CADA and Cyrus Youssefi
5. Gap Financing Promissory Note
6. Deed of Trust
7. List of Financing Documents

**DRAFT 5/24/2021; 7:51 PM**

# AMENDED AND RESTATED AGREEMENT

# OF

# LIMITED PARTNERSHIP

# OF

# 1322 O ST INVESTORS LP

**DATED AS OF MAY __, 2021**

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# AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF 1322 O ST INVESTORS LP

This Amended and Restated Agreement of Limited Partnership is being entered into effective as of _____, 2021 (the "Effective Date") by and among CAPITOL AREA COMMUNITY DEVELOPMENT CORPORATION, a California nonprofit public benefit corporation, as managing general partner (the "Managing General Partner" or "CACDC"), CYRUS YOUSSEFI, an individual resident of the State of California, as the administrative general partner (the "Administrative General Partner" or "Cyrus", and together with the Managing General Partner, the "General Partners" and each a "General Partner"), WNC HOLDING, LLC, a California limited liability company, as the limited partner (the "Limited Partner"), WNC HOUSING, L.P., a California limited partnership, as the special limited partner (the "Special Limited Partner"), and CAPITOL AREA COMMUNITY DEVELOPMENT CORPORATION, a California nonprofit public benefit corporation, as the withdrawing limited partner (in such capacity, the "Original Limited Partner").

## RECITALS

**WHEREAS,** 1322 O St Investors LP, a California limited partnership (the "Partnership"), filed a certificate of limited partnership with the California Secretary of State on October 25, 2019. A partnership agreement dated November 12, 2019 was entered into by and among the General Partners and the Original Limited Partner (the "Original Partnership Agreement").

**WHEREAS**, in furtherance of the Managing General Partner's charitable purpose of providing affordable housing to needy and distressed persons, the Managing General Partner desires to continue its participation in the Partnership, which Partnership was formed to acquire, develop, construct, own and maintain a residential apartment complex intended for rental to persons of low income to be known as Courtyard Studios Apartments (AKA Sonrisa), located in Sacramento, California, and as further described in this Agreement. The Managing General Partner has determined and approved the Administrative General Partner, the Limited Partner, and the Special Limited Partner as the Partners with whom it wishes to develop the Apartment Housing, as described herein. In addition to the Administrative General Partner, the Special Limited Partner, and the Limited Partner, the Managing General Partner, on behalf of the Partnership, has approved and agrees to oversee the Developer, the Accountant, and the Management Agent, all as defined herein, as part of the Partnership development and ongoing management team.

**WHEREAS**, the Partners desire to enter into this Agreement to provide for, among other things, (i) the continuation of the Partnership, (ii) the admission of the Limited Partner and the Special Limited Partner as partners of the Partnership, (iii) the liquidation of the Original Limited Partner's Interest as a limited partner in the Partnership, (iv) the payment of Capital Contributions by the Limited Partner and the Special Limited Partner to the Partnership, (v) the allocation of Income, Losses, Tax Credits and distributions of Net Operating Income and other cash funds of the Partnership among the Partners, (vi) the determination of the respective rights,

obligations and interests of the Partners to each other and to the Partnership, and (vii) certain other matters.

**WHEREAS**, the Partners desire hereby to amend and restate the Original Partnership Agreement.

**NOW, THEREFORE**, in consideration of their mutual agreements herein set forth, the Partners hereby agree to amend and restate the Original Partnership Agreement in its entirety to provide as follows:

## ARTICLE I.
## DEFINITIONS

"**Accountant**" means CohnReznick LLP, or such other firm of independent certified public accountants as may be engaged for the Partnership by the General Partner with the Consent of the Special Limited Partner. Notwithstanding any provision of this Agreement to the contrary, the Special Limited Partner will have the discretion to dismiss the Accountant for cause if such Accountant fails to provide, or untimely provides, or inaccurately provides, the information required in Section 14.2 or Section 14.3.

"**Act**" means the laws of the State governing limited partnerships, as now in effect and as the same may be amended from time to time.

"**Actual Tax Credit**" means, as of any point in time, the total amount of the LIHTC actually allocated by the Partnership to the Limited Partner and not subsequently recaptured or disallowed, representing 99.98% of the LIHTC actually received by the Partnership, as shown on the applicable tax returns of the Partnership.

"**Adjusted Capital Account Deficit**" means, with respect to any Partner, the deficit balance, if any, in such Partner's Capital Account as of the end of the relevant fiscal period, after giving effect to the following adjustments:

(a) credit to such Capital Account any amounts which such Partner is obligated to restore or is deemed to be obligated to restore pursuant to the penultimate sentences of Treasury Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5); and

(b) debit to such Capital Account the items described in Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) and 1.704-1(b)(2)(ii)(d)(6) of the Treasury Regulations.

The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations and will be interpreted consistently therewith.

"**Administrative General Partner**" means Cyrus Youssefi, an individual resident of the State of California.

"**Ad Valorem Real Estate Taxes**" means the sum of $0 required to be paid annually by the Partnership to the tax assessor, school district or similar representative, of Sacramento County for real estate taxes assessed against the Apartment Housing.

"**Affiliate**" means (a) any Person directly or indirectly controlling, controlled by, or under common control with another Person; (b) any Person owning or controlling 10% or more of the outstanding voting securities of such other Person; (c) any officer, director, trustee, or partner of such other Person; and (d) if such Person is an officer, director, trustee or general partner, any other Person for which such Person acts in any such capacity.

"**Agreement**" or "**Partnership Agreement**" means this Amended and Restated Agreement of Limited Partnership, as it may be amended from time to time. Words such as "herein," "hereinafter," "hereof," "hereto," "hereby" and "hereunder," when used with reference to this Agreement, refer to this Agreement, unless the context otherwise requires.

"**Apartment Housing**" collectively means the Improvements and approximately 0.255 acres of land at 1322 O Street, Sacramento, Sacramento County, California, 95814. The legal description is described in Exhibit A attached hereto and incorporated herein by this reference.

"**Architect of Record**" means Williams + Paddon. The General Partner, on behalf of the Partnership, shall enter into a contract with the Architect of Record to perform certain duties and responsibilities including, but not limited to: designing the Improvements; preparing the construction blueprints, preparing the property specifications manual; contracting for administrative services; completing the close-out procedures; inspecting for and overseeing resolution of the Contractor's final punch list; receiving and approving operations and maintenance manuals; and collecting, reviewing, approving and forwarding to the Partnership all product, material and construction warranties.

"**Asset Management Fee**" has the meaning set forth in Section 9.2(d).

"**Assignee**" means a Person who has acquired all or a portion of the Limited Partner's or the Special Limited Partner's beneficial interest in the Partnership and who has not been substituted in the stead of the transferor as a Partner.

"**Bankruptcy**" or "**Bankrupt**" means the making of an assignment for the benefit of creditors, becoming a party to any liquidation or dissolution action or proceeding other than as a creditor, the commencement of any bankruptcy, reorganization, insolvency or other proceeding for the relief of financially distressed debtors, the appointment of a receiver, liquidator, custodian or trustee, or the discounted settlement of substantially all the debts and obligations of a debtor; and, if any of the same occur involuntarily, the same not being dismissed, stayed or discharged within 90 days; or the entry of an order for relief under Title 11 of the United States Code. A Partner will be deemed Bankrupt if any of the above has occurred to that Partner.

"**BOE**" means the California State Board of Equalization.

"**Bond Loan**" means the construction and permanent nonrecourse loan from the Bond Purchaser in the aggregate principal amount of $15,455,254 and bearing interest at [4]% during its [27/30] month construction phase, and following conversion to its permanent phase, in the principal amount of $1,480,000 and bearing compounded interest at [4.070]% per annum, monthly payments of principal and interest based on 420 amortization, and a 30 year term, with all outstanding principal and interest due at maturity. A portion of the Bond Loan in the principal amount of $10,305,237 is financed by the proceeds of the sale of the Tax-Exempt Bonds to the Bond Purchaser.

"**Bond Purchaser**" means JPMorgan Chase Bank, N.A.

"**Breakeven Operations**" means at such time as the Partnership has Cash Receipts in excess of Cash Expenses, as determined by the Accountant and approved by the Special Limited

Partner. For purposes of this definition; (a) any one-time up-front fee paid to the Partnership from any source will not be included in Cash Receipts to calculate Breakeven Operations; (b) Cash Expenses will include the amount of any outstanding Partnership obligations and any Management Fee or portion thereof which is currently deferred and not paid; and (c) Cash Expenses will include the amount of any reserve required to be funded in accordance with Article VIII that is currently deferred and not paid. In addition, Breakeven Operations will not occur until the Tax and Insurance Account and the Operating Deficit Account required by Article VIII have been fully funded.

"**Budget Agreement**" means the Budget Agreement entered into by the Partnership and the Partners as of the Effective Date, and incorporated herein by this reference.

"**CADA Gap Loan**" means the construction and permanent nonrecourse loan from the Capitol Area Development Authority ("**CADA**"), consisting of principal amount of $1,500,000, bearing simple interest at 4% per annum, with annual payments of principal and interest in an amount equal to 15% of the prior calendar year's Residual Cash Flow (as such term is defined in the Residual Receipts Promissory Note executed by the Partnership on or about the Effective Date in favor of CADA with respect to CADA Gap Loan), commencing 13 years after the Apartment Housing receives its certificate of occupancy, a term of 55 years, and all outstanding principal and accrued interest due at maturity.

"**California Code**" means the California Revenue and Taxation Code, as amended.

"**Capital Account**" means, with respect to each Partner, the account maintained for such Partner comprised of such Partner's Capital Contribution as increased by allocations to such Partner of Partnership Income (or items thereof) and any items in the nature of income or gain which are specially allocated pursuant to Section 10.3, Section 10.4, or Section 10.5 and decreased by the amount of any Distributions made to such Partner, and allocations to such Partner of Partnership Losses (or items thereof) and any items in the nature of expenses or losses which are specially allocated pursuant to Section 10.3, Section 10.4, or Section 10.5. In the event of any transfer of an interest in the Partnership in accordance with the terms of this Agreement, the transferee will succeed to the Capital Account of the transferor to the extent it relates to the transferred interest. The foregoing definition and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Treasury Regulations Section 1.704-1(b), as amended or any successor thereto, and will be interpreted and applied in a manner consistent with such Treasury Regulations.

"**Capital Contribution**" means the total amount of money, or the Gross Asset Value of property contributed to the Partnership, if any, by all the Partners or any class of Partners or any one Partner as the case may be (or by a predecessor-in-interest of such Partner or Partners), reduced by any such capital that has been returned pursuant to Section 7.3, Section 7.4, or Section 7.5 of this Agreement. A loan to the Partnership by a Partner will not be considered a Capital Contribution.

"**Cash Expenses**" means all operating obligations of the Partnership (other than those covered by Insurance) including without limitation, the payment of the monthly Bond Loan and/or HCD TOD Loan payments (or any other Mortgage Loan requiring monthly or annual

must-pay debt service payments), Ground Lease payments, the Management Agent fees, [the Issuer Monitoring Fee], the funding of reserves in accordance with Article VIII (except for any reserves established pursuant to Section 8.5), advertising costs, utilities, maintenance, repairs, Partner communications, legal, telephone, any other expenses which may reasonably be expected to be paid in a subsequent period but which on an accrual basis will be allocable equally per month over the calendar year, such as, but not limited to, Insurance, Ad Valorem Real Estate Taxes, Mortgage Loan payments paid other than monthly, audit, tax or accounting expenses (excluding deductions for cost recovery of buildings; improvements and personal property and amortization of any financing fees) and any seasonal expenses (such as snow removal, the use of air conditioners in the middle of the summer, or heaters in the middle of the winter) which may reasonably be expected to be paid in a subsequent period. Cash Expenses payable to Partners or Affiliates of Partners will be paid after Cash Expenses payable to third parties. Construction Loan interest and development costs of any nature whatsoever are not Cash Expenses except with respect to Construction Loan interest attributable to units that have been placed in service. Notwithstanding any other provision of this Agreement, the term Cash Expenses does not include the Asset Management Fee, MGP Fee, Tax Credit Compliance Fee, or Incentive Management Fee.

"**Cash Receipts**" means actual cash received on a cash basis by the Partnership from operating revenues of the Partnership, including without limitation rental income (but not any subsidy thereof from the General Partner or an Affiliate thereof), tenant security deposits that have been forfeited by tenants pursuant to the laws of the State, late fees, nonsufficient fund fees, laundry income paid to the Partnership, telephone hook-up or service income, cable fees or hook-up costs, telecommunications or satellite fees or hook-up costs, garage or parking fees (if any) but excluding prepayments, security deposits, Capital Contributions, borrowings (including Operating Loans), the Construction Loan, the Mortgage Loan, lump-sum payments, any extraordinary receipt of funds, and any income earned on investment of its funds. Neither the General Partner nor its Affiliates will be entitled to payment of any Cash Receipts for any reason (except as otherwise provided herein), including but not limited to a separate contract, agreement, obligation or the like.

"**Certification and Agreement**" means the Certification and Agreement entered into by the Partnership, the General Partner, and the Original Limited Partner as of the Effective Date and incorporated herein by this reference.

"**Code**" means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute.

"**Completion of Construction**" means the date the Partnership receives the required certificate of occupancy (or the local equivalent) for all 58 apartment units, receives the Contractor's Certificate in a form substantially similar to the form attached hereto as Exhibit E, and receives the Architect of Record's certification, in a form substantially similar to the form attached hereto as Exhibit C and incorporated herein by this reference, with respect to completion of all the apartment units in the Apartment Housing. If all required final lien waivers are not received, then all liabilities not covered by a final lien waiver shall be covered by a form of payment assurance reasonably acceptable to the Special Limited Partner. In addition to the above, Completion of Construction will occur only after the state statutory time period for the

filing of any liens by the Contractor, subcontractors, material suppliers or anyone else entitled to file a lien against the property has lapsed unless such filed liens, other than the Construction Loan, or Mortgage Loan, have been bonded over and have been approved by the Special Limited Partner.

"**Completion Date**" means January 27, 2023.

"**Compliance Period**" means the 15-year period set forth in Section 42(i)(1) of the Code.

"**Consent of the Special Limited Partner**" means the prior signed written consent of the Special Limited Partner in its sole discretion, which consent or approval shall be obtained prior to the taking of the action for which it is required hereunder.

"**Construction Contract**" means the construction contract dated **[_____, 2021]** in the amount of $14,207,285, entered into between the Partnership and the Contractor pursuant to which the Improvements are being constructed in accordance with the Plans and Specifications. The Construction Contract will be a fixed price agreement (includes materials and labor) at a cost consistent with the Development Budget. Any modifications to the Construction Contract require the Consent of the Special Limited Partner.

"**Construction Draw Documents**" means those documents set forth in Section 14.3(a).

"**Construction Inspector**" means Hillmann Group, LLC.

"**Construction Lender**" means the makers of the Construction Loans.

"**Construction Loan**" means the construction phase of the Bond Loan and the construction phase of the CADA Gap Loan to provide funds for the acquisition, renovation and/or construction and development of the Apartment Housing. Where the context admits, the term "**Construction Loan**" includes any deed, deed of trust, note, security agreement, assumption agreement or other instrument executed by, or on behalf of, the Partnership or General Partner in connection with the Construction Loan as required by the Construction Lender.

"**Contractor**" means Tricorp Group, Inc. Any substitution of Contractor requires the Consent of the Special Limited Partner.

"**Debt Service Coverage**" means for the applicable period the ratio between Net Operating Income (excluding Mortgage Loan payments) and the debt service required to be paid on the Mortgage Loan. For example, a 1.15 Debt Service Coverage means that for every $1.00 of debt service required to be paid there must be $1.15 of Net Operating Income available. A worksheet for the calculation of Debt Service Coverage is found in the Report of Operations attached hereto as Exhibit G and incorporated herein by this reference. For purposes of this definition: (a) any one-time up-front fee paid to the Partnership from any source will not be included in Cash Receipts to calculate Debt Service Coverage; (b) Cash Expenses will include the amount of any Management Fee, or portion thereof, which is currently deferred and not paid; and (c) Cash Expenses will include the amount of any reserve required to be funded in accordance with Article VIII that is currently deferred and not paid.

"**Deferred Management Fee**" has the meaning set forth in Section 9.2(c).

"**Developer**" collectively means Cyrus Youssefi, individually, and the Capitol Area Community Development Corporation, a California nonprofit public benefit corporation.

"**Development Agreement**" means the Development Fee Agreement entered into by the Developer and the Partnership as of the Effective Date.

"**Development Budget**" means the total development cost of $20,703,935, which includes all hard and soft costs incident to the acquisition, development and construction of the Apartment Housing in accordance with the Project Documents, as provided in the Budget Agreement.

"**Development Fee**" means the fee payable to the Developer for services incident to the development and construction of the Apartment Housing in accordance with the Development Agreement. Development activities do not include services for the acquisition of land, syndication activities, or negotiations for permanent financing.

"**Distributions**" means the total amount of money, or the Gross Asset Value of property (net of liabilities securing such distributed property that such Partner is considered to assume or take subject to under Section 752 of the Code), distributed to Partners with respect to their Interests in the Partnership, but does not include any payments to the General Partner or its Affiliates for fees or other compensation as provided in this Agreement or any guaranteed payment within the meaning of Section 707(c) of the Code.

"**Eligible Basis**" means the adjusted basis of the Apartment Housing, determined as to each building as of the close of the first year of its Tax Credit Period, and as more particularly defined in Code Section 42(d) and the Regulations and rulings thereunder.

"**Exempt Partner**" means a Partner of the Partnership whose ownership of an Interest in the Partnership would cause property held by the Partnership to be tax-exempt use property for purposes of Section 168(h) of the Code, but for the fact that this Agreement provides for Qualified Allocations.

"**Fair Market Value**" means, with respect to any property, real or personal, the price a ready, willing and able buyer would pay to a ready, willing and able seller of the property, provided that such value is reasonably agreed to between the parties in arm's-length negotiations and the parties have sufficiently adverse interests.

"**First Year Certificate**" means the certificate to be filed by the General Partner with the Secretary of the Treasury as required by Code Section 42(1)(1).

"**Force Majeure**" means for purposes of Section 13.2, as stated therein, any act of God, strike, lockout, or other industrial disturbance, act of the public enemy, terrorism, war, blockage, public riot, fire, flood, explosion, governmental shutdown, governmental delay or restraint.

"**General Partner(s)**" collectively means the Managing General Partner, the Administrative General Partner, and such other Persons as are admitted to the Partnership as

additional or substitute General Partners pursuant to this Agreement. If there is more than one General Partner of the Partnership, the term "General Partner" will be deemed to collectively refer to such General Partners or individually may mean any General Partner as the context dictates.

"**Gross Asset Value**" means with respect to any asset, the asset's adjusted basis for federal income tax purposes, except as follows:

(a) the initial Gross Asset Value of any asset contributed by a Partner to the Partnership will be the Fair Market Value of such asset, as determined by the contributing Partner and the General Partner, provided that, if the contributing Partner is a General Partner, the determination of the Fair Market Value of a contributed asset will be determined by appraisal;

(b) the Gross Asset Values of all Partnership assets will be adjusted to equal their respective Fair Market Values, as determined by the General Partner, as of the following times: (1) the acquisition of an additional Interest in the Partnership by any new or existing Partner in exchange for more than a de minimis Capital Contribution; (2) the distribution by the Partnership to a Partner of more than a de minimis amount of Partnership property as consideration for an Interest in the Partnership; and (3) the liquidation of the Partnership within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(g); provided, however, that the adjustments pursuant to clauses (1) and (2) above will be made only with the Consent of the Special Limited Partner and only if the General Partner reasonably determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the Partners in the Partnership;

(c) the Gross Asset Value of any Partnership asset distributed to any Partner will be adjusted to equal the Fair Market Value of such asset on the date of distribution as determined by the distributee and the General Partner, provided that, if the distributee is a General Partner, the determination of the Fair Market Value of the distributed asset will be determined by appraisal; and

(d) the Gross Asset Values of Partnership assets will be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to Code Section 734(b) or Code Section 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m) and Section 10.3(g); provided however, that Gross Asset Values will not be adjusted pursuant to this definition to the extent the General Partner determines that an adjustment pursuant to Section (b) hereof is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to Section (d) of this definition.

If the Gross Asset Value of an asset has been determined or adjusted pursuant to this definition, such Gross Asset Value will thereafter be adjusted by the depreciation taken into account with respect to such asset for purposes of computing Income and Losses.

"**Ground Lease**" means that certain Development Ground Lease dated November 15, 2019, by and between the State of California, acting by and through its Department of General

Services, as lessor, and Capitol Area Development Authority, as lessee, as assigned to the Partnership, and as amended by that certain First Amendment to Lease, dated February 4, 2021, by and between the State of California and the Partnership, pursuant to which the land on which the Apartment Housing will be constructed was leased to the Partnership for a term of [55 years] following the recordation of the Regulatory Agreement with TCAC with respect to the LIHTC, provided such term shall not extend longer than [60 years].

"**Guarantor**" collectively and individually means Cyrus Youssefi, an individual resident of the State of California, Capitol Area Community Development Corporation, a California non-profit public benefit corporation, and Capitol Area Development Authority, a California joint powers agency.

"**Guaranty Agreement**" means the agreements made by the Guarantor as of the Effective Date regarding the Apartment Housing and incorporated herein by this reference.

"**HCD TOD Loan**" means the permanent nonrecourse loan from the California Department of Housing and Community Development in the principal amount of $10,000,000, bearing simple interest at 3% per annum, with an annual required payment of $42,000, a 55 year term, with all outstanding principal due at maturity.

"**Improvements**" means the new construction of one 5-story building and one 1-story, known as Courtyard Studio Apartments (aka Sonrisa), containing 58 apartment units and ancillary and appurtenant facilities for family use and built in accordance with the Project Documents. It also includes all furnishings, equipment and personal property used in connection with the operation thereof. The total number of apartment units is 57 LIHTC units and 1 manager's unit.

"**In-Balance**" means, at any time when calculated, when the cumulative amount of the undisbursed Construction Loan and the undisbursed Capital Contributions of the Limited Partner and Special Limited Partner required to be paid-in through and including Completion of Construction are sufficient in the Special Limited Partner's reasonable judgment to pay all of the following sums: (a) all costs of construction to achieve Completion of Construction; (b) all soft costs in the development of the Apartment Housing, including but not limited to, architect fees, land acquisition, impact fees and costs of marketing, maintenance and leasing of the Apartment Housing units; and (c) all interest and all other sums accruing or payable under the Construction Loan documents, but not including unpaid Development Fee. In making a determination that the financing is In-Balance, the Special Limited Partner will also consider whether the undisbursed Capital Contributions of the Limited Partner and Special Limited Partner, the Mortgage Loan and other sources of permanent financing (but not Cash Receipts) are adequate to retire the Construction Loan at the earlier of the time of Mortgage Loan closing and funding, or maturity of the Construction Loan.

"**Incentive Management Fee**" has the meaning set forth in Section 9.2(e).

"**Income and Loss(es)**" means, for each fiscal year or other period, an amount equal to the Partnership's taxable income or loss for such year or period, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss or deduction required to be

stated separately pursuant to Code Section 703(a)(1) will be included in taxable income or loss), with the following adjustments:

(a) any income of the Partnership that is exempt from federal income tax and not otherwise taken into account in computing Income or Losses will be added to such taxable income or loss;

(b) any expenditures of the Partnership described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Income and Losses will be subtracted from such taxable income or loss;

(c) in the event the Gross Asset Value of any Partnership asset is adjusted pursuant to the provisions of the definition thereof, the amount of such adjustment will be taken into account as gain or loss from the disposition of such asset for purposes of computing Income and Losses;

(d) gain or loss resulting from any disposition of Partnership assets with respect to which gain or loss is recognized for federal income tax purposes will be computed by reference to the Gross Asset Value of the property disposed of, notwithstanding that the adjusted tax basis of such property differs from its Gross Asset Value;

(e) in lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there will be taken into account depreciation for such fiscal year or other period, computed as provided below; and

(f) notwithstanding any other provision of this definition, any items which are specially allocated pursuant to Section 10.3 or Section 10.4 will not otherwise be taken into account in computing Income or Losses.

Depreciation for each fiscal year or other period will be calculated as follows: an amount equal to the depreciation, amortization, or other cost recovery deduction allowable with respect to an asset for such year or other period for federal income tax purposes, except that if the Gross Asset Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such year or other period, depreciation will be an amount which bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such year or other period bears to such beginning adjusted tax basis; provided, however, if the federal income tax depreciation, amortization, or other cost recovery deduction for such year is zero, depreciation will be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the General Partner.

For purposes of this Agreement, the term "Income" when used alone will include all items of income or revenue contemplated in this definition and the term "Losses" when used alone will include all items of loss or deductions contemplated in this definition.

"**Independent Appraiser**" means an appraiser that satisfies the following criteria:

(a) Such firm, or personnel of such firm, is not a Partner or an Affiliate of the Partnership or of any Partner;

(b) Such firm (or a predecessor in interest to the assets and business of such firm) has been in business for at least 5 years, and at least one of the principals of such firm has been in the active business of appraising substantially similar assets for at least 10 years;

(c) Such firm has regularly rendered appraisals of substantially similar assets for at least 5 years on behalf of a reasonable number of unrelated clients;

(d) One or more of the principals or appraisers of such firm are members in good standing of an appropriate professional association or group which establishes and maintains professional standards for its members; and

(e) Such firm renders an appraisal to the Partnership only after entering into a contract that specifies the compensation payable for such appraisal.

"**Independent Arbitrator**" means

(a) an Attorney in good standing with the State Bar Association of the State or a retired judge;

(b) such person or firm is not a Partner, is not related to or an Affiliate of the Partnership or of any Partner; and

(c) such person has regularly served as an arbitrator for at least five years on behalf of a reasonable number of unrelated matters in disputes between partners regarding partnership matters, including but not limited to, partner rights, powers and duties, conflicts or interests, capital contribution payments and conditions, and sale transactions for at least five years.

"**Insurance**" means insurance coverage satisfying the terms and conditions specified in Exhibit I hereto, and specifically excludes co-insurance or self-insurance.

"**Insurance Company**" means any insurance company engaged by the General Partner for the Partnership with the Consent of the Special Limited Partner, which Insurance Company will have an A rating or better for financial safety by A.M. Best or Standard & Poor's and a financial performance of at least VIII or better from Best's Key Rating Guide or Standard & Poor's. Any substitution of Insurance Company during the term of this Agreement requires the Consent of the Special Limited Partner.

"**Interest**" means the entire ownership interest of a Partner in the Partnership at any time, including the right of such Partner to any and all benefits to which a Partner may be entitled hereunder and the obligation of such Partner to comply with the terms of this Agreement.

"**Involuntary Withdrawal**" means any Withdrawal of a General Partner or any of its principals caused by death, adjudication of insanity or incompetence, Bankruptcy, or the removal of a General Partner pursuant to Section 13.2.

"**IRS**" means the Internal Revenue Service.

"**Issuer**" means the California Housing Finance Agency.

"**Issuer Monitoring Fee**" means the annual administrative fee payable to the Issuer pursuant to the Regulatory Agreement and Declaration of Restrictive Covenants entered into by the Issuer and the Partnership as of **[May 1, 2021]**, in the annual amount of $_____.

"**LIHTC**" means the low-income housing tax credit provided for in Code Section 42.

"**Limited Partner**" means WNC Holding, LLC, a California limited liability company, and such other Persons as are admitted to the Partnership as additional or Substitute Limited Partners pursuant to this Agreement.

"**Management Agent**" means the property management company which oversees the property management functions for the Apartment Housing. The initial Management Agent will be C.F.Y. Development, Inc., a California corporation. Any termination or substitution of the Management Agent requires the Consent of the Special Limited Partner.

"**Management Agreement**" means the Residential Management Contract, dated March 25, 2021, by and between the Partnership and the Management Agent for property management services for the Apartment Housing, or any permitted replacement thereto. The Management Fee will be paid in accordance with the terms of the Management Agreement. The General Partner, on behalf of the Partnership, shall ensure that neither the Management Agreement nor any ancillary agreement will provide for an initial rent-up fee, a set-up fee, any other similar pre-management fee or recurring fee for compliance monitoring or the like. The General Partner shall also ensure that the Management Agreement provides that it will be terminable at will by the Partnership at any time following the Withdrawal or removal of the General Partner and, in any event, on any anniversary of the date of execution of the Management Agreement, without payment or penalty for failure to renew the same and that the Management Agreement requires the Management Agent to provide a fidelity bond in an amount equal to at least two months of gross receipts.

"**Management Fee**" means the fee payable to the Management Agent pursuant to the Management Agreement.

"**Managing General Partner**" means Capitol Area Community Development Corporation, a California non-profit public benefit corporation, or such other eligible nonprofit corporation or limited liability company that satisfies the requirements of the Property Tax Rules and that is admitted to the Partnership as a substitute managing general partner pursuant to this Agreement and in accordance with the requirements of the Property Tax Rules. The admission into the Partnership and substitution of the substitute Managing General Partner shall take place on the same effective date as the Withdrawal or removal of the former Managing General Partner and the admission of such substitute Managing General Partner shall be in compliance with California Corporations Code Section 15641.

"**MGP Fee**" means the fee payable to the Managing General Partner pursuant to Section 9.2(g).

"**Minimum Set-Aside Test**" means the 40-60 set-aside test pursuant to Section 42(g) of the Code with respect to the percentage of apartment units in the Apartment Housing to be occupied by tenants whose incomes are equal to or less than the required percentage of the area

median gross income. More specifically, the General Partner has agreed that there will be 22 studio units with 270 square feet at 40% or less of the area median income, as adjusted for family size; 28 studio units with 270 square feet at 50% or less of the area median income, as adjusted for family size; 7 studio units with 270 square feet at 60% or less of the area median income, as adjusted for family size; and one 1 bedroom manager's unit with 440 square feet.

"**Mortgage Lender**" individually and collectively means the makers of the Mortgage Loan.

"**Mortgage Loan**" or "**Mortgage Loans**" individually and collectively means the permanent phase of the Bond Loan, the HCD TOD Loan, and the permanent phase of the CADA Gap Loan. Where the context admits, the term "**Mortgage**" or "**Mortgage Loan**" includes any mortgage, deed, deed of trust, note, regulatory agreement, security agreement, assumption agreement or other instrument executed in connection with the Mortgage Loan which is binding on the Partnership. If any Mortgage Loan is replaced or supplemented by any subsequent mortgage loan(s) or if the Partnership agrees to any loans not described herein, the term "**Mortgage Loan**" will refer to any such subsequent mortgage loan(s), provided that any substitution or change in a Mortgage Loan must receive the Consent of the Special Limited Partner.

"**Net Operating Income**" means the cash available for distribution on an annual basis, when Cash Receipts exceed Cash Expenses.

"**Nonrecourse Deductions**" has the meaning given it in Treasury Regulations Section 1.704-2(b)(1).

"**Nonrecourse Liability**" has the meaning given it in Treasury Regulations Section 1.704-2(b)(3).

"**Operating Budget**" means the annual operating budget of the Partnership as more fully described in Section 14.3 and in the Budget Agreement.

"**Operating Deficit**" means, for the applicable period, insufficient funds to pay Partnership operating costs when Cash Expenses exceed Cash Receipts, as determined by the Accountant and approved by the Special Limited Partner.

"**Operating Deficit Guarantee Period**" means the period commencing the date the first apartment unit in the Apartment Housing is available for its intended use and ending five years following the later of (i) Permanent Mortgage Commencement and (ii) achievement of three consecutive months of a minimum Debt Service Coverage of 1.15, provided however, the Operating Deficit Guarantee Period shall not expire: (A) unless and until the Apartment Housing has achieved a minimum Debt Service Coverage of 1.10 for the most recent period of 12 consecutive months based on an audit; (B) unless Completion of Construction has occurred; and (C) until all reserves required by Article VIII have been initially funded to required levels.

"**Operating Loans**" means loans made by the General Partner to the Partnership pursuant to Article VI, which loans are repayable only as provided in Article XI.

"**Original Limited Partner**" means Capitol Area Community Development Corporation, a California non-profit public benefit corporation.

"**Partner(s)**" collectively means the General Partners, the Limited Partner and the Special Limited Partner or individually may mean any Partner as the context dictates.

"**Partner Nonrecourse Debt**" has the meaning set forth in Section 1.704-2(b)(4) of the Treasury Regulations.

"**Partner Nonrecourse Debt Minimum Gain**" means an amount, with respect to each Partner Nonrecourse Debt, equal to the Partnership Minimum Gain that would result if such Partner Nonrecourse Debt were treated as a Nonrecourse Liability, determined in accordance with Section 1.704-2(i)(3) of the Treasury Regulations.

"**Partner Nonrecourse Deductions**" has the meaning set forth in Sections 1.704-2 (i)(1) and 1.704-2(i)(2) of the Treasury Regulations.

"**Partnership**" means the limited partnership continued under this Agreement.

"**Partnership Minimum Gain**" means the amount determined in accordance with the principles of Treasury Regulation Sections 1.704-2(b)(2) and 1.704-2(d).

"**Permanent Mortgage Commencement**" means the first date on which all the following have occurred: (a) the Bond Loan has been repaid to its permanent phase principal amount; (b) the Mortgage Loans have closed and fully funded; and (c) amortization of the permanent phase of the Bond Loan and required payments on the HCD TOD Loan have commenced. Notwithstanding the foregoing, Permanent Mortgage Commencement will not occur unless, prior to conversion of the Bond Loan to its permanent phase, the General Partner has provided to the Special Limited Partner drafts of the Mortgage Loan documents for review and approval and the income and expense statements for the Partnership showing Cash Receipts and Cash Expenses for each and every month since substantial construction completion and issuance of the certificate of occupancy. Based on the draft Mortgage Loan documents and the income and expense statements, if the terms of the Mortgage Loan are not as specified in the definition of "Mortgage Loan" or if the Special Limited Partner determines that the Debt Service Coverage of any Mortgage Loan requiring monthly or annual must-pay payments will fall below 1.15 based on then current Cash Expenses and Cash Receipts, then the General Partner shall adjust the principal amount of the permanent phase of the Bond Loan to an amount which will produce a 1.15 Debt Service Coverage or greater. The Mortgage Loan funds will be used first to retire the Construction Loan and, if there are any funds remaining, the Mortgage Loan funds will be used first to retire any outstanding hard construction costs, including labor and materials, and second, to pay any outstanding soft construction costs including any Development Fee, which will be paid last pursuant to Section 9.2(b) of this Agreement. If the interest rate at the time of closing the Mortgage Loan is less than the amount stated in the definition of "Mortgage Loan," the General Partner shall not increase the principal amount of the Mortgage Loan without the Special Limited Partner's approval even if the Debt Service Coverage remains at or above 1.15.

"**Person**" means an individual, proprietorship, trust, estate, partnership, joint venture, association, company, corporation, and their heirs, executors, administrators, legal

representatives, successors and assigns of such Person where the context so requires, or other entity, as the circumstances demonstrate.

"**Plans and Specifications**" means the plans, blueprints and specifications manual for the construction of the Improvements which have been approved by the Special Limited Partner, and if required by local law, by the local city/county building department with jurisdiction over the construction of the Improvements and which Plans and Specifications are referred to in the Construction Contract. The General Partner agrees to assure that the Contractor completes construction in accordance with the Plans and Specifications. Any changes to the Plans and Specifications require approval by the appropriate government building department and the Consent of the Special Limited Partner.

"**Project Documents**" means the Partnership Agreement, the Guaranty Agreement, the Budget Agreement, the Development Agreement, the Certification and Agreement, the Title Policy, the Plans and Specifications, the Regulatory Agreement; the Ground Lease; the Property Tax Exemption, the Construction Contract; and any application filed in connection with the LIHTC. It also includes all documents relating to the Construction Loan and the Mortgage Loan and documents relating to the Tax-Exempt Bonds and all documents required by any governmental agency having jurisdiction over the Apartment Housing in connection with the development, construction and financing of the Apartment Housing.

"**Projected Annual Tax Credits**" means LIHTC in the amount of $669,172 for the year 2023, $803,007 for each of the years 2024 through 2032, and $133,834 for the year 2033, which the General Partner has projected to be the total amount of LIHTC which will be allocated to the Limited Partner by the Partnership, constituting 99.98% of the Projected Tax Credits to be available to the Partnership.

"**Projected Tax Credits**" means LIHTC in the aggregate amount of $8,031,673.

"**Property Tax Exemption**" means the welfare exemption from California property taxes for the Apartment Housing to be obtained and maintained by the Managing General Partner pursuant to the welfare exemption under Section 214(g) of the California Code.

"**Property Tax Rules**" means the rules and regulations of the BOE.

"**Property Tax Savings**" means the savings contemplated by the Property Tax Exemption.

"**Qualified Allocations**" means an allocation of income, gain, loss, deduction and credit to an Exempt Partner that satisfies the requirements of Code Section 168(h)(6)(B) so that at no time will any portion of the property held by the Partnership be classified as tax-exempt use property for purposes of Code Section 168(h). Such qualified allocation shall be consistent with the Exempt Partner being allocated the same distributive share of each item of income, gain, loss, deduction, credit and basis of the Partnership and such share remaining the same during the entire period that the Exempt Partner is a Partner of the Partnership.

"**Qualified Occupancy**" means occupancy of apartment units by Qualified Tenants.

"**Qualified Tenants**" means any tenants who have incomes of 60% (or such smaller percentage as the General Partner has agreed) or less of the area median gross income, as adjusted for family size, to make the Apartment Housing eligible for LIHTC.

"**Regulatory Agreement**" shall mean the land use restriction agreement(s) between the Partnership and the State Tax Credit Agency, Mortgage Lender or other governmental authority setting forth covenants governing the use, occupancy, management and transfer of the Apartment Housing or any interest therein as applicable which covenants will be recorded against the Apartment Housing and run with the land for the term stated therein and binding upon all subsequent owners.

"**Rent Restriction Test**" means the test pursuant to Code Section 42 whereby the gross rent charged to tenants of the low-income apartment units in the Apartment Housing cannot exceed 30% of the qualifying income levels of those units under Code Section 42.

"**Revised Projected Tax Credits**" has the meaning set forth in Section 7.4(a).

"**Sale or Refinancing**" means any of the following items or transactions: a sale, transfer, exchange or other disposition of all or substantially all of the assets of the Partnership, a condemnation of or casualty at the Apartment Housing or any part thereof, a claim against a title insurance company, the refinancing of any Mortgage Loan or other indebtedness of the Partnership and any similar item or transaction; provided, however, that the payment of Capital Contributions by the Partners will not be included within the meaning of the term "**Sale or Refinancing**."

"**Sale or Refinancing Proceeds**" means all cash receipts of the Partnership arising from a Sale or Refinancing (including principal and interest received on a debt obligation received as consideration in whole or in part, on a Sale or Refinancing) less the amount paid or to be paid in connection with or as an expense of such Sale or Refinancing, such net proceeds shall be distributed in accordance with Section 11.2 of this Agreement. Regarding damage recoveries or insurance or condemnation proceeds, the amount paid or to be paid for repairs, replacements or renewals resulting from damage to or partial condemnation of the Improvements shall be paid first and any remaining proceeds shall be distributed in accordance with Section 11.2 of this Agreement.

"**Special Limited Partner**" means WNC Housing, L.P., a California limited partnership, and such other Persons as are admitted to the Partnership as additional or substitute Special Limited Partners pursuant to this Agreement.

"**State**" means the State of California.

"**State Tax Credit Agency**" means the state agency of California which has the responsibility and authority to administer the LIHTC program in California.

"**Substitute Limited Partner**" means any Person who is admitted to the Partnership as a Limited Partner pursuant to Section 12.5 or acquires the Interest of the Limited Partner pursuant to Section 7.3.

"**Tax Credit**" means any credit permitted under the Code or the law of any state against the federal or a state income tax liability of any Partner as a result of activities or expenditures of the Partnership including, without limitation, LIHTC.

"**Tax Credit Compliance Fee**" has the meaning set forth in Section 9.2(f).

"**Tax Credit Conditions**" means, for the duration of the extended use period (as such term is defined in Code Section 42(h)(6)(D), any and all restrictions including, but not limited to: (a) the Regulatory Agreement; and (b) any applicable federal, state and local laws, rules and regulations, which must be complied with in order to qualify for the LIHTC or to avoid an event of recapture in respect of the LIHTC.

"**Tax Credit Period**" means the 10-year time period referenced in Code Section 42(f)(1) with respect to a building, including the first year following such period if the LIHTCs are allowable with respect to such building under Code Section 42(f)(2)(B). If the Partnership owns multiple buildings that have different Tax Credit Periods under the foregoing definition, it shall mean the period (i) starting with the commencement of the earliest Tax Credit Period for any building owned by the Partnership and (ii) ending with the end of the last Tax Credit Period to expire with respect to a building owned by the Partnership. It is the intent of the Partners that the Projected Tax Credits will be allocated during the Tax Credit Period and not a longer term.

"**Tax-Exempt Bonds**" means the California Housing Finance Agency Limited Obligation Multifamily Housing Revenue Bonds (1322 O Street Apartments) 2021 Issue F, issued by the Issuer in the aggregate amount of $10,305,237, and purchased by the Bond Purchaser, the interest on which is exempt from federal income tax pursuant to Code Section 103 and the proceeds of which will be used to finance the Bond Loan.

"**Title Policy**" means the policy of insurance covering the leasehold title to the Apartment Housing issued by Placer Title Company underwritten by Old Republic National Title Insurance Company or such other national title insurer, approved by the Special Limited Partner, adhering to the requirements referenced in Exhibit H.

"**Treasury Regulations**" means the regulations promulgated under the Code, as such regulations may be amended from time to time.

"**Withdrawing**" or "**Withdrawal**" (including the verb form "**Withdraw**" and the adjectival forms "**Withdrawing**" and "**Withdrawn**") means, as to a General Partner or any of its principals, the occurrence of the death, adjudication of insanity or incompetency, Bankruptcy of the General Partner or any of its principals; the withdrawal, removal or may be for any reason, including any sale, pledge, encumbering, assignment or other transfer; or those situations when a General Partner or any of its principals may no longer continue as a General Partner by reason of any law or pursuant to any terms of this Agreement.

## ARTICLE II.
## NAME

The name of the Partnership is "**1322 O St Investors LP**."

## ARTICLE III.
## PRINCIPAL EXECUTIVE OFFICE/AGENT FOR SERVICE

### Section 3.1 Principal Executive Office.

The principal executive office of the Partnership is located at 1522 14th Street, Sacramento, California 95814, or at such other place or places within the State as the General Partner may hereafter designate.

### Section 3.2 Agent for Service of Process.

The name of the agent for service of process on the Partnership is Wendy S. Saunders, whose address is 1522 14th Street, Sacramento, California 95814.

## ARTICLE IV.
## PURPOSE

### Section 4.1 Purpose of the Partnership.

The exclusive purpose of the Partnership is to acquire, construct, own and operate the Apartment Housing in order to provide affordable housing to needy and distressed persons of Sacramento County, California in furtherance of the charitable purpose of the Managing General Partner and, in part, to provide Tax Credits to the Partners in accordance with the provisions of the Code and the Treasury Regulations applicable to LIHTC and to sell the Apartment Housing at the conclusion of the Compliance Period. The Partnership shall be operated consistently with the charitable purposes and any fiduciary duty of the Managing General Partner to maximize profits, the charitable purposes of the Managing General Partner shall prevail. The Partnership shall not engage in any business or activity that is not incident to the attainment of such purpose.

### Section 4.2 Authority of the Partnership.

In order to carry out its purpose, the Partnership is empowered and authorized to do any and all acts and things necessary, appropriate, proper, advisable or incidental to the furtherance and accomplishment of its purpose, and for the protection and benefit of the Partnership in accordance with the Partnership Agreement, including but not limited to the following:

(a) acquire ownership of the real property referred to in Exhibit A attached hereto;

(b) construct, renovate and rehabilitate the Apartment Housing in accordance with the Project Documents and to own the same;

(c) rent dwelling units and provide housing to Qualified Tenants, subject to the Minimum Set-Aside Test and the Rent Restriction Test, the provisions of the Code applicable to LIHTC and consistent with the requirements of the Project Documents so long as any Project Documents remain in force;

(d) maintain and operate the Apartment Housing, including hiring the Management Agent (which Management Agent may be any of the Partners or an Affiliate thereof) and entering into any agreement for the management of the Apartment Housing during its rent-up and after its rent-up period in accordance with this Agreement;

(e) enter into the Construction Loan and Mortgage Loan; and

(f) do any and all other acts and things necessary or proper in accordance with this Agreement.

**Section 4.3 Use of Property Tax Savings.**

The Partners acknowledge that the Property Tax Savings contemplated by the Property Tax Exemption are necessary in order for the Partnership to meet its debt underwriting and financing assumptions, and therefore to keep the Apartment Housing affordable to low-income tenants. The Partners further acknowledge that the Partners would not undertake to develop the Apartment Housing and provide the affordable housing created by the Apartment Housing unless the Property Tax Savings were available to help underwrite the Mortgage Loans. The Partners will use their best efforts to maintain the Property Tax Exemption during the life of the Partnership.

## ARTICLE V.
## TERM

The Partnership term commenced upon the filing of the Certificate of Limited Partnership in the office of, and on the form prescribed by, the Secretary of State of California, and will continue in perpetuity until terminated in accordance with the provisions of this Agreement or as otherwise provided by law.

## ARTICLE VI.
## GENERAL PARTNER'S CONTRIBUTIONS AND LOANS

**Section 6.1 Capital Contribution of General Partner.**

Each General Partner made a Capital Contribution equal to $100.00.

**Section 6.2 Construction Obligations.**

The General Partner hereby guarantees Completion of Construction of the Apartment Housing on or before the Completion Date. The General Partner further guarantees that, at the time of Permanent Mortgage Commencement if remaining sources of funding are insufficient to pay in full any outstanding hard and soft costs incident to the acquisition, development and construction of the Apartment Housing (other than any unpaid Development Fee), then the General Partner, prior to Permanent Mortgage Commencement, shall advance the money to the Partnership to pay the additional costs. At any time during construction and prior to Completion of Construction and Permanent Mortgage Commencement, if the Special Limited Partner or the Construction Lender, in good faith, determines either that the actual construction and development costs exceed the Development Budget (excluding the unpaid portion of the

Development Fee) or there are inadequate funds to pay the actual hard costs and soft costs to be free and clear, then the General Partner shall be responsible for and shall be obligated to advance and deposit into the Construction Lender's construction account, or similar disbursement agent's account, within ten days following notice by the Special Limited Partner or the Construction Lender, the difference thereof for payment to the Contractor or other vendors, suppliers, or subcontractors. Any amounts paid by the General Partner pursuant to this Section 6.2 will not be repayable, will not change the Interest of any Partner in the Partnership and will not constitute a loan or a Capital Contribution, and the Partnership will neither deduct nor capitalize any amounts paid from the proceeds of the advance by the General Partner hereunder.

**Section 6.3 Operating Obligations.**

(a) From the date the first apartment unit in the Apartment Housing is placed in service until the later of (i) Permanent Mortgage Commencement, (ii) the date the Partnership has achieved Completion of Construction and is free and clear of all mechanic, material or similar liens, or (iii) the achievement of three consecutive months of Debt Service Coverage of 1.15, the General Partner will immediately pay Operating Deficits to the persons or entities providing goods or services to the Partnership for which invoices have been submitted to the Partnership, which funds will not be repayable, will not change the Interest of any Partner, and will not constitute a loan or a Capital Contribution, and the Partnership will neither deduct nor capitalize any amounts paid from the proceeds of the advance by the General Partner hereunder.

(b) For the balance of the Operating Deficit Guarantee Period, the General Partner will immediately provide Operating Loans to pay any Operating Deficits. The aggregate maximum amount of the Operating Loan(s) the General Partner will be obligated to lend will be 12 months' operating expenses which the Partners have agreed is $434,973. Each Operating Loan will be nonrecourse to the Partners, and will be repayable out of 50% of Net Operating Income or from Sale or Refinancing Proceeds in accordance with Article XI. The General Partner will not withdraw funds from the Operating Deficit Account established pursuant to Section 8.5 until it has fully met its obligations hereunder.

**Section 6.4 Other General Partner Loans.**

Unless provided elsewhere, after expiration of the Operating Deficit Guarantee Period, the General Partner may loan to the Partnership any sums required by the Partnership and not otherwise reasonably available to it. Any such loan will bear simple interest (not compounded) at the 10-year Treasury money market rate in effect as of the day of the General Partner loan, or, if lesser, the maximum legal rate, will be repaid from Net Operating Income, as provided in Section 11.1, and will be due at the earlier of a Sale or Refinancing or upon the 20th anniversary of the achievement of Breakeven Operations. The terms of any such loan will be evidenced by a written instrument. The General Partner will not charge a prepayment penalty on any such loan. Any loan made by the General Partner in contravention of this Section will be deemed an invalid action taken by the General Partner and such advance will be classified as a General Partner Capital Contribution. Notwithstanding this provision, the General Partner remains obligated to the Partnership, Limited Partner and Special Limited Partner as required in accordance with the Act.

## ARTICLE VII.
## CAPITAL CONTRIBUTIONS OF LIMITED PARTNER AND SPECIAL LIMITED PARTNER

### Section 7.1 Original Limited Partner; Admission New Partners.

The Original Limited Partner made a Capital Contribution of $100. Effective as of the date of this Agreement, the Original Limited Partner's Interest as a limited partner has been liquidated, the Partnership has reacquired the Original Limited Partner's Interest in the Partnership, and the Limited Partner and the Special Limited Partner are hereby admitted to the Partnership. The Original Limited Partner acknowledges that it has no further interest in the Partnership as a limited partner as of the date of this Agreement and has released all claims, if any, against the Partnership arising out of its participation as a limited partner.

### Section 7.2 Capital Contribution of Limited Partner and Special Limited Partner.

The Limited Partner and the Special Limited Partner shall make a Capital Contribution in the aggregate amount of $6,826,239, as may be adjusted in accordance with Section 7.4, in cash on the dates and subject to the conditions hereinafter set forth, provided that the Special Limited Partner may, in its sole discretion, waive or defer any prerequisite to a Capital Contribution described in this Section 7.2, provided further that the waiver or deferral of any such prerequisite will apply only to the Capital Contribution regarding which it was requested, and will not be construed as a waiver or deferral of any other requirements under this Section or under any other provision of this Agreement In addition to the specific conditions set forth in the subsections below, each Capital Contribution shall be subject to compliance with the following additional conditions as of the date of funding of the Capital Contribution: (i) the General Partner has fully complied with its covenants and obligations under this Agreement; (ii) the General Partner shall have certified in writing that the representations and warranties set forth in Section 9.12 are true and correct; (iii) there has been no, and there is no, imminent or threatened, material adverse change in any General Partner's or Guarantor's financial or business condition that affects its ability to meet its obligations hereunder; (iv) regarding Capital Contributions made prior to Completion of Construction, the Special Limited Partner has received documentation from the Contractor and approved by the General Partner that the construction and financing are In-Balance; and (v) all documents previously not provided to the Limited Partner but required pursuant to this Section 7.2, Section 14.2, or Section 14.3 have been provided.

(a) $1,092,282 (which includes the Special Limited Partner's Capital Contribution of $100.00) will be payable upon the Limited Partner's receipt and approval of the following documents:

(1) a legal opinion in a form substantially similar to the form of opinion attached hereto as Exhibit B and incorporated herein by this reference;

(2) an executed commitment from HCD to provide the HCD TOD Loan;

(3) fully executed Bond Loan and CADA Gap Loan documents;

(4) fully executed Ground Lease;

(5) fully executed payment and performance bond or a letter of credit in an amount equal to 15% of total hard costs;

(6) executed ancillary agreements dated as of the Effective Date relating to the Apartment Housing, including the Certification and Agreement, the Budget Agreement, the Guaranty Agreement, and the Development Agreement;

(7) other due diligence items requested by the Limited Partner, including but not limited to a building permit for the Apartment Housing, evidence of Insurance required during construction, and the Title Policy or a commitment to issue the same; and

(8) payment of $25,000 for costs and expenses incurred in connection with the Limited Partner's or its Affiliate's underwriting of the Apartment Housing.

Up to [**15]**% of the non-deferred portion of the Development Fee may be paid from this first Capital Contribution, subject to available proceeds.

All Capital Contributions funded by the Limited Partners pursuant to Section 7.2(a) through Section 7.2(c) shall be wired to the following account:

Bank Name: _____
ABA Routing Number: _____
Account Name: _____
Account Number _____
Reference: _____

Any subsequent Capital Contributions funded by the Limited Partner shall be wired to the following account; provided, however, that if the below-named individual who is authorized to confirm such wire(s) on behalf of the General Partner changes, the General Partner shall promptly notify the Limited Partner at the address referenced in Section 17.3:

Bank Name: _____
ABA Routing Number: _____
Account Name: _____
Account Number: _____
Reference: _____
Authorized Person to
Confirm Wire(s): _____
Phone Number: _____

The Limited Partner and Special Limited Partner require receipt and approval of 100% of the initial tenant files as specified in a subsequent Capital Contribution payment. The time required to collect, review and correct, if applicable, tenant files can be substantial. Therefore, to expedite the process, the General Partner shall send tenant files to the Special Limited Partner as soon as the file is complete instead of waiting to send the files all at one time.

(b) $3,617,854 will be payable within 10 business days of the later of April 10, 2023 or the Limited Partner's receipt and approval of the following documents:

(1) a copy of the recorded Memorandum of Ground Lease;

(2) a certificate of occupancy (or equivalent evidence of local occupancy approval if a permanent certificate is not available) on all the apartment units in the Apartment Housing confirming the apartment units are being placed in service for their intended purpose;

(3) a completion certification in a form substantially similar to the form attached hereto as Exhibit C and incorporated herein by this reference, indicating that the Improvements have been completed in accordance with the Project Documents;

(4) a letter from the Contractor in a form substantially similar to the form attached hereto as Exhibit E and incorporated herein by this reference stating that all amounts payable to the Contractor have been paid in full and that the Partnership is not in violation of the Construction Contract;

(5) Insurance required during operations;

(6) a date down to the Title Policy (including a schedule B) dated no more than fifteen days prior to this Capital Contribution payment evidencing no construction or development related liens; and

(7) a determination by the Special Limited Partner that remaining Capital Contributions and other available funds are sufficient to pay down or retire the Construction Loan, as required.

(c) $1,638,273 will be payable within 10 business days of the later of October 10, 2023 or the Limited Partner's receipt and approval of the following documents:

(1) Permanent Mortgage Commencement;

(2) an audited construction cost certification that includes an itemization of development, acquisition, and construction or rehabilitation costs of the Apartment Housing, and the Eligible Basis and applicable percentage of each building of the Apartment Housing;

(3) Debt Service Coverage of 1.15 for each of three consecutive months immediately prior to funding;

(4) a date down to the Title Policy (including a schedule B) dated no more than 10 days prior to the scheduled Capital Contribution confirming that there are no liens, claims or rights to a lien or judgments filed against the property or the Apartment Housing during the time period since the issuance of the Title Policy referenced above in Section 7.2(a);

(5) an as-built survey adhering to the requirements referenced in Exhibit H attached hereto and incorporated herein and a surveyor's certification as referenced in Exhibit H;

(6) the current rent roll evidencing a minimum 90% occupancy by Qualified Tenants for 90 consecutive days immediately prior to funding and 100% LIHTC qualified units;

(7) copies of all initial tenant files including executed lease agreements, completed applications, completed questionnaires or checklist of income and assets, documentation of third party verification of income and assets, income certification forms (LIHTC specific) and any other form or document collected by the Management Agent, or General Partner, verifying each tenant's eligibility pursuant to the Minimum Set-Aside Test and other applicable guidelines under Code Section 42. For purposes of this subsection only, the Limited Partner only requires receipt of all the tenant documents, as described above, and approval of 10% of the initial tenant files. Approval of the balance of the tenant files is withheld for a subsequent Capital Contribution payment;

(8) Completion of Construction; and

(9) a construction closeout binder, which will include, but not be limited to, as-built drawings, all operating manuals, and all manufacturing warranty agreements. In addition, the Contractor shall provide the Partnership a one-year warranty on all parts, materials and work-quality.

Notwithstanding the above conditions to this Capital Contribution payment, the Limited Partner's payment will be held in escrow until copies of all the signed Mortgage Loan documents have been received by the Limited Partner.

Up to [**60**]% of the non-deferred portion of the Development Fee may be paid from this third Capital Contribution, subject to available proceeds.

(d) $477,830 will be payable within 10 business days of the later of January 10, 2024 or the Limited Partner's receipt and approval of the following documents:

(1) a copy of the recorded declaration of restrictive covenants/extended use agreement entered into between the Partnership and the State Tax Credit Agency;

(2) a date down to the Title Policy (including a schedule B) dated no more than 10 days prior to the scheduled Capital Contribution confirming that there are no liens, claims or rights to a lien or judgments filed against the property or the Apartment Housing during the time period since the issuance of the Title Policy referenced above in Section 7.2(a);

(3) the Accountant's final Tax Credit certification in a form substantially similar to the form attached hereto as Exhibit D and incorporated herein by this reference;

(4) a fully signed Internal Revenue Code Form 8609, or any successor form;

(5) a valid organizational clearance certificate from the BOE pursuant to California Revenue and Taxation Code Section 254.6;

(6) the first year tax return in which Tax Credits are taken by the Partnership, unless the Tax Credits are deferred until the following year and such deferral has been approved by the Special Limited Partner; and

(7) the audited Partnership financial statements required by Section 14.2 for the year the Apartment Housing is placed-in-service.

Up to [25]% of the non-deferred portion of the Development Fee may be paid from this first Capital Contribution, subject to available proceeds.

(e) $25,000 will be payable within 10 business days of completion of the Special Limited Partner's review of the initial tenant files, corrected as provided herein. The initial tenant files will be reviewed at the Limited Partner's expense by an independent third-party (within 60 days receiving all tenant files). In the event that the independent third-party and the Special Limited Partner recommend corrections to an initial tenant file, the General Partner will cause the Management Agent to correct the tenant file and provide the corrected tenant file to the Limited Partner. The Limited Partner may withhold all or any portion of this Capital Contribution payment until it has received all the initial tenant files and the same have been reviewed and corrected.

**Section 7.3 Repurchase of Limited Partner's and Special Limited Partner's Interests.**

Within 60 days after the General Partner receives written demand from the Limited Partner and/or the Special Limited Partner, the General Partner shall repurchase the Limited Partner's Interest and/or the Special Limited Partner's Interest in the Partnership by refunding to it in cash 110% of the full amount of the Capital Contribution which the Limited Partner and/or the Special Limited Partner has theretofore made in the event that, for any reason, the Partnership fails to:

(a) cause the Apartment Housing to be placed in service within six months of the Completion Date;

(b) achieve 100% Qualified Occupancy by November 1, 2023;

(c) achieve Permanent Mortgage Commencement and Breakeven Operations by November 1, 2023 (or, if extended by the Mortgage Lender, no later than August __, 2024);

(d) prior to Permanent Mortgage Commencement, prevent a foreclosure, or abandonment of the Apartment Housing or fail to lift any order restricting construction of the Apartment Housing;

(e) prior to Permanent Mortgage Commencement, prevent a lender from sending a notice of default which default is not cured within any applicable cure period;

(f) replace a withdrawn Mortgage Loan commitment with a comparable commitment acceptable to the Special Limited Partner within a reasonable period of time;

(g) meet both the Minimum Set-Aside Test and the Rent Restriction Test not later than December 31 of the first year the Partnership elects the LIHTC to commence in accordance with the Code;

(h) achieve issuance of Forms 8609 for all residential buildings in the Apartment Housing on or before the earlier of the end of the first year of the Tax Credit Period or the date required under the Code or by the State Tax Credit Agency to preserve the Tax Credits;

(i) obtain lender approval of admission of a Limited Partner when such consent is required by loan documents;

(j) ensure that, prior to payment of the Capital Contribution pursuant to Section 7.2(d), the Apartment Housing does not become ineligible for more than 20% of the Projected Tax Credits as a result of a reduction in costs as shown in the cost certification or for any other reason;

(k) ensure that at least 50% of the aggregate basis of the buildings and land comprising the Apartment Housing is financed with the proceeds of the Tax-Exempt Bonds, as provided in Code Section 42(h)(4); or

(l) prior to placement in service of the Apartment Housing, ensure that there is no redemption or determination of taxability of the Tax-Exempt Bonds.

**Section 7.4 Adjustment of Capital Contributions.**

(a) The amount of the Limited Partner's Capital Contribution was determined, in part, upon the amount of Tax Credits that were expected to be available to the Partnership at a cost of $0.85 for each dollar of Tax Credit received, and was based on the assumption that the Partnership would be eligible to claim the Projected Tax Credits. If the amount of Projected Tax Credits to be allocated to the Limited Partner, as evidenced by IRS Form 8609, Schedule A thereto, or by the tax certification required in accordance with Section 7.2, is different than 99.98% of $8,031,673, then the new Projected Tax Credit amount, if applicable, will be referred to as the "**Revised Projected Tax Credits.**" The Limited Partner's Capital Contribution provided for in Section 7.2 will be equal to 85% times the Projected Tax Credits or the Revised Projected Tax Credits, if applicable, anticipated to be allocated to the Limited Partner and Special Limited Partner. If any Capital Contribution adjustment referenced in this Section 7.4(a) is a reduction which is greater than the remaining Capital Contribution to be paid by the Limited Partner, then the General Partner will have 90 days from the date the General Partner receives notice from the Limited Partner to pay the shortfall. The amount paid by the General Partner pursuant to this Section will be deemed to be a Capital Contribution by the General Partner unless such Capital Contribution could, in the opinion of the Limited Partner, result in a re-allocation of Tax Credits at any time during the Tax Credit Period, in which event such payment

will be characterized as a payment from the General Partner to the Limited Partner for breach of warranty and the General Partner will not receive any Capital Account credit for such payment. Notwithstanding anything to the contrary in this Agreement, the General Partner's Capital Contribution required to be paid by this Section will be disbursed to the Limited Partner as a return of capital. If the Capital Contribution adjustment referenced in this Section 7.4(a) is an increase, then the Limited Partner will have 60 days from the date the Limited Partner has received notice from the General Partner to pay the increase, subject to the limitations set forth in Section 7.4(e).

(b) The General Partner is required to use its best efforts to rent 100% of the Apartment Housing's apartment units (other than the manager's unit) to Qualified Tenants throughout the Compliance Period. If, at the end of any calendar year following the year in which the Apartment Housing is placed in service, the Actual Tax Credit for the applicable fiscal year or portion thereof is or will be less than the Projected Annual Tax Credit, or the Projected Annual Tax Credit as modified by Section 7.4(a), if applicable (the "Annual Credit Shortfall"), then the next Capital Contribution owed by the Limited Partner shall be reduced by the Annual Credit Shortfall amount, and any portion of such Annual Credit Shortfall in excess of such Capital Contribution will be applied to reduce succeeding Capital Contributions of the Limited Partner. If the Annual Credit Shortfall is greater than the Limited Partner's remaining Capital Contributions, then the General Partner shall pay to the Limited Partner the excess of the Annual Credit Shortfall over the remaining Capital Contributions. The General Partner will have 60 days to pay the Annual Credit Shortfall from the date the General Partner receives notice from the Limited Partner. The amount paid by the General Partner pursuant to this Section will be deemed to be a Capital Contribution by the General Partner unless such Capital Contribution could, in the opinion of the Limited Partner, result in a re-allocation of Tax Credits at any time during the Tax Credit Period, in which event such payment will be characterized as a payment from the General Partner to the Limited Partner for breach of warranty and the General Partner will not receive any Capital Account credit for such payment. Notwithstanding anything to the contrary in this Agreement, the General Partner's Capital Contribution required by this Section will be disbursed to the Limited Partner as a return of capital.

(c) The General Partner has represented, in part, that the Limited Partner will receive Projected Annual Tax Credits of $669,172 in 2023 and $803,007 in 2024. In the event the 2023 or the 2024 Actual Tax Credits are less than projected then the Limited Partner's Capital Contribution will be reduced by an amount equal to 75% times the difference between the Projected Annual Tax Credits for 2023 or 2024 and the Actual Tax Credits for 2023 or 2024. If, at the time of determination thereof, the Capital Contribution adjustment referenced in this Section 7.4(c) is greater than the balance of the Limited Partner's Capital Contribution payment which is then due, if any, then the excess amount shall be paid by the General Partner to the Limited Partner within 60 days of the General Partner receiving notice of the reduction from the Limited Partner. The amount paid by the General Partner pursuant to this Section will be deemed to be a Capital Contribution by the General Partner unless such Capital Contribution could, in the opinion of the Limited Partner, result in a re-allocation of Tax Credits at any time during the Tax Credit Period, in which event such payment will be characterized as a payment from the General Partner to the Limited Partner for breach of warranty and the General Partner will not receive any Capital Account credit for such payment. Notwithstanding anything to the

contrary in this Agreement, the General Partner's Capital Contribution required by this Section will be disbursed to the Limited Partner as a return of capital.

(d) In the event there is: (1) a filing of a tax return by the Partnership evidencing a reduction in the qualified basis or Eligible Basis of the Apartment Housing causing a recapture of Tax Credits previously allocated to the Limited Partner or an adjustment to Schedule K-1 or a reduction or loss of future Tax Credits; (2) a filing of a tax return by the Partnership evidencing a disposition of the Apartment Housing prior to the expiration of the Compliance Period causing a recapture of Tax Credits previously allocated to the Limited Partner, or an adjustment to Schedule K-1, or a loss of future Tax Credits; (3) an IRS review, examination, or audit which results in a settlement, mutual agreement, or IRS decision reducing or recapturing Tax Credits previously claimed, imposing a penalty, including but not limited to penalties under Code Section 6662(b)(6) or Code Section 6662(i) relating to tax benefits that are determined to lack economic substance, (4) a decision by any court or administrative body upholding an assessment of deficiency against the Partnership with respect to any Tax Credit previously claimed or the amount of income or losses previously claimed, in connection with the Apartment Housing, unless the Partnership timely appeals such decision and the collection of such assessment will be stayed pending the disposition of such appeal; or (5) a decision of a court affirming such decision upon such appeal then, in addition to any other payments to which the Limited Partner and/or the Special Limited Partner are entitled under the terms of this Section 7.4, the General Partner shall pay to the Partnership or the Limited Partner if there is a Push-Out Election (as defined in Section 17.6(c)(iv) within 60 days of receiving notice from the Limited Partner the sum of (A) the amount of the Tax Credit recapture, (B) any interest or penalties imposed on the Limited Partner with respect to such adjustment; (C) an amount equal to the product of the Tax Credit pricing percentage referenced in Section 7.4(a) and future Tax Credits unable to be taken due to one of the above actions; and (D) an amount sufficient to pay any tax liability owed by the Limited Partner resulting from the receipt of the amounts specified in (A), (B), and (C). The amount paid by the General Partner pursuant to this Section will be deemed to be a Capital Contribution by the General Partner. Notwithstanding anything to the contrary in this Agreement, the General Partner's Capital Contribution payment required by this Section 7.4(d) shall first be used to pay any taxes, penalties and interest due to the IRS if no Push-Out Election has been made, and any remaining balance will be disbursed to the Limited Partner as a return of capital.

(e) Notwithstanding any other provision in this Section, (i) any increase in the Capital Contribution of the Limited Partner pursuant to Section 7.4(a) will be subject to the Limited Partner having funds available to pay any such increase at the time of its notification of such increase, (ii) in no event will the Limited Partner's additional Capital Contribution exceed 5% of its aggregate Capital Contribution pursuant to Section 7.2, and (iii) the price paid for any increase in Tax Credits will be the lesser of the price stated in Section 7.4(a) or the current market price at the time of such payment as determined by the Special Limited Partner. For these purposes, any funds theretofore previously earmarked by the Limited Partner to make other investments, or to be held as required reserves, will not be considered available for payment hereunder. If the Limited Partner does not make an additional Capital Contribution as a result of the limitation in (i) of this Section 7.4(e), or is willing to make a partial additional Capital Contribution, then within thirty (30) days after receipt of such notice, the General Partner shall have the right to increase its own Interest by the reduction in the Limited Partner's and/or Special

Limited Partner's Interest and be allocated the additional Tax Credits not purchased by the Limited Partner, provided, however, that the Limited Partner's and/or Special Limited Partner's Interest shall not be reduced to less than 95% of the Partnership's total Interests.

(f) The General Partner hereby represents, warrants and covenants that the Partnership (i) will have approximately $920,971 of site improvements and $584,121 of personal property at the Apartment Housing that are eligible for bonus depreciation under Code Section 168(k) for 2022, and (ii) will elect to depreciate the assets described in clause (i) above under the depreciation methods described in clause (i) above, no later than 2022 (the depreciation deductions described in clause (i) above shall be referred to herein as the "Projected Accelerated Depreciation Deductions"). In the event that the Limited Partner determines that the Actual Accelerated Depreciation Deductions for 2022 and/or a later year are less than the Projected Accelerated Depreciation Deductions for 2022 and/or a later year, then the Limited Partner's Capital Contribution will be reduced by $0.005 for each $1.00 by which the Actual Accelerated Depreciation Deductions for 2022 and/or a later year are less than the Projected Accelerated Depreciation Deductions for 2022 and/or a later year (the "Downward Depreciation Adjuster Amount"). If, at the time of determination thereof, the Capital Contribution adjustment referenced in this Section 7.4(d) is greater than the balance of the Limited Partner's Capital Contribution payment which is then due, if any, then the excess amount shall be paid by the General Partner to the Limited Partner within 60 days of the General Partner receiving notice of the reduction from the Limited Partner. The amount paid by the General Partner pursuant to this Section will be deemed to be a Capital Contribution by the General Partner unless such Capital Contribution could, in the opinion of the Limited Partner, result in a re-allocation of Tax Credits at any time during the Tax Credit Period, in which event such payment will be characterized as a payment from the General Partner to the Limited Partner for breach of warranty and the General Partner will not receive any Capital Account credit for such payment. Notwithstanding anything to the contrary in this Agreement, the General Partner's Capital Contribution required by this Section will be disbursed to the Limited Partner as a return of capital. If, for any reason the Limited Partner determines based on advice of accountants that any portion of the Actual Accelerated Depreciation Deductions claimed by the Limited Partner is subsequently disallowed, recaptured or otherwise not available to the Limited Partner for any reason (including, without limitation, any determination due to any audit, court proceeding or challenge by the IRS, but not including insufficient income tax liability of the Limited Partner) and the result of such disallowance, recapture or unavailability is that the Actual Accelerated Depreciation Deductions (after taking into account such subsequent disallowance, recapture or unavailability) are less than the Projected Accelerated Depreciation Deductions (such difference between the Projected Accelerated Depreciation Deductions and the Actual Accelerated Depreciation Deductions (after taking into account such subsequent disallowance, recapture or unavailability) is referred to as the "Subsequent Downward Depreciation Adjuster Amount"), then the General Partner shall pay to the Limited Partner an amount equal to the sum of (i) $0.005 for each $1.00 of the Subsequent Downward Depreciation Adjuster Amount, (ii) any fees, penalties or interest charged to the Limited Partner in connection with such disallowance, recapture or unavailability, plus (iii) an amount sufficient to pay any tax liability owed by the Limited Partner resulting from the receipt of the amounts specified in the immediately preceding clauses (i) and (ii). The amount paid by the General Partner pursuant to this Section will be deemed to be a Capital Contribution by the General Partner. Notwithstanding anything to the contrary in this Agreement, the General

Partner's Capital Contribution payment required by this Section will be disbursed to the Limited Partner as a return of capital.

**Section 7.5 Return of Capital Contribution.**

From time to time the Partnership may have cash in excess of the amount required for the conduct of the affairs of the Partnership, and the General Partner may, with the Consent of the Special Limited Partner, determine that such cash should, in whole or in part, be returned to the Partners, pro rata, in reduction of their Capital Contribution. No such return will be made unless all liabilities of the Partnership (except those to Partners on account of amounts credited to them pursuant to this Agreement) have been paid or there remain assets of the Partnership sufficient, in the sole discretion of the General Partner, to pay such liabilities.

**Section 7.6 Liability of Limited Partner and Special Limited Partner.**

The Limited Partner and Special Limited Partner shall not be liable for any of the debts, liabilities, contracts or other obligations of the Partnership. The Limited Partner and Special Limited Partner shall be liable only to make Capital Contributions in the amounts and on the dates specified in this Agreement and shall not be required to lend any funds to the Partnership or, after their respective Capital Contributions have been paid, to make any further Capital Contribution to the Partnership.

**Section 7.7 Voluntary Funding.**

The Limited Partner may provide voluntary loans, capital contributions, or interest-free advances ("Voluntary Funding") to the Partnership if it determines, in its sole discretion, that such funding would be of benefit to the Partnership or the Apartment Housing. If such Voluntary Funding is provided in the form of a loan, the terms of such loan will include interest, will be mutually satisfactory to the General Partner and the Limited Partner, and will be evidenced by a written agreement. The repayment of any Voluntary Funding shall be in the priority set forth in Section 11.1 and Section 11.2.

## ARTICLE VIII.
## WORKING CAPITAL AND RESERVES

**Section 8.1 Replacement Reserve Account.**

The General Partner, on behalf of the Partnership, shall open a Replacement Reserve Account with a financial banking institution and shall deposit thereinto an annual amount equal to $500 per residential unit per year for the purpose of capital improvements. Said deposit will be made monthly in equal installments commencing with the month following the receipt of a certificate of occupancy for the Apartment Housing. The Replacement Reserve Account will require the Consent of the Special Limited Partner for any withdrawals. The aggregate annual deposit into the Replacement Reserve Account will increase by 3% per year. Any balance remaining in the account at the time of a sale of the Apartment Housing will be distributed in accordance with Section 11.2 of this Agreement, unless prohibited by the State Tax Credit Agency. The Managing General Partner shall ensure that the Partnership complies with all requirements of HCD with respect to the Replacement Reserve Account.

**Section 8.2 Rent-Up Reserve Account.**

The General Partner shall establish a line item in the Development Budget representing a lease-up reserve (the "Rent-Up Reserve") on behalf of the Partnership in the amount equal to four months of gross rental income ($155,436). The Rent-Up Reserve may be used with the Consent of the Special Limited Partner to pay for any costs incurred by the Partnership reasonably related to lease-up of the Apartment Housing, achieving Debt Service Coverage and achieving Permanent Mortgage Commencement. Said funds shall remain as a line item in the Development Budget until the date when both of the following have occurred: (a) Permanent Mortgage Commencement; and (b) sustained 1.15 Debt Service Coverage for three consecutive months, unless sooner disbursed as herein provided. Upon satisfaction of the conditions, the funds in the Rent-Up Reserve shall be distributed pursuant to Section 11.1 of this Agreement. The Rent-Up Reserve must be established prior to the payment of any Development Fee, unless otherwise approved by the Special Limited Partner in its sole discretion. All unexpended funds shall remain with the Apartment Housing to be used for the benefit of the property and/or its residents.

**Section 8.3 Transit Pass Reserve Account.**

The General Partner shall establish a reserve representing a transit pass reserve (the "Transit Pass Reserve") on behalf of the Partnership in the amount equal to $142,100. The Transit Pass Reserve may be used to pay for any costs incurred by the Partnership reasonably related to providing transit passes to residents of the Apartment Housing. Said funds shall remain in the Transit Pass Reserve for the duration of the Compliance Period, unless sooner disbursed as herein provided. In the event of a sale of the Apartment Housing, all unexpended funds shall remain with the Apartment Housing to be used for the benefit of the property and/or its residents.

**Section 8.4 Tax and Insurance Account.**

The General Partner, on behalf of the Partnership, shall establish a tax and insurance account (the "Tax and Insurance Account") for the purpose of making the requisite Insurance premium payments and the real estate tax payments. The annual deposit to the Tax and Insurance Account will equal the total annual Insurance payment and the total annual real estate tax payment. Said amount will be deposited monthly in equal installments. Withdrawals from the Tax and Insurance Account will shall be made only for its intended purpose.

**Section 8.5 Operating Deficit Account.**

The General Partner, on behalf of the Partnership, shall establish an Operating Deficit Account in an amount equal to three months' mandatory debt service payments, operating expenses, and reserves ($108,743), which shall be funded from the proceeds of the Capital Contribution made pursuant to Section 7.2(c). The funds in the Operating Deficit Account will be used to pay operating expenses excluding repair and maintenance items following full funding of Operating Deficits to the extent required by Section 6.3. The Operating Deficit Account will require the joint signature of the General Partner and the Special Limited Partner for any withdrawals. Upon termination of the Compliance Period, any remaining funds will be

distributed by the Partnership pursuant to Section 11.1 of this Agreement, unless prohibited by the State Tax Credit Agency or required to be deposited with any Mortgage Lender in connection with its Mortgage Loan.

**Section 8.6 Other Reserves.**

The General Partner, on behalf of the Partnership and with the Consent of the Special Limited Partner, may establish out of funds available to the Partnership a reserve account sufficient in its sole discretion to pay any unforeseen contingencies which might arise in connection with the furtherance of the Partnership business including, but not limited to, (a) any rent subsidy required to maintain rent levels in compliance with the Tax Credit Conditions; and (b) any debt service or other payments for which other funds are not provided for hereunder or otherwise expected to be available to the Partnership. The General Partner shall not be liable for any good-faith estimate which it will make in connection with establishing or maintaining any such reserves nor shall the General Partner be required to establish or maintain any such reserves if, in its sole discretion, such reserves do not appear to be necessary.

## ARTICLE IX.
## MANAGEMENT AND CONTROL; PAYMENT OF EXPENSES

**Section 9.1 Power and Authority of General Partner.**

CACDC is hereby designated as the initial Managing General Partner. If such Person shall become unable to serve in such capacity or shall cease to be a General Partner, the Administrative General Partner shall designate a substitute Managing General Partner, as approved by the Limited Partner in its sole discretion. However, in the event that a 501(c)(3) non-profit entity is necessary in order to maintain any tax exemptions or abatements, then the Administrative General Partner shall find another 501(c)(3) nonprofit entity to be an additional Managing General Partner. Subject to the Consent of the Special Limited Partner or the consent of the Limited Partner where required by this Agreement, and subject to the other limitations and restrictions included in this Agreement (including without limitation Sections 9.5and 9.6), the Managing General Partner will have complete and exclusive control over the management of the Partnership business, assets and affairs, and will have the right, power and authority, on behalf of the Partnership, and in its name, to exercise all of the rights, powers and authority of a partner of a partnership without limited partners, unless specifically delegated to the Administrative General Partner herein. If there is more than one General Partner, all acts, decisions or consents of the General Partners will require the concurrence of all the General Partners. Notwithstanding the foregoing, the Managing General Partner's vote shall be sufficient in the event of a deadlock. If a General Partner acts without the authorization of all the General Partners then such act, decision, etc. will not be deemed a valid action taken by the General Partners pursuant to this Agreement. No intentional act by a General Partner, or a principal of a General Partner, that violates State or federal law will be deemed to be within the authority of this Agreement and, therefore, the General Partner will be deemed to have acted in its individual capacity and not as an agent of the Partnership. No Limited Partner (except one who may also be a General Partner, and then only in its capacity as General Partner within the scope of its authority hereunder) will have any right to be active in the management of the Partnership's business or investments or to exercise any control thereover, nor have the right to bind the Partnership in any contract,

agreement, promise or undertaking, or to act in any way whatsoever with respect to the control or conduct of the business of the Partnership, except as otherwise specifically provided in this Agreement.

**Section 9.2 Payments to the General Partners and Others.**

(a) The Partnership shall pay to the Developer a Development Fee in the amount of $2,396,296 (or such higher amount as may be allowed by the State Tax Credit Agency at the time of cost certification, with the Consent of the Special Limited Partner which shall not be unreasonably withheld, conditioned, or delayed) pursuant to the Development Agreement, provided, however, that the Development Fee will be reduced prior to the end of the first year of the Tax Credit Period, as necessary, to meet the 50% test for financing development costs from tax-exempt bond proceeds as described in Code Section 42(h)(4)(B), with the amount of such reduction to be determined by the Accountant and approved by the Special Limited Partner. The Development Fee will first be paid from available proceeds in accordance with Section 9.2(b) and, if not paid in full, then the balance of the Development Fee will not bear interest and will be paid in accordance with Section 11.1. If the Development Fee is not paid in full by December 31, 2036, then the General Partner shall make a guaranteed payment to the Partnership in an amount equal to the unpaid amount of the Development Fee, and the Partnership shall immediately forward such amount to the Developer as payment in full of the deferred portion of Development Fee. Such General Partner payment shall not be repayable, will not change the Interest of any Partner and will not constitute a loan or a Capital Contribution. If the General Partner does not advance such funds, then for accounting purposes the unpaid Development Fee will be deemed to have been paid by the General Partner by making a guarantee payment to the Partnership and the Partnership making the payment to the Developer. Upon the Withdrawal of a General Partner for any reason, any unpaid Development Fee will be due and payable upon the effective date of such Withdrawal and the Withdrawing General Partner shall make a guaranteed payment to the Partnership in an amount equal to the unpaid amount of the Development Fee, and the Partnership shall immediately forward such amount to the Developer as payment in full of the deferred portion of Development Fee. If the Withdrawing General Partner does not advance such funds, then for accounting purposes the unpaid Development Fee will be deemed to have been paid by the Withdrawing General Partner making a guarantee payment to the Partnership and the Partnership making the payment to the Developer upon the Withdrawal of the Withdrawing General Partner. For purpose of this Section 9.2(a), any amounts paid by the General Partner will not be repayable, will not change the Interest of any Partner in the Partnership, will not constitute a loan or a Capital Contribution, and the Partnership will neither deduct nor capitalize any amounts paid from the proceeds of the payment by the General Partner hereunder.

(b) The Partnership shall utilize the proceeds from the Capital Contributions paid pursuant to Section 7.2 for costs associated with the development and construction of the Apartment Housing including, but not limited to, land costs, architectural fees, survey and engineering costs, financing costs, loan fees, building materials and labor. If any Capital Contribution proceeds are remaining after the later of Completion of Construction or Permanent Mortgage Commencement and all acquisition, development and construction costs, excluding the Development Fee, are paid in full and the Construction Loan retired, then the remainder will: first be paid to the Developer in payment of the Development Fee; second, be paid to the General

Partner as a reduction of the General Partner's Capital Contribution; and any remaining Capital Contribution proceeds will be paid to the Administrative General Partner as a Partnership oversight fee.

(c) The Partnership shall pay to the Management Agent the Management Fee for the leasing and management of the Apartment Housing in an amount in accordance with the Management Agreement. The term of the Management Agreement will not exceed one year, and the termination, execution or renewal of any Management Agreement will be subject to the prior Consent of the Special Limited Partner. If the Management Agent is an Affiliate of the General Partner ("Affiliated Management Agent") and the General Partner has been removed, the Affiliated Management Agent will be dismissed. If there is an Affiliated Management Agent and there is an Operating Deficit following the termination of the Operating Deficit Guarantee Period or the depletion of the maximum Operating Deficit amount pursuant to Section 6.3(b), whichever occurs first, then 40% of the Management Fee will be deferred ("Deferred Management Fees"). Deferred Management Fees, if any, will be paid to the Management Agent in accordance with Section 11.1.

(1) The General Partner shall, upon receiving any request of the Mortgage Lender requesting such action, terminate the Management Agreement. The General Partner shall also terminate the Management Agreement for cause at the request of the Special Limited Partner. For purposes of this Section, "for cause" means when the Management Agent:

(i) Fails to provide the information required in Section 14.2 or 14.3 of this Agreement after a reasonable opportunity to cure (not to exceed 30 days);

(ii) Declares Bankruptcy, is dissolved, or makes an assignment for the benefit of its creditors;

(iii) Rents an apartment unit to a non-Qualified Tenant as determined by the Special Limited Partner and/or its third party consultant and fails to correct the same by December 31st of the year in which the non-Qualified Tenant commenced its occupancy;

(iv) Fails to correct a possible compliance violation with a tenant file when instructed to do so by the Managing General Partner or Special Limited Partner, or

(v) Violates any provision of the Management Agreement.

(2) The appointment of any successor Management Agent is subject to the Consent of the Special Limited Partner, which may only be sought after the General Partner has provided the Special Limited Partner with accurate and complete disclosure respecting the proposed Management Agent.

(d) The Partnership shall pay to the Limited Partner an annual Asset Management Fee of $5,000, increasing by 3% per year, commencing in 2023 for the Limited Partner's services in assisting with the preparation of tax returns and the reports required in Section 14.2 and Section 14.3. If, in any year, Net Operating Income is insufficient to pay the full Asset

Management Fee, the unpaid portion thereof will accrue and be payable on a cumulative basis in the first year in which there is sufficient Net Operating Income, as provided in Section 11.1 following the payment of other items specified therein, or sufficient Sale or Refinancing Proceeds, as provided in Section 11.2. The General Partner shall ensure that any accrued Asset Management Fee will be reflected in the annual audited financial statement.

(e) The Partnership shall pay to the Administrative General Partner through the Compliance Period an annual Incentive Management Fee equal to 90% of Net Operating Income, payable as provided in Section 11.1 following the payment of other items specified therein. The Incentive Management Fee will be payable commencing in 2023 as payment for the services of the General Partner in overseeing the marketing, lease-up and continued occupancy of the Partnership's apartment units, obtaining and monitoring the Mortgage Loan, maintaining the books and records of the Partnership, selecting and supervising the Partnership's Accountants, bookkeepers and other Persons required to prepare and audit the Partnership's financial statements and tax returns, and preparing and disseminating reports on the status of the Apartment Housing and the Partnership, as required by Article XIV. The Partners acknowledge that the Incentive Management Fee is being paid as an inducement to the General Partner to operate the Partnership efficiently, to maximize occupancy and to increase Net Operating Income. The Incentive Management Fee will be payable upon completion and delivery of the annual audit pursuant to Section 14.2(a). If the Incentive Management Fee is not paid in any year, it will not accrue for payment in subsequent years.

(f) The Partnership shall pay to the Administrative General Partner through the Compliance Period an annual Tax Credit Compliance Fee equal to $5,000, increasing by 3% per year, payable as provided in Section 11.1 following the payment of other items specified therein. The Tax Credit Compliance Fee will be payable commencing in 2023 as payment for the services of the General Partner in ensuring compliance by the Partnership and the Apartment Housing with all Tax Credit rules and regulations. The Tax Credit Compliance Fee will be payable upon completion and delivery of the annual audit pursuant to Section 14.2(a). If the Tax Credit Compliance Fee is not paid in any year, it will not accrue for payment in subsequent years.

(g) The Partnership shall pay to the Managing General Partner through the Compliance Period an annual MGP Fee equal to $5,000 per year, increasing by 3% per year, commencing in 2023, for the services of the Managing General Partner in managing the Partnership and carrying out its duties as listed in Section 9.3(b). The MGP will be payable as provided in Section 11.1 following the payment of other items specified therein. If the MGP Fee is not paid in any year, it will not accrue for payment in subsequent years.

**Section 9.3 Specific Powers of the General Partner.**

(a) Subject to the other provisions of this Agreement, the General Partner, in the Partnership's name and on its behalf, may:

(1) contract and otherwise deal with, from time to time, Persons whose services are necessary or appropriate in connection with management and operation of the Partnership business, including, without limitation, contractors, agents, brokers, Accountants and

Management Agents (provided that the selection of any Accountant or Management Agent has received the Consent of the Special Limited Partner) and attorneys, on such terms as the General Partner determines;

(2) pay as a Partnership expense any and all costs and expenses associated with the formation, development, organization and operation of the Partnership, including the expense of annual audits, tax returns and LIHTC compliance;

(3) deposit, withdraw, pay, retain and distribute the Partnership's funds in a manner consistent with the provisions of this Agreement;

(4) execute the Construction Loan and Mortgage Loan documents; and

(5) execute, acknowledge and deliver any and all instruments to effectuate any of the foregoing.

(b) Control in the Managing General Partner.

(1) The Managing General Partner shall use its best efforts to carry out the purposes, business, and objectives of the Partnership and shall devote such time and effort to Partnership business as may be reasonably necessary to achieve the Partnership's purpose. The overall management and control of the business, assets and affairs of the Partnership shall be vested in the Managing General Partner, in extension of and not in limitation of the powers given it by law. The Managing General Partner shall perform substantial management duties (as defined in the Property Tax Rules) as specified in this Agreement and shall have full, exclusive and complete charge of the management of the business of the Partnership in accordance with its purpose stated in this Agreement and in accordance with the terms and conditions of this Agreement. The Managing General Partner shall directly, or indirectly under its supervision, manage the Partnership.

(2) In addition to any other duties and obligations of the Managing General Partner under this Agreement, and with the Consent of the Special Limited Partner as required under this Agreement, the Managing General Partner shall perform the following specific Partnership substantial management duties (as defined in Rule 140.1(a)(10) of the Property Tax Rules), on behalf of the Partnership, in accordance with customary standards in the industry, using its commercially reasonable efforts, at Partnership expense within the Partnership's operating budget (or any subsequently approved annual operating budget):

(i) Rent, maintain and repair the Apartment Housing, or if such duties are delegated to the Management Agent, participate in hiring and overseeing the Management Agent;

(ii) Participate in hiring and overseeing the work of all persons necessary to provide services for the management and operation of the Partnership;

(iii) Execute and enforce all contracts executed by the Partnership;

(iv) Execute and deliver all Partnership documents on behalf of the Partnership;

(v) Prepare or cause to be prepared all reports to be provided to the Partners or lenders of the Partnership on a monthly, quarterly or annual basis consistent with the requirements of this Agreement;

(vi) Coordinate all present and future development, construction or rehabilitation of the Apartment Housing;

(vii) Monitor compliance with all government regulations and files or supervises the filing of all required documents with government agencies;

(viii) Acquire, hold, assign or dispose of the Apartment Housing or any interest therein;

(ix) Borrow money on behalf of the Partnership, encumber Partnership assets, place title in the name of a nominee to obtain financing, prepay in whole or in part, refinance, increase, modify or extend any obligation;

(x) Pay organizational expenses incurred in creation of the Partnership and all operational expenses;

(xi) Determine the amount and timing of distributions to the Partners and establish and maintain all required reserves;

(xii) Ensure that charitable services or benefits, such as vocational training, educational programs, childcare and after-school programs, cultural activities, family counseling, transportation, meals and linkages to health and/or social services are provided or information regarding charitable services or benefits are made available to the tenants of the Apartment Housing;

(xiii) Manage and operate the Apartment Housing and employ and supervise any property manager;

(xiv) Employ from time to time, at the Partnership's expense, building management agents, or other on-site personnel, insurance brokers, real estate brokers, loan brokers, consultants, accountants and attorneys; and

(xv) Open and maintain Partnership bank accounts.

(3) In order to accommodate the Partnership's purposes to operate the Apartment Housing as affordable housing for the benefit of lower income households, it is hereby agreed that all apartment units at the Apartment Housing (other than the manager's units) shall be continually available to be occupied by households at rents that do not exceed those required by Section 42 of the Code, the State Tax Credit Agency, or to the extent that any other condition to the issuance of LIHTC requires lower rents, at rents that do not exceed such lower rental restrictions. In order to ensure compliance with the foregoing, the Managing General

Partner shall cause the Management Agent to keep and maintain such written tenant's certifications and income eligibility evidence as may be necessary to establish compliance with the foregoing. The Partnership shall also keep and maintain such additional information and records with respect to tenant eligibility as may be necessary to retain the benefits of the LIHTC and any other federal or state program which shall apply to the Partnership. The Managing General Partner and the Partnership shall comply with this provision in good faith in furtherance of the Partnership's goal to provide affordable housing to lower income households.

(4) If the Managing General Partner shall (i) become unable to serve in such capacity, or (ii) the Managing General Partner ceases to qualify as a charitable organization under Section 501(c)(3) of the Code, the General Partner, with the written consent of the Limited Partners, which consent shall not be unreasonably withheld or delayed but may be conditioned in any manner deemed reasonably necessary by the Limited Partners, shall designate a substitute Managing General Partner. In such event, the Managing General Partner shall transfer to such successor Managing General Partner all interests of the Managing General Partner in and to the Partnership and in and to the Apartment Housing. The Managing General Partner shall thereupon cease to be a Partner and shall cease to have any rights and obligations under or with respect to this Agreement or any related agreement, as then in effect.

(5) The Managing General Partner shall annually:

(i) Conduct a physical inspection of the Apartment Housing to ensure that the property is being used as low-income housing and meets all of the requirements set forth in Regulation 140 of the Property Tax Rules; and

(ii) Submit a certification to the county assessor for the county in which the Apartment Housing is located that the Apartment Housing meets all of the requirements set forth in Regulation 140 of the Property Tax Rules.

(6) If there is more than one (1) General Partner, such General Partners agree that, as between them, the Managing General Partner shall have the right, power and authority to control the Partnership and the Apartment Housing except for approval rights with respect to the matters set forth in the Partnership Agreement. The Managing General Partner shall have a right to vote in all major decisions, including any actions that require a vote of a majority in interest of the General Partners.

(7) The Managing General Partner shall be responsible for ensuring that the Apartment Housing and the operation thereof at all times comply and are in conformance with Sections 214, 254.5 and 259.5 of the California Revenue & Taxation Code; provided, however, that the Managing General Partner shall not be liable if, for whatever reason, the Partnership is unable to obtain the Property Tax Exemption. In that regard, the General Partner shall annually submit a certification to the county assessor for the county in which the Apartment Housing is located that the Apartment Housing meets all welfare exemption requirements for low-income housing properties.

(8) The Managing General Partner shall use its best efforts to obtain and maintain the Property Tax Exemption for the Apartment Housing. Any savings to the Partnership

and the Apartment Housing attributable to the Property Tax Exemption shall be used to maintain the affordability of, or reduce rents otherwise necessary for, the units occupied by lower income individuals or otherwise be passed on to the low-income tenants at the Apartment Housing in accordance with all applicable provisions of Section 214 of the California Revenue & Taxation Code.

(9) The Managing General Partner will maintain records and documents evidencing the duties performed by the Managing General Partner. Such records and documents may include, but are not limited to:

(i) accounting books and records;

(ii) tax returns;

(iii) budgets and financial reports;

(iv) reports required by lenders;

(v) documents related to the construction or rehabilitation of real property;

(vi) legal documents such as contracts, deeds, notes, leases, and deeds of trust;

(vii) documents related to complying with government regulations and filings;

(viii) documents related to property inspections;

(ix) documents related to charitable services or benefits provided or the information provided regarding such services or benefits;

(x) reports prepared for the partners;

(xi) bank account records;

(xii) audited annual financial statement of the Partnership; and

(xiii) property management agreement (the Management Agreement).

(10) Delegation of Duties. The Managing General Partner, may, in the proper and reasonable exercise of its management authority, delegate certain of its powers, rights and obligations to persons, who may under the Managing General Partner's supervision, perform such acts or services for the Partnership as the Managing General Partner may approve, provided, however, that such delegation shall not excuse the Managing General Partner from overseeing and supervising on an ongoing basis the activities being delegated. The Managing

General Partner may delegate to any other party, including, without limitation, another General Partner.

(11) The General Partner's Liability. Notwithstanding anything to the contrary set forth in this Agreement or any related agreements between the parties, written or oral, the liability of the General Partner to the other Partners or to the Partnership or to any third person, in all instances hereunder, shall be limited solely to the interest of such General Partner in the Partnership, including any interest any General Partner may now have or in the future may have or any right to payment (now or in the future) of any fees, distributions or other items of compensation under this Agreement or any related agreements; provided, however, that such limitation of the General Partner's liability shall not limit the liability of the Guarantor under the Guaranty Agreement (except as provided in Section 6.2 of this Agreement). With the exception of intentional misconduct or fraudulent, criminal or grossly negligent acts committed by said General Partner or its agents, the liability of each General Partner hereunder shall not, in any event, extend to or be enforceable against, any other assets of said General Partner or any officers, directors, employees or representatives of said General Partner.

**Section 9.4 Authority Requirements.**

(a) Each of the provisions of this Agreement is subject to, and the General Partner covenants to act in accordance with, the Tax Credit Conditions and all applicable federal, state and local laws and regulations.

(b) The Tax Credit Conditions and all such laws and regulations govern the rights and obligations of the Partners, their heirs, executors, administrators, successors and assigns, and such laws and regulations control as to any terms in this Agreement which are inconsistent therewith, and any such inconsistent terms of this Agreement will be unenforceable by or against any of the Partners.

(c) Upon any dissolution of the Partnership or any transfer of the Apartment Housing as permitted in this Agreement, no title or right to the possession and control of the Apartment Housing and no right to collect rent therefrom will pass to any Person who is not, or does not become, bound by the Tax Credit Conditions in a manner that, in the opinion of counsel to the Partnership, would avoid a recapture of Tax Credits thereof on the part of the former owners.

(d) Any conveyance or transfer of title to all or any portion of the Apartment Housing required or permitted under this Agreement will in all respects be subject to the Tax Credit Conditions and all conditions, approvals or other requirements of the rules and regulations of any authority applicable thereto.

**Section 9.5 Limitations on General Partner's Power and Authority.**

Notwithstanding the provisions of this Article IX, the General Partner shall not for itself or on behalf of the Partnership or Apartment Housing:

(a) except as required by Section 9.4, act in contravention of this Agreement;

(b) act in any manner which would make it impossible to carry on the ordinary business of the Partnership;

(c) possess Partnership property, or assign its Interest or the Partner's right in specific Partnership property, for other than the exclusive benefit of the Partnership;

(d) admit a Person as a Partner except as provided in this Agreement;

(e) directly or indirectly transfer control of a General Partner by any means whatsoever, including, but not limited to, merger, consolidation, substitution, transfer, sale or assignment of any interest in the General Partner entity;

(f) permit a default under any Construction Loan or Mortgage Loan;

(g) cause the Apartment Housing apartment units to be rented to anyone other than Qualified Tenants;

(h) violate the Minimum Set-Aside Test or the Rent Restriction Test for the Apartment Housing;

(i) allow the Insurance to expire;

(j) permit the Apartment Housing to be without utility service;

(k) cause any recapture of the Tax Credits;

(l) permit any creditor who makes a nonrecourse loan to the Partnership to have, or to acquire at any time as a result of making such loan, any direct or indirect interest in the profits, income, capital or other property of the Partnership, other than as a secured creditor;

(m) commingle funds of the Partnership with the funds of another Person;

(n) fail to cause the Partnership to pay the Mortgage Loan if the Partnership fails to pay the same when due, subject to available funds, including funds provided under Section 6.3 or Section 6.4;

(o) fail to cause the Accountant to issue the reports specified in Sections 14.2(a) and (b);

(p) take any action which requires the Consent of the Special Limited Partner or the consent of the Limited Partner unless the General Partner has received said Consent;

(q) allow the Ad Valorem Real Estate Taxes to be unpaid if the Partnership fails to pay the same when due;

(r) take any action that would cause a termination of the Partnership;

(s) encumber the Apartment Housing, except as provided herein;

(t) execute an assignment for the benefit of creditors; or

(u) permit the Partnership to make loans to any Person.

**Section 9.6 Restrictions on Authority of General Partner.**

Without the Consent of the Special Limited Partner, the General Partner shall not:

(a) sell, exchange, lease (except in the normal course of business to Qualified Tenants) or otherwise dispose of the Apartment Housing;

(b) incur indebtedness in the name of the Partnership other than the Construction Loan and Mortgage Loan, including, but not limited to, refinancing, prepaying, or modifying the Construction Loan or Mortgage Loan;

(c) allow the Partnership to accept grants or Capital Contributions, except as provided for herein;

(d) use Partnership assets, property or the Improvements to secure the debt of any Partners, their Affiliates, or any third party;

(e) engage in any transaction not expressly contemplated by this Agreement in which any General Partner has an actual or potential conflict of interest with the Limited Partner or the Special Limited Partner;

(f) contract away the fiduciary duty owed to the Limited Partner and the Special Limited Partner at common law;

(g) take any action which would cause the Apartment Housing to fail to qualify, or which would cause a termination or discontinuance of the qualification of the Apartment Housing, as a "qualified low-income housing project" under Code Section 42(g)(1), or which would cause the Limited Partner to fail to obtain the Projected Tax Credits or which would cause the recapture of any LIHTC;

(h) make any expenditure of funds, or commit to make any such expenditure, other than in response to an emergency, except as provided for in the Operating Budget;

(i) cause the merger or other reorganization of the Partnership;

(j) dissolve the Partnership, or sell or dispose of any of the Partnership's assets except in the normal course of business, including but not limited to, office equipment, office furniture, and/or maintenance tools or equipment;

(k) acquire any real or personal property (tangible or intangible) in addition to the Apartment Housing the aggregate value of which exceeds $10,000 (other than easement or similar rights necessary or appropriate for the operation of the Apartment Housing) unless the expenditure is approved in the Operating Budget;

(l) become personally liable on or in respect of, or guarantee, the Mortgage Loan or any other indebtedness of the Partnership to any Person other than the Construction Loan;

(m) pay any salary, fees or other compensation to a General Partner or any Affiliate thereof, except as authorized by Section 9.2 and Section 9.9 or specifically provided for in this Agreement, or pay any Distribution or return of Capital Contribution to a General Partner or any Affiliate thereof, except as authorized in this Agreement;

(n) substitute the Accountant, Construction Inspector, Contractor or Management Agent, as named herein, or terminate, amend or modify the Management Agreement, Construction Contract, the Ground Lease, or any other Project Document, or grant any material waiver or consent thereunder;

(o) change the nature of the business of the Partnership or cause the Partnership to redeem or repurchase all or any portion of the Interest of a Partner;

(p) cause the Partnership to convert the Apartment Housing to cooperative or condominium ownership;

(q) bring or defend, pay, collect, compromise, arbitrate, resort to legal action or otherwise adjust claims or demands of or against the Partnership;

(r) confess a judgment against the Partnership;

(s) agree or consent to any changes in the Plans and Specifications, to any change orders, or to any of the terms and provisions of the Construction Contract;

(t) cause any funds to be paid to the General Partner or its Affiliates for laundry service, cable hook-up, telephone connection, computer access, satellite connection, compliance monitoring (other than as provided in Section 9.2), initial rental set-up fee or similar service or fee;

(u) on behalf of the Partnership, file or cause to be filed a voluntary petition in bankruptcy under the Federal Bankruptcy Code, or file or cause to be filed a petition or answer seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or rule;

(v) settle any audit with the IRS concerning the adjustment or readjustment of any Partnership tax item, extend any statute of limitations, or initiate or settle any judicial review or action concerning the amount or character of any Partnership tax item;

(w) pay any real estate commission for the sale of the Apartment Housing or any brokerage fee, or the like, for the Sale or Refinancing of the Apartment Housing;

(x) make, amend or revoke any tax election;

(y) directly or indirectly transfer membership interests in the General Partner;

(z) elect the average income minimum set-aside pursuant to Code Section 42(g)(1)(C); or

(aa) agree or consent to any changes or amendments to the Regulatory Agreement.

**Section 9.7 Duties of General Partner.**

The General Partner agrees that it shall at all times:

(a) diligently and faithfully devote such of its time to the business of the Partnership as may be necessary to properly conduct the affairs of the Partnership;

(b) file and publish all certificates, statements or other instruments required by law for the formation and operation of the Partnership as a limited partnership in all appropriate jurisdictions;

(c) cause the Partnership to carry Insurance from an Insurance Company;

(d) have a fiduciary responsibility for the safekeeping and use of all funds and assets of the Partnership, whether or not in its immediate possession or control;

(e) have a fiduciary responsibility to not use or permit another to use Partnership funds or assets in any manner except for the benefit of the Partnership;

(f) use its best efforts so that all requirements are met as are reasonably necessary to obtain or achieve (1) compliance with the Minimum Set-Aside Test, the Rent Restriction Test, and any other requirements necessary for the Apartment Housing to initially qualify, and to continue to qualify, for LIHTC; (2) issuance of all necessary certificates of occupancy, including all governmental approvals required to permit occupancy of all of the apartment units in the Apartment Housing; (3) compliance with all provisions of the Project Documents and (4) a reservation and allocation of LIHTC from the State Tax Credit Agency;

(g) make inspections of the Apartment Housing and assure that the Apartment Housing is in decent, safe, sanitary and good condition, repair and working order, ordinary use and obsolescence excepted, and make or cause to be made from time to time all necessary repairs thereto (including external and structural repairs) and renewals and replacements thereof;

(h) pay, before the same become delinquent and before penalties accrue thereon all Partnership taxes, assessments and other governmental charges against the Partnership or its properties, and all of its other liabilities, except to the extent and so long as the same are being contested in good faith by appropriate proceedings in such manner as not to cause any material adverse effect on the Partnership's property, financial condition or business operations, with adequate reserves provided for such payments;

(i) pay, before the same becomes due or expires, the Insurance premium and utilities for the Apartment Housing;

(j) permit, and cause the Management Agent to permit, the Special Limited Partner and its representatives: (1) to have access to the Apartment Housing and personnel employed by the Management Agent at all times during normal business hours after reasonable notice; (2) to examine all agreements, LIHTC compliance data and Plans and Specifications; and (3) to make copies thereof;

(k) exercise good faith in all activities relating to the conduct of the business of the Partnership, including the development, operation and maintenance of the Apartment Housing, and shall take no action with respect to the business and property of the Partnership which is not reasonably related to the achievement of the purpose of the Partnership;

(l) make any Capital Contributions, advances or loans required to be made by the General Partner under the terms of this Agreement;

(m) establish and maintain all reserves required to be established and maintained under the terms of this Agreement;

(n) cause the Partnership to pay, before the same becomes due, the Mortgage Loan payment, subject to available funds, including funds provided under Section 6.3 or Section 6.4;

(o) pay, before the same becomes due, the Ad Valorem Real Estate Taxes;

(p) cause the Management Agent to manage the Apartment Housing in such a manner that the Apartment Housing will be eligible to receive LIHTC with respect to 100% of the apartment units in the Apartment Housing (with the exception of one manager's unit). To that end, the General Partner agrees, without limitation: (1) to make all elections requested by the Special Limited Partner under Code Section 42 to allow the Partnership or its Partners to claim the Tax Credit; (2) to file Form 8609 with respect to the Apartment Housing as required; (3) to operate the Apartment Housing and cause the Management Agent to manage the Apartment Housing so as to comply with the requirements of Code Section 42, including, but not limited to, Code Section 42(g) and Code Section 42(i)(3); (4) to make all certifications required by Code Section 42(l); and (5) to operate the Apartment Housing and cause the Management Agent to manage the Apartment Housing so as to comply with all other Tax Credit Conditions;

(q) cause the Accountant to issue the information required in accordance with Sections 14.2(a) and (b);

(r) perform such other acts as may be expressly required of it under the terms of this Agreement;

(s) maintain on its staff during construction and rent-up a trained and experienced project manager who is responsible for the development and construction of the Improvements, and responsible for obtaining Completion of Construction. In lieu of this employee, or if the project manager position remains vacant for 21 days or longer, the General Partner shall retain the services of a construction management firm, which firm must be pre-approved by the Special Limited Partner;

(t) maintain copies of the initial tenant files, as may be corrected by the Management Agent following the third party review, in a clean, dry, fireproof location for a minimum period of 21 years;

(u) abide by State law governing the operations of partnerships;

(v) require the Contractor to provide the Partnership with a full payment and performance bond;

(w) cause at least 50% of the aggregate basis of the land and buildings comprising the Apartment Housing for purposes of Code Section 42(h)(4) to be financed with the proceeds of the Tax-Exempt Bonds;

(x) comply at all times with the BOE Property Tax Rules in order to be eligible for the Property Tax Exemption; and

(y) enter into, on behalf of the Partnership, the Ground Lease, and ensure compliance with the Partnership's obligations thereunder.

**Section 9.8 Obligations to Repair and Rebuild Apartment Housing.**

With the approval of any lender, if such approval is required, any Insurance proceeds received by the Partnership due to fire or other casualty affecting the Apartment Housing will be utilized to repair and rebuild the Apartment Housing in satisfaction of the conditions contained in Section 42(j)(4) of the Code and to the extent required by any lender. Any such proceeds received in respect of such event occurring after the Compliance Period will be so utilized or, if permitted by the Project Documents and Regulatory Agreement and with the Consent of the Special Limited Partner, will be treated as Sale or Refinancing Proceeds.

**Section 9.9 Partnership Expenses.**

(a) All of the Partnership's expenses will be billed directly to and paid by the Partnership unless otherwise provided in this Agreement. Costs incurred in connection with construction monitoring, including monthly fees charged by the Construction Inspector, will be paid by the General Partner, on behalf of the Partnership, upon the submission of invoices to the General Partner. The Special Limited Partner may, in its sole discretion, cause the Construction Inspector to perform construction inspection services including, but not limited to, conducting desktop reviews or additional inspections. Any costs incurred by the Special Limited Partner by engaging the Construction Inspector to perform such services will be paid by the Partnership. Reimbursements to the General Partner, or any of its Affiliates, by the Partnership for Cash Expenses will be allowed to the extent such reimbursement would not create an Operating Deficit and only after payments to third parties. For purposes of this Section, (i) Cash Expenses includes fees paid by the Partnership to the General Partner or any Affiliate of the General Partner permitted by this Agreement and the actual cost of goods, materials and administrative services used for or by the Partnership, whether incurred by the General Partner, an Affiliate of the General Partner or a nonaffiliated Person in performing the foregoing functions, and (ii) "actual cost of goods and materials" means the cost of the goods or services must be no greater than the cost of the same goods or services from unaffiliated vendors, contractors, or managers in

the market area, and "actual cost of administrative services" means the pro rata cost of personnel (as if such persons were employees of the Partnership) associated therewith, but in no event exceeding the amount which would be charged by unaffiliated Persons for comparable goods and services.

(b) Reimbursement to the General Partner or any of its Affiliates of Cash Expenses will be further subject to the following:

(1) no such reimbursement will be permitted for services for which the General Partner or any of its Affiliates is entitled to compensation by way of a separate fee; and

(2) no such reimbursement will be made for (A) rent or depreciation, utilities, capital equipment or other such administrative items, and (B) salaries, fringe benefits, travel expenses and other administrative items incurred or allocated to any "controlling person" of the General Partner or any Affiliate of the General Partner. For the purposes of this Section 9.9(b)(2), "controlling person" includes, but is not limited to, any Person, however titled, who performs functions for the General Partner or any Affiliate of the General Partner similar to those of: (i) chairman or member of the board of directors; (ii) executive management, such as president, vice president or senior vice president, corporate secretary or treasurer; (iii) senior management, such as the vice president of an operating division who reports directly to executive management; or (iv) those holding 5% or more equity interest in such General Partner or any such Affiliate of the General Partner or a person having the power to direct or cause the direction of such General Partner or any such Affiliate of the General Partner, whether through the ownership of voting securities, by contract or otherwise.

**Section 9.10 General Partner Expenses.**

The General Partner or Affiliates of the General Partner shall pay all Partnership expenses which are not permitted to be reimbursed pursuant to Section 9.9 and all expenses which are unrelated to the business of the Partnership.

**Section 9.11 Other Business of Partners.**

Any Partner may engage independently or with others in other business ventures wholly unrelated to the Partnership business of every nature and description, including, without limitation, the acquisition, development, construction, operation and management of real estate projects and developments of every type on their own behalf or on behalf of other partnerships, joint ventures, corporations or other business ventures formed by them or in which they may have an interest, including, without limitation, business ventures similar to, related to or in direct or indirect competition with the Apartment Housing. Neither the Partnership nor any Partner will have any right by virtue of this Agreement or the partnership relationship created hereby in or to such other ventures or activities or to the income or proceeds derived therefrom. Conversely, no Person will have any rights to Partnership assets, incomes or proceeds by virtue of such other ventures or activities of any Partner.

**Section 9.12 Covenants, Representations and Warranties.**

The General Partner covenants, represents and warrants that the following are presently true, will be true at the time of each Capital Contribution payment made by the Limited Partner, and will be true during the term of this Agreement, to the extent then applicable.

(a) The Partnership is a duly organized limited partnership validly existing under the laws of the State and has complied with and will comply with all state filing requirements necessary for the Partnership to remain in good standing for, among other things, the protection of the limited liability of the Limited Partner and the Special Limited Partner.

(b) The Partnership Agreement and the Project Documents are in full force and effect and neither the Partnership nor the General Partner is in breach or violation of any provisions thereof.

(c) The Improvements will be completed in a timely and workman-like manner in accordance with all applicable requirements of all appropriate governmental entities and the Plans and Specifications.

(d) The Apartment Housing is being operated in accordance with standards and procedures that are prudent and customary for the operation of properties similar to the Apartment Housing.

(e) All conditions to the funding of the Construction Loan have been met.

(f) No Partner has or will have any personal liability with respect to or has or will have personally guaranteed the payment of the Mortgage Loan.

(g) The Partnership is in compliance with all construction and use codes applicable to the Apartment Housing and is not in violation of any zoning, environmental or similar regulations applicable to the Apartment Housing.

(h) All appropriate public utilities, including sanitary and storm sewers, water, gas and electricity, are currently available or will be available upon initial occupancy of the Apartment Housing and will be operating properly from the time of first occupancy and throughout the term of the Partnership.

(i) All roads necessary for the full utilization of the Improvements have either been completed or the necessary rights of way therefore have been acquired by the appropriate governmental authority or have been dedicated to public use and accepted by said governmental authority.

(j) The Partnership has Insurance written by an Insurance Company.

(k) Pursuant to the Ground Lease, the Partnership owns a leasehold interest in the land on which the Apartment Housing will be constructed.

(l) The Construction Contract has been entered into between the Partnership and the Contractor; no other consideration or fee will be paid to the Contractor other than amounts set forth in the Construction Contract nor shall any subcontractors, vendors, material suppliers or other trades or services pay any of their fees to the Contractor for any reason whatsoever; and the Contractor shall not pay any of its fee, overhead or the like to the General Partner or any Affiliate of the General Partner except as provided in the Construction Contract.

(m) The General Partner has not executed and will not execute any agreements with provisions contradictory to the provisions of this Agreement.

(n) No charges, liens or encumbrances exist with respect to the Apartment Housing other than those which are excepted in the Title Policy as of the date hereof or Consented to by the Special Limited Partner.

(o) The General Partner shall ensure that the Architect of Record's responsibilities include, but are not limited to, preparing and overseeing the construction close-out procedures upon completion; inspecting for and overseeing resolution of the Contractor's final punch list items; receiving and approving operation and maintenance manuals; collecting, reviewing, approving and forwarding to the Partnership all warranties, and confirming turnover of materials.

(p) All accounts of the Partnership required to be maintained under the terms of the Project Documents, including, without limitation, any reserves in accordance with Article VIII, are currently funded to required levels, including levels required by any governmental authority or lender.

(q) The General Partner has not lent or otherwise advanced any funds to the Partnership other than its Capital Contribution, or Operating Deficit Loan, if applicable, and the Partnership has no unsatisfied obligation to make any payments of any kind to the General Partner or any Affiliate thereof.

(r) No event has occurred which has caused, and the General Partner has not acted in any manner which will cause (1) the Partnership to be treated for federal income tax purposes as an association taxable as a corporation, (2) the Partnership to fail to qualify as a limited partnership under the Act, or (3) the Limited Partner to be liable for Partnership obligations; provided however, the General Partner will not be in breach of this representation if the action causing the Limited Partner to be liable for the Partnership obligations is undertaken solely by the Limited Partner.

(s) No event or proceeding, including, but not limited to, any legal actions or proceedings before any court, commission, administrative body or other governmental authority, or acts of any governmental authority having jurisdiction over the zoning or land use laws applicable to the Apartment Housing, has occurred the continuing effect of which has: (1) materially and adversely affected the operation of the Partnership or the Apartment Housing; (2) materially and adversely affected the ability of the General Partner to perform its obligations hereunder or under any other agreement with respect to the Apartment Housing; or (3) prevented the Completion of Construction in substantial conformity with the Project Documents, other than

legal proceedings which have been bonded against (or as to which other adequate financial security has been issued) in a manner as to indemnify the Partnership against loss; provided, however, the foregoing does not apply to matters of general applicability which would adversely affect the Partnership, the General Partner, Affiliates of the General Partner or the Apartment Housing only insofar as they or any of them are part of the general public.

(t) Neither the Partnership nor the General Partner has any liabilities, contingent or otherwise, which have not been disclosed in writing to the Limited Partner and the Special Limited Partner and which in the aggregate may affect the ability of the Limited Partner to obtain the anticipated benefits of its investment in the Partnership.

(u) Upon signing of the Construction Loan and receipt of the Construction Lender's written start order, the General Partner will cause construction of the Improvements to commence and thereafter will cause the Contractor to diligently proceed with construction of the Improvements according to the Plans and Specifications so that the Improvements can be completed by the Completion Date.

(v) The Partnership shall maintain a Debt Service Coverage of not less than 1.15:1 and will not close on a permanent loan or refinance a Mortgage Loan if the Debt Service Coverage would fall below 1.15:1.

(w) The General Partner will ensure that the Architect of Record will have a policy of professional liability insurance in an amount not less than $1,000,000, which policy should remain in force for a period of at least 2 years after the closing and funding of the Mortgage Loan.

(x) Neither the General Partner nor any of its Affiliates will take any action or agree to any terms or conditions that are contrary to, or in disagreement with, the documents evidencing the Construction Loan or the Mortgage Loan, the Ground Lease, the tax credit application used to secure the LIHTC, or the land use restriction agreement required to be recorded against the Apartment Housing. The General Partner shall cause the Partnership to provide all social services the Partnership is required to provide to tenants of the Apartment Housing, including providing at least 15 hours a week of resident services, including adult and youth enrichment and educational programming to aid in promoting health, wellness and life skills for at least 84 hours per year, and visiting nurse programs, intergenerational visiting programs, and senior companion programs for at least 100 hours per year. Services will be provided pursuant to the Memorandum of Understanding between Community Resident Services, Inc., as service provider, and the Partnership, as owner. Such services will be provided at no cost to the tenants and the General Partner shall also take all action necessary to cause the Partnership to pay all amounts incurred by the Partnership in connection with the provision of such social services.

(y) None of any General Partner, any Guarantor, or any of their Affiliates or beneficial owners has been convicted of, or entered into a plea of guilty to, a felony.

(z) None of the General Partners, any beneficial owner of the General Partners, nor any person or entity that is a party to any financing document being entered into in

connection with the Apartment Housing (i) is listed on the Specially Designated Nationals and Blocked Persons List administered by the United States Treasury Department, Office of Foreign Assets Control; (ii) is owned or controlled by the government of, is a national of, or is incorporated in Burma (Myanmar), Cuba, Iran, or Sudan, (iii) is currently targeted by any economic sanctions issued under the Trading With the Enemy Act, the International Emergency Economic Powers Act, the United Nations Participation Act, the Syria Accountability and Lebanese Sovereignty Act, all as amended, or any enabling legislation, regulations, or executive orders relating thereto (including, but not limited to, the foreign assets control regulations at 31 C.F.R. Subtitle B, Chapter V); or (iv) is owned or controlled by, or acts for or on behalf of, any person or entity that falls under any of (i) – (iii) above.

(aa) The General Partner and the Guarantor have and shall maintain an aggregate net worth of at least $5,000,000 and aggregate liquid assets equal to at least $1,000,000, computed in accordance with generally accepted accounting principles.

(bb) The Partnership is in compliance with and will maintain compliance with the requirements of the federal Fair Housing Act of 1968 (42 U.S.C. 3600 et seq.), as amended, with respect to the Apartment Housing.

(cc) The Managing General Partner has obtained a valid organizational clearance certificate from the BOE pursuant to California Revenue and Taxation Code Section 254.6 and shall take all other actions necessary to qualify the Apartment Housing for the Property Tax Exemption, including, without limitation, executing and filing the BOE Form 267-LI with the appropriate county assessor's office. On an annual basis, upon receipt of the property tax bill reflecting the grant of the Property Tax Exemption for the Apartment Housing, the Managing General Partner will deliver a copy thereof to the Special Limited Partner.

(dd) The General Partner shall cause the Partnership to make an election to be treated as an "electing real property trade or business" under Code Section 163(j)(7)(B) unless the Limited Partner elects otherwise. The General Partner shall seek the direction of the Limited Partner prior to filing the Partnership's first year tax return or such earlier time as such election is to be made. Once made, the election will be irrevocable.

(ee) The General Partner shall cause the Accountant to depreciate Partnership items in accordance with Exhibit F attached hereto and incorporated herein by this reference and provide the information required by Sections 14.2(a) and (b). In addition, the General Partner will cause the Partnership to depreciate 100% of its site improvements and personal property improvements in the year in which such assets are placed in service in accordance with Code Section 168(k) (the "Bonus Depreciation"). The General Partner will not make an election under Code Section 168(k)(7) to elect out of such Bonus Depreciation unless instructed to do so, in writing, by the Special Limited Partner.

(ff) The buildings on the Apartment Housing site constitute or will constitute a "qualified low-income housing project" as provided in Code Section 42(g) and the Treasury Regulations. In this connection, not later than December 31 of the first year of the Tax Credit Period, the Apartment Housing will satisfy the Minimum Set-Aside Test.

(gg) The Partnership has received a Tax Exempt Reservation Letter (the "Credit Award") from the State Tax Credit Agency pursuant to Code Section 42(h), in the amount of $527,285. The Credit Award is binding and in full force and effect in accordance with its terms. At Completion of Construction, the qualified basis of the Apartment Housing under Code Section 42 is anticipated to be $20,085,646. The Partnership shall allocate to the Limited Partner the Projected Annual Tax Credits, or the Revised Projected Tax Credits, if applicable.

(hh) The General Partner has provided the Limited Partner with true, complete and correct copies of all material correspondence and contracts with, applications to, and allocation certifications, if any, from the State Tax Credit Agency concerning Tax Credits allocated or otherwise available to the Apartment Housing.

(ii) Unless otherwise Consented to by the Special Limited Partner, the Partnership will elect under Code Section 42(f)(1) to have the Tax Credit Period with respect to each building in the Apartment Housing commence with 2023.

(jj) The Partnership has not and will not receive amounts funded with a federal grant within the meaning of Code Section 42(d)(5)(A) (unless such grant was made to allow the Apartment Housing to be leased to low-income tenants and does not increase the Partnership's Eligible Basis in the Apartment Housing).

(kk) The Partnership shall execute an extended use agreement with respect to the Apartment Housing before the end of the first year of the Tax Credit Period. The extended use agreement will remain in effect throughout the Compliance Period.

(ll) The Partnership shall apply for all Forms 8609 for the Apartment Housing from the State Tax Credit Agency in a timely manner, and shall timely file any other tax or information returns or statements required by the Code. In furtherance of the foregoing, the General Partner shall complete Form 8609 and submit a copy of it with its federal income tax return to the IRS for the first year that the Partnership claims Tax Credit with respect to each building in the Apartment Housing. The General Partner, on behalf of the Partnership, will claim the Tax Credits and provide the information required as set forth in Code Section 42(1) and Temporary Treas. Reg. Section 1.42-1(h).

(mm) The information and representations included in the Project Documents, and on which the State Tax Credit Agency relied in its determination to award the Credit Award, are true, accurate and complete.

(nn) The fair market value of the Apartment Housing at Completion of Construction and throughout the term of the Mortgage Loan is reasonably expected to exceed the aggregate outstanding balance of the Mortgage Loan. Each Mortgage Loan has a fixed maturity date which is prior to the end of the anticipated economic life of the Apartment Housing, and the Partnership is reasonably expected to be able to repay each Mortgage Loan as it matures.

(oo) The Apartment Housing is not located in a qualified census tract, a "difficult to develop area," or another enhanced credit area for purposes of Code Section 42(d)(5)(B).

(pp) The General Partner shall cause the Partnership to:

(1) maintain its books and records separate from those of any other Person or Entity, including the General Partner or any Affiliates of the Partnership;

(2) except as specifically permitted by the Project Documents, not commingle assets with those of any other Entity, including its General Partner or any Affiliates of the Partnership;

(3) conduct its own business in its own name or the name of the Project so as not to mislead others as to the identity of such Entity;

(4) maintain separate financial statements from any other Person or Entity, including the General Partners or any Affiliates of the Partnership;

(5) except as specifically permitted by the Project Documents or this Agreement, pay its own liabilities out of its own funds;

(6) observe all partnership formalities including without limitation holding all meetings and obtaining all consents required by this Agreement;

(7) maintain an arm's-length relationship with its Affiliates;

(8) except as specifically permitted by the Project Documents, not guarantee or become obligated for the debts of any other Entity or hold out its credit as being available to satisfy the obligations of others, including the General Partners or any Affiliates of the Partnership;

(9) allocate fairly and reasonably any overhead for shared office space or other similar expenses;

(10) use invoices and checks separate from any other Person or Entity, including the General Partners or any Affiliates of the Partnership; and

(11) hold itself out as and operate as an Entity separate and apart from any other Entity, including the General Partners or any Affiliates of the Partnership.

(qq) The Partnership will not lease more than 35% of the net rentable space in any building in the Apartment Housing (excluding common areas) to tax-exempt tenants. At least 80% of the gross rental income from each building in the Apartment Housing for each taxable year in the Compliance Period will be income from residential dwelling units. The Partnership will not enter into any management or service contracts that provide a tax-exempt entity with possessory rights with respect to the Apartment Housing.

(rr) At least 50% of the aggregate basis of each building of the Apartment Housing and the land on which such building is or will be located, for purposes of Code Section 42(h)(4), will be financed by the proceeds of tax-exempt bonds which were issued under the volume limitations pursuant to Code Section 146.

(ss) The Minimum Set-Aside Test unit designations set forth in Article I shall apply to the Apartment Housing and shall not be modified without the Consent of the Special Limited Partner, which consent shall not be delayed, conditioned, or withheld unreasonably.

(tt) The Partnership, in its capacity as the "tenant" under the Ground Lease, shall insure the Improvements and other property included as portions of the Apartment Housing under the Ground Lease, in accordance with requirements that are consistent with the ownership of the Apartment Housing by the Partnership; and, during the term of the Ground Lease, all Improvements shall be the property of the Partnership. Taking into account the restrictions on the use of the land and the other obligations assumed by the Partnership in connection with the Apartment Housing, the rent payable under the Ground Lease constitutes fair market rent under the circumstances and such rent is customary in the industry for similar transactions. Furthermore, the Managing General Partner hereby represents that it would not enter into the Ground Lease without the rental restrictions to be placed on the Apartment Housing pursuant to the Project Documents and did not intend to contribute the land that is subject to the Ground Lease to the Partnership. In addition, any amendment to the Ground Lease shall require the Consent of the Special Limited Partner.

(uu) The General Partner shall cause all asbestos abatement work, if any, at the Apartment Housing to be provided by state certified asbestos abatement contractor.

(vv) The General Partner will retain an accredited environmental consultant reasonably acceptable to the Special Limited Partner to monitor the soil excavation work undertaken in connection with the construction of the Apartment Housing.

The General Partner shall be liable to the Limited Partner for any costs, damages, loss of profits, diminution in the value of its investment in the Partnership, or other losses, of every nature and kind whatsoever, direct or indirect, realized or incurred by the Limited Partner as a result of any material breach of the representations and warranties set forth in this Section 9.12.

**Section 9.13 Indemnification of the Partnership and the Limited Partners.**

(a) The General Partner will indemnify and hold the Partnership, the Limited Partner, and the Special Limited Partner (individually, an "Indemnified Party," and, collectively, the "Indemnified Parties") harmless from and against any and all losses, damages and liabilities (including reasonable attorney's fees) which any Indemnified Party may incur by reason of the past, present, or future actions or omissions of the General Partner or any of its Affiliates that constitute gross negligence or willful misconduct, fraud, malfeasance, breach of fiduciary duty, or breach of any material provision of this Agreement that has a material adverse effect on the Apartment Housing or on any Indemnified Party. The General Partner will further indemnify the Indemnified Parties for any expense any of them may incur in connection with any state or local taxes charged as a result of the transfer by the Limited Partner of its Interest. The foregoing indemnification shall be a recourse obligation of the General Partner and shall survive the dissolution of the Partnership and/or the death, retirement, Bankruptcy, removal or withdrawal of the General Partner. The indemnification set forth in this Section 9.13 by the General Partner shall apply equally to any acts performed by any Affiliate of the General Partner.

(b) The Partnership shall indemnify and hold harmless the Limited Partner and the Special Limited Partner from and against all losses, liabilities, damages, judgments, settlements and expenses (including, without limitation, legal fees) (collectively, "Damages") reasonably incurred as a result of actions against the Limited Partner or the Special Limited Partner in its capacity as a limited partner or special limited partner of the Partnership except to the extent a court of competent jurisdiction determines that such Damages were incurred by the Limited Partner or Special Limited Partner while acting in a manner which violates the terms of this Agreement applicable to the Limited Partner or Special Limited Partner. The indemnification provided herein is in addition to and not a limit on any other right to receive contribution or indemnity from the Partnership which otherwise might exist in favor of the Limited Partner or the Special Limited Partner.

## ARTICLE X.
## ALLOCATIONS OF INCOME, LOSSES AND CREDITS

**Section 10.1 General.**

All items includable in the calculation of Income or Loss not arising from a Sale or Refinancing, and all Tax Credits, will be allocated 99.98% to the Limited Partner, 0.01% to the Special Limited Partner, 0.005% to the Administrative General Partner and 0.005% to the Managing General Partner. In allocating Tax Credits, the special allocation provisions of Section 10.3 will not be taken into account.

**Section 10.2 Allocations From Sale or Refinancing.**

All Income and Losses arising from a Sale or Refinancing will be allocated between the Partners as follows:

(a) As to Income:

(1) first, an amount of Income equal to the aggregate negative balances (if any) in the Capital Accounts of all Partners having negative Capital Accounts (prior to taking into account the Sale or Refinancing and the Distribution of the related Sale or Refinancing Proceeds, but after giving effect to Distributions of Net Operating Income and allocations of other Income and Losses pursuant to this Article X up to the date of the Sale or Refinancing) will be allocated to such Partners in proportion to their negative Capital Account balances until all such Capital Accounts will have zero balances; and

(2) the balance, if any, of such Income will be allocated 9.99% to the Limited Partner, 0.01% to the Special Limited Partner, 89.995% to the Administrative General Partner and 0.005% to the Managing General Partner.

(b) Losses will be allocated 99.98% to the Limited Partner, 0.01% to the Special Limited Partner, 0.005% to the Administrative General Partner and 0.005% to the Managing General Partner.

(c) Notwithstanding the foregoing provisions of Section 10.2(a) and (b), in no event will any Losses be allocated to the Limited Partner or the Special Limited Partner if and to

the extent that such allocation would create or increase an Adjusted Capital Account Deficit for the Limited Partner or the Special Limited Partner. In the event an allocation of 99.98% or 0.01% of each item includable in the calculation of Income or Loss not arising from a Sale or Refinancing, would create or increase an Adjusted Capital Account Deficit for the Limited Partner or the Special Limited Partner, respectively, then so much of the items of deduction other than projected depreciation will be allocated to the General Partner instead of the Limited Partner or the Special Limited Partner as is necessary to allow the Limited Partner or the Special Limited Partner to be allocated 99.98% and 0.01%, respectively, of the items of Income and Apartment Housing depreciation without creating or increasing an Adjusted Capital Account Deficit for the Limited Partner or the Special Limited Partner, it being the intent of the parties that the Limited Partner and the Special Limited Partner always will be allocated 99.98% and 0.01%, respectively, of the items of Income not arising from a Sale or Refinancing and 99.98% and 0.01%, respectively, of the Apartment Housing depreciation.

**Section 10.3 Special Allocations.**

The following special allocations will be made in the following order.

(a) Except as otherwise provided in Section 1.704-2(f) of the Treasury Regulations, notwithstanding any other provisions of this Article X, if there is a net decrease in Partnership Minimum Gain during any Partnership fiscal year, each Partner will be specially allocated items of Partnership income and gain for such fiscal year (and, if necessary, subsequent fiscal years) in an amount equal to such Person's share of the net decrease in Partnership Minimum Gain, determined in accordance with Treasury Regulations Section 1.704-2(g). Allocations pursuant to the previous sentence will be made in proportion to the respective amounts required to be allocated to each Partner pursuant thereto. The items to be so allocated will be determined in accordance with Section 1.704-2(f)(6) and 1.704-2(j)(2) of the Treasury Regulations. This Section 10.3(a) is intended to comply with the minimum gain chargeback requirement in Section 1.704-2(f) of the Treasury Regulations and will be interpreted consistently therewith.

(b) Except as otherwise provided in Section 1.704-2(i)(4) of the Treasury Regulations, notwithstanding any other provision of this Article X, if there is a net decrease in Partner Nonrecourse Debt Minimum Gain attributable to a Partner Nonrecourse Debt during any Partnership fiscal year, each Person who has a share of the Partner Nonrecourse Debt Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Section 1.704-2(i)(5) of the Treasury Regulations, will be specially allocated items of Partnership income and gain for such fiscal year (and, if necessary, subsequent fiscal years) in an amount equal to such Person's share of the net decrease in Partner Nonrecourse Debt Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Treasury Regulations Section 1.704-2(i)(4). Allocations pursuant to the previous sentence will be made in proportion to the respective amounts required to be allocated to each Partner pursuant thereto. The items to be so allocated will be determined in accordance with Sections 1.704-2(i)(4) and 1.704-2(j)(2) of the Treasury Regulations. This Section 10.3(b) is intended to comply with the minimum gain chargeback requirement in Section 1.704-2(i)(4) of the Treasury Regulations and will be interpreted consistently therewith.

(c) In the event any Partner unexpectedly receives any adjustments, allocations, or distributions described in Treasury Regulations Section 1.704-1(b)(2)(ii)(d)(4), Section 1.704-1(b)(2)(ii)(d)(5), or Section 1.704-1(b)(2)(ii)(d)(6), items of Partnership income and gain will be specially allocated to each such Partner in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations, the Adjusted Capital Account Deficit of such Partner as quickly as possible, provided that an allocation pursuant to this Section 10.3(c) will be made if and only to the extent that such Partner would have an Adjusted Capital Account Deficit after all other allocations provided for in this Section 10.3 have been tentatively made as if this Section 10.3(c) were not in the Agreement.

(d) In the event any Partner has a deficit Capital Account at the end of any Partnership fiscal year which is in excess of the sum of (i) the amount such Partner is obligated to restore, and (ii) the amount such Partner is deemed to be obligated to restore pursuant to the penultimate sentences of Treasury Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5), each such Partner will be specially allocated items of Partnership income and gain in the amount of such excess as quickly as possible, provided that an allocation pursuant to this Section 10.3(d) will be made if and only to the extent that such Partner would have a deficit Capital Account in excess of such sum after all other allocations provided for in this Section 10.3 have been tentatively made as if this Section 10.3(d) and Section 10.3(c) were not in the Agreement.

(e) Nonrecourse Deductions for any fiscal year will be specially allocated 99.98% to the Limited Partner, 0.01% to the Special Limited Partner, 0.005% to the Administrative General Partner and 0.005% to the Managing General Partner.

(f) Any Partner Nonrecourse Deductions for any fiscal year will be specially allocated to the Partner which is a for-profit entity and which bears the economic risk of loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable in accordance with Treasury Regulations Section 1.704-2(i)(1).

(g) 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 required, pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m)(2) or Section 1.704-1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Accounts as the result of a distribution to a Partner in complete liquidation of his interest in the Partnership, the amount of such adjustment to the Capital Accounts will be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss will be specially allocated to the Partners in accordance with their interests in the Partnership in the event that Treasury Regulations Section 1.704-1 (b)(2)(iv)(m)(2) applies, or to the Partner to whom such distribution was made in the event that Treasury Regulations Section 1.704-1(b)(2)(iv)(m)(4) applies.

(h) To the extent the Partnership has taxable interest income with respect to any promissory note pursuant to Section 483 or Section 1271 through 1288 of the Code:

(1) such interest income will be specially allocated to the Limited Partner to whom such promissory note relates; and

(2) the amount of such interest income will be excluded from the Capital Contributions credited to such Partner's Capital Account in connection with payments of principal with respect to such promissory note.

(i) To the extent the Partnership has taxable interest income with respect to deposits of Capital Contribution payments or from the investment of the proceeds of the Tax-Exempt Bonds, such interest income will be specially allocated to the Administrative General Partner.

(j) In the event the adjusted tax basis of any investment tax credit property that has been placed in service by the Partnership is increased pursuant to Code Section 50(c), such increase will be specially allocated among the Partners (as an item in the nature of income or gain) in the same proportions as the investment tax credit that is recaptured with respect to such property is shared among the Partners.

(k) Any reduction in the adjusted tax basis (or cost) of Partnership investment tax credit property pursuant to Code Section 50(c) will be specially allocated among the Partners (as an item in the nature of expenses or losses) in the same proportions as the basis (or cost) of such property is allocated pursuant to Treasury Regulations Section 1.46-3(f)(2)(i).

(l) Any income, gain, loss or deduction realized as a direct or indirect result of the issuance of an interest in the Partnership by the Partnership to a Partner will be allocated 100% to the Administrative General Partner.

(m)If any Partnership expenditure is treated as a deduction on its federal income tax return is disallowed as a deduction and treated as a distribution pursuant to Section 731(a) of the Code, there will be a special allocation of gross income to the Partner deemed to have received such distribution equal to the amount of such distribution.

(n) Interest deduction on the Partnership indebtedness referred to in Section 6.4 will be allocated 100% to the Administrative General Partner.

(o) Any taxable income of the Partnership resulting from its receipt of donations, contributions (including income arising from recharacterization of any Capital Contribution, debt or financing), grants, subsidies, or forgiveness of indebtedness will be specially allocated 100% to the Administrative General Partner.

(p) In the event that the General Partner advances any funds to pay for Operating Deficits pursuant to Section 6.3, any deductions or losses attributable to the use of such funds will be specially allocated to the Administrative General Partner.

(q) In the event that the General Partner advances any funds pursuant to Section 17.6 to pay any Imputed Underpayment, any taxable income attributable to the Partnership's receipt of such funds will be specially allocated to the Administrative General Partner.

**Section 10.4 Curative Allocations.**

The allocations set forth in Section 10.2(c), Section 10.3(a), Section 10.3(b), Section 10.3(c), Section 10.3(d), Section 10.3(e), Section 10.3(f), and Section 10.3(g) (the "Regulatory Allocations") are intended to comply with certain requirements of the Treasury Regulations. It is the intent of the Partners that, to the extent possible, all Regulatory Allocations will be offset either with other Regulatory Allocations or with special allocations of other items of Partnership income, gain, loss, or deduction pursuant to this Section 10.4. Therefore, notwithstanding any other provision of this Article X (other than the Regulatory Allocations), with the Consent of the Special Limited Partner, the General Partner will make such offsetting special allocations of Partnership income, gain, loss, or deduction in whatever manner the General Partner, with the Consent of the Special Limited Partner, determines appropriate so that, after such offsetting allocations are made, each Partner's Capital Account balance is, to the extent possible, equal to the Capital Account balance such Partner would have had if the Regulatory Allocations were not part of the Agreement and all Partnership items were allocated pursuant to Section 10.1, Section 10.2(a), Section 10.2(b), Section 10.3(h), Section 10.3(i), Section 10.3(j), Section 10.3(k), Section 10.3(l), Section 10.3(m), and Section 10.5. In exercising its authority under this Section 10.4, the General Partner will take into account future Regulatory Allocations under Section 10.3(a) and Section 10.3(b) that, although not yet made, are likely to offset other Regulatory Allocations previously made under Section 10.3(e) and Section 10.3(f).

**Section 10.5 Other Allocation Rules.**

(a) The basis (or cost) of any Partnership investment tax credit property will be allocated among the Partners in accordance with Treasury Regulations Section 1.46-3(f)(2)(i). All Tax Credits will be allocated among the Partners in accordance with applicable law. Consistent with the foregoing, the Partners intend that LIHTC will be allocated 99.98% to the Limited Partner, 0.01% to the Special Limited Partner, 0.005% to the Administrative General Partner and 0.005% to the Managing General Partner.

(b) In the event Partnership investment tax credit property is disposed of during any taxable year, profits for such taxable year (and, to the extent such profits are insufficient, profits for subsequent taxable years) in an amount equal to the excess, if any, of (1) the reduction in the adjusted tax basis (or cost) of such property pursuant to Code Section 50(c), over (2) any increase in the adjusted tax basis of such property pursuant to Code Section 50(c) caused by the disposition of such property, will be excluded from the profits allocated pursuant to Section 10.1 and Section 10.2(a) and will instead be allocated among the Partners in proportion to their respective shares of such excess, determined pursuant to Section 10.3(j) and Section 10.3(k). In the event more than one item of such property is disposed of by the Partnership, the foregoing sentence will apply to such items in the order in which they are disposed of by the Partnership, so the profits equal to the entire amount of such excess with respect to the first such property disposed of will be allocated prior to any allocations with respect to the second such property disposed of, and so forth.

(c) For purposes of determining the Income, Losses, or any other items allocable to any period, Income, Losses, and any such other items will be determined on a daily, monthly,

or other basis, as determined by the General Partner with the Consent of the Special Limited Partner, using the interim closing method under Code Section 706 and the Treasury Regulations.

(d) Solely for purposes of determining a Partner's proportionate share of the "excess nonrecourse liabilities" of the Partnership within the meaning of Treasury Regulations Section 1.752-3(a)(3), the Partners' interests in Partnership profits are as follows: Limited Partner - 99.98%; Special Limited Partner - 0.01%; Administrative General Partner - 0.005%; Managing General Partner - 0.005%.

(e) To the extent permitted by Section 1.704-2(h)(3) of the Treasury Regulations, the General Partner shall endeavor to treat Distributions as having been made from the proceeds of a Nonrecourse Liability or a Partner Nonrecourse Debt only to the extent that such Distributions would cause or increase an Adjusted Capital Account Deficit for any Partner who is not a General Partner.

(f) In the event that the deduction of all or a portion of any fee paid or incurred out of Net Operating Income by the Partnership to a Partner which is a for-profit entity or an Affiliate of a Partner which is a for-profit entity is disallowed for federal income tax purposes by the IRS with respect to a taxable year of the Partnership, the Partnership shall then allocate to such Partner an amount of gross income of the Partnership for such year equal to the amount of such fee as to which the deduction is disallowed.

(g) The Managing General Partner is an Exempt Partner and all allocations to the Managing General Partner pursuant to the terms of this Agreement shall be Qualified Allocations. Qualified Allocations means an allocation of income, gain, loss, deduction and credit to an Exempt Partner that satisfies the requirements of Section 168(h)(6)(B) of the Code so that at no time will any portion of the property held by the Partnership be classified as tax-exempt use property for purposes of Section 168(h) of the Code. Such qualified allocation shall have substantial economic effect and shall be consistent with the Exempt Partner being allocated the same distributive share (0.005%) of each item of income, gain, loss, deduction, credit and basis of the Partnership and such share remaining the same during the entire period that the Exempt Partner is a Partner of the Partnership.

**Section 10.6 Tax Allocations: Code Section 704(c).**

In accordance with Code Section 704(c) and the Treasury Regulations, income, gain, loss, and deduction with respect to any property contributed to the capital of the Partnership will, solely for tax purposes, be allocated among the Partners so as to take account of any variation between the adjusted basis of such property to the Partnership for federal income tax purposes and its initial Gross Asset Value.

In the event the Gross Asset Value of any Partnership asset is adjusted, subsequent allocations of income, gain, loss, and deduction with respect to such asset will take account of any variation between the adjusted basis of such asset for federal income tax purposes and its Gross Asset Value in the same manner as under Code Section 704(c) and the Treasury Regulations.

Any elections or other decisions relating to such allocations will be made by the General Partner with the Consent of the Special Limited Partner in any manner that reasonably reflects the purpose and intention of this Agreement. Allocations pursuant to this Section 10.6 are solely for purposes of federal, state, and local taxes and will not affect, or in any way be taken into account in computing, any Person's Capital Account or share of Income, Losses, other items, or distributions pursuant to any provision of this Agreement.

**Section 10.7 Allocation Among Limited Partners.**

In the event that the Interest of the Limited Partner hereunder is at any time held by more than one Limited Partner all items which are specifically allocated to the Limited Partner for any month pursuant to this Article X will be apportioned among such Persons according to the ratio of their respective profit-sharing interests in the Partnership at the last day of such month.

**Section 10.8 Allocation Among General Partners.**

In the event that the Interest of the General Partner hereunder is at any time held by more than one General Partner all items which are specifically allocated to the General Partner for any month pursuant to this Article X will be apportioned among such Persons in such percentages as may from time to time be determined by agreement among them without amendment to this Agreement or consent of the Limited Partner or Consent of the Special Limited Partner. Notwithstanding the foregoing or anything else in this Agreement to the contrary, so long as the General Partner is a Partner, the Managing General Partner shall be allocated the same distributive share (0.005%) of each item of Partnership income, gain, loss, deduction, credit, and basis.

**Section 10.9 Modification of Allocations.**

The provisions of Article X and Article XI and other provisions of this Agreement are intended to comply with Treasury Regulations Section 1.704 and will be interpreted and applied in a manner consistent with such section of the Treasury Regulations. In the event that the General Partner determines that it is prudent to modify the manner in which the Capital Accounts of the Partners, or any debit or credit thereto, are computed in order to comply with such section of the Treasury Regulations, the General Partner may make such modification, but only with the Consent of the Special Limited Partner, to the minimum extent necessary, to affect the plan of allocations and Distributions provided for elsewhere in this Agreement. Further, the General Partner shall make any appropriate modifications, but only with the Consent of the Special Limited Partner, in the event it appears that unanticipated events (e.g., the existence of a Partnership election pursuant to Code Section 754) might otherwise cause this Agreement not to comply with Treasury Regulation Section 1.704.

## ARTICLE XI.
## DISTRIBUTION

### Section 11.1 Distribution of Net Operating Income.

Except as otherwise provided, Net Operating Income for each fiscal year will be distributed within 75 days following each calendar year and will be applied in the following order of priority:

(a) to repay any Voluntary Funding made by the Limited Partner pursuant to Section 7.7;

(b) to pay any Tax Credit adjuster that has not been paid by the General Partner as required pursuant to Section 7.4 or by the Guarantor as required pursuant to the Guaranty Agreement;

(c) to pay the current Asset Management Fee and then to pay any accrued Asset Management Fees which have not been paid in full from previous years;

(d) to pay the Deferred Management Fee, if any;

(e) to pay any unpaid Development Fee;

(f) of the balance, 50% will be used to pay Operating Loans, if any, as referenced in Article VI;

(g) to pay the Tax Credit Compliance Fee;

(h) to pay the MGP Fee;

(i) beginning in the 13th year after the Apartment Housing receives its certificate of occupancy, 15% of the balance will be used to pay interest and principal on the CADA Gap Loan;

(j) to pay the Incentive Management Fee; and

(k) the balance will be distributed 99.98% to the Limited Partner, 0.01% to the Special Limited Partner, 0.005% to the Managing General Partner, and 0.005% to the Administrative General Partner.

### Section 11.2 Distribution of Sale or Refinancing Proceeds.

Sale or Refinancing Proceeds will be distributed in the following order:

(a) to the payment of the Mortgage Loan and other matured debts and liabilities of the Partnership, other than accrued payments, debts or other liabilities owing to Partners; former Partners, or their Affiliates;

(b) to pay any Tax Credit adjuster that has not been paid by the General Partner as required pursuant to Section 7.4 or by the Guarantor as required pursuant to the Guaranty Agreement and to repay any Voluntary Funding made in accordance with Section 7.7, to be paid pro rata if necessary;

(c) to any other accrued payments, debts or other liabilities owing to the Partners or former Partners, including, but not limited to, accrued Asset Management Fees and Operating Loans, to be paid pro rata if necessary;

(d) to the payment to the Developer of any outstanding Development Fee;

(e) to the establishment of any reserves which the General Partner, with the Consent of the Special Limited Partner, deems reasonably necessary for contingent, unmatured or unforeseen liabilities or obligations of the Partnership; and

(f) thereafter, 9.99% to the Limited Partner, 0.01% to the Special Limited Partner 0.005% to the Managing General Partner and 89.995% to the Administrative General Partner (less any amounts paid to the Developer pursuant to subsection (d)), provided that the amount distributed to the Limited Partner pursuant to this paragraph will not be less than the aggregate federal and state income tax liability of the Limited Partner with respect to this distribution, and the amount distributable to the General Partner will be reduced by the amount of any redistribution to the Limited Partner under this paragraph.

## ARTICLE XII.
## TRANSFERS OF LIMITED PARTNER'S AND SPECIAL LIMITED PARTNER'S INTERESTS IN THE PARTNERSHIP

**Section 12.1 Assignment of Interests.**

Subject to Section 12.5 regarding the right of an Assignee to become a Substitute Limited Partner or Substitute Special Limited Partner, the Limited Partner and the Special Limited Partner have the right to assign all or any part of their respective Interests to any other Person, whether or not a Partner, upon satisfaction of the following:

(a) a written instrument setting forth the name and address of the proposed transferee, the nature and extent of the Interest which is proposed to be transferred and the terms and conditions upon which the transfer is proposed to be made, stating that the Assignee accepts and agrees to be bound by all of the terms and provisions of this Agreement, and providing for the payment of all reasonable expenses incurred by the Partnership in connection with such assignment, including but not limited to the cost of preparing any necessary amendment to this Agreement; and

(b) upon receipt by the General Partner of the Assignee's written representation that the Partnership Interest is to be acquired by the Assignee for the Assignee's own account for long-term investment and not with a view toward resale, fractionalization, division or distribution thereof.

Notwithstanding any provision to the contrary, the Limited Partner may assign its Interest to an Affiliate or assign its Interest to a national bank doing business with the Limited Partner as collateral to secure a capital contribution loan without satisfying the conditions of Section 12.1(a) and (b) above.

THE LIMITED PARTNER INTEREST AND THE SPECIAL LIMITED PARTNER INTEREST DESCRIBED HEREIN HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AS AMENDED OR UNDER ANY STATE SECURITIES LAW. THESE INTERESTS MAY NOT BE SOLD OR OTHERWISE TRANSFERRED UNLESS REGISTERED UNDER APPLICABLE FEDERAL AND STATE SECURITIES LAWS OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE.

**Section 12.2 Effective Date of Transfer.**

Any assignment of a Limited Partner's Interest or Special Limited Partner's Interest pursuant to Section 12.1 will become effective as of the first day of the calendar month in which the last of the conditions to such assignment are satisfied.

**Section 12.3 Invalid Assignment.**

Any purported assignment of an Interest of the Limited Partner or the Special Limited Partner otherwise than in accordance with Section 12.1, Section 12.5 or Section 12.6 will be of no effect as between the Partnership and the purported assignee and will be disregarded by the General Partner in making allocations and Distributions hereunder.

**Section 12.4 Assignee's Rights to Allocations and Distributions.**

An Assignee will be entitled to receive allocations and Distributions from the Partnership attributable to the Interest acquired by reason of any permitted assignment from the effective date of transfer as determined in Section 12.2 above. The Partnership and the General Partner will be entitled to treat the assignor of such Partnership Interest as the absolute owner thereof in all respects, and will incur no liability for allocations and Distributions made in good faith to such assignor, until such time as the written instrument of assignment has been received by the Partnership.

**Section 12.5 Substitution of Assignee as Limited Partner or Special Limited Partner.**

(a) An Assignee will not have the right to become a Substitute Limited Partner or Substitute Special Limited Partner in place of his assignor unless the written consent of the General Partner to such substitution has been obtained, which consent, in the General Partner's absolute discretion, may be withheld; except that an Assignee which is an Affiliate of the Limited Partner or Special Limited Partner, or the national bank doing business with the Limited Partner referred to in Section 12.1 (or its successor), may become a Substitute Limited Partner or Substitute Special Limited Partner without the consent of the General Partner. Notwithstanding the foregoing, following payment by the Limited Partner of the final Capital Contribution pursuant to Section 7.2, no General Partner will unreasonably withhold, delay or condition its

consent for any Assignee to become a Substitute Limited Partner or a Substitute Special Limited Partner.

(b) A non-admitted transferee of the Limited Partner's Interest or the Special Limited Partner's Interest in the Partnership will only be entitled to receive that share of allocations, Distributions and the return of Capital Contribution to which its transferor would otherwise have been entitled with respect to the Interest transferred, and will have no right to obtain any information on account of the Partnership's transactions, to inspect the Partnership's books and records or have any other of the rights and privileges of a Limited Partner or Special Limited Partner, provided, however, that the Partnership shall, if a transferee and transferor jointly advise the General Partner in writing of a transfer of an Interest in the Partnership, furnish the transferee with pertinent tax information at the end of each fiscal year of the Partnership.

**Section 12.6 Death, Bankruptcy, Incompetency, etc., of a Limited Partner.**

Upon the death, dissolution, adjudication of bankruptcy, or adjudication of incompetency or insanity of the Limited Partner or Special Limited Partner, such Partner's executors, administrators or legal representatives will have all the rights of its predecessor-in-interest for the purpose of settling or managing such Partner's estate, including such power as such Partner possessed to designate a successor as a transferee of its Interest in the Partnership and to join with such transferee in making the application to substitute such transferee as a Partner.

## ARTICLE XIII.
## WITHDRAWAL, REMOVAL AND REPLACEMENT OF GENERAL PARTNER

**Section 13.1 Withdrawal of General Partner.**

(a) The General Partner may not Withdraw (other than as a result of an Involuntary Withdrawal) without the Consent of the Special Limited Partner. Withdrawal will be conditioned upon the agreement of the Special Limited Partner to be admitted as a successor General Partner, or if the Special Limited Partner declines to be admitted as a successor General Partner, then on the agreement of one or more Persons who satisfy the requirements of Section 13.5 to be admitted as successor General Partner(s). Notwithstanding the foregoing, with the Consent of the Special Limited Partner, the Administrative General Partner may withdraw as a General Partner upon receipt of the IRS Form(s) 8609 with respect to the Apartment Housing, and that the Managing General Partner or another entity approved by the Special Limited Partner and in compliance with CTCAC regulations relative to the replacement of the Administrative General Partner.

(b) Each General Partner shall indemnify and hold harmless the Partnership and all Partners from its Withdrawal in violation of Section 13.1(a). Each General Partner shall be liable for damages to the Partnership resulting from its Withdrawal in violation of Section 13.1(a).

**Section 13.2 Removal of General Partner.**

(a) The General Partner may be removed for cause pursuant to this Section 13.2 if any General Partner has, its officers, directors, members, or partners, if applicable or the Partnership has (or, with regard to clause (7) below, if any Guarantor has):

(1) been subject to Bankruptcy or if any Guarantor has been subject to Bankruptcy;

(2) committed any fraud, willful misconduct, breach of fiduciary duty or other negligent conduct in the performance of its duties under this Agreement;

(3) been convicted of, or entered into a plea of guilty to, a felony;

(4) been barred from participating in any federal or state housing program;

(5) made personal use of Partnership funds or properties;

(6) failed to provide any guaranteed payment, loan, advance, Capital Contribution or any other payment as required under this Agreement;

(7) defaulted under any provision of this Agreement or the Guaranty Agreement, including but not limited to a breach of any representation, warranty or covenant contained herein or therein;

(8) caused the Projected Tax Credits to be allocated to the Partners for a term longer than the Tax Credit Period;

(9) failed to provide, or to cause to be provided, the construction monitoring documents required in Section 14.3(a);

(10) failed to comply with any federal or state tax law or regulation, which failure results in a recapture of LIHTC;

(11) failed to keep the Development Budget In-Balance;

(12) failed to obtain the consent of a Partner where such consent is required pursuant to this Agreement;

(13) failed to deliver the annual Partnership financial data as required pursuant to Section 14.2(a) or (b);

(14) failed to maintain the reserve balances as required pursuant to Article VIII;

(15) failed to renew the Insurance on or before the due date;

(16) failed to pay the Ad Valorem Real Estate Taxes on or before the due date;

(17) failed during any consecutive 6-month period during the Compliance Period to rent 85% or more of the total apartment units in the Apartment Housing to Qualified Tenants; notwithstanding the foregoing, if such failure is the result of Force Majeure or if such failure is cured within 120 days after the end of the 6-month period, then this removal provision will not apply;

(18) violated the terms of any Mortgage Loan;

(19) allowed a repurchase event specified in Section 7.3 to occur; or

(20) failed to provide, or cause to be provided, information regarding any correspondence or communication relating to the Partnership or any Partner from the IRS as required in Section 17.6(b)(4).

(b) Written notice of the removal for cause of the General Partner ("Removal Notice") will set forth the reasons for removal and will be served by the Special Limited Partner or the Limited Partner, or both of them, upon the General Partner in accordance with Section 17.3, with a copy provided to the Construction Lender, if applicable. If Section 13.2(a)(6), (7), (9), (11), (13), (14), (15), or (16) is the basis for the removal for cause, then the General Partner will have 30 days from receipt of the Removal Notice in which to cure the removal condition. If the condition for the removal for cause is not cured within the 30-day cure period then the General Partner's removal will become effective upon approval of a majority of the Partners' Interests (Interest percentage for voting is in accordance with the percentages shown in Section 10.1) at a Partners' meeting held in accordance with Section 17.2. If the removal for cause is for a condition referenced in Section 13.2(a)(1), (2), (3), (4), (5), (8), (10), (12), (17), (18), (19) or (20) then the removal will become effective upon approval of a majority of the Partners' Interests (Interest percentage for voting is in accordance with the percentages shown in Section 10.1) at a Partners' meeting held in accordance with Section 17.2 except that in regard to violations of a Construction Loan or Mortgage Loan there will be a cure period of the sooner of 30 days or 10 days prior to the expiration of the cure period referenced in the loan documents, if any. Upon the General Partner's removal, the General Partner shall deliver to the Special Limited Partner, within 5 business days after the Partners' meeting confirming the General Partner's removal, all Partnership books and records including all bank signature cards and an authorization to change the signature on the signature cards from the General Partner to the Special Limited Partner, or a successor general partner so nominated by the Limited Partner and Special Limited Partner. The Partners recognize and acknowledge that if the General Partner fails to adhere to the vote of the Partners at the Partners' meeting or fails to provide the Partnership books and records upon the General Partner's removal then the remaining Partners may suffer irreparable injury. Therefore, in the event the General Partner does not adhere to the provisions of this Section 13.2(b), and in addition to other rights or remedies which may be provided by law and equity or this Agreement, the Limited Partner and/or Special Limited Partner will have the right to specific performance to compel the General Partner to perform its obligation under this Section and the Limited Partner and/or Special Limited Partner may bring

such action, and other actions to enforce the removal, by way of temporary and/or permanent injunctive relief.

**Section 13.3 Effects of a Withdrawal.**

In the event of a Withdrawal, the entire Interest of the Withdrawing General Partner will immediately and automatically terminate on the effective date of such Withdrawal, and such General Partner (i) will immediately cease to be a General Partner, and (ii) will have no further right to participate in the management or operation of the Partnership or the Apartment Housing or to receive any allocations or Distributions from the Partnership or any other funds or assets of the Partnership, except as specifically set forth below. In the event of a Withdrawal, any or all executory contracts, including but not limited to the Management Agreement, between the Partnership and the Withdrawing General Partner or its Affiliates may be terminated by the Partnership, with the Consent of the Special Limited Partner, upon written notice to the party so terminated. Furthermore, notwithstanding such Withdrawal, the Withdrawing General Partner will be and will remain, liable as a General Partner for all known or unknown liabilities and obligations incurred by the Partnership or by the General Partner prior to the effective date of the Withdrawal, or which may arise upon such Withdrawal. Any remaining Partner will have all other rights and remedies against the Withdrawing General Partner as provided by law or under this Agreement. The General Partner agrees that in the event of its Withdrawal it will indemnify and hold the Limited Partner and the Special Limited Partner harmless from and against all losses, costs and expenses incurred in connection with the Withdrawal, including, without limitation, all legal fees and other expenses of the Limited Partner and the Special Limited Partner in connection with the transaction. If, at the time of a Withdrawal of a General Partner, such General Partner was not the sole General Partner, the remaining General Partner of General Partners shall immediately: (i) give notice to the Limited Partners of such event; and (ii) with the Consent of the Special Limited Partner, make any amendments to this Agreement and execute and file for recordation any amended certificates or other instruments necessary to reflect the termination of the Interest of the General Partner as to which such event has occurred and such General Partner's having ceased to be a General Partner. The following additional provisions apply in the event of a Withdrawal.

(a) In the event of a voluntary Withdrawal, or an Involuntary Withdrawal resulting from Bankruptcy, the Withdrawing General Partner and its Affiliates will have no further right to receive any prior or future allocations or Distributions from the Partnership or any other funds or assets of the Partnership; nor will it be entitled to receive or to be paid by the Partnership any further payments of fees (including fees which have been earned but are unpaid); or to be repaid any outstanding advances or loans made by it to the Partnership; or to be paid any amount for its former Interest; or to be paid any amounts as a result of an indemnification. From and after the effective date of such Withdrawal, the former rights of the Withdrawing General Partner to receive or to be paid such prior or future allocations, Distributions, funds, assets, fees (including fees which have been earned but are unpaid) or repayments will in the absolute discretion of the Special Limited Partner either be assigned to the other General Partner or General Partners (which may include the Special Limited Partner); or to the Special Limited Partner; or if the Special Limited Partner decides in its absolute discretion then any outstanding fundings or payments will, for accounting purposes, be deemed to have been paid by the

Withdrawing General Partner by making a Capital Contribution to the Partnership and the Partnership making the payment to the Withdrawing General Partner.

(b) In the event of an Involuntary Withdrawal not resulting from Bankruptcy or removal, the Withdrawing General Partner will have no further right to receive any future allocations or Distributions from the Partnership or any other funds or assets of the Partnership, provided that accrued and payable fees (i.e., fees earned but unpaid as of the date of Withdrawal) owed to the Withdrawing General Partner, and any outstanding loans of the Withdrawing General Partner to the Partnership, will be paid to the Withdrawing General Partner or its estate or guardian in the manner and at the times such fees and loans would have been paid had the Withdrawing General Partner not Involuntarily Withdrawn. The Interest of the General Partner will be purchased as follows:

(1) If the Involuntary Withdrawal does not arise from removal under Section 13.2(a), or Bankruptcy and if the Partnership is to be continued with one or more remaining or successor General Partner(s), the Partnership, with the Consent of the Special Limited Partner, may, but is not obligated to, purchase or redeem the Interest of the Withdrawing General Partner. The purchase price of such Interest will be its Fair Market Value as determined by agreement between the Withdrawing General Partner or its estate or guardian and the Special Limited Partner; or, if they cannot agree, by appraisal. The appraisal shall be conducted by Independent Appraisers. The Withdrawing General Partner or its estate or guardian and the Special Limited Partner shall each select an Independent Appraiser and the Independent Appraisers so selected shall select a third Independent Appraiser. The Independent Appraisers shall determine the Fair Market Value of the General Partner Interest, which appraisal shall assume that the Apartment Housing shall remain subject to the Tax Credit Conditions. The decision of the Independent Appraisers shall be made by the majority of such Independent Appraisers. The Independent Appraisers shall render a written report setting forth the Fair Market Value of the General Partner Interest, which decision shall be rendered as expeditiously as possible by the Independent Appraisers and which decision shall be final and binding upon the Partners. The reasonable fees and expenses of the Independent Appraisers shall be paid one-half by the Withdrawing General Partner or its estate or guardian and one-half by the Limited Partner. The purchase price will be paid by the Partnership by delivering to the General Partner or its representative the Partnership's non-interest bearing unsecured promissory note payable, if at all, upon liquidation of the Partnership in accordance with Article XV. The note will also provide that the Partnership may prepay all or any part thereof without penalty.

(2) If the Involuntary Withdrawal does not arise from removal under Section 13.2(a), and if the Partnership is to be continued with one or more remaining or successor General Partner(s), and if the Partnership does not purchase the Interest of the Withdrawing General Partner in Partnership allocations, Distributions and capital, then the Withdrawing General Partner or the Withdrawing General Partner's estate or guardian will retain its Interest in such items, but such Interest will be held as a non-voting special limited partner.

(c) Notwithstanding the provisions of Section 13.3(b), if the Involuntary Withdrawal arises from removal as set forth in Section 13.2(a), the Withdrawing General Partner and its Affiliates will have no further right to receive any accrued or future allocations or

Distributions from the Partnership or any other funds or assets of the Partnership; it will not be entitled to receive any payment for its Interest; and it will not be entitled to receive or to be paid by the Partnership, by any Partners, or by any successor partners, any further payments of fees (including fees which have been earned but remain unpaid) or any outstanding advances or loans made by it to the Partnership including, but not limited to, any amounts as a result of an indemnification. The former rights of the Withdrawing General Partner and its Affiliates to receive or to be paid such prior or future allocations, Distributions, funds, assets, fees (including fees which have been earned but are unpaid) or repayments will, in the sole and absolute discretion of the Special Limited Partner either be assigned to the other General Partner or General Partners, assigned to the Special Limited Partner, or if the Special Limited Partner decides in its absolute discretion then any outstanding distributions or fees will, for accounting purposes, be deemed to have been paid by the Withdrawing General Partner by making a Capital Contribution to the Partnership and the Partnership then making the payment to the Withdrawing General Partner.

**Section 13.4 Successor General Partner.**

Upon the occurrence of an event giving rise to a Withdrawal of a General Partner, any remaining General Partner, or, if there be no remaining General Partner, the Withdrawing General Partner or its legal representative, shall promptly notify the Special Limited Partner of such Withdrawal (the "Withdrawal Notice"). Whether or not the Withdrawal Notice has been sent as provided herein, the Special Limited Partner will have the right to become a successor General Partner, or to appoint a successor General Partner, with the Limited Partner's approval (and to appoint or become the successor managing General Partner if the Withdrawing General Partner was previously the managing General Partner). In order to effectuate the provisions of this Section 13.4 and the continuance of the Partnership, at the sole discretion of the Special Limited Partner the Withdrawal of a General Partner will not be effective until the expiration of 120 days from the date on which occurred the event giving rise to the Withdrawal, unless the Special Limited Partner has elected to become a successor General Partner or appoint a successor General Partner with the Limited Partner's approval as provided herein prior to expiration of such 120-day period.

**Section 13.5 Admission of Additional or Successor General Partner.**

No Person shall be admitted as an additional or successor General Partner unless (a) such Person has agreed to become a General Partner by a written instrument which includes the acceptance and adoption of this Agreement; (b) the Consent of the Special Limited Partner to the admission of such Person as a substitute General Partner has been granted, which consent may be withheld in the discretion of the Special Limited Partner; (c) such Person has executed and acknowledged any other instruments which the Special Limited Partner reasonably deems necessary or appropriate to effect the admission of such Person as a substitute General Partner; and (d) this Agreement is amended to admit the additional or successor General Partner in accordance with the provisions of the Act. All other steps will be taken which are reasonably necessary to effect the Withdrawal of the Withdrawing General Partner and the substitution of the successor General Partner. Nothing contained herein will reduce the Limited Partner's Interest or the Special Limited Partner's Interest in the Partnership.

**Section 13.6 Transfer of Interest.**

Except as otherwise provided herein, the General Partner may not Withdraw from the Partnership, or enter into any agreement as the result of which any Person acquires an Interest in the Partnership or an interest in the General Partner, without the Consent of the Special Limited Partner.

**Section 13.7 No Goodwill Value.**

At no time during continuation of the Partnership will any value ever be placed on the Partnership name, or the right to its use, or to the goodwill appertaining to the Partnership or its business, either as among the Partners or for the purpose of determining the value of any Interest, nor will the legal representatives of any Partner have any right to claim any such value. In the event of a termination and dissolution of the Partnership as provided in this Agreement, neither the Partnership name, nor the right to its use, nor the same goodwill, if any, will be considered as an asset of the Partnership, and no valuation will be put thereon for the purpose of liquidation or distribution, or for any other purpose whatsoever.

## ARTICLE XIV.
## BOOKS AND ACCOUNTS, REPORTS, TAX RETURNS, FISCAL YEAR AND BANKING

**Section 14.1 Books and Accounts.**

(a) The General Partner shall cause the Partnership to keep and maintain at its principal executive office full and complete books and records that include each of the following:

(1) a current list of the full name and last known business or residence address of each Partner set forth in alphabetical order together with the Capital Contribution and the share in Income and Losses and Tax Credits of each Partner;

(2) a copy of the Certificate of Limited Partnership and all certificates of amendment thereto, together with executed copies of any powers of attorney pursuant to which any certificate has been executed;

(3) copies of the Partnership's federal, state and local income tax information returns and reports, if any, for the six most recent taxable years;

(4) copies of the original of this Agreement and all amendments thereto;

(5) financial statements of the Partnership for the six most recent fiscal years;

(6) the Partnership's books and records for at least the current and past three fiscal years;

(7) in regard to the first tenants to occupy the apartment units in the Apartment Housing, copies of all tenant files including completed applications, completed questionnaires or checklist of income and assets, documentation of third party verification of income and assets, and income certification forms (LIHTC specific) in a manner and for the period required by the Code; and

(8) copies of the certifications required for the Property Tax Exemption.

(b) Upon the request of the Limited Partner, the General Partner shall promptly deliver to the Limited Partner, at the expense of the Partnership, a copy of the information set forth in Section 14.1(a) above. The Limited Partner will have the right upon reasonable request and during normal business hours to inspect and copy any of the foregoing, or any of the other books and records of the Partnership or the Apartment Housing, at its own expense.

**Section 14.2 Accounting Reports.**

(a) By February 20 of each calendar year, the General Partner shall provide to the Limited Partner and the Special Limited Partner the Partnership tax return, Schedule K-1, and all tax information necessary for the preparation of their federal and state income tax returns and other tax returns with regard to the jurisdiction(s) in which the Partnership is formed and in which the Apartment Housing is located. Moreover, the General Partner shall deliver to the Limited Partner and the Special Limited Partner a draft copy of the information requested herein at least 10 days prior to the above referenced due date.

(b) By March 1 of each calendar year, including the year(s) during construction of the Apartment Housing, the General Partner shall send to the Limited Partner and the Special Limited Partner an audited financial statement for the Partnership**.** If requested by the Limited Partner, such financial statement will be performed in accordance with the audit standards of the Public Companies Accounting Oversight Board and the audit opinion will refer to such standards. The audited financial statements of the Partnership will include, but not be limited to: (1) a balance sheet as of the end of such fiscal year and statements of income, Partners' equity and changes in cash flow for such fiscal year prepared in accordance with generally accepted accounting principles; (2) a report of any Distributions made at any time during the fiscal year, separately identifying Distributions from Net Operating Income for the fiscal year, Net Operating Income for prior years, Sale or Refinancing Proceeds, and reserves; (3) a report setting forth the amount of all fees and other compensation and Distributions and reimbursed expenses paid by the Partnership for the fiscal year to the General Partner or Affiliates of the General Partner and the services performed in consideration therefor, which report will be verified by the Partnership's Accountants; and (4) the Accountant's calculation of each pay-out of Net Operating Income pursuant to Section 11.1. The General Partner shall deliver to the Limited Partner and the Special Limited Partner a draft copy of the information required herein at least 10 days prior to the above-referenced due date.

(c) Within 60 days after the end of each fiscal quarter in which a Sale or Refinancing of the Apartment Housing occurs, the General Partner shall send to the Limited

Partner and the Special Limited Partner a report as to the nature of the Sale or Refinancing and as to the Income and Losses for tax purposes and proceeds arising from the Sale or Refinancing.

(d) The Partnership will use the accrual method of accounting.

**Section 14.3 Other Reports.**

The General Partner shall provide to the Limited Partner and the Special Limited Partner the reports identified below in this Section 14.3. To the extent feasible, all reports pursuant to this Section 14.3 shall be delivered digitally through email or a shared file service:

(a) during construction, on a regular basis, but in no event less than once a month, a copy of the Construction Inspector's report and other construction reports including, but not limited to, (1) the name of each person performing work on the Improvements or providing materials for the Improvements, if the work performed or materials supplied by a person accounts for 5% or more of the construction of the Improvements, the work performed or materials supplied by said person and the code number corresponding to the line item in the Development Budget under which the person will be paid, (2) an original AIA Document G702, or similar form acceptable to the Special Limited Partner, (3) if not included in the Construction Inspector's report or the AIA Document G702, a line item break-down of the Development Budget (which include a description of work to be performed or materials to be supplied; total dollar amount of the work or materials; the dollar amount of work previously completed and paid or materials supplied and paid; the dollar amount of work or materials to be paid per the current disbursement request; dollar amount of materials stored; the total dollar amount of work completed and stored as of the current disbursement date; the percentage of completion; the dollar amount of work or materials needed to complete the line item; and the retainage amount), (4) a reconciliation of the sources and uses to determine that the Development Budget is In-Balance and there are sufficient funds to complete the construction of the Improvements, (5) if not provided for in the above referenced documents, a line item break down of all soft development costs not included in the Construction Contract but part of the Development Budget; (6) copies of lien releases, or waivers, from the Contractor and all sub-contractors or material suppliers who were paid the previous month; and (7) any other document requested by the Special Limited Partner as the circumstances warrant (collectively the "Construction Draw Documents");

(b) during the rent-up phase, and continuing until the later of (i) the end of the first 6-month period during which the Apartment Housing has a sustained occupancy of 95% or better, (ii) Breakeven Operations, or (iii) the Special Limited Partner's approval of the initial tenant files, including any recommended corrections, by the 20th day of each month within such period a copy of the previous month's rent roll (through the last day of the month), a tenant LIHTC compliance worksheet utilizing WNC's compliance portal (with a link and login provided by WNC's Compliance Department) to populate the monthly initial tenant certification worksheet; a tenant traffic status report; an up to date income statement, an up to date balance sheet and a copy of the Partnership's bank statement reflecting all operating accounts and reserve accounts;

(c) a quarterly tax credit compliance report similar to the worksheet included in Exhibit G due on or before April 25 of each year for the first quarter, July 25 of each year for the second quarter, October 25 of each year for the third quarter and January 25 of each year for the fourth quarter. In order to verify the reliability of the information being provided on the compliance report the Special Limited Partner may request a sampling of tenant files to be provided. The sampling will include, but not be limited to, copies of tenant applications, certifications and third-party verifications used to qualify tenants. If any inaccuracies are found to exist on the tax credit compliance report or any items of noncompliance are discovered, then the sampling will be expanded as determined by the Special Limited Partner;

(d) a quarterly report on operations, in the form attached hereto as Exhibit G, due on or before April 25 of each year for the first quarter of operations, July 25 of each year for the second quarter of operations, October 25 of each year for the third quarter of operations and January 25 of each year for the fourth quarter of operations that include, but are not limited to, a copy of the Partnership's bank statement showing all operating accounts and reserve accounts required to be maintained pursuant to Article VIII, statement of income and expenses, cash flow statement balance sheet, rent roll as of the end of each calendar quarter of each year, and third party verification of current utility allowance (provided, however, that the information contained in such reports shall be presented in a monthly format);

(e) by December 15 of each year, an estimate of LIHTC and taxable income or loss to be allocated to the Limited Partner for that year;

(f) during the Compliance Period, no later than the day any such certification is filed, copies of any certifications which the Partnership must furnish to federal, state, or local authorities including, but not limited to, the annual owner's sworn statement, and the State Tax Credit Agency Compliance (or annual) report;

(g) by the annual renewal date each and every year, an executed original or certified copy of each and every Insurance policy or certificate required by the terms of this Agreement;

(h) within ten days of every Ad Valorem Real Estate Taxes payment date, verification that the same has been paid in full or abated;

(i) on or before March 15 of each calendar year, a copy of the General Partner's updated financial statement as of December 31 of the previous year;

(j) on or before October 1 of each calendar year, a copy of the following year's proposed Operating Budget. Each such budget will contain all the anticipated Cash Receipts and Cash Expenses of the Partnership. Neither the General Partner, the Management Agent nor their employees, agents or representatives will adopt the Operating Budget until the Consent of the Special Limited Partner has been obtained. The Special Limited Partner will endeavor to provide consent or comments to the proposed Operating Budget within fifteen (15) business days of receipt thereof, and if consent or comments have not been received from the Special Limited Partner prior to the start of the next year, then the General Partner shall continue to operate under

the prior calendar year's Operating Budget until such consent from the Special Limited Partner for the proposed Operating Budget is received;

(k) in the event the Apartment Housing and/or the Partnership is experiencing financial concerns or operational concerns or maintenance issues and the Partnership placed on the Special Limited Partner's watch list, then the Special Limited Partner requires the Management Agent to cooperate with the Special Limited Partner's staff as requested including, but not limited to, the following: (1) being available and responsive for site visits, telephone calls and correspondence (whether by e-mail, fax, mail, or overnight delivery); (2) providing weekly tenant traffic reports; (3) within 10 days of each request, providing weekly unit or building or grounds repair reports, (4) within 10 days of each request, providing an up-to-date income statement, up-to-date balance sheet, a copy of previous month's rent roll, and a copy of the Partnership's monthly bank statement; and (5) within 10 days of each request, providing any other documents deemed relevant by the Special Limited Partner. In addition, the Limited Partner's investors have the right to ask questions of the Management Agent in accordance with this Section if the Partnership is placed on the Limited Partner's watch list;

(l) within five days of receipt, a copy of any correspondence relative to the Apartment Housing's noncompliance with any Project Document, relative to the Apartment Housing's noncompliance with the Tax Credit rules or regulations, and/or relative to the disposition of the Apartment Housing;

(m)within five days of such occurrence, notice of the occurrence, or of the likelihood of occurrence, of any event which has had or may have a material adverse effect upon the Apartment Housing or the Partnership, including, but not limited to, any breach of any of the representations and warranties set forth in Section 9.12, or any inability of the Partnership to meet its cash obligations as they become payable; and

(n) within ten days of such occurrence, the General Partner shall provide to the Special Limited Partner copies of any audit findings, compliance audits, or other written correspondence completed for the Partnership or Apartment Housing by or for any lender or local, state, or federal agency, including the compliance monitoring agency for the LIHTC program designated by the State Tax Credit Agency.

**Section 14.4 Late Reports.**

If the General Partner does not fulfill its obligations under Section 14.2 within the time periods set forth therein, the Administrative General Partner, using non-Partnership funds, shall pay as damages the sum of $100 per day (plus interest at the rate established by Section 6.4) to the Limited Partner until such obligations have been fulfilled. If the General Partner does not fulfill its obligations under Section 14.3 within the time periods set forth therein, the Administrative General Partner, using non-Partnership funds, shall pay as damages the sum of $100 per week (plus interest at the rate established by Section 6.4) to the Limited Partner until such obligations have been fulfilled. If the Administrative General Partner fails to so pay, the Administrative General Partner and its Affiliates will forthwith cease to be entitled to any fees hereunder (other than the Development Fee) and/or to the payment of any Net Operating Income or Sale or Refinancing Proceeds to which the Administrative General Partner may otherwise be

entitled hereunder. Payments of fees and Distributions will be restored only upon payment of such damages in full.

**Section 14.5 Site Visits.**

The Limited Partner, at the Limited Partner's expense, has the right, upon reasonable notice to the General Partner, to conduct site visits which will include, in part, an inspection of the property, a review of the office and tenant files, a viewing of a random selection of apartment units and an interview with the Management Agent. In addition, the Limited Partner's investors or vendors have the right, at the Limited Partner's expense, and upon reasonable notice, to conduct a site visit in accordance with this Section.

**Section 14.6 Tax Returns.**

The General Partner will cause income tax returns for the Partnership to be prepared and timely filed with the appropriate federal, state and local taxing authorities.

**Section 14.7 Fiscal Year.**

The fiscal year of the Partnership will be the calendar year or such other period as may be approved by the IRS for federal income tax purposes.

**Section 14.8 Banking.**

All funds of the Partnership must be deposited in a separate bank account or accounts as shall be determined by the General Partner with the Consent of the Special Limited Partner. All withdrawals therefrom must be made upon checks signed by the General Partner or by any person authorized to do so by the General Partner. The General Partner shall provide to any Partner who requests same the name and address of the financial institution, the account number and other relevant information regarding any Partnership bank account.

**Section 14.9 Certificates and Elections.**

(a) The General Partner shall file the First Year Certificate within 90 days following the close of the taxable year during which Completion of Construction occurs and thereafter shall timely file any certificates which the Partnership must furnish to federal or state governmental authorities administering the Tax Credit programs under Code Section 42.

(b) The General Partner, with the Consent of the Special Limited Partner, may, but is not required to, cause the Partnership to make or revoke the election referred to in Section 754 of the Code, or any similar provisions enacted in lieu thereof.

## ARTICLE XV.
## DISSOLUTION, WINDING UP, TERMINATION AND LIQUIDATION OF THE PARTNERSHIP

### Section 15.1 Dissolution of Partnership.

The Partnership will be dissolved upon the expiration of its term or the earlier occurrence of any of the following events.

(a) The effective date of the Withdrawal or removal of the General Partner, unless (1) at the time there is at least one other General Partner (which may be the Special Limited Partner or its appointee if it elects to serve as successor General Partner under Section 13.4) who will continue as General Partner, or (2) within 120 days after the occurrence of any such event the Limited Partner elects to continue the business of the Partnership.

(b) The sale of the Apartment Housing and the receipt in cash of the full amount of the proceeds of such sale.

(c) The election to dissolve the Partnership made in writing by the General Partner with the Consent of the Special Limited Partner (which consent shall be given or withheld in its sole and absolute discretion).

(d) The entry of a final decree of dissolution of the Partnership by a court of competent jurisdiction.

Notwithstanding the foregoing, in no event will the Partnership terminate prior to the maturity of any Mortgage Loan without the consent of the Mortgage Lender to which the Partnership is subject.

### Section 15.2 Return of Capital Contribution upon Dissolution.

Except as provided in Section 7.3 and Section 7.4, which provide for a reduction or refund of the Limited Partner's Capital Contribution under certain circumstances, and except as provided in Sections 6.2 and 6.3, which represent the personal obligations of the General Partner, each Partner shall look solely to the assets of the Partnership for all Distributions with respect to the Partnership (including the return of its Capital Contribution) and will have no recourse therefor (upon dissolution or otherwise) against any General Partner. No Partner will have any right to demand property other than money upon dissolution and termination of the Partnership, and the Partnership is prohibited from such a distribution of property without the Consent of the Special Limited Partner.

### Section 15.3 Distribution of Assets.

Upon a dissolution of the Partnership, the General Partner (or, if there is no General Partner then remaining, such other Person(s) designated as the liquidator of the Partnership by the Special Limited Partner or by the court in a judicial dissolution) shall take full account of the Partnership assets and liabilities and shall liquidate the assets as promptly as is consistent with obtaining the fair value thereof.

(a) Upon dissolution and termination, after payment of, or adequate provision for, the debts and obligations of the Partnership pursuant to Sections 11.2(a) through and including 11.2(f), the remaining assets of the Partnership will be distributed to the Partners in accordance with the positive balances in their Capital Accounts, after taking into account all allocations under Article X.

(b) In the event that a General Partner has a deficit balance in its Capital Account following the liquidation of the Partnership or its Interest, as determined after taking into account all Capital Account adjustments for the Partnership taxable year in which such liquidation occurs, such General Partner shall pay to the Partnership the amount necessary to restore such deficit balance to zero in compliance with Treasury Regulations Section 1.704-1(b)(2)(ii)(b)(3).

(1) The deficit reduction amount will be paid by the General Partner by the end of such taxable year (or, if later, within 90 days after the date of liquidation) and will, upon liquidation of the Partnership, be paid to creditors of the Partnership or distributed to other Partners in accordance with their positive Capital Account balances.

(c) With respect to assets distributed in kind to the Partners in liquidation or otherwise:

(1) unrealized appreciation or unrealized depreciation in the values of such assets will be deemed to be Income and Losses realized by the Partnership immediately prior to the liquidation or other Distribution event; and

(2) such Income and Losses will be allocated to the Partners in accordance with Section 10.2, and any property so distributed will be treated as a Distribution of an amount in cash equal to the excess of such Fair Market Value over the outstanding principal balance of and accrued interest on any debt by which the property is encumbered.

(d) For the purposes of Section 15.3(c), "unrealized appreciation" or "unrealized depreciation" means the difference between the Fair Market Value of such assets, taking into account the Fair Market Value of the associated financing but subject to Section 7701(g) of the Code, and the asset's Gross Asset Value. Section 15.3(c) is merely intended to provide a rule for allocating unrealized Income and Losses upon liquidation or other Distribution event, and nothing contained in Section 15.3(c) or elsewhere in this Agreement is intended to treat or cause such Distributions to be treated as sales for value. The Fair Market Value of such assets will be determined by an Independent Appraiser selected by the General Partner with the Consent of the Special Limited Partner, which consent shall not be unreasonably withheld or delayed.

**Section 15.4 Deferral of Liquidation.**

If, at the time of liquidation, the General Partner or other liquidator determines that an immediate sale of part or all of the Partnership assets could cause undue loss to the Partners, the liquidator may, in order to avoid loss, but only with the Consent of the Special Limited Partner, either defer liquidation and retain all or a portion of the assets or distribute all or a portion of the assets to the Partners in kind. In the event that the liquidator elects to distribute such assets in kind, the assets will first be assigned a value (by appraisal as specified in Section 13.3) and the unrealized appreciation or depreciation in value of the assets will be allocated to the Partners'

Capital Accounts, as if such assets had been sold, in the manner described in Section 10.2, and such assets will then be distributed to the Partners as provided herein. In applying the preceding sentence, the Apartment Housing will not be assigned a value less than the unamortized principal balance of any loan secured thereby.

**Section 15.5 Liquidation Statement.**

Each of the Partners will be furnished with a statement prepared or caused to be prepared by the General Partner or other liquidator, which will set forth the assets and liabilities of the Partnership as of the date of complete liquidation. Upon compliance with the distribution plan as outlined in Sections 15.3 and Section 15.4, the Limited Partner and Special Limited Partner will cease to be such and the General Partner shall execute, acknowledge and cause to be filed those certificates referenced in Section 15.6.

**Section 15.6 Certificates of Dissolution; Certificate of Cancellation of Certificate of Limited Partnership.**

(a) Upon the dissolution of the Partnership, the General Partner shall cause to be filed in the office of the Secretary of State, and on a form prescribed by the Secretary of State of California, a certificate of dissolution. The certificate of dissolution will set forth the Partnership's name, the Secretary of State's file number for the Partnership, the event causing the Partnership's dissolution, the date of the dissolution, and other information as required by the Secretary of State.

(b) Upon the completion of the winding up of the Partnership's affairs, the General Partner shall cause to be filed in the office of, and on a form prescribed by, the Secretary of State of California a certificate of cancellation of the Certificate of Limited Partnership. The certificate of cancellation of the Certificate of Limited Partnership will set forth the Partnership's name, the Secretary of State's file number for the Partnership, any other information which the General Partner determines to include therein, and other information as required by the Secretary of State.

**Section 15.7 Deficit Restoration Obligation Election.**

The Limited Partner may, prior to the time prescribed by law for filing of the Partnership's federal income tax return for any fiscal year (not including extensions), elect in its sole discretion to be unconditionally obligated to restore all or a portion of any deficit in the Limited Partner's Capital Account upon liquidation of its Interest in the Partnership. Any such election shall be evidenced by written notice to the General Partner, delivered prior to such time, specifying the amount of any deficit for which the Limited Partner elects a deficit restoration obligation. Any amount owing pursuant to a deficit restoration obligation shall be payable upon the later of (a) the end of the fiscal year in which the Limited Partner's Interest is liquidated or (b) 90 days after the date of such liquidation.

The amount of any such election shall automatically be reduced to the extent the deficit in the Limited Partner's Capital Account (after reduction for the items described in (4), (5) and (6) of Section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations) is subsequently reduced or eliminated as of the end of the Partnership's taxable year, for example by a subsequent Capital

Contribution, without affecting the validity of prior allocations. Subsequent allocations after a restoration of a deficit capital account shall not create or increase an Adjusted Capital Account Deficit of the Limited Partner, except upon a subsequent election of the Limited Partner to be unconditionally obligated to restore all or a portion of any Adjusted Capital Account Deficit as provided above. If an allocation or distribution thereafter increases the deficit in the Limited Partner's Capital Account, unless the Limited Partner elects otherwise under (i) below, the Limited Partner will be obligated to restore the deficit only to the extent of the lesser of (i) the deficit amount the Limited Partner has previously elected to restore or (ii) the smallest deficit balance in the Limited Partner's Capital Account (after reduction for the items described in (4), (5) and (6) of Section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations) as of the end of the Partnership's taxable year subsequent to the taxable year for which the election was made. For purposes of determining the amount referred to in (ii), the income, gain, losses and deductions of the Partnership shall be allocated under an interim closing of the books method.

## ARTICLE XVI.
## AMENDMENTS

This Agreement may be amended only with the consent of the Limited Partner after a meeting of the Partners pursuant to Section 17.2. Consent of the General Partner is not required, subject to the condition that such amendment (i) may not in any manner allow the limited partners to take part in the management or control of the Partnership's business or modify their limited liability, and (ii) may not, without the consent of the General Partner, increase the obligations or adversely affect the rights of the General Partner the Management Agent, the Developer or the Guarantor hereunder or under the Management Agreement, the Development Agreement or the Guaranty Agreement hereunder. For purposes of this Article XVI, a Partner shall grant its consent to a proposed amendment unless such Partner reasonably determines that the proposed amendment is adverse to the Partner's interests.

## ARTICLE XVII.
## MISCELLANEOUS

**Section 17.1 Voting Rights.**

(a) In conjunction with the consent rights of the Special Limited Partner as provided in this Agreement, the Limited Partner's and Special Limited Partner's prior written approval by vote is required:

(1) for any sale of the Apartment Housing prior to such sale;

(2) to remove the General Partner and elect a substitute General Partner as provided in this Agreement;

(3) to elect a successor General Partner upon the Withdrawal of the General Partner, unless otherwise provided in Sections 13.1 and 13.3 of this Agreement;

(4) for the dissolution of the Partnership;

(5) subject to the provisions of Article XVI, to amend this Agreement; or

(6) for the refinancing of the Mortgage Loan.

(b) On any matter where the Limited Partner has the right to vote, votes may be cast at a duly called meeting of the Partnership or through written action without a meeting (Interest percentage for voting is in accordance with the percentages shown in Section 10.1 of this Agreement).

(c) The Special Limited Partner will have the right to consent to those actions or inactions of the Partnership and/or General Partner as otherwise set forth in this Agreement, and the General Partner is prohibited from any action or inaction requiring such consent unless such consent has been obtained.

**Section 17.2 Meeting of Partnership.**

Meetings of the Partnership may be noticed by any Partner. The notice for a meeting will specify the purpose of such meeting, and the time and the place of such meeting (which will be by telephone conference or at the principal place of business of the Partnership, or other arranged location or method). Any Partner calling a Partners' meeting shall provide written notice to all Partners. The meeting will not be held less than 15 days nor more than 30 days from the Partners' receipt of the notice. All meetings and actions of the Partnership will be governed in all respects, including matters relating to proxies, record dates and actions without a meeting, by the applicable provisions of the Act, as it will be amended from time to time.

**Section 17.3 Notices.**

Any notice given pursuant to this Agreement is effective if served personally on the Partner to be notified, or sent by overnight courier, or by certified mail, to the following address, or to such other address as a Partner may from time to time designate in writing:

| | |
|---|---|
| To the Managing General Partner: | Capitol Area Community Development Corporation<br>1522 14th Street<br>Sacramento, California 95814<br>Attention: Wendy Saunders, President |
| To the Administrative General Partner: | Cyrus Youssefi,<br>1724 10th Street, Suite 120<br>Sacramento, California 95811 |
| To the Limited Partner: | c/o WNC & Associates, Inc.<br>17782 Sky Park Circle<br>Irvine, California 92614-6404<br>Attn: David Shafer |

To the Special Limited Partner: WNC Housing, L.P.
17782 Sky Park Circle
Irvine, California 92614-6404
Attn: David Shafer

**Section 17.4 Successors and Assigns.**

All the terms and conditions of this Agreement will be binding upon and inure to the benefit of the successors and assigns of the Partners.

**Section 17.5 Amendment of Certificate of Limited Partnership.**

(a) The General Partner, or any successor general partner, shall cause to be filed, within 30 days after the happening of any of the following events, an amendment to the Certificate of Limited Partnership reflecting the occurrence of any of the following:

(1) a change in the name of the Partnership;

(2) a change in the street address of the Partnership's principal executive office;

(3) a change in the address, or the Withdrawal, of a General Partner, or a change in the address of the agent for service of process, or appointment of a new agent for service of process;

(4) the admission of a General Partner and that Partner's address; or

(5) the discovery by the General Partner of any false or erroneous material statement contained in the Certificate of Limited Partnership or any amendment thereto.

(b) The Certificate of Limited Partnership may also be amended in conformity with this Agreement at any time in any other respect that the General Partner determines.

(c) The General Partner shall cause the Certificate of Limited Partnership to be amended, when required or permitted as aforesaid, by filing a certificate of amendment thereto in the office of, and on a form prescribed by, the Secretary of State of California. The certificate of amendment will set forth the Partnership's name, the Secretary of State's file number for the Partnership and other information as required by the Secretary of State.

(d) In the event of a Withdrawal or Involuntary Withdrawal of the General Partner, and if such General Partner does not file an amendment to the Certificate of Limited Partnership as specified in this Section 17.5, then the Special Limited Partner is hereby granted the specific authority to sign and file such amendment.

**Section 17.6 Partnership Representative.**

(a) Defined Terms. For purposes of this Section 17.6, the following terms shall have the meanings set forth below:

"Administrative Adjustment Request" means an administrative adjustment request under Code Section 6227.

"Adjustment Year" means the Partnership taxable year in which (i) in the case of an adjustment pursuant to the decision of a court in a proceeding brought under Code Section 6234, such decision becomes final, (ii) in the case of an Administrative Adjustment Request, such Administrative Adjustment Request is made, or (iii) in any other case, a notice of final Partnership Adjustment is mailed under Code Section 6231 or, if the Partnership waives the restrictions under Code Section 6232(b) (regarding limitations on assessment), the date the waiver is executed by the IRS.

"Adjustment Year Partner" means any Person who held an interest in the Partnership at any time during an Adjustment Year.

"Former Partner" means any Person who was a Reviewed Year Partner but is not an Adjustment Year Partner.

"Imputed Underpayment" has the meaning set forth in Section 6225 of the Code.

"Indirect Partner" means any Person who has an interest in the Partnership through its interest in one or more Pass-Through Partners.

"Partnership Adjustment" means any adjustment to any item of income, gain, loss, deduction, or credit of the Partnership, or any Partner's distributive share thereof, in either case as described in any applicable Treasury Regulations or other guidance prescribed by the IRS.

"Pass-through Partner" means a pass-through entity that holds an interest in the Partnership, including a partnership (as described in Treas. Reg. § 301.7701-2(c)(1)), including a foreign entity that is classified as a partnership under Treas. Reg. § 301.7701-3(b)(2)(i)(A) or (C), an S corporation, a trust (other than a trust described in the next sentence) and a decedent's estate. For purposes of this definition, a pass-through entity does not include a disregarded entity described in Treas. Reg. § 301.7701-2(c)(2)(i) or a trust that is wholly owned by only one Person, whether the grantor or another Person, and the trust reports the owner's information to payors under Treas. Reg. § 1.671-4(b)(2)(i)(A).

"Reviewed Year" means the Partnership taxable year to which a Partnership Adjustment relates.

"Reviewed Year Partner" means any Person who held an interest in the Partnership at any time during the Reviewed Year.

"Revised Partnership Audit Rules" means Subchapter 63C of the Code (as amended by the Bipartisan Budget Act of 2015, P.L. 114-74, the Protecting Americans from Tax Hikes Act of 2015, P.L. 114-113 and the Consolidated Appropriations Act of 2018, P.L. 155-141), and the Treasury Regulations promulgated thereunder, as amended from time to time.

"Taxes" means any tax, penalties, additions to tax, additional amounts, and interest as described in Section 6226 of the Code.

(b) Partnership Representative.

(1) Appointment and Designation. The Partners hereby authorize the Partnership to appoint the General Partner as the initial partnership representative of the Partnership pursuant to Section 6223(a) of the Code (the "Partnership Representative"). The General Partner shall be appointed the Partnership Representative for each taxable year of the Partnership provided that if an event or circumstance has occurred which, with the giving of notice or the passage of time, would constitute a default hereunder or a default by the Partnership Representative or Designated Individual (as hereinafter defined) of its duties and obligations under this Section 17.6, the Consent of the Special Limited Partner must be obtained before the Partnership Representative is appointed for any taxable year of the Partnership. The Partnership Representative shall timely designate an individual to serve as the sole individual through whom the Partnership Representative will act for purposes of the Revised Partnership Audit Rules (the "Designated Individual") with the consent of the Limited Partner. No later than the effective date of the designation of the Designated Individual or the Partnership Representative, such Designated Individual or Partnership Representative, as applicable, must agree in writing to be bound by the same obligations and restrictions imposed on the Partnership Representative under this Section 17.6 prior to and as a condition of such designation. The Partners hereby acknowledge that the Designated Individual shall be Wendy Saunders, or such other person as consented to by the Limited Partner.

(2) Resignation; Revocation. The General Partner (and any successor Partnership Representative) may resign as the Partnership Representative by written notice to the Partnership, the Limited Partner, and the IRS. Notice of such resignation shall be given to the IRS in the time and manner prescribed by the IRS. Upon removal of the General Partner for any reason pursuant to this Agreement or, with the consent of the Limited Partner, in the event of a default by the Partnership Representative or Designated Individual of its duties and obligations under this Section 17.6, the Partnership shall immediately revoke the designation of the General Partner as the Partnership Representative by sending written notice to the Partnership Representative and the IRS in such form as the IRS may proscribe, upon (A) receipt of notice of selection for examination or of Notice of Administrative Proceeding from the IRS for all taxable years during which such designation was in effect that are under review by the IRS, or, if sooner, (B) the filing of a valid Administrative Adjustment Request by the Partnership concerning a matter other than the designation of the Partnership Representative. The designation of the Designated Individual as the Designated Individual shall automatically terminate on the effective date of the resignation or revocation of the applicable entity as Partnership Representative. If a Designated Individual becomes unable to perform the tasks required of a Designated Individual, no longer has the "capacity to act" within the meaning of the Revised Partnership Audit Rules, or the Partnership Representative otherwise determines that the Designated Individual should no longer serve as a Designated Individual, the Partnership Representative shall promptly notify the Limited Partner of such determination and take all necessary actions to effectuate the revocation of such individual as the Designated Individual for all applicable taxable years. Notice of such revocation shall be given to the IRS in the time and manner prescribed by the IRS and shall include the designation of another Person selected by the Limited Partner as the successor Partnership Representative for the Partnership taxable year for which the designation was in effect and the designation of another Person selected by the Partnership Representative (with the consent of the Limited Partner) as the successor Designated Individual for the Partnership

taxable year for which the designation was in effect. The resigning or removed Partnership Representative or Designated Individual shall remain obligated hereunder in such capacity (including the requirement to forward any notices received from the IRS) until the IRS agrees to provide such notices to a replacement Partnership Representative or Designated Individual during the audit process. In furtherance hereof, the General Partner hereby constitutes and appoints the Limited Partner, with full power of substitution, its true and lawful attorney-in-fact in its name, place and stead to carry out fully the provisions of this Section 17.6(b)(2) and take any action which the Limited Partner may deem necessary or appropriate in connection herewith. The power of attorney hereby granted shall be deemed to be coupled with an interest, shall be irrevocable and shall survive and shall not be affected by the subsequent incapacity, dissolution, resignation, revocation or other termination of the General Partner as the Partnership Representative.

(3) Successor Partnership Representative. Any successor Partnership Representative must have a substantial presence in the United States, have been consented to by the Limited Partner, and otherwise satisfy all statutory and regulatory requirements imposed by the Revised Partnership Audit Rules. The Person so designated must agree in writing to be bound by the terms of this Section 17.6 and shall not take any action in its capacity as Partnership Representative until the resignation and/or revocation of the prior Partnership Representative becomes effective under the Code or Treasury Regulations.

(4) Notice of Communications. The Partnership Representative shall (1) give the Partners prompt notice of any inquiry, notice, or other communication received from the IRS or other applicable tax authority regarding the tax treatment of the Partnership or the Partners, (2) consult with the Limited Partner in good faith on the strategy and substance of any tax audit or contest and (3) give, to the extent possible, the Partners prior notice of and a reasonable opportunity to review and comment upon any written communication the Partnership Representative intends to make to any taxing authority in connection with any examination, audit or other inquiry involving the Partnership. Without limiting the generality of the foregoing, the Partnership immediately shall send to all of the Partners copies of any notice of a proposed or final Partnership Adjustment received by the Partnership and/or the Partnership Representative from the IRS. To the extent requested by the Limited Partner and permitted under Treasury Regulations or by the IRS or other taxing authority in a particular tax audit or contest, the Partnership Representative shall cooperate in allowing the Limited Partner or its representative to participate, at its own expense, in such tax audit or contest.

(5) Duties and Limitations on Authority. The Partnership Representative and any Designated Individual shall have all power and authority of a partnership representative and designated individual, respectively, as set forth in Section 6223 of the Code, and shall represent the Partnership and its Partners in all dealings with the IRS and state and local taxing authorities, provided, however, that, except as specifically provided in Section 17.6(c) below, the Partnership Representative shall not, without the consent of the Limited Partner, have any power or authority to do any or all of the following:

(i) make an election to opt out of the application of the Revised Partnership Audit Rules to the Partnership;

(ii) make a Push-Out Election (as defined in Section 17.6(c)(4) below) or request a modification to an Imputed Underpayment, except pursuant to 17.6(c);

(iii) file an Administrative Adjustment Request;

(iv) select any judicial forum for the litigation of any Partnership tax dispute;

(v) take any other action (or fail to take any action) that would have the effect of finally determining any tax audit or contest; or

(vi) extend the statute of limitations.

(6) Fiduciary Relationship. The relationship of the Partnership Representative to the Partnership and the Partners shall be that of a fiduciary, and the Partnership Representative shall have a fiduciary obligation to perform its duties in such manner as will serve the best interests of the Partnership and its Partners.

(c) Modifications and Partnership Elections.

(1) Modifications to Imputed Underpayment. If the Partnership and/or Partnership Representative receives notice of a proposed Partnership Adjustment from the IRS, the Partnership Representative shall so notify the Partners in accordance with the provisions of Section 17.6(b)(4) above and, if requested to do so by the Limited Partner, shall request modification of the Imputed Underpayment proposed in such notice in accordance with any applicable Treasury Regulations, forms, instructions, and other guidance prescribed by the IRS. Any such request by the Limited Partner shall describe the modifications or adjustment factors that the Limited Partner believes affect the calculation of the Imputed Underpayment in sufficient detail to substantiate the request for modification. Unless an extension of time is granted by the IRS, all information required to support a requested modification shall be submitted by the Limited Partner to the Partnership Representative no later than one hundred eighty (180) days after the Limited Partner receives notice of the proposed Partnership Adjustment from the Partnership Representative, and the Partnership Representative shall submit such information to the IRS no later than two hundred seventy (270) days after the date the proposed Partnership Adjustment notice was mailed by the IRS.

(2) Amended Returns; Alternative Procedure to Amended Returns. If requested to do by the Limited Partner, the Partnership Representative shall request a modification of an Imputed Underpayment based on an amended return filed by a Partner (or Indirect Partner) which takes account of all of the Partnership Adjustments properly allocable to such Partner (or Indirect Partner). Any such request shall be accompanied by an affidavit from the requesting Partner (or Indirect Partner) signed under penalties of perjury that the requesting Partner (or Indirect Member) has filed each required amended return or, in the case of a Pull-In Election (as hereinafter defined), such information, in the form and manner specified by the IRS, as it requires, and paid all Taxes due as a result of taking into account the adjustments in the first affected year and all modification years, as such terms are defined and applied in any applicable Treasury Regulations, forms, instructions, and other guidance prescribed by the IRS. In lieu of filing an amended return in accordance with this Section 17.6(c)(2) above, any Reviewed Year

Partner may elect to comply with the "pull-in" procedure described in Section 6225(c)(2)(B) of the Code (a "Pull-In Election"). In such event, such Reviewed Year Member shall (1) pay all amounts due under Section 6225(c)(2)(A)(iii) of the Code, (2) take into account, in the form and manner set forth in any applicable IRS guidance, the adjustments to the tax attributes of such Reviewed Year Partner, and (3) provide, in the form and manner specified by the IRS (including, if so specified, in the same form as on an amended return), such information as the IRS may require to carry out the terms and intent of a Pull-In Election described in Section 6225(c)(2)(B) of the Code. Copies of all notices and filings made pursuant to this Section 17.6(c)(2) shall be provided by the Reviewed Year Partner to the Partnership Representative.

(3) Reallocation Adjustment. In the case of a Partnership Adjustment that reallocates the distributive share of any tax item from one Partner to another, the Partnership Representative shall be required to submit the modification request to the IRS under this Section 17.6(c) only if all Partners (or Indirect Partners) affected by such adjustment ("Affected Partners") provide the affidavit(s) described in clause (2) above or the Partnership Representative is notified by the IRS that one or more Affected Partners have taken (or will take) into account their allocable share of the adjustment through other modifications approved by the IRS (such as, but not limited to, a closing agreement).

(4) Push-Out Election. If the Partnership receives notice of a final Partnership Adjustment from the IRS, the Partnership Representative shall so notify the Partners and any Former Partners in accordance with the provisions of Section 17.6(b)(4) above and, if requested to do so by the Limited Partner, shall make an election (a "Push-Out Election") under Section 6226 of the Code with respect to one or more Imputed Underpayments set forth in the final Partnership Adjustment notice. Except as hereinafter provided, if a Push-Out Election is made, each Reviewed Year Partner shall take into account its allocable share of the Partnership Adjustments that relate to the specified Imputed Underpayment (as determined with the consent of the Limited Partner for such Reviewed Year) and shall be liable for any Taxes as described in Section 6226 of the Code and any applicable Treasury Regulations or other guidance prescribed by the IRS. Notwithstanding the foregoing, to the extent permitted by law, any Reviewed Year Partner that is a partnership or S corporation may, at its option and in accordance with any applicable Treasury Regulations or other guidance prescribed by the IRS, elect (in lieu of paying its allocable share of such Partnership Adjustments) to push out the liability for Taxes attributable to such Partnership Adjustments to its Partners (including Indirect Partners). Any Push-Out Election shall be filed within forty-five (45) days of the date the notice of final Partnership Adjustment is mailed by the IRS (or such later date as permitted by Treasury Regulations or IRS guidance) and shall be in such form, and shall contain such information, as required by any applicable Treasury Regulations, forms, instructions and other guidance prescribed by the IRS. If a Push-Out Election is made, the Partnership Representative shall furnish to each Reviewed Year Partner and the IRS, for each Reviewed Year within sixty (60) days after the date all of the Partnership Adjustments to which the statement relates are finally determined, a statement that includes all items and information required under any applicable Treasury Regulations, forms, instructions, and other guidance prescribed by the IRS.

(5) Reimbursement of Allocable Share of Imputed Underpayment. If the Partnership becomes obligated to make an Imputed Underpayment under Code Section 6225, each of the Partners (including any Former Partner) to whom such liability relates (as determined

with the consent of the Limited Partner) shall be obligated, within thirty (30) days after written notice from the General Partner, to pay an amount that, on an after-tax basis if such payment is treated as an indemnity payment under this Section 17.6(c)(5), is equal to its allocable share of such amount to the Partnership; provided, however, that if and to the extent that the Partnership's liability results from a loss, disallowance or recapture of Tax Credits for which a payment to such Person is due under this Agreement and has not been paid, the amount otherwise payable by such Person to the Partnership under this Section 17.6(c)(5) shall be reduced by such unpaid amounts so that the Partnership will bear the portion of the Imputed Underpayment equal to such reduction and, in accordance with its obligations under Code Section 7.4, the General Partner shall advance such unpaid amounts to the Partnership and shall cause the Partnership to pay the Imputed Underpayment. Any amount not paid by a Partner (or Former Partner) within such 30-day period shall accrue interest at the underpayment rate under Code Section 6621(a)(2), plus a 2% penalty until paid. Any such payment made by any Partner shall be treated as a Capital Contribution and, if and to the extent permitted by the Code and Treasury Regulations, any Capital Account reduction attributable to the Imputed Underpayment shall be allocated to the Partners in proportion to such Capital Contributions; provided that, such payment will be treated as an indemnity payment if the Limited Partner determines in its sole discretion that treatment as a Capital Contribution would result in a reallocation of losses or Tax Credits. Any such payment made by any Former Partner shall be treated as an indemnity payment and not as a Capital Contribution or loan to the Partnership.

(6) Withholding. Notwithstanding anything to the contrary contained herein, the General Partner shall cause the Partnership to withhold from any distribution or payment due to any Partner (or Former Partner) under this Agreement any amount due to the Partnership from such Partner (or Former Partner) under clause (v) above. Any amount(s) so withheld shall be applied by the Partnership to discharge the obligation in respect of which such amount was withheld. All amounts withheld pursuant to the provisions of this Section 17.6(c)(6) with respect to a Partner (or Former Partner) shall be treated as if such amounts were distributed or paid, as applicable, to such Partner (or Former Partner).

(7) Indemnity. To the extent that a portion of the Taxes imposed under Code Section 6225 relates to a Former Partner, the General Partner shall require such Former Partner to indemnify the Partnership for its allocable portion of such tax (including any penalties, additions to tax, additional amounts, and interest) to the extent such amounts have not been withheld pursuant to the provisions of Section 17.6(c)(6). Each Partner acknowledges that, notwithstanding the transfer or liquidation of all or any portion of its Interest in the Partnership, it shall remain liable for Taxes with respect to its allocable share of income and gain of the Partnership for the Partnership's taxable years (or portions thereof) prior to such transfer or liquidation unless otherwise agreed to in writing by the Partners during the taxable year(s) (or portion thereof) to which the Taxes relate and all Former Partners during the Partnership's taxable year(s) (or portion(s) thereof) to which the Taxes relate.

(8) Continuing Obligations. Whether the liability is assessed to the Partnership or the Partners (or Former Partners), the parties hereto acknowledge and agree that nothing in this Section 17.6(c) is intended, nor shall it be construed, to modify or waive any obligations of the General Partner under this Agreement including, without limitation, the obligation to make a payment pursuant to the provisions of Section 7.4.

(d) Consistent Tax Treatment. Except as hereinafter provided, each Partner agrees that its treatment on its own federal income tax return of each item of income, gain, loss, deduction, or credit attributable to the Partnership shall be consistent with the treatment of such items on the Partnership return, including the amount, timing, and characterization of such items. Notwithstanding the foregoing general requirement, any Partner may file a statement identifying certain items that are inconsistent (or that may be inconsistent) in accordance with any applicable Treasury Regulations, forms, instructions, or other guidance provided by the IRS. Any such statement shall be attached to the Partner's tax return on which the item is treated inconsistently.

(e) Tax Counsel or Accountants. The Partnership Representative, with the consent of the Limited Partner, shall employ experienced tax counsel and/or accountants to represent the Partnership in connection with any audit or investigation of the Partnership by the IRS or any other taxing authority and in connection with all subsequent administrative and judicial proceedings arising out of such audit. Such counsel and/or accountants shall be responsible for representing the Partnership; it shall be the responsibility of the Partners, at their expense, to employ tax counsel or accountants to represent their respective separate interests.

(f) Survival. The obligations of each Partner or Former Partner under this Section shall survive the transfer, redemption or liquidation by such Partner of its Interest and the termination of this Agreement or the dissolution of the Partnership.

(g) Amendments. Upon the promulgation of revised Treasury Regulations implementing the Revised Partnership Audit Rules or upon further amendment of the Revised Partnership Audit Rules, the Partners will evaluate and consider options available with respect to preserving the allocation of responsibility and authority described in this Section 17.6, while conforming with the applicable provisions of the revised partnership audit procedures. The Partners agree to work together in good faith to make elections and amend this Agreement (if any party determines that an amendment is required) to maintain the intent of the parties with respect to the obligations and limitations of the Partnership Representative.

(h) State and Local Income Tax Matters. The provisions of this Section 17.6 shall also apply to state and local income tax matters affecting the Partnership to the extent the terms and conditions hereof have any application to audit procedures at the state and local level.

**Section 17.7 Expiration of Compliance Period.**

(a) Notwithstanding any provision hereof to the contrary (other than this Section 17.7), if permitted in the Regulatory Agreement and the Mortgage Loan documents, the Special Limited Partner will have the right at any time after the beginning of the last year of the Compliance Period to require, by written notice to the General Partner, that the General Partner promptly submit a written request to the applicable State Tax Credit Agency pursuant to Section 42(h) of the Code (or any successor provision) that such agency endeavor to locate within one year from the date of such written request a purchaser for the Apartment Housing who will continue to operate the Apartment Housing as a qualified low-income property, at a purchase price that is not less than the minimum amount set forth in Section 42(h)(6) of the Code (or any successor provision). In the event that the State Tax Credit Agency obtains an offer satisfying the conditions of the preceding sentence, the General Partner shall promptly notify the Special

Limited Partner in writing with respect to the terms and conditions of such offer, and, if the Special Limited Partner notifies the General Partner that such offer should be accepted, the General Partner shall cause the Partnership promptly to accept such offer and to proceed to sell the Apartment Housing pursuant to such offer.

(b) Notwithstanding any other provision of this Agreement to the contrary and subject to the terms of the Mortgage Loan documents, the Special Limited Partner will have the right at any time after the end of the Compliance Period to require, by written notice to the General Partner (the "Required Sale Notice"), that the General Partner promptly use its best efforts to sell the Apartment Housing by placing the Apartment Housing on the open market with a real estate agent knowledgeable in affordable housing. Upon receipt of a bona fide offer, and prior to selling the Apartment Housing, the General Partner shall submit the terms of any proposed sale to the Special Limited Partner for its approval in the manner set forth in Section 17.7(a). If the General Partner fails to sell the Apartment Housing within six months of receipt of the Required Sale Notice or if the Consent of the Special Limited Partner in its sole discretion to any proposed sale is withheld, then the Special Limited Partner will have the right at any time thereafter to sell the Apartment Housing on terms acceptable to the Special Limited Partner (but not less favorable to the Partnership than any proposed sale previously rejected by the Special Limited Partner). In the event that the Special Limited Partner so obtains a buyer to purchase the Apartment Housing, it shall notify the General Partner in writing with respect to the terms and conditions of the proposed sale and the General Partner shall do all things necessary, including signing a purchase and sale agreement, a partnership amendment or other necessary or required agreements or consents to cause the Partnership promptly to sell the Apartment Housing to such buyer.

**Section 17.8 Security Interest and Right of Set-Off.**

As security for the performance of the respective obligations to which any General Partner may be subject under this Agreement, the Partnership and the Limited Partner will have (and each General Partner hereby grants to the Partnership and the Limited Partner) a security interest in the respective Interests of such General Partner and in all funds distributable to said General Partner to the extent of the amount of such obligation.

**Section 17.9 Signage and Public Relations.**

The General Partner shall allow the Special Limited Partner to place a sign at the Apartment Housing during construction, which sign will include the following language: "Financing provided in part by WNC & Associates, Inc." The cost of the sign will be borne by the Limited Partner. In any Apartment Housing-related web and print media, and in any verbal remarks made in public about the Apartment Housing, the General Partner shall acknowledge the contributions of the Limited Partner. The General Partner shall invite representatives of the Limited Partner to participate in public relations opportunities including, but not limited to, speaking at ground-breaking and ribbon-cutting events. The General Partner will provide the Limited Partner access to the Apartment Housing for the purpose of preparing photographic and/or schematic images of the Apartment Housing and access to such images prepared by the General Partner and will allow the Limited Partner to use any such images for the Limited

Partner's or its Affiliates' marketing, including use on the Limited Partner's or its Affiliate's websites and in brochures and other printed advertisements.

**Section 17.10 Environmental Compliance.**

The General Partner hereby represents, warrants and agrees as follows:

(a) To the best knowledge of the General Partner, except as disclosed in the Phase I Environmental Site Assessment, prepared by Youngdahl Consulting Group, Inc., dated November 2019; the Phase II Environmental Site Assessment, prepared by Youngdahl Consulting Group, Inc., dated November 2019; the No-Further-Action-Required Letter, from the Sacramento County Environmental Management Department, dated March 13, 2020; the Phase I Environmental Site Assessment, prepared by Youngdahl Consulting Group, Inc., dated April 2021; the Geotechnical Investigation, prepared by Geocon Consultants, Inc., dated January 2020; the 1316 O Street Asbestos Survey Report, prepared by Norcal Environmental Management, Inc., dated February 23, 2021; the 1322 O Street Asbestos Survey Report, prepared by Norcal Environmental Management, Inc., dated April 2020; and the Underground Storage Tank Investigation Letter Report, prepared by Youngdahl Consulting Group, Inc., dated March 2021 (collectively, the "Environmental Report") (i) no Hazardous Substance was ever or is now present, used, treated, handled, transported, generated, manufactured, stored, Released (as defined in CERCLA) or disposed of on, at, under or about the Apartment Housing, and (ii) the Apartment Housing is in compliance with all applicable Environmental Laws. The General Partner covenants that the Apartment Housing will be kept free of Hazardous Substance and will not be used to generate, manufacture, refine, transport, treat, store, handle, dispose of, transfer, produce or process Hazardous Substance, except in connection with the normal maintenance and operation of any portion of the Apartment Housing. The General Partner shall comply, or cause there to be compliance, with all applicable federal, state and local laws, ordinances, rules and regulations with respect to Hazardous Substance and shall keep, or cause to be kept, the Apartment Housing free and clear of any liens imposed pursuant to such laws, ordinances, rules and regulations.

(b) In connection with the acquisition of the Apartment Housing, the Partnership obtained the Environmental Report consistent with good commercial practice and, to the best knowledge of the General Partner, such inquiry substantially complied with 40 C.F.R. Part 312 and was sufficient for the Partnership to successfully establish an innocent purchaser defense pursuant to Section 9601(35) of CERCLA. The General Partner has reviewed the Environmental Report (and any subsequent studies recommended therein) and believes the same to be true, correct and complete in all respects. To the best knowledge of the General Partner, there is no fact, circumstance, event or condition, previously or subsequently occurring, which would or does make any statement in such survey untrue, false or misleading. None of the Partnership, the General Partner nor any of their Affiliates has given any waiver or release of liability pursuant to any Environmental Law to any person or entity in the chain of title of the Apartment Housing.

(c) The Partnership has not been notified by any governmental authority, or otherwise, (i) of any known or threatened release of any Hazardous Substance on, at, under or about the Apartment Housing or any other site or vessel owned, occupied or operated by the Partnership, any General Partner, any Affiliate of a General Partner or a Person for whose

conduct a General Partner was responsible, or (ii) that the Apartment Housing is not in compliance with any Environmental Law. The General Partner will promptly notify the Limited Partner and the Special Limited Partner in writing (1) if it knows, or suspects or believes there may be any Hazardous Substance in, on, under, at, or around any part of the Apartment Housing, any Improvements, or the soil, groundwater or soil vapor, (2) if the General Partner or the Partnership may be subject to any threatened or pending investigation by any governmental agency under any law, regulation or ordinance pertaining to any Hazardous Substance, and (3) of any claim made or threatened by any Person, other than a governmental agency, against the Partnership or General Partner arising out of or resulting from any Hazardous Substance being present or released in, on or around any part of the Apartment Housing.

(d) There are no storage tanks of any kind, other than those being removed as part of the Completion of Construction, on, at, under or about the Apartment Housing, nor any gas or oil production wells, nor are there any surface impoundment areas used for waste disposal or storage of any kind. The drinking water supply for the Apartment Housing is fit for human consumption and, to the best knowledge of the General Partner, is in compliance with all applicable Environmental Laws. The General Partner will not install or allow to be installed any aboveground or underground storage tanks on the Apartment Housing.

(e) The General Partner has implemented, or caused to be implemented, the recommendations, if any, set forth in the Environmental Report (and any subsequent studies recommended therein). If the Apartment Housing has mold or moisture problems, or the potential therefor, the General Partner shall cause the Partnership to implement a moisture management and control program for the Apartment Housing approved by the Special Limited Partner. Such moisture management and control program must comply with all applicable requirements set forth in the Environmental Report and/or the engineering report for the Apartment Housing provided to the Limited Partners as of the date of this Agreement.

(f) Each of the General Partners hereby jointly and severally, irrevocably and unconditionally agrees to indemnify, protect, defend and hold harmless the Partnership, the Special Limited Partner, the Limited Partner and the respective partners, members, directors, officers, employees and agents of the Special Limited Partner and the Limited Partner (collectively "Indemnitees"), from and against any and all loss, cost, damage, action, cause of action, suit, penalty, fine, obligation, liability or expense, foreseeable or unforeseeable, including, without limitation, attorneys' fees and all foreseeable and unforeseeable consequential damages, including, without limitation, the cost of any required or necessary repair, cleanup or detoxification, and the preparation of all closure and other required plans, whether such action is required or necessary prior to or following the date of this Agreement, directly or indirectly arising out of any use, generation, manufacture, presence, migration, dispersion, storage, treatment, handling, transportation, Release, or disposal, of Hazardous Substances in, on, under, at, to, from or around or in any way related to the Apartment Housing, including, without limitation, any migration of Hazardous Substances on, under or about the Apartment Housing from any adjacent or other nearby real property. The foregoing indemnification obligation of the General Partner survives the removal and/or withdrawal of such General Partner, the dissolution and termination of the Partnership, and the termination of the Compliance Period. Promptly upon any Indemnitee acquiring knowledge of any matter which may give rise to the indemnification described hereunder, such Indemnitee shall notify the General Partner thereof,

and the General Partner will have the right, with counsel reasonably acceptable to the Indemnitee, to defend any such matter. Any settlement of any matter as to which indemnification is required hereunder requires the consent of the General Partner.

(g) For purposes of this Section, the following definitions apply:

(1) "CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601 et seq.

(2) "Environmental Laws" means any federal, state, or local law, code, ordinance, rule, regulation, permit, consent, approval, license, judgment, order, writ, judicial decision, common law rule, decree, agency interpretation, injunction, or other authorization or requirement however promulgated, issued or modified, relating to industrial hygiene or to environmental conditions, including, but not limited to, soil and groundwater conditions. For purposes hereof, "Environmental Laws" includes, without limitation, CERCLA, the Hazardous Materials Transportation Act, as amended, 39 U.S.C. Section 1801 et seq.; the Resource Conservation and Recovery Act, as amended, 42 U.S.C. Section 6901 et seq.; or any similar applicable federal, state or local law now or hereinafter existing; and any regulation adopted or publication promulgated pursuant to any said law.

(3) "Hazardous Substance" means any substance defined as a hazardous substance, hazardous material, hazardous waste, toxic substance or toxic waste in any Environmental Law; provided, however, for purposes hereof, "Hazardous Substances" does not include any such substances normally and customarily used in the construction or operation of an apartment building similar to the Apartment Housing, provided such substances are used strictly in accordance with all Environmental Laws.

**Section 17.11 Counterparts.**

This Agreement may be executed in one or more counterparts, each of which will be deemed an original, and said counterparts will constitute but one and the same instrument which may sufficiently be evidenced by one counterpart.

**Section 17.12 Captions.**

Captions to and headings of the Articles, sections and subsections of this Agreement are solely for the conveniences of the Partners, are not a part of this Agreement, and will not be used for the interpretation or determination of the validity of this Agreement or any provision hereof.

**Section 17.13 Saving Clause.**

If any provision of this Agreement, or the application of such provision to any Person or circumstance, is held invalid, the remainder of this Agreement, or the application of such provision to Persons or circumstances other than those as to which it is held invalid, will not be affected thereby.

**Section 17.14 Certain Provisions.**

If the operation of any provision of this Agreement would contravene the provisions of applicable law, or would result in the imposition of general liability on any Limited Partner or Special Limited Partner, such provisions will be void and ineffectual.

**Section 17.15 Number and Gender.**

All pronouns and any variations thereof will be deemed to refer to the masculine, feminine, neuter, singular or plural as the identity of the Person or Persons may require.

**Section 17.16 Entire Agreement.**

This Agreement constitutes the entire understanding between the parties with respect to the subject matter hereof and all prior understandings and agreements between the parties, written or oral, respecting this transaction are merged in this Agreement.

**Section 17.17 Governing Law.**

This Agreement and its application will be governed by the laws of the State.

**Section 17.18 Attorney's Fees.**

If any suit or action arising out of or related to this Agreement is brought by any party to any such document, the prevailing party will be entitled to recover the costs and fees (including without limitation reasonable attorneys' fees and costs of experts and consultants, copying, courier and telecommunication costs, and deposition costs and all other costs of discovery) incurred by such party in such suit or action, including without limitation to any post-trial or appellate proceeding.

**Section 17.19 Third Party Beneficiary Rights.**

No non-Partner to this Agreement is an intended beneficiary of this Agreement, and no non-Partner to this Agreement will have any right to enforce any term of this Agreement.

***[signatures begin on the following page]***

IN WITNESS WHEREOF, this Amended and Restated Agreement of Limited Partnership of 1322 O St Investors LP, a California limited partnership, is made and entered into as of the Effective Date.

**MANAGING GENERAL PARTNER:**

**CAPITOL AREA COMMUNITY DEVELOPMENT CORPORATION**

By: _____
Wendy S. Saunders
President

**ADMINISTRATIVE GENERAL PARTNER:**

_____
**CYRUS YOUSSEFI**, INDIVIDUALLY

**WITHDRAWING ORIGINAL LIMITED PARTNER:**

**CAPITOL AREA COMMUNITY DEVELOPMENT CORPORATION**

By: _____
Wendy S. Saunders
President

***[signatures continue on following page]***

**LIMITED PARTNER:**

**WNC HOLDING, LLC**

By: WNC & Associates, Inc., its managing member

By: _____
David Shafer
Executive Vice President

**SPECIAL LIMITED PARTNER:**

**WNC HOUSING, L.P.**

By: WNC & Associates, Inc., its general partner

By: _____
David Shafer
Executive Vice President

***[signatures continue on following page]***

**AGREED AND ACKNOWLEDGED,**
**for purposes of Section 17.6 hereof:**

**Designated Individual:**

_____
**WENDY SAUNDERS**, individually

# EXHIBIT A
# LEGAL DESCRIPTION

**EXHIBIT B**

**FORM OF LEGAL OPINION**

_____, 20__

WNC Holding, LLC
WNC Housing, L.P.
c/o WNC & Associates, Inc.
17782 Sky Park Circle
Irvine, California 92614-6404

Re: **1322 O St Investors LP**

Ladies and Gentlemen:

You have requested our opinion with respect to certain matters in connection with the investment by WNC Holding, LLC, a California limited liability company (the "Limited Partner"), and WNC Housing, L.P., a California limited partnership (the "Special Limited Partner"), in 1322 O St Investors LP (the "Partnership"), a California limited partnership formed to own, develop, construct, finance and operate an Apartment Housing for low-income persons (the "Apartment Housing") in Sacramento, Sacramento County, California. The original limited partner of the Partnership is Capitol Area Community Development Corporation (the "Original Limited Partner"). The general partners of the Partnership are Cyrus Youssefi and Capitol Area Community Development Corporation (the "General Partners"). The developer of the Apartment Housing is Cyrus Youssefi and Capitol Area Community Development Corporation (collectively, the "Developer"). The guarantors of certain obligations of the General Partner are Capitol Area Community Development Corporation, Capitol Area Development Authority, and C.F.Y. Development, Inc., a California corporation (collectively, the "Guarantor").

In rendering the opinions stated below, we have examined and relied upon the following:

(i) **[Partnership Organizational Documents]**;

(ii) **[Amended and Restated Agreement of Limited Partnership]** (the "Partnership Agreement");

(iii) **[GP Organizational Documents]**;

(iv) **[Developer Organizational Documents]**;

(v) **[Guarantor Organizational Documents]**;

(vi) the Title Policy, as defined in the Partnership Agreement;

(vii) the Certification and Agreement entered into by the Partnership, the General Partners, and the Original Limited Partner, and dated ____;

(viii) the Development Fee Agreement entered into by the Developer and the Partnership, and dated _____ (the "Development Agreement");

(ix) the Budget Agreement, entered into by the General Partner, the Limited Partner, and the Special Limited Partner and dated _____;

(x) the Guaranty Agreement made by the Guarantor and dated _____;

(xi) the **[reservation letter/carryover allocation]** from _____ (the "State Agency") dated _____, 202_ awarding $_____ in federal tax credits annually for each of 10 years; and

(xii) such other documents, records and instruments as we have deemed necessary in order to enable us to render the opinions referred to in this letter.

For purposes of rendering the opinions stated below we have assumed that, in those cases in which we have not been involved directly in the preparation, execution or the filing of a document, (a) the document reviewed by us is an original document, or a true and accurate copy of the original document, and has not been subsequently amended, (b) the signatures on each original document are genuine, and (c) each party, other than the Partnership, the General Partner, the Developer and the Guarantor, who executed the document had proper authority and capacity to do so.

Based on the foregoing, we are of the opinion that:

(a) Capitol Area Community Development Corporation, one of the General Partners, is a non-profit public benefit corporation duly formed, validly existing and in good standing under the laws of the State of California and has full power and authority to enter into and perform its obligations under the Partnership Agreement and the other agreements referenced above to which it or the Partnership is a party (the "Related Agreements").

(b) The Partnership is a limited partnership duly formed, validly existing, and in good standing under the laws of the State of California and the provisions of the Partnership Agreement and the Related Agreements conform with California law.

(c) The Partnership has full power and authority to own, develop, construct, finance and operate the Apartment Housing and to otherwise conduct business under the Partnership Agreement and the Related Agreements.

(d) Execution of the Partnership Agreement and the Related Agreements by the General Partners and the Partnership, as applicable, has been duly and validly authorized by or on behalf of the General Partners and the Partnership, as applicable, and, having been executed and delivered in accordance with its terms, each of the Partnership Agreement and the Related Agreements constitutes the valid and binding agreement of the General Partners and the Partnership, as applicable, enforceable in accordance with its terms.

(e) The execution and delivery of the Partnership Agreement and the Related Agreements by the General Partners**,** the Developer, and the Guarantor do not conflict with and

will not result in a breach of any of the terms, provisions or conditions of any agreement or instrument known to counsel to which any of the General Partners, the Partnership, the Developer or the Guarantor is a party or by which any of them may be bound, or any law, order, rule, or regulation applicable to any of such parties of any court or governmental body or administrative agency having jurisdiction over any of such parties or over the property.

(f) To the best of counsel's knowledge, after due inquiry, there is no litigation or governmental proceeding pending or threatened against, or involving the Apartment Housing, the Partnership, or any General Partner, the Guarantor, or the Developer which would materially adversely affect the condition (financial or otherwise) or business of the Apartment Housing, the Partnership or any of the partners of the Partnership.

(g) To the best of counsel's knowledge, after due inquiry, there is no default existing or any condition which, with the passage of time or the giving of notice, or both, would result in a default under any agreement binding on the General Partner, the Guarantor, or the Developer relating to the Apartment Housing and none of the General Partner, the Guarantor or the Developer is in default with respect to any order, writ, injunction, decree or demand of any court or governmental authority.

(h) The Limited Partner and the Special Limited Partner have been admitted to the Partnership as limited partners of the Partnership under California law and are entitled to all of the rights of limited partners under the Partnership Agreement. Except as described in the Partnership Agreement, no person is a partner of or has any legal or equitable interest in the Partnership, and all former partners of record or known to counsel have validly withdrawn from the Partnership and have released any claims against the Partnership arising out of their participation as partners therein.

(i) Liability of the Limited Partner and the Special Limited Partner for obligations of the Partnership is limited to the amount of their capital contributions required by the Partnership Agreement. Exercise by the Limited Partner and the Special Limited Partner of their rights under the Partnership Agreement will not constitute taking part in the control or management of the business of the Partnership under California law.

(j) Neither the General Partners of the Partnership nor the Limited Partner nor the Special Limited Partner will have any liability for the Mortgage Loan (as such term is defined in the Partnership Agreement), and the lender of the Mortgage Loan will look only to its security in the Apartment Housing for repayment of the Mortgage Loan.

(k) The Partnership owns a fee simple interest in the Apartment Housing

(l) The Apartment Housing was not required to obtain an allocation of low-income housing tax credits ("LIHTC") from the State Agency because it is financed with the proceeds of tax-exempt bonds. The final determination of the amount of LIHTC available with respect to the Apartment Housing and the ultimate eligibility of the Apartment Housing for such final determination are subject to a series of requirements which must be met, performed or achieved at various times prior to and after the date that the Apartment Housing is placed in service.

Assuming all such requirements are met, performed or achieved at the time or times provided by applicable laws and regulations, the Apartment Housing will qualify for LIHTC.

(m) The Guarantor, if not an individual, was incorporated, duly organized, and is validly existing and in good standing under the laws of the State of California, is qualified to do business in every jurisdiction in which because of the nature of its activities or properties qualification is appropriate, and has all requisite power and authority to own and operate its properties and to carry on its business as now conducted.

(n) Each Guarantor (i) has full power and authority to execute, deliver and perform its obligations under and (ii) has duly authorized the execution, delivery and performance of the Guaranty Agreement (the "Guaranty"). The Guaranty has been duly executed and delivered by the Guarantor and constitutes the legal, valid and binding obligation of the Guarantor enforceable in accordance with its terms except as the enforceability thereof may be limited by applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting the enforcement of creditor's rights generally and general principles of equity (regardless of whether enforceability is considered a proceeding at law or equity).

(o) The Developer was incorporated, duly organized, and is validly existing and in good standing under the laws of the State of California, is qualified to do business in every jurisdiction in which because of the nature of its activities or properties qualification is appropriate, and has all requisite power and authority to own and operate its properties and to carry on its business as now conducted.

(p) The Developer (i) has full power and authority to execute, deliver and perform its obligations under, and (ii) has duly authorized the execution, delivery and performance of the Development Agreement. The Development Agreement has been duly executed and delivered by the Developer and constitutes the legal, valid and binding obligation of the Developer enforceable in accordance with its terms except as the enforceability thereof may be limited by applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting the enforcement of creditor's rights generally and general principles of equity (regardless of whether enforceability is considered a proceeding at law or equity).

**[Note – If the transaction has state low income or other local tax credits or property tax exemption, appropriate opinions regarding eligibility for credits or exemption should be added.]**

I am a member of the Bar of the State of California and express no opinion as to the laws applicable in any other jurisdiction. All of the opinions set forth above are qualified to the extent that the validity of any provision of any agreement may be subject to or affected by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally. We do not express any opinion as to the availability of any equitable or specific remedy upon any breach of any of the covenants, warranties or other provisions contained in any agreement. We have not examined, and we express no opinion with respect to, the applicability of, or liability under, any Federal, state or local law, ordinance or regulation governing or pertaining to environmental matters, hazardous wastes, toxic substances or the like.

We express no opinion as to any matter except those set forth above. These opinions are rendered for use by the Limited Partner, its assignees, the Special Limited Partner and their legal counsel which may rely on this opinion. This opinion may not be delivered to or relied upon by any other person or entity without our express written consent.

Sincerely,

_____

**[Name]**

**EXHIBIT C**
**FORM OF COMPLETION CERTIFICATE**
(to be used when construction completed)

**COMPLETION CERTIFICATE**

The undersigned, an architect duly licensed and registered in the State of California, has reviewed the final working plans and detailed specifications for 1322 O St Investors LP, a California limited partnership in connection with the construction of improvements on certain real property located in Sacramento, Sacramento County, California (the "Improvements").

The undersigned hereby certifies (i) that the Improvements have been completed in accordance with the aforesaid plans and specifications, (ii) that a permanent certificate of occupancy and all other permits required for the continued use and occupancy of the Improvements have been issued with respect thereto by the governmental agencies having jurisdiction thereof, (iii) that the Improvements are in compliance with all requirements and restrictions of all governmental authorities having jurisdiction over the Improvements, including, without limitation, all applicable zoning, building, environmental, fire, and health ordinances, rules and regulations, and (iv) that all inspections required by local authorities have been completed and approved.

_____
**APARTMENT HOUSING ARCHITECT**

Date: _____

Confirmed by:

_____
**GENERAL PARTNER**

Date: _____

**EXHIBIT D**
**ACCOUNTANT'S CERTIFICATE**
**[Accountant's Letterhead]**

_____, 202_

WNC Holding, LLC
c/o WNC & Associates, Inc.
17782 Sky Park Circle
Irvine, California 92614-6404

Re: **1322 O St Investors LP**
**Certification as to Amount of Eligible Tax Credit Basis**

Ladies and Gentlemen:

In connection with the acquisition by WNC Holding, LLC (the "Limited Partner") of a limited partnership interest in 1322 O St Investors LP, a California limited partnership (the "Partnership"), which owns a certain parcel of land located in Sacramento, Sacramento County, California and improvements thereon (the "Apartment Housing"), the Limited Partner has requested our certification as to certain issues including the amount of low-income housing tax credits ("Tax Credits") available with respect to the Apartment Housing under Section 42 of the Internal Revenue Code of 1986, as amended (the "Code"). Based upon our review of **[the financial information provided by the Partnership]** of the Partnership, we are prepared to file the Federal information tax return of the Partnership claiming annual Tax Credits in the amount of $**[amount]**, which amount is based on an Eligible Basis (as defined in Section 42(d) of the Code) of the Apartment Housing of $**[amount]**, a qualified basis (as defined in Section 42(c) of the Code) of the Apartment Housing of $**[amount]** and an applicable percentage (as defined in Section 42(b) of the Code) of **[percent]**%.

Sincerely,

_____

**EXHIBIT E**

**CONTRACTOR'S CERTIFICATE**
**[Contractor's Letterhead]**

_____, 202_

WNC Holding, LLC
c/o WNC & Associates, Inc.
17782 Sky Park Circle
Irvine, California 92614-6404

Re: **1322 O St Investors LP**

Ladies and Gentlemen:

The undersigned Tricorp Group, Inc. (hereinafter referred to as "Contractor"), has furnished or through various contractors, sub-contractors, or material suppliers has contracted to furnish labor, services and/or materials to satisfy the Construction Contract (hereinafter collectively referred to as the "Work") in connection with the improvement of certain real property known as Courtyard Studio Apartments (aka Sonrisa), located in Sacramento, Sacramento County, California (hereinafter known as the "Apartment Housing"). Any terms not defined herein will have the meaning ascribed in the Amended and Restated Agreement of Limited Partnership of 1322 O St Investors LP (the "Partnership").

Contractor makes the following representations, warranties and covenants regarding the Work at the Apartment Housing with full knowledge that the Limited Partner will rely on these representations, warranties and covenants as a condition to making its Capital Contribution payment to the Partnership:

- Work on said Apartment Housing has been performed and completed in accordance with the Plans and Specifications for the Apartment Housing.

- Contractor acknowledges that **[the Construction Contract has been paid in full/upon the Partnership's receipt of the Limited Partner's placed in service Capital Contribution payment all amounts owed to Contractor, sub-contractor or material suppliers to complete the Work will be paid in full]** and all liens **[have been/will be]** released.

- Contractor acknowledges that the Partnership is not in violation of any terms and conditions of the Construction Contract.

The undersigned has personal knowledge of the matters stated herein and is authorized and fully qualified to execute this document on behalf of the Contractor.

**TRICORP GROUP, INC.**

By: _____
Name: _____
Title: _____

**EXHIBIT F-1**
**DEPRECIATION SCHEDULE**

**Real Property**: Unless the Consent of the Special Limited Partner is obtained permitting a different treatment, and except to the extent otherwise required by Code Section 168(g)(1)(B), the Partnership shall elect to depreciate its residential rental property over 27.5 years using Modified Accelerated Cost Recovery System straight-line depreciation using the mid-month convention. Notwithstanding the foregoing, in the event the Partnership makes an election to be treated as an "electing real property trade or business" under Code Section 163(j)(7)(B), the Partnership shall depreciate its residential rental property over 30 years using Alternative Depreciation System straight-line depreciation using the mid-month convention.

**Personal Property**: Claim 100-percent expensing pursuant to Code Section 168(k) for all personal property acquired after September 27, 2017 and placed in service prior to January 1, 2023. Use 5-year recovery period using mid-year 200% declining balance, if it relates to residential real estate. Personal property related to commercial space must use a 7-year recovery period using mid-year 200% declining balance.
The following costs have a 5-year recovery period:

- Removable appliances (not central climate control system equipment or water heaters)
- Draperies, blinds and shades, if they would be reusable if removed
- Carpeting, if its removal would not destroy the underlying floor
- Vinyl flooring, if its removal would be easy and not destroy the underlying floor
- Common area furnishings
- Photocopy equipment
- Calculators, adding machines
- Typewriters
- Computers
- Wall coverings, if their removal would not destroy the underlying wall
- Exit signs
- Security systems (not fire protection system, sprinkler system, smoke detectors, or fire escapes)
- Outdoor security lighting (not parking lot lighting)
- Fire extinguishers
- Decorative lighting and sconces (not light fixtures for central lighting)
- Outdoor decorative lighting, such as that lighting signs
- Telephone systems
- Corridor handrails (not bathroom or stairway)
- Raised floors to accommodate wiring in computer rooms

The following costs have a 7-year recovery period with a mid-year 200% declining balance:

- Office furnishings
- Cabinets and shelving
- Bulletin boards
- Conference or meeting room movable partitions

A percentage of all soft costs, including the development fee, is also allowed in personal property. The percentage is calculated by taking the ratio of personal property cost, excluding development fee, to total development costs and multiplying the development fee by the calculated ratio.

**Land improvements Cost Recovery:** Claim 100-percent expensing pursuant to Code Section 168(k) for all land improvements acquired after September 27, 2017 and placed in service prior to January 1, 2023. Use 15-year recovery period using mid-year 150% declining balance. The following costs have a 15-year recovery period. Items allowed in this section are costs attributable to excavation, grading, and removing soil necessary to the proper setting of buildings. Other costs allowable in this section are as follows:

- Roads and sidewalks
- Concrete work (curb and gutter)
- Fencing
- Landscaping (including, but not limited to, trees and shrubs) around the building which would be destroyed if the building were replaced
- Decorative walls which are part of the landscaping
- Parking lot (resurfacing it later is deducted as an expense)
- Initial parking lot striping (restriping it later is deducted as an expense)
- Street lights and signs
- Signs which identify the property or provide directions
- Parking lot lighting (not outdoor security lighting)
- Playground equipment
- Basketball court and backboard
- Tennis courts
- Swimming pools
- Jogging trails
- Flag pole
- Wastewater treatment plant and lift station to handle raw sewage
- Interest expense capitalized and related to any of the above costs
- The pro rata portion of all soft costs, including the general contractor/construction company profit, overhead, and general requirements and conditions allocable to items with a 15-year cost recovery period
- The pro rata portion of the development fee, profit and overhead allocable to items with a 15-year cost recovery period

**Recovery of costs of sanitary sewer system and water utility/distribution system**, **including the sewer system outside the buildings**: the following costs have a 20-year recovery period – 150% declining balance mid-year convention.

- Fire hydrants
- Manhole rings and covers
- Water meter
- Gate valves
- Flushing hydrants
- Cast iron fittings
- Valve boxes

- Air release valves
- Tapping sleeves
- PVC water pipe (outside)
- PVC sewer pipe (outside)
- PVC sewer fittings

# EXHIBIT F-2
# DEPRECIATION SCHEDULE

***[To be attached to final draft]***

**EXHIBIT G**
**REPORT OF OPERATIONS**
***[to be attached to final draft]***

# EXHIBIT H

## TITLE INSURANCE AND SURVEY REQUIREMENTS

Title Insurance Requirements

1. General. The Limited Partner requires an owner's title policy for all investments. A copy of the title policy/commitment (with all schedules, exhibits and endorsements), copies described below and the survey described below are to be provided to the Limited Partner at least 30 days before closing for the Limited Partner's counsel review and approval. A complete review can only be done upon receipt of all of this information. Incomplete information may result in a delay.

2. Limited Partner Approval. The issuing agent and underwriter must be acceptable to the Limited Partner and its counsel.

3. Owner's Title Policy Form. The owner's title policy must be issued on an extended coverage 2006 American Land Title Association ("ALTA") form of owner's title insurance policy and afford the broadest coverage available in the state in which the Apartment Housing is located.

4. Insurance Amount. The amount of coverage under the owner's title policy must be no less than the total Project costs, including developer fee, less reserves.

5. Named Insured. The named insured under the title policy must be the limited partnership/limited liability company that owns or leases the Apartment Housing.

6. Apartment Housing. The Apartment Housing must be the real property owned or leased by the limited partnership/limited liability company, including all appurtenant easements.

7. Date of Policy. The effective date of the title policy must be the later of (a) the date and time of the recording of the deed/memorandum of lease or (b) the date of the Limited Partner's initial Capital Contribution.

8. Legal Description. The legal description must be set forth in Schedule A of the title policy or an exhibit attached to the title policy. The legal description of the Apartment Housing contained in the title policy must conform to the legal description shown on the survey of the Apartment Housing and must include all appurtenant easement parcels.

9. Easements. The title policy must insure, as separate parcels: (a) all appurtenant easements and other estates benefiting the Apartment Housing, and (b) all other rights, title, and interests under reciprocal easement agreements, access agreements, operating agreements, and agreements containing covenants, conditions, and restrictions benefitting the Apartment Housing.

10. Exceptions to Coverage. All standard exceptions must be deleted or amended as follows:

(a) The exception for real estate taxes and assessments must reflect the year of such taxes and assessments and specifically state that they are not yet due and payable. The title policy must include, as an informational note, the property parcel number(s) or tax parcel identification number(s), as applicable. If rollback taxes are likely because of a change of use of the Apartment Housing, an estimate of the amount must be obtained prior to the initial closing.

(b) If the standard exception for tenants in possession cannot be deleted, the exception must be revised to read as follows: "Rights or claims of parties in possession under residential leases or occupants of apartment units, as tenants only, without any purchase rights."

(c) The standard survey exception to the title policy must be replaced with an exception for specific matters reflected on the approved survey.

(d) If the standard exception for filed or unfiled mechanics' or materialmen's liens cannot be deleted, it must be limited to liens filed after the date of the Title Policy.

(e) If the title policy contains a pending improvements clause, the minimum initial amount of title insurance coverage must be no less than the purchase price of the Apartment Housing.

(f) If Schedule B of the title policy contains any easements that are blanket in nature or otherwise not plottable, the title policy must provide affirmative insurance against any loss resulting from the exercise by the holder of such easement of its right to use or maintain that easement. ALTA Form 28.2-06 or an equivalent endorsement is required for this purpose.

11. Endorsements. Current versions of the following endorsements must be issued with the owner's title policy:

- ALTA 3.0 or 3.1 Zoning (as applicable).*
- ALTA 4.1 Condominium (if applicable).
- ALTA 5.1 PUD (if applicable).
- ALTA 8.2 Commercial Environmental Protection Lien.
- ALTA 9.1 or 9.2 Covenants, Conditions & Restrictions (as applicable).*
- ALTA 13 Leasehold (if applicable).
- ALTA 15.1 Non-imputation–Additional Insured – naming the following parties:
    - Additional Insured: Investor Limited Partner/Investor Member and their successors and assigns. (If a Special Limited Partner/Special Investor Member is an affiliate of the Limited Partner, it also must be named as an Additional Insured.)

- Other Parties: General Partner/Managing Member, Withdrawing Limited Partner/Withdrawing Member, Special Limited Partner/Special Investor Member (if not an affiliate of the Limited Partner), approved principals and guarantors, as may be applicable.

- ALTA 17 or 17.1 Access and Entry (as applicable).
- ALTA 17.2 Utility Access.
- ALTA 18 or 18.1 Tax Parcel (as applicable).
- ALTA 19 or 19.1 Contiguity (as applicable).
- ALTA 25 Same as Survey.*
- ALTA 26 Subdivision.
- ALTA 28 Easement - Damage or Enforced Removal (if applicable).
- ALTA 28.1 Encroachments - Boundaries and Easements (ifs applicable).
- ALTA 34 Identified Risk Coverage (if applicable).
- ALTA 35, 35.1, or 35.2
- ALTA 40 Tax Credit Endorsement (or Tax Benefit Endorsement if a Tax Credit Endorsement is not available). If a specific amount is reflected in the endorsement, it must be the total amount of the Limited Partner's capital contributions as Investor Limited Partner/Investor Member. If a Limited Partner affiliate is a Special Limited Partner/Special Investor Member, a separate endorsement must be issued for the Special Limited Partner/Special Investor Member and any amount on that endorsement must equal the total amount of the Special Limited Partner's/Special Investor Member's capital contributions.
- Waiver of Arbitration (for policies of $2 million or less).
- Standard New York Endorsement (New York deals only).
- Any additional endorsements the Limited Partner may reasonably require as a result of Project specific issues.

*If the land is unimproved at the time of initial closing, and a datedown endorsement, a 3.1 Zoning Endorsement, a 9.2 Covenants, Conditions & Restrictions Endorsement, and an updated Survey Endorsement (referring to the approved As-Built Survey), cannot be issued after completion of the Improvements, the following endorsements are required with the title policy at initial closing:

- ALTA 3.2 Zoning - Land Under Development

- ALTA 9.8 Covenants, Conditions & Restrictions - Land Under Development

- ALTA 35.3 Minerals and Other Substances - Land Under Development

If any or all of the ALTA endorsements listed above are not available in the jurisdiction in which the Apartment Housing is located, any comparable endorsements that are available in that jurisdiction are required.

12. Shared Use and/or Reciprocal Easement Agreement. If the Project will share access/ingress/egress or amenities with another property, a Shared Use and/or Reciprocal Easement Agreement is required, in form satisfactory to the Limited Partner and for the title company to insure any beneficial easement rights.

13. Delivery of Copies. Legible copies of the following documents are required:

- Prior to initial closing, a draft of the Deed/Lease/Beneficial Easement that will vest title in the Partnership/Company. A recorded copy is required with the Title Policy.

- For acquisition/rehabilitation projects, copies of all deeds in the chain of title evidencing ownership of the Apartment Housing for the last ten years.

- Prior to closing, a draft of any new or proposed plat. A recorded copy is required with the Title Policy.

- Prior to the Effective Date, a draft of any new shared use and/or reciprocal easement agreement. A recorded copy is required with the Title Policy.

- Recorded plat(s) or recorded survey(s) referenced in the Legal Description or in any exception to title.

- Site Plan showing all of the planned Improvements, including striped parking spaces and proposed utilities.

- All recorded easements, encumbrances, restrictions and other matters shown as exceptions to title.

Survey Requirements

1. The General Partner/Managing Member must deliver (or have delivered) the following items to the surveyor, before the survey of the property is completed: (i) a current title policy/commitment; (ii) current record descriptions of any adjoiners to the property (unless the lots are platted); (iii) any recorded easements benefitting the property; (iv) any recorded easements, servitudes or covenants burdening the property; and, (v) any unrecorded documents affecting the property which should be reflected on the survey.

2. The survey must satisfy the requirements of the "2021 Minimum Standard Detail Requirements for ALTA/NSPS Land Title Surveys, jointly established and adopted by the American Land Title Association/National Society of Professional Surveyors.

3. The initial survey must be dated no more than sixty (60) days prior to the initial closing. If an updated survey is due at completion, it must be dated on or after the date the Project was completed, as evidenced by issuance of the final certificate of occupancy. If an updated survey is due at stabilization, it must be dated on or after the date on which the Project achieved stabilized operations.

4. All parking restrictions and requirements applicable to the Apartment Housing must be shown on the survey. For all acquisition/rehabilitation projects, the current parking count must be included in the zoning table on the survey. If the zoning/land use requirements on an acquisition/rehabilitation project do not conform to current zoning/land use regulations, proof of legal nonconforming use must be noted on the survey. In addition, confirmation as to whether any improvement can be rebuilt in its existing footprint in the event of a casualty loss.

5. The actual zoning designation and all setback, use, height, and density requirements of the Apartment Housing must be shown on the survey. All setback lines are to be depicted on the Survey sketch.

6. The survey shall contain a survey certification in the form attached hereto and be certified by a registered land surveyor licensed in the jurisdiction in which the Apartment Housing is located. The survey is to have the surveyor's original signature and seal affixed and shall reflect a current date and certification.

7. The full legal description and street address must be shown on the survey. The legal description must be identical to that contained in the title insurance commitment/policy. If the Apartment Housing is described as being on a recorded plat or map, the survey must contain a reference to such plat or map.

8. All perimeter property lines must be specifically identified on the survey. Show the location by courses and distances of the Apartment Housing. Clearly designate (a) the point of beginning and the relation of the point of beginning of the Apartment Housing to the monument from which it is fixed; (b) all servient easements; (c) the established building line; (d) all easements appurtenant to the Apartment Housing; (e) the line of the street or streets abutting the Apartment Housing and the width of such streets; and (f) the location by courses and distances of the nearest intersection of two streets to the Insured Property.

9. Right-of-way lines for all streets adjacent to the Insured Property must be identified, pavement within the right-of-way must be identified, the width of the right-of-way and the width of the pavement must be labeled, and all rights-of-way must be labeled as public or private. The survey must disclose how access from the Insured Property to the adjacent streets exists.

10. A reference to the most recent title policy or commitment and title policy or commitment number must be included in a "Schedule B Notes Section" on the survey. All exceptions on the title policy or commitment must be plotted (or identified on the survey as not plottable). Indicate how each exception affects the property, and include the reason that any exceptions (except liens) are not plottable.

11. All easements affecting the Insured Property shall be identified by recording information (book and page or document number of instrument creating the easement).

12. Identify all utility lines that service the Insured Property and improvements (sewer, water, gas, electric and telephone). Indicate whether the utility line is above or below grade and show the sizes of the respective service if determinable.

13. Identify all aboveground tanks and specifically note any evidence of underground tanks and wells.

14. Show and describe encroachments or make a positive statement that there are no encroachments from or onto the Insured Property.

15. The specific flood zone within which the Insured Property is located must be stated on the survey. If any portion of the Insured Property is in a Special Flood Hazard Area, as designated on the applicable Flood Insurance Rate Map for the community, the boundaries must be delineated on the survey sketch and a FEMA flood zone designation of any such area within the Insured Property must be shown on the survey.

16. If existing improvements are to remain, show the relation of all structures and improvements on the Insured Property to (i) all boundary lines of the Insured Property; (ii) servient easements; (iii) established building setback lines; and (iv) street lines.

17. The survey should contain Table A, Items 1, 2, 3, 4, 6(b), 7(a), 7(b)(1), 8, 9, 10, 11, 13, and 16-19. The survey should contain a specific statement with regard to Table A, Items 16 and 17.

18. The survey must reference the wetlands determination contained in the Phase I Environmental Site Assessment Report.

19. Obtain and provide a copy of evidence of the surveyor's professional liability insurance in an amount of not less than $1,000,000 as provided by Table A, Item 20.

## TABLE A

## OPTIONAL SURVEY RESPONSIBILITIES AND SPECIFICATIONS

NOTE: Whether any of the nineteen (19) items of Table A are to be selected, and the exact wording of and fee for any selected item, may be negotiated between the surveyor and client. Any additional items negotiated between the surveyor and client must be identified as 20(a), 20(b), etc. Any additional items negotiated between the surveyor and client, and any negotiated changes to the wording of a Table A item, must be explained pursuant to Section 6.D.ii.(g). Notwithstanding Table A Items 5 and 11, if an engineering design survey is desired as part of an ALTA/NSPS Land Title Survey, such services should be negotiated under Table A, Item 20.

If checked, the following optional items are to be included in the ALTA/NSPS LAND TITLE SURVEY, except as otherwise qualified (see note above):

1. X — Monuments placed (or a reference monument or witness to the corner) at all major corners of the boundary of the surveyed property, unless already marked or referenced by existing monuments or witnesses in close proximity to the corner.

2. X — Address(es) of the surveyed property if disclosed in documents provided to or obtained by the surveyor, or observed while conducting the fieldwork.

3. X — Flood zone classification (with proper annotation based on federal Flood Insurance Rate Maps or the state or local equivalent) depicted by scaled map location and graphic plotting only.

4. X — Gross land area (and other areas if specified by the client).

5. _____ — Vertical relief with the source of information (e.g., ground survey, aerial map), contour interval, datum, and originating benchmark identified when appropriate.

6. _____ — (a) If the current zoning classification, setback requirements, the height and floor space restrictions, and parking requirements specific to the surveyed property are set forth in a zoning report or letter provided to the surveyor by the client or the client's designated representative, list the above items on the plat or map and identify the date and source of the report or letter.

X — (b) If the zoning setback requirements specific to the surveyed property are set forth in a zoning report or letter provided to the surveyor by the client or the client's designated representative, and if those requirements do not require an interpretation by the surveyor, graphically depict the

building setback requirements on the plat or map. Identify the date and source of the report or letter.

7. X (a) Exterior dimensions of all buildings at ground level.

_____ (b) Square footage of:

X (1) exterior footprint of all buildings at ground level.

_____ (2) other areas as specified by the client.

X (c) Measured height of all buildings above grade at a location specified by the client. If no location is specified, the point of measurement shall be identified.

8. X Substantial features observed in the process of conducting the fieldwork (in addition to the improvements and features required pursuant to Section 5 above) (e.g., parking lots, billboards, signs, swimming pools, landscaped areas, substantial areas of refuse).

9. X Number and type (e.g., disabled, motorcycle, regular and other marked specialized types) of clearly identifiable parking spaces on surface parking areas, lots and in parking structures. Striping of clearly identifiable parking spaces on surface parking areas and lots.

10. X As designated by the client, a determination of the relationship and location of certain division or party walls with respect to adjoining properties.

11. X Evidence of underground utilities existing on or serving the surveyed property (in addition to the observed evidence of utilities required pursuant to Section 5.E.iv.) as determined by:

_____ (a) plans and/or reports provided by client (with reference as to the sources of information)

_____ (b) markings coordinated by the surveyor pursuant to a private utility locate request

Note to the client, insurer, and lender - With regard to Table A, item 11, information from the sources checked above will be combined with observed evidence of utilities pursuant to Section 5.E.iv. to develop a view of the underground utilities. However, lacking excavation, the exact location of underground features cannot be accurately, completely, and reliably depicted. In addition, in some jurisdictions, 811 or other similar utility locate requests from surveyors may be ignored or result in an incomplete response, in which case the surveyor shall note on the plat or map how this affected the surveyor's assessment of the location of the utilities. Where additional or more detailed information is required, the client is advised that excavation may be necessary.

12._____ As specified by the client, Governmental Agency survey-related requirements (e.g., HUD surveys, surveys for leases on Bureau of Land Management managed lands). The relevant survey requirements are to be provided by the client or client's designated representative.

13. X Names of adjoining owners according to current tax records. If more than one owner, identify the first owner's name listed in the tax records followed by "et al."

14._____ As specified by the client, distance to the nearest intersecting street.

15._____ Rectified orthophotography, photogrammetric mapping, remote sensing, airborne/mobile laser scanning and other similar products, tools or technologies as the basis for showing the location of certain features (excluding boundaries) where ground measurements are not otherwise necessary to locate those features to an appropriate and acceptable accuracy relative to a nearby boundary. The surveyor must (a) discuss the ramifications of such methodologies (e.g., the potential precision and completeness of the data gathered thereby) with the insurer, lender, and client prior to the performance of the survey, and (b) place a note on the face of the survey explaining the source, date, precision, and other relevant qualifications of any such data.

16. X Evidence of recent earth moving work, building construction, or building additions observed in the process of conducting the fieldwork.

17. X Proposed changes in street right of way lines, if such information is made available to the surveyor by the controlling jurisdiction. Evidence of recent street or sidewalk construction or repairs observed in the process of conducting the fieldwork.

18. X Pursuant to Sections 5 and 6 (and applicable selected Table A items, excluding Table A item 1), include as a part of the survey any plottable offsite (i.e., appurtenant) easements or servitudes disclosed in documents provided to or obtained by the surveyor.

19. X Professional Liability Insurance policy obtained by the surveyor in the minimum amount of $1,000,000 to be in effect throughout the contract term. Certificate of Insurance to be furnished upon request, but this item shall not be addressed on the face of the plat or map.

20._____ _____

## SURVEYOR'S CERTIFICATE

The undersigned, being a Registered Land Surveyor in the State of _____, certifies to:

**[Insured],** and its successors and assigns
WNC Holding, LLC, and its affiliates, successors and assigns
WNC Housing, L.P., and its affiliates, successors and assigns
**[Title Company]**

This is to certify that this map or plat and the survey on which it is based were made in accordance with the 2021 Minimum Standard Detail Requirements for ALTA/NSPS Land Title Surveys, jointly established and adopted by ALTA and NSPS, and includes items 1, 2, 3, 4, 6(b), 7(a), 7(b)(1), 7(c), 8, 9, 10, 11, 13, and 16-19 of Table A thereof. The fieldwork was completed on _____ [date].

Date of plat map:

_____
Surveyor

Name: _____

Date: _____

Registration No. _____

[Seal]

**[If the certificate is attached to rather than typed or otherwise reproduced on the face of the Survey, add a paragraph specifically identifying the Survey (such as by date, property description, and survey number) to which the certificate relates.]**

# EXHIBIT I
# INSURANCE REQUIREMENTS

The General Partner shall at all times ensure that the following policies of insurance are in full force and effect. Where these requirements are in disagreement with the requirements of any interim or permanent lender, the higher standards will take precedent. The General Requirements listed below shall apply to all policies of insurance required under this Agreement.

## General Requirements

- The Project must be covered by property and liability insurance during the life of the Partnership's ownership of the Project.
- All insurance carriers shall have a rating of A or better for financial safety by A.M. Best or Standard & Poor's and a financial performance index of under of at least (VIII) or better in Best's Key Rating Guide or Standard & Poor's.
- All insurance policies shall name the Partnership as the named insured, the Limited Partner as an additional insured, and WNC & Associates, Inc. as the certificate holder.
- All policies must be written on a per occurrence basis except for earthquake and professional liability coverage which may be written on a claims made basis.
- All insurance policies shall not have a deductible provision in excess of $10,000.
- Each policy or insurance must be for a term of not less than one year. All certificates must contain provisions recognizing that insurance will not be cancelled, non-renewed, expire, or be materially changed without thirty (30) days written notice to:

  WNC & Associates, Inc.
  Attention: David Shafer, Esq.
  17782 Sky Park Circle
  Irvine, CA 92614

- Co-insurance clauses or self-insurance will not be accepted.

## Builder's Risk

An "All Risk" Builder's Risk Property Insurance Policy naming the Partnership as an insured shall be required during the course of construction and be provided in an Accord 27 or Accord 28 form. The amount of the insurance shall be 100% of the completed value. The insurance shall cover buildings, machinery, equipment, materials, supplies, temporary structures and all other properties of any nature including the foregoing owned by the contractor, which is used in fabrication, erection, installation and completion of the project until it is accepted by the Owner. The insurance shall cover "resulting" loss or damage, the expense for debris removal and provide permission by the insurer for occupancy and use of the premises. More specifically, the Builder's Risk policy shall include:

- Special Perils "Risks of Direct Physical Loss"
- Include Boiler and Machinery coverage
- Delay in Completion (Loss of Rents – Business Income min of 12 months)
- Full Collapse coverage provided including CP 11 20 or its equivalent

- Non-reporting, completed value form
- Debris removal – not less than 25% of the loss plus $100,000
- Expediting Expense – not less than $100,000
- Pollutant Clean Up and Removal – not less than $50,000
- Ordinance of Law – (A) undamaged portion; (B) Demolition Costs; (C) Increased Cost of Construction with Coverage A at 100% replacement cost of the building and coverage B&C at not less than $1,000,000
- Property coverage includes while in temporary storage or in transit of $100,000
- Water damage from backup of sewers and drains not less than $100,000
- Minimum $1,000,000 limits for Earth Movement
- Permission to Occupy – Permission is granted to occupy the covered building for its intended purposes during the course of construction for at least 60 days.

**Soft Cost**

Insurance covering Soft Costs, resulting from damage or destruction to insured property on-site, off-site and while in transit shall be provided. Such insurance shall cover continuing expenses not directly involved in the direct cost of construction/renovation. Such coverage shall include expenses incurred upon money borrowed to finance construction or repair, continuing interest on mortgage loans, additional architectural and engineering fees, advertising, promotion, insurance, realty taxes, refinancing charges, additional commissions, legal and accounting costs and fees and administrative expenses incurred as a result of a necessary renegotiation of a lease or leases, Sewer and water line assessments and other assessments, loss or deferral of real estate property tax abatements, the cost to the insured of additional commissions incurred upon re-negotiating leases, and other expenses incurred as the result of property loss or destruction by an insured peril.

**Property Related Damages**

During the course of construction/ renovations, the Project Partnership is to provide evidence of insurance as follows:

- Evidence of Property Insurance Certificate in Accord 28 form with all forms and endorsements noted. (Cause of Loss-Special Form is to be included). The Certificate shall include the Contractor(s), and all prime contractors, subcontractors, sub-subcontractors of whatever grade or tier as their interest may appear that have a direct contractual relationship with the developer/ owner.

## LIABILITY RELATED COVERAGES

### Partnership

During the course of construction, the General Partner shall carry on behalf of the Partnership, General Partners, and the Limited Partner Commercial General Liability in an amount not less than $1,000,000 per occurrence and $2,000,000 in aggregate, including Umbrella/ Excess form of coverage with $4,000,000 per occurrence and $4,000,000 in aggregate. Evidence of Workers' Compensation within the State statutory guidelines (and in an amount no less than $500,000 when the General Partner utilitizes its own work force for the benefit of the Project Partnership) and Employer's Liability shall also be provided when the General Partner utilizes its own work force. The Commercial General Liability policy will also provide Personal/Advertising injury of $1,000,000 any one person or organization and also Products/Completed Ops aggregate of $2,000,000.

### General Contractor

The General Contractor shall maintain Commercial General Liability insurance covering claims arising out of Contractor's operations, independent contractors, products/completed operations with broad form property damage, liability assumed under contract on a broad form blanket basis, and "XCU" property when appropriate. The total amount of Commercial General Liability insurance shall be no less than $1,000,000 per occurrence and $2,000,000 in aggregate. The aggregate limit should apply on a per project basis. Products and completed operations shall be maintained for a minimum of 6 years after completion of the work (can be shorter or longer depending on state statute of repose). Protective Liability (also known as Independent Contractor's Protective Liability) covering all subs that do not carry their own liability insurance should be provided.

The General Contractor shall maintain Business Automobile liability coverage including coverage for any Auto and for liability assumed under any contract in the minimum amount of $1,000,000 and shall include Hired and Non- Owned Automobile, General Contractor shall maintain Workers' Compensation and Employers' Liability coverage (per statutory requirements by applicable law with a minimum floor of $1,000,000).

### Prime Sub-Contractors

Each prime Subcontractor having a direct contract with the lower tier Partnership shall maintain Commercial General Liability insurance covering claims for bodily injury and property damage arising out of (i) subcontractor's operations, independent contractors, products/completed operations with broad form property damage, liability assumed under contract on a broad form blanket basis, "XCU" property damage if hazard exists. The amount of liability insurance including Umbrella Liability shall be no less than $1,000,000 per occurrence and $2,000,000 in aggregate including Umbrella/Excess Liability coverage. Automobile Liability for any autos including coverage for liability assumed under contract with a minimum coverage of $1,000,000). Workers' Compensation and Employers' Liability (per statutory requirements by applicable law with a minimum floor of $500,000). General Liability and Workers'

Compensation policies must include evidence of waiver of subrogation in favor of the partnership.

## LIABILITY RELATED COVERAGES

### Professional Liability Insurance

Architect, Engineers and Environmental Consultant's Professional Liability insurance shall be provided covering each professional entity for an amount not less than $1,000,000.

## PROPERTY & LIABILITY INSURANCE

### Property at Completion

Upon completion of the construction/renovation, the General Partner shall obtain and maintain the following required insurance for the duration of the investment period.

### Property

"All Risks" form of blanket property insurance naming the Partnership as insured and covering all real and personal property subject to the investment. Such insurance shall be written on a Replacement Cost Basis (without deducting for depreciation) and shall include an Agreed Amount Clause or Waiver of Coinsurance. The amount of insurance shall be the full insurable replacement cost of the property and include a waiver of subrogation clause. Included in this policy must be:

- Ordinance or Law – Increased Cost of Construction coverage for any future modifications to local zoning/codes that would potentially impact the cost of reconstruction; such coverage will be on a per Building basis and will be no less than 15% of the insured replacement value of the property;
- Automatic Inflation Guard of 3%;
- Boiler & Machinery Coverage up to policy limits;
- Maximum allowable wind deductible of $10,000;
- Water Damage from Backup of Sewers & Drains – $100,000 limit;
- If property is written on a Master or Blanket policy, a list of assets covered by the policy and the geographical dispersion is required;
- "Joint Loss Agreement" clause to be included if there are 2 different carriers on Property;
- Hazard coverage (including but not limited to fire, or other casualty loss); and
- Builders Risk (in case of a rehab).

## Loss of Income

Business Interruption/Loss of Income insurance, as appropriate, shall be carried sufficient in amount to fully cover 100% of the projected gross revenues within a 12-month period of indemnity.

## Flood Insurance

For properties not in a Flood High Hazard Zone (B, C, and X), a Flood Insurance limit of the maximum coverage available per structure under the National Flood Insurance Program. Any property that is in an area designated by FEMA to be in a Flood High Hazard Zone (A,AE, V, Shaded X) or Zone D (an area of undefined flood risk) requires the maximum limit available from the National Flood Insurance Program (NFIP)

## Earthquake Insurance

Earthquake insurance is required in UBC zones 3 and 4. In recently constructed, or to be constructed, earthquake code compliant two and three story garden style apartment structures for which an approved seismic study indicates a PML of less than 20%, earthquake insurance may be waived by the Limited Partner.

## General Liability

Comprehensive or Commercial General Liability Insurance naming the Partnership as insured and covering the premises and operations by independent contractors and contractual liability. The amount of insurance including Umbrella Liability shall be no less than $1,000,000 per occurrence and $2,000,000 in aggregate, plus Umbrella/Excess form of liability coverage of $4,000,000 specific to the property location. If any vehicles are used, owned or operated by the Partnership, Automobile Liability coverage is required (including coverage for liability assumed under any contract).

## Property Manager

Except as provided below, the Property Manager shall maintain and provide evidence of insurance for Commercial General Liability coverage in an amount no less than $1,000,000 per occurrence and $2,000,000 in aggregate, plus Umbrella/Excess form of liability coverage of $4,000,000. If a rehab transaction, there should be no lead exclusion.

Fidelity Bond/Crime Coverage in an amount covering no less than four (4) full months of gross income written with a company reasonably acceptable to the Partnerships provided the purchase of the Fidelity Bond in the required amount is commercially reasonable.

Automobile Liability Insurance cover for owned, hired and non-owned autos for limits less than $1,000,000 per occurrence for bodily injury, property damage and physical damage (collision and comprehensive) for vehicles used exclusively for the Property. If no vehicles used exclusively for the Property – Hired & Non-Owned Auto Liability of $1,000,000 should still be required. Workers' Compensation Insurance, to the extent of the statutory limits required by

applicable law, and Employer's Liability Insurance in the minimum amount of $500,000. A Waiver of Subrogation shall be provided in favor of WNC.

Errors and Omissions - insurance, in an amount of not less than $1,000,000 per claim and in the Aggregate. Manager shall present evidence of such coverage complete with retroactive dates from the date of Manager engagement through one year after Agreement termination. Manager must confirm annually that the Aggregate is unimpaired. Property Manager shall cause all contractors, sub-contractors and suppliers performing work or providing supplies to maintain commercial general liability, worker's compensation, employer's liability, and business auto liability insurance coverage at such parties' expense in the amounts noted above, or as statutorily required in the projects' respective states, whichever is less.

## LIST OF AGREEMENTS ATTACHED

Certification and Agreement
Development Fee Agreement
Budget Agreement
Guaranty Agreement

# CERTIFICATION AND AGREEMENT

**CERTIFICATION AND AGREEMENT** made as of May __, 2021 (the "Effective Date") by 1322 O ST INVESTORS LP, a California limited partnership (the "Partnership"); CAPITOL AREA COMMUNITY DEVELOPMENT CORPORATION, a California non-profit public benefit corporation, and CYRUS YOUSSEFI, individually (collectively referred to as the "General Partner"); and CAPITOL AREA COMMUNITY DEVELOPMENT CORPORATION, a California non-profit public benefit corporation (the "Original Limited Partner"), for the benefit of WNC Holding, LLC, a California limited liability company, and its assignees (the "Investment Partner"), and WNC & Associates, Inc., a California corporation ("WNC").

**WHEREAS**, the Partnership proposes to admit the Investment Partner as a limited partner thereof pursuant to the Amended and Restated Agreement of Limited Partnership of the Partnership, dated as of even date herewith (the "Partnership Agreement"), in accordance with which the Investment Partner will make substantial capital contributions to the Partnership; and

**WHEREAS**, the Investment Partner and WNC have relied upon certain information and representations described herein in evaluating the merits of investment by the Investment Partner in the Partnership;

**NOW, THEREFORE**, to induce the Investment Partner to enter into the Partnership Agreement and become a limited partner of the Partnership, and for $1.00 and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Partnership, the General Partner and the Original Limited Partner hereby agree as follows for the benefit of the Investment Partner and WNC.

## 1. Representations, Warranties and Covenants of the Partnership, the General Partner and the Original Limited Partner.

The Partnership, the General Partner and the Original Limited Partner jointly and severally represent, warrant and certify to the Investment Partner and WNC that, with respect to the Partnership, as of the date hereof:

1.1 The Partnership is duly organized and in good standing as a limited partnership pursuant to the laws of the state of its formation with full power and authority to own its apartment housing (the "Apartment Housing") and conduct its business within such state; the Partnership, the General Partner and the Original Limited Partner have the power and authority to enter into and perform this Certification and Agreement; the execution and delivery of this Certification and Agreement by the Partnership, the General Partner and the Original Limited Partner have been duly and validly authorized by all necessary action; the execution and delivery of this Certification and Agreement, the fulfillment of its terms and consummation of the transactions contemplated hereunder do not and will not conflict with or result in a violation, breach or termination of or constitute a default under (or would not result in such a conflict, violation, breach, termination or default with the giving of notice or passage of time or both) any other agreement, indenture or instrument by which the Partnership or any General Partner or Original Limited Partner is bound or any law, regulation, judgment, decree or order applicable to the Partnership or any General Partner or Original Limited Partner or any of their respective

properties; this Certification and Agreement constitutes the valid and binding agreement of the Partnership, the General Partner and the Original Limited Partner, enforceable against each of them in accordance with its terms.

1.2 The General Partner has delivered to the Investment Partner, WNC or their affiliates all documents and information which would be material to a prudent investor in deciding whether to invest in the Partnership. All factual information provided to the Investment Partner, WNC or their affiliates either in writing or orally, did not, at the time given, and does not, on the date hereof, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances under which they are made.

1.3 Each of the representations and warranties contained in the Partnership Agreement is true and correct as of the date hereof.

1.4 Each of the covenants and agreements of the Partnership and the General Partner contained in the Partnership Agreement has been duly performed to the extent that performance of any covenant or agreement is required on or prior to the date hereof.

1.5 All conditions to admission of the Investment Partner as the investment limited partner of the Partnership contained in the Partnership Agreement have been satisfied.

1.6 The Partnership is not (i) a tax-exempt entity; (ii) a real estate investment trust subject to taxation under Subchapter M of the Internal Revenue Code ("Code"); or (iii) a corporation subject to taxation under Subchapter S of the Code.

1.7 The General Partner is not a Person as to which the Partnership is restricted from doing business under regulations issued but the Office of Foreign Assets Control (including OFCA's list of Specially Designated Nationals and Blocked Persons) or under the September 24, 2001 Executive Order Blocking Property and Prohibiting Transactions with Persons who Commit, Threaten to Commit or Support Terrorism.

1.8 The General Partner certifies under penalty of perjury that the Federal Taxpayer Identification Number of the Partnership is correct.

1.9 The General Partner agrees that it (i) shall receive and hold Proprietary Information (as defined below) in trust and in strictest confidence; (ii) shall protect Proprietary Information from disclosure and in no new event take any action causing such Proprietary Information to lose its character as Proprietary Information; and (iii) shall not use, reproduce, distribute, disclose or otherwise disseminate Proprietary Information except as authorized by WNC. The General Partner agrees that disclosures of Proprietary Information by the General Partner may be made only to employees, agents or independent contractors of the General Partner or of its subsidiaries or affiliates who have a specific need to know such information; and who agree to hold and use the Proprietary Information consistent with the terms of this Agreement. For purposes hereof, "Proprietary Information" means information related to the Investment Partner or WNC which (i) is not public knowledge or generally known by the public, including, but not limited to, work product, documentation, business plans, financial projections and other trade secrets; and (ii) derives economic value, actual or potential, from not being

generally known to or readily ascertainable by other persons who can obtain economic value from its disclosure or use. Proprietary Information includes reports, investment summaries, financial projections, and other information provided to the General Partner. Proprietary Information does not include any information which (i) is disclosed by the General Partner pursuant to a requirement of a governmental agency or of law without similar restrictions or other protections against public disclosure or is required to be disclosed; or (ii) before being divulged by the General Partner (A) had become generally known to the public through no wrongful act of the General Partner; (B) has rightfully received by the General Partner from a third party without, to the General Partner's knowledge, restriction on disclosure or breach of an obligation of confidentiality running directly or indirectly to the General Partner; or (C) has been independently developed by the General Partner without use, directly or indirectly, of the Proprietary Information. Notwithstanding the foregoing, the General Partner shall be permitted to disclose Proprietary Information as may be necessary, but only to the extent necessary, to comply with any regulation or request of any governmental agency having supervisory authority over the General Partner or as otherwise required by law, and may do so without notice to WNC of such disclosure.

1.10 No default has occurred and is continuing under the Partnership Agreement or any of the Project Documents (as such term is defined in the Partnership Agreement) for the Partnership.

1.11 The Partnership shall allocate to the Investment Partner the Projected Annual Tax Credits, or the Revised Projected Tax Credits, if applicable.

1.12 The General Partner agrees to take all actions necessary to claim the Projected Tax Credits, including, without limitation, the filing of Form(s) 8609 with the Internal Revenue Service.

1.13 No person or entity other than the Partnership holds any equity interest in the Apartment Housing.

1.14 The Partnership has the sole responsibility to pay all maintenance and operating costs, including all taxes levied and all insurance costs, attributable to the Apartment Housing.

1.15 The Partnership, except to the extent it is protected by insurance and excluding any risk borne by lenders, bears the sole risk of loss if the Apartment Housing is destroyed or condemned or there is a diminution in the value of the Apartment Housing.

1.16 No person or entity except the Partnership has the right to any proceeds, after payment of all indebtedness, from the sale, refinancing, or leasing of the Apartment Housing.

1.17 No General Partner is related in any manner to the Investment Partner, nor is any General Partner acting as an agent of the Investment Partner.

1.18 No event has occurred which would have a material adverse change on the Investment Partner's investment.

**2. Miscellaneous.**

2.1 This Certification and Agreement is made solely for the benefit of the Investment Partner and WNC, and their respective successors and assignees, and no other person will acquire or have any right under or by virtue of this Agreement.

2.2 This Certification and Agreement may be executed in several counterparts, each of which will be deemed to be an original, all of which together will constitute one and the same instrument.

2.3 Capitalized terms used but not defined in this Certification and Agreement will have the meanings given to them in the Partnership Agreement.

***[signatures begin on following page]***

IN WITNESS WHEREOF, this Certification and Agreement is made and entered into as of the Effective Date.

**PARTNERSHIP**:

**1322 O ST INVESTORS LP**

By: Cyrus Youssefi, individually,
its Administrative General Partner

_____
Cyrus Youssefi, individually

By: Capitol Area Community Development Corporation, a California non-profit public benefit corporation, its Managing General Partner

By: _____
Wendy S. Saunders
President

**GENERAL PARTNERS:**

**CAPITOL AREA COMMUNITY DEVELOPMENT CORPORATION**

By: _____
Wendy S. Saunders
President

**CYRUS YOUSSEFI**

_____
Cyrus Youssefi, individually

***[signatures continue on following page]***

**ORIGINAL LIMITED PARTNER:**

**CAPITOL AREA COMMUNITY DEVELOPMENT CORPORATION**

By: _____

Wendy S. Saunders
President

# DEVELOPMENT FEE AGREEMENT

This Development Fee Agreement ("Agreement"), is entered into as of May __, 2021 (the "Effective Date") by and between CYRUS YOUSSEFI, individually ("Youssefi"), and CAPITOL AREA COMMUNITY DEVELOPMENT CORPORATION, a California nonprofit public benefit corporation ("CACDC" and collectively with Youssefi, "Developer"), and 1322 O ST INVESTORS LP, a California limited partnership ("Owner"). Developer and Owner collectively may be referred to as the "Parties" or individually may be referred to as a "Party."

## RECITALS

A. Owner has acquired the real property located in Sacramento, Sacramento County, California, as more particularly described in Exhibit A attached hereto and incorporated herein (the "Real Property").

B. Owner intends to develop on the Real Property a 58 unit low-income rental housing complex and other related improvements (the "Apartment Housing"), which are intended to qualify for federal low-income housing tax credits ("Credits").

C. Prior to the date of this Agreement, Developer has performed substantial development services with respect to the Apartment Housing as specified in Section 2.3 of this Agreement. Developer has also agreed to oversee the construction of the Apartment Housing until all construction work is completed and to provide certain services relating thereto. The Parties recognize and acknowledge that the Developer is, and has been, an independent contractor in all services rendered to, and to be rendered to, the Owner pursuant to this Development Fee Agreement.

D. Owner desires to commit its existing development agreement with Developer into writing through this Agreement for Developer's services to manage, oversee, and complete development of the Apartment Housing. Developer desires to commit its existing development agreement with Owner into writing through this Agreement and Developer is willing to assign all development rights to the Apartment Housing to Owner, to undertake performance of such development services, and to fulfill all obligations of the Developer set forth in this Agreement, in consideration of Owner's restated promise to pay to Developer the fee specified in this Agreement. The parties agree that this Agreement supersedes all prior agreements with respect to the subject matter hereof, whether oral or written.

NOW THEREFORE, in consideration of the foregoing recitals and the mutual promises and undertakings in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Owner and Developer agree as follows.

## SECTION 1
## CERTAIN DEFINITIONS

As used in this Agreement, the following terms, when capitalized, have the following meanings. Capitalized terms used herein and not defined have the meanings ascribed to them in the Partnership Agreement.

"**Construction Documents**" means the contract documents between the Owner and the Contractor pertaining to the construction of the Apartment Housing.

"**Contractor**" means Tricorp Group, Inc.

"**Department**" means the California agency responsible for the reservation and allocation of Tax Credits.

"**Development Fee**" means the fee for development services described in Section 2 of this Agreement.

"**Partnership Agreement**" means the Amended and Restated Agreement of Limited Partnership of 1322 O St Investors LP, a California limited partnership.

## SECTION 2
## ENGAGEMENT OF DEVELOPER; FEE; SERVICES

**2.1 Engagement; Term**. Owner hereby confirms the engagement of Developer to act as developer of the Apartment Housing, and to perform the various covenants and obligations of the Developer under this Agreement. Developer hereby confirms and accepts such engagement and agrees to perform fully and timely each and every one of its obligations under this Agreement. The term of such engagement commences on the date the Developer began to provide services to the Owner and subject to the pre-payment provisions of Section 3 expires on December 31, 2036.

**2.2 Development Fee**. In consideration of Developer's prior activities and Developer's agreement to provide development services during the construction of the Apartment Housing, Owner agrees to pay the Developer a Development Fee in the amount of $2,396,296 ("Development Fee"), which will be paid 1/3 to Youssefi and 2/3 to CACDC; provided, however, that the Development Fee will be reduced prior to the end of the first year of the Tax Credit Period, as necessary, to meet the 50% test for financing development costs from tax-exempt bond proceeds as described in Code Section 42(h)(4)(B), with the amount of such reduction to be determined by the Accountant and approved by the Special Limited Partner. The Development Fee will be payable in accordance with Section 3 of this Agreement.

**2.3 Development Services**.

(a) **Prior Services**. Owner acknowledges that Developer has, prior to the date hereof, performed substantial development services relating to the Apartment Housing. Such services (the "Prior Services") have included the following.

(1) Services Rendered Prior to the Date Hereof.

(A) Developer has identified a Contractor and recommended to the Owner to enter into a construction contract with the Contractor for the building of the Apartment Housing.

(B) Developer has estimated the cost of construction; determined the construction period; prepared a monthly-estimated construction chart reflecting the construction services required each month; and prepared a preliminary Development Budget.

(C) Developer has reviewed the plans and specifications for compliance with design criteria and construction contracts.

(D) Developer has identified an architect and recommended to the Owner to execute an architectural contract for the planning and design of the Apartment Housing.

(E) Developer has placed its own capital at risk in anticipation of the Apartment Housing being constructed.

(2) Other Prior Services. Developer has negotiated and conferred with an insurance carrier to provide a builder's risk policy during construction.

(b) **Future Services**. Developer shall monitor construction of the Apartment Housing for Owner and shall provide Owner with information requiring Owner's intervention to resolve construction issues. Owner shall allow Developer full access to the Apartment Housing during the construction period. Developer and Developer's agents shall perform their work in a manner that minimizes interference with the management and operation of the Apartment Housing.

(1) Developer shall exert its best efforts to ensure that the Contractor performs its obligations under the Construction Documents in a diligent and timely manner.

(2) Developer shall monitor pre-construction conferences and review pre-construction documents, including drawings, specifications, contracts, and schedules.

(3) Developer shall identify construction issues and inform Owner of the same.

(4) Developer shall review subcontract bids received by the Contractor and make a recommendation to the Owner.

(5) Developer shall monitor field order and change order procedures and inform the Owner.

(6) Developer shall attend construction progress meetings at the Apartment Housing site to monitor construction progress and report to the Owner the outcome of those meetings.

(7) Developer shall review the Contractor's monthly pay applications.

(8) Developer shall monitor the Contractor's progress with respect to the approved Apartment Housing schedule and keep the Owner informed of all pertinent Apartment Housing issues and construction progress.

(9) Developer shall advise Owner with respect to relations with engineers, architects, and other construction professionals.

(10) Developer shall maintain relations with the City of Sacramento and other governmental authorities having jurisdiction over development of the Apartment Housing and inform the Owner of any construction or building issues.

(c) Assignment of Development Rights. Developer hereby assigns to Owner all rights to the development of the Apartment Housing, including but not limited to, all tangible and intangible rights arising with respect to the name "**1322 O St Investors LP**", the design of the Apartment Housing, the plans and specifications for the Apartment Housing and all rights arising under the agreements with Apartment Housing architects, engineers and other Apartment Housing design and construction professionals.

## SECTION 3
## DEVELOPMENT FEE PAYMENTS

**3.1 Prior Services Rendered**. The Parties acknowledge and agree that Developer has earned the sum of $479,259 for services rendered prior to the date hereof, that said amount is reasonable in relation to the work performed, is fully earned as of that date and said amount will be paid in any event notwithstanding the termination of this Agreement. The Parties further acknowledge and agree that the Owner has accrued the Development Fee of $479,259, under its method of accounting.

**3.2 Payment of Development Fee**. The Development Fee will be paid to the Developer from capital contribution payments received by the Owner in accordance with Section 9.2(b) of the Partnership Agreement and from Construction Loan proceeds as permitted in the Construction Loan documents or approved by the Special Limited Partner. As between Youssefi and CACDC, Youssefi will be paid any deferred Development Fee in full prior to payment to CACDC. If the Development Fee is not paid in full in accordance with Section 9.2(b) of the Partnership Agreement, then the balance of the Development Fee will be paid from (i) available Net Operating Income in accordance with Section 11.1 of the Partnership Agreement; (ii) available sources as provided in Section 9.2(a) of the Partnership Agreement; or (iii) with funds provided by the Guarantor as required by the Guaranty Agreement, but in no event later than December 31, 2036**.**

**3.3 Accrual of Development Fee**. The Development Fee will be earned no later than the end of the first year of the tax credit period referenced in Section 42(f)(1) of the Code with respect to each building for which Credits are claimed. Once any portion of the Development Fee has been earned, it will be payable by the Owner in all events.

## SECTION 4
## TERMINATION

Neither Party to this Agreement will have the right to terminate this Agreement prior to the expiration of the term without cause. Owner may terminate this Agreement without further liability, for cause, which means any one of the following:

(a) a material breach by Developer of its obligations under this Agreement that is not cured within 30 days after notice thereof (or, as to any non-monetary obligations that is not reasonably capable of cure within 30 days, and provided that cure is commenced within 10 days of notice and diligently pursued thereafter to completion, within such time as may reasonably be necessary to complete such cure);

(b) a fraudulent or intentionally incorrect report by Developer to Owner with respect to the Apartment Housing; or

(c) any intentional misconduct or gross negligence by Developer with respect to its duties under this Contract.

Upon proper termination of this Agreement by Owner pursuant to this Section 4, all rights of Developer to receive unearned Development Fees pursuant to this Agreement with respect to services not yet performed will terminate. Developer will receive the full Development Fee for Prior Services and will receive a portion of the Development Fee for Future Services based on the percentage of Completion of Construction of the Apartment Housing at the time of termination. Nothing in this Section 4 will be deemed to prevent Owner from bringing an action against Developer to recover fully all damages resulting from any of the causes set forth in paragraphs (a), (b) or (c) above, or to prevent Owner from contending in any action or proceeding that the Future Services were not earned by Developer.

## SECTION 5
## GENERAL PROVISIONS

**5.1 Notices**. Notices required or permitted to be given under this Agreement will be in writing sent by overnight courier or mail, postage prepaid, to the Parties at the following addresses, or such other address as is designated in writing by the Party, provided, however, that any written communication containing such information sent to a Party actually received by a Party will constitute notice for all purposes of this Agreement.

If to Developers:

Cyrus Youssefi
1724 10th Street, Suite 120
Sacramento, California 95811

Capitol Area Community Development Corporation
1522 14th Street
Sacramento, California 95814
Attention: Wendy S. Saunders

If to Owner:

1322 O St Investors LP
c/o Capitol Area Community Development Corporation
1522 14th Street
Sacramento, California 95814
Attention: Wendy S. Saunders

With a copy to: 1322 O St Investors LP
c/o Cyrus Youssefi
1724 10th Street, Suite 120
Sacramento, California 95811

**5.2 Interpretation**.

(a) **Headings**. The section headings in this Agreement are included for convenience only; they do not give full notice of the terms of any portion of this Agreement and are not relevant to the interpretation of any provision of this Agreement.

(b) **Relationship of the Parties**. Neither Party hereto will be deemed an agent, partner, joint venturer, or related entity of the other by reason of this Agreement and as such neither Party may enter into contracts or agreements which bind the other Party.

(c) **Governing Law**. The Parties intend that this Agreement be governed by and construed in accordance with the laws of the state of California applicable to contracts made and wholly performed within California by persons domiciled in California.

(d) **Severability**. Any provision of this Agreement that is deemed invalid or unenforceable will be ineffective to the extent of such invalidity or unenforceability, without rendering invalid or unenforceable the remaining provisions of this Agreement.

**5.3 Integration; Amendment**. This Agreement constitutes the entire agreement of the Parties relating to the subject matter hereof. There are no promises, terms, conditions, obligations, or warranties other than those contained herein. This Agreement supersedes all prior communications, representations, or agreements, verbal or written, among the Parties relating to the subject matter hereof. This Agreement may not be amended except in writing.

**5.4 Attorneys' Fees**. If any suit or action arising out of or related to this Agreement is brought by any Party to any such document, the prevailing Party will be entitled to recover the costs and fees (including without limitation reasonable attorneys' fees and costs of experts and consultants, copying, courier and telecommunication costs, and deposition costs and all other costs of discovery) incurred by such Party in such suit or action, including without limitation to any post-trial or appellate proceeding.

**5.5 Binding Effect**. This Agreement will bind and inure to the benefit of, and be enforceable by, the Parties hereto and their respective successors, heirs, and permitted assigns.

**5.6 Assignment**. Neither Party may assign this Agreement without the consent of the other Party, including, in the case of an assignment by the Developer, the Consent of the Special Limited Partner of the Owner. No assignment will relieve any Party of liability under this Agreement unless agreed in writing to the contrary.

**5.7 Third-Party Beneficiary Rights**. No person not a Party to this Agreement is an intended beneficiary of this Agreement, and no person not a Party to this Agreement will have any right to enforce any term of this Agreement. Notwithstanding the foregoing, the Parties

acknowledge that WNC Holding, LLC and its assignees will have the right to enforce any term of this Agreement.

**5.8 Counterparts**. This Agreement may be executed in any number of counterparts, all of which taken together will constitute one agreement binding on all the Parties, notwithstanding that all Parties are not signatories to the same counterpart.

**5.9 Further Assurances**. Each Party agrees, at the request of the other Party, at any time and from time to time after the date hereof, to execute and deliver all such further documents, and to take and forbear from all such action, as may be reasonably necessary or appropriate in order more effectively to perfect the transfers or rights contemplated herein or otherwise to confirm or carry out the provisions of this Agreement.

**5.10 Mandatory Arbitration**. Any person enforcing this Agreement may require that all disputes, claims, counterclaims, and defenses ("Claims") relating in any way to this Agreement or any transaction of which this Agreement is a part (the "Transaction"), be settled by binding arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association and Title 9 of the U.S. Code. All claims will be subject to the statutes of limitation applicable if they were litigated.

If arbitration occurs, one neutral arbitrator will decide all issues unless either Party's Claim is $100,000 or more, in which case three neutral arbitrators will decide all issues. All arbitrators will be active California State Bar members in good standing. In addition to all other powers, the arbitrator(s) will have the exclusive right to determine all issues of arbitrability. Judgment on any arbitration award may be entered in any court with jurisdiction.

This arbitration clause cannot be modified or waived by either Party except in a writing that refers to this arbitration clause and is signed by both Parties.

***[signatures begin on the following page]***

IN WITNESS WHEREOF, the Parties have caused this Development Fee Agreement to be entered into as of the Effective Date.

**DEVELOPERS:**

**CAPITOL AREA COMMUNITY DEVELOPMENT CORPORATION**

By: _____
Wendy S. Saunders
President

**CYRUS YOUSSEFI**

_____
Cyrus Youssefi, individually

**OWNER:**

**1322 O ST INVESTORS LP**

By: Cyrus Youssefi, individually,
its Administrative General Partner

_____
Cyrus Youssefi, individually

By: Capitol Area Community Development Corporation, a California non-profit public benefit corporation, its Managing General Partner

By: _____
Wendy S. Saunders
President

**[Development Fee Agreement]**

**Exhibit A**
**Legal Description**

# BUDGET AGREEMENT

This Budget Agreement ("Agreement") is entered into as of May __, 2021 (the "Effective Date") by and among 1322 O ST INVESTORS LP, a California limited partnership (the "Owner"), CAPITOL AREA COMMUNITY DEVELOPMENT CORPORATION, a California non-profit public benefit corporation, and CYRUS YOUSSEFI, individually (individually and collectively, the "General Partner"), WNC HOLDING, LLC, a California limited liability company (the "Limited Partner"), and WNC HOUSING, L.P., a California limited partnership (the "Special Limited Partner"). The Owner, the General Partner, the Limited Partner, and the Special Limited Partner collectively may be referred to as the "Parties" or individually may be referred to as a "Party."

## RECITALS

A. The Owner has acquired approximately 0.255 acres of land in Sacramento, Sacramento County, California (the "Real Property").

B. The Owner intends to develop on the Real Property a 58 unit low-income rental housing complex and other related improvements for family use, which are intended to qualify for federal low-income housing tax credits (the "Apartment Housing").

C. On even date herewith, an amended and restated partnership agreement for the Owner ("Partnership Agreement") was entered into by and between the General Partner, the Limited Partner, and the Special Limited Partner (the Partnership Agreement is incorporated herein by this reference as if the same were reproduced in full and any capitalized terms not defined in this Agreement have the meaning as defined in the Partnership Agreement).

D. The Parties recognize and acknowledge that the final construction cost determination involves substantial negotiations with lenders, contractors and governmental authorities.

E. The Parties recognize and acknowledge that a final operating budget involves substantial negotiations with lenders and governmental authorities.

F. The Limited Partner's and the Special Limited Partner's decision to execute the Partnership Agreement is based, in part, on their acceptance of the sources of funds available to develop the Apartment Housing, the cost of construction to build the Apartment Housing and the operating budget necessary to provide a positive Debt Service Coverage.

Now therefore, in consideration of the foregoing recitals which are a part of this Agreement, the mutual promises and undertakings in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows.

**1. Source of Funds**. Attached hereto as Exhibit A and incorporated herein by this reference is the Apartment Housing Sources and Application of Funds. The Sources and Application of Funds includes sources from the Construction Loan, the Mortgage Loan, the

Capital Contributions of the General Partner, the Limited Partner and the Special Limited Partner and other sources approved by the Special Limited Partner. Moreover, the Sources and Application of Funds specify the tax treatment of various items, which were considered and included in the underwriting and pricing of the Limited Partner's Capital Contribution. Unless expressly permitted in the Partnership Agreement, Consent of the Special Limited Partner is required for any change to the Sources and Application of Funds.

**2. Development Budget**. Attached hereto as Exhibit B and incorporated herein by this reference is the Development Budget in an amount equal to $20,703,935. The Owner acknowledges and represents that the attached Development Budget includes the total of hard costs, soft costs and all other expenses to acquire, develop and construct the Real Property and the Apartment Housing.

**3. Construction Proforma**. Attached hereto as Exhibit C and incorporated herein by this reference is the Construction Proforma. The Owner acknowledges and represents that the attached Construction Proforma has been reviewed by and approved by the Contractor, the Construction Lender, the Mortgage Lender, if applicable, and any governmental authorities if applicable. In accordance with Section 6.2(a) of the Partnership Agreement, if there are inadequate proceeds to pay the actual hard costs and soft costs of acquiring, developing and constructing the Apartment Housing (other than any deferred Development Fee) then the General Partner shall be responsible for and shall be obligated to pay such deficiencies.

**4**. **Time Line**. Attached hereto as Exhibit D and incorporated herein by this reference is a construction time line, Gantt chart or similar graph approved by the Special Limited Partner. The time line will include, at a minimum, a month-to-month, building-by-building analysis as to when each trade will start and complete the work for which they have been retained. If at any time during construction there is, or anticipated to be, a change in the construction schedule as displayed in the time line then the General Partner shall update the time line and provide the same to the Limited Partner and Special Limited Partner.

**5. Operating Proforma**. Attached hereto as Exhibit E and incorporated herein by this reference is the Operating Proforma. The Owner acknowledges and represents that the attached Operating Proforma has been reviewed by and approved by the Construction Lender, the Mortgage Lender and any governmental authorities, if applicable.

**6. Notices**. Any notice given pursuant to this Agreement may be served personally on the Party to be notified, or may be sent by overnight courier, or by certified mail to the following address, or to such other address as a Party may from time to time designate in writing:

To the Managing General Partner: Capitol Area Community Development Corporation
1522 14th Street
Sacramento, California 95814
Attention: Wendy Saunders, President

To the Administrative General Partner: Cyrus Youssefi,
1724 10th Street, Suite 120
Sacramento, California 95811

| | |
|---|---|
| To the Limited Partner: | WNC Holding, LLC<br>c/o WNC & Associates, Inc.<br>17782 Sky Park Circle<br>Irvine, California 92614-6404<br>Attn: David Shafer, Esq. |
| To the Special Limited Partner: | WNC Housing, L.P.<br>17782 Sky Park Circle<br>Irvine, California 92614-6404<br>Attn: David Shafer, Esq. |

**7. Successors and Assigns**. All the terms and conditions of this Agreement will be binding upon and inure to the benefit of the successors and assigns of the Parties.

**8. Counterparts**. This Agreement may be executed in one or more counterparts, each of which will be deemed an original, and said counterparts will constitute but one and the same instrument which may sufficiently be evidenced by one counterpart.

**9. Captions**. Captions to and headings of the sections of this Agreement are solely for the conveniences of the Parties, are not a part of this Agreement, and will not be used for the interpretation or determination of the validity of this Agreement or any provision hereof.

**10. Saving Clause**. If any provision of this Agreement, or the application of such provision to any Person or circumstance, will be held invalid, the remainder of this Agreement, or the application of such provision to Persons or circumstances other than those as to which it is held invalid, will not be affected thereby.

**11. Governing Law**. This Agreement and its application will be governed by the laws of California.

**12. Attorney's Fees**. If any suit or action arising out of or related to this Agreement is brought by any party to any such document, the prevailing party will be entitled to recover the costs and fees (including without limitation reasonable attorneys' fees and costs of experts and consultants, copying, courier and telecommunication costs, and deposition costs and all other costs of discovery) incurred by such party in such suit or action, including without limitation to any post-trial or appellate proceeding.

***[Signatures begin on the following page]***

In witness whereof, this Budget Agreement is made and entered into as of the Effective Date.

**PARTNERSHIP:**

**1322 O ST INVESTORS LP**

By: Cyrus Youssefi, individually,
its Administrative General Partner

_____
Cyrus Youssefi, individually

By: Capitol Area Community Development Corporation, a California non-profit public benefit corporation, its Managing General Partner

By: _____
Wendy S. Saunders
President

**GENERAL PARTNERS:**

**CAPITOL AREA COMMUNITY DEVELOPMENT CORPORATION**

By: _____
Wendy S. Saunders
President

**CYRUS YOUSSEFI**

_____
Cyrus Youssefi, individually

***[signatures continue on following page]***

**LIMITED PARTNER:**

**WNC Holding, LLC**

By: WNC & Associates, Inc., its managing member

By: _____
David Shafer
Executive Vice President

**SPECIAL LIMITED PARTNER:**

**WNC Housing, L.P.**

By: WNC & Associates, Inc., its general partner

By: _____
David Shafer
Executive Vice President

**[Budget Agreement]**

**Exhibit A**
**Source of Funds**

***[To be attached to final draft]***

**[Budget Agreement]**

**Exhibit B**
**Development Budget**

***[To be attached to final draft]***

**[Budget Agreement]**

**Exhibit C**
**Construction Proforma**

***[To be attached to final draft]***

**[Budget Agreement]**

**Exhibit D**
**Construction Time Line**

***[To be attached to final draft]***

**[Budget Agreement]**

**Exhibit E**
**Operating Proforma**

***[To be attached to final draft]***

# GUARANTY AGREEMENT

This Guaranty Agreement ( "Agreement") is made as of May __, 2021 (the "Effective Date") by CAPITOL AREA COMMUNITY DEVELOPMENT CORPORATION, a California non-profit public benefit corporation ("Guarantor"), for the benefit of 1322 O St Investors LP, a California limited partnership (the "Partnership"), and WNC Holding, LLC, a California limited liability company, and its successors and assignees (the "Limited Partner").

## RECITALS

**WHEREAS**, on even date herewith, an amended and restated partnership agreement for the Partnership (the "Partnership Agreement") was entered into by and between Capitol Area Community Development Corporation and Cyrus Youssefi, an individual resident of the State of California, as the general partners (collectively, the "General Partner"), WNC Housing, L.P., a California limited partnership, as the special limited partner, and the Limited Partner as the limited partner (the Partnership Agreement is incorporated herein by this reference as if the same were reproduced in full and any capitalized terms not defined in this Agreement will have the meaning as defined in the Partnership Agreement).

**WHEREAS**, pursuant to the terms of the Partnership Agreement, the General Partner: (1) is required to guarantee the completion of construction of a 58 unit low to moderate income housing complex located in Sacramento, Sacramento County, California, as more fully described in Exhibit A attached hereto and incorporated herein by this reference, and any and all improvements now or hereafter to be constructed thereon (the "Apartment Housing"); (2) is required to guarantee the payment of all Operating Deficits incurred by the Partnership as a result of the operations of the Apartment Housing, including but not limited to real estate taxes; (3) is required to guarantee the annual allocation of tax credits to the Limited Partner; and (4) other matters identified in the Partnership Agreement.

**WHEREAS**, the Limited Partner would not have entered into the Partnership Agreement as a limited partner but for the agreement of Guarantor to provide the financial funds necessary to achieve Completion of Construction, to pay Operating Deficits, to pay Tax Credit deficits, and to guarantee certain other obligations of the General Partner. Guarantor is a General Partner of the Partnership and will therefore benefit from the acquisition by the Limited Partner of a limited partnership interest in the Partnership.

**NOW THEREFORE**, in consideration of the foregoing and the promises, covenants and undertakings herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Guarantor hereby agrees as follows:

**SECTION 1**. Guarantor hereby guarantees to the Partnership and the Limited Partner, as applicable, the prompt payment and full performance of the provisions under Section 6.2, Section 6.3, Section 7.3, Section 7.4(a), Section 7.4(b), Section 7.4(c), Section 7.4(d), Article VIII, Section 9.2(a), Section 9.12, Section 9.13, Section 13.1(b), Section 15.3(b), and Section 17.10 of the Partnership Agreement, including all modifications thereof, pursuant to and in accordance with the terms and conditions set forth in the Partnership Agreement and in this Agreement. Guarantor also guarantees prompt payment of the Development Fee payable

pursuant to the Development Fee Agreement entered into by Developer and the Partnership as of even date herewith.

**SECTION 2**. Guarantor further agrees to pay all expenses paid or incurred by the Partnership and/or Limited Partner in endeavoring to collect Guarantor's obligations, or any part thereof, and in enforcing the provisions of this Agreement, including reasonable attorneys' fees if collected or enforced by law or through an attorney-at-law.

**SECTION 3**. No delay or failure on the part of the Partnership or Limited Partner in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by the Partnership of any right or remedy shall preclude other or future exercise thereof or the exercise of any other right or remedy. No action of the Partnership permitted hereunder shall in any way impair or affect this Agreement. For the purpose of this Agreement, Guarantor's obligations are guaranteed notwithstanding any right or power of anyone else to assert any claim or defense as to the invalidity or unenforceability of any such obligation, and no such third party claim or defense shall impair or affect the obligations of Guarantor hereunder.

**SECTION 4**. This Agreement shall survive the death of any individual guarantor and shall be binding upon the Parties, and upon their legal representatives, estates, heirs (solely in their capacity as heirs), successors and assigns. Regarding the Limited Partner, this Agreement shall inure to the benefit of the successors, assignees or transferees of the Limited Partner.

**SECTION 5**. This Agreement has been made and delivered in the State of California and shall be construed and governed under California law.

**SECTION 6**. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under such law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

**SECTION 7**. The Parties recognize and acknowledge, and Guarantor agrees and consents, that if the Partnership does not take legal action to enforce this Agreement, if and when by the terms of this Agreement it is enforceable, then the Limited Partner or its assignee may, on its own behalf and in its own name, commence legal proceedings to enforce the terms of this Agreement.

**SECTION 8**. Whenever the singular or plural number, masculine or feminine or neuter is used herein, it shall equally include the other where applicable.

**SECTION 9**. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and said counterparts shall constitute but one and the same instrument which may sufficiently be evidenced by one counterpart.

**SECTION 10**. The Guarantor (together with all other guarantors of the General Partner's obligations as set forth in Section 1, above) shall maintain a net worth equal to at least $5,000,000 and aggregate liquid assets equal to at least $1,000,000, computed in accordance with

generally accepted accounting principles and shall, by March 31st of each year, provide annual audited financial statements to Limited Partner as evidence of such net worth.

**SECTION 11.** Guarantor consents to the jurisdiction and venue of the courts of Sacramento County in the State of California and/or to the jurisdiction and venue of any United States District Court in the State of California having jurisdiction over Sacramento County in any action or judicial proceeding brought to enforce, construe or interpret this Agreement. Guarantor agrees to stipulate in any such proceeding that this Agreement is to be considered for all purposes to have been executed and delivered within the geographical boundaries of the State of California, even if it was, in fact, executed and delivered elsewhere.

**SECTION 12.** Guarantor covenants and agrees that neither its obligations to make payment in accordance with the terms of this Agreement nor any remedy for the enforcement thereof shall be impaired, modified, changed, released or limited in any manner whatsoever by any impairment, modification, change, release or limitation of the liability of a General Partner, or any remedy for the enforcement thereof resulting from the operation of any present or future provision of the bankruptcy laws or other statute, or from the decision of any court, nor shall such obligation or remedy for enforcement be impaired, modified, changed, released or limited in any manner by such event of bankruptcy.

**SECTION 13.** Guarantor covenants and agrees that the execution and delivery and the observance and performance of this Agreement by said Guarantor does not and will not conflict with or result in a breach of the terms or provisions of any existing rule, regulation or order of any court or governmental body or of any indenture, agreement or instrument to which any Guarantor is party, or by which it is bound, or to which it is subject, or constitute a default thereunder, and that this Agreement has been duly executed and delivered by Guarantor and constitutes a valid and binding Guaranty enforceable in accordance with its terms.

**SECTION 14.** This Agreement shall not be subject to any reduction, limitation, impairment, revocation or termination for any reason (other than the indefeasible payment in full in cash of any indebtedness or performance of the obligations), including but not limited to any claim of waiver, release, surrender, alteration or compromise of any of the indebtedness, and shall not be subject to any defense or setoff, counterclaim, recoupment, revocation or termination whatsoever, whether by reason of the invalidity, illegality or unenforceability of the indebtedness, the obligations or otherwise. Guarantor waives all presentments, demands for performance, notices of non-performance, protests, notices of protest, notices of dishonor, and notices of acceptance of this Agreement. Guarantor shall be jointly and severally liable for the obligations hereunder with any other guarantor thereof.

**SECTION 15.** It is expressly understood and agreed that this is a continuing guaranty and that any claim made by the Partnership or the Limited Partner against Guarantor pursuant to this Agreement shall not preclude the Partnership or the Limited Partner from making a claim against any Guarantor for future payments. Any payment made by Guarantor pursuant to this Agreement shall satisfy the obligation of the Partnership or the General Partner, as the case may be, to make such payment, as if the Partnership or the General Partner, as the case may be, had made such payment itself.

**SECTION 16.** All rights, powers and remedies of the Partnership and the Limited Partner hereunder shall be cumulative and not alternative and shall be in addition to all rights, powers and remedies given to the Partnership and the Limited Partner by law or in equity.

**SECTION 17.** Each Guarantor represents that it or he has read such of the documents given in connection with the Partnership Agreement as it or he deems it necessary or desirable to read and that it or he understands the terms of the Partnership Agreement and this Agreement, including, without limitation, the effect of each of the waivers contained herein, and is competent to execute this Agreement. Each Guarantor further covenants that it shall execute and deliver such further instruments and do further acts and things as may be reasonably required to carry out the intent and purposes of this Agreement, including, but not limited to, the execution of a document reaffirming each of Guarantor's payment obligations contained in this Agreement for the benefit of any successor to any Limited Partner.

**SECTION 18.** Each Guarantor warrants having established with the Partnership and the General Partner adequate means of obtaining, on an ongoing basis, such information as Guarantor may require concerning all matters bearing on the risk of nonpayment or nonperformance of the obligations. Each Guarantor assumes sole, continuing responsibility for obtaining such information from sources other than from the Partnership or the Limited Partner. Neither the Partnership nor the Limited Partner shall have any duty to provide any information to Guarantor.

**SECTION 19** Each Guarantor hereby waives and agrees not to assert or take advantage of (1) all duty or obligation on the part of the Limited Partner to perfect, protect, not impair, retain or enforce any security for the payment of any indebtedness or performance of any of the other obligations guaranteed hereby, or (2) the defense of the statute of limitations and all suretyship defenses and defenses in the nature thereof in any action hereunder or in any action for the collection of any indebtedness or the performance of any other obligations guaranteed hereby.

**SECTION 20** This Agreement is a guaranty of payment and not of collection and is not conditioned or contingent upon the genuineness, validity, regularity or enforceability of the Partnership Agreement. Guarantor waives any right to require the Partnership or the Limited Partner to (a) proceed against the General Partner; (b) proceed against or exhaust any security held by the General Partner; or (c) pursue any other remedy in the Partnership's or the Limited Partner's power whatsoever. Guarantor agrees to waive any right of subrogation or reimbursement against the Partnership, or the General Partner, any right of subrogation against any collateral or security provided for in the Partnership Agreement and any right of contribution against any other guarantor or pledgor unless and until all amounts due by the General Partner under the Partnership Agreement have been paid in full and the Limited Partner has released, transferred or disposed of all of its right, title and interest in any collateral or security. To the extent Guarantor's waiver of these rights of subrogation, reimbursement or contribution as set forth herein are found by a court of competent jurisdiction to be void or voidable for any reason, Guarantor agrees that all rights of subrogation and reimbursement against the Limited Partner and all rights of subrogation against any collateral or security shall be junior and subordinate to the Limited Partner's rights against the Partnership or the General Partner and to the Limited Partner's right, title and interest in such collateral or security, and all rights of contribution

against any other guarantor or pledgor shall be junior and subordinate to the Limited Partner's rights against such other guarantor or pledgor.

**SECTION 21** In accordance with California Civil Code ("CC") Section 2856, Guarantor waives any and all rights of subrogation, reimbursement, indemnification and contribution and any other rights and defenses that are or may become available to Guarantor by reason of CC Sections 2787 to 2855, inclusive, 2899 and 3433 including, without limitation, any and all rights or defenses Guarantor may have by reason of protection afforded to the principal with respect to any of the guaranteed obligations or to any other guarantor of any of the guaranteed obligations with respect to such guarantor's obligations under its guaranty, in either case, pursuant to the antideficiency or other laws of this state limiting or discharging the principal's indebtedness or such other guarantor's obligations, including, without limitation, California Code of Civil Procedure ("CCP") Section 580a, 580b, 580d or 726; and Guarantor waives all rights and defenses arising out of an election of remedies by the Limited Partner or the Partnership, even though that election of remedies, such as a nonjudicial foreclosure with respect to any security for the guaranteed obligations, has destroyed Guarantor's rights of subrogation and reimbursement against the General Partner by the operation of CCP Section 580d or otherwise, and even though that election of remedies has destroyed Guarantor's rights of contribution against another guarantor of any of the guaranteed obligations. No other provision of this Agreement shall be construed as limiting the generality of any of the covenants and waivers set forth in this Section 21.

***[signatures begin on following page]***

IN WITNESS WHEREOF, this Guaranty Agreement is made and entered into as of the Effective Date.

**GUARANTOR:**

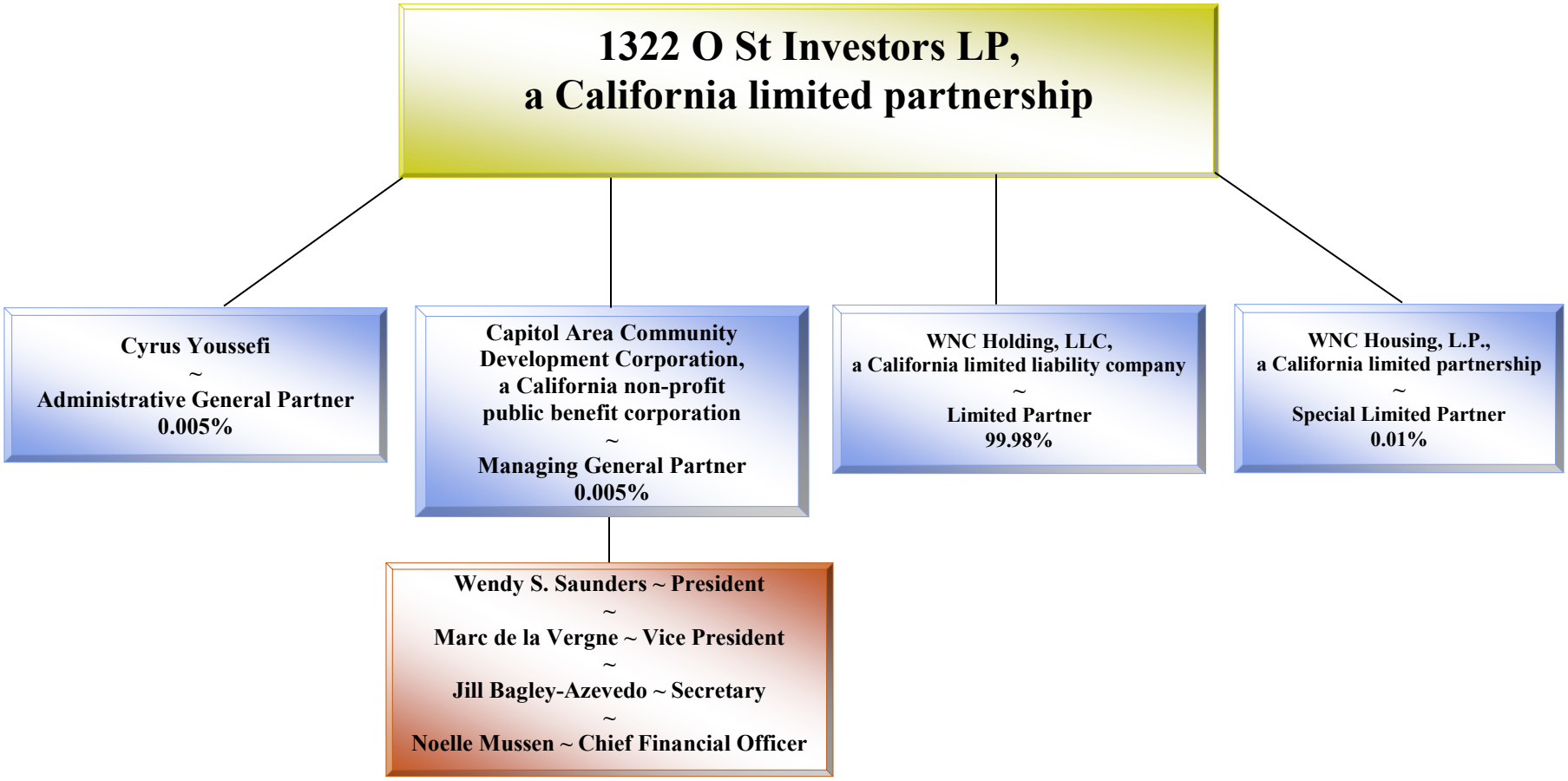
**CAPITOL AREA COMMUNITY DEVELOPMENT CORPORATION**

By: _____
Wendy S. Saunders
President

**[Guaranty Agreement]**

# EXHIBIT A
# LEGAL DESCRIPTION

# POST-CLOSE ORGANIZATIONAL CHART



# RESIDENTIAL MANAGEMENT CONTRACT

This Residential Management Contract ("Contract") is made as of the 25th day of March, 2021 by and between 1322 O St Investors LP (the Project Owner / "Owner"), and C.F.Y. Development, Inc. (the "Agent") to provide management services for the rental housing development (the "Development") consisting of land, building(s), and other improvements as noted below, incorporated herein by this reference.

Development Name: 1322 O Street
Address: 1322 O Street
City: Sacramento, CA 95814

Number of Units: 58

1. Appointment and Acceptance. Owner hereby appoints Agent as exclusive agent for the management of Development and Agent hereby accepts the appointment, both appointment and acceptance being subject to the terms and conditions set forth in this Contract.

2. Definitions.

   a. "Agent" means a broker or corporation licensed by the California Department of Real Estate.

   b. "Principal Parties" means Owner and Agent.

   c. "Residential Lease" means the approved residential lease, a copy of which shall be executed by Agent on behalf of Owner, and by each household.

3. Agent's Compensation. Agent shall be compensated for its services under this Contract as shown in the attached Exhibit A incorporated herein by this reference.

4. Term. The term of this Contract shall commence on March 25, 2021 and shall renew annually, subject to the following conditions:

   a. This Contract may be terminated by the mutual consent of the Principal Parties as of the end of any calendar month, provided that at least thirty (30) days advance written notice is given.

   b. In the event that a petition in bankruptcy is filed by or against one of the Principal Parties, or that one of the Principal Parties seeks relief under any of the chapters of the Federal Bankruptcy Act, or in the event that one of the Principal Parties makes an assignment for the benefit of creditors, whether by common law assignment or pursuant to specific provisions of state or

federal law, the other Principal Party may terminate this Contract provided that prompt written notice of such termination is given to the other Principal Party.

c. In the event Owner contends that Agent has failed to perform any of its duties or to comply with any of the provisions of this Contract, Owner shall notify Agent in writing and Agent shall have thirty (30) days thereafter within which to cure such default to the reasonable satisfaction of Owner, and if such additional time as may be necessary to cure the same, provided that Agent demonstrates to the continuing satisfaction of Owner that it is diligently pursuing all necessary actions to cure such default and that the same will be cured within a reasonable time.

d. This Agreement can be terminated by the Owner or the Agent without cause, provided that at least thirty (30) days advance written notice is given.

5. Employees. The number of employees, their job descriptions, and salaries, shall be determined by Agent using as a general guide the provisions of the Management Plan ("Plan") developed for the project and amended from time to time. These personnel shall be hired, supervised, and discharged by Agent. Agent Code of Regulations, which requires that an owner of an apartment house containing more than four, but less than 16 apartment units must either reside on the premises or must post the premises with the name and address of the owner or owner's agent who is in charge of the development. If there are 16 or more units in the development, a resident manager must reside on the premises and be in charge of their operation.

6. Transfer of Records and Accounts. Upon termination of the Contract for any reason, the following procedures shall apply.

a. The accounting records of the Development, even if maintained and housed at the office of the Agent, shall be deemed to be the official records and property of the Owner. All such records shall be turned over to the Owner within sixty (60) days after termination of the Contract. The records include, but are not limited to, resident and development files, the general ledger, all original books of entry, invoices, canceled checks, payroll records, and contacts.

b. The Agent shall retain for 3 years, copies of trust records and other pertinent documents (as required by Business and Professions Code Section 10148).

c. A portion of cash, bank accounts, and trust accounts shall be turned over to the Owner of its representative within five working days after the termination of this Contract; the balance shall be retained for payment of accounts payable and accounted for in writing and turned over within sixty (60) days after termination of this Contract.

7. Resident Selection/Affirmative Marketing Plan. Agent and Owner agree to cooperate in the implementation of the resident selection and affirmative marketing provisions of the Plan. In carrying out these provisions, Agent shall:

a. Lease units in compliance with the unit mix including provision for any special needs such as elderly or adapted units.

b. Assure that occupancy shall be open to all, regardless of race, color, ancestry, religion, national origin, sex, marital status, children, handicap, or other arbitrary factors.

c. Assure that all advertising, including letterheads, brochures, and media advertising, shall include a reference to "Equal Housing Opportunity".

d. Notify applicants of their eligibility status.

e. Assure that resident selection is carried out without favoritism or partiality and that the public interest is served at all times.

8. Compliance with Development Contracts and Procedures. Owner intends to enter into a required tax credit regulatory agreement, a copy of which will be attached hereto as Exhibit E. Owner agrees to provide Agent with copies of the Regulatory Agreement, rent schedules, guidelines and rules with which Owner and Agent are to comply, in sufficient time for Agent to review the documentation, become familiar with and train the staff.

9. Collection of Rents and Other Receipts. Agents shall collect when due all rents, charges, and other amounts receivable in connection with the management and operation of the Development. Such receipts shall be deposited in the General Operating Account.

10. Accounts. Agent shall establish separate accounts as trustee for the Owner for development funds. These accounts shall be the General Operating Account, the Replacement Reserve Account, and the Security Deposit Account and the Operating Reserve Account (may be a sub-accounts within the General Operating Account), and any other accounts shall be kept in depositories whose deposits are insured by an agency of the federal government or other comparable federally insured program.

a. General Operating Account: The General Operating Account shall contain the gross operating receipts received by the Agent or Owner and/or its representatives pursuant to Paragraphs 9 and 26 of this Contract.

b. Security Deposit Account: Agent shall collect security deposits in accordance with requirements of the residential lease. In collecting, handling and disbursing these funds, Agent shall comply with the requirements, of the California Civil Code, Section 1950.5 and Business and Professions Code



Initial Here:
Owner:
Agent:

Section 10145. These funds, Agent shall be kept in an account that is insured by an agency of the federal government or other comparable federal insured program. They shall at all times be equal to the total amount held by the Agent for the tenant. If interest accrues to the Security Deposit Account, it shall be disbursed as required in the Development's Management Plan. No interest shall accrue to the benefit of the Agent.

11. Disbursements: Agent may disburse funds from the accounts described in paragraph 10 of this Contract only for the purposes noted below. Agent shall draw no checks nor incur any obligation in an amount exceeding Two Thousand Five Hundred and NO/100 Dollars ($2,500.00), without the express written permission of Owner, except as necessary for emergency repairs required to avoid injury to persons or property.

a. General Operating Account: Disbursements may be made from this account in accordance with the budget, and shall be disbursed, applied, or reserved and set aside for payment when due, in the following priority, to the extent available:

(1) salaries, wages, and any other compensation due and payable to the employees or agents of the Agent employed on site in development, along with all withholding taxes, insurance premiums, Social Security payments and other payroll taxes or payments required in connection with such employees;

(2) payments of required interest, principal, impounds, fees and charges, if any, on loans;

(3) all charges incurred in the operation of the Development in connection with utilities, real estate taxes and assessments, and liability, fire and other hazard insurance;

(4) all other expenses incurred to cover operating costs, including the fee of the Agent and any extraordinary expenses, in accordance with the approved annual operating budget of the Development or as otherwise approved in advance by Owner;

(5) partnership distributions in accordance with the partnership and/or Regulatory Agreement;

b. Security Deposit Account: Disbursements may be made from this account only to:

(1) pay the cost of any unpaid rent, damage, or unreasonable wear and tear caused by the resident, after the resident vacates the unit, or to reimburse the General Operating Account for payment of these costs;

Initial Here:
Owner: _____
Agent: _____

or

(2) return to the resident upon termination of the tenancy the portion of the deposit not used in accordance with (1) above.

12. Insurance. The Owner will obtain public liability insurance which shall be kept in effect at all times. Alternatively, Owner will inform the Agent of insurance to be carried with respect to the Development and its operations, and the Agent will assist the Owner in obtaining such insurance. The Agent will pay premiums out of the Rental Agency Account, and premiums will be treated as operating expenses. All insurance will be placed with such companies, on such conditions, in such acceptable to the Owner, and shall be otherwise in conformity with the mortgage; provided that the same will include public liability coverage, with the Agent designated as one of the insured, in amounts acceptable to the Agent as well as the Owner. The Agent will investigate and furnish the Owner with full reports as to accidents, claims, and potential claims for damage relating to the Development, and will cooperate with the Owner's insurers in connection therewith. Owner shall furnish to the Agent certificates evidencing the existence of such insurance. Unless the Owner shall provide such insurance and furnish such certificate within thirty (30) days from the date of this Contract, or such date as the Principal Parties shall mutually agree in writing, the Agent may, but shall not be obligated to, place said insurance and charge the cost thereof to the Operating Account of the Project.

13. Records and Reports. In addition to requirements specified elsewhere in this Contract, Agent shall have the following responsibilities with respect to records and reports:

a. Agent shall establish and maintain a comprehensive system of records, books and accounts. All records, books and accounts shall be subject to examination during regular hours of business by any authorized representative of the Owner.

b. Agent shall make additional reports of income and expenses in a timely manner satisfactory to the Owner and consistent with the Regulatory Agreement.

c. Agent shall at all times keep all financial records, books, accounts, and other financial material relating to the operation of the Development in safe condition and accessible to the Owner on one reasonable notice.

d. Agent shall prepare and submit operating reports to the Owner.

14. Annual Budget. Agent shall submit to the Owner for approval a proposed operating budget for the Development. The proposed operating budget shall be submitted not less than 30 days prior to the beginning of each fiscal year. The proposed budget



**Initial Here:**
**Owner:** WH
**Agent:** AH

shall set forth the anticipated gross income of the Development and a detailed estimate of all expenses listed in paragraph 11 of this Contract. Upon approval by the Owner, this proposed budget shall be the operating budget for the next fiscal year of the Development.

15. Maintenance and Repair. Agent shall cause the Development to be maintained and repaired in a condition at all times acceptable to the Owner. Obligations under this paragraph shall include but not be limited to cleaning, painting, decorating, plumbing, carpentry, grounds care, and such other maintenance and repairs as may be necessary, subject to those limitations contained herein.

Incident thereto, the following provisions shall apply:

a. Agent shall contract with qualified independent contractors for the maintenance and repair of items beyond the capability of regular maintenance employees.

b. Agent shall systematically and promptly receive and investigate all requests for maintenance or repair from residents, take action thereon as may be justified, and keep records of the same. Agent shall maintain a log book containing all service requests and maintenance repairs provided, copies of which shall be subject to periodic inspection by the Owner.

c. Subject to the spending limitations set out elsewhere in this Contract, Agent is authorized to purchase all materials, equipment, tools, appliances, supplies, and service necessary to ensure proper maintenance and repair of the Development.

d. Owner shall furnish Agent with a complete set of plans and specifications accurately reflecting the Development as built and copies of all guarantees and warranties pertinent to construction, fixtures, and equipment. With the aid of this information and inspection by competent personnel, Agent shall familiarize itself with the character, location, construction, layout, plan, and operation of the Development and especially of the electrical, heating, plumbing, air conditioning and ventilating systems, the elevators, and all other mechanical equipment and systems.

16. Rent Adjustments. Agent will adjust the rents for the assisted units each year as required pursuant to the regulations.

17. Utilities and Services. Agent shall make arrangements for all common area utilities, sewage, rubbish collection, vermin extermination, decorating, and laundry equipment. Agent has the authority to execute such Contracts on behalf of Owner as may be necessary to secure such services, subject to the limitations described in paragraph 11 of this Contract.

18. Enforcement of Residential Lease. Agent is responsible for securing the full compliance of each resident with the terms of the residential lease, the standard language of which is incorporated herein by this reference.

19. Orientation/Training. Agent and appropriate personnel shall attend orientation or training sessions as may be required.

20. Resident Counseling. Agent shall, consistent with sound management of the Development, counsel residents and make referrals to available community social service agencies in cases of financial hardship or under similar circumstances that could lead to termination of a tenancy or eviction.

21. Termination of Tenancies or Evictions. Agent may take action to terminate or evict any tenants where in Agent's judgment, sufficient cause for such termination or eviction exists under the terms of the residential lease. Termination of tenancies or evictions shall be carried out pursuant to state law and the procedures if any, prescribed in the regulations provided by Owner. Agent is authorized to retain legal counsel to bring action necessary to carry out the decision to terminate or evict. Agent shall keep Owner informed of the progress of such actions. Attorney's fees and other necessary costs incurred in connection with such actions will be paid out of the General Operating Account as Development expenses.

22. Compliance with Government Orders. Agent shall take such action as may be necessary to comply promptly with governmental orders or requirements affecting the Development, whether imposed by federal, state, county or municipal authority, subject however, to the limitations stated in paragraph 11 of this Contract. Agent shall take no action to comply with such orders or requirements if Owner is contesting, or has informed Agent of its intention to contest, any such orders or requirements within 72 hours of the time of their receipt by Agent.

23. Nondiscrimination. In the performance of its obligations under this Contract, Agent shall comply with the provisions of all federal, state or local laws prohibiting discrimination in housing on the basis of race, color, ancestry, religion, national origin, sex, marital status, children, or handicap, including Title VI of the Civil Rights Act of 1964 (Public Law 88-352) and the regulations issued pursuant thereto (24 CFR Part I; Executive Order 11063 and the regulations issued pursuant thereto (25 CFR 570.601); and Title VIII of the 1968 Civil Rights Act (Public Law 90-384).

24. Inspection of Units. Agent shall inspect all units in the Development at least annually during the recertification process. Owner shall have the right to inspect any part of the Development upon advance notice to residents as provided in the residential lease and subject to law.

25. Bid, Discounts, Rebates, and Commissions. Agent shall obtain Contracts, materials, supplies, and services on the most advantageous terms available to the Development, and shall solicit three (3) formal bids for each major items or service



**Initial Here:**
**Owner:** _____
**Agent:** _____

required. Agent shall secure and credit to the General Operating Account all discounts, rebates, or commissions obtainable with respect to purchases, service Contracts, and all other transactions on Owner's behalf.

26. Interpretative Provisions.

a. This Contract constitutes the entire agreement between the Owner and the Agent with respect to the management and the operations of the Development and no change will be valid unless made by supplemental written Contract, approved and executed by the Principal parties.

b. This Contract may be executed in several counterparts, each of which shall constitute a complete original Contract, which may be introduced in evidence or used for any other purpose without production of any of the other counterparts.

27. Attorney's Fees. Should any litigation be commenced regarding the Contract, the party prevailing in such litigation shall be entitled, in addition to such other relief as may be awarded, to a reasonable sum as attorney's fees.

28. Arbitration. Mindful of the high cost of litigation, not only in dollars but time and energy as well, the parties intend to and do hereby establish a quick, final and binding out-of-court dispute resolution procedure to be followed in the unlikely event any controversy should arise out of or concerning the performance of this Contract. Accordingly, the parties do hereby covenant and agree as follows:

Any controversy, dispute, or claim of whatever nature arising out of, in connection with, or in relation to the interpretation, performance or breach of this Contract, including any claim based on contract, tort, or statue, shall be settled, at the request of any party to this Contract through a dispute resolution process administered by Judicial Arbitration & Mediation Services, Inc. (J.A.M.S.).

As soon as practicable after selection of the arbitrator, the arbitrator or his/her designated representative shall determine a reasonable estimate of anticipated fees and costs of the arbitrator, and render a statement to each party setting forth that party's pro rata share of said fees and costs. Thereafter each party shall, within ten (10) days of receipt of said statement, deposit said sum with the arbitrator. Failure of any party to make such a deposit shall result in a forfeiture by the non-depositing party of the right to prosecute or defend the claim which is the subject of the arbitration, but shall not otherwise serve to abate, stay or suspend the arbitration proceedings.

29. Indemnification.

a. The Agent agrees:

(1) To indemnify, defend, and save the Owner, its officers, directors, and employees harmless from all suits, claims, liability and damages arising from and out of the Agent's or the Agent's employees willful or gross negligent acts in connection with or related to the Development. However, Agent shall not be liable for, and shall have no responsibility for conditions relating to the Development over which the Agent has no responsibility or control, and the Owner agrees to indemnify, defend and save the Agent and its employees, agents and independent contractors harmless from and against all such loss, cost, expense and liability.

b. The Owner agrees:

(1) To indemnify, defend and save the Agent, its officers, directors and employees, harmless from all costs, expenses, attorney's fees, suits, liabilities, damages or claim for damages, including but not limited to those arising out of any injury or death to any employee, or other person, or damage to the property in any way relating to the management of the Development not caused by the willful or gross negligent acts of Agent or its employees.

(2) To pay all expenses incurred by the Agent, including attorney's fees for counsel employed to represent the Agent in any proceeding or suit involving an alleged violation by the Agent or Owner or both, of any constitutional provision, statute, ordinance, law or regulation of any governmental body pertaining to fair employment, Federal Fair Credit Reporting Act, American Disabilities Act, environmental protection or prohibiting or making illegal discrimination on the basis of race, creed, color, ancestry, religion, sex, marital status, children, handicap, or national origin in the sale, rental or other disposition of housing or any services rendered in connection therewith, unless the Owner's liability is adjudicated to have been caused in whole or in part by the acts or omissions of the Agent. Nothing herein contained shall require the Agent to employ counsel to represent the Owner in any such proceeding or suit.

(3) To indemnify, defend and save the Agent harmless from all claims, investigations, and suits which may arise, with respect to any alleged or actual wrongful termination of employment or actual wrongful termination of employment or violation of state or federal labor laws, unless the Owner's liability is adjudicated to have been caused in whole or in part by the acts or omissions of Agent.

c. Owner and Agent agree that:

(1) Counsel chosen by any party hereto to represent the other party's interest, pursuant to any of the foregoing Agreements to defend, shall be reasonably acceptable to the other party and reasonable notice and opportunity to comment on such choice of counsel and significant procedural events in the litigation or other proceeding shall be given to the other party. To the extent reasonably prudent, and in an effort to avoid double defense costs, the parties agree to waive any conflict which may arise out of joint representation, and leave to the conclusion of the litigation or other proceeding questions of indemnity and contribution.

30. Fidelity Bond. Manager shall secure and maintain during the term of this contract fidelity and blanket crime coverage, including employee dishonesty and depositor's forgery endorsements, protecting Manager against fraudulent or dishonest acts of its employees, whether acting alone or with others, with limits of liability of at least two month's gross rental income for the Apartment Complex.

IN WITNESS WHEREOF, the Principal Parties, by their duly authorized officers, have executed this contract on the date written above.

PROJECT DEVELOPER / OWNER:

1322 O ST INVESTORS LP

Capitol Area Community Development Corporation

By: _____
Wendy S. Saunders
Its: President

MANAGEMENT AGENT:

C.F.Y. DEVELOPMENT, INC.

By: _____
Cyrus Youssefi
Its: President

Attachments:
Exhibit A: Agent's Compensation

**Initial Here:**
**Owner:** ____
**Agent:** ____

# EXHIBIT A

I. AGENT'S COMPENSATION FOR MANAGEMENT, INITIAL RENT UP & MARKETING

A. Central Office: The following functions and services shall be provided by the Agent. These services and the expenses related to these services, most of which are provided in the Central Office, shall be the responsibility of and paid by Agent:

1. Functions and Services (Central Office):

a. Establishing and maintaining a control system to insure that the Development is operated on a sound fiscal and physical basis in conformity with Owner.

b. Preparing monthly operating statements as required by the Owner and regulatory agency.

c. Representing the Owner before the public and government agencies.

d. Directing and supervising the staff and functions charged directly to the Development.

e. Orientation and basic skill instruction of all Development employees.

f. Clerical support of persons performing functions covered in items "a" through "f".

g. Administration of resident security deposits.

h. Preparation of rent roll, including posting of receipts and receivables, payment of invoices and maintaining general ledger.

2. Expenses (Central Office):

a. Salaries, wages, fees, contract costs and expenses involved in the performance of the services listed above.

b. The following Central Office expenses unless specifically chargeable to the Development as provided under Section B.

Office rent and expenses, including utilities. Telephone and telegraph. Materials and supplies. Data processing services. Employer's contributions to Social Security, pension funds, health and life insurance. Liability insurance, fidelity and surety bonds. Workers' compensation insurance. Terminal leave payments.

Bonuses and other incentives. Transportation cost and reimbursements.

B. SITE: The following functions and services shall be provided by Agent in addition to the above. The expenses relating to these services, some, but not all of which are performed at the Site, shall be the responsibility of and paid by the Development:

1. Functions and services directly related to the Development.

   a. Legal and auditing services rendered to the Development.

   b. Advertising and other marketing activities as approved by Owner, excluding initial occupancy.

   c. Leasing operations, including interviewing prospective residents, verifying application data, certifying eligibility, processing move-outs, etc.

   d. Maintenance, repair, operation, cleaning, grooming and decorating of the Development.

   e. Development security activities.

   f. Exterminating, refuse removal, snow removal, securing of vacant units and other services where appropriate and incorporated in approved budget or approved by Owner.

   g. Clerical support of person performing functions covered in items "a" through "g".

2. Expenses: Paid by Development:

   a. The salaries and wages of employees on the Development site, as specified in the Management Plan for directly supervising the activities covered in #1 above.

   b. Fidelity Bond.

   c. The following expenses which are directly related to the On-Site Development, office and personnel.

   Office rent and expenses including utilities. Telephone and telegraph. Materials and supplies. Data processing services. Photocopying and printing. Purchase, maintenance and repair of office and maintenance equipment. Discounted or rent-free apartments. Employer's contributions to Social Security, pension funds, health and life insurance. Liability insurance, fidelity and surety bonds. Workers' compensation insurance. Terminal leave

payments. Bonuses and other incentives. Transportation costs and reimbursements. Travel costs. Lock boxes.

Commissions and concessions for obtaining residents. Attorney fees and costs related to eviction and other Development matters.

d. Costs of electricity, gas, oil, coal, wood, purchased steam, water, water treatment, and sewage disposal used at the Development site or at space rented for use of employees or functions covered by items 1 and 2 above.

e. Principal interest, taxes, hazard (property) insurance, and reserve deposits.

f. Rent-up fees that are specifically provided in the Contract.

g. Any additional Development related expenses which are approved by Owner.

C. Agent's Compensation. Agent shall be compensated for its services under this Contract by a monthly fee to be paid out of the General Operating Account. The monthly fee shall be Fifty and No/100 Dollars ($50.00) per unit per month.

II. AGENT'S COMPENSATION FOR MARKETING AND INITIAL OCCUPANCY

A. Initial Rent Up

1. Agent's Responsibilities are as follows:

a. Marketing as required in the Contract and Management Plan.

b. Initial leasing of the units in the Development until 100% occupied.

c. Providing marketing/leasing budget.

2. Preparing Development for Occupancy.

a. Coordinating Establishment of Rental Office.

b. Assisting in monitoring completion on construction of Development.

c. Transferring utilities to an appropriate name and/or address.

d. Establishing initial service contracts.

B. Agent's Compensation: Agent shall be compensated for its services by a fee equal to 6.00% of the development's gross rental income for the 12 month period commencing with the development's placed-in-service date. Payment will be made by the last day of the month following the end of the 12 month period commencing

on the development's placed-in-service date. This is a one-time fee only and is in addition to the on going monthly compensation of $50 per unit per month as specified in Section 1C above.

PROJECT DEVELOPER / OWNER:

1322 O ST INVESTORS LP

Capitol Area Community Development Corporation

By: _____
Wendy S. Saunders
Its: President

MANAGEMENT AGENT:

C.F.Y. DEVELOPMENT, INC.

By: _____
Cyrus Youssefi
Its: President

**Initial Here:**
**Owner:** ____
**Agent:** CY

Term Sheet for "Side Letter" between CADA, Cyrus Youssefi, and C.F.Y. Development

## RECITALS

The financing partners on the 1322 O Street project (the "Project") are requiring personal guarantees by Cyrus Youssefi ("Youssefi"), and corporate guarantees by C.F.Y. DEVELOPMENT, INC., a California corporation ("CFY"). Specifically:

A. The Amended and Restated Limited Partnership Agreement (the "LPA") requires Youssefi to provide a personal guaranty (the "WNC Guaranty") in favor of 1322 O St Investors LP, a California limited partnership (the "Partnership"), and WNC Holding, LLC, a California limited liability company, and its successors and assignees (the "Limited Partner").

B. JPMORGAN CHASE BANK, N.A., a national banking association ("Chase"), the permanent lender for the Project, requires that Youssefi and CFY enter into:

i) A Rate Lock Guaranty (the "Rate Lock Guaranty");

ii) a Completion Guaranty (the "Completion Guaranty"); and

C. Chase is requiring that CFY provide a Carve-Out Guaranty (the "Carve-Out Guaranty").

D. Chase, as holder of certain Tax-Exempt Bonds and as lender of the Taxable Loan for the Project, requires that Youssefi and CFY enter into a Payment Guaranty (the "Payment Guaranty").

Collectively, the Rate Lock Guaranty, the Completion Guaranty, the Carve-out Guaranty and the Payment Guaranty are referred to below as the "Chase Guaranties", and the Chase Guaranties and the WNC Guaranty are referred to below as the "Project Guaranties".

## TERMS

A. In the event Youssefi is required to make payments to the Partnership and/or the Limited Partner pursuant to the WNC Guaranty, or Youssefi or CFY are required to make payments to Chase pursuant to the Chase Guaranties:

1. CADA will reimburse Youssefi and CFY for the following actual expenditures made pursuant to the Guaranties ("Reimbursable Expenditures"):

    a. To the Partnership or the Limited Partner, pursuant to Youssefi's obligations set forth in Sections 1 or 2 of the WNC Guaranty.
    b. To Chase, pursuant to Youssefi and CFY's "Guaranteed Obligations", as set forth in Section 1 of the Rate Lock Guaranty.
    c. To Chase, pursuant to Youssefi and CFY's "Completion Obligations", as set forth in Section 1(a) of the Completion Guaranty.
    d. To Chase, pursuant to Youssefi and CFY's "Guaranteed Obligations", as set forth in Section 1(a) of the Carve-Out Guaranty.
    e. To Chase, pursuant to Youssefi and CFY's "Guaranteed Obligations" as set forth in Section 1(a) of the Payment Guaranty.

2. CADA's obligations under this Agreement begin at close of escrow on the financing, and terminates upon the earliest to occur of:
    a. Youssefi's withdrawal from the Partnership; or
    b. Receipt of the IRS Form(s) 8609 with respect to the Project (the "Form 8609"), except that the obligation continues indefinitely with regard to any obligations arising from events that occurred prior to the receipt of the Form 8609.

3. Youssefi and CFY must maintain compliance with all duties and obligations under the Limited Partnership Agreement and the Guaranties.

4. CADA's obligation does not apply to the extent a payment pursuant to a Guaranty is required as a result of the negligence or willful misconduct, fraud or material misrepresentations of Youssefi, CFY, or CFY's partners, shareholders, members, managers, officers, or directors.

5. Youssefi and CFY will promptly notify CADA upon receipt of any demand for a Reimbursable Expenditure.. CADA may choose to defend against the demand, at CADA's sole cost and expense, and if CADA chooses to do so Youssefi and CFY agree to cooperate with any such defense.

6. Youssefi and CFY will provide CADA will receipts and other records fully documenting Reimbursable Expenditures, and provide such other records as CADA may reasonably require in connection with any request for reimbursement.

7. Upon receipt of a request for reimbursement, CADA will have 30 days to make a reimbursement payment.

8. Each party bears its own costs of enforcement.

**RESIDUAL RECEIPTS PROMISSORY NOTE**
(1322 O Street)

$1,500,000.00 May ___, 2021

**FOR VALUE RECEIVED, 1322 O St Investors LP**, a California limited partnership, with its principal office at 1522 14th Street, Sacramento, California 95814, ("Borrower"), hereby promises to pay to the order of the **Capitol Area Development Authority**, a joint powers agency, whose address is 1522 14th Avenue, Sacramento, California, 95814 ("Lender"), a principal amount equal to ONE MILLION FIVE HUNDRED THOUSAND DOLLARS ($1,500,000.00), or so much, not to exceed this amount, as may be advanced by Lender to Borrower for construction of the Project (as defined in Section 1 below). The obligation of Borrower and Lender with respect to all such advances is subject to the terms of: (a) this Note; (b) the Deed of Trust, Assignment of Rents, and Security Agreement and Fixture Filing recorded on the real property located at 1322 O Street, Sacramento, California (the "Property") by Borrower as Trustor, for the benefit of Lender, as beneficiary, which secures payment of this Loan (the "Deed of Trust"); and (c) that certain Regulatory Agreement by and between Borrower and Lender to be recorded on the Property (the "Regulatory Agreement" and together with this Note and the Deed of Trust, the "Loan Documents"). Borrower also promises to pay to the order of Lender accrued simple interest on the principal balance at the rate of four percent (4%) per annum in accordance with the payment terms stipulated below.

1. **BORROWER'S OBLIGATION.** This Note evidences the obligation of Borrower to Lender for the repayment of funds loaned to Borrower by Lender to finance, in part, the development of fifty-eight (58) units of rental housing in the City of Sacramento, fifty-seven (57) of which are rent restricted (the "Regulated Units") as described in the Regulatory Agreement (the "Project").

2. **AMOUNT AND TIME OF PAYMENT.** Annual payments of principal and interest shall be made on January 1st of each year commencing in the thirteen (13) year after the Project receives its Certificate of Occupancy or the first year after the deferred developer fee for the Project is paid in full, whichever comes first, in an amount equal to 50 percent (50%) of remaining Residual Cash Flow (as defined below) for the preceding calendar year after payments (a)-(h) are made under the terms of Section XI.1 of Borrower's Amended and Restated Limited Partnership Agreement dated May __, 2021 ("Partnership Agreement"), and will be made annually thereafter until the loan termination date, at which time all principal and accrued interest will be due. In the event that in any year there is insufficient Residual Cash Flow to allow the Borrower to make its annual payment, the amount of any such payment or any portion thereof shall continue to accrue interest and shall be due and payable the following year from Residual Cash Flow. The payments made to Lender by Borrower shall be credited first against accrued and unpaid interest and then against outstanding principal and shall be accompanied by the Borrower's report of Residual Cash Flow. Borrower shall also provide to Lender within sixty (60) days of fiscal year-end, audited financial statements indicating the Development Costs, Residual Cash Flow, Cash Flow, Cash Receipts, Gross Revenue, Operating Expenses and senior loan obligations, together with such other documents as Lender may require.

(a) "Residual Cash Flow" shall mean the difference between Gross Revenue for the calendar year and Annual Operating Expenses for such period.

(b) "Gross Revenue," with respect to a particular calendar year, shall mean all revenue, income, receipts, and other consideration actually received from operation or leasing of the Project. Gross Revenue shall include, but is not limited to: all rents, fees and charges paid by tenants, Section 8 payments or other rental subsidy payments received for the dwelling units, deposits forfeited by tenants, all cancellation fees, price index adjustments and other rental adjustment to leases or rental agreements; proceeds from vending and laundry room machines; the proceeds of business interruption or similar insurance; the proceeds of casualty insurance to the extent not utilized to repair or rebuild the Project; condemnation awards for a taking of part of or all of the Project; and net proceeds on sale or refinancing after payment of all senior debt if this loan is not fully paid off at the time of such sale or refinancing. Gross Revenue shall also include the fair market value of any goods or services provided in consideration for the leasing or other use of any portion of the Project. Gross Revenue shall not include current tenants' security deposits, loan proceeds, capital contributions, or similar advances.

(c) "Annual Operating Expenses," with respect to particular calendar year, shall mean the following costs reasonably and actually incurred for operation and maintenance of the Project to the extent that they are consistent with an annual independent audit performed by a certified public accountant using generally accepted accounting principles: property and other taxes and assessments imposed on the project; premiums for property damage and liability insurance; utility services not paid for directly by tenants, including but not limited to water, sewer, trash collection, gas and electricity; maintenance and repair including but not limited to pest control, landscaping and grounds maintenance, painting and decorating, cleaning, common systems repairs, general repairs, janitorial, supplies, and others; any annual license or certificate of occupancy fees required for operation of the Project; general administrative expenses including but not limited to advertising and marketing, security services and systems, professional fees for legal, audit, accounting and tax returns and others; property management fees not to exceed $50.00 per unit per month or 8% of Gross Revenues, whichever is greater, and reimbursements including on-site manager expenses, not to exceed fees and reimbursements which are standard in the industry and pursuant to a management contract approved by the Lender; cash deposited into a reserve for capital replacements of Project Improvements and an operating reserve in such reasonable amounts as are required by the Project lenders and tax credit investor and approved by the Lender; nonprofit managing general partner fee and tax credit investor asset management/monitoring fee in the maximum beginning amount of $7,500 for each fee, and escalating for inflation no more than three percent (3%) annually for each fee; interest on loans to limited partners at the Applicable Federal Rate at the time of the loan, not to exceed eight percent (8%), to fund reasonable and necessary obligations of the partnership; debt service payments (excluding debt service due

from residual receipts or surplus cash of the Project) on senior loan obligations associated with the Project, and approved by Lender.

(d) Notwithstanding the generality of the foregoing, the following items are not expenses or deductible in computing Residual Cash Flow: (i) payment of any fees or expenses or of any portion of the Residual Cash Flow to Borrower or any affiliate of Borrower other than those listed above or previously approved by Lender; (ii) interest payments under this Note; (iii) payment of interest on any indebtedness of Borrower to any affiliate of Borrower (individual or entity) or to any other third party lenders, or partners not otherwise approved by Lender; (iv) payment of any fees due to any lenders not otherwise approved by Lender; and (v) depreciation, cost recovery, amortization or similar items which do not involve the expenditure of cash.

3. **MATURITY DATE.** The full amount of the outstanding principal advanced under this Note, together with all accrued but unpaid interest thereon shall be due and payable in full, on the earliest of:

A. Fifty-five (55) years from the date of this Note;

B. The date the Project is sold or the Borrower's interest in the Property is transferred or conveyed, except for transfers permitted by the terms of the Deed of Trust; or

C. An Event of Default:

(i) by Borrower under this Note; or

(ii) by Owner as defined under the Regulatory Agreement;

which has not been cured in the manner and time provided in this Note or Regulatory Agreement, as applicable.

4. **PLACE AND MANNER OF PAYMENT.** All amounts due and payable under this Note and any Loan Document are payable at the office of Lender as set forth above, or at such other place as Lender may designate to Borrower in writing from time to time, in any currency of the United States which on the date of payment is legal tender for the payment of public and private debts.

5. **PREPAYMENT OF LOAN.** No prepayment penalty will be charged to Borrower for payment of any portion of this Note prior to the end of the Loan term.

6. **REFINANCING OF OTHER LOANS.** With the exception of the first permanent financing take-out loan at completion of construction of the Project, in the event that Borrower refinances any permanent, construction, or other loan associated with the purchase of the Property or construction of the improvements on the Property, Lender shall receive fifty percent (50%) of the net refinance proceeds (proceeds remaining after repayment of the refinanced loan and payment of all third party escrow and closing costs) to be applied to this Note and/or any other Note between Borrower and Lender relating to the Property.

7. **WAIVERS BY BORROWER.** Presentment, notice of dishonor, and protest are waived by all makers, sureties, guarantors, and endorsers of this Note.

8. **DEFAULT AND ACCELERATION.** This Note is secured by the Deed of Trust. All provisions in the Deed of Trust and the Agreement are hereby made a part of this Note. Borrower agrees that the unpaid balance of the principal amount of this Note, together with all accrued interest thereon and charges owing, shall, at the option of Lender, become immediately due and payable upon any Event of Default as defined in the Agreement or the Regulatory Agreement which has not been cured pursuant to the applicable Agreement, including without limitation the failure of Borrower to make any payment when due. Upon any Event of Default, Lender may exercise any other right or remedy permitted under the Loan Documents.

9. **NONRECOURSE.** This Loan is a nonrecourse obligation of Borrower. Neither Borrower nor any of its officers, directors or general and limited partners, or members, shall have any personal liability for repaying the principal or interest of the Loan. The sole recourse of Lender for repayment of the principal and interest shall be the exercise of Lender's rights against the Project under the Deed of Trust. The foregoing limitation shall not apply to any loss, damage, liability, action, cause of action, cost or expense incurred by Lender as a result, and to the extent of, (i) fraud or material gross misrepresentation under the Agreement; (ii) intentional bad faith waste of the Property; (iii) losses resulting from Borrower's failure to properly maintain insurance as required under the Agreement; or (iv) gross misappropriation of any rents, security deposits, insurance proceeds, condemnation awards or any other proceeds derived from the collateral security. In the event of any of the foregoing events (i) through (iv) occurs, Lender shall have the right to proceed directly against Borrower to recover any loss, damage, liability, action, cause of action, cost or expense (including without limitation, reasonable attorneys' fees and expenses) incurred by Lender to the extent directly caused by events (i) through (iv).

10. **CONSENTS AND APPROVALS.** Any consent or approval required under this Note shall not be unreasonably withheld by Lender or Borrower.

11. **NOTICES.** Any notice, communications, or demands shall be in writing and may be communicated to Lender or Borrower at the addresses set forth in the Agreement.

12. **BINDING UPON SUCCESSORS.** All provisions of this Note shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors in interest, transferees and assigns of Borrower and Lender; provided, however, that this section does not waive the prohibition in the Agreement on assignment of the Loan by Borrower without Lender's consent, which shall not be unreasonably withheld.

13. **ASSIGNMENT AND ASSUMPTION.** Borrower shall not assign any of its interests under this Note to any other party, except as specifically permitted under the terms of the Loan Documents, without the prior written consent of Lender, which shall not be unreasonably withheld.

14. **[INTENTIONALLY DELETED]**

15. **GOVERNING LAW.** The Loan Documents shall be interpreted under and governed by the laws of the State of California, except for those provisions preempted by federal law. However, the laws of the State of California shall not be applied to the extent that they would require or allow the court to use the laws of another state or jurisdiction. Borrower

agrees that all actions or proceedings arising in connection with the Loan Documents shall be tried and litigated only in the state and federal courts located in the State of California, except that Lender, in its sole discretion, may elect that all such actions or proceedings be tried and litigated in the County of Sacramento or the United States District Court for the Eastern District of California.

16. **AGREEMENT CONTROLS.** In the event that any provisions of this Note and the Agreement conflict, the terms of the Agreement shall control.

17. **SEVERABILITY.** Every provision of this Note is intended to be severable. If any provision of this Note is held invalid, illegal, or unenforceable by a court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions shall not be affected or impaired.

18. **TIME.** Time is of the essence in this Note.

19. **ATTORNEYS' FEES AND COSTS.** In the event of any Event of Default, or any legal action is commenced to interpret or to enforce the terms of this Note, the prevailing party in any such action shall be entitled to recover all reasonable attorneys' fees and costs incurred in such action. In addition, Borrower agrees to pay Lender all reasonable costs incurred in collection of amounts due under this Note which are not paid by the due date as specified herein, whether or not a legal action has been filed.

20. **WAIVER.** Any waiver by Lender of any obligation in this Note must be in writing. No waiver shall be implied from any delay or failure by Lender to take action on any breach or default by Borrower or to pursue any remedy allowed under this Note or applicable law. Any extension of time granted to Borrower to perform any obligation under this Note must be in writing signed by Lender and shall not operate as a waiver or release from any of Borrower's obligations under the Note. Consent by Lender to any act or omission by Borrower shall not be construed to be a consent to any other act or omission or to waive the requirement for Lender's written consent to future waivers.

21. **AMENDMENTS AND MODIFICATIONS.** Any amendments or modifications to this Note must be in writing, and shall be effective only if executed by both Borrower and Lender.

(*Signatures on Next Page*)

**IN WITNESS WHEREOF**, Borrower has executed this Note as of the date first above written.

BORROWER:

**1322 O St Investors LP**,
a California limited partnership

By: _____
**Cyrus Youssefi**, Administrative General Partner

By: **Capitol Area Community Development Corporation**,
a California non-profit public benefit corporation
Its: Managing General Partner

By: _____
**Wendy Saunders**, President

**No recording fee required pursuant to Government Code Section 27383**

**Recording Requested by and When Recorded Return to:**

Capitol Area Development Authority
1522 14th Street
Sacramento, CA 95814
Attn: Executive Director

SPACE ABOVE THIS LINE FOR RECORDER'S USE

# DEED OF TRUST ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FIXTURE FILING

## (1322 O Street)

THIS DEED OF TRUST, ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FIXTURE FILING ("Deed of Trust"), made May __, 2021, between **1322 O St Investors LP**, a California limited partnership ("Trustor"), Placer Title Company ("Trustee"), and **Capitol Area Development Authority**, a California joint powers authority ("Beneficiary").

Trustor is the fee interest owner of that certain real property located in the County of Sacramento, State of California, described in Exhibit A attached hereto ("Property"). Trustor shall construct a development of fifty-eight (58) units of rental housing in the City of Sacramento, fifty-seven (57) of which are rent restricted as described in that certain Regulatory Agreement dated the same date herewith (collectively, "Improvements").

Trustor intends to grant Beneficiary this Deed of Trust encumbering its fee interest in the Property as security for a loan made by Beneficiary to Trustor to be used for the development of the Property.

Trustor, in consideration of the indebtedness referred to below, irrevocably grants, transfers, conveys, and assigns to Trustee, in trust for the benefit of Beneficiary, with power of sale, the Property.

TOGETHER WITH:

(a) all right, title and interest (including any claim or demand in law or equity) which Trustor now has or may hereafter acquire in or to such property; all development rights or credits and air rights; all water and water rights (whether or not appurtenant to such property) and shares of stock pertaining to such water or water rights, ownership of which affects such property; Trustor's interest in all minerals, oil, gas, and other hydrocarbon substances and rights thereto in, on, under, or upon such property and all royalties and profits from any such rights or shares of stock; and all adjacent lands within enclosures or occupied by buildings partly situated on such property;

(b) all buildings, structures, improvements, fixtures and appurtenances now and hereafter placed on such property, including, without limitation, all apparatus and equipment,

whether or not physically affixed to the land or any building, used to provide or supply air-cooling, air conditioning, heat, gas, water, light, power, refrigeration, ventilation, laundry, drying, dish washing, garbage disposal or other services; and all elevators, escalators and related machinery and equipment, fire prevention and extinguishing apparatus, security and access control apparatus, partitions, ducts, compressors, plumbing, ovens, refrigerators, dishwashers, disposals, washers, dryers, awnings, storm windows, storm doors, screens, blinds, shades, curtains and curtain rods, mirrors, cabinets, paneling, rugs, attached floor coverings, furniture, pictures, antennas, pools and spas and pool and spa operation and maintenance equipment and apparatus, trees and plants located on such property, all of which, including replacements and additions thereto, shall conclusively be deemed to be affixed to and be part of the real property conveyed to Trustee hereunder.

(c) all intangible property and rights related to the aforesaid property or the operation thereof or used in connection therewith including, without limitation, permits, licenses, plans, specifications, construction contracts, subcontracts, bids, deposits for utility services installations, refunds due Trustor, trade names, trademarks and service marks.

(d) all rents, issues, profits and other income from the property, including, but not limited to, all proceeds of sale or lease of the property.

(e) the personal property collateral described in Exhibit B.

Trustor agrees to execute and deliver, from time to time, such further instruments, including but not limited to, Security Agreements, Assignments, and UCC Financing Statements, as may be requested by Beneficiary to confirm the lien of this Deed of Trust on any of the aforementioned property.

All Property, both real and personal, conveyed to Trustee hereunder shall be referred to herein as the "Property".

This Deed of Trust secures the following obligations:

1.1 (a) Promissory Note entered into by Trustor, of even date herewith (and any and all renewals or extensions thereof) in the amount of ONE MILLION FIVE HUNDRED THOUSAND DOLLARS ($1,500,000.00), with interest thereon according to the terms of said note ("Note"), which Trustor covenants and agrees to pay.

(b) Payment and Performance of every obligation, covenant, promise and/or agreement contained in this Deed of Trust.

(c) Payment and Performance of every obligation, covenant, promise and/or agreement contained in the Regulatory Agreement entered into by Trustor of event date herewith.

(d) Payment and performance of every obligation, covenant, promise and agreement contained in any other written instrument executed by Trustor in favor of Beneficiary if, but only if, the written instrument expressly states that the instrument is secured by this Deed of Trust.

(e) For the purposes of this Deed of Trust, any reference to a Note contained herein shall be deemed to refer to each and every note secured by this Deed of Trust, and any default

under any note secured by this Deed of Trust shall constitute a default under every other note so secured, and shall additionally constitute a default under this Deed of Trust.

For the purpose of protecting and preserving the security of this Deed of Trust, Trustor promises and agrees:

2. Obligations of Trustor. Trustor shall promptly pay when due, all installments, payments, charges or other obligations due under the Note; and all other monetary obligations secured by this Deed of Trust.

3. Repair and Maintenance of the Property. Trustor will: (a) keep the Property in good condition and repair; (b) not substantially alter, remove or demolish the Property or any building or other improvements thereon, except (i) when approved in writing by Beneficiary; or (ii) when incident to the replacement of fixtures, equipment, machinery or appliances with items of like kind; (c) restore and repair to the equivalent of its original condition, all or any part of the Property which may be damaged or destroyed, including, but not limited to, damage from termites and dry rot, soil subsidence and construction defects, whether or not insurance proceeds are available to cover any part of the cost of such restoration and repair; (d) pay when due all claims for labor performed and materials furnished in connection with the Property and not permit any mechanic's or materialman's lien to arise against the Property or furnish loss or liability under such mechanic's lien claims; (e) comply with all laws affecting the Property or requiring that any alterations, repairs, replacements, or improvements be made thereon; (f) not commit or permit waste on or to the Property, or commit, suffer or permit any act or violation of law to occur upon the Property; (g) not abandon the Property; (h) cultivate, irrigate, fertilize, fumigate and prune; (i) if required by Beneficiary, provide for the management satisfactory to Beneficiary under a management contract approved by Beneficiary; (j) notify the Beneficiary in writing of any condition at or on the Property which may have a significant and measurable effect on its market value; and (k) if the Property is rental Property, generally operate and maintain the Property in such manner as to realize the maximum rental potential thereof and do all other things which the character or use of the Property may reasonably render necessary to maintain the Property in the same condition (reasonable wear and tear expected) as it was at the date of this Deed of Trust.

4. Insurance.

4.1 Property Insurance. Trustor shall provide and maintain insurance as required below covering all buildings, structures and improvements now situated or which hereafter may be erected or placed upon said Property, against loss or damage by fire and other casualties (special broad-form perils) with the valuation clause reflecting replacement costs basis and to carry such and, in the event said Property or any part thereof now lies or hereafter lies in an area designated by the Federal Emergency Management Agency as located within a flood insurance rate map or flood hazard boundary map, or which is designated by the Department of Housing and Urban Development as a flood zone, to carry flood insurance; all as required below or as the Beneficiary may from time to time require. All such insurance shall be in forms, and with companies and in sums (not less than sufficient to avoid any claim on the part of the insurers for co-insurance or other penalties for insufficient limits) satisfactory to the Beneficiary. All insurance policies shall be held by and be for the benefit of Beneficiary, and shall name Beneficiary as loss payee. Beneficiary shall accept as satisfying the requirements of this Section 3.1 any insurance policy in the amount of the replacement cost of buildings, structures, and improvements located on said Property. At least fifteen (15) days before the expiration of each such policy, Trustor shall deliver to the Beneficiary a new and sufficient policy to take the

place of the one so expiring. In the event of a loss, the amount collected, under any policy of insurance on said Property may, at the sole option of the Beneficiary (1) except to the extent expressly limited or prohibited by statutory or case law in effect as of the date of this Deed of Trust, be applied by Beneficiary upon any indebtedness and/or obligation secured hereby whether the same be then matured or unmatured, and in such order as Beneficiary may determine; (2) be used in replacing or restoring the improvements partially or totally destroyed to a condition satisfactory to said Beneficiary; (3) be used by the Beneficiary to fulfill any of the covenants contained herein as the Beneficiary may determine; or (4) be released to the Trustor. In any of the foregoing events neither the Trustee nor the Beneficiary shall be obligated to see to the prior application thereof, nor shall the amount so released or used under clauses (2), (3), or (4) above be deemed a payment on any indebtedness secured hereby. Such application, use, and/or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice. The Trustor hereby irrevocably appoints the Beneficiary as its attorney in fact to assign each such policy in the event of the foreclosure of this Deed of Trust or other transfer of the title to the granted Property in extinguishment, in whole or in part, of the debt secured hereby. No insurance shall be required hereunder in excess of that allowed by Civil Code Section 2955.5.

4.2 General Liability Insurance. Trustor shall purchase and continuously maintain comprehensive general liability with terms and conditions that are at least as broad as the Insurance Service Office (ISO) Form 00 01 and with limits not less than $5,000,000 each occurrence. Such insurance shall include the Beneficiary as an additional insured arising out of the named insured's ongoing and completed operations. Such insurance shall have an endorsement stating that for any claims related to this Property, the Trustor's insurance shall be primary insurance as respects the Beneficiary to the extent the Beneficiary is an additional insured. Such insurance shall also state that any insurance or self-insurance maintained by the Beneficiary shall be in excess of the Trustor's insurance and shall not contribute with it. The Trustor's insurance shall also provide that the Beneficiary shall receive at least thirty (30) days' written notice prior to cancellation, non-renewal, or modification thereof during this Deed of Trust term. Such insurance policies as are required by this Section 4.2 shall be approved and held by Beneficiary.

5. Defense of Deed of Trust; Litigation. Trustor will give Beneficiary immediate written notice of any action or judicial proceeding (including, with limitation, any judicial or non-judicial proceeding to foreclose the lien of a junior or senior mortgage or deed of trust) affecting or purporting to affect the Property, this Deed of Trust, Beneficiary's security for the performance of Trustor's obligations under the Note, or the rights or powers of Beneficiary or Trustee under the Note or this Deed of Trust. Notwithstanding any other provision of this Deed of Trust, Trustor hereby agrees that Beneficiary or Trustee may (but neither is obligated to) commence, appear in, prosecute, defend, compromise and settle, in Beneficiary's or Trustor's name, and as attorney-in-fact for Trustor, any action or proceeding, whether judicial or non-judicial, reasonably necessary to preserve or protect, or affecting or purporting to affect, the Property, this Deed of Trust, Beneficiary's security for the performance of Trustor's obligations under the Note, or this Deed of Trust. If neither Beneficiary nor Trustee elects to do so, Trustor will commence, appear in, prosecute and defend any such action or proceeding. Beneficiary may incur necessary costs and expenses including attorneys' fees, in any such action. Trustor will pay all costs and expenses of Beneficiary and Trustee, including costs of evidence of title and reasonable attorneys' fees, in any such action or proceeding in which Beneficiary or Trustee may appear or for which legal counsel is sought, whether by virtue of being made a party defendant or otherwise; and whether or not the interest of Beneficiary or Trustee in the Property is directly questioned in such action or proceeding, including, without limitation, any action of the

condemnation or partition of all or any portion of the Property and any action brought by Beneficiary to foreclose this Deed of Trust or to enforce any of its terms or provisions.

6. Use of Property. Unless otherwise required by applicable law or unless Beneficiary otherwise consents in writing, Trustor will not allow changes in the use of the Property from that which is contemplated by Trustor and Beneficiary at the time of execution of this Deed of Trust, as specified in the documents executed by Trustor in connection with obtaining the loan secured hereby, including the Regulatory Agreement ("Loan Documents"). Trustor will not initiate or acquiesce in a change in the zoning classification of the Property without Beneficiary's prior written consent.

7. Taxes and Assessments. Trustor agrees (a) to pay all taxes and assessments affecting the Property, including assessments on appurtenant water stock, and any accrued interest, cost and/or penalty thereon and submit receipts therefor to the Beneficiary, at least ten (10) days before default or delinquency; (b) to pay when due all encumbrances (including any debt secured by deed of trust), ground rents, liens, and/or charges, with interest, on said Property or any part thereof which appear to be prior or superior hereto, and to pay immediately and in full all such encumbrances, liens and/or charges, if any, which may now be due or payable; (c) to pay when due all costs, fees and expenses of these trusts, including cost of evidence of title and Trustee's fees in connection with sale, whether completed or not, which amounts shall become due upon delivery to Trustee of a declaration of default.

8. Assessment Bonds. Trustor agrees to pay any and all assessments against said Property at least ten (10) days before any bond or bonds could or would be issued in connection therewith, unless Beneficiary determines in its sole discretion that its security would not be impaired if the assessments were not paid in full.

9. Assessments on Water Bonds. Trustor agrees to pay before delinquency all assessments upon the stock of any water company which stock may be used in connection with said Property, and all rents, assessments or charges for water appurtenant to or used in connection with said Property and/or for the flumes, ditches, pipes or aqueducts in which such water may be furnished or delivered; and all such stock is hereby expressly made a part of the security hereof.

10. Reimbursement of Lender's Expenses. Trustor agrees to pay immediately upon demand after expenditure, all sums expended or expense incurred by Trustee and/or Beneficiary, including reasonable attorney's fees, under any of the terms of this Deed of Trust, with interest from date of demand at the rate of ten per cent (10%) per annum. Without in any way limiting the foregoing, Trustor shall pay to or reimburse Beneficiary for any costs, fees and expenses (including without limitation reasonable attorneys' fees and any administrative fees or overhead or other indirect costs and expenses) incurred or charged by Beneficiary in protecting its security hereunder or the Property or Beneficiary's interest under this instrument, or in responding, processing, reviewing or reviewing or otherwise dealing with the demands or claims or requests of Trustor or third parties who claim an interest in the Property or an interest adverse to Beneficiary's interests under this instrument.

11. Beneficiary Statement. Trustor agrees to pay to the Beneficiary any reasonable amount charged by the Beneficiary, not to exceed the maximum allowed by law, for any statement regarding the obligation secured hereby furnished by the Beneficiary upon demand by the Trustor, the charge for each such statement to be payable immediately upon furnishing of the statement.

12. Assignment of Rents and Leases.

12.1 Trustor does hereby immediately and absolutely assign, transfer and set over to the Beneficiary all the rents, issues, proceeds and profits which may be or may become due or to which the Trustor may now or hereafter become entitled, arising or issuing out of, under or by virtue of any and all leases and/or rental agreements, and any and all extensions or renewals thereof, now or hereafter entered into for the parking structure located on the Property or any part thereof, or for any improvements located thereon, and all other rents, issues, proceeds and profits due or accruing from the Property or any part thereof or the improvements located thereon. Trustor hereby gives to and confers upon Beneficiary the right, power and authority to collect such rents, issues, proceeds and profits. The assignment herein contained and all rights provided to Beneficiary by this Section are granted without regard to the adequacy of the Property as security for payment of the indebtedness secured by this Deed of Trust. This assignment is delivered as a present, immediate and absolute assignment of the rights contained herein; provided, however, that so long as no default shall exist under this Deed of Trust or the indebtedness secured hereby, the Trustor shall have the right to manage and operate the Property and all improvements thereon, and to collect, receive and apply for its own account all rents, issues and proceeds accruing by virtue of any lease or rental agreement and to execute and deliver proper receipts thereof. Immediately upon the occurrence of any default under this Deed of Trust or the indebtedness secured hereby, and until such default shall have been cured, the right of the Trustor to manage and operate the Property and to collect and receive rents shall cease and terminate and in such event the Beneficiary is hereby expressly and irrevocably authorized to enter into and take possession of the Property and the improvements located thereon by actual physical possession, or by appointment of a receiver or by a competent court or by written notice served personally upon or sent by registered mail to the Trustor, as the Beneficiary may elect, or by any other legal means, and to exclude the Trustor and all other persons therefrom. Following such entry and taking of possession the Beneficiary may operate and manage the Property and rent and lease the same and collect any and all rents, issues, income and profits therefrom, and from time to time apply same or accumulate same for application, in such order and manner as Beneficiary, in its sole discretion shall consider advisable. Beneficiary may apply such amounts to (i) the necessary and proper costs of upkeep, maintenance, repair and/or operation of the Property; (ii) the repayment of any sums theretofore or thereafter advanced pursuant to the terms of this Deed of Trust; (iii) the interest then due or next to become due upon said indebtedness; (iv) the taxes and assessments upon the Property then due or next to become due; (v) the unpaid principal of said indebtedness; and (vi) any other obligations secured by this Deed of Trust. The collection and/or receipt of rents, issues, income and/or profits from the Property by Beneficiary after declaration of default and election to cause the Property to be sold pursuant to the terms of this Deed of Trust shall not affect or impair such default or declaration of default or election to cause the Property to be sold or any sale proceeding predicated thereon, but such proceedings may be conducted and sale effected notwithstanding the receipt and/or collection of any such rents, issues, income and/or profits. Any such rents, issues, income and/or profits in the possession of said Beneficiary at the time of sale and not theretofore applied as herein provided, shall be applied in the same manner and for the same purposes as the proceeds of the sale. In addition to Beneficiary's rights under this Section, Beneficiary shall have all of the rights and remedies to which Beneficiary is entitled under California Civil Code Section 2938, and nothing contained in this Section 12 shall be construed as a limitation or waiver of any such rights or remedies.

12.2 Trustor agrees to assign to the Beneficiary, upon request, as security for the indebtedness secured hereby, the Trustor's interests in any or all leases, and the Trustor's interests in all agreements, contracts, licenses and permits affecting said property, such

assignments to be made by instruments in form reasonably satisfactory to the Beneficiary; but no such assignment shall be construed as a consent by the Beneficiary to any lease, agreement, contract, license or permit so assigned, or to impose upon the Beneficiary any obligations with respect thereto.

13. Modification and Termination of Leases and Rent Pre-payment. Except in the ordinary course of business, Trustor agrees not to cancel any of the leases assigned or subject to assignment to Beneficiary pursuant to Section 11.2 hereof, nor terminate or accept a surrender thereof (except in accordance with the terms of the assignment) or reduce the payment of the rent thereunder or modify any of said leases (except in accordance with the terms of the assignment) or accept any prepayment of rent therein without first obtaining, on each occasion, the written approval of the Beneficiary.

14. Performance of Leases. Trustor agrees to faithfully keep and perform all of the obligations of the landlord under all of the leases assigned or subject to assignment to the Beneficiary pursuant to Section 11 above and not to permit to accrue to any tenant under any such lease any right to prepaid rent pursuant to the terms of any lease other than the usual prepayment of rent as would result from the acceptance by the landlord on the first day of each month for the rent for the ensuing month, according to the terms of the various leases.

15. Rent Roll. Trustor agrees to deliver to Beneficiary within ninety days after the expiration of each calendar year, a rent roll of the Property showing the name and street address of all tenants in occupancy, the rent currently owed, the respective lease commencement and expiration dates, the amount of common area or expense contribution, if any, for each tenant, as well as whether there are any concessions, free rent periods or rebates.

16. Use. Trustor agrees to operate such Property at all times in the manner permitted by the Regulatory Agreement.

17. Prohibition of Sale or Encumbrance.

17.1 Prohibition of Sale or Encumbrance. Except as provided in the Note, Trustor shall not, without the prior written consent of Beneficiary, which consent may be given or withheld by Beneficiary in its sole discretion, sell, convey, encumber or transfer the herein described Property, or any part of it, or any interest in it, by the operation of law or otherwise. If Trustor is a corporation, limited liability company, partnership or joint venture, any change in the ownership, control or management of, or interest (other than interests of limited partners) in, Trustor shall be deemed to be a transfer of the Property.

Upon the occurrence of any such transaction with Beneficiary's consent, or without Beneficiary's consent if Beneficiary elects not to exercise its rights and remedies in the event of default (including, but not limited to, acceleration of the indebtedness secured hereby), Beneficiary (i) may charge a processing fee pursuant to Section 9 in connection with the change, and (ii) shall not be obligated to release Trustor from any liability hereunder or under the Notes or under any of the other documents evidencing or securing the Notes secured hereby. Consent to any such transaction shall not be deemed to be consent, or a waiver of the requirement of consent, to any other transaction.

Notwithstanding the foregoing, neither the withdrawal, removal, replacement, and/or addition of a general partner of the Trustor pursuant to the terms of the Amended and Restated Agreement of Limited Partnership of the Trustor dated as of May __, 2021 ("Partnership

Agreement"), nor the withdrawal, replacement, and/or addition of any of its limited partners or its limited partner's general partners or members, shall constitute a default under the Loan Documents, and any such actions shall not accelerate the maturity of the Loan, provided that any required substitute general partner is reasonably acceptable to Beneficiary and is selected with reasonable promptness. Any substitute general partner that is an affiliate of the Trustor's limited partner is hereby deemed acceptable to Beneficiary.

18. Licenses. As of the date of this Deed of Trust and at all times thereafter during the term of the loan Trustor shall have and maintain in full force and effect such certificates, consents, licenses, approvals and permits from the proper authorities as are required to operate the Property for the purpose(s) set forth in Section 15 above. A failure on the part of the Trustor or any subsequent owner to maintain any such required certificate, consent, license, approval, or permit in effect or a failure to obtain renewal thereof prior to expiration, shall constitute a default under the terms of this Deed of Trust for which the Beneficiary shall have the right, as its option, upon the expiration of any cure periods, to declare the entire indebtedness evidenced by said Note and hereby secured to be immediately due and payable.

19. Security Interest in Personal Property. Trustor hereby grants to Beneficiary a security interest in and to all personal Property described as the Collateral in Exhibit B. This Deed of Trust constitutes a security agreement with respect to all of the Collateral, and Beneficiary shall have all of the rights and remedies of a secured party under the California Uniform Commercial Code as well as all other rights and remedies available at law or in equity. Trustor hereby agrees to execute, acknowledge and deliver on demand, and hereby irrevocably appoints Beneficiary as its attorney-in-fact, with full power of substitution, to execute, acknowledge, deliver and, if appropriate file with the appropriate filing officer or office, such security agreements, financing statements, continuation statements or other instruments as Beneficiary may reasonably require in order to impose, perfect or continue the perfection of, the lien or security interest created hereby. The above power of attorney is coupled with an interest and shall survive the death or incapacity of Trustor. Trustor shall pay all costs and expenses in connection with any such documents or of any record searches for financing statements that Beneficiary may require.

20. Fixture Filing. This Deed of Trust constitutes a financing statement filed as a fixture filing in the real estate records of the county in which the Real Property is located with respect to any and all fixtures now or hereafter owned by Trustor and used in connection with the operation, occupancy and maintenance of the Property described in this Deed of Trust and with respect to any goods or other personal property owned by Trustor that may now be or hereafter become such fixtures.

21. Foreclosure on Collateral. Without limiting any other rights or remedies which Beneficiary or Trustee may have hereunder or under applicable law, including the right to conduct a unified foreclosure sale of real and personal Property, upon any default not cured within applicable cure periods Beneficiary or Trustee may conduct a public or private sale of the Collateral under the California Uniform Commercial Code pursuant to this Deed of Trust, and Trustor, upon demand by Beneficiary, shall assemble the Collateral and make it available to Beneficiary at the Property, a place which is hereby deemed to be reasonably convenient to Beneficiary and Trustor. Beneficiary shall give Trustor at least twenty (20) days prior written notice of the time and place of any public sale or other disposition of the Collateral, or of the time of or after which any private sale or other disposition of the Collateral is to be made; if such notice is sent to Trustor in accordance with the procedures for the mailing of notices set forth in

the last Section of this instrument, it is hereby deemed that such notice shall be and is reasonable notice to Trustor.

22. Maintenance of Fixtures and Collateral. At all times during the term hereof Trustor shall maintain a sufficient level of fixtures and Collateral to properly operate the said Property, which shall in any event not be materially less than that existing on the date hereof. Notwithstanding anything to the contrary in this Deed of Trust, during any time when not in default hereunder, Trustor shall have the right, subject to the prior concurrent satisfaction of the conditions set forth in the next sentence, to substitute and replace Collateral and fixtures in the ordinary course of business. To the extent the replacement Collateral and fixtures are of the same general type and are of at least the same value and upon acquisition of the substitute Collateral and fixtures by Trustor and placement thereof on the said real Property, the replaced Collateral and fixtures shall be deemed released from the lien hereof.

23. Maps and Restrictions. Trustor agrees that it will not without the consent of Beneficiary after the date hereof file or cause to be filed any subdivision or condominium map or plan, or any deed, plan or agreement for cooperative ownership of the Property, or any other covenants or restrictions affecting the Property.

24. Environmental Covenants. Trustor will at all times comply with the following requirements:

24.1 No Use, Disposal or Storage. Trustor shall not cause, permit or suffer any Hazardous Material (as defined in Section 25.3 to be brought upon, treated, kept, stored, disposed of, discharged, released, produced, manufactured, generated, refined or used upon, about or beneath the Property or any portion thereof by Trustor, its agents, employees, contractors, invitees, tenants, or any other person, except to the extent commonly used in the day to day operation of the Property and then only so long as in compliance with all Environmental Requirements (as defined in Section 25.2).

24.2 Compliance with Environmental Requirements. Trustor shall not cause, permit or suffer the existence or the commission by Trustor, its agents, employees, or contractors of a violation of any Environmental Requirements upon, about or beneath the Property or any portion thereof and Trustor shall use its best efforts to prevent any such violation of any Environmental Requirements by any invitees, tenants or any other person. Trustor shall notify Beneficiary in writing of any release of Hazardous Materials at, on, under or within the Property in violation of any Environmental Requirements, or of the presence of Hazardous Materials at the Property in violation of any Environmental Requirements, promptly upon discovery of such release or presence.

24.3 Environmental Liens. Trustor shall not create or suffer to exist with respect to the Property, or permit any of its agents to create or suffer to exist any lien, security interest or other charge or encumbrance of any kind, including without limitation, any lien imposed pursuant to Section 107(f) of the Superfund Amendments and Reauthorization Act of 1986 (42 U.S.C. Section 9607(1)) or any similar state statute, and Trustor shall use its best efforts to prevent the creation of any such lien, security interest, charge or encumbrance by any of its tenants and shall not permit any of such tenants to suffer to exist any of such items.

24.4 Mitigation. Notwithstanding the obligation of Trustor to indemnify pursuant to Section 25 Trustor shall, at its sole cost and expense, promptly take all actions required by any federal, state or local governmental agency or political subdivision or which are otherwise

reasonably necessary in the sole reasonable discretion of Beneficiary to mitigate Environmental Damages (as defined in Section 25.1) arising from the presence upon, about or beneath the Property of a Hazardous Material, or from a violation of Environmental Requirements. Such actions shall include, but not be limited to, the investigation of the environmental condition of the Property, the preparation of any feasibility studies, reports or remedial plans, and the performance of any cleanup, remediation, containment, operation, maintenance, monitoring or restoration work, whether on or off of the Property. Trustor shall take all actions necessary to restore the Property to the condition existing prior to the introduction of Hazardous Material upon, about or beneath the Property, notwithstanding any lesser standard of remediation allowable under applicable law or governmental policies. Trustor shall proceed continuously and diligently with such investigatory and remedial actions, provided that in all cases such actions shall be in accordance with all applicable requirements of governmental entities. Any such actions shall be performed in a good, safe and workmanlike manner and shall minimize any impact on the business conducted at the Property. Trustor shall pay all costs in connection with such investigatory and remedial activities, including but not limited to all power and utility costs, and any and all taxes or fees that may be applicable to such activities. Trustor shall promptly provide to Beneficiary copies of testing results and reports that are generated in connection with the above activities. Promptly upon completion of such investigation and remediation, Trustor shall permanently seal or cap all monitoring wells and test holes to industrial standards in compliance with applicable federal, state and local laws and regulations, remove all associated equipment, and restore the Property to the maximum extent possible, which shall include, without limitation, the repair of any surface damage, including paving, caused by such investigation or remediation hereunder.

24.5 Notice of Environmental Risks. If Trustor shall become aware of or receive notice or other communication concerning any actual, alleged, suspected or threatened violation of Environmental Requirements, or liability of Trustor for Environmental Damages in connection with the Property or past or present activities of any person thereon, including but not limited to notice or other communication concerning any actual or threatened investigation, inquiry, lawsuit, claim, citation, directive, summons, proceeding, complaint, notice, order, writ, or injunction, relating to same, and including without limitation any notice or other communication from any tenant, then Trustor shall deliver to Beneficiary, within ten (10) days of the receipt of such notice of communication by Trustor, a written description of said violation, liability, correcting information or actual or threatened event or condition, together with copies of any documents evidencing same. Receipt of such notice shall not be deemed to create any obligation on the part of beneficiary to defend or otherwise respond to any such notification.

24.6 Notice of Test Results. Trustor shall promptly provide to Beneficiary the results of any tests and copies of all registration permits regarding any underground storage tanks located on the Property and Trustor shall comply with the same.

24.7 Right to Enter and Inspect. In the event Beneficiary reasonably believes that there has been a release or threatened release of a Hazardous Material on the Property or a breach of an Environmental Requirement or in the event of any default under this Deed of Trust or under the Note, Beneficiary shall have the right in its sole and absolute discretion, but not the duty, to enter upon the Property at any reasonable time, at the expense of Trustor, to conduct an inspection of the Property, including invasive tests, to determine compliance with all Environmental Requirements and the existence of any Environmental Damages as a result of the condition of the Property or any surrounding properties and activities thereon. Trustor hereby grants to Beneficiary, and the agents, employees, consultants and contractors of Beneficiary, the right to enter upon the Property and to perform such tests on the Property as

are necessary to conduct such reviews and investigations in accordance with the preceding sentence. Beneficiary shall use its best efforts to minimize interference with the business of Trustor and to restore the condition of the Property, but Beneficiary shall not be liable for any interference caused thereby or failure to restore if Beneficiary determines in its sole discretion that it is not economically practicable. Beneficiary shall reimburse Trustor for the cost of repair of any physical injury to the Property caused by the entry and inspection to the extent required by Civil Code Section 2929.5(c).

24.8 Reimbursement of Lender. In the event of any default under this Deed of Trust or under the Note, Trustor shall promptly reimburse Beneficiary for any environmental studies or tests which Beneficiary deems necessary to ascertain the presence and/or level of any Hazardous Materials on the Property.

25. Definitions of Environmental Terms. For the purposes of this Deed of Trust, the following terms shall have the following meanings:

25.1 "Environmental Damages" means all claims, judgments, damages (including without limitation, punitive damages), losses, penalties, fines, liabilities (including strict liability), encumbrances, liens, costs and expenses of investigation and defense of any claim, whether or not such is ultimately defeated, and of any settlement or judgment, of whatever kind or nature, contingent or otherwise, matured or unmatured, foreseeable or unforeseeable, including without limitation reasonable attorneys' fees and disbursements and consultants' fees, any of which are incurred at any time as a result of the existence of Hazardous Material upon, about, beneath the Property or migrating or threatening to migrate to or from the Property, or the existence of a violation of Environmental Requirements pertaining to the Property regardless of whether the existence of such Hazardous Material or the violation of Environmental Requirements arose prior to the present ownership or operation of the Property, and including, without limitation:

25.1.1 damages for personal injury, or injury to Property or natural resources occurring upon or off the Property, foreseeable or unforeseeable, including, without limitation, lost profits, consequential damages, the cost of demolition and rebuilding of any improvements on real property, interest and penalties including but not limited to claims brought by or on behalf of employees of Trustor, with respect to which Trustor waives, for the benefit of Beneficiary only, any immunity to which it may be entitled under any industrial or worker's compensation laws;

25.1.2 fees incurred for the services of attorneys, consultants, contractors, experts, laboratories and all other costs incurred in connection with the investigation, cleanup or remediation of such Hazardous Materials or violation of Environmental Requirements including but not limited to, the preparation of any feasibility studies or reports or the performance of any cleanup, remedial, removal, abatement, containment, closure, restoration or monitoring work required by any federal state or local governmental agency or political subdivision, or reasonably necessary to make full economic use of the Property or any other Property or otherwise expended in connection with such conditions, and including without limitation any attorneys' fees, costs and expenses incurred in enforcing this Deed of Trust or collecting any sums due hereunder; and

25.1.3 liability to any person or entity to indemnify such person or entity for costs expended in connection with the items referenced in sub-Section 24 hereof.

25.2 "Environmental Requirements" means all applicable present and future statutes, regulations, rules, ordinances, codes, licenses, permits, orders, approvals, plans, authorizations, concessions, franchises and similar items, of all governmental agencies, departments, commissions, boards, bureaus or instrumentalities of the United States, states and political subdivisions thereof and all applicable judicial and administrative and regulatory decrees, judgments and orders relating to the protection of human health or the environment, including, without limitation:

25.2.1 all requirements, including but not limited to those pertaining to reporting, licensing, permitting, investigation and remediation of emissions, discharges, releases or threatened releases of Hazardous Materials, chemical substances, pollutants, contaminants or hazardous or toxic substances, materials or wastes whether solid, liquid or gaseous in nature, into the air, surface water, groundwater or land, or relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, pollutants, contaminants or hazardous or toxic substances, materials, or wastes, whether solid, liquid or gaseous in nature; and

25.2.2 all requirements pertaining to the protection of the health and safety of employees or the public.

25.3 "Hazardous Materials" means any substance:

25.3.1 the presence of which requires investigation or remediation under any federal, state or local statute, regulation, rule, ordinance, order, action or policy; or

25.3.2 which is or becomes defined as a "hazardous waste" or "hazardous substance" or "pollutant" or "contaminant" under any federal, state or local statute, regulation, rule, or ordinance or amendments thereto including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. section 9601 et seq.) or the Resource Conservation and Recovery Act (42 U.S.C. section 6901 et seq.); or

25.3.3 which is toxic, explosive, corrosive, flammable, infectious, radioactive, carcinogenic, mutagenic, or otherwise hazardous and is or becomes regulated by any governmental authority, agency, department, commission, board, agency or instrumentality of the United States, any State of the United States, or any political subdivision thereof; or

25.3.4 the presence of which on the Property causes or threatens to cause a nuisance upon the Property or to adjacent properties or poses or threatens to pose a hazard to the Property or to the health or safety of persons on or about the Property; or

25.3.5 which contains volatile organic compounds such as gasoline, diesel fuel or other petroleum hydrocarbons; or

25.3.6 which contains polychlorinated biphenyls (PCBs) or asbestos or asbestos-containing materials or urea formaldehyde foam insulation; or

25.3.7 radon gas.

26. Environmental Indemnity. Trustor agrees to indemnify, reimburse, defend, exonerate, pay and hold harmless (a) Beneficiary, its affiliates and their respective successors and assigns who acquire all or any portion of the loan secured by this Deed of Trust or the Property in any

manner, including but not limited to, purchase at a foreclosure sale, acceptance of a deed in lieu thereof or otherwise through the exercise of the rights and remedies of Beneficiary under this Deed of trust and (b) the directors, officers, shareholders, employees, successors, assigns, agents, contractors, subcontractors, experts, licensees, affiliates, lessees, mortgagees, trustees, and invitees of Beneficiary and such other persons or entities, from and against any and all Environmental Damages arising from the presence of Hazardous Materials upon, about or beneath the Property or migrating to or from the Property, or arising in any manner whatsoever out of the violation of any Environmental Requirements pertaining to the Property and the activities thereon, or the breach of any warranty or covenant or the inaccuracy of any representation of Trustor contained in this Deed of Trust unless and to the extent such Environmental Damages exist solely as a result of the gross negligence or willful misconduct of Beneficiary. This obligation shall include, but not be limited to, the burden and expense of defending all claims, suits and administrative proceedings (with counsel chosen by Trustor and reasonably approved by the indemnified parties), even if such claims, suits or proceedings are groundless, false or fraudulent, and conducting all negotiations of any description, and paying and discharging, when and as the same become due, any and all judgments, penalties or other sums due against such indemnified persons. Trustor's obligations hereunder shall not apply with respect to Environmental Damages caused after Beneficiary has purchased the Property at a foreclosure sale unless caused by Trustor, either solely or jointly with others, including Beneficiary.

27. Environmental Remedies. Notwithstanding anything to the contrary in this Deed of Trust, the rights of Beneficiary and the obligations of Trustor created under the foregoing Sections 23, 25, and 26 shall be in addition to those other rights and obligations, respectively, created or imposed by statutory, common or case law.

28. Provisional Remedies on Default. Should Trustor fail or refuse to make any payment or do any act which it is obligated hereunder to make or do, at the time and in the manner herein provided, or if any representation of Trustor in this Deed of Trust, or other document referred to herein is incorrect, then Trustee and/or Beneficiary, each in its sole discretion, may, without notice to or demand upon Trustor, and without releasing Trustor from any obligation hereof:

28.1 Make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, either Trustee or Beneficiary being authorized to enter upon and take possession of said Property for such purposes;

28.2 Commence, appear in and/or defend any action or proceedings purporting to affect the security hereof, and/or any additional or other security therefor, the interest, rights, powers and/or duties of Trustee and/or Beneficiary hereunder, whether brought by or against Trustor, Trustee or Beneficiary;

28.3 Pay, purchase, contest or compromise any claim, debt, lien, charge or encumbrance which in the judgment of either may affect or appear to affect the security of this Deed of Trust, the interest of Beneficiary or the rights, powers and/or duties of Trustee and/or Beneficiary hereunder;

28.4 Enter into and upon and take and hold possession of any or all Property covered hereby and exclude the Trustor and all other persons therefrom;

28.5 Operate, and manage the said Property and rent and lease the same and collect any and all rents, issues, income and profits therefrom, the same being hereby assigned and

transferred to Beneficiary, and from time to time apply same and/or accumulate same for application, in such order and manner as Beneficiary in its sole discretion shall consider advisable, to or upon the following: The necessary and proper costs of upkeep, maintenance, repair, and/or operation of said Property, the repayment of any sums theretofore or thereafter advanced pursuant to the terms of this Deed of Trust, the interest then due or next to become due upon said indebtedness, the taxes and assessments upon said Property then due or next to become due, the unpaid principal of said indebtedness, or any other obligation secured by this Deed of Trust.

28.5.1 The collection and/or receipt of rents, issues, income and/or profits from said Property by Beneficiary after declaration of default and election to cause said Property to be sold under and pursuant to the terms of this Deed of Trust shall not affect or impair such default or declaration of default or election to cause said Property to be sold or any sale proceedings predicated thereon, but such proceedings may be conducted and sale effected notwithstanding the receipt and/or collection of any such rents, issues, income and/or profits. Any such rents, issues, income and/or profits in the possession of said Beneficiary at the time of sale and not theretofore applied as herein provided, shall be applied in the same manner and for the same purposes as the proceeds of the sale.

28.5.2 Neither Trustee nor Beneficiary shall be under any obligation to make any of the payments or do any of the acts above mentioned, but, upon election of either or both so to do, employment of an attorney is authorized and payment of such reasonable attorneys' fees and of all other necessary expenditures is hereby secured.

29. Condemnation. All moneys and awards payable as damages and/or compensation for the taking of title to or possession of, or for damage to, any portion of the Property subject to this Deed of Trust by reason of any condemnation, eminent domain or other similar proceeding shall be paid to Beneficiary, and such moneys and awards are hereby assigned to Beneficiary, and judgment therefor shall be entered in favor of Beneficiary, and when paid, may, at the option of the Beneficiary, (a) be applied, in whole or in part, by Beneficiary upon any indebtedness or obligation secured hereby, whether the same be matured or unmatured, and in such order as Beneficiary may determine, (b) be used in whole or in part to replace or restore the Property to a condition satisfactory to the Beneficiary, (c) be used in whole or in part to fulfill any of the covenants contained herein as the Beneficiary may determine, or (d) be released to the Trustor; and the Trustor hereby covenants and agrees, upon request by the Beneficiary, to make, execute and deliver any and all assignments and other instruments sufficient for the purpose of assigning the aforesaid moneys and awards to the Beneficiary free, clear and discharged of any and all encumbrances of any kind or nature whatsoever.

Notwithstanding the foregoing, in the event of any fire or other casualty to the Property or eminent domain proceedings resulting in condemnation of the Property or any part thereof, Trustor shall have the right to rebuild the Property, and to use all available insurance or condemnation proceeds therefor, provided that (a) such proceeds are sufficient to keep the Loan in balance and rebuild the Property in a manner that provides adequate security to Beneficiary for repayment of the Loan or if such proceeds are insufficient then Trustor shall have funded any deficiency, (b) Beneficiary shall have the right to approve plans and specifications for any major rebuilding and the right to approve disbursements of insurance or condemnation proceeds for rebuilding under a construction escrow or similar arrangement, and (c) no material default then exists under the Loan Documents. If the casualty or condemnation affects only part of the Property and total rebuilding is infeasible, then proceeds may be used for partial rebuilding and partial repayment of the Loan in a manner that provides adequate security

to Beneficiary for repayment of the remaining balance of the Loan.

30. Acceptance of Late Payments. By accepting payment of any sum secured hereby after its due date, Beneficiary does not waive its rights either to require prompt payment when due of all other sums so secured or to declare default as herein provided for failure so to pay.

31. Waivers and Authorizations. At any time, or from time to time, without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed of Trust and the Note or Notes secured hereby for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby or the effect of this Deed of Trust upon the remainder of said Property, Trustee may reconvey any part of said Property; consent in writing to the making of any map or plat thereof; join in granting any easement thereon; or join in any extension agreement or any agreement subordinating the lien or charge hereof. Trustor, for itself and its successors and assigns (including without limitation any subsequent or other junior creditor of any part or all of the Property), waives any right to object to such reconveyance, mapping, easement or agreement with respect to such Property and waives any right to require that the value of such Property be applied upon the debt secured hereby (other than the amount, if any, actually received by Beneficiary in connection with any such transaction).

32. Release, Modification and Reconveyance, Waiver of Marshalling. Without affecting the liability of any other person liable for the payment of any obligation herein mentioned, and without affecting the lien or charge of this Deed of Trust upon any property not then or theretofore released as security, for the full amount of all unpaid obligations, Beneficiary may from time to time, and without notice release any person so liable, extend the maturity or alter any of the terms of any such obligation, or grant other indulgences, release or reconvey, or cause to be released or reconveyed at any time at Beneficiary's option any parcel or portion or all of the Real Property described herein, take or release any other or additional security for any obligation herein mentioned, and/or make composition or other arrangements with debtors in relation thereto. Trustor waives any right to object to the release or reconveyance of such Property and waives any right to require that the value of any Property so released or reconveyed be applied upon the debt secured hereby (other than the amount, if any, actually received by Beneficiary in connection with any such release). Trustor agrees that if the Beneficiary at any time holds any additional security for any obligations secured hereby, it may enforce the sale thereof or otherwise realize upon the same at its option, either before or concurrently therewith or after a sale is made hereunder.

33. Substitution of Trustee. Beneficiary hereunder may, from time to time, appoint another trustee or trustees to execute the trusts hereby created; and upon the recordation of such appointment in the Office of the County Recorder of the County where such Property is situated, the new trustee or trustees shall be vested with all the title, interest, powers, duties, and trusts in the premises hereby vested in the Trustee first above named.

34. Reconveyance by Trustee. Upon written request of Beneficiary stating that all sums secured hereby have been paid and upon surrender to Trustee of this Deed of Trust and the Note or Notes secured hereby for cancellation and retention and upon payment of its fees, Trustee shall reconvey, without warranty, the Property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled hereto."

35. Right of Entry. The Beneficiary is authorized by itself, its agents or workmen, to enter at any time upon any part of said Property and the improvements thereon situated for the purpose of inspecting the same, and for the purpose of performing any of the acts it is authorized to perform under the terms of this Deed of Trust. Beneficiary shall reimburse Trustor for the cost of repair of any physical injury to the Property caused by Beneficiary's gross negligence or willful misconduct during the entry, inspection, and acting on the Property pursuant to this Section.

36. Default, Acceleration and Private Sale.

36.1 Notice of Default. Should breach or default be made by Trustor in payment of any indebtedness secured hereby or in performance of any obligations, covenant, promise or agreement hereunder which breach or default is not cured within and applicable cure periods set forth below, or any representation of Trustor in this Deed of Trust, or other document referred to herein is incorrect, Beneficiary may declare all sums secured hereby immediately due and payable, and in such case, shall execute and deliver to Trustee a written declaration of default and demand for sale and written notice of default and election to cause to be sold said Property, and shall surrender to Trustee this Deed of Trust, the Note or Notes secured hereby and all documents evidencing any expenditures hereunder. Thereafter such notice of default and election to cause said Property to be sold to satisfy the obligations hereof shall be duly filed for recordation. The applicable cure periods for breach or default shall be as follows: (i) if a breach or default results from Trustor's non-payment of any sums due to Beneficiary, Trustor shall cure the breach or default within ten (10) days following receipt of notice of default from Beneficiary, and (ii) for any other default, Trustor shall cure the default within thirty (30) days following receipt of notice of default from Beneficiary; provided, that if the default cannot reasonably be cured within said thirty (30) day period, Trustor shall commence curing the default within said period and complete curing the default within the time period reasonably necessary to cure said default, not to exceed ninety (90) days, unless extended by Beneficiary in its sole discretion.

If a monetary event of default occurs under the terms of any of the Loan Documents, prior to exercising any remedies thereunder Lender shall give Trustor and each of the general and limited partners of the Trustor simultaneous written notice of such default at the addresses set forth below in the Request for Notice of Default section. Trustor shall have a period of ten (10) days after such notice is given within which to cure the default prior to exercise of remedies by Beneficiary under the Loan Documents.

If a non-monetary event of default occurs under the terms of any of the Loan Documents, prior to exercising any remedies thereunder Beneficiary shall give Trustor and each of the general and limited partners of the Trustor simultaneous written notice of such default at the addresses set forth below in the Request for Notice of Default section. If the default is reasonably capable of being cured within thirty (30) days, Trustor shall have such period to effect a cure prior to exercise of remedies by Beneficiary under the Loan Documents. If the default is such that it is not reasonably capable of being cured within thirty (30) days, and if Trustor (a) initiates corrective action within said period, and (b) diligently, continually, and in good faith works to effect a cure as soon as possible, then Trustor shall have such additional time as is reasonably necessary to cure the default prior to exercise of any remedies by Beneficiary. In no event shall Beneficiary be precluded from exercising remedies if its security becomes or is about to become materially jeopardized by any failure to cure a default or the default is not cured within one hundred eighty (180) days after the first notice of default is given.

Beneficiary hereby agrees that any cure made or tendered by any of Trustor's limited partners shall be deemed a cure by Trustor, and shall be accepted or rejected on the same basis as if made or tendered by Trustor.

36.2 Right to Rescind. Beneficiary, from time to time before Trustee's sale, may rescind any such notice of breach or default and of election to cause to be sold said Property by executing and delivering to Trustee a written notice of such rescission, which notice, when recorded, shall also constitute a cancellation of any prior declaration of default and demand for sale. The exercise by Beneficiary of such right of rescission shall not constitute a waiver of any breach or default then existing or subsequently occurring, or impair the right of Beneficiary to execute and deliver to Trustee, as above provided, other declarations of default and demand for sale, and notices of breach or default, and of election to cause to be sold said Property to satisfy the obligations hereof, nor otherwise affect any provision, covenant or condition of said Note or Notes and/or of this Deed of Trust or any of the rights, obligations, or remedies of the parties thereunder.

36.3 Private Sale. At least three (3) months having elapsed after recordation of notice of default, without demand on Trustor, said Trustee, having first given notice of sale as then required by law, shall sell said Property at the time and place of sale fixed by it in the notice of sale at public auction to the highest bidder for cash, payable at time of sale. The whole of the trust estate shall be sold in a single lot or parcel and as an entirety unless the Beneficiary shall, in writing, direct the Trustee to sell said trust estate in separate parcels and shall direct the Trustee as to the parcels into which the trust estate shall be divided for purposes of sale and the order in which said parcels shall be offered for sale. Trustor, for itself and its successors and assigns (including without limitation any subsequent or other junior creditor of any part or all of the Property), waives any right to marshalling of assets or any right to require any part of the Property to be sold prior to any other part of the Property or any right to require the Property to be sold in parcels rather than as a whole. Trustee may postpone sale of all or any portion of said Property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Without further notice Trustee may make such sale at the time to which same shall be so postponed. Trustee shall deliver to such purchaser its deed conveying the Property so sold, but without any covenant or warranty, express or implied, and the recitals in such deed or deeds of any matters or facts affecting the regularity or validity of said sale shall be conclusive (except as against the parties hereto) proof of the truthfulness thereof; also such deed or deeds shall be conclusive (except as against the parties hereto) against all persons as to all matters or facts therein recited. Any person, including Trustor, Trustee, or Beneficiary as hereinafter defined, may purchase at such sale.

36.4 Application of Sale Proceeds. Trustee shall apply the proceeds of any such sale to payment of:

36.4.1 All costs, fees, charges and expenses of Trustee and of these trusts, reasonable fees of any attorneys employed by Trustee and/or Beneficiary pursuant to the provisions hereof, Trustee's fees in connection with sale, and all expenses of sale, including cost of procuring guarantee or evidence of title in connection with the sale proceedings and other costs associated with the Trustee's Deed;

36.4.2 All other sums then secured hereby, including indebtedness described herein, all sums advanced or expended under the terms hereof and not then repaid, the interest

on each of the foregoing items, all in such manner and order of priority or preference as the Beneficiary may in its sole and absolute discretion determine;

36.4.3 The remainder, if any, to the person or persons legally entitled thereto, upon proof satisfactory to the Trustee of such right.

37. Successors and Assigns. This Deed of Trust applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term "Beneficiary" shall mean the owner and holder, including Pledgees, of the Note secured hereby, whether or not named as Beneficiary herein.

38. Severability. If any provision hereof should be held unenforceable or void, then such provision shall be deemed separable from the remaining provisions and shall in no way affect the validity of this Deed of Trust.

39. Acceptance by Trustee. Trustee accepts these trusts when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law.

40. No Notice by Trustee. Trustee shall be under no obligation to notify any party hereto of any action or proceeding of any kind in which Trustor, Beneficiary and/or Trustee shall be a party, unless brought by Trustee, or of any pending sale under any other Deed of Trust.

41. Number and Gender. In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

42. Waiver of Statute of Limitations. The right to plead any and all statutes of limitations as a defense to any demand secured by this Deed of Trust is hereby waived to the full extent permissible by law.

43. Trust Irrevocable. The Trust created hereby is irrevocable by the Trustor.

44. Interpretation. The term "and/or" as used herein means one or the other or both, or any one or all, of the things or persons in connection with which the words are used. Section headings are for reference only and shall not be considered in the interpretation of this Deed of Trust.

45. Maximum Interest Rate. Notwithstanding any provision herein or in said Note, the total liability for payments in the nature of interest shall not exceed the limits now imposed by the usury laws of the State of California.

46. Request for Notice of Default. The undersigned Trustor requests that a copy of any notice of default and of any notice of sale hereunder be mailed to Trustor at the following address:

1322 O Investors LP
c/o Capital Area Community Development Corporation
1522 14th Street
Sacramento, CA 95814
Attention: President

with a copy to:

WNC Holding, LLC
c/o WNC & Associates, Inc.
17782 Sky Park Circle
Irvine, CA 92614-6404
Attn: David Shafer

and to:

Miles & Stockbridge PC
1201 Pennsylvania Ave NW
Suite 900
Washington, DC 20004
Attn: Corenia Riley Burlingame

47. Materiality. Each and every provision, covenant, term and condition, representation and warranty herein contained is agreed to be a material provision hereof, and any breach thereof shall constitute a sufficient ground for acceleration of the due date of the indebtedness secured hereby and a sufficient ground for foreclosure in the event of failure of Trustor either to cure said breach within the time periods, if any, herein provided or to pay in full the indebtedness hereby secured.

48. Subordination to Extended Use Agreement. Notwithstanding anything to the contrary contained in this Deed of Trust or in the Loan Documents, the lien of this Deed of Trust shall at all times be subordinate to any "extended low-income housing commitment" (as such term is defined in Section 42(h)(6)(B) of the Internal Revenue Code) recorded against the Property in accordance with Section 42(h)(6)(E) of the Internal Revenue Code.

49. Lender Forbearance. Notwithstanding anything contained herein or in the Loan Documents to the contrary, until the later to occur of (a) the end of the Compliance Period (as defined in the Partnership Agreement) and (b) the date that the Investor Limited Partner (as defined in the Partnership Agreement) or its affiliate is no longer a partner of Trustor (the later of (a) and (b) being referred to as the "Standstill Period"), Lender will not declare a default or event of default, or commence default proceedings under any of the Loan Documents, including but not limited to accelerating the loan, collecting rents, appointing or seeking appointment of a receiver or exercising any other rights or remedies hereunder or under the Loan Documents; provided, however, that if any other Project lender declares a default and/or commences default proceedings against Borrower under its loan documents, then the Standstill Period described herein shall not apply to Lender if Borrower is also in default under the terms of this Note, and Lender shall have the right to declare a default and/or commence default proceedings under this Note (subject to any applicable subordination agreement). Lender waives no rights or remedies it may have hereunder or under the Loan Documents, but, except as allowed above, merely agrees not to enforce those rights or remedies until the end of the Standstill Period.

**IN WITNESS WHEREOF**, Trustor has executed this Deed of Trust as of the date first above written.

**TRUSTOR:**

**1322 O St Investors LP**,
a California limited partnership

By: _____
**Cyrus Youssefi**, General Partner

By: **Capitol Area Community Development Corporation**,
a California non-profit public benefit corporation
Its: General Partner

By: _____
**Wendy Saunders**, President

# EXHIBIT A

## Legal Description of the Property

The land herein in the City of Sacramento, County of Sacramento, State of California, described as follows:

All that certain real property situate in the City of Sacramento, County of Sacramento, State of California, described as follows:

A portion of Lots 3 and 4 in the Block bounded by 13th and 14th streets, “O” and “P” streets, according to the official map or plat of the City of Sacramento, described as follows:

Beginning at a point on the Southwesterly line of said “O” Street, said point being the Northwesterly corner of the Easterly one-half of said Lot 3; thence leaving said point of beginning and along said Southwesterly line of “O” street, South 71° 34’ 33” East, 80.29 feet; thence leaving said Southwesterly line, South 18° 28’ 31” West, 46.15 feet; thence North 71° 34’ 33” West, 6.52 feet; thence South 18° 28’ 31” West, 8.25 feet; thence South 71° 34’ 33” East, 6.52 feet; thence South 18° 28’ 31” West 10.60 feet to the Northeasterly line of Lot 1 of the subdivision map entitled “Admail Express Building” filed in the Office of the Recorder of Sacramento County, in Book 160 of maps, Map No. 14; thence along the Northeasterly and Northwesterly lines of said subdivision map the following two (2) courses: 1) North 71° 34’ 33” West, 24.83 feet and 2) South 18° 29’ 14” West, 96.04 feet to the Northeasterly line of Opera Alley, a 20 foot wide alley; thence along said Northeasterly line of Opera Alley, North 71° 32’ 12” West, 85.72 feet; thence leaving said Northeasterly line of Opera Alley, North 18° 31’ 28” East, 20.44 feet; thence South 71°32’12” East, 30.22 feet to the Westerly line of the said Easterly one-half of Lot 3; thence along said Westerly line, North 18° 29’ 38” East, 140.56 feet to the point of beginning, containing an approximate area of 0.255 of an acre more or less. (11,111 square feet).

APN: 006-0224-025-0000

**EXHIBIT B**

**PERSONAL PROPERTY COLLATERAL**

**PAGE 1 OF 2**

The Property which is covered by this Deed of Trust specified in Exhibit "A" and the Collateral are together sometimes referred to in this instrument as the "Property".

The Collateral shall consist of:

1. All Trustor's interest in and to all existing and future goods located on or about the real property described above in Exhibit "A" (the "Real Property") which are used in the operation or occupancy of the Real Property or in any development of or construction on the Real Property, including but not limited to all apparatus, fixtures and articles of personal property now or any time hereafter attached to, placed in or upon or used in any way in connection with the Real Property, and including but not limited to all furniture, refrigerators, freezers, stoves, ovens, ranges, hoods, vents and fans, disposals, dishwashers, washing machines, dryers, air conditioners, cabinets, carpeting, drapes, screens, awnings, storm windows and doors, window shades, blinds, floor coverings, boilers, tanks, furnaces, radiators, fire alarm and other security systems, music systems, machinery, motors, compressors, and all heating lighting, plumbing, gas electric, ventilating refrigerating, air-conditioning, sprinkler and incinerating equipment, transformers, water wells, storage tanks, landscaping, pool equipment and furniture, dumpsters (or, to the extent leased, Trustor's leasehold interest therein) and parking lot and other common area sweeping and cleaning equipment, and equipment and furnishings in or for the recreation room, halls, entry rooms and all other common areas; and including inventory, construction tools and equipment, appliances, furniture and furnishings, building service equipment, and building materials, supplies and equipment of any kind.

2. All general intangibles, chattel paper, instruments, documents and accounts owned by Trustor and relating to the development, use or occupancy of or construction on the Real Property, including but not limited to all governmental licenses, map rights, approvals and permits, all materials prepared for filing or filed with any public or quasi-public governmental entities or any public utilities and all of Trustor's rights under any contract whether or not otherwise specifically assigned to Beneficiary.

3. All of the right, title and interest of Trustor in and to (i) all sales contracts applicable to any portion of the Real Property, together with any and all modifications thereof, and also together with all deposits or other payments made in connection therewith; (ii) all refundable or returnable fees, bonds, securities or other Property held by any public or quasi-public governmental entities, utility companies or others; (iii) all leases of any part or all of the Real Property now or hereafter entered into and all right, title and interest of Trustor thereunder, including (to the extent permitted by law) but not limited to cash or securities deposited thereunder to secure performance by the lessees of their obligations thereunder, whether said cash or securities are to be held until the expiration of the terms of said leases or applied to one or more of the installments of rent coming due immediately prior to the expiration of said terms; (iv) all advance payments of insurance premiums made by Trustor with respect to any part of the

**EXHIBIT B**

**PAGE 2 OF 2**

Real Property and claims or demands relating to insurance; (v) all advance payments by Trustor of any kind for the benefit of the Real Property including but not limited to those under maintenance or service contracts, property taxes, advertising expenses and commissions; (vi) all funds deposited by Trustor with Beneficiary under this Note; and (vii) all take out or similar agreements or commitments in connection with the loan to Trustor or the Real Property.

4. All rights of Trustor in and to all furniture, furnishings, fixtures and equipment now or hereafter located upon or used in connection with the above-described Real Property.

5. All refunds, proceeds of financing and other payments, and all rights thereto, received by Trustor or to which it is entitled as a result of any assessment bonds issued in connection with the secured Property or property adjacent thereto.

6. The products and proceeds of all of the above.

# ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached and not the truthfulness, accuracy, or validity of that document.

State of California
County of _____

On _____, before me, _____, (here insert name and title of the officer), personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

# ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached and not the truthfulness, accuracy, or validity of that document.

State of California
County of _____

On _____, before me, _____, (here insert name and title of the officer), personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____ (Seal)

**Loan Documents and Priority**
(Courtyard)

**A. Construction Loan ($5.1M Taxable): JPMorgan Chase Bank N.A. ("Chase")**:

| Document | Parties |
|---|---|
| Promissory Note | Chase and Borrower |
| Construction Loan Agreement | Chase and Borrower |
| Assignment of Management Agreement and Consent and Subordination of Manager | Chase, Borrower, and CFY |
| Assignment of Construction and Design Agreements (contractor, architect, engineer) | Chase and Borrower |
| Contractor's Consent to Assignment of Construction Contract | Chase and Tricorp |
| Architect's Consent to Assignment of Architect's Agreement | Chase and Williams + Paddon |
| Engineer's Consent to Assignment of Engineer's Agreement | Chase and Cartwright Nor Cal, PC |
| Collateral Assignment of Rights to Tax Credits and Partnership Interests | Chase, Borrower, CACDC, and Cyrus |
| Collateral Assignment and Pledge of Developer Fees and Security Agreement | Chase, Borrower, CACDC and Cyrus |
| Payment Guaranty | Chase, CFY and Cyrus |
| Completion Guaranty | Chase, CFY and Cyrus |
| Subordination Agreement (Tax-Exempt and Taxable) | Chase, CADA, and Borrower |

**B. Construction ($10.3M) to Perm ($1.5M) Loan (Tax-Exempt): Chase and CalHFA**

| Document | Parties |
|---|---|
| Promissory Note (Tax-Exempt) | Chase and Borrower |
| Construction Loan Agreement (Tax-Exempt) | Chase and Borrower |
| Construction and Permanent Leasehold Deed of Trust (Tax-Exempt and Taxable) | Borrower – to benefit Chase |
| Environmental Indemnity Agreement (Tax-Exempt and Taxable) | Chase, Borrower, CFY and Cyrus |
| Assignment of Construction and Permanent Leasehold Deed of Trust Deed of Trust (includes Tax-Exempt Loan Agreement and Tax-Exempt Promissory Note) | From Chase (as agent for CalHFA) to Chase (as purchaser, holder of Bonds) |
| Carve-Out Guaranty | Chase and CFY |
| Assignment of Tax Credit Equity Account | Borrower to Chase |
| Replacement Reserve Agreement | Chase and Borrower |
| Master Pledge and Assignment | Chase and CalHFA |
| Master Agency Agreement | Chase and CalHFA |
| Regulatory Agreement and Declaration of Restrictive Covenants | CalHFA and Borrower |
| Rate Lock Confirmation and Agreement | Chase and Borrower |
| Rate Lock Guaranty | CFY and Cyrus |

**C. Perm Lender: HCD: TOD Loan (10M)**

| Document | Parties |
|---|---|
| Standard Agreement with Exhibits | HCD and Borrower |

**D. Perm Lender: CADA (1.5M)**

| Document | Parties |
|---|---|
| Promissory Note | CADA and Borrower |
| Deed of Trust | CADA and Borrower |
| Regulatory Agreement | CADA and Borrower |

**E. Additional Ground Lease Documents**

| Document | Parties |
|---|---|
| Quitclaim Deed (to release State Lease) | CADA |
| Memorandum of Development Ground Lease | CADA and State |
| Memorandum of Assignment of Development Ground Lease | Borrower and CADA |
| Modification to Memorandum of Development Ground Lease | Borrower and State |
| Modification to Memorandum of Amendment to Assignment and Assumption of Development Ground Lease | Borrower and CADA |
| Second Amendment to Development Ground Lease | Borrower and State |
| Amendment to Assignment and Assumption of Development Ground Lease | Borrower and CADA |

**F. WNC Limited Partnership Agreement Documents**

| Document | Parties |
|---|---|
| Amended and Restated Partnership Agreement | |
| Guaranty (CADA) - $3 million | CADA |
| Guaranty (CACDC) - unlimited | CACDC |
| Side Letter | CADA and WNC |
| Management Agreement Rider | CFY and WNC |

**G. Recordation Priority of Loan Documents**:

1. CalHFA Regulatory Agreement
2. Chase Deed of Trust
3. Chase Deed of Trust Assignment
4. CADA Regulatory Agreement
5. CADA Deed of Trust; and
6. CADA Subordination Agreement

**RESOLUTION NO. 21 - 01**

May 27, 2021

**Corporate Resolution**
**of**
**Capitol Area Community Development Corporation**

The undersigned being the Secretary of Capitol Area Community Development Corporation, a California non-profit public benefit corporation (the "**Corporation**" or "**CACDC**") does hereby certify that by unanimous consent of the board of directors of the Corporation the following resolutions were adopted:

WHEREAS, the Corporation currently acts as the co-developer of the Project, and as the managing general partner (the "**Managing General Partner**") of 1322 O St Investors LP, a California limited partnership (the "**Partnership**"), pursuant to that certain Agreement of Limited Partnership of the Partnership dated as of November 12, 2019 (the "**Partnership Agreement**");

WHEREAS, the Partnership is the owner of an affordable housing development to be constructed in Sacramento, California to be known as 1322 O Street Apartments (the "**Project**");

WHEREAS, the Corporation has determined that it is in the best interests of the Partnership and the Project to obtain construction financing for the Project consisting of a loan from JPMorgan Chase Bank, N.A., a national banking association ("**Chase**" or the "**Funding Lender**") in an aggregate amount not to exceed [$15,455,254.00] (the "**Construction Loan**"), which loan will be made pursuant to the terms of a loan agreement, deed of trust, construction note and related loan documents and will be in the form of (i) a tax exempt loan of up to [$10,305,237.00] (the "**Funding Loan**") from Chase to California Housing Finance Agency (in its capacity as governmental lender, "**Issuer**" or the "**Governmental Lender**"), the proceeds of which will be used to fund a loan from Issuer to the Partnership for Project financing in the amount of the Funding Loan, and (ii) a taxable loan of up to [$5,150,017.00] (the "**Taxable Loan**") from Chase to the Borrower;

WHEREAS, the Construction Loan will be secured by a deed of trust encumbering the Project (the "**Senior Deed of Trust**"), and in connection therewith, the Partnership will execute additional documents required by the Governmental Lender and/or Funding Lender, which may include, without limitation, promissory notes, a loan agreement, a regulatory agreement, pledge agreements, an assignment of equity interests, an assignment of construction contract, an assignment of architect agreement, an assignment of management agreement, an assignment of developer fee, an environmental and building laws indemnity agreement and certain other documents required by the Governmental Lender and/or Funding Lender (collectively with the Senior Deed of Trust, the "**Senior Loan Documents**"), certain of which documents the Governmental Lender shall assign to the Funding Lender as collateral security for the Funding Loan;

WHEREAS, the Corporation desires that the Partnership, in connection with the construction, development and operation of the Project, request that Capitol Area Development Authority, a joint powers agency ("**CADA**"), provide a subordinate loan in the approximate

principal amount of up to [$1,500,000.00] funded to finance the construction, development and operation of the Project (the "**CADA Loan**");

WHEREAS, the Corporation desires that the Partnership, in connection with the development and operation of the Project, request that Chase provide a permanent loan in an approximate principal amount of up to $[$1,480,000.00], to finance the operation of the Project (the "**Permanent Loan**");

WHEREAS, the Corporation desires that the Partnership, in connection with the development and operation of the Project, request that California Department of Housing & Community Development (in its capacity as subordinate lender, "**HCD**") provide a Transit Oriented Development loan in the approximate principal amount of up to [$10,000,000.00] funded to finance the development and operation of the Project (the "**HCD TOD Loan**");

WHEREAS, in connection with the making of the Construction Loan, the Permanent Loan, the HCD TOD Loan, and the CADA Loan, the Partnership and the Corporation shall enter into certain agreements with Governmental Lender, Chase, CADA and/or HCD, among others (the "**Financing Documents**") and shall grant liens and security interests on certain assets of the Partnership and Corporation;

WHEREAS, the Corporation desires to enter into that certain Amended and Restated Agreement of Limited Partnership of 1322 O St Investors LP, a California limited partnership (the "**Amended Agreement**") by and among the Corporation, as the Managing General Partner of the Partnership, Cyrus Youssefi, an individual resident of the State of California, as the Administrative General Partner (the "**Administrative General Partner**" and together with the Corporation, the "**General Partners**") of the Partnership, and the Corporation and Administrative General Partner, in each of their capacity individually as the withdrawing limited partner and together as the withdrawing limited partners (the "**Withdrawing Limited Partners**"), WNC Holding, LLC, a California limited liability company, as the Federal Tax Credit Investor Limited Partner, (the "**Investor Limited Partner**") and WNC Housing, L.P., a California limited partnership, as the Special Limited Partner (the "**Special Limited Partner**"), pursuant to which the Investor Limited Partner and the Special Limited Partner (collectively the "**Limited Partners**") will be admitted to the Partnership as limited partners, and also pursuant to which the rights and responsibilities of the partners are outlined with respect to the Partnership and the Project. Capitalized terms that are used but no defined in this consent will have the meanings given such terms in the Amended Agreement;

WHEREAS, in consideration of the admission of the Investor Limited Partner, and Special Limited Partner to the Partnership, and the Investor Limited Partner will make certain capital contributions (the "**Capital Contributions**") to the Partnership pursuant to the terms of the Amended Agreement and certain additional documents associated therewith, and to enter into that certain development agreement, budget agreement, guaranty agreement (as may be required by the Limited Partners) and any and all documents necessary to consummate the reservation any award of the federal low income housing tax credits (collectively, the "**Partnership Documents**");

WHEREAS, the Corporation wishes to take such actions under the Financing Documents and Partnership Documents, as are necessary to cause the Partnership to develop, construct, and

operate the Project;

WHEREAS, the Board of Directors of the Corporation, on the Corporation's own behalf and as a general partner of the Partnership, deems it to be in the best interests of the Corporation to take all actions to facilitate (i) the development, construction, and operation of the Project, including, entering into an Agreement for Purchase and Sale of Sewer Credits with 6200 Franklin, LLC, to purchase sewer credits, (ii) the making of the Construction Loan, the Permanent Loan, the CADA Loan and the HCD TOD Loan to the Partnership, (iii) the admission of the Limited Partners to the Partnership, and (iv) the withdrawal of the Withdrawing Limited Partners from the Partnership, including, without limitation, entering into the Financing Documents, the Partnership Documents and any and all other agreements with the Partnership, HCD, Chase, Governmental Lender, CADA, the Limited Partners, the Administrative General Partner and/or any other person or entity, and granting of liens and security interests on assets of the Corporation and Partnership, in each case as may be necessary or convenient to cause (i) the development, construction, and operation of the Project, (ii) the making of the Construction Loan, the Permanent Loan, the CADA Loan and the HCD TOD Loan to the Partnership, (iii) the admission of the Limited Partners to the Partnership, and (iv) the withdrawal of the Withdrawing Limited Partners from the Partnership; and

WHEREAS, the Corporation, in its own capacity or as a general partner of the Partnership, wishes to enter into any and all documents, including, without limitation, the Financing Documents and the Partnership Documents, and to grant liens and security interests on assets of the Corporation, as may be necessary or convenient to facilitate (i) the development, construction, and operation of the Project, (ii) the making of the Construction Loan, the Permanent Loan, the CADA Loan and the HCD TOD Loan to the Partnership, (iii) the admission of the Limited Partners to the Partnership, and (iv) the withdrawal of the Withdrawing Limited Partners from the Partnership.

NOW, THEREFORE, BE IT RESOLVED that the Corporation is hereby authorized, empowered and directed, for its own account and/or in its capacity as a general partner of the Partnership, to take such actions set forth above, including, but not limited to, execution of the Financing Documents and the Partnership Documents to which it and/or the Partnership is a party, and the granting of liens and security interests on the assets of the Corporation, and take such further actions, and to execute such additional documents and instruments, as the Corporation may deem necessary or appropriate in connection with the matters authorized in the foregoing resolutions, and the signature of any officers of the Corporation (including, but not limited to, Wendy S. Saunders) on any document or instrument, including but not limited to, the Financing Documents and the Partnership Documents to which the Corporation and/or the Partnership is a party, or the performance of any such actions, shall be conclusive evidence of the Corporation's authority to take such actions or execute such document or instrument on behalf of the Corporation, for its own account and/or as a general partner of the Partnership;

RESOLVED FURTHER, that Wendy S. Saunders, as President of the Corporation, [and any other officer of the Corporation] each in his/her own name and in the name of and on behalf of the Corporation, for its own account and/or as a general partner of the Partnership, is hereby authorized, empowered and directed, acting alone and without any further approval, to enter into any and all documents, including, without limitation, the Financing Documents and the Partnership Documents to which the Corporation or the Partnership is a party, as may be required or requested

by the Partnership, Chase, the Governmental Lender, CADA, HCD, the Limited Partners, the Administrative General Partner and/or any other person or entity to cause or facilitate (i) the development, construction and operation of the Project, (ii) the making of the Construction Loan, the Permanent Loan, the CADA Loan, and the HCD TOD Loan to the Partnership, (iii) the admission of the Limited Partners to the Partnership, and (iv) the withdrawal of the Withdrawing Limited Partners as limited partners from the Partnership;

RESOLVED FURTHER, that any and all resolutions previously adopted by the Corporation regarding the subject matter herein are superseded by the resolutions herein and any and all acts heretofore taken by the Corporation in connection with the matters authorized by the foregoing resolutions or in connection with the transaction described herein are hereby ratified, confirmed, adopted and approved by the board of directors of the Corporation;

RESOLVED FURTHER, that the execution of any and all documents and instruments related to the purposes and intent of the foregoing resolutions by the Corporation shall be conclusive evidence of the approval thereof by the Corporation; and

RESOLVED FURTHER, that any third party receiving a duly executed copy or a facsimile of these resolutions may rely on the foregoing resolutions, unless and until revoked by the board of directors of the Corporation, and that the revocation of the foregoing resolutions shall be ineffective as to such third party unless and until actual notice or knowledge of such revocation shall have been received by such third party.

RESOLVED FURTHER, that any and all Organizational Documents attached to either this resolution or the Opinion Letter(s) of Law Offices of Patrick R. Sabelhaus, or supplied to the firm by CACDC, are true and correct copies of the organizational documents of the Corporation.

[Signatures on Following Page]

Ayes: 0

Noes: 0

Abstain: 0

## SECRETARY'S CERTIFICATION

I, Jill Azevedo, the appointed/elected Secretary of the Corporation, hereby certify that the foregoing is a true copy of the resolutions adopted by the unanimous consent of the Board of Directors of the Corporation without a formal meeting, and that said resolutions are in full force and effect; and the Board has, and at the time of the adoption of the resolutions had, full power and authority to adopt said resolutions.

_____ _____

Name: Jill Azevedo Date

Title: Secretary

# CERTIFICATE OF INCUMBENCY

The undersigned, being the Secretary of Capitol Area Community Development Corporation, a California non-profit public benefit corporation (the "**Corporation**"), hereby certifies as follows:

1. The persons and/or entities named below now hold the positions/offices within the Corporation set forth opposite their names, the signature set forth opposite such person's and/or entity's name is the genuine signature of that person, each such person has been authorized to sign the Financing Documents and the Partnership Documents (as each is defined in the foregoing Corporate Resolution) on behalf of the Corporation, acting for itself and in its capacity as the Managing General Partner of the Partnership (as defined in the foregoing Corporate Resolution), and has in fact signed such documents.

| Name: | Office/ Position: | Signature: |
|---|---|---|
| Wendy S. Saunders | President | _____ |

EXECUTED as of _____, 2021.

By: _____
Name: Jill Azevedo
Title: Secretary

**RESOLUTION NO. 21 - 11**

May 27, 2021

Adopted by the Capitol Area Development Authority

Resolution approving **e**xecution of a Gap Financing Loan Agreement and Promissory Note, pre-approval of a potential increase in the Gap Financing Loan amount, authorization to execute a contract with Krazan & Associates and authorization to take any and all actions to execute documents to close financing on the 1322 O Street Affordable Housing Project

**WHEREAS,** on January 15, 2019, Governor Gavin Newsom issued Executive Order N-06-19, which directed the State of California Department of General Services to identify State-owned land for development of affordable housing.

**WHEREAS**, at the November 13, 2019 meeting, the Board authorized execution of a Development Ground Lease with the State of California for the Project that allowed for development of a 58-unit affordable housing project; approved a predevelopment loan for $850,000 to cover all predevelopment costs to be repaid at project financing close of escrow; approved a Gap Financing Loan of $2.5 million.

**WHEREAS**, at the May 15, 2020 meeting, the CADA Board authorized an increase of the CADA Gap Financing Loan from $2.5 million to $4.5 million.

**WHEREAS,** on December 9, 2020, the Project was awarded tax credits and bonds. The California Debt Limit Allocation Committee regulations require close of financing and commencement of construction within 180 days, which is June 7, 2021.

**WHEREAS,** on December 27, 2020, Congress signed into law a fixed 4% floor for the low-income housing tax credit (LIHTC) rate which if not applied to the Project could require an increase of $2.5 million to CADA's Gap Financing Loan.

**WHEREAS,** on January 28, 2021, the Project received a $10 million award for the California Department of Housing and Community Development Transit-Oriented Development (TOD) funds, which was the final piece of public gap financing needed to fund the Project and allow for start of construction. With the TOD funding and the prospective 4% LIHTC rate, the CADA Gap Financing Loan estimate was decreased to $856,853.

**WHEREAS,** on March 19, 2021, the Board adopted a resolution authorizing the Executive Director to increase the Predevelopment Loan from CADA to the Partnership from $850,000 to $1.1 million; and to assign the Predevelopment Contracts from CADA to the Partnership.

**WHEREAS,** in May subcontractor bids and increased soft costs resulted in an increase of $2.5 million in development costs which required an increase in the previously authorized Gap Financing Loan by $643,147 to $1.5 million.

**WHEREAS,** the City of Sacramento required completion of testing and special inspections and staff selected Krazan & Associates at a cost of $64,514 to provide such services and the City required CADA to guarantee completion of off-site improvements through a Letter of Credit at a cost of $100,000.

**NOW, THEREFORE, BE IT RESOLVED,** by the Board of Directors of the Capitol Area Development Authority that the Board adopts a resolution:

1. Authorizing the Executive Director to execute a Gap Financing Loan Agreement and Promissory Note with 1322 O St Investors LP in an amount not to exceed $1.5 million.
2. Pre-approving a potential increase in the Gap Financing Loan amount not to exceed $2.5 million and an amendment to the current loan docs to reflect the increase.
3. Authorizing the Executive Director to execute a contract with Krazan & Associates in the amount of $64,514 and obtain a Letter of Credit at a cost of $100,000.
4. Authorizing a budget amendment in the amount of $808,147 from the 2020 Bond Issue.
5. Authorizing and directing the Executive Director or her designees, in the name and on behalf of CADA, to take any and all actions and to execute and deliver any and all certificates, contracts and other documents which they might deem necessary or appropriate in order to close financing on the Project.

_____
Ann Bailey, Chair

ATTEST:

_____
Jill Bagley-Azevedo
Secretary to the Board of Directors