

SUPPLEMENTAL AGREEMENT

THIS SUPPLEMENTAL AGREEMENT (“**Agreement**”) is made and entered into as of May __, 2010, by and among FOURTH STREET APARTMENTS, L.P., a California limited partnership (“**Borrower**”), CALIFORNIA COMMUNITY REINVESTMENT CORPORATION, a California nonprofit public benefit corporation (“**CCRC**”), and the CITY OF SAN JOSE, a municipal corporation and chartered city, duly organized and existing under the Constitution and laws of the State of California (the “**Issuer**”).

RECITALS:

A. Borrower is the owner of the leasehold interest in certain real property located in City of San Jose, County of Santa Clara, California, as described in Exhibit A attached hereto (the “**Real Property**”), together with certain buildings and improvements located thereon. In this Agreement, all present improvements to the Real Property, plus any others which may later be located on the Real Property, will be collectively referred to as the “**Improvements**.” The Real Property and Improvements are to be used for affordable multi-family housing. In connection with the Real Property and Improvements, Borrower also owns personal property, including furniture, fixtures and equipment, plans and specifications, service contracts, construction contracts, rights and benefits, rights to payment, insurance proceeds, general intangibles and other categories and items of personal property. In this Agreement, all such personal property will be collectively referred to as the “**Personal Property**.” The Real Property, the Improvements, the Personal Property, and all other property or assets of Borrower relating thereto shall be referred to herein as the “**Project Assets**.”

B. Concurrently herewith, the Issuer is issuing or has issued its Multifamily Housing Revenue Bonds (Fourth Street Apartments Project), Series 2010A-1 in the principal amount of \$[5,620,000.00], (the “**Bonds**”) and Multifamily Housing Revenue Bonds (Fourth Street Apartments Project), Series 2010A-2 in the principal amount of \$[17,380,000.00] (the “**Construction Bonds**”), pursuant to the terms of that certain Indenture dated as of May 1, 2010 (the “**Indenture**”), executed by the Issuer and Wells Fargo Bank, National Association (“**Bond Trustee**”) and the Issuer has agreed to originate the loan of the proceeds of the Bonds and Construction Bonds to Borrower pursuant to the terms and provisions of that certain Loan Agreement dated as of May __, 2010 (the “**Loan Agreement**”) by and among Issuer, Borrower and U.S. Bank National Association, a national banking association (“**Bondowner Representative**”). The Indenture and other documents executed in connection with the issuance of the Bonds and Construction Bonds, including that certain Regulatory Agreement and Declaration of Restrictive Covenants, dated as of May 1, 2010, by and among Bond Trustee, Issuer and Borrower (the “**Bond Regulatory Agreement**”), collectively constitute the “**Bond Documents**.”

C. The Issuer has agreed to make or has made a loan to Borrower in the total principal amount of [Twenty-Three Million and No/100 Dollars (\$23,000,000.00)] which is to be funded by the proceeds of the purchase of the Bonds and Construction Bonds by Bondowner Representative. In connection therewith, Borrower is executing and delivering the following: (i) that certain Promissory Note (Convertible) dated as of even date herewith, payable to the Issuer,

in the face principal amount of [Five Million Six Hundred Twenty Thousand and No/100 Dollars (\$5,620,000.00)] (the “**Note**”) and that certain Promissory Note (Construction) dated as of even date herewith, payable to Issuer, in the face principal amount of [Seventeen Million Three Hundred Eighty Thousand and No/100 Dollars (\$17,380,000.00)] (the “**Construction Loan Note**”), or so much thereof as has been advanced (the principal amount outstanding under which, as of the Conversion Date, being herein referred to as the “**Loan**”); (ii) that certain Leasehold Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated as of even date herewith (the “**Leasehold Deed of Trust**”), naming the Issuer as the “Beneficiary,” which has been or will be assigned to Bond Trustee, which covers Borrower’s interest in the Real Property and the Improvements thereon as security for the Note; (iii) that certain Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated as of even date herewith (the “**Fee Deed of Trust**” and together with the Leasehold Deed of Trust, the “**Deed of Trust**”), made by the City of San Jose Financing Authority, a joint exercise of powers authority organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement, dated December 8, 1992, by and between the City of San Jose and the Redevelopment Agency of the City of San Jose, and under the provisions of Article 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “**Ground Lessor**”), naming the Issuer as the “Beneficiary,” which has been or will be assigned to Bond Trustee, which covers the fee interest in the Real Property as additional security for the Note; and (iv) various other documents in favor of the Bondowner Representative, or Issuer and assigned to Bond Trustee, and relating to the construction loan being made by Issuer to Borrower with respect to the Project Assets (all of the foregoing documents being herein referred to as the “**Bank Loan Documents**”).

D. Also concurrently herewith, CCRC is entering into that certain Bond Purchase Agreement (the “**Bond Purchase Agreement**”) with Bondowner Representative and Borrower, pursuant to which CCRC is agreeing to purchase the Bonds and receive an assignment of the Bondowner Representative’s interest in the Note upon the terms and subject to the conditions set forth therein, effective as of the date of recordation of a certain Assignment and Assumption of Bonds, Deed of Trust and Loan Documents (the “**Assumption**”), which is provided for in the Bond Purchase Agreement (such date being the “**Conversion Date**”) and in this Agreement. Certain of the Bank Loan Documents will be assigned to CCRC as of the Conversion Date, and certain of them will not be assigned to CCRC, all as more particularly provided in the Bond Purchase Agreement. CCRC shall not purchase the outstanding Construction Bonds, which shall be repaid at maturity pursuant to the terms of the Indenture.

F. This Agreement, the Note, the Deed of Trust, and the Assigned Loan Documents (as defined in the Bond Purchase Agreement) which are assigned to CCRC pursuant to the terms of the Bond Purchase Agreement, and all other documents referred to in any of them or which otherwise evidence, guaranty or secure the Loan, and all exhibits to each of those documents, collectively constitute the “**Loan Documents**.” The Loan Documents include the documents set forth on the attached Exhibit B. This Agreement supplements and modifies certain of the provisions of the Loan Agreement effective as of the Conversion Date. To the extent of any conflict, the provisions of this Agreement shall govern from and after the Conversion Date.

G. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Loan Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals (which are hereby incorporated into and shall be deemed part of this Agreement) and of the covenants and mutual agreements contained in this Agreement and in reliance upon the representations and warranties hereinafter set forth, CCRC and Borrower agree as follows:

ARTICLE I BOND PURCHASE

1.1 Bond Purchase. Upon satisfaction of the Closing Conditions set forth in the Bond Purchase Agreement, CCRC shall purchase the Bonds from Bondowner Representative pursuant to the terms of the Bond Purchase Agreement. Borrower agrees to execute any and all documents and agreements, including such escrow instructions, as CCRC may reasonably require in connection with its purchase of the Bonds and/or the disbursement of the Loan proceeds.

ARTICLE II COVENANTS OF BORROWER

2.1 Compliance with Covenants and Laws. From the Conversion Date and for so long as this Agreement continues in effect, and until the full and final repayment of the Loan and all indebtedness of Borrower to CCRC, Borrower shall keep each of the covenants set forth below, elsewhere herein, in the Loan Documents, in the Environmental Indemnity (Unsecured), executed by Borrower for the benefit of CCRC, dated as of the date hereof, and in respect of the terms and requirements of any subordinate debt as permitted and referenced in Section 2.14 hereof, and in respect of the Tax Credits (as defined below). Borrower shall comply with all existing and future laws, regulations, orders, building restrictions and requirements of, and all agreements with and commitments to, all governmental, judicial or legal authorities having jurisdiction over the Project Assets, including those pertaining to the sale, leasing or financing of the Project Assets, and with all recorded covenants and restrictions affecting the Real Property (collectively, the “**Requirements**”).

2.2 Permits, Licenses and Approvals. Borrower shall properly obtain, comply with and keep in effect all governmental approvals, permits, certificates, licenses, inspections, consents and franchises (collectively, the “**Licenses**”) necessary to continue to conduct its businesses and to own, market, occupy, lease and operate the Real Property and the Project Assets, including without limitation, all Licenses related to environmental laws, and Borrower shall promptly deliver copies thereof to CCRC.

2.3 Purchase of Material; Conditional Sales Contracts. Borrower shall not purchase or contract for any materials, equipment, furnishings, fixtures or articles of personal property to be placed or installed on the Project Assets under any security agreement or other agreement where the seller retains or claims title or the right of removal or repossession, or the right to consider them personal property after they are so placed or installed, unless CCRC in each instance shall provide its advance written consent to such action; provided, however, that CCRC approval shall not be required for leases of laundry or office equipment.

2.4 Site Visits; Review of Records. CCRC and its agents and representatives shall have the right to enter and visit the Project Assets at any reasonable time and upon reasonable notice for the purposes of performing an appraisal, observing the Project Assets, protecting CCRC's security, and preserving CCRC's rights under the Loan Documents. CCRC shall also have the right to examine, copy and audit the books, records, accounting data and other documents of Borrower which relate to the Project Assets. As reasonably requested by CCRC from time to time, Borrower shall (a) make copies of any books and records applicable to the Project Assets or any part of them, or Borrower or the General Partner (as defined below), (b) certify each such copy to be a true and complete copy of the original document, and (c) deliver the same to CCRC or its designee. CCRC is under no duty to visit or observe the Project Assets, or to examine any books or records.

2.5 Protection Against Lien Claims; Utilities. Borrower shall promptly pay or otherwise discharge all taxes, claims and liens for labor done, and for materials and services furnished, which may affect the Project Assets. Borrower shall keep the Project Assets free of all liens, claims, charges or encumbrances, other than liens approved by CCRC relating to the Subordinate Loans (as defined below). Borrower shall have the right to contest in good faith any taxes, claim or lien by appropriate proceedings on the terms and conditions set forth in the Leasehold Deed of Trust. Borrower shall pay when due all utility assessments and charges for gas, electricity, fuel, water, steam, sewer, drainage, refuse disposal, telephone and other services furnished to or for the benefit of the Project Assets and all other assessments or charges of a similar nature, whether public or private, affecting the Project Assets or any portion thereof, whether or not such assessments or charges are liens on the Project Assets.

2.6 Publicity. CCRC shall have the right to refer to the Project Assets in its own promotional and advertising materials. Borrower shall not post signs identifying CCRC as its lender, or otherwise identify CCRC as its lender, except with CCRC's prior written consent in each instance.

2.7 Insurance.

(a) At all times, Borrower shall provide, maintain and keep in full force and effect all insurance required in clauses (i) through (iv) below, as well as such additional insurance as CCRC in its reasonable judgment may from time to time require, against insurable hazards which at the time are commonly insured against in the case of properties situated similarly to that of the Property. Borrower shall supply CCRC with a Certificate of Insurance for any and all policies required hereunder. Insurance required hereunder is as follows:

(i) Borrower must provide insurance, with a replacement cost provision in the policy of insurance or as an endorsement attached thereto, insuring against loss or damages to the Real Property and Improvements as follows:

(a) Insurance against loss or damages from fire and/or lightning;

(b) insurance against loss or damage from other risks embraced by the type of coverage known as Special Form All Risk Fire and Extended Coverage insurance, including riot and civil commotion, vandalism and malicious mischief, in an amount not less than the Loan amount;

(c) insurance against loss or damage from any boilers, electrical wiring and/or heating, air conditioning and/or refrigeration equipment, or other similar equipment and machinery, at full replacement cost;

(d) such other insurance, endorsements and/or renewals, including extended coverage, as CCRC may require, insuring against such perils, risks or hazards as CCRC may designate, including (x) flood insurance, if the Real Property is located in a flood zone pursuant to those certain NFIP maps issued by the Federal Emergency Management Agency, covering the Property, and, (y) earthquake insurance in such amounts, and on such terms and conditions, as CCRC may require, but only in the event that either (1) the Office of the Comptroller of the Currency or the Federal Deposit Insurance Corporation requires regulated financial institutions or entities such as CCRC to require borrowers or customers to insure against earthquakes, or (2) either Fannie Mae or the Federal Home Loan Mortgage Corporation requires that collateral for loans in its respective programs be insured against earthquakes, or (3) the Property is or becomes located in an "Alquist-Priolo" zone as determined by reference to applicable California law;

(ii) Borrower must provide commercial or comprehensive liability insurance of at least One Million Dollars (\$1,000,000.00) per occurrence (or, if the Property contains one or more elevators, at least Three Million Dollars (\$3,000,000.00) per occurrence), naming CCRC as an additional insured party, on an "occurrence" basis against claims for "personal injury" liability, including bodily injury, death or property damage liability;

(iii) Borrower must provide worker's compensation insurance as may be required by applicable worker's compensation insurance laws (including employer's liability insurance, if required by CCRC), covering all employees of Borrower;

(iv) Borrower must provide rental income or rental value insurance with respect to the Improvements, with a liability of not less than twelve (12) months' project rents therefrom, naming CCRC as a lender loss payee.

(b) All policies of insurance required hereunder and under any other Loan Documents must be issued to Borrower as the primary insured party, by companies approved by CCRC having Best's ratings of not less than A:VI, and be approved by CCRC as to amounts, forms, risk coverages, deductibles, expiration dates, and loss

payable and cancellation provisions. The maximum allowable deductible is \$5,000.00. In addition, each required policy must contain such endorsements as CCRC may require, as well as a Lenders Loss Payable Endorsement ISO CP1218 or 438 BFU or its equivalent in favor of CCRC at 225 West Broadway, Suite 120, Glendale, California 91204, and must provide that all proceeds be payable to CCRC to the extent of its interest. An approval by CCRC is not, and shall not be deemed to be, a representation of the solvency of any insurer or the sufficiency of any amount of insurance. Co-insurance shall not be allowed in connection with the policies of insurance required hereunder.

(c) Each policy of insurance required under the Loan Documents must provide that it may not be materially modified, nor may it be canceled, without at least thirty (30) days prior written notice to CCRC. The Certificate of Insurance for each policy of insurance required hereunder shall show CCRC as a recipient of any notice of cancellation as follows: CCRC, 225 West Broadway, Suite 120, Glendale, California 91204, Attention: Insurance Administrator. At least ten (10) days before expiration of any required insurance policy, Borrower shall furnish CCRC with proof acceptable to CCRC that a new policy has been issued, continuing in force the insurance covered by the policy which is expiring. At the same time, Borrower shall also furnish CCRC with evidence satisfactory to CCRC that all premiums for any such new policy have been paid. If at least ten (10) days before a required policy expires, CCRC does not receive proof and evidence that a new policy has been issued and that premiums for it have been paid, CCRC in its sole discretion may procure a new policy and advance funds to pay the premiums for it. Borrower shall repay CCRC immediately on demand for any advance for such premiums, which shall be considered to be an additional loan to the Borrower bearing interest at the rate of interest provided for in the Note, and secured by the Loan Documents.

(d) At the request of CCRC, Borrower shall deposit with CCRC, in monthly installments in advance on the first day of each month, an amount sufficient, as reasonably estimated by CCRC, to pay all insurance premiums next due on all policies of insurance required by this Agreement or the other Loan Documents. In such event, Borrower further agrees, upon CCRC's request, to cause all bills, statements or other documents relating to the foregoing insurance premiums to be sent or mailed directly to CCRC. Upon receipt of such bills, statements or other documents, and provided Borrower has deposited sufficient funds with CCRC pursuant to this Section 2.7, CCRC shall pay such premiums as may be due thereunder out of the funds so deposited with CCRC. If at any time and for any reason the funds deposited with CCRC are or will be insufficient to pay such premiums as may then or subsequently be due, CCRC may notify Borrower and Borrower shall immediately deposit an amount equal to the deficiency with CCRC. If at any time the funds deposited with CCRC exceed the amount deemed necessary by CCRC to pay such premiums as may then or subsequently be due, such excess shall be credited to Borrower on the next monthly installment or installments of such funds. Upon payment and performance in full of the Loan all indebtedness and obligations under the Loan Documents, CCRC shall promptly refund to Borrower any such funds held by CCRC. Nothing herein shall cause CCRC to be deemed a trustee of such funds or to be obligated to pay any amounts in excess of the amount of funds

deposited with CCRC pursuant to this Section 2.7. CCRC may commingle such deposits with its own funds and Borrower shall not be entitled to any interest thereon.

2.8 Payment of Expenses. Borrower shall pay CCRC's costs and expenses incurred in connection with the making, disbursement and administration of the Loan, as well as any revisions, extensions, renewals, refinancings, additional disbursements or "workouts" of the Loan, and in the exercise of any of CCRC's rights or remedies under this Agreement. Such costs and expenses include (but are not limited to) title insurance, recording and escrow charges, fees for appraisal, mortgage taxes, legal fees and expenses of CCRC's counsel and any other reasonable fees and costs for services, regardless of whether such services are furnished by CCRC's employees or agents or independent contractors.

2.9 Books and Records. Borrower shall keep true and correct financial books and records for the Project Assets, using generally accepted accounting principles consistently applied, unless otherwise noted. Within one hundred twenty (120) days after the end of each of Borrower's fiscal years, Borrower shall deliver to CCRC an audited balance sheet and income statement for Borrower and any general partners of Borrower (together with its successors and assigns, as permitted herein, collectively, the "**General Partner**"), together with a statement showing all changes in Borrower's and the General Partner's financial condition. Borrower shall also promptly deliver to CCRC, upon CCRC's written request, its monthly and/or quarterly balance sheets and income statements. If CCRC so requests, at CCRC's sole discretion, Borrower shall provide monthly and/or quarterly balance sheets and income statements for the General Partner. Borrower shall promptly provide CCRC with any additional financial information that Borrower may obtain, or CCRC may reasonably request, as well as signed copies of any tax returns and such other information concerning Borrower's or the General Partner's affairs and properties as CCRC may reasonably request.

2.10 Notices of Certain Events to CCRC. Borrower shall promptly notify CCRC in writing of:

(a) Any litigation affecting Borrower where the amount claimed is Fifty Thousand Dollars (\$50,000.00) or more which is not covered by insurance;

(b) Any communication, whether written or oral, that Borrower may receive from any governmental, judicial or legal authority, giving notice of any claim or assertion that the Project Assets fail in any material respect to comply with any of the Requirements or any other applicable governmental law;

(c) Any material adverse change in the physical condition of the Project Assets or Borrower's financial condition or operations; and

(d) Any default or event of default under any document evidencing or pertaining to any Subordinate Loan.

2.11 Indemnity. Borrower agrees to indemnify, defend and hold CCRC harmless from and against all liabilities, claims, actions, damages, costs and expenses (including all legal fees and expenses of CCRC's counsel) arising out of or resulting from any of the following: (a) the breach of any representation or warranty made or given by Borrower to CCRC in this Agreement

or in any Loan Document; (b) the breach of any obligation of Borrower contained in any of the Loan Documents; (c) any claim or cause of action of any kind by any party in connection with CCRC's making of the Loan or performance of the Loan Documents (excluding CCRC's gross negligence or willful misconduct); (d) the construction or rehabilitation of the Improvements or any similar action taken in respect of the Project Assets; and (e) any claim or cause of action of any kind by any party that CCRC is liable for any act or omission committed or made by Borrower or any other person or entity, whether on account of any theory of derivative liability, comparative negligence or otherwise (excluding any such claims arising in whole or in part as a direct or indirect result of CCRC's gross negligence or willful misconduct) in connection with (i) the ownership, operation, development or rehabilitation of the Project Assets, or (ii) on account of the making of the Loan contemplated by this Agreement or the other Loan Documents or the transactions contemplated herein or therein. Upon demand by CCRC, Borrower shall defend any action or proceeding brought against CCRC arising out of or alleging any claim or cause of action covered by this indemnity, all at Borrower's own cost and by counsel to be approved by CCRC in the exercise of its reasonable judgment. In the alternative, CCRC may elect to conduct its own defense at the expense of Borrower including reasonable attorneys' fees. The provisions of this Section 2.11 shall survive the termination of this Agreement and the repayment of the Loan. Nothing contained in this Section 2.11 shall nullify, negate, modify, or limit the limitations on Borrower's liability set forth in Article VI hereof.

2.12 Income from Real Property. Borrower shall first apply all income derived from the Project Assets, including all income from leases of the Real Property, to pay costs and expenses associated with the ownership, maintenance, operation and marketing of the Project Assets, including all amounts then required to be paid under the Loan Documents then due and payable before using or applying such income for any other purpose. No such income shall be distributed to any partner or shareholder of Borrower unless all such costs and expenses which are then due and payable have been paid in full.

2.13 Perfection of Liens and Security Interests. Upon the request of CCRC, Borrower shall perform all acts which may be necessary or advisable to perfect any lien or security interest provided for in this Agreement or in any other Loan Document or to carry out the intent of this Agreement or any other Loan Document.

2.14 Affordability Covenants; Subordinate Loans. Throughout the term of the Loan, the requisite number of residential apartment units in the Improvements shall rent at such rents, and to households having such incomes, as required by the most restrictive among any agreements, restrictions or other requirements to which Borrower or the Project Assets may be subject, including (but not limited to) the following: (i) the Bond Regulatory Agreement; (ii) the State of California, acting through its Tax Credit Allocation Committee ("TCAC") in connection with an allocation of federal low-income housing tax credits for the Property (the "Tax Credits") under Section 42 of the Internal Revenue Code of 1986, as amended (the "Code"); (iii) that certain City Regulatory Agreement, City Loan Agreement, Prop 1C Infill Regulatory Agreement and TCAP Regulatory Agreement. The foregoing rent and income limitations shall apply to the Real Property for so long as the Loan or any portion thereof remains outstanding. Each year during the term of the Loan, Borrower shall provide CCRC with a copy of Borrower's annual tenant and rent certification and qualification report made to (i) TCAC in connection with the tax credit allocation, and (ii) those governmental agencies charged with determining

Borrower's compliance with regulations applicable to the Tax Credits claimed by Borrower for the Project Assets. The City, TCAC, the Department and the Authority may hereinafter be collectively referred to as the "**Subordinate Lender**" and the Prop 1C Infill Grant, City Loan, TCAP/MHP Backfill Loan, and the CalReuse Grant may hereinafter be collectively referred to as the "**Subordinate Loan**."

2.15 Subordination of Regulatory Restrictions. Subject to the provisions of Section 3.5 hereof, any regulatory or other restrictive agreements imposed by any third party upon Borrower and/or any Project Assets (other than the Bond Regulatory Agreement) shall be subordinated to the Deed of Trust by one or more instruments satisfactory to CCRC and its counsel.

2.16 Replacement Reserves. Borrower shall have established and funded the initial deposit into the Replacement Reserve Account (as defined in that certain Replacement Reserve Agreement dated as of May __, 2010, by and between CCRC and Borrower), in compliance with the Replacement Reserve Agreement, the Loan Agreement and the Indenture.

2.17 Operating Expenses. Upon the occurrence of an Event of Default (as defined in Section 5.1), whether or not the same has been cured, CCRC shall have the right to require Borrower to deposit with CCRC, in monthly installments in advance on the first day of each month, an amount sufficient, as reasonably estimated by CCRC, to pay all operating expenses for the Project Assets. In such event, Borrower further agrees, upon CCRC's request, to cause all bills, statements or other documents relating to the operating expenses to be sent or mailed directly to CCRC. Upon receipt of such bills, statements or other documents, and provided Borrower has deposited sufficient funds with CCRC pursuant to this Section 2.17, CCRC shall pay such amounts as may be due thereunder out of the funds so deposited with CCRC. If at any time and for any reason the funds deposited with CCRC are or will be insufficient to pay such operating expenses as may then or subsequently be due, CCRC may notify Borrower and Borrower shall immediately deposit an amount equal to the deficiency with CCRC. If at any time the funds deposited with CCRC exceed the amount deemed necessary by CCRC to pay such operating expenses as may then or subsequently be due, such excess shall be credited to Borrower on the next monthly installment or installments of such funds. Upon payment and performance in full of the Loan and all indebtedness and obligations under the Loan Documents, CCRC shall promptly refund to Borrower any such funds held by CCRC. Nothing herein shall cause CCRC to be deemed a trustee of such funds or to be obligated to pay any amounts in excess of the amount of funds deposited with CCRC pursuant to this Section 2.17. CCRC may commingle such deposits with its own funds and Borrower shall not be entitled to any interest thereon. Borrower shall execute whatever security agreements, financing statements and other documents and instruments as CCRC may require in order to confirm CCRC's security interest in and/or control over such accounts (including, without limitation, the Replacement Reserve referred to in Section 2.16 and the Operating Reserve referred to in Section 2.28, and all funds deposited in such accounts).

2.18 Impounds for Real Property Taxes and Insurance. Upon the occurrence of an Event of Default (as defined in Section 5.1), whether or not the same has been cured, CCRC shall have the right to require Borrower to deposit with CCRC, in monthly installments in advance on the first day of each month, an amount sufficient, as reasonably estimated by CCRC, to pay all real property taxes and assessments, general and special (after taking into account the

effect of any claim of exemption maintained by Borrower for the Real Property), and all other taxes, assessments, fees, levies and charges of every kind or nature whatsoever, including all non-governmental levies or assessments such as maintenance charges, or assessments, fees, levies or charges resulting from covenants, conditions or restrictions affecting the Real Property, which are assessed against or imposed upon the Real Property, or become due and payable with respect thereto (all of which taxes, assessments, fees, levies and charges are hereinafter referred to as “**Impositions**”) next due on the Real Property. In such event, Borrower further agrees, upon CCRC’s request, to cause all bills, statements or other documents relating to Impositions to be sent or mailed directly to CCRC. Upon receipt of such bills, statements or other documents, and provided Borrower has deposited sufficient funds with CCRC pursuant to this Section 2.18, CCRC shall pay such amounts as may be due thereunder out of the funds so deposited with CCRC. If at any time and for any reason the funds deposited with CCRC are or will be insufficient to pay such Impositions as may then or subsequently be due, CCRC may notify Borrower and Borrower shall immediately deposit an amount equal to the deficiency with CCRC. If at any time the funds deposited with CCRC exceed the amount deemed necessary by CCRC to pay such Impositions as may then or subsequently be due, such excess shall be credited to Borrower on the next monthly installment or installments of such funds. Upon payment and performance in full of all indebtedness and obligations secured by the Deed of Trust, CCRC shall promptly refund to Borrower any such funds held by CCRC. Borrower grants to CCRC a security interest in all funds deposited with CCRC, and such funds are pledged by Borrower to CCRC, for the purpose of securing all indebtedness and obligations secured by the Deed of Trust. Nothing herein shall cause CCRC to be deemed a trustee of such funds or to be obligated to pay any amounts in excess of the amount of funds deposited with CCRC pursuant to this Section 2.18. CCRC may commingle such deposits with its own funds and Borrower shall not be entitled to any interest thereon.

2.19 Property Management. Before the Conversion Date, Borrower shall have obtained CCRC’s reasonable approval of a property manager of the Project Assets (the “**Property Manager**”) and the management contract by and between Borrower and the Property Manager for the management of the Project Assets (the “**Property Management Contract**”) and any management or marketing plan in respect of the Project Assets. Borrower shall not (i) amend, modify or waive in any material respect any default under the Property Management Contract, or any successor thereof, without CCRC’s prior written consent, or (ii) substitute the Property Manager without CCRC’s prior written consent.

2.20 Property Tax Exemption. Borrower shall maintain an exemption from all general real property taxes for the Real Property under Section 214(g) of the California Revenue and Taxation Code, and any successor statute, so long as the statutory exemption provided by Section 214(g) or any successor statute remains in effect.

2.21 Negative Pledge; Sale of Project Assets. Borrower shall not grant or convey any security interest in or lien, charge, claim or encumbrance upon any of the Project Assets, other than liens approved by CCRC relating to the Subordinate Loans, as provided in Section 2.14, until the Loan has been paid in full and all other obligations under the Loan Documents have been satisfied. Borrower shall not sell, convey, or otherwise transfer or dispose of its interest in any Project Assets or contract to do any of the foregoing, without the prior written consent of

CCRC in each instance, except such Project Assets as are customarily transferred in the ordinary course of operation of residential multi-family rental developments.

2.22 Investments. Any investments in or contributions to Borrower required to be made by any member, the General Partner or any limited partner(s) of Borrower (together with its successors and assigns, the “**Limited Partner**”), as the case may be, whether in consideration of any Tax Credits or otherwise, shall be made at the times and on the terms and conditions set forth in any documents or agreements so providing (including, but not limited to, the Partnership Agreement), as such documents or agreements exist as of the Conversion Date. Notwithstanding the foregoing, not less than ninety percent (90%) of the Equity Commitment (as defined in the Loan Agreement) shall have been invested in Borrower on or before the Conversion Date.

2.23 Improvement District. Borrower shall not consent to, vote in favor of, or directly or indirectly advocate or assist in the incorporation of any of the Real Property into any improvement or other special tax or assessment district without CCRC’s prior written consent in each instance, which such consent shall not be unreasonably withheld or delayed.

2.24 Covenants Regarding Tax Credits. Borrower hereby agrees:

(a) To observe and perform all obligations imposed on Borrower in connection with the Tax Credits and to operate the residential units of the Project Assets or to use Borrower’s best efforts to cause the appropriate parties to operate the same in accordance with all statutes and regulations governing the Tax Credits;

(b) Not to release, forego, alter, amend or modify its rights to the Tax Credits without CCRC’s prior written consent, which CCRC may give or withhold in CCRC’s reasonable discretion; provided however, no consent of CCRC shall be required in connection with an increase in the Tax Credits;

(c) Not to execute any residential lease of all or any portion of the Project Assets not complying fully with all requirements and regulations governing the Tax Credits, except with CCRC’s prior written consent, which CCRC may give or withhold in its sole and absolute discretion;

(d) To cause to be kept all records, and cause to be made all elections and certifications, pertaining to the number and size of apartment units, occupancy thereof by tenants, income level of tenants, set-asides for low-income tenants, and any other matters now or hereafter required to qualify for and maintain the Tax Credits in connection with the low-income occupancy of the Project Assets;

(e) To comply with the appropriate minimum low-income set-aside requirements under the Code, or applicable federal regulations (“**Federal Laws**”), TCAC and all California laws and regulations (“**State Laws**”) applicable to the creation, maintenance and continued availability of the Tax Credits;

(f) To certify compliance with the set-aside requirement and report the dollar amount of qualified basis and maximum applicable percentage, date of placement in

service and any other information required for the Tax Credits at such time periods as required by Federal Laws, TCAC or State Laws for such Tax Credits;

(g) To set aside the appropriate number of units for households with incomes meeting the required standards of the County of Santa Clara median income to qualify for the Tax Credits (as determined pursuant to Section 42 of the Code, and/or State Laws), adjusted for family size, and to operate and maintain all such units as “low-income units” qualifying for the Tax Credits under Section 42(i)(3) of the Code, and/or State Laws;

(h) To exercise good faith in all activities relating to the operation and maintenance of the Project Assets in accordance with the requirement of Federal Laws and State Laws; and

(i) To promptly deliver to CCRC true and correct copies of all notices or other documents or communications received or given by Borrower with regard to or relating in any way to the partnership interests of Borrower and/or the Tax Credits. Immediately upon receipt thereof, Borrower must deliver to CCRC the following: (i) a copy of the final reservation of Tax Credits for the Project Assets; (ii) the basis audit (as required by Section 42 of the Code) for the Property (including a certificate of Borrower’s accountant or attorneys if requested by CCRC); (iii) the first annual income certification for all tenants of the Property showing that the tenants are qualified for purposes of Borrower’s obtaining Tax Credits; and (iv) the fully-completed Form 8609 (required by the Code) issued for the Project Assets. Borrower must deliver promptly to CCRC such other certificates, income certificates, reports, and information as CCRC may request.

2.25 Due on Sale or Further Encumbrance. Upon any sale or transfer of (i) all or any part of the Project Assets or any interest therein (other than leases in the ordinary course of business), or (ii) any “Significant Interest” in Borrower, as defined below, or upon the creation of any lien, claim, charge, encumbrance, or security interest in the Project Assets (other than the Subordinated Loans permitted under Section 2.14), without the prior written consent in each instance of CCRC (except as specifically set forth below), which consent may be withheld in CCRC’s sole and absolute discretion, CCRC may, at CCRC’s option, declare the Loan or other amounts secured under the Deed of Trust or owing under the Loan Documents and/or the Bond Documents immediately due and payable and CCRC may invoke any remedies permitted under this Agreement or the other Loan Documents or under the Bond Documents.

As used herein, a “**Significant Interest**” in any entity shall mean the following:

(a) if the entity is a general partnership or a joint venture, (i) any partnership interest in the general partnership, or (ii) any interest of a joint venturer in a joint venture;

(b) if the entity is a limited partnership, (i) any limited partnership interest in the entity which, together with all other limited partnership interests in the entity sold or transferred since the date of the Note, exceeds 49% of all of the limited partnership interests in the entity (provided, however, that the transfer of any limited partnership interest from a Limited Partner to another entity that is a limited partner of Borrower on

the date of this Agreement shall not be deemed to be a sale or transfer of a Significant Interest), or (ii) any general partnership interest in the entity;

(c) if the entity is a limited liability company, any membership interest which, together with all other membership interests in the limited liability company sold or transferred since the date of the Note, exceeds 49% of all of the membership interests in the limited liability company;

(d) if the entity is a corporation, any voting stock in the corporation which, together with all other voting stock of the corporation sold or transferred since the date of the Note, exceeds 49% of all of the voting stock of the corporation; or

(e) if the entity is a trust, any beneficial interest in the trust which, together with all other beneficial interests in the trust sold or transferred since the date of the Note, exceeds 49% of all of the beneficial interests in the trust.

Notwithstanding the foregoing, the following shall not be considered a transfer of a Significant Interest and except as specifically set forth below shall not require prior or subsequent consent from CCRC: (i) replacement of any General Partner by the Limited Partner of Borrower or its designee where such new general partner is an affiliate of Redstone Equity Partners, LLC, which will not require the approval of CCRC or of any other new general partner not affiliated with Redstone Equity Partners, LLC, which is satisfactory to and approved in writing by CCRC, which approval shall not be unreasonably withheld or delayed; (ii) the transfer of any limited partnership interest to another current limited partner; (iii) transfers by the Limited Partner of its interest in Borrower to any entity which has as its general partner or managing member an affiliate of Redstone Equity Partners, LLC, and the admission of such permitted entity as a limited partner of Borrower; (iv) transfers of limited partnership interests in the Limited Partner and the admission of such entity as a limited partner of the Limited Partner; (v) the transfer of any general partnership interest to a 501(c)(3) affiliate of any General Partner which is satisfactory to and approved in writing by CCRC, which approval shall not be unreasonably withheld or delayed; (vi) the transfer of any general partnership interest to a limited liability company affiliate of any General Partner which is satisfactory to and approved in writing by CCRC, which approval shall not be unreasonably withheld or delayed; or (vii) the pledge by the Limited Partner to Borrower and/or Bank of its limited partnership interests to secure its obligation to make Capital Contributions. Further, the granting by Borrower or Limited Partner of a purchase option and right of first refusal to the General Partner or an affiliate of General Partner on the terms provided in the Partnership Agreement of Borrower shall not be considered a transfer of a Significant Interest; provided, however, that any exercise of such purchase option or right of first refusal shall be subject to the prior written approval of CCRC, in its reasonable discretion, which shall not be unreasonably withheld or delayed. In addition, amendments of Borrower's Partnership Agreement solely to effectuate any of the above transfers shall not require prior or subsequent consent from CCRC.

2.26 Additional Payments. In addition to all other payments and deposits due hereunder, Borrower shall also pay to CCRC a prorated monthly deposit such that, when due, all fees due to the Issuer as required by the Indenture will be paid in full.

2.27 Debt Service Coverage Ratio.

(a) Borrower anticipates that, for all fiscal years of Borrower during the term of the Loan (each, a “**Period**”), the ratio of Net Income to Debt Service for the Property shall be and remain no less than 1.05 to 1.00 (the “**Target DSCR**”). Borrower acknowledges that CCRC is relying on Borrower meeting the Target DSCR in making the Loan, and that CCRC would not have made the Loan without its reliance upon such anticipated Target DSCR. Notwithstanding the foregoing, the failure of Borrower to maintain the Target DSCR shall not constitute an Event of Default under this Agreement.

(b) In addition to the delivery to CCRC of the financial information required to be provided under Section 2.9 above, Borrower shall submit annually to CCRC, within 120 days of the end of each of Borrower’s fiscal years during the term of the Loan, a certification by Borrower of the DSCR for each such fiscal year (the “**DSCR Certification**”); provided, however, that if Borrower’s first fiscal year of the term of the Loan ends less than one full year after the Conversion Date, the DSCR Certification shall reflect the DSCR for the period only from the Conversion Date to the end of such first fiscal year. Borrower shall make available to CCRC or its designee any financial information reasonably requested by CCRC in order for CCRC to verify and accept Borrower’s DSCR calculations. If CCRC does not accept Borrower’s DSCR Certification, CCRC shall provide Borrower its recalculation which shall be binding upon Borrower. If Borrower fails to deliver to CCRC (i) the DSCR Certification as required by this Section 2.27, or (ii) the financial information required pursuant to Section 2.9 above, CCRC shall calculate the DSCR (the “**CCRC DSCR Determination**”) based upon the most recently available financial information of Borrower, which CCRC DSCR Determination shall be binding upon Borrower. If any DSCR Certification or CCRC DSCR Determination reveals that the DSCR for any Period covered by such DSCR Certification is less than the Target DSCR, then, while not an Event of Default pursuant to Section 5.1 below, the following shall occur:

(i) Borrower shall notify the Limited Partner and the Subordinate Lenders of its failure to meet the Target DSCR.

(ii) Borrower shall provide CCRC, within thirty (30) days of Borrower’s delivery of the relevant DSCR Certification or CCRC’s calculation of the DSCR, as applicable, a written plan reasonably acceptable to CCRC to bring the Property into compliance with the Target DSCR. Such plan shall include monthly projections of Net Income, Debt Service and DSCR until such time as projections show the Property to be in compliance with the Target DSCR.

(iii) Borrower shall provide CCRC, for each month of the year following submittal of the relevant DSCR Certification or CCRC’s calculation of the DSCR, as applicable (within 25 days of the end of each month): (a) a

certificate disclosing the DSCR for the 12-month period ending on the last day of the relevant month (each, a “**Monthly DSCR Certification**”), and (b) rent rolls and operating statements for the Property, along with a monthly comparison of actual Net Income, Debt Service and DSCR to projected Net Income, Debt Service and DSCR, reflected in the written plan described above. Borrower shall also provide a narrative explaining in detail any material variations between actual and projected Net Income, Debt Service and DSCR. If Borrower fails to deliver to CCRC the Monthly DSCR Certification as provided herein, or if CCRC’s internal DSCR calculation is inconsistent with Borrower’s Monthly DSCR Certification, CCRC shall calculate the monthly DSCR based upon the most recently available financial information of Borrower, and such calculation shall be binding upon Borrower.

(iv) Until such time as the Property is in actual compliance with the Target DSCR, Borrower shall not make any partnership payments or distributions; but rather, Borrower shall deposit the amount of any such payments otherwise due (and any other excess of Net Income over Debt Service) with CCRC, to be held as additional collateral by CCRC in Borrower’s name as a debt service reserve (the “**Debt Service Reserve**”). Such deposits by Borrower shall continue until the earlier of (x) the time at which the balance in the Debt Service Reserve shall be sufficient, if applied to the Loan, to bring the Property in compliance with the Target DSCR (assuming the Loan payments are recast based on the deemed application of such Debt Service Reserve to the then-current Loan balance and interest rate and its remaining amortization period and utilizing the Net Income from the latest available audited financial statements), or (y) the time at which a Monthly DSCR Certification shall reveal that the Property is in actual compliance with the Target DSCR.

(v) Upon the actual compliance of the Property with the Target DSCR, as determined by a certification of Borrower of such event, verified by CCRC or its designee (not merely upon reduction of the Loan by the amount retained in any Debt Service Reserve being maintained because of the failure to meet the Target DSCR), CCRC shall release the balance of funds in the Debt Service Reserve retained pursuant to this Section 2.27 to Borrower, and Borrower’s obligations under any written plan shall terminate.

(c) To the extent Borrower does not comply with any term or condition of this Section 2.27, then, before any Event of Default shall occur pursuant to Section 5.1 below, the Limited Partner shall receive written notice of Borrower’s failure to comply and Limited Partner shall have the right, but not the obligation, within thirty (30) days of receipt of written notice of Borrower’s failure to comply, to cure any such failure to comply. CCRC agrees to accept any such cure tendered by Limited Partner on behalf of Borrower.

(d) For purposes of this Section 2.27, the following definitions shall apply:

“**Net Income**” shall mean, for any Period, all Gross Income (as defined below) from the Property during such Period less Operating Expenses (as defined below) of the Property during such Period.

“**Gross Income**” shall mean, for any Period, the sum of all income from the operation of the Property, including but not limited to, rental income, Section 8 income, laundry lease income, parking fee income, or any other income derived from operation of the Property, which is actually received in such Period.

“**Operating Expenses**” shall mean, for any Period, the following expenses of the Property to the extent that such expenses are reasonable in amount and customary for properties that are similar in type, size, quality and location to the Property: (i) taxes and assessments imposed upon the Real Property, to the extent that such taxes and assessments are required to be paid by Borrower and are actually paid or reserved for by Borrower in such Period; (ii) bond assessments properly allocable to such Period; (iii) insurance premiums for casualty insurance (including, without limitation, terrorism, flood and earthquake insurance, to the extent required under this Agreement) and liability insurance carried in connection with the Property and accrued during such Period, provided, however, if any insurance is maintained as part of a blanket policy covering the Property and other properties, the insurance premium included in this subparagraph shall be the premium fairly allocable to the Property for such Period; (iv) operating expenses reasonably and actually incurred by Borrower for the management, operation, cleaning, leasing, maintenance and repair of the Property during such Period; (v) replacement and operating reserves (if any) required by this Agreement, any Subordinate Loan document, and/or Borrower’s partnership agreement; (vi) any other debt service (with obligatory payments) related to the Property and accrued during such Period (other than debt service on the Loan); and (vii) costs of deferred maintenance with respect to the Property accrued during such Period. Operating Expenses shall not include any allowance for depreciation.

“**DSCR**” shall mean, for any Period, the ratio of Net Income for the Property to Debt Service, using the actual Net Income and Debt Service for such Period.

“**Debt Service**” shall mean, in the aggregate, principal and interest payments required to be paid to CCRC during the relevant Period in connection with the Loan, based upon the amortization and the Interest Rate as defined and set forth in the Note.

2.28 Operating Reserves. On or before the Conversion Date, Borrower shall have established and funded an operating reserve (the “**Operating Reserve**”) in the minimum amount of the greater of \$500,000.00 or any such greater amount required pursuant to the terms of the any Subordinate Loan document or the Partnership Agreement, which shall be held by CCRC as additional security for the Loan in one or more account(s) maintained by CCRC, in Borrower’s name, with one or more of CCRC’s member bank(s). Borrower grants to CCRC a security interest in all funds deposited with CCRC, for the purpose of securing all indebtedness and obligations secured by the Deed of Trust.

Borrower shall be entitled to use the Operating Reserve funds only to meet operating deficits for below break-even operations in connection with the management and/or maintenance of the Property. If Borrower shall make any permitted draw upon the Operating Reserve at any time, Borrower shall promptly replenish the Operating Reserve to the amount of the balance of the Operating Reserve at the time of Borrower's draw from available cash flow from the Property, and the replenishment of the Operating Reserve shall be paid prior to the payment of any Partnership or developer fees. CCRC shall have the right to approve any use of the Operating Reserve funds. To the extent that Limited Partner or any Subordinate Lender has the right to approve draws of the Operating Reserve funds pursuant to the terms of the Partnership Agreement or Subordinate Loan documents, as applicable, Borrower shall obtain such approval from Limited Partner and/or Subordinate Lender in connection with each such draw.

Initially, the Operating Reserve shall be audited by CCRC or its delegee six (6) months following the Conversion Date, and the Operating Reserve shall be audited by CCRC or its delegee annually thereafter in order to confirm, among other things, that (i) Borrower has used Operating Reserve funds only for appropriate purposes, and (ii) the Operating Reserve contains no less than \$500,000.00, subject to increase pursuant to the terms of this Section 2.28. Borrower shall cooperate with CCRC's audits of the Operating Reserve.

2.29 Partnership Agreement. There shall be no revision, amendment, modification or change of Borrower's partnership agreement (as amended, the "**Partnership Agreement**"), without CCRC's prior written consent, which shall not be unreasonably withheld or delayed; provided, however, the Partnership Agreement may be amended or modified without CCRC's prior written consent (i) solely to effectuate any transfer and admission which is otherwise permitted without CCRC's consent under Section 2.25 of this Supplemental Agreement and under the Loan Agreement, (ii) to correct scrivener's errors in the Partnership Agreement, or (iii) to conform the Partnership Agreement to the requirements of Section 42 of the Code and the regulations promulgated thereunder, or the requirements of TCAC or the requirements of the welfare exemption. After any change to the Partnership Agreement, whether it requires CCRC's consent or not, Borrower shall promptly provide a revised version thereof to CCRC. Further, during the term of the Loan, no General Partner shall jeopardize in any material way the Property or the financial viability of Borrower by (i) materially violating its fiduciary responsibilities under the Partnership Agreement, or (ii) willfully violating any law, regulation or order applicable to the Partnership, and such violations are not remedied or cured as permitted in the time frames provided under the Partnership Agreement.

2.30 Delivery Assurance. Borrower is obligated to deliver to CCRC that certain Promissory Note (Delivery Assurance), dated as of even date herewith (the "**Delivery Assurance Note**"), made by Borrower to the order of CCRC, and that certain Delivery Assurance Multifamily Leasehold Deed of Trust, dated as of even date herewith (the "**Delivery Assurance Deed of Trust**"), made by Borrower for the benefit of CCRC, encumbering the leasehold interest in the Property. The indebtedness evidenced by the Delivery Assurance Note shall be subordinate to the Loan and the Delivery Assurance Deed of Trust shall be subordinate to liens securing all construction and acquisition financing for the Project, including, without limitation, liens in connection with the Loan. The conditions set forth in the Bond Purchase Agreement are intended to ensure delivery of the Bonds on the Conversion Date to CCRC by Borrower. In the event that (1) CCRC breaches its obligations hereunder, or (2) the Bonds shall

be purchased by CCRC as contemplated in the Bond Purchase Agreement, the Delivery Assurance Note shall be cancelled, and the Delivery Assurance Deed of Trust shall be released and reconveyed. If, however, the Bonds are not purchased as set forth in the Bond Purchase Agreement for any reason other than CCRC's breach of its obligations hereunder, then CCRC shall be entitled (x) to collect under the Delivery Assurance Note, and (y) to keep in place the Delivery Assurance Deed of Trust until CCRC is repaid in full the amount enumerated therein, and CCRC shall not be obligated to subordinate the lien of the Delivery Assurance Deed of Trust to the lien of any take-out, bridge or permanent lender at that time.

ARTICLE III **LEASES; LOAN DOCUMENTS**

3.1 Form of Lease. Borrower has submitted to CCRC, for its review and approval, the proposed form of residential lease which has been or will be entered into with prospective tenants upon completion of the lease-up and occupancy of the Real Property and Improvements. All leases entered into by Borrower shall be in substantially the form approved by CCRC and shall comply with the Deed of Trust (an "**Approved Lease**").

3.2 Future Leases. Subject to the terms and conditions of Article III and Section 2.14 hereof, Borrower may enter into leases or residency agreements with any person for occupancy of dwelling units and within the Improvements without CCRC's consent provided that each such lease constitutes an Approved Lease except as modified to reflect the identity of the tenant, the term, the rental amount, and deposits, if any, and such tenant's interest therein is subordinate to the rights of CCRC hereunder and under the Loan Documents. Borrower shall comply in all respects with any restrictions or guidelines as to the rents or other fees which may be charged for such units and commercial space, if any, which are contained in this Agreement, the Loan Documents, or in any other agreement or requirements by which Borrower or the Project Assets may be bound. Following the occurrence and during the continuance of any Event of Default (as defined in Section 5.1), CCRC may make written demand on Borrower to submit all rents and future leases and residency agreements for CCRC's approval prior to execution.

3.3 Delivery of Leasing Information and Documents. Borrower shall promptly deliver to CCRC such monthly rent rolls, leasing schedules and reports, operating statements or other leasing information as CCRC from time to time may reasonably request in writing, certified by an authorized officer of Borrower to be true and correct. In addition, Borrower shall promptly obtain and deliver to CCRC such estoppel certificates and subordination and attornment agreements executed by such tenants in such forms as CCRC may from time to time require in writing.

3.4 Landlord's Obligations. Borrower or the Property Manager shall perform all obligations required to be performed by it as landlord under any lease affecting any part of the Project Assets or any space within the Real Property or Improvements.

3.5 Subordination Clause in All Tenant Leases. All leases and residency agreements entered into by Borrower and all indebtedness arising thereunder or secured thereby, or commercial space shall contain a provision stating that such leases and such tenants' rights thereunder are unconditionally junior and subordinate to the Deed of Trust and the Loan

Documents and all indebtedness arising thereunder or secured thereby. CCRC acknowledges the provisions of Section 42(h)(6)(E) of the Code, which survive any foreclosure of the Deed of Trust.

ARTICLE IV **REPRESENTATIONS AND WARRANTIES**

Borrower represents and warrants to CCRC as follows:

4.1 Organization of Borrower and the General Partner.

(a) Borrower is and shall at all times hereafter be a limited partnership duly organized and validly existing under the laws of the State of California or such other entity as may be approved by CCRC in writing, and is and at all times hereafter shall be qualified and licensed to do business, and is in good standing, in any state in which it conducts its business or in which the failure to qualify could have a material adverse effect on the condition, financial or otherwise, of its business, the Project Assets or results of operations of Borrower.

(b) The General Partner is and shall at all times hereafter be a corporation, limited liability company or a nonprofit public benefit corporation, as applicable, and is and at all times hereafter shall be authorized to do business, and is in good standing, in any state in which it conducts its business or in which the failure to qualify could have a material adverse effect on the condition, financial or otherwise, of its business, the Project Assets or results of operations of the General Partner.

4.2 Requisite Power. Borrower has all requisite partnership power to borrow the sums provided for in this Agreement and has all requisite power to execute, deliver, issue and perform this Agreement and all other Loan Documents to which it is a party and to consummate the transactions hereunder and thereunder. The General Partner has all requisite power to act on its own behalf and as Borrower's general partner in connection with its and Borrower's execution, delivery and performance of this Agreement and the other Loan Documents to which it or Borrower is a party and the consummation of the transactions hereunder or thereunder.

4.3 Authorization. All partnership actions on the part of Borrower and all corporate, limited liability company and/or partnership actions on behalf of the General Partner necessary for the authorization, execution, delivery and performance of this Agreement and the other Loan Documents have been duly taken and are in full force and effect. All corporate, limited liability company and/or partnership actions on the part of the General Partner, acting on its own behalf and as Borrower's general partner necessary for the authorization, execution, delivery and performance of this Agreement and the other Loan Documents to which it or Borrower is a party have been duly taken and are in full force and effect. In addition, each authorized officer, member or partner of the General Partner executing this Agreement or any of the other Loan Documents is (as of the date of such execution) duly and properly in office and fully authorized to execute and deliver the same on behalf of the General Partner, acting on its own behalf and as Borrower's general partner.

4.4 Validity. This Agreement and all of the other Loan Documents to which either Borrower or the General Partner is a party have been duly executed and delivered and are the legal, valid and binding obligations of Borrower and the General Partner (as the case may be), enforceable in accordance with their respective terms, except as limited by applicable bankruptcy, reorganization, insolvency or similar laws affecting the enforcement of creditor's rights generally and by general principles of equity.

4.5 No Breach. The execution by Borrower and the General Partner of the Loan Documents to which it is (in each case) a party shall not constitute a breach of any provision contained in the Partnership Agreement or the General Partner's governing organizational documents. Furthermore, the execution of the Loan Documents or performance thereof by Borrower and the General Partner shall not constitute an event of default under any agreement to which Borrower or the General Partner are a party or by which they are subject. The Loan Documents do not violate any order, decree or judgment of any court or public authority applicable to Borrower or the General Partner.

4.6 Compliance with Laws. Borrower and the General Partner each are in compliance in all material respects with all applicable Federal Laws and State Laws.

4.7 No Violation. Neither Borrower nor the General Partner is in violation of any law, regulation or ordinance, or any order of any court or governmental entity. No provision or obligation of Borrower contained in any of the Loan Documents violates any of the requirements, any other applicable law, regulation or ordinance, or any order or ruling of any court or governmental entity. No such provision or obligation conflicts with, or constitutes a breach or default under, any agreement binding or regulating the Project Assets.

4.8 No Claims; Litigation. There are no claims, actions, proceedings or investigations pending against Borrower or the General Partner, or affecting the Project Assets, before any court or public authority. Borrower has no knowledge of any pending, threatened or imminent litigation, governmental investigations or complaints, actions or prosecutions involving Borrower or the General Partner, or any breaches by Borrower, the General Partner or any other person or entity of any agreement to which Borrower or the General Partner is a party or by which either is bound.

4.9 Financial Information. All financial information which has been or will be delivered to CCRC by Borrower, including all information relating to the financial condition of Borrower, the General Partner, any joint venturer, or the Project Assets, fairly and accurately represents or will represent, when delivered, the financial condition being reported on. All such information was or will be prepared in accordance with generally accepted accounting principles consistently applied, unless otherwise noted. There has been no material adverse change in any financial condition reported at any time to CCRC.

4.10 Accuracy. All reports, documents, instruments, information and forms of evidence which have been delivered to CCRC concerning the Loan and required by the Loan Documents are accurate, correct and sufficiently complete in all material respects to give CCRC true and accurate knowledge of their subject matter. None of them contains any material misrepresentations or omissions.

4.11 Taxes. Borrower and the General Partner have filed complete and correct federal, state and local tax reports and returns required to be filed by any of them other than those for which valid extensions have been obtained and remain unexpired, each prepared in accordance with any applicable laws or regulations, and except for extensions duly obtained, have either duly paid all taxes, duties and charges owed by either of them, or made adequate provisions for the payment thereof. There are no material unresolved questions or claims concerning any tax liability of Borrower or the General Partner. In addition, Borrower has paid all Real Property taxes which are due and payable, if any, and knows of no basis for any additional assessment of taxes affecting the Project Assets.

4.12 Licenses and Utilities. Borrower and the General Partner have properly obtained, and kept current all necessary Licenses. All utility services which are necessary to occupy and operate the Real Property and the Project Assets are available to Borrower.

4.13 Borrower Not a “Foreign Person”. Borrower is not a “foreign person” within the meaning of Section 1445(f)(3) of the Code.

4.14 Full Disclosure. This Agreement, the Loan Documents, the Bond Documents and the financial information delivered in connection herewith and therewith, and the representations and warranties of Borrower and the General Partner herein and in any other document delivered or to be delivered by or on behalf of Borrower or the General Partner, do not and will not contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained therein or herein, in light of the circumstances under which they were made, not misleading. To the best knowledge of Borrower, after diligent inquiry and investigation, there is no material fact which Borrower has not disclosed to CCRC in writing which materially and adversely affect the assets, business, prospects, profits or condition (financial or otherwise) of Borrower, the rights of CCRC, and/or the ability of Borrower to perform this Agreement and the Loan Documents.

ARTICLE V DEFAULT AND REMEDIES

5.1 Events of Default. Borrower will be in default under this Agreement upon the occurrence of any one or more of the following events after the expiration of applicable cure periods with respect to such event, if any (each, an “**Event of Default**” and collectively, the “**Events of Default**”):

(a) Payments. If Borrower fails to pay (i) any payment of principal or interest under the Note, within ten (10) days after the date when due, or (ii) any other sum payable hereunder or under any of the other Loan Documents, within ten (10) Business Days after written notice from CCRC to Borrower.

(b) Breach of Covenants. If Borrower fails or neglects to perform, keep or observe any term, provision, condition, covenant, or agreement contained in this Agreement, any other Loan Document, or any other present or future agreement between Borrower and CCRC and/or evidencing and/or securing the Loan (other than those covenants referred to in clause (a) above), and does not cure that failure within thirty (30)

days after written notice from CCRC to Borrower, or if such cure is not practicable within thirty (30) days, does not commence cure within thirty (30) days after written notice from CCRC to Borrower and diligently proceed to cure within a reasonable time thereafter.

(c) Breach of Representation. If any material representation, warranty, statement, report or certificate made or delivered by Borrower or the General Partner, or any of its officers, employees or agents on behalf of Borrower or the General Partner, to CCRC is false in any material respect when made or deemed to be made.

(d) Cross-Default as to Subordinate Loans. If any default or defined “Event of Default” under any Subordinate Loan shall have occurred and be continuing after expiration of any applicable notice and cure periods. A waiver of any default or event of default by any Subordinate Lender under any loan document (as distinct from a complete cure of the default by full performance of Borrower’s obligation) shall not constitute a cure thereof and compliance therewith for the purpose of this Agreement if, in CCRC’s reasonable judgment, such waiver materially impairs CCRC’s security in connection with the Loan or CCRC’s rights under the Loan Documents; any amendment or modification of any such loan or acquisition document shall not constitute a cure thereof or excuse compliance therewith for purposes of this Agreement if, in CCRC’s reasonable judgment, such amendment or modification materially impairs CCRC’s security in connection with the Loan or CCRC’s rights under the Loan Documents.

(e) Voluntary Insolvency. If any insolvency proceeding is commenced by Borrower or the General Partner, or Borrower or General Partner becomes insolvent or otherwise cannot pay its debts or obligations as such become due (or admits the same in writing); provided, however, that any such default with respect to the General Partner shall be deemed cured if the Limited Partner(s) replaces the General Partner in accordance with the Partnership Agreement of Borrower within sixty (60) days with another general partner acceptable to CCRC and approved by the bankruptcy court if such approval is necessary.

(f) Involuntary Insolvency. If any insolvency proceeding is commenced against Borrower or the General Partner except that if Borrower or the General Partner is contesting such insolvency proceeding, such proceeding shall not constitute an Event of Default unless it is not dismissed within ninety (90) days of the commencement thereof.

(g) Sale of Assets. If Borrower ceases its operations or sells or otherwise disposes of all or substantially all of the Project Assets other than pursuant to a right of first refusal or purchase option granted in the Partnership Agreement and approved by CCRC, or all or substantially all of the Project Assets are damaged or destroyed, or a governmental authority condemns or expropriates, or an order is issued by a governmental authority for the condemnation or expropriation of, all or substantially all of the Project Assets.

(h) Attachment or Levy. If all or any of Borrower’s or the General Partner’s assets in excess of Fifty Thousand Dollars (\$50,000.00) in aggregate value are attached,

seized, subjected to a writ or distress warrant, or are levied upon, or come into the possession of any judicial officer or assignee for the benefit of creditors unless, with respect to any such assets, such attachment, seizure, writ, warrant or levy shall be dismissed, released or stayed within ten (10) days of issuance thereof.

(i) Governmental Lien. If a notice of lien, levy or assessment in excess of Fifty Thousand Dollars (\$50,000.00) in the aggregate, is filed of record with respect to any or all of Borrower's or the General Partner's assets by the United States Government, or any department, agency or instrumentality thereof, or by any other public authority, or if any taxes (excluding general and special real property assessments) or debts owing at any time hereafter to any one or more of such entities in excess of One Hundred Thousand Dollars (\$100,000.00) in the aggregate, becomes a lien, whether choate, inchoate or otherwise, upon any or all of Borrower's or the General Partner's assets, and the same is not paid or otherwise released within forty-five (45) days of the filing thereof.

(j) Criminal Proceedings. If any criminal proceedings against Borrower or the General Partner shall have been instituted or Borrower or the General Partner or any principal in the General Partner shall be indicted for any crime, in either case for which a forfeiture of a material amount of the Project Assets or any of its other property or assets is a potential penalty and such proceedings or indictment is not dismissed within sixty (60) days.

5.2 Remedies. If an Event of Default occurs under this Agreement (after the expiration of any notice and cure period therefor, if any) or under any other Loan Document, the Note and all other obligations due to CCRC shall, at CCRC's option, become immediately due and payable. If an Event of Default referred to in clause (e) or (f) of Section 5.1 hereof shall occur, the Note and all other obligations due to CCRC shall automatically become due and payable. CCRC may exercise any right or remedy which it has under this Agreement or any other Loan Document, or which is otherwise available at law or in equity or by statute, or under the California Uniform Commercial Code, and all of CCRC's rights and remedies shall be cumulative.

5.3 Cure Rights of Limited Partner. The Limited Partner shall have the right but not the obligation to cure any Event of Default of Borrower under the Loan Documents, and CCRC agrees to accept any cure tendered by Limited Partner on behalf of Borrower within the cure periods described in this Section 5.3. In addition to any notice required to be given by CCRC to Borrower, CCRC shall give concurrent written notice of any Event of Default under the Loan Documents to Limited Partner which notice shall not constitute notice to Borrower. The notice shall specify: (i) the nature of the event or deficiency giving rise to the Event of Default; (ii) the action required to cure the event or deficiency, if an action to cure is possible and can be ascertained; and (iii) a date by which such action to cure must be taken, if applicable, which date shall in no event be less than five (5) calendar days from the mailing of the notice for monetary defaults or sixty (60) calendar days from the mailing of the notice for non monetary defaults, provided that Limited Partner diligently pursues or prosecutes such cure to completion. If the cure of a non monetary default requires more than sixty (60) days, CCRC may, in its reasonable discretion, extend the time within which the Event of Default must be cured, provided Limited Partner promptly commences to cure the Event of Default and thereafter diligently pursues or

prosecutes such cure to completion, or diligently pursues the removal and replacement of the General Partner. In the event CCRC fails to provide notice of an Event of Default to Limited Partner as set forth herein, CCRC's failure to provide such notice to Limited Partner shall not result in liability to CCRC, but CCRC shall grant Limited Partner five (5) calendar days from receipt of actual notice of monetary default or sixty (60) days from receipt of actual notice of a non monetary default to pay any and all sums or perform any and all acts necessary to cure such Event(s) of Default, provided that Limited Partner diligently pursues or prosecutes such cure to completion. Notwithstanding the foregoing, in no event shall Limited Partner's right to cure an Event of Default extend beyond five (5) calendar days prior to the CCRC's foreclosure of its interest in the Subject Property (as defined in the Deed of Trust).

ARTICLE VI **LIMITED RECOURSE**

6.1 **Generally.** Except as set forth herein and in the other Loan Documents, the personal liability of Borrower or any partner of Borrower to pay the principal of and interest on the debt evidenced by the Note and any other Loan Document or agreement evidencing Borrower's obligations under the Note and the Leasehold Deed of Trust shall be limited to (a) the Subject Property (as defined in the Leasehold Deed of Trust), (b) the personal property pledged under the Leasehold Deed of Trust and under any Loan Document, (c) the Payments (as defined in the Leasehold Deed of Trust) actually collected by Borrower, and (d) all other property or assets of Borrower secured by the Loan Documents. Except as set forth herein and in the other Loan Documents, CCRC shall not seek (i) any judgment for a deficiency against Borrower or any partner of Borrower, or Borrower's or any of Borrower's partner's members, shareholders, managers, officers, directors, heirs, legal representatives, successors or assigns, in any action to enforce any right or remedy under the Leasehold Deed of Trust or the Loan Documents, or (ii) any judgment on the Note, except as may be necessary in any action brought under the Leasehold Deed of Trust or the Loan Documents to enforce the lien against the Property or to exercise any remedies under any Loan Document.

6.2 **Exceptions; Personal Liability.** Notwithstanding the preceding Section, Borrower and the General Partner (each individually, or on a joint and several basis if more than one) shall be personally liable on a joint and several basis, in the amount of any loss, damage or cost (including but not limited to attorneys' fees) resulting from one or more of the following: (a) fraud or intentional misrepresentation by Borrower or its agents or employees, or the General Partner or its agents or employees, in connection with obtaining the loan evidenced by the Note, or in complying with any of Borrower's obligations under the Bond Documents and the Loan Documents; (b) Borrower's failure to pay (beyond any applicable notice and cure periods) any and all insurance proceeds, condemnation awards, damage proceeds, security deposits received from tenants (to the extent that Borrower is obligated to return any such security deposit to a tenant or tenants) or other sums or payments received by or on behalf of Borrower in its capacity as owner of the Property and not applied in accordance with the provisions of the Leasehold Deed of Trust and the Loan Documents (except to the extent that Borrower did not have the legal right because of a bankruptcy, receivership or similar judicial proceeding, to direct disbursement of such sums or payments); (c) Borrower's failure to pay all Cash Collateral (as defined in the Leasehold Deed of Trust) actually received by Borrower not applied to the payment of the reasonable operating expenses as set forth herein and then to the payment of principal and

interest then due and payable under the Note and any other amounts arising or due and owing under the Bond Documents and/or the Loan Documents, including but not limited to deposits or reserves payable under any Loan Document (except to the extent that Borrower did not have the legal right, because of a bankruptcy, receivership or similar judicial proceeding, to direct the disbursement of such sums); (d) Borrower's failure, following an event of default under any of the Bond Documents and the Loan Documents to deliver to CCRC on demand all Cash Collateral (as defined in the Leasehold Deed of Trust) (except to the extent that Borrower did not have the legal right because of a bankruptcy, receivership or similar judicial proceeding to direct the disbursement of such sums), books and records relating to the Project; (e) commission of material waste by Borrower (or any partner, officer, director or agent of Borrower or any guarantor or owner of any collateral as described in the Leasehold Deed of Trust or the Loan Documents); provided, however, that failure of Borrower to restore or repair the Project Assets after damage or destruction to them shall not be material waste, notwithstanding the availability of insurance proceeds or condemnation awards in connection therewith; and (f) the presence or release of any "Hazardous Substances" (as defined in that certain Environmental Indemnity (Unsecured), dated as of even date herewith (the "**Indemnity Agreement**"), by Borrower in favor of Bondowner Representative) on, in or under the Project.

6.3 Guaranties; Other Rights of CCRC Relating to Collection of Amounts Owed. Notwithstanding the foregoing, no provision of this Article VI shall (a) affect any guaranty or similar agreement executed in connection with the debt evidenced by the Note, (b) release or reduce the debt evidenced by the Note, (c) impair the right of the CCRC to enforce any provisions of the Deed of Trust or the Bond Documents or the Loan Documents, or (d) impair the liens of the Deed of Trust or the Bond Documents or the Loan Documents. Nothing herein shall directly or indirectly limit the right of CCRC to collect or recover any collateral as described in the Deed of Trust or the Loan Documents from Borrower or any person holding or receiving the same without the written consent of the CCRC, including any partner, shareholder, member or affiliate of Borrower or the General Partner who receives the Cash Collateral (as defined in the Deed of Trust) assigned to CCRC after the same become payable to CCRC or under circumstances where the same are recoverable by CCRC under applicable law or by contract. Furthermore, nothing in any other provision of the Note or the other Bond Documents or Loan Documents shall be deemed to limit the CCRC's right to enforce collection from Borrower (or any other person liable therefor) of all attorneys' fees, costs, expenses, indemnity liabilities and other amounts payable to the Trustee apart from principal or interest owing under the Note. This Article VI shall only apply to principal constituting the original loan evidenced by the Note and interest accrued thereon under the Note and shall not affect other indebtedness owing under the Loan Documents. Nothing in this Article VI is intended to subordinate any obligation or liability of Borrower to CCRC to any operating expenses, and upon an event of default under any of the Bond Documents and the Loan Documents, CCRC may apply Cash Collateral (as defined in the Deed of Trust) to any secured or unsecured obligation owing to CCRC, in any order. Notwithstanding anything herein to the contrary, no Limited Partner (to the extent it continues to act in a capacity as a limited partner of Borrower) shall have any personal liability in connection with a default by Borrower under the Note or the Leasehold Deed of Trust.

ARTICLE VII
MISCELLANEOUS

7.1 No Waiver; Consents. Each waiver by CCRC must be in writing, and no waiver shall be construed as a continuing waiver. No waiver shall be implied from any delay or failure by CCRC to take action on account of any default of Borrower. Consent by CCRC to any act or omission by Borrower shall not be construed as a consent to any other or subsequent act or omission or as a waiver of the requirement for CCRC's consent to be obtained in any future or other instance.

7.2 No Third Parties Benefited. This Agreement is made and entered into for the sole protection and benefit of CCRC and Borrower and their successors and assigns. No trust fund is created by this Agreement and no other persons or entities shall have any right of action under this Agreement or any right to the Loan funds.

7.3 Joint and Several Liability; Limited Recourse. If more than one entity signs as Borrower, each shall be jointly and severally liable to CCRC for the faithful performance of this Agreement. Despite the foregoing and anything else in this Agreement or in any other Loan Document to the contrary, however, CCRC acknowledges and agrees that, upon purchase of the Bonds from Bondowner Representative pursuant to the Bond Purchase Agreement, there shall thereafter be limited recourse to Borrower and its partners with respect to the indebtedness evidenced by the Loan Documents, as provided in Article VI above.

7.4 Notices. All notices and demands given pursuant to the terms hereof shall be given in writing delivered in person, by commercial courier, or by registered or certified mail, return receipt requested, with all postage and fees fully prepaid. Notices shall be considered delivered upon receipt, as indicated by the return receipt if mailed; except that, upon an attempt to effectuate service of notice as provided herein, if the party being given notice either (a) refuses to accept delivery, or (b) has moved and the most recent address given to receive notice has no current registered forwarding address or a registered forwarding address only to a post office or other box, that party shall be deemed to have received the notice. Alternatively, notices may be served by facsimile transmission sent to the party intended to receive the notice, and shall be deemed served upon telephonic or return facsimile acknowledgment by the party receiving the notice that a complete and legible copy of the notice has been received. Notices shall be addressed as appears below for the respective parties:

If to Borrower:

Fourth Street Apartments, L.P.
c/o First Community Housing
75 East Santa Clara Street, Suite 1300
San Jose, California 95113
Attention: Tom Iamesi
Telephone: (408) 291-8650
Facsimile: (408) 993-9098

With a copy to Borrower's Limited Partner:

Red Stone Equity Partners
200 Public Square, Suite 1550
Cleveland, Ohio 44114
Attention: Managing Director and General Counsel
Telephone: (216) 820-4750
Facsimile: (216) 820-4751

and to:

The Law Offices of Goldfarb & Lipman
1300 Clay Street, 9th Floor
Oakland, California 94612
Attention: Jennifer Bell
Telephone: (510) 836-6336
Facsimile: (510) 836-1035

and to:

Bocarsly Emden Cowan Esmail Parker & Arndt LLP
633 West Fifth Street, 70th Floor
Los Angeles, California 90071
Attention: Kyle B. Arndt, Esq.
Telephone: (213) 239-8048
Facsimile: (213) 559-0704

If to CCRC:

California Community Reinvestment Corporation
225 West Broadway, Suite 120
Glendale, California 91204
Attn: Ms. Mary Kaiser, President
Telephone: (818) 550-9800
Facsimile: (818) 550-9806

The address(es) for service of notice on either party hereto may be changed by that party serving a notice upon the other of the new address, except that any change of address to a post office box shall not be effective unless a street address is also specified for use in effectuating personal service.

7.5 Rights of CCRC as to Actions or Proceedings. CCRC shall have the right, but not the obligation, to commence, appear in, and defend any action or proceeding which might affect its security or its rights, duties or liabilities relating to the Loan, the Project Assets, or any of the Loan Documents. Borrower shall pay promptly on demand all of CCRC's reasonable out of pocket costs, expenses, and legal fees and expenses of CCRC's counsel incurred in those actions or proceedings.

7.6 Attorneys' Fees. If any lawsuit, reference or arbitration is commenced which arises out of, or which relates to, this Agreement, the Bond Documents, the Loan Documents or the Loan, the prevailing party shall be entitled to recover from each other party such sums as the court, referee or arbitrator may adjudge to be reasonable attorneys' fees in the action, reference or arbitration, in addition to costs and expenses otherwise allowed by law.

7.7 In House Counsel Fees. Whenever Borrower is obligated to pay or reimburse CCRC for any attorneys' fees, those fees shall include the allocated costs for services of in house counsel or loan administrators.

7.8 Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

7.9 Heirs, Successors and Assigns; Participations. The terms of this Agreement shall bind and benefit the heirs, legal representatives, successors and assigns of the parties; provided, however, that Borrower may not assign this Agreement or any Loan funds, or assign or delegate any of its rights or obligations, without the prior written consent of CCRC in each instance, except as set forth in Section 2.25 above. CCRC shall have the right to sell participations in the Loan to other persons or entities without the consent of or notice to Borrower. Without the consent of or notice to Borrower, CCRC may disclose to any prospective purchaser of any securities issued or to be issued by CCRC, and to any prospective or actual purchaser of any participation or other interest in the Loan or any other loans made by CCRC to Borrower (whether under this Agreement or otherwise), on a confidential basis, any financial or other information, data or material in CCRC's possession relating to Borrower, the Loan, the Bonds or the Project Assets.

7.10 Severability. The invalidity or unenforceability of any one or more provisions of this Agreement shall in no way affect any other provision.

7.11 Interpretation. Whenever the context requires, all words used in the singular will be construed to have been used in the plural, and vice versa, and each gender will include any other gender. The captions of the sections of this Agreement are for convenience only and do not define or limit any terms or provisions. The word "include(s)" means "include(s), without limitation", and the word "including" means "including, but not limited to". No listing of specific instances, items or matters in any way limits the scope or generality of any language of this Agreement. Time is of the essence in the performance of this Agreement and each of the Loan Documents by Borrower. The exhibits to this Agreement are hereby incorporated in this Agreement.

7.12 Amendments. This Agreement may not be modified or amended except by written agreement signed by the parties.

7.13 Counterparts. This Agreement and any attached consents or exhibits requiring signatures may be executed in counterparts, but all counterparts shall constitute but one and the same document.

7.14 Integration. The Loan Documents fully state all of the terms and conditions of the parties' agreement regarding the matters mentioned in or incidental to this Agreement. The Loan

Documents supersede all oral negotiations and prior writings concerning the subject matter of the Loan Documents. If there is any conflict between the terms, conditions and provisions of this Agreement and those of any other agreement or instrument, including any of the Loan Documents, the terms, conditions and provisions of this Agreement shall prevail.

7.15 Effective Upon the Conversion Date. Despite anything in the foregoing to the contrary, it is understood and agreed as between CCRC and Borrower that this Agreement shall not be effective until the Conversion Date, and if CCRC does not purchase the Bonds from Bondowner Representative for any reason, including any reason beyond the control of Borrower, and thus the Conversion Date never occurs, then this Agreement shall never become effective, except for the provisions of Article I (Disbursement and Conditions), Article IV (Representations and Warranties), and Article VII (Miscellaneous), each of which Articles shall be effective at all times and under all circumstances.

7.16 Modification of Loan Agreement. The parties hereto agree that effective upon the Conversion Date, this Agreement shall supplement and modify certain of the provisions of the Loan Agreement, and the Loan Agreement shall be deemed amended and supplemented by this Agreement. To the extent of any conflict between the terms of this Agreement and the Loan Agreement, the terms of this Agreement shall govern from and after the Conversion Date

[Signature page(s) to follow.]

IN WITNESS WHEREOF, the undersigned have executed this Supplemental Agreement as of the date first above written.

“BORROWER”

FOURTH STREET APARMENTS, L.P.,
a California limited partnership

By: Fourth Street Apartments LLC,
a California limited liability company
its general partner

By: First Community Housing,
a California nonprofit public benefit
corporation, its sole member

By: _____
Jeff Oberdorfer,
Executive Director

By: _____
Name: _____
Title: _____

Signature Page to Supplemental Agreement

S-1

653551.DOC
4/22/2018

DRAFT--Contact the Office of the City Clerk at (408) 535-1260 or CityClerk@sanjoseca.gov for final document.

“CCRC”

CALIFORNIA COMMUNITY
REINVESTMENT CORPORATION,
a California nonprofit public benefit corporation

By: _____
Maria A. Majczinger, Senior Vice President

Signature Page to Supplemental Agreement

S-2

653551.DOC
1/20/2018

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“ISSUER”

CITY OF SAN JOSE

By: _____
Julia Harper Cooper,
Assistant Director of Finance

Signature Page to Supplemental Agreement

S-3

653551.DOC
4/22/2018

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EXHIBIT A
LEGAL DESCRIPTION

Exhibit A to Supplemental Agreement

A-1

653551.DOC
1/20/2018

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EXHIBIT B

LOAN DOCUMENTS

The “Loan Documents” (any one singly, a “**Loan Document**”) are defined to include all documents marked below, together with the exhibits to each of them, as one or more of them may be extended, renewed or changed from time to time with the prior written consent of CCRC in each instance. The Loan Documents will also include any document in favor of CCRC (or in favor of Bondowner Representative and assigned to CCRC in due course) to be executed by Borrower concurrently herewith or in the future in connection with the Loan with the exception of the Environmental Indemnity.

Credit and Security Documents (each dated as of May __, 2010):

1. This Supplemental Agreement;
2. The Note described in Recital C of this Agreement;
3. The Deed of Trust;
4. One or more State of California Uniform Commercial Code Financing Statement Form UCC 1, naming Borrower as debtor and Bank as secured party, for filing with the California Secretary of State, and to be assigned to CCRC by Bondowner Representative;
5. The Assignment of Unrecorded Leases and Rents;
6. The Assignment of Deed of Trust and Other Loan Documents;
7. The Assignment of Construction Contract;
8. The Assignment of Architect Contract and Plans and Specifications;
9. The Assignment of Property Management Contract;
10. The Assignment of Development Agreement;
11. The Assignment of Engineering Contract;
12. The Loan Agreement;
13. California Judicial Reference Agreement;
14. The Replacement Reserve Agreement;
15. Access Laws Certificate and Indemnity

Exhibit B to Supplemental Agreement

B-1

653551.DOC
1/20/2010

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16. The Subordination Agreements and Tri-Party Agreements executed in connection with the Subordinate Loans; and
17. All authorizing documents executed by Borrower in connection with the Loan.

Exhibit B to Supplemental Agreement

B-2

653551.DOC

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