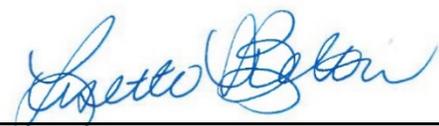


RESOLUTION AUTHORIZING THE PRESIDENT OF LA CIENEGA LOMOD, INC. (“LOMOD”), TO CREATE WESTLAKE MACARTHUR PARK APARTMENTS, LLC, WITH LOMOD AS ITS SOLE MEMBER, FOR THE PURPOSE OF ENTERING INTO A PARTNERSHIP AGREEMENT WITH ALVARADO VILLAS LLC, A LIMITED LIABILITY COMPANY MANAGED BY PATH VENTURES, TO FORM 740 SOUTH ALVARADO PARTNERS, LP, A LIMITED PARTNERSHIP PURPOSED WITH ACQUIRING REAL PROPERTY LOCATED AT 740 S. ALVARADO (THE “PROPERTY”) FOR \$30,750,000 AND OWNING AND MANAGING THE PROPERTY IN CONFORMANCE WITH THE REQUIREMENTS OF PROJECT HOMEKEY TO PROVIDE PERMANENT AFFORDABLE HOUSING TO HOMELESS AND THOSE AT RISK OF HOMELESSNESS IN LOS ANGELES AND TO ACCEPT BY GRANT FROM THE HOUSING AUTHORITY OF THE CITY OF LOS ANGELES ANY FUNDING FROM THE STATE OF CALIFORNIA FOR CAPITAL AND OPERATING COSTS AND TO PROVIDE THOSE FUNDS TO 740 SOUTH ALVARADO PARTNERS, LP AND THE EXECUTION OF RELATED DOCUMENTS AND AGREEMENTS AND THE UNDERTAKING OF VARIOUS ACTIONS IN CONNECTION THEREWITH



 Tina Booth
 President



 Lisette Belon
 Secretary

Purpose: Approve and adopt the Resolution authorizing the President, Secretary and/or Treasurer of La Cienega LOMOD, Inc. a California nonprofit public benefit corporation (“LOMOD”) to create Westlake MacArthur Park Apartments, LLC to enter into 740 South Alvarado Partners, LP (the “Partnership”) as the Managing General Partner (“MGP”), and acting as the sole member of MacArthur Park Apartments, LLC authorize and approve the assignment to the Partnership of the 740 S. Alvarado Homekey Project purchase and sale agreement, entering into and approving the limited partnership agreement, grant documents, conventional financing and related documents and agreements and the undertaking of various actions in connection therewith as required of the MGP.

Adopting the resolution (Attachment 1) will authorize the President to allow Westlake MacArthur Park Apartments, LLC to accept 80% control over the ownership of 740 S. Alvarado (the “Property”) through the limited partnership agreement (“LPA”), to provide property and asset management services and to improve the Housing Authority of the City of Los Angeles’ (“Authority”) overall position financially while meeting its mission to provide deeply affordable housing to residents of Los Angeles.

Issues:
Background La Cienega LOMOD, Inc. is a nonprofit public benefit corporation organized under the Nonprofit Public Benefit Corporation Law under the direct control of the Authority. LOMOD acts as a managing general partner, general partner and non-managing member, having ownership interests in thirteen property ownership partnerships for Authority redevelopment and development projects.

Westlake MacArthur Park Apartments, LLC is a limited liability company formed in the State of California to act as a single, limited purpose entity to own, manage and oversee the financial and operational duties related to the real property asset, 740 S. Alvarado Street. Westlake MacArthur Park Apartments, LLC is a limited

liability company whose sole member is La Cienega LOMOD.

PATH Ventures is a California non-profit public benefit corporation, missioned with acquiring and developing property for affordable housing. PATH Ventures has created Alvarado Villas LLC as an affiliate, which will join as the Administrative General Partner (“AGP”) in the Partnership and will be assisting with various aspects of operations and coordinating services to residents; while PATH Ventures will remain in the ownership as the Limited Partner.

In May 2021, PATH Ventures entered into a Purchase and Sale Agreement (“PSA”) for the Property and brought the Property to the Authority as an opportunity site for the State of California’s Project Homekey Notice of Funding Availability. The Property is a new construction building with a fairly large unit count and is proposed to be delivered vacant, qualifying the Property for priority funding from Project Homekey. HACLA anticipates submitting a Project Homekey application for 740 S. Alvarado prior to the end of January 2022 and has already submitted an application for project-based vouchers to support operations of the 80-unit Property. HACLA and PATH Ventures have been working closely to complete due diligence on the property and negotiate terms for an assignment of the PSA to the new Partnership as well negotiating terms for the LPA. Westlake MacArthur Park Apartments, LLC will be responsible for obtaining all non-competitive financing to cover the balance of funding necessary to acquire, rehabilitate and begin operations on the Property. LOMOD will be responsible for providing any required loan guarantees on behalf of the Partnership.

The Property

740 S. Alvarado is an eighty (80) unit new construction, multifamily property consisting of forty-one (41) studio units, thirty-three (33) one-bedroom units, and six (6) two-bedroom units. The Property also includes 3,187 square feet of ground level commercial space, which may be used for resident services or leased for commercial purpose. The Property will be delivered fully vacant at closing, with a Temporary Certificate of Occupancy from the City of Los Angeles delivered within a week of closing. Although located a short distance from the busy intersection of Alvarado and Wilshire in the heart of Westlake, the Property has secure residential entrances and the units sit elevated from the street, creating a quieter and more private environment for residents. The Property has a generous lobby and lounge area, a laundry room as well as outdoor common area. There are only a few parking spaces associated with the site, making parking a premium. However, the neighborhood is well-served by public transit and multiple amenities within a ¼ to ½ mile walking distance.

Developer/ Ownership

As the MGP of the Partnership, Westlake MacArthur Park Apartments, LLC will have 80% ownership, the AGP, Alvarado Villas, LLC, will have 19% ownership and the Limited Partner, PATH Ventures will have 1% ownership. The draft Limited Partnership Agreement is provided for reference as Attachment 1 and includes the option for both partners to assign their rights to other entities as long as those entities are wholly owned or managed by either PATH Ventures, LOMOD or HACLA, respectively. It also provides for the partners to exit the partnership with each other’s consent through sale or transfer of rights and to have the opportunity to buy out each other’s position in the partnership.

Westlake MacArthur Park Apartments, LLC as the Managing General Partner will receive 80% of available cashflow and 70% of developer fees; Alvarado Villas LLC will receive 19% of cashflow and 30% of developer fees; and PATH Ventures will

receive 1% of cashflow. Although early fees for due diligence and deposits are split 80% and 20% respectively between the MGP and the AGP, LOMOD as the holder of the majority of interest through Westlake MacArthur Park Apartments, LLC will provide 100% of the guarantees required of any financing for the Project as well as ensure compliance with the Project Homekey funding contribution.

Funding

Project Homekey, if received, will provide approximately \$20.9 million in funding for acquisition and development fees and costs. HACLA will also determine if there is an operations gap and apply for any Operating Subsidy the Property might be eligible for under Homekey. HACLA has identified funds through its own Line of Credit to finance the balance of the purchase price and fees (currently estimated at \$12.4 million) and limited non-federal funding necessary for closing costs, purchase of furniture, lease up, holding costs and minor rehabilitation, estimated at approximately \$663,000. Project Homekey is expected to cover the initial capital reserve and replacement reserve estimated at \$500,000. Funds from HACLA's Acquisition Fund for rehabilitation work will be considered a loan and will be repaid through cashflow from the Property in the first five years of operation. The Line of Credit is expected to be taken out by a conventional loan or bond issuance once the Property is fully leased and operating with positive cash flow. The Homekey covenant does allow any conventional lender or bond investor to hold a first mortgage position on the property until their funds are repaid and a note and deed of trust would be recorded in their favor.

The negotiated terms of purchase for 740 S. Alvarado require a financial closing by January 21, 2022. Given the fact that the Homekey Funds, if awarded, would not be received until later in 2022, a short-term loan from the seller will be provided in the form of a carryback note for \$15 million with zero percent interest. The loan matures on April 15, 2022 and will be guaranteed by LOMOD. To meet the full cost of acquisition upfront, HACLA will provide a short-term larger draw on the Line of Credit in the amount of approximately \$16.5 million to cover acquisition, closing costs and any rehabilitation costs necessary to prepare the property for leasing. The seller carryback note and a portion of the Line of Credit are expected to be repaid with the Homekey Funds as well as the funding of the Capital Reserve (\$240,000) and Operating Reserve (\$200,000). Approximately \$1.3 to \$1.5 million in Homekey Funds is also anticipated to pay a Developer Fee to the Partnership, which would provide up to \$1.050 million in fees to LOMOD and \$450,000 to Alvarado Villas, LLC. If for any reason the Homekey Funds are not accessible by or before April 15, 2022, the Authority will develop an alternative financing plan and either use its Line of Credit or another means to pay off the seller carryback so there will be no default or potential call on the LOMOD guaranty.

Subject to the Board of Commissioners' approval on January 11, 2022, HACLA will be providing the Partnership, either directly or through LOMOD a grant of any Project Homekey funds received and will record a covenant on the Property in favor of HACLA requiring the Partnership to comply with all of Project Homekey's regulatory obligations and population targeting for tenancy. The grant will not require repayment but is intended to be forgiven over time through compliance with the covenant for its fifty-five year term.

Seventy-nine of the units will be subject to HUD affordability requirements for 20 years under a Housing Assistance Payment ("HAP") contract if project-based vouchers are awarded, pursuant to the authority granted under the October 2017 HUD Notice. As allowed by project-based voucher regulations, the Authority would provide a 20-year extension subject to the future availability of appropriated funds,

HUD regulations, the requirements of HACLA's Section 8 Administrative Plan and the Partnership's continued compliance with the HAP Contract.

Prior to lease-up the Property will incur security and management expenses. Given prior experience with vacant properties, LOMOD anticipates the need to budget at least \$30,000/month to cover these costs. These funds will be drawn from non-federal sources within the rent subsidy program and loaned through Westlake MacArthur Park Apartments, LLC to the Partnership under the LPA.

Role as MGP

As the MGP, Westlake MacArthur Park Apartments, LLC will perform those responsibilities required by the State Board of Equalization ("BOE") to maintain the Project's property tax exemption and as otherwise accepted as well as other responsibilities in the regular operation and financial management of the Property. The MGP does retain the right to delegate to the AGP some of its duties and obligations while still maintaining supervision of the AGP as required by the BOE. At this time, the LPA does not contemplate any specific delegations. However, in the future, if Westlake MacArthur Park Apartments, LLC chooses to delegate certain duties, a separate delegation document will be executed between the MGP and AGP and approved by the BOE if necessary.

Westlake MacArthur Park Apartments, LLC is scheduled to receive an annual Partnership Management Fee and 80% of net cash flow generated from the Project.

LOMOD will be individually expected to provide any development or operational guarantees to any lender or investor. Further, if Westlake MacArthur Park Apartments, LLC is in default under a project document, only its partnership interest may be accessed to satisfy any liability. The only exceptions being if LOMOD or Westlake MacArthur Park Apartments, LLC have committed fraud or misappropriated partnership funds.

Close of escrow and financing is scheduled to occur on or about January 21, 2022 and rehabilitation work will commence soon thereafter with the hope of beginning occupancy of the units before the end of the second quarter of the calendar year.

Attachments:

1. Resolution
2. Form of Partnership Agreement

RESOLUTION NO. _____

RESOLUTION AUTHORIZING THE PRESIDENT OF LA CIENEGA LOMOD, INC., (“LOMOD”), TO CREATE WESTLAKE MACARTHUR PARK APARTMENTS, LLC, WITH LOMOD AS ITS SOLE MEMBER, FOR THE PURPOSE OF ENTERING INTO A PARTNERSHIP AGREEMENT WITH ALVARADO VILLAS LLC, A LIMITED LIABILITY COMPANY MANAGED BY PATH VENTURES, TO FORM 740 SOUTH ALVARADO PARTNERS, LP, A LIMITED PARTNERSHIP PURPOSED WITH ACQUIRING REAL PROPERTY LOCATED AT 740 S. ALVARADO (THE “PROPERTY”) FOR \$30,750,000 AND OWNING AND MANAGING THE PROPERTY IN CONFORMANCE WITH THE REQUIREMENTS OF PROJECT HOMEKEY TO PROVIDE PERMANENT AFFORDABLE HOUSING TO HOMELESS AND THOSE AT RISK OF HOMELESSNESS IN LOS ANGELES AND TO ACCEPT BY GRANT FROM THE HOUSING AUTHORITY OF THE CITY OF LOS ANGELES ANY FUNDING FROM THE STATE OF CALIFORNIA FOR CAPITAL AND OPERATING COSTS AND TO PROVIDE THOSE FUNDS TO 740 SOUTH ALVARADO PARTNERS, LP AND THE EXECUTION OF RELATED DOCUMENTS AND AGREEMENTS AND THE UNDERTAKING OF VARIOUS ACTIONS IN CONNECTION THEREWITH

WHEREAS, La Cienega LOMOD, Inc. (“LOMOD”) is a nonprofit public benefit corporation duly created, established and authorized to transact business and exercise powers under and pursuant to the provisions of the Nonprofit Public Benefit Corporation Law, consisting of Part 2 of Division 2 of Title 1 of the California Corporations Code (the “Act”);

WHEREAS, the Act authorizes LOMOD to make and execute contracts and other instruments necessary or convenient for the exercise of its powers;

WHEREAS, Staff has initiated the creation of Westlake MacArthur Park Apartments, LLC, with LOMOD as its sole member, to act as Managing General Partner in 740 South Alvarado Partners, LP and will apply for an Organizational Clearance Certificate from the State’s Board of Equalization in order to manage the 740 S. Alvarado Street property (“Property”) as a deeply affordable housing project focused on serving the homeless and those at risk of homelessness;

WHEREAS, the Property is comprised of 80 units of in a newly constructed residential development with space for services and amenities of which up to seventy-nine (79) units may receive Project Based Vouchers (“PBV”) and provide deeply affordable housing for households qualifying as homeless or at risk of homelessness under the Project Homekey Program;

WHEREAS, on January 11, 2022, the HACLA Board of Commissioners (“BOC”) authorized a HACLA instrumentality to enter into 740 South Alvarado Partners, LP (the “Partnership”) and directed staff to form Westlake MacArthur Park Apartments, LLC, with LOMOD as its sole member, to act as Managing General Partner in the development and ownership of the Property;

WHEREAS, the Administrative General Partner of 740 South Alvarado Partners, LP will be Alvarado Villas, LLC, a California limited liability company and affiliate of Path Ventures and the Limited Partner is PATH Ventures;

WHEREAS, 740 South Alvarado Partners, LP expects to receive funding from several sources including State of California Housing and Community Development Department’s (“HCD”) Project Homekey program and HACLA Section 8 Project Based Vouchers, to finance the development and operation of the Project;

WHEREAS, on January 11, 2022, the BOC approved providing the Project with funding in a cash grant from any Project Homekey contribution received by the State of California HCD

for the acquisition and operation of the project;

WHEREAS, HACLA has negotiated LOMOD's participation through Westlake MacArthur Park Apartments, LLC as the Managing General Partner ("MGP") of the Limited Partnership;

WHEREAS, Westlake MacArthur Park Apartments, LLC will serve as the MGP of 740 South Alvarado Partners, LP and perform those responsibilities required by the State Board of Equalization ("BOE") to obtain and maintain the Project's property tax exemption and will oversee day-to-day management of the Project;

WHEREAS, Westlake MacArthur Park Apartments, LLC is scheduled to receive an annual Partnership Management Fee and 80% of net cash flow generated from the Project and 70% of any developer fee;

WHEREAS, Westlake MacArthur Park Apartments, LLC shall also be granted a right of first refusal to purchase the position of the administrative general partner or limited partner if such partner chooses to sell or exit the partnership; and

WHEREAS, the Board of Directors of LOMOD, acting on behalf of Westlake MacArthur Park Apartments, LLC as its sole member, must approve the execution of all applicable financing and ownership documents, including a Limited Partnership Agreement and any documents, certificates and agreements related to the Project and agree to provide any required guaranty in order to consummate the successful closing, financing and operation of the Project.

NOW, THEREFORE, BE IT RESOLVED, the Board of Directors of La Cienega LOMOD, Inc. acting on behalf of itself and as the sole member of Westlake MacArthur Park Apartments, LLC does hereby authorize and approve as follows:

Section 1. The President, the Secretary or the Treasurer or LOMOD (collectively, the Authorized Representatives") and each of their respective designees, are each hereby authorized and directed, to do any and all things necessary and to execute, deliver and perform any and all closing, note, financing or ownership documents, including any amendments to the Limited Partnership Agreement, assignment agreement concerning the original purchase and sale agreement for the Property, with such changes as approved by counsel, and all other documents or actions which they may deem necessary or advisable in order to consummate, carry out, give effect to and comply with the terms and intent of this Resolution and the consummation of the transactions contemplated hereby. All actions heretofore taken by the officers, employees, attorneys and agents of LOMOD and Westlake MacArthur Park Apartments, LLC with respect to the Project transactions are hereby approved and ratified, and the officers of LOMOD and Westlake MacArthur Park Apartments, LLC and the authorized deputies and employees of LOMOD and Westlake MacArthur Park Apartments, LLC, and each of them, are hereby authorized and directed to do any and all things necessary and to enter into and execute, acknowledge and deliver any and all agreements, assignments, certificates and other documents that they or counsel may deem necessary or advisable to consummate the development and financing of the Project and to otherwise to effectuate the purposes of this Resolution without further approval of LOMOD.

Section 2. That if any application for Homekey Program funding is approved, the President, or her designee, is hereby authorized and directed to enter into, execute, and deliver one or more HCD Standard Agreements as necessary or required by the State of California on behalf of 740 South Alvarado Partners, LP, and any and all other documents or certificates required or deemed necessary or appropriate to secure the Homekey Program funds from HCD and participate in the Homekey Program, and all amendments and reports thereto (collectively, the "Homekey Documents"). All activities, expenditures, information, and timelines represented in the Application will be enforceable through the HCD Standard Agreement and funds are to be

used for the allowable expenditures and activities identified in the applicable HCD Standard Agreement.

Section 3. That the President, or her designee, is authorized and directed to accept any award of Homekey funding for capital costs and operating subsidy for 740 S. Alvarado project and ensure that any funds awarded for capital acquisition expenditures and that any funds awarded for capitalized operating subsidies are spent by the required deadlines and within whatever limits are required by HCD. In addition, the President or her designee or HACLA as applicable, may provide 740 South Alvarado Partners, LP a grant of the Project Homekey funds and will record a covenant on the property in favor of HACLA requiring the Partnership to comply with all of Project Homekey's regulatory obligations with such grant funds to be forgiven over the 55-year period of the covenant.

BE IT FURTHER RESOLVED that this Resolution shall take effect immediately on this day of January 11, 2022.

APPROVED AS TO FORM:
JAMES JOHNSON

LA CIENEGA LOMOD, INC.

BY: _____
GENERAL COUNSEL

BY: _____
CHAIRPERSON CIELO CASTRO

DATE ADOPTED: _____

**AGREEMENT OF LIMITED PARTNERSHIP
OF
740 SOUTH ALVARADO PARTNERS, LP
A CALIFORNIA LIMITED PARTNERSHIP**

This Agreement of Limited Partnership is made as of the ___ day of January, 2022 (the “**Agreement**”) by and between Westlake MacArthur Park Apartments LLC, a California limited liability company (“**Managing General Partner**”), Alvarado Villas LLC, a California limited liability company (“**Administrative General Partner**”, and collectively with the Managing General Partner, the “**General Partners**”) and PATH Ventures, a California nonprofit public benefit corporation (“**Limited Partner**”, together with the General Partners, collectively, the “**Partners**”).

RECITALS

A. The above-named parties agree to form a limited partnership under the California Uniform Limited Partnership Act of 2008 (the “**Act**”) on the terms and conditions hereinafter set forth.

B. The sole member of the Administrative General Partner was formed and organized exclusively for charitable purposes as specified in Section 214 of the California Revenue and Taxation Code (“**R&T Code**”), and is organized for the purposes of developing, owning, and operating affordable housing developments in the State of California to provide affordable and stable homes and residences for persons experiencing homelessness or at risk of experiencing homelessness.

C. The sole member of the Managing General Partner is an instrumentality of the Housing Authority of the City of Los Angeles, a public body, corporate and politic (“**HACLA**”), which was created, established, and authorized to transact business and exercise powers under and pursuant to the provisions of the Housing Authorities Law of the State of California (consisting of Chapter 1 of Part 2 of Division 24 of the California Health and Safety Code (“**HSC**”)), for the purposes of facilitating the administration and expansion of safe and affordable housing for constituents within the City of Los Angeles.

D. The General Partners will be applying for approximately \$20,125,000 (“**Homekey Funds**”) in federal Coronavirus Aid Relief Funds allocated to and administered by the California Department of Housing and Community Development (“**HCD**”) via its Homekey Program, as described in the Notice of Funding Availability dated September 9, 2021.

E. Limited Partner has entered into an Agreement of Purchase and Sale and Joint Escrow Instructions (as amended, restated, supplemented, or otherwise modified from time to time, the “**Purchase Agreement**”) with the seller (“**Seller**”) of a property located at 740 South Alvarado Street, Los Angeles, CA 90057 (the “**Property**”), which contains eighty (80) apartment units, commonly known as “740 Alvarado,” approximately 3,187 square feet of commercial space, associated parking areas and other improvements located thereon.

F. The Partners seek to enter into this Partnership (as defined below) to enable (i) the acquisition of the Property by the Partnership pursuant to the Purchase Agreement following an assignment of the Purchase Agreement by the Limited Partner, and (ii) the conversion/rehabilitation of the Property to facilitate the operation of a permanent supportive housing development serving those experiencing or at risk of experiencing homelessness (as defined in Part 578.3 of Title 24 of the Code of Federal Regulations) and who are inherently impacted by or at risk for medical diseases or conditions due to the COVID-19 pandemic or other communicable diseases, in accordance with the Budget.

G. On or prior to the closing under the Purchase Agreement for the Property, among other things (i) the Limited Partner shall assign all its rights and obligations under the Purchase Agreement to the Partnership, (ii) the Managing General Partner shall contribute, or arrange for the contribution of, the Homekey Funds to the Partnership to be utilized as one of the funding sources for the acquisition and initial operation of the Property by the Partnership, (iii) the Partnership shall enter into a management agreement (“**Management Agreement**”) with EAH, Inc. or other suitable management company (“**Manager**”) in order to provide for the management and operation of the Property by the Manager, and (iv) the Managing General Partner shall obtain an initial loan from a conventional lender or shall loan the funding to the Partnership (the “**Initial Lender**”), in an amount to be mutually agreed upon by the General Partners (the “**Initial Loan**”). The Initial Loan funds shall be utilized for the acquisition, rehabilitation and operation of the Property and the Project (as defined below) by the Partnership. The Managing General Partner will pursue long-term bonds, notes or a private placement financing as a takeout for the Initial Loan.

ARTICLE I NAME OF PARTNERSHIP

The name of the partnership shall be 740 South Alvarado Partners, LP, a California limited partnership (the “**Partnership**”).

ARTICLE II BUSINESS OF PARTNERSHIP

The Partnership’s primary purpose shall be to acquire, construct, own, operate, manage, and lease an affordable rental housing development for low-income persons located at 740 South Alvarado Street, Los Angeles, CA 90057 (the “**Project**”) as supportive housing serving individuals and families experiencing or at risk of experiencing homelessness (as defined in Part 578.3 of Title 24 of the Code of Federal Regulations) and who are impacted or at risk for medical diseases or conditions due to the COVID-19 pandemic or other communicable diseases.

In furtherance of the Partnership’s primary purpose, the Partnership is to engage in the following activities:

(i) to acquire, own, hold, rehabilitate, manage, maintain, develop, improve, lease, and operate the Property and the Project (and enter into contracts with third parties for same, including the Management Agreement with the Manager); and

(ii) to enter into such agreements and make such presentations before governmental authorities as are necessary for, and to carry out the acquisition, financing, ownership, development, rehabilitation and leasing of the Property as low income housing; and

(iii) borrow money and issue evidences of indebtedness in furtherance of the Partnership business and secure any such indebtedness by mortgage, pledge, or other lien; provided, however, that the Partners shall have no personal liability for the repayment of the principal of or payment of interest on any such indebtedness, and that the sole recourse of any Project lender (other than carveouts), with respect to the principal thereof and interest thereon, shall be solely to the property securing such indebtedness and the Guaranty (as defined below) provided by the Managing General Partner; and

(iv) to enter into the Basic Documents, including the Loan Documents and the HAP Contract (each as defined in Schedule A) providing for regulations with respect to governmental subsidies, rents, profits, dividends and the disposition of property; and

(iii) to enter into and perform its obligations under the Homekey Documents (as defined in Schedule A) and all requirements of the Homekey Program; and

(iv) to provide housing to qualified tenants, consistent with the requirements of the Homekey Documents and the Homekey Program as well as the Section 8 Housing Assistance Payment Contract to provide up to eighty (80) Project-Based Vouchers and to rent dwelling units within the Project in accordance with same; and

(iv) subject to the approval of the Partners and/or the Lender, if required, and to other limitations expressly set forth elsewhere in this Agreement, negotiate for and conclude agreements for the sale, exchange, lease or other disposition of all or substantially all of the property of the Partnership, or for the refinancing of any mortgage loan on the property of the Partnership or the Initial Loan; and

(v) to engage in any lawful act or activity and to exercise any powers permitted to partnerships organized under the laws of the State of California that are related or incidental to and necessary, convenient or advisable for the accomplishment of the above-mentioned purposes.

ARTICLE III CERTIFICATE OF LIMITED PARTNERSHIP

The General Partners have executed, delivered and filed a Certificate of Limited Partnership (LP-1) with the Secretary of State of the State of California, which filing is ratified, approved and confirmed. Each General Partner (or an authorized designee of same) shall be

entitled to execute, deliver and file any other certificates (and amendments therefor) necessary for the Partnership to qualify to do business in the State of California.

ARTICLE IV PLACE OF BUSINESS; AGENT FOR SERVICE OF PROCESS

The principal place of business of the Partnership shall be located at 2600 Wilshire Boulevard, Los Angeles, CA 90057 and at such other place or places as may be agreed upon by the Partners. The Partnership's agent for service of process shall be Tina Smith-Booth, Director of Asset Management at 2600 Wilshire Boulevard, 4th Floor, Los Angeles CA 90057.

ARTICLE V TERM

5.1 Effective Date. This Agreement shall be effective as of the date first above written; provided, however, that the Partnership shall not be formed under the Act and the Partnership's term shall not commence until the later of ("Effective Date") (a) the date that the Certificate of Limited Partnership is filed in the office of the California Secretary of State and (b) the date on which all the Partners shall have executed a copy of this Agreement.

5.2 Term. The "**Term**" of this Agreement shall commence on the Effective Date and shall terminate upon the dissolution of the Partnership in accordance with Article XII.

5.3 Continuation. If a General Partner ceases to be a General Partner for any reason and there is one General Partner remaining or no remaining or surviving General Partner, admission of a new General Partner and a decision to continue the Partnership's business must be approved by the remaining Partner. If both the General Partners cease to be the General Partners for any reason and there is no remaining or surviving General Partners, admission of a new General Partner and a decision to continue the Partnership's business must be approved by the Limited Partner or the majority vote of the Limited Partners (if more than one Limited Partner is admitted to the Partnership at such time). Expenses relating to the Partnership's continuation shall constitute Partnership expenses.

5.4 Bankruptcy. Notwithstanding any other provision of this Agreement to the contrary, the Bankruptcy of any Partner shall not cause the applicable Partner to cease to be a Partner of the Partnership and upon the occurrence of such an event, the Partnership shall continue without dissolution; and in the event of Bankruptcy of one of the General Partners, the other General Partner shall have the right to remove and replace such General Partner as it deems necessary in its sole discretion and the replacement General Partner shall have the rights set forth in Article IX to acquire the removed General Partner's interest in this Agreement.

ARTICLE VI CONTRIBUTION OF PARTNERS

6.1 General Partners' Contributions.

- (a) The Managing General Partner's contribution to the Partnership shall be equal to \$80.00;
- (b) The Administrative General Partner's contribution to the Partnership shall be equal to \$19.00.

6.2 Limited Partner. The Limited Partner's contribution shall be \$1.00. Upon the admission of an additional limited partner, the Limited Partner may reduce its position in the Partnership or withdraw altogether. If the Limited Partner withdraws from the Partnership it shall be entitled to receive a return of its contribution without interest.

6.3 Additional Contributions. Except as set forth in this Article VI, a Partner shall not be required to make any contribution or otherwise advance funds to the Partnership. A Limited Partner shall not be personally liable for payment or performance of any Partnership obligation, except to the extent that a Partner may be required to return a distribution to the Partnership under the Act.

Notwithstanding the foregoing, the Managing General Partner may, by providing written notice calling for additional capital (each, a "**Call Notice**") to the Partners, call for additional capital contributions to be made to the Partnership by the Partners which relate to any expenses, costs, liabilities or obligations incurred by the Partnership which are to be expended for the following items (but only to the extent the revenue from the Property is insufficient to pay same and/or to the extent the available funds in the Reserves are insufficient or restricted from paying for such items) ("**Involuntary Expenses**"): (i) to comply with any applicable law, (ii) to remedy an emergency or life safety issue, (iii) to pay real estate taxes, insurance premiums and other non-discretionary expenses, and (iv) to avoid any abuse, destructive or improper use, spoiling, physical damage or material deterioration of the Property/Project. Each Partner agrees to fund its allocable share, pro rata in accordance with its respective Percentage Interest, set forth on Schedule B attached hereto, within ten (10) business days of the date of the applicable Call Notice.

In the event that a Partner shall fail to contribute its share of capital called for pursuant to this Section 6.3 as and when required, then the Administrative General Partner or Managing General Partner shall have the right to advance such funds on behalf of the Partner, which amount shall be treated as a loan made by the Partner to the Partnership ("**Advance Loan**"), which Advance Loan shall bear interest compounded monthly at a rate equal to five percent (5%), and shall be repaid to the Partner in accordance with Article XI.

6.4 Interest on Capital. Except as expressly provided herein, the Partnership may pay to any Partner interest on any contribution or on undistributed or reinvested profits.

6.5 Withdrawals and Return of Capital. Except as expressly provided herein, a Partner shall not have the right to demand return of any contribution or to withdraw any other portion of Partnership capital. If the Partnership assets remaining after the payment or discharge of Partnership expenses are insufficient to return any Partner's total contributions, a Partner shall have no recourse against any of the Partners or against the Partnership.

**ARTICLE VII
ALLOCATIONS OF PROFITS AND LOSSES**

Profits and losses for any year shall be allocated to the Partners in accordance with their respective Percentage Interest.

**ARTICLE VIII
DUTIES, RIGHTS AND OBLIGATIONS OF THE GENERAL PARTNERS**

8.1 Management of the Partnership.

(a) Except as otherwise set forth in this Agreement, the General Partners, individually and/or collectively as provided in this Agreement and, within the authority granted to each General Partner under this Agreement, shall have full, complete and exclusive discretion to manage and control the business of the Partnership for the purposes stated in Article II, shall make all decisions affecting the business of the Partnership and shall manage and control the affairs of the Partnership to the best of each General Partner's ability and each General Partner shall use its best efforts to carry out the purpose of the Partnership. In so doing, each General Partner shall take all actions necessary or appropriate to protect the interests of the Partnership. Each General Partner shall devote such time as is necessary to the affairs of the Partnership.

(b) In furtherance and not in limitation of the foregoing provisions, both General Partners are specifically authorized and empowered to execute and deliver, on behalf of the Partnership, the following documents: all documents relating to the acquisition of the Project, the Loan Documents, and all Basic Documents, and to execute any and all other instruments and documents, and amendments thereto, as shall be required in connection with the Loan, including, but not limited to, executing any mortgage, note, contract, building loan agreement, bank resolution and signature card, release, discharge, or any other document or instrument in any way related thereto or necessary or appropriate in connection therewith. All documents executed on behalf of the Partnership must be jointly executed by the Administrative General Partner and the Managing General Partner unless such authority to bind the Partnership is otherwise delegated by this Agreement to either the Administrative General Partner or to the Managing General Partner acting individually. All decisions made for and on behalf of the Partnership by the General Partners shall be binding upon the Partnership. No Person dealing with a General Partner shall be required to determine its authority to make any undertaking on behalf of the Partnership, nor to determine any facts or circumstances bearing upon the existence of such authority. Notwithstanding the foregoing, neither General Partner shall have the authority to make any decisions affecting the obligations of the other General Partner or the Limited Partner under this Agreement. To that end and notwithstanding anything in this Agreement to the contrary, neither General Partner shall have the right to unilaterally consent to or approve any matter which could reasonably increase the likelihood that any guarantee of a General Partner or of its affiliates if one is provided or the Guaranty by the Managing General Partner, could be called upon.

8.2 Duties and Rights of the General Partners. Without limiting the generality of the foregoing, the General Partners shall have the right, subject to the limitations on General Partners' actions contained herein, to do each of the following:

- (a) Acquire, hold, sell, lease, exchange or convey real and personal property or any interest therein on the Partnership's behalf upon such terms as it deems advisable;
- (b) To rehabilitate the Project in accordance with the Budget, plans approved by the General Partners, the applicable construction contract, and all other requirements;
- (c) Enter into all documents relating to Loans and each of them, to otherwise borrow money on the Partnership's behalf, and to mortgage or otherwise encumber Partnership property upon such terms as it may deem necessary or advisable;
- (d) Repay in whole or in part, refinance, increase, modify or extend any agreement, note, lease, mortgage, deed of trust or other obligation affecting Partnership property;
- (e) Subject to the terms of this Agreement, delegate duties to and employ from time to time, at the Partnership's expense, any Persons necessary or advisable for the management and operation of the Partnership's business, including property managers, on-site personnel, insurance brokers, leasing agents, real estate consultants, accountants, attorneys, architects and engineers, on terms and for compensation as are reasonable and customary for similar services
- (f) Pay all expenses and liabilities of the Partnership and fund all Reserves;
- (g) Negotiate, enter into and execute notes, Loans, deeds, deeds of trust, contracts, leases, assignments and other instruments and to take any other actions necessary or desirable on the Partnership's behalf, in connection with any of the rights of Managing General Partner set forth in this Section 8.2;
- (h) Enter into, execute and deliver on the Partnership's behalf the Project documents and any other agreements or documents relating to the Project required by any legal or governmental authority, lender or investor;
- (i) Initiate legal actions, settle legal actions and defend legal actions on behalf of the Partnership;
- (j) Make any and all elections for federal, state and local tax purposes;
- (k) Obtain and maintain insurance to protect the Partnership and the Project;
- (l) Take all actions necessary to obtain and maintain the Property Tax Exemption (as defined below);
- (m) Inspect the Project to determine if it is being properly maintained and that necessary repairs are being made; if repairs are needed, authorize such repairs;

- (n) Prepare or cause to be prepared all reports of operations that the Partnership is to furnish to any lender or investor or any authority;
- (o) Loan a Partnership Loan to the Partnership; and
- (p) Take any other action incidental to any of the foregoing or consistent with the purposes of the Partnership.

8.3 Control by the Managing General Partner.

(a) The Managing General Partner shall be the managing general partner of the Partnership. The Managing General Partner shall provide regular, continuous and substantial services to the Partnership and shall materially participate (within the meaning of Section 42(h) of the Internal Revenue Code (the “**Code**”)) in the development of the Project and operations of the Partnership. The Managing General Partner shall use its best efforts to carry out the purposes, business and objectives of the Partnership. The General Partners shall devote to Partnership business such time and effort as may be reasonably necessary to achieve the Partnership’s purpose. Subject to the applicable rights of any Limited Partners and the Administrative General Partner specified elsewhere in this Agreement, and the other limitations on Managing General Partner’s actions contained herein, (i) the Managing General Partner shall manage the day-to-day operations and the business and affairs of the Partnership; (ii) each General Partner shall devote to the Partnership such time as may be necessary for the proper performance of its duties; (iii) each General Partner, in the proper and reasonable exercise of its management authority, may delegate all or any of its powers, rights, and obligations hereunder and may appoint, employ, contract or otherwise deal with any person for the transaction of business of the Partnership, which person may, under the supervision of the delegating General Partner, perform any acts or services for the Partnership as such General Partner may approve, except in no event shall a General Partner delegate its management responsibilities hereunder to any Person who is not a General Partner, nor shall any delegation relieve such General Partner of its obligations under this Agreement; and (iv) the General Partners shall promptly take all action that may be necessary or appropriate for the proper construction, rehabilitation, maintenance and operation of the Project in accordance with the provisions of this Agreement. The General Partners shall have all rights, powers and authority conferred by law, or necessary, or advisable, and consistent with accomplishing the Partnership’s purpose and are hereby authorized to execute and deliver in the name and on behalf of the Partnership all such documents and papers (including any required by any lender or authority) as the General Partners deem necessary or desirable in carrying out such duties hereunder, subject to the provisions of this Agreement. In the event this Agreement provides for an action on the part of the General Partners requiring a vote of the majority in interest of the General Partners to effect such action, the General Partners shall each have the right to vote in accordance with their respective Percentage Interests provided, however, that any decisions by the General Partners under the provisions of Section 8.2(b)-(d) hereof that affect the Project’s eligibility for the Property Tax Exemption shall not be made without the consent of the Managing General Partner in its reasonable discretion.

(b) The Managing General Partner shall ensure that the Property is being used for and meets all of the requirements applicable to the real property tax exemption (“**Property Tax Exemption**”) provided for under Section 214(g) of the California Revenue and Taxation Code (“**Section 214(g)**”), as amended, and as further defined by BOE Property Tax Rule 140 (and any

additional requirements of the California Board of Equalization (“BOE”), and submit annual certifications to the County Assessor for Los Angeles County of same. Any savings to the Partnership and Partnership’s property attributable to the Property Tax Exemption shall be used to maintain the affordability of, or reduce rents otherwise necessary for, the units occupied by lower income individuals or otherwise be passed on to the occupants / tenants at the Project in accordance with all applicable provisions of Section 214 of the R&T Code, as amended. In addition, the Managing General Partner represents, warrants and covenants that (i) the Managing General Partner has obtained, or will timely obtain, an Organizational Clearance Certificate (the “OCC”) from the BOE, and (ii) it shall maintain the OCC for so long as the Managing General Partner remains the Managing General Partner and the Partnership owns the Project or any interest therein.

(c) If the Partnership decides to utilize tax credits for a future rehabilitation or new construction project related to the Property, the Managing General Partner shall interface with the California Tax Credit Allocation Committee (“TCAC”) and shall supervise all activities with TCAC reasonably necessary to enjoyment of the low income housing tax credits for the Project.

(d) Managing General Partner shall effect and supervise the compliance of the Partnership and the Project with all legal requirements including, without limitation, Sections 4(b) and 5 of the Article XIII of the Constitution of the State of California and Sections 214, 254 and 259.5 of the R&T Code, as amended;

(e) Subject to the terms of this Agreement, the Managing General Partner shall undertake the following specific substantial management duties (“**Substantial Management Duties**”) on behalf of the Partnership:

(i) rent, maintain, and repair the Project or, if such duties are delegated to the Manager, participate in the hiring and overseeing of the Manager;

(ii) participate in hiring and overseeing the work of all persons necessary to provide services to the Partnership for the management and operation of the Partnership business including the service provider, auditors, attorneys, and other professionals rendering services to the Partnership;

(iii) execute and deliver all Partnership documents on behalf of the Partnership;

(iv) execute and enforce all contracts executed by the Partnership;

(v) prepare or cause to be prepared all reports to be provided to the Partners or lenders (including the Lender) consistent with the requirements of this Agreement;

(vi) coordinate all present and future development, construction or rehabilitation, as applicable, of the Project;

(vii) monitor compliance with all government regulations and file or supervise the filing of all required documents with governmental entities;

(viii) ensure that charitable services or benefits, such as vocational training, education programs, childcare and after-school programs, cultural activities, family counseling, transportation, meals, and linkages to health and/or social services are provided or information regarding charitable services or benefits are made available to the low-income housing tenants of the Project.

(f) The Managing General Partner shall annually conduct a physical inspection of the Project to ensure that the Project is being used as a low income housing project meeting the requirements applicable to Federal Credits and meeting all the requirements of the BOE and California property tax rules.

(g) The Managing General Partner will maintain records and documents evidencing the duties performed by the Managing General Partner (“**Management Documents**”). Such records and documents will include:

- (i) accounting books and records;
- (ii) tax returns;
- (iii) budgets and financial reports;
- (iv) reports required by lenders;
- (v) documents related to the construction of the Project;
- (vi) legal documents such as contracts, deeds, notes, leases and deeds of trust;
- (vii) documents related to complying with government regulations and filings;
- (viii) documents related to property inspections;
- (ix) documents related to charitable services or benefits provided or the information provided regarding such services or benefits;
- (x) reports prepared for the Partners;
- (xi) bank account records;
- (xii) audited annual financial statement of the Partnership; and
- (xiii) the Management Agreement.

To the extent that any such Management Documents are not within the control or possession of the Managing General Partner, the other General Partner and Limited Partner agree to provide or cause to be provided copies of such documents to the Managing General Partner upon written request from the Managing General Partner (to the extent such Management Documents are within the possession or control of such Partners). The General Partners and Limited Partner shall have the right upon two (2) business days’ notice, during reasonable business hours, to inspect all records and documents maintained by the Managing General Partner.

(h) Notwithstanding anything contained in the Agreement to the contrary, the Managing General Partner may delegate its Substantial Management Duties to the Administrative General Partner who, under its supervision, shall perform such duties for the Partnership and provided that such delegation does not excuse the Managing General Partner from overseeing and supervising on an ongoing basis the activities delegated. If the Managing General Partner elects to delegate one or more of its Substantial Management Duties, then the Managing General Partner shall maintain appropriate records to demonstrate that it is actually supervising the performance of the delegated duties. The Administrative

General Partner shall indemnify, defend and hold harmless the Managing General Partner and its directors, agents, employees and contractors (collectively, the “**Indemnitees**”) from and against, and, upon demand, reimburse the Indemnitees from, all claims, demands, liabilities, losses, damages, judgments, penalties, costs and expenses, including, without limitation, reasonable attorneys’ fees and disbursements, which may be imposed upon, asserted against or incurred or paid by the Indemnitees by reason of the Administrative General Partner’s gross negligence, willful misconduct, or breach of this Agreement related to its performance or lack of performance of the delegated Substantial Management Duties. Notwithstanding the foregoing, the Administrative General Partner shall have no liability for actions hereunder if the Administrative General Partner reasonably believes in good faith that such actions are within the scope of the authority conferred under this Agreement and such action (or failure to act) does not constitute negligence, willful misconduct, malfeasance, a breach of the Administrative General Partner’s fiduciary duty to the Managing General Partner, a breach of this Agreement, or a violation of state or federal securities laws. Excluding any authority delegated by Managing General Partner to Administrative General Partner, Managing General Partner may only delegate its powers, rights and obligations hereunder to the Administrative General Partner or to another entity so long as it continues to be able to fulfill the requirements of California property tax rules for the Property Tax Exemption and all associated BOE requirements. If Managing General Partner delegates some or all or any all or any of its powers, rights and obligations in accordance with the requirements of this Section 8.3, it shall supervise the performance by such entity regarding the acts or services performed for the Partnership, but in no event shall such delegation of duties relieve Managing General Partner of its obligations hereunder, including its fiduciary obligations to the other Partners.

(i) The Managing General Partner shall have the right to vote on any Major Decisions (as hereinafter defined). Notwithstanding anything to the contrary contained in this Agreement, no action with respect to any Major Decision (as hereinafter defined) may be undertaken, unless unanimously consented to in writing by each General Partner (which consent may be granted or withheld in each General Partner’s sole and absolute discretion). A General Partner requesting a vote on a Major Decision shall give the other General Partner written notice of any Major Decision and the other General Partner shall provide its approval or disapproval of the Major Decision within fourteen (14) days after receipt of such notice unless an emergency event shall have occurred in which event the General Partner shall provide such notice as is reasonable under the circumstances.

8.4 Limitations on Authority of the General Partners. The General Partners shall not have authority to:

- (a) do any act in contravention of this Agreement or the Act;
- (b) do any act in contravention of the Basic Documents, or any other regulatory agreements applicable to the Property or the Project, or any other documents recorded against the Property;
- (c) file any voluntary petition for the Partnership under the federal Bankruptcy Act, or seek the protection of any other federal or state bankruptcy or insolvency law or debtor relief statute, without a majority vote;

- (d) borrow from the Partnership or commingle Partnership funds with funds of any other Person;
- (e) Confess a judgment against the Partnership.
- (f) perform any act in violation of any applicable law or regulation thereunder;
- (g) perform any act in violation of the provision of any Basic Document;
- (h) knowingly rent units in the Project such that the Project would not meet the requirements of the Homekey Documents or the regulations regarding Section 8 Project-Based Vouchers as contained in the Housing Assistance Payments Contract, as applicable; or
- (i) borrow from the Partnership or commingle Partnership funds with funds of any other Person;

8.5 Major Decisions. The following matters shall constitute “**Major Decisions**” requiring approval of both General Partners:

- (a) execute or deliver any general assignment for the benefit of creditors or file a petition or acquiesce in the filing of a petition for Bankruptcy.
- (b) sell or otherwise dispose of, at any time, all or substantially all of the assets of the Partnership;
- (c) amend the terms of any Loan, Loan Document or any other Basic Document or enter into any material agreement or instrument binding on the Partnership, the Property, or the Project, or to permit any party thereunder to waive any provision thereof, to the extent that the effect of such amendment or waiver would be to eliminate, diminish, or defer any obligation or undertaking of the Partnership, the General Partners or their affiliates;
- (d) acquire any real property in addition to the Project other than easements reasonable and necessary for the operation of the Project;
- (e) confess a judgment against the Partnership in excess of \$5,000, or commence or settle, or acquiesce in the commencement or settlement of any legal actions, arbitration, or other like proceedings involving the Partnership or the General Partner (other than lease enforcement and eviction actions in the ordinary course of business);
- (f) admit any Person as a General Partner or withdraw as General Partner;
- (g) do any act in contravention of this Agreement or any other agreement to which the Partnership is a party;
- (h) transfer or hypothecate either General Partner’s interest as a General Partner in the Partnership, including its interest in Partnership allocations or distributions, except as otherwise provided in this Agreement;

- (i) dissolve the Partnership or take any action which would result in dissolution;
- (j) change the nature of the business of the Partnership, or do any act which would make it impossible to carry on the ordinary business of the Partnership;
- (k) file a voluntary petition for bankruptcy of the Partnership;
- (l) possess Partnership property or assign rights in specific property for other than a business purpose of the Partnership;
- (m) take any action which would cause the termination of the Partnership for federal income tax purposes under Code Section 708;
- (n) make, amend or revoke any tax election required of or permitted to be made by the Partnership under the Code or other applicable regulations, including, without limitation, any election under Section 42 (including an election to treat any year other than the year the building is placed-in-service as the first year of the Credit Period (as defined in Code Section 42(f) for the Project) or Section 754 of the Code);
- (o) approve any increase in fees to either of the General Partners or any affiliate of the General Partners;
- (p) enter into any cost-sharing, shared use or reciprocal easement agreements relating to the Project or the Property;
- (q) allow this Agreement to be amended; or
- (r) deposit any Partnership funds in any bank, savings and loan or other financial institution whose accounts are not insured by the Federal Deposit Insurance Corporation.

8.6 Compensation. The total compensation payable to the General Partners for their services as General Partners shall be as determined from time to time by written agreement of the General Partners. The Partnership shall reimburse the General Partners for all reasonable and evidenced out-of-pocket expenses incurred in furtherance of the Partnership's purposes by the General Partners prior to the establishment of the Partnership. Such reimbursement will be incorporated in the initial year's operating budget if there is available cash flow. For its services in performing its duties as managing general partner of the Partnership, the Managing General Partner shall receive a Partnership Management Fee. Finally, both General Partners shall be entitled to receive the Development Management Fee, which shall be split in accordance with the Development Management Fee Percentage.

8.7 General Partners' Obligation to Operate Partnership in Accordance with Homekey Program Requirements. The General Partners shall operate the residential units of the Project in accordance with the terms of the Basic Documents, all applicable statutes, rules and regulations with respect to the Project and Property, all regulatory agreements, restrictive covenants, and any other documents recorded against the Property.

8.8 Reports to Government Agencies. The General Partners shall furnish or cause to be furnished information regarding the Project, Property, and any other Partnership property/assets (a) as required by HCD under the Homekey Program and Homekey Documents or otherwise reasonably requested from time to time by other government agencies that provide financing to

the Partnership or the General Partners in connection with the Project or the Property, and (b) as required under any other Basic Documents.

8.9 Delegation of Authority by Managing General Partner. The Managing General Partner may delegate all or any of its powers, rights and obligations hereunder, and may appoint, employ, contract or otherwise deal with any Person for the transaction of the business of the Partnership, which Person may, under supervision of Managing General Partner, perform any acts or services for the Partnership, but in no event shall such delegation of duties relieve the Managing General Partner of its obligations hereunder, including its fiduciary obligations to the other Partners.

8.10 General Partner or Affiliates Dealing with Partnership. Each General Partner or any affiliates thereof shall have the right to contract or otherwise deal with the Partnership for the sale of goods or services to the Partnership in addition to those set forth herein, if (a) compensation paid or promised for such goods or services is reasonable (i.e., at fair market value) and is paid only for goods or services actually furnished to the Partnership, (b) the goods or services to be furnished shall be reasonable for and necessary to the Partnership, (c) the fees, terms and conditions of such transaction are at least as favorable to the Partnership as would be obtainable in an arm's-length transaction, and (d) no agent, attorney, accountant or other independent consultant or contractor who also is employed on a full-time basis by such General Partner or any affiliate shall be compensated by the Partnership for its services. Any contract covering such transactions shall be in writing and shall be terminable without penalty on sixty (60) days' notice. Neither of the General Partners nor any affiliate shall, by the making of lump sum payments to any other Person for disbursement by such other Person, circumvent the provisions of this Section 8.10.

8.11 Other Activities. Any Partner (or its affiliates) may engage in or possess interests in other business ventures of every kind and description for their own account, including, without limitation, serving as general partner of other companies which own, either directly or through interests in other companies, government assisted housing developments similar to the Project. Neither the Partnership nor any of the Partners shall have any rights by virtue of this Agreement in or to such other business ventures or to the income or profits derived therefrom.

8.12 Liability for Acts and Omissions. Neither General Partner or affiliate thereof shall be liable, responsible or accountable in damages or otherwise to the Partners for any act or omission performed or omitted by it in good faith on behalf of the Partnership and in a manner reasonably believed by it to be within the scope of the authority granted to it by this Agreement and in the best interest of the Partnership, provided that the protection afforded to a General Partner pursuant to this Section 8.12 shall not apply in the case of negligence, misconduct, fraud or any breach of fiduciary duty by such General Partner or its respective officers, directors, agents or employees with respect to such acts or omissions. Any loss or damage incurred by a General Partner or affiliate thereof by reason of any act or omission performed or omitted by such General Partner or any of them in good faith on behalf of the Partnership and in a manner reasonably believed by it to be within the scope of the authority granted by this Agreement and in the best interests of the Partnership (but not, in any event, any loss or damage incurred by such General Partner or affiliate thereof by reason of its negligence, misconduct or fraud, or its breach of

fiduciary duty with respect to such acts or omissions) shall be paid from Partnership assets to the extent available.

8.13 Partner Transaction Costs; Reimbursement. Within ten (10) days of the later of receiving the filed Certificate of Limited Partnership back from the California Secretary of State or the execution of this Agreement, the Managing General Partner shall reimburse the Limited Partner for all Partner Transaction Costs incurred by the Limited Partner up to the date of such filing, including but not limited to any security deposits paid in connection with the Purchase Agreement and all third party expenses incurred in connection with Limited Partner's due diligence investigations concerning the Property (collectively, "**Pre-Execution Partner Transaction Costs**"). In order to be reimbursable, all Pre-Execution Partner Transaction Costs must be accompanied by an accounting for and substantiation of each Pre-Execution Partner Transaction Cost, including all contracts, invoices, receipts, and reports. Any work product created or services provided in connection with the Pre-Execution Partner Transaction Costs are hereby assigned, granted, conveyed, and transferred to the Managing General Partner. From and after the date of filing of the Certificate of Limited Partnership, all further Partner Transaction Costs in connection with the Property shall be borne by the Managing General Partner, and such costs shall be reimbursed to the Managing General Partner upon closing of the permanent loan for the Property.

ARTICLE IX REMOVAL OF A PARTNER; WITHDRAWAL

9.1 Guarantees. The Managing General Partner shall serve as the guarantor / indemnitor pursuant to a guaranty agreement or indemnity agreement in favor of any Lender (to the extent such Lender requires such guaranty), in form and substance acceptable to the Managing General Partner in its sole discretion ("Guaranty").

9.2 Approval. The Limited Partner shall not participate in the control of the Partnership's business. The Limited Partner shall not have the right to vote on any matters except as provided below or as specifically provided in the Act.9.3 Limitation on Liability of Limited Partners. The liability of the Limited Partner is limited to each of its Capital Contributions as and when payable under the provisions of this Agreement, and as provided under the Act. The Limited Partner shall not have any other liability to contribute money to, or in respect of the liabilities or obligations of, the Partnership, nor shall the Limited Partner be personally liable for any obligations of the Partnership.

9.4 Removal of a General Partner.

(a) The Partners (the "**Non-defaulting Partners**") may remove a General Partner (the "**Defaulting General Partner**") for fraud, gross negligence, any act or failure to act on the part of the Defaulting General Partner that may constitute or result in an event of default under a Loan, or any other material misconduct that has a substantial adverse financial effect upon the Partnership and/or the Partners.

(b) In the event the Non-defaulting Partner decides to remove the Defaulting General Partner pursuant to this Section 9.4, the Non-defaulting Partner shall notify the Defaulting General Partner in writing, within five days after such decision, of the default that is the cause for the removal of the Defaulting General Partner. The Defaulting General Partner shall have 60 days from the receipt of the notice to cure the default; provided, however, that if a default, other than a monetary default, cannot be reasonably cured within 60 days, it shall be sufficient if the Defaulting General Partner commences the cure within 60 days and proceeds to cure the default within a reasonable period of time thereafter, not to exceed 90 days. If the Defaulting General Partner fails to cure within the specified time-period, the Non-defaulting Partner shall notify the Defaulting General Partner of the effective date of its removal promptly after the cure period has expired.

9.5 Withdrawal of a Partner. Except as otherwise provided herein, no General Partner shall have the right to withdraw or retire voluntarily from the Partnership or sell, assign or encumber its respective interest in the Partnership without the consent of the other Partners unless such sale, assignment or encumbrance is assigned to an instrumentality of the applicable General Partner.

9.6 Transfer or Sale of General Partner's Interest. In the event a General Partner seeks to transfer, assign, or sell all or any part of its interest in the Partnership other than as provided in Section 9.5 above, the other General Partner shall have the right of first refusal to acquire such interest (or portion thereof). If a General Partner receives an offer from a third party seeking any sale, conveyance, assignment or transfer, whether in whole or in part, of any interest in the Partnership ("Offer"), such General Partner shall immediately furnish the other General Partner with a copy of the Offer. The other General Partner shall have the right within ninety (90) days after it receives such copy to match the financial terms of the Offer and agree in writing to match such terms of the Offer. Such writing shall be in the form of a contract substantially similar to the Offer. If the other General Partner chooses not to exercise this right or fails to provide written notice to the offering General Partner within the ninety (90) day period, such General Partner may sell, convey, assign or transfer such interest in the Partnership pursuant to the Offer, subject to the terms of this Agreement. If a General Partner attempts to sell, convey, assign or transfer its interest in the Partnership without complying with this Section, the sale, conveyance, assignment or transfer shall be void.

ARTICLE X ACCOUNTING

10.1 Books of Account to be Kept. The Managing General Partner shall keep or cause to be kept complete and accurate books of account and records with respect to the Partnership's business. The books of the Partnership shall at all times be maintained by the Managing General Partner.

10.2 Method of Accounting. All accounts of the Partnership shall be kept on an accrual basis. The Partnership's books of account shall be kept in accordance with GAAP, or such other method of accounting determined by the Managing General Partner. The Partnership's independent auditor, if any, shall be an independent public accounting firm selected by the

Managing General Partner. All matters of accounting for which there is no provision in this Agreement are to be governed by generally accepted methods of accounting.

10.3 Fiscal Year Basis. The profits and losses of the Partnership and its books of account shall be maintained on a fiscal year basis ending on December 31 of each year.

10.4 Place Where Books to be Kept; Inspection. The Partnership books of account shall be kept at the principal place of business of the Partnership and shall be open for inspection by any Partner at all reasonable times.

10.5 Accounts. All funds of the Partnership not otherwise invested shall be deposited in one or more accounts maintained in such banking institutions as the Managing General Partner shall determine, and withdrawals shall be made only in the regular course of Partnership business on such signature or signatures as the Managing General Partner may, from time to time, determine. No funds of the Partnership shall be deposited in any financial institution in which any Partner is an officer, director or holder of any proprietary interest.

10.6 Tax Matters; Reports. The Managing General Partner shall be the initial “partnership representative” within the meaning of Section 6223(a) of the Code (the “Tax Matters Partner”). The Tax Matters Partner may cause the Partnership to make all elections required or permitted to be made by the Partnership under the Code. In the event that the Partnership shall be the subject of an audit by any federal, state or local taxing authority, including administrative settlement and judicial review, the Tax Matters Partner shall be authorized to act for, and its decision shall be final and binding upon, the Partnership and each General Partner thereof so long as the Managing General Partner acts in good faith. The Tax Matters Partner shall not have the authority to approve the settlement or compromise of all audit matters affecting the Partnership without the Managing General Partner’s prior consent. The Tax Matters Partner shall notify the other General Partner of any administrative proceeding with respect to the Partnership. The Managing General Partner shall, after the end of each fiscal year, promptly prepare such tax information as may be reasonably necessary to enable the Partners to prepare their federal, state and local income tax returns relating to such fiscal year.

ARTICLE XI DISTRIBUTIONS

11.1 Distributions of Net Cash Flow.

(a) Net Cash Flow of the Partnership shall be applied and/or distributed to the Partners in the following order of priority:

(i) First, to fund each of the Reserves until the Reserve Sufficiency Amount has been met;

(ii) Second, to the repayment of any Partnership Loan together with outstanding interests thereon;

(iii) Third, to any deferred Partnership Management Fee together with outstanding interests thereon;

(iv) Fourth, to the Partners *pari passu* in accordance with their respective Percentage Interest.

(b) The Partnership shall distribute Net Cash Flow at the times and in the aggregate amounts determined by the General Partners, but distributions shall be made not more frequently than annually at the Managing General Partner's discretion no sooner than completion of all audits and accounting for such year, and shall be made in the manner provided in Section 11.1(a).

(c) The proceeds resulting from the liquidation and winding up of the Partnership's business and assets shall be made in accordance with Section 11.3 below.

11.2 Distributions Upon the First Capital Transaction.

(a) The net proceeds resulting from the First Capital Transaction shall be distributed and applied in the following order of priority:

(i) First, to the Managing General Partner, the Assignment Fee;

(ii) Second, to the repayment of any Advance Loan together with outstanding interest thereon made by a General Partner to the Partnership;

(iii) Third, to fund each of the Reserves until the Reserve Sufficiency Amount has been met, although unless required by a Lender, the Partnership will give itself two years to fund full Reserves;

(iv) Fourth, to the payment of the initial Development Management Fee due to the General Partners in accordance with the Development Management Fee Percentage;

(v) Fifth, the balance of such remaining sum, to the General Partners *pari passu* in accordance with their respective Percentage Interest.

11.3 Distributions Upon a Capital Transaction.

(a) The net proceeds resulting from any Capital Transaction shall be distributed and applied in the following order of priority:

(i) First, to the payment of any current and/or deferred Partnership Management Fees to the Managing General Partner and applied towards satisfaction of such fee payment obligation;

(ii) Then, in the case of a refinancing only, to fund each of the Reserves until the Reserve Sufficiency Amount has been met;

(iii) Then, to the repayment of any Advance Loan together with outstanding interest thereon made by a General Partner to the Partnership;

(iv) Then, to any negotiated Development Management Fee if part of the Capital Transaction.

(v) Finally, the balance of such remaining sum, to the Partners *pari passu* in accordance with their respective Percentage Interest.

11.4 Distributions Following Dissolution.

(a) Upon the Partnership's dissolution, the Partnership's business shall be immediately wound up. Any gain or loss on the disposition of Partnership Property during the Partnership's liquidation shall be credited or charged to the Partners in accordance with Article VII. Liquidating distributions except for liquidating distributions under Section 708(b)(1)(B) of the Code shall be only in the form of cash. Partnership assets in the course of the liquidation shall be applied and distributed in the following order:

(i) Payment to creditors of the Partnership, including Partners, in the order of priority provided by law. In the discretion of the Managing General Partner, reserves may be established to meet any contingent obligations or liabilities and, if and when those contingencies shall cease to exist, any remaining assets in the reserves shall be distributed as provided in this Article XI.

(ii) Distributions to the Partners shall be in accordance with positive capital account balances. Upon dissolution of the Partnership, after any allocations under Article VII and the distributions pursuant to this subparagraph (ii), each Partner shall contribute to the capital of the Partnership the lesser of (A) its negative capital account balance, if any, or (B) the amount which when added to its prior contributions equals its Percentage Interest of the aggregate contributions of all Partners. Amounts so contributed shall be distributed to the Partners as additional liquidation proceeds pursuant to this subparagraph (ii).

(iii) For purposes of distributions to Partners, capital account balances shall be determined after taking into account all capital account adjustments for the fiscal year in which the liquidation occurs, and payment by the Partnership with respect to these balances shall be made by the end of that fiscal year or, if later, within ninety (90) days after the date of the liquidation. For this purpose, a liquidation of the Partnership shall be deemed to occur on the earlier of the date on which (i) the Partnership is terminated under Code Section 708(b)(1) or (ii) the Partnership ceases to be a going concern.

ARTICLE XII

DISSOLUTION, LIQUIDATION, WINDING UP

12.1 Dissolution of the Partnership. The Partnership shall be dissolved upon the first to occur of the following events:

(a) the withdrawal, Bankruptcy, dissolution or adjudication of incompetency of the General Partner in the event that at that time, such General Partner is the only remaining General Partner, subject to the provisions of Section 5.4, unless a majority in interest of the other Partners, within ninety (90) days after receiving Notice of such withdrawal, Bankruptcy, dissolution or adjudication of incompetence, elects to designate a successor General Partner(s) and continue the Partnership upon the admission of such successor General Partner(s) to the Partnership;

(b) the sale or other disposition of all or substantially all of the assets of the Partnership, subject to the provisions of Section 5.4 and the consent of both General Partners;

(c) the written approval of both General Partners;

(d) the entry of a decree of judicial dissolution under the Act by a court of competent jurisdiction; or

(e) any other event causing the dissolution of the Partnership under the laws of the State of California.

12.2 Winding Up and Distribution.

(a) Upon the dissolution of the Partnership pursuant to Section 12.1, (i) a Statement of Dissolution shall be filed in such offices within the State of California as may be required or appropriate and (ii) the Partnership business shall be wound up and its assets liquidated as provided in this Section 12.2 and the net proceeds of such liquidation, except as provided in Section 12.2(b) below, shall be distributed in accordance with Section 11.3.

(b) It is the intent of the Partners that, upon liquidation of the Partnership, any liquidation proceeds available for distribution to the Partners be distributed in accordance with the Partners' respective positive capital account balances. The Partners believe that distributions under Section 11.3 will effectuate such intent. In the event that, upon liquidation, there would otherwise be any conflict between a distribution pursuant to the Partners' respective positive capital account balances and the intent of the Partners with respect to distribution of proceeds as provided in Section 11.3, the Liquidator shall, notwithstanding the provisions of Article XI, allocate the Partnership's gains, profits and losses in a manner that will, as nearly as possible, cause the distribution of liquidation proceeds to the Partners to be in accordance both with the Partners' economic expectations as set forth in Section 11.3 and their respective capital account balances. If the Partnership's gains, profits and losses are insufficient to cause the Partners' capital accounts to be in such amounts as will permit liquidation proceeds to be distributed both in accordance with the Partners' respective positive capital account balances and Section 11.3, then liquidation proceeds shall be distributed in accordance with the Partners' respective positive capital account balances after the allocations described herein have been made. For purposes hereof, the term

“**Liquidator**” means the Managing General Partner, or, if there is none at the time in question, such other Person who may be appointed in accordance with applicable law and who shall be responsible for taking all action necessary or appropriate to wind up the affairs of, and distribute the assets of, the Partnership upon its dissolution.

(c) The Liquidator shall file all certificates and notices of the dissolution of the Partnership required by law. The Liquidator shall proceed without any unnecessary delay to sell and otherwise liquidate the Partnership’s property and assets; provided, however, that if the Liquidator shall determine that an immediate sale of part or all of the Partnership property would cause undue loss to the Partners, then in order to avoid such loss, the Liquidator may, except to the extent prohibited by the Act, defer the liquidation as may be necessary to satisfy the debts and liabilities of the Partnership to Persons other than the Partners. Upon the complete liquidation and distribution of the Partnership assets, the Partners shall cease to be Partners of the Partnership, and the Liquidator shall execute, acknowledge and cause to be filed all certificates and notices required by the law to terminate the Partnership.

(d) Upon the dissolution of the Partnership pursuant to Section 12.1, the Liquidator shall furnish to each Partner, a statement setting forth the assets and liabilities of the Partnership upon its dissolution. Promptly following the complete liquidation and distribution of the Partnership property and assets, the Liquidator shall furnish to each Partner, a statement showing the manner in which the Partnership assets were liquidated and distributed.

ARTICLE XIII AMENDMENTS

This Agreement may be amended pursuant to a written agreement executed by both General Partners. Notwithstanding the foregoing, no amendment that increases any Partner’s obligations under this Agreement or under the Act shall be effective without such Partner’s consent.

ARTICLE XIV EXCULPATION AND INDEMNIFICATION.

14.1 No Partner shall have any liability or obligation to the other Partner(s) or the Partnership for any decision made or action taken in connection with the discharge of its duties hereunder or when otherwise acting on behalf of the Partnership unless such decision or action resulted from fraud, negligence, willful misconduct, or a material breach of this Agreement. To the fullest extent permitted by applicable law, neither the General Partners, nor the Limited Partner, nor any, employee or agent of the Partnership nor any employee, representative, manager, director, commissioner, consultant, agent or affiliate of any of the Partners (collectively, the “**Covered Persons**”) shall be liable to the Partnership for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Covered Person in good faith on behalf of the Partnership and in a manner reasonably believed to be within the scope of the authority conferred on such Covered Person by this Partnership, except that a Covered Person shall be liable for any

such loss, damage or claim incurred by reason of such Covered Person's gross negligence or willful misconduct.

Notwithstanding anything to the contrary in this Agreement, the Partnership's Certificate of Formation or otherwise: (a) the Partnership shall be the indemnitor of first resort (i.e., the Partnership's obligations to each Covered Person are primary and any obligation of the Partners to advance expenses or to provide indemnification for the same expenses or liabilities incurred by each Covered Person are secondary), and (b) the Partnership irrevocably waives, relinquishes and releases the Partners from any and all claims for contribution, subrogation or any other recovery of any kind in respect thereof. Moreover, no officer, member, manager, director, agent, or employee of any Partner shall have any liability under this Agreement.

14.2 To the fullest extent permitted by applicable law, a Covered Person shall be entitled to indemnification from the Partnership for any loss, damage or claim incurred by such Covered Person by reason of any act or omission performed or omitted by such Covered Person in good faith on behalf of the Partnership and in a manner reasonably believed to be within the scope of the authority conferred on such Covered Person by this Agreement, except that no Covered Person shall be entitled to be indemnified in respect of any loss, damage or claim incurred by such Covered Person by reason of such Covered Person's negligence or willful misconduct with respect to such acts or omissions; *provided, however*, that any indemnity under this Article XIV by the Partnership shall be provided out of and to the extent of Partnership assets only, and neither the General Partners, Limited Partner or the Covered Persons shall have personal liability on account thereof.

14.3 To the fullest extent permitted by applicable law, expenses (including legal fees) incurred by a Covered Person defending any claim, demand, action, suit or proceeding shall, from time to time, be advanced by the Partnership to the applicable Covered Person prior to the final disposition of such claim, demand, action, suit or proceeding, so long as such Covered Person executes and delivers to the Partnership an undertaking by or on behalf of the Covered Person of its obligation to repay such amount if it shall be determined that the Covered Person is not entitled to be indemnified as authorized in this Article XIV.

14.4 A Covered Person shall be fully protected in relying in good faith upon the records and documents of the Partnership and upon such information, opinions, reports or statements presented to the Partnership by any Person as to matters the Covered Person reasonably believes are within such other Person's professional or expert competence.

14.5 The provisions of this Agreement, to the extent that they restrict or eliminate the duties and liabilities of a Covered Person otherwise existing at law or in equity to the Partnership or its Partners, are agreed by the Partners, to replace such other duties and liabilities of such Covered Person.

14.6 Each General Partner shall perform the duties on its part contemplated under this Agreement with due caution and in accordance with good business practices, but the General Partners shall have no liability whatsoever to the Partnership for any loss suffered by the Partnership which arises out of any action or inaction of a General Partner, except to the extent

such action was the result of the gross negligence, willful misconduct, fraud or wanton neglect of such General Partner.

14.7 Each General Partner hereby indemnifies and holds the other Partners, and their respective directors, officers, employees, members, partners, affiliates, or agents harmless from any loss, cost, damage, claim, demand, suit, liability, judgment, and expense (including reasonable attorneys' fees actually incurred and other costs of litigation) arising out of or relating to any injury or death of persons or damage to or loss of property to the extent resulting from any material breach of this Agreement or the negligent or intentional, wrongful acts of the indemnifying General Partner or its directors, officers, employees, members, partners, affiliates, or agents except to the extent such liability or loss was the result of gross negligence or willful misconduct by the indemnified Partner or its directors, officers, employees, members, partners, affiliates, or agents.

14.8 No Covered Person will be entitled to indemnification under this Article XIV if it has entered into any settlement or compromise of any claim giving rise to any indemnifiable loss without the written consent of the Partnership. If a bona fide settlement offer is made with respect to a claim and the Partnership desires to accept and agree to such offer, the Partnership will give written notice to the Covered Person to that effect (the "**Settlement Notice**"). If the settlement offer includes a full release of the Covered Person and the Covered Person fails to consent to the settlement offer within ten (10) calendar days after receipt of the Settlement Notice, then the Covered Person will be deemed to have rejected such settlement offer and will be responsible for continuing the defense of such claim and, in such event, the maximum liability of the Partnership as to such claim will not exceed the amount of such settlement offer plus any and all reasonable costs and expenses paid or incurred by the Covered Person up to the date of the Settlement Notice and which are otherwise the responsibility of the Partnership pursuant to this Article XIV. If the settlement offer does not include a full release of the Covered Person and the Covered Person fails to consent to the settlement offer, the Partnership shall continue to remain liable to the Covered Person to the full extent set forth in this Section 14.8.

The foregoing provisions of this Article XIV shall survive any termination of this Agreement.

ARTICLE XV MISCELLANEOUS.

15.1 Dispute Resolution. The Partners hereby agree that, in the event of any dispute between the Partners relating to this Agreement, the Partners shall first seek to resolve the dispute through informal discussions. In the event any dispute cannot be resolved informally within sixty (60) days, the Partners agree that the dispute will be negotiated between the Partners through mediation. If the Limited Partner and General Partners fail to agree on a mediator within thirty (30) days of the respective Partner's demand, then the mediator shall be selected by the Judicial Arbitration and Mediation Services, Inc. The costs of mediation shall be shared equally by the Partners. No Partner waives its legal rights to adjudicate this Agreement in a legal forum.

15.2 Further Assurances. The Partners agree that they and each of them will take whatever action or actions as are deemed by counsel to the Partnership to be reasonably necessary or desirable from time to time to effectuate the provisions of intent of this Agreement, and to that

end, the Partners agree that they will execute, acknowledge, seal and deliver any further instruments or documents which may be necessary to give force and effect to this Agreement or any of the provisions hereof, or to carry out the intent of this Agreement, or any of the provisions hereof.

15.3 Benefits of Agreement; No Third-Party Rights. None of the provisions of this Agreement shall be for the benefit of or enforceable by any creditor of the Partnership or by any creditor of the Partners. Nothing in this Agreement shall be deemed to create any right in any Person (other than Covered Persons) not a Partner hereto, and this Agreement shall not be construed in any respect to be a contract in whole or in part for the benefit of any third Person (other than a Covered Person).

15.4 Severability of Provisions. Each provision of this Agreement shall be considered severable and if for any reason any provision or provisions herein are determined to be invalid, unenforceable or illegal under any existing or future law, such invalidity, unenforceability or illegality shall not impair the operation of or affect those portions of this Agreement which are valid, enforceable and legal.

15.5 Entire Agreement. This Agreement constitutes the entire agreement of the Partners with respect to the subject matter hereof.

15.6 Binding Agreement. Notwithstanding any other provision of this Agreement, the Partners agree that this Agreement constitutes a legal, valid and binding agreement of the Partners, and is enforceable against each of the Partners in accordance with its terms.

15.7 Governing Law; Superseding Terms. This Agreement shall be governed by and construed under the laws of the State of California (without regard to conflict of laws principles), all rights and remedies being governed by said laws. In the event of any judicial action, venue shall be in the Superior Court of Los Angeles County. All provisions of the Act, as amended, shall be deemed to be superseded by the express terms of this Agreement to the extent necessary to effectuate the intent of the Partners as reflected by this Agreement.

15.8 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original of this Agreement and all of which together shall constitute one and the same instrument. The signature of any Partner to this Agreement transmitted to any other Partner by facsimile or e-mail (PDF copy) shall be deemed an original signature of the transmitting Partner.

15.9 Notices. Any notices, requests, demands, documents approvals or disapprovals given or sent under this Agreement from one Partner to another (each a “**Notice**” and collectively, the “**Notices**”) shall be given to the Partner entitled thereto at its address set forth below or at such other address as such Partner may provide to the other Partner in writing. Any such Notice may be given (a) by personal delivery which will be deemed received on the day of delivery; (b) by national overnight delivery service which shall be deemed received the following day; (c) by mailing the same by registered or certified US mail, return receipt requested which will be deemed delivered three (3) days after depositing same in the mail, addressed to the Partner to whom the

Notice is directed as set forth below; or (d) electronic mail so long as Notice is also provided simultaneously pursuant to one of the above described provisions for hard-copy Notice. Notices shall be addressed (x) in the case of the Partnership, to the Partnership at its address in Article IV, (y) in the case of either of the Partners, at its respective address as listed on Schedule B attached hereto, or (z) at such other address as may be designated by written notice from one Partner to the other.

15.10 Attorneys' Fees. Should either Partner incur attorney's fees in seeking the enforcement of this Agreement, whether or not a final court judgment is entered, each Partner shall bear its own costs and expenses incurred in such legal proceeding, including attorneys' fees, court costs and expenses and consultant and expert witness fees and expenses.

15.11 Authority. Each Partner executing this Agreement represents, warrants and covenants to the other Partner that (a) such Partner is duly formed and authorized to do business in the State of California, (b) such Person executing and delivering this Agreement on behalf of such Partner is duly authorized to do so in accordance with the terms and conditions under the organizational documents of such entity, and (c) such Partner is bound under the terms of this Agreement.

15.12 Schedules and Recitals Incorporated. The Recitals set forth above and Schedules A and B attached hereto are incorporated herein by this reference.

[Remainder of page left intentionally blank.]

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

ADMINISTRATIVE GENERAL PARTNER:

Alvarado Villas LLC,
a California limited liability company

By: PATH Ventures,
a California nonprofit public benefit corporation,
its sole member/manager

By: _____
Lois Starr,
Acting Executive Director

MANAGING GENERAL PARTNER:

Westlake MacArthur Park Apartments LLC,
a California limited liability company

By: La Cienega LOMOD, Inc.,
a California non-profit public benefit corporation
its sole member/manager

By: _____
Tina Smith-Booth
President

SCHEDULE A

Definitions

A. *Definitions*

When used in this Agreement, the following terms not otherwise defined herein have the following meanings:

“*Act*” has the meaning set forth in the preamble to this Agreement.

“*Applicable Laws*” shall mean all existing and future federal, state and local laws, orders, ordinances, governmental rules and regulations and court orders and is expressly deemed to include all zoning laws and environmental laws.

“*Bankruptcy*” means, with respect to any Person, if such Person (i) makes an assignment for the benefit of creditors, (ii) files a voluntary petition in bankruptcy, (iii) is adjudged a bankrupt or insolvent, or has entered against it an order for relief, in any bankruptcy or insolvency proceedings, (iv) files a petition or answer seeking for itself any reorganization, arrangement, composition, readjustment, liquidation or similar relief under any statute, law or regulation, (v) files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against it in any proceeding of this nature, (vi) seeks, consents to or acquiesces in the appointment of a trustee, receiver or liquidator of the Person or of all or any substantial part of its properties, or (vii) if 120 days after the commencement of any proceeding against the Person seeking reorganization, arrangement, composition, readjustment, liquidation or similar relief under any statute, law or regulation, if the proceeding has not been dismissed, or if within 90 days after the appointment without such Person’s consent or acquiescence of a trustee, receiver or liquidator of such Person or of all or any substantial part of its properties, the appointment is not vacated or stayed, or within 90 days after the expiration of any such stay, the appointment is not vacated.

“*Basic Documents*” means the Homekey Documents, the Purchase Agreement, the Loan Documents, the HAP Contract, the Management Documents, and all documents and certificates contemplated thereby or delivered in connection therewith.

“*Budget*” shall mean the budget approved by the General Partners following the execution of this Agreement (which shall include, without limitation, all capital expenditures and operating expenses required for the Project), as the same may be modified or amended from time to time with the mutual written approval of both General Partners.

“*Capital Reserve*” means a capital reserve account established by the General Partners for the Partnership to pay the costs of major capital expenses of the Project, which shall be funded in the amount of \$3,000 per unit within the Project, or such other amount as may be required by the Lender.

“*Capital Transaction*” means any transaction out of the ordinary course of the business of the Partnership including, without limitation, the sale or other disposition of all or any substantial

portion of the assets of the Partnership (the proceeds of which have not been taken into account in connection with funding any expenditures included in the Budget) and any refinancing of any loan, insurance or condemnation proceeds (other than business interruption or similar type of insurance or condemnation proceeds which cover a temporary taking of all or any portion of the Project), after such proceeds are applied to the rebuilding, repair or replacement of the Project (as may be applicable), but excluding the payment of capital contributions by the Partners.

“*Certificate of Limited Partnership*” means the Certificate of Limited Partnership of the Partnership filed with the Secretary of State of the State of California on December 31, 2021, as amended or amended and restated from time to time.

“*CPI*” means the local Consumer Price Index for all urban consumers in the Los Angeles-Long Beach Metropolitan area as published by the United States Government Bureau of Labor Statistics, rounded to the nearest dollar.

“*Development Management Fee*” means a fee received by the Partnership, as appropriate and when underwriting allows, at the close of any future significant financing event when such financing includes significant rehabilitation, construction or development work. The initial Development Management Fee will be approximately \$1,500,000, less any transfer taxes and recording fees paid in connection with the Purchase Agreement.

“*Development Management Fee Percentage*” means 70% of the Development Management Fee with respect to the Managing General Partner and 30% of the Development Management Fee with respect to the Administrative General Partner.

“*First Capital Transaction*” means the Partnership’s initial Capital Transaction event in which it is involved.

“*HAP Contract*” means the PBV Housing Assistance Payments Contract by and between HACLA and the Partnership with respect to up to 80 residential units commencing on or shortly after February 1, 2021 for a term of not less than 20 years with options to extend.

“*Homekey Documents*” means the Notice of Funding Availability (“**NOFA**”) for the Homekey Program dated September 9, 2021, the Standard Agreement, and all other documents specified under or required by the Homekey Program, including, without limitation, the expenditure and program reporting, affordability covenant, and supportive services plan.

“*Homekey Program*” means the program authorized pursuant to AB 140 (2020-2021) by the State of California intended to provide housing for individuals and families who are experiencing homelessness or who are at risk of homelessness (as defined in Part 578.3 of Title 24 of the Code of Federal Regulations), which authorized a program administered by HCD to provide up to \$1.45 billion in grant funding available to local public entities, including cities, counties, or other local public entities, including housing authorities or federally recognized tribal governments within California to purchase and rehabilitate housing, including hotels, motels, vacant apartment buildings, and other buildings and convert them into interim or permanent, long-term housing.

“*Lender*” means any lender under any of the Loan Documents, including the Initial Lender.

“*Loan*” means any loan including the Initial Loan, and any refinancing, replacements, amendments or substitutes thereof including through a bond issuance.

“*Loan Documents*” means the documents, instruments and agreements evidencing, securing, or otherwise pertaining to any Loan from a Lender to the Partnership (or any replacements, amendments, or substitutes thereof).

“*Net Cash Flow*” for any period means the sum of (i) all cash received by the Partnership from rents, rental subsidies, lease payments and all other sources of the Project, but excluding (A) tenant security or other deposits (unless forfeited), (B) capital contributions by any Partner to the Partnership (and interest thereon), (C) proceeds from Capital Transactions, (D) proceeds of any Partnership borrowings, and (E) interest on reserves not available for distribution; (ii) the net proceeds of any insurance (including rental interruption insurance), other than fire and extended coverage and title insurance, to the extent not reinvested or applied to repair and restoration of the improvements; (iii) withdrawals from the Reserves; and (iv) any other funds deemed available for distribution by the General Partners; less the sum of (x) all cash expenditures of the Project (unless paid from a capital source identified in (A) through (E) above to the extent that such expenditures are reflected on the sources and uses of funds or the General Partners otherwise mutually agree), and all expenses unpaid but properly accrued, which have been incurred in the operation of the Partnership’s business, excluding expenditures paid from any Partnership reserve account (whether or not such expenditure is deducted, amortized or capitalized for tax purposes), including the Partnership Management fees due to the Manager and the resident services fee paid to the service provider (to the extent actually paid); (ix) all payments on account of any Loans (including unpaid principal and accrued and unpaid interest and tax or insurance escrow payments, if applicable) made to the Partnership; and (z) any deposits of cash to Reserves in excess of the Reserve Sufficiency Amount or cash for approved Capital Expenditures in the following year’s Budget to the extent such amounts are determined from time to time by the General Partners to be advisable for the operation of the Partnership, in each case for such period. Net Cash Flow shall be determined separately for each taxable year or portion thereof and shall not be cumulative.

“*Operating Reserve*” means an operating reserve account established by the General Partners for the Partnership to pay the costs of operating expenses of the Project, which shall be funded in the amount of \$2,500 per unit within the Project, or such other amount as may be required by the Lender.

“*Partner Transaction Costs*” means the payment of funds expended by a Partner in connection with the closing of the First Capital Transaction, including for the payment of any due diligence reports or security deposits.

“*Partnership Loan*” means any loan made by a Partner to the Partnership, which loan shall bear interest compounded monthly at a rate equal to five percent (5%).

“*Partnership Management Fee*” means an annual fee initially set for Year 1 at \$30,000 and which will increase annually by 3% consistent with CPI. The Partnership Management Fee

shall be paid above the line, unless in any one year, there is not enough cash flow to pay in full. The Managing General Partner can defer all or a portion of the fee. Any deferred Partnership Management Fee shall bear simple interest at a rate equal to five percent (5%).

“*Percentage Interest*” means the percentage interest of each Partner as set forth of Schedule B (as the same may be amended or modified from time to time).

“*Person*” means any individual, corporation, partnership, joint venture, limited liability company, limited partnership, limited liability partnership, association, joint stock company, trust, unincorporated organization, or other organization, whether or not a legal entity, and any governmental authority.

“*Pre-Execution Partner Transaction Costs*” has the meaning set forth in Section 8.13.

“*Reserve Sufficiency Amount*” means the dollar amount necessary to ensure each of the Reserves are sufficiently funded/capitalized in accordance with the Lender’s requirements (or if the Lender does not require such Reserves, in an amount to which the General Partners mutually agree).

“*Reserves*” means the Capital Reserve and Operating Reserve.

B. *Rules of Construction*

Definitions in this Agreement apply equally to both the singular and plural forms of the defined terms. The words “include” and “including” shall be deemed to be followed by the phrase “without limitation.” The terms “herein,” “hereof” and “hereunder” and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section, paragraph or subdivision. The Article and Section titles appear as a matter of convenience only and shall not affect the interpretation of this Agreement. All Article, Section, paragraph, clause or Schedule references not attributed to a particular document shall be references to such parts of this Agreement.

SCHEDULE B

Partners

<u>Name</u>	<u>Mailing Address</u>	<u>Agreed Value of Capital Contribution</u>	<u>Percentage Interest</u>
Alvarado Villas LLC, Administrative General Partner	340 N. Madison Ave. Los Angeles, CA 90004 Attn: Lois Starr, acting Executive Director	\$19.00	19.00%
Westlake MacArthur Park Apartments LLC Managing General Partner	c/o The Housing Authority of the City of Los Angeles 2600 Wilshire Blvd., 4th Fl. Los Angeles, CA 90057 Attn: Tina Smith-Booth, President	\$80.00	80%
PATH Ventures, Limited Partner	340 N. Madison Ave. Los Angeles, CA 90004 Attn: Lois Starr, acting Executive Director	\$1.00	1%
		\$100	100%