HACSA W.3.a

MEMORANDUM

AGENDA DATE: May 2, 2007

DATE: 17 April 2007

TO: Board of Commissioners of the Housing and Community Services Agency of Lane County (HACSA)

PRESENTED BY: James R. McCoy, Development Director
Chris Todis, Executive Director

AGENDA ITEM TITLE: ORDER/In the Matter of Approving the Amended Limited Partnership Agreement for the New Winds Apartments

I. PROPOSED MOTION:

IT IS MOVED THAT:

(1) THE EXECUTIVE DIRECTOR OR THE DEPUTY DIRECTOR IS AUTHORIZED TO FORM AND SERVE AS THE GENERAL PARTNER OF NEW WINDS APARTMENTS LIMITED PARTNERSHIP (THE "PARTNERSHIP"), TO EXECUTE AN INITIAL PARTNERSHIP AGREEMENT WITH AN INITIAL PARTNER AND, THEREAFTER, TO ACT ON BEHALF OF THE GENERAL PARTNER OF THE NEW WINDS APARTMENTS LIMITED PARTNERSHIP TO EXECUTE THE AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT OF NEW WINDS APARTMENTS LIMITED PARTNERSHIP (THE "AMNEDED PARTNERSHIP AGREEMENT") AND THAT SUCH ACTIONS TAKEN TO DATE, ARE HEREBY RATIFIED AND APPROVED.

(2) THE EXECUTIVE DIRECTOR OR THE DEPUTY DIRECTOR IS AUTHORIZED TO ACT ON BEHALF OF THE HOUSING AND COMMUNITY SERVICES AGENCY IN ITS OWN CAPACITY AND AS GENERAL PARTNER OF THE NEW WINDS APARTMENTS LIMITED PARTNERSHIP TO ENTER INTO THE FOLLOWING AGREEMENTS): THE DEVELOPMENT SERVICES AGREEMENT; THE PROPERTY MANAGEMENT AGREEMENT AND THE PURCHASE OPTION AND RIGHT OF FIRST REFUSAL AGREEMENT;

(3) THE EXECUTIVE DIRECTOR OR THE DEPUTY DIRECTOR IS AUTHORIZED TO ACT ON BEHALF OF THE HOUSING AND COMMUNITY SERVICES AGENCY IN ITS OWN CAPACITY AND AS GENERAL PARTNER OF THE NEW WINDS APARTMENTS LIMITED PARTNERSHIP TO LEND TO NEW WINDS APARTMENTS LIMITED PARTNERSHIP THAT PORTION OF THE PROJECT FINANCING PREVIOUSLY RECEIVED AS A GRANT BY THE HOUSING AND COMMUNITY SERVICES AGENCY.

(4) THE EXECUTIVE DIRECTOR OR THE DEPUTY DIRECTOR ARE AUTHORIZED TO DO AND PERFORM SUCH OTHER ACTS AND THINGS AND TO EXECUTE AND DELIVER SUCH OTHER DOCUMENTS AS MAY IN THEIR DISCRETION BE DEEMED REASONABLY NECESSARY OR PROPER IN ORDER TO CARRY INTO EFFECT ANY OF THE PROVISIONS OF THIS BOARD ORDER, TO ACT ON BEHALF OF THE HOUSING AUTHORITY AND COMMUNITY SERVICES AGENCY AND/OR THE PARTNERSHIP, AS THE CASE MAY BE, TO ACCEPT AND LEND THE PROCEEDS OF GRANTS FOR THE BENEFIT OF THE PROJECT AND THAT SUCH ACTIONS TAKEN TO DATE, ARE HEREBY RATIFIED AND APPROVED.

II. ISSUE/PROBLEM:

Board approval is necessary to finalize the development financing for the New Winds Apartments by entering into the Amended Partnership Agreement and thus enabling the sale of the federal tax-credits reserved for the project.

III. DISCUSSION:

A. Background

In May 2005, the Oregon Housing and Community Services Department (OHCS) issued a special Request for Applications (RFA) to develop an 18-unit apartment complex in Florence for adults with chronic mental illness. In this solicitation, OHCS offered a site, a preliminary design, and grants from its housing subsidy programs, including federal low-income housing tax credits. HACSA responded to the State's RFA and was notified in fall 2005 that its proposal had been received favorably. Since that time, project development has been underway, and it is now time to complete the financing package by integrating the grants and subsidies with the sale of the low-income housing tax credits.

B. Analysis

Project Description

New Winds Apartments will be a two-story building located on the southeast corner of 8th Street and Laurel Street in Florence. The ground floor contains 7 one-bedroom units, a two-bedroom manager's unit, two lounge areas, a computer/ study room, a community room, an office, and a laundry room. The second story has 10 one-bedroom units, a sitting area and small deck. It will be a secured building with one main entrance. In addition to the main building, there is an small out-building that provides for garbage, bike storage, and an outdoor sitting area for smokers.

New Winds will house people with chronic mental illness in need of supportive housing. PeaceHealth Counseling Services and Options Counseling Services of Oregon have agreed to provide a program of supportive services to residents.

Project Financing

Project financing includes the following sources:

OHCS HOME funds	$ 593,555
OHCS HTF Grant	$ 100,000
Oregon Addiction and Mental Services Department	$ 100,000
Sale of Low-income Housing Tax Credits	$1,740,860
OHCS Weatherization Funds	$ 88,056
Deferred Development Fee Loan	$ 82,324
Total:	$2,704,795

Rents for each unit are estimated at approximately $350; however, HACSA intends to use its Shelter+Care Rent Subsidy Program and other programs to ensure that no resident pays more than 30% of his or her income for rent and utilities.

Past Board Actions

The Board has taken several previous actions which have authorized:

* Application to the State of Oregon for financing subsidies;
* Acquisition of the site from the Oregon Housing and Community Services Department;
* Approval of the Architectural Services Contract with Waterbury Shugar;
* Approval of CM/GC Contract with Essex General Construction Services.

Approving the execution of the the Amended Partnership Agreement represents the final step in completing the financial package for the project. This memorandum outlines the primary provisions of the proposed Limited Partnership Agreement and requests Board approval to execute it.

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AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT

OF

NEW WINDS APARTMENTS LIMITED PARTNERSHIP

a n Oregon limited partnership

APRIL __, 2007

This Amended and Restated Limited Partnership Agreement (this "Partnership Agreement") is entered into as of the date first set forth above by and between Housing Authority and Community Services Agency of Lane County, an Oregon housing authority established under ORS Ch. 456, as the General Partner, and NEF Assignment Corporation, an Illinois not-for-profit corporation, as nominee, as the Limited Partner.

STATEMENT OF AGREEMENT

The parties to this Partnership Agreement, each in consideration of the acts, capital contributions, and promises of the others, agree as follows:

ARTICLE 1: DEFINITIONS

The capitalized words and phrases used in the Amended and Restated Limited Partnership Agreement for New Winds Apartments Limited Partnership shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of such words and phrases):

"Accountant" means Bill A Killough CPA, or such certified public accountant as is selected by the General Partner with the prior written approval of the Limited Partner; provided, however, that the General Partner need not obtain the Limited Partner's consent if the General Partner selects a "Big 4" accounting firm as the Accountant.

"Accountant's Carryover Certification" means the certification by the Accountant indicating that that the Partnership's basis in the Project by the applicable deadline was greater than ten percent (10%) the Partnership's reasonably expected basis in the Project as of the end of the second calendar year following the calendar year in which the Carryover Allocation for the Project was awarded.

"Act" means the Oregon Uniform Limited Partnership Act, as the same may be amended from time to time (or any corresponding provisions of any successor law).

"Actual Tax Credits" means the Tax Credits to which the Limited Partner is actually entitled pursuant to §42 of the Code.

"Adjusted Capital Account Deficit" means, with respect to any Partner, the deficit balance, if any, in such Partner's Capital Account as of the end of the relevant fiscal period after giving effect to the following adjustments: (a) the credit to such Capital Account of (i) any amounts which such Partner is obligated to restore under this Partnership Agreement or is deemed to be obligated to restore pursuant to the penultimate sentences of §1.704-2(g)(1) and §1.704-2(i)(5) of the Regulations and (ii) the Partner's share (as determined pursuant to §4.4(a) hereof) of "excess nonrecourse liabilities"; and (b) the debit to such Capital Account of the amounts described in §1.704-1(b)(2)(ii)(d)(4), (5) and (6) of the Regulations. The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of §1.704-1(b)(2)(ii)(d) of the Regulations and shall be interpreted consistently therewith.

"Affiliate" means, with respect to any Person: (a) any Person directly or indirectly controlling, controlled by or under common control with such Person; (b) any Person owning or controlling ten percent (10%) or more of the outstanding voting securities of such Person; (c) any officer, director or general partner of such Person; or (d) any Person who is an officer, director, general partner, trustee or holder of ten percent (10%) or more of the voting securities of any Person described in clauses (a) through (c) of this subparagraph.

"Applicable Federal Rate" means the minimum interest rate that can be charged without attribution of interest under Code §1274(d).

"Applicable Percentage" means (i) for "new buildings" and "substantial rehabilitation expenditures" that are not "federally subsidized" (as those terms are defined in the Code), the "applicable percentage" is intended to yield, over a 10 year period, Tax Credits having a present value equal to 70% of the "qualified basis" (as that term is defined in the Code) of the buildings (sometimes referred to as the "9% credit") and (ii) for "existing buildings" and "new buildings" that are "federally subsidized" (as those terms are defined in the Code), the "applicable percentage" is intended to yield, over a 10 year period, Tax Credits having a present value equal to 30% of the "qualified basis" (as that term is defined in the Code) of the buildings (sometimes referred to as the "4% credit"). The Code provides that, for buildings placed in service after 1987, the "applicable percentage" is to be established monthly by the Service at a rate intended to produce the same present value equivalent given then-prevailing interest rates.

"Asset Manager" means National Equity Fund, Inc.

"Asset Management Fee" means an annual fee of $2,000, to be increased annually by three percent (3%) commencing in year 2008.

"Assignee" means a Person to whom all or any part of a Limited Partner's Partnership Interest has been transferred in a manner permitted under this Partnership Agreement, but who has not been admitted to the Partnership as a Substituted Limited Partner with respect to the transferred Partnership Interest.

"Breakeven Operations" means the date upon which (i) at least 95% of the Project's rental Units have been occupied by tenants actually paying rents at monthly rates at least equal to those assumed in

the Projections for a period of three consecutive months and (ii) the revenues from the normal operation of the Project received on a cash basis (including all public subsidy payments due and payable at such time but not yet received by the Partnership) for a period of three (3) consecutive months after Construction Completion, equal or exceed all accrued operational costs of the Project (including, but not limited to, taxes, assessments, replacement reserve deposits) and debt service payments, and a ratable portion of the annual amount (as reasonably estimated by the General Partner) of seasonal and/or periodic expenses (such as utilities, maintenance expenses and real estate taxes) which might reasonably be expected to be incurred on an unequal basis during a full annual period of operations, for such a period of three (3) consecutive calendar months on an annualized basis, as evidenced by a certification of the General Partner (with an accompanying unaudited balance sheet of the Partnership) certifying that all trade payables have been satisfied or will be satisfied by cash held by the Partnership on the date of such certification.

"Capital Account" means, with respect to any Partner, the capital account maintained for such Partner pursuant to §3.5.

"Capital Contribution" means, with respect to any Partner, the amount of money and the fair market value of property a Partner agrees to contribute to the Partnership.

"Carryover Allocation" means the allocation of Tax Credits for the Project by the State Housing Finance Agency for which the Partnership has or will demonstrate that the Partnership's basis in the Project by the applicable deadline was or will be greater than ten percent (10%) of the Partnership's reasonably expected basis in the Project as of the end of the second calendar year following the calendar year in which the Carryover Allocation for the Project was awarded.

"Carryover Allocation Documents" means the Carryover Allocation for the Project from the State Housing Finance Agency together with the Accountant's Carryover Certification.

"Cash Flow" means, with respect to any fiscal year of the Partnership, the gross cash receipts of the Partnership, not including insurance proceeds or condemnation awards, reduced by the sum of the following: (a) all principal and interest payments and other sums paid on or with respect to the Permanent Loan, Subordinate Loan (which have required payments from gross cash receipts) other than loans to the Partnership from the General Partner, including loans made pursuant to §3.7 or §6.4(f)(i) or §6.4(f)(ii) hereof, or the Limited Partner; (b) all cash expenditures incurred incident to the operation of the Partnership's business other than those that are funded out of the Lease-Up Account, the Operating Reserve Account or other any other reserve account that is set up for the Project, including, without limitation, any capital expenditures in excess of funds (i) withdrawn from the Replacement Reserve for such purpose, (ii) paid from insurance proceeds or condemnation awards, or (iii) paid from equity or development financing proceeds); (c) a property management fee of up to 8%; (d) all required replacement reserves deposits, including any arrearages, that must be funded; and (e) such cash as is necessary to (i) pay all accrued, outstanding trade payables, and (ii) establish any additional reserves as the Partners shall from time to time agree to establish. Net Cash from Sales and Refinancing and the proceeds of the Capital Contributions shall be excluded from gross cash receipts for this purpose.

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

"Closing Checklist" means the Project Investment Checklist containing the Project investment closing requirements of the Limited Partner.

"Code" means the Internal Revenue Code of 1986, as the same may be amended from time to time (or any corresponding provisions of any successor law).

"Compliance Period" means, with respect to the Project Property, the 15 taxable years beginning with the first taxable year of the Credit Period as defined in §42(i)(1) of the Code.

"Construction Completion" means the date of issuance of the certificate of substantial completion by the Project architect for the Project's last completed building.

"Construction Completion Date" means October 31, 2007.

"Cost Certification" means the following documents which must be delivered to the Limited Partner after Placement in Service of (1) a letter from the Accountants stating that they have examined the books and records and will sign a tax return including the Project costs specified in the letter in Tax Credit basis, and (2) a certification by the General Partner that the Accountants' letter accurately reflects actual Project costs.

"Credit Period" means, with respect to any building the period of one hundred and twenty (120) taxable months beginning with (a) the first full taxable month after the month in which the building is placed in service or (b) at the election of the taxpayer, the first month of the succeeding taxable year, but only if the building is a qualified low-income building (as defined in the Code) as of the close of the first year of such period. Special rules apply to the determination of the Credit Period for multiple building Projects.

"Credit Reduction Payment" shall have the meaning attributed thereto in §6.9(c) of this Partnership Agreement.

"Credit Shortfall" shall have the meaning attributed thereto in §6.9(c) of this Partnership Agreement.

"Deferred Development Fee" means the Development Fees that are to be paid out of Cash Flow from the Project or the proceeds of sales and refinancings and not from the Capital Contribution of the Limited Partner or the Project financing.

"Development Agreement" means the Development Agreement entered into or to be entered into by the Partnership and the General Partner pursuant to which the General Partner shall have primary responsibility for overseeing the development of the Project Property.

"Development Fee" and "Developer Fee" mean the $235,000 fee described in the Development Agreement payable at the times and upon the conditions set forth in the Development Agreement.

"Disposition Fee" means the fee equal to 1% of the gross sales proceeds to be paid to the Asset Manager out of the net sales proceeds at the time of closing of the sale of the Project or the Limited Partner's interest in the Project.

"Eligible Basis" means, generally, the adjusted basis of a building for depreciation purposes determined as of the close of the first taxable year of the Credit Period, subject to certain exclusions as set forth in the Code.

"Environmental Certification" means delivery to the Limited Partner, upon completion of rehabilitation or construction, of a certification by the General Partner that the Project has been completed in accordance with the recommendations contained in the environmental report(s) for the Project.

"Environmental Law" means (i) CERCLA, (ii) the Hazardous Materials Transportation Act, as amended, 39, U.S.C. Section 1801 et seq., (iii) the Resource Conservation and Recovery Act, as amended, 42 U.S.C. Section 6901 et seq., (iv) any similar state or local law, or (v) any regulation adopted or publication promulgated pursuant to any such law.

"Expense Coverage Ratio" shall be defined as the ratio of (A) the gross cash receipts of the Partnership received during a fiscal year reduced by all cash expenditures incurred incident to the operation of the Partnership's business (including, without limitation, operating expenses and capital expenditures).

"Extended Use Agreement" means the extended low income housing commitment entered into between the Partnership and the State Housing Finance Agency pursuant to §42(h)(6) of the Code.

"First Installment" has the meaning set forth in §3.2(a)(i) of this Partnership Agreement.

"Fourth Installment" has the meaning set forth in §3.2(a)(iv) of this Partnership Agreement.

"General Partner" means Housing Authority and Community Services Agency of Lane County, or any other Person who becomes a successor general partner pursuant to §10.1, §10.2 or §10.3. If there is more than one General Partner, they are referred to herein singularly and collectively as the General Partner, as the context may require or suggest.

"Hazardous Substance" means any substance defined as a hazardous substance, hazardous material, hazardous waste, toxic substance or toxic waste in (i) CERCLA, (ii) the Hazardous Materials Transportation Act, as amended, 39 U.S.C. Section 1801 et seq., (iii) the Resource Conservation and Recovery Act, as amended, 42 U.S.C. Section 6901 et seq., (iv) any similar applicable state or local law, or (v) any regulation adopted or publication promulgated pursuant to any such law.

"HOME" means the HOME Investment Partnership Act authorized under Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990, 42 U.S.C. 12701, et seq.

"Initial Agreement" means the Partnership's original limited partnership entered into as of December 21, 2005 by Housing Authority and Community Services Agency as the General Partner and John Van Landingham, as Initial Limited Partner.

"Initial Limited Partner" means John Van Landingham.

"Involuntary Event" means, with respect to any Partner any one of the following events: (a) the making of an assignment for the benefit of creditors by the Partner; (b) the filing of a voluntary petition in bankruptcy by the Partner; (c) the adjudication of the Partner as a bankrupt or insolvent; (d) the filing of a petition or answer by the Partner seeking for itself a reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any statute, law or rule; (e) the seeking, consenting to or acquiescence of the Partner in the appointment of a trustee, receiver, or liquidator of the Partner or of all or any substantial part of the Partner's properties; (f) the death of any Partner who is a natural person; or (g) the termination of the legal existence of any Partner who is other than a natural person.

"Involuntary Transfer" means any transfer of any Partner's Partnership Interests effected by operation of law as a result of the occurrence of an Involuntary Event.

"IRS" means the Internal Revenue Service.

"Lease-up Reserve" means the $1,200 deposited in the Lease-Up Reserve Account pursuant to §6.4(g)(i).

"Lease-up Reserve Account" means a segregated Partnership bank account established to hold the Lease-up Reserve.

"Limited Partner" means NEF Assignment Corporation or any Person who becomes a Substituted Limited Partner pursuant to §9.1, §9.2 or §9.3. If there is more than one Limited Partner, they are referred to herein singularly and collectively as the Limited Partner, as the context may require or suggest.

"Liquidation Manager" means any Person selected by the Limited Partner.

"Management Agent" means initially Neel Management, or such other Management Agent as is selected by the General Partner from time to time with the prior written consent of the Asset Manager.

"Management Agreement" means the management agreement between the Partnership and the Management Agent, as such agreement may be amended or supplemented from time to time, or any replacement thereof.

"Net Cash from Sales and Refinancings" means, with respect to any fiscal year of the Partnership, the cash proceeds from Partnership sales or refinancings reduced by (a) all reasonable costs and expenses incurred by the Partnership in connection with such sale (not including disposition fees, if any) or refinancing, and (b) all principal and interest payments and other sums paid on or with respect to any indebtedness of the Partnership, other than amounts treated as loans pursuant to this Partnership Agreement from the General Partner or the Limited Partner. Net Cash from Sales and Refinancing shall include all principal and interest payments with respect to any note or other obligation received by the Partnership in connection with the sale or other disposition of Project Property.

"Nonrecourse Deduction" has the meaning set forth in §1.704-2(b)(1) of the Regulations. The amount of Nonrecourse Deductions for any fiscal year of the Partnership equals the excess, if any, of the net increase, if any, in the amount of Partnership Minimum Gain during that fiscal year reduced (but not

below zero) by the aggregate amount of any distributions during that fiscal year of proceeds of a Nonrecourse Liability that are allocable to an increase in Partnership Minimum Gain, determined in accordance with §1.704-2(c) of the Regulations.

"Nonrecourse Liability" has the meaning set forth in §1.704-2(b)(3) of the Regulations.

"Operating Deficit" means the amount by which the revenues of the Partnership from rental payments made by tenants of the Project, and all other revenues of the Partnership (other than proceeds of any loans to the Partnership and investment earnings on funds on deposit in the reserve fund for replacements and other such reserve or escrow funds or accounts) for a particular period of time is exceeded by the sum of all of the operating expenses, including all debt service, operating and maintenance expenses, required deposits into the reserve fund for replacements and other reserve accounts, payment of any required Asset Management Fee, any fees to lenders and/or any applicable mortgage insurance premium payments and all other Partnership obligations or expenditures, excluding payments for construction of the Project and fees and other expenses and obligations of the Partnership to be paid from the Capital Contributions of the Limited Partner to the Partnership pursuant to this Agreement and other financing sources, during the same period of time. In computing the Operating Deficits, all cash expenditures or amounts budgeted to be spent for capital improvements during the period described above shall also be taken into account, unless such amounts are funded from Project reserves. Operating Deficits shall be measured on a monthly basis and funded as necessary during the Operating Deficit Guaranty Period.

"Operating Deficit Guaranty Amount" means $35,000.

"Operating Deficit Guaranty Period" means the period beginning with the date of achievement of Breakeven Operations and ending on the later of (i) the third anniversary of the date of achievement of Breakeven Operations, or (ii) the date upon which the Partnership achieves, following Construction Completion thirty-six (36) consecutive calendar months during which there is a an average Expense Coverage Ratio of 1.10 or better.

"Operating Reserve Account" means a segregated Partnership bank account established to hold the Operating Reserve.

"Operating Reserve Target Amount" means $51,344. To the extent funds are available, a balance at least equal to the Operating Reserve Target Amount shall be maintained in the Operating Reserve Account during the Compliance Period.

"Partner" means a Person who owns an interest in and who has been admitted to the Partnership.

"Partners" means two or more Partners.

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

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

"Partner Nonrecourse Deductions" has the meaning set forth in §1.704-2(i)(2) of the Regulations. The amount of Partner Nonrecourse Deductions with respect to a Partner Nonrecourse Debt for a Partnership fiscal year equals the net increase during that fiscal year in Partner Nonrecourse Debt reduced (but not below zero) by the proceeds of the Partner Nonrecourse Debt distributed during that fiscal year to the Partner bearing the economic risk of loss for the Partner Nonrecourse Debt that are both attributable to the Partner Nonrecourse Debt and allocable to an increase in Partner Minimum Gain, as determined in accordance with §1.704-2(i)(2) of the Regulations.

"Partnership" means New Winds Apartments Limited Partnership.

"Partnership Agreement" means the Partnership's Amended and Restated Limited Partnership Agreement and Certificate, as the same may be amended from time to time. Words such as "herein," "hereinafter," "hereof," "hereto" and "hereunder" refer to this Partnership Agreement as a whole, unless the context otherwise requires.

"Partnership Interest" means the entire ownership interest of a Partner, including, without limitation, the rights and obligations of such Partner under this Partnership Agreement and the Act.

"Partnership Management Fee" means the portion of Cash Flow that is paid to the General Partner pursuant to §5.1(a)(ix) hereof for managing the affairs of the Partnership.

"Partnership Minimum Gain" has the meaning set forth in §1.704-2(d) of the Regulations.

"Partnership Property" means all real and personal property acquired by the Partnership and any improvements thereto, and shall include both tangible and intangible property.

"Permanent Credit Reduction" has the meaning set forth in §6.9(a) hereto.

"Permanent Credit Reduction Adjustment" has the meaning set forth in §6.9(a) hereto.

"Permanent Lender" means Housing and Community Services Agency of Lane County, or another lender reasonably acceptable to the Limited Partner.

"Permanent Loan" means that certain construction and permanent mortgage loan from the Permanent Lender to the Partnership in the original principal amount not to exceed $801,611.

"Person" means any individual, partnership, limited liability company, corporation, trust, or other entity.

"Placement in Service" means occurrence of all of the following: (1) substantial completion of rehabilitation or construction, (2) issuance of certificate(s) of occupancy for the entire Project, and (3) placement in service as defined by federal tax law for qualified basis and Tax Credits.

"Plans and Specifications" mean the plans and specifications for the Project approved in writing by the Limited Partner.

"Prime Rate" means the interest rate announced from time to time by Bank One, Columbus, N.A., or its successor, as its prime lending rate, expressed as a percent per annum. The "Prime Rate" shall be determined on a daily basis.

"Profits" and "Losses" mean, for each fiscal year of the Partnership, an amount equal to the Partnership's taxable income or loss for such period from all sources, except as provided for in §4.2(m), determined in accordance with §703(a) of the Code, adjusted in the following manner: (a) the income of the Partnership that is exempt from federal income tax shall be added to such taxable income or loss; (b) any expenditures of the Partnership which are not deductible in computing its taxable income and not properly chargeable to capital account under either §705(a)(2)(B) of the Code or the Regulations promulgated under §704(b) of the Code shall be subtracted from such taxable income or loss; (c) in the event any Partnership Property is revalued in accordance with §1.704-1(b)(2)(iv)(f) of the Regulations, then the amount of any adjustment to the value of such Partnership Property shall be taken into account as gain or loss from the disposition of such Partnership Property for purposes of computing Profits or Losses; (d) gain or loss resulting from any disposition of Partnership Property which has been revalued pursuant to §1.704-1(b)(2)(iv)(f) of the Regulations and with respect to which gain or loss is recognized for Federal income tax purposes shall be computed by reference to the adjusted value of such Partnership Property, notwithstanding that the adjusted tax basis of such Partnership Property differs from the adjusted value; (e) any depreciation, amortization or other cost recovery deductions taken into account in computing such taxable income or loss shall be recomputed based upon the adjusted value of any Partnership Property which has been revalued in accordance with §1.704-1(b)(2)(iv)(f) of the Regulations; and (f) any items of income, gain, loss, deduction or credit which are specially allocated pursuant to §§4.2(a) and (d) through (k) shall not be taken into account in computing Profits or Losses.

"Project Closing Checklist" means the Limited Partner's most recent checklist of items that must be submitted to the Limited Partner and approved by the Limited Partner before it will enter the Partnership.

"Project Insurance Checklist" means the Limited Partner's list of required insurance coverages, as it may be amended from time to time.

"Project Property" or "Project" means the apartment complex containing 17 Tax Credit Units and 1 manager unit consisting of one building for a special needs population utilizing Shelter Care Plus rental subsidy, located at 8th and Laurel Streets, Florence, Oregon.

"Project State" means Oregon.

"Projected First Tax Credit Year" means2007.

"Projected Tax Credits" means 99.99% of the Partnership's 2005 9% present value Tax Credits from the State of Oregon in an amount equal to $16,394 for the year 2007, $196,727 for each year of 2008 through 2016, and $180,333 for year 2017, during the first 10 years of the Compliance Period, as shown in the Projections attached hereto. The Projected Tax Credits shall be deemed amended and revised to reflect the Projected Tax Credits calculated in any revised Projections prepared pursuant to §6.9(a) and §6.9(b) of this Partnership Agreement.

"Projections" means the projections attached hereto as Appendix I, as they may be amended pursuant to this Partnership Agreement.

"Qualified Basis" has the meaning set forth in §42(c) of the Code.

"Qualified Occupancy" means the initial occupancy of 100% of the residential units in the Project that the Projections indicate are to be occupied by tenants whose occupancy qualifies such residential units for the Tax Credit.

"Qualified Occupancy Date" means December 1, 2007.

"Regulations" means the Federal Income Tax Regulations (including without limitation, Temporary Regulations) promulgated under the Code, as the same may be amended from time to time (including corresponding provisions of successor regulations).

"Replacement Reserve" means the amount required by this Partnership Agreement, Permanent Loan or other loan documents to be reserved by the Partnership, equal to not less than $235 per unit per year (increased by 2% per annum), funded ratably on a monthly basis, with credit given for any amount funded into any lender controlled replacement reserve, commencing in the month following the month in which Breakeven Operations occurs. After the seventh (7^{th}) anniversary of the completion of construction of the Project, the Limited Partner shall have the right to require a physical assessment of Project Property pursuant to which the amount reserved on a monthly basis may be increased.

"Replacement Reserve Account" means a segregated Partnership bank account established to hold the Replacement Reserve controlled by the General Partner, except as otherwise set forth in §6.4(g)(iii).

"Second Installment" has the meaning set forth in §3.2(a)(ii) of this Partnership Agreement.

"Service" means the Internal Revenue Service.

"State Housing Finance Agency" means the agency controlling the allocation of Low Income Housing Tax Credits and administering the Low Income Housing Tax Credits, which in certain limited instances may be a local city agency.

"Subordinate Loan" means the loan from the following lender in the amount set forth after its name:

Lender	Loan Amount
Housing and Community Services Agency of Lane County	$75,000

"Substituted Limited Partner" means a Person who is admitted as a Limited Partner to the Partnership pursuant to §9.2 or §9.3 in place of and with all the rights of a limited partner under this Partnership Agreement and the Act.

"Tax Credit" or "Credit" means the low income housing tax credit under §42 of the Code.

"Tax Credit Units" means Project units that are subject to the Tax Credit income limitations.

"Tax Matters Partner" means the General Partner acting in its capacity designated in §6.4(c).

"Third Installment" has the meaning set forth in §3.2(a)(iii) of this Partnership Agreement.

"Timing Reduction" means the reduction in the Capital Contribution of the Limited Partner designed to compensate the Limited Partner for the reduced present value of delayed Tax Credits.

"Timing Shortfall" means, for any fiscal year, the difference between the Actual Tax Credits and the Projected Tax Credits for any year in the Project's Credit Period which is attributable to a delayed receipt of Tax Credits.

"Voluntary Transfer" means any sale, assignment, transfer, pledge, or hypothecation of any Partnership Interests by a Partner, except for an Involuntary Transfer.

ARTICLE 2: ORGANIZATION

§2.1 Continuation of Partnership. The Partnership was formed as of December 21, 2005, by the filing of the Partnership's certificate of limited partnership with the State of Oregon on December 21, 2005. The Partners desire to continue the Partnership under and pursuant to the provisions of the Act. By executing this Partnership Agreement, the parties hereto agree that the Initial Agreement is hereby amended and restated in its entirety and the Limited Partner is hereby admitted to the Partnership on the terms and conditions set forth herein, and by executing the withdrawal signature page hereof, the Initial Limited Partner hereby concurrently withdraws from the Partnership, all to become effective upon filing of an amended certificate of limited partnership reflecting such changes if and to the extent required by the Act.

§2.2 Character and Purpose of Business. The general character and purpose of the business of the Partnership is: (a) to acquire, construct, own, finance, lease, and operate the Project Property as a qualified low income housing project within the meaning of §42 of the Code; (b) to eventually sell or otherwise dispose of the Project Property in a manner consistent with the provisions of this Partnership Agreement; and (c) to engage in all other activities incidental or related thereto.

§2.3 Name of Partnership. The name of the Partnership is "New Winds Apartments Limited Partnership".

§2.4 Principal Place of Business. The address of the principal place of business of the Partnership shall be 177 Day Island Road, Eugene, Oregon 97401, or such other address as the Partners may select from time to time.

§2.5 Principal Office. The address of the principal office of the Partnership is 177 Day Island Road, Eugene, Oregon 97401, or such other address as the Partners may select from time to time.

§2.6 Agent for Service of Process. The Partnership's agent for service of process is Chris Todis, or such other agent as the General Partner may select from time to time with written notice to the

Limited Partner. The address of the agent for service of process is 177 Day Island Road, Eugene, Oregon 97401.

§2.7 **Name and Address of General Partner.** The name and address of the General Partner is:

Housing Authority and Community Services Agency of Lane County
177 Day Island Road
Eugene, OR 97401

§2.8 **Name and Address of Limited Partner.** The name and address of the Limited Partner is:

NEF Assignment Corporation
120 S. Riverside Plaza
15th Floor
Chicago, Illinois 60606

§2.9 **Governmental Filings.** The General Partner shall make all governmental filings as are necessary or appropriate to qualify the Partnership (a) to do or continue to do business in the Project State and any other jurisdiction or (b) to otherwise carry out the purposes and intent of this Partnership Agreement. In addition, the General Partner shall timely and properly file of record the Extended Use Agreement.

§2.10 **Term of Partnership.** The term of the Partnership began on December 21, 2005 (the date on which the Partnership's certificate of limited partnership was first filed with the Secretary of State of the Project State) and the Partnership will continue in existence until December 31, 2065, or such later date as the Partners agree, unless it is earlier dissolved and terminated in accordance with the provisions of this Partnership Agreement.

§2.11 **Compliance with Laws**. The Partnership shall comply with all applicable provisions of the Act, and any other applicable statutes and local ordinances governing limited partnerships in the Project State, as well as any other applicable laws of any federal, state, or local government or agency having legal jurisdiction over the Partnership and the Project (including without limitation, Environmental Laws).

§2.12 **Statutory Record Keeping**. The Partnership shall keep at its principal place of business the following and any and all other items required by the Act:

(a) a current list of the full name and last known address of each Partner, separately identifying each general partner and all limited partners in alphabetical order and setting forth the amount of cash and a description and statement of the agreed value of any other property or services contributed by each Partner and that each Partner has agreed to contribute in the future, and the date on which each became a Partner;

(b) a copy of the certificate of limited partnership of the Partnership, as amended or restated from time to time, together with executed copies of any powers of attorney pursuant to which any such certificate has been executed;

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

(d) a copy of this Partnership Agreement, any original or prior written partnership agreements of the Partnership, and any amendments thereto;

(e) financial statements of the Partnership for the three (3) most recent years.

§2.13 Related Party Debt. The Partners agree that any entity that is a lending institution having a direct or indirect ownership or beneficial interest in the Limited Partner, including, amongst others, the Federal Home Loan Mortgage Corporation (a "Related Lender") may at any time make, guarantee, own, acquire, or otherwise credit-enhance, in whole or in part, a loan secured by a mortgage, deed of trust, or other security instrument encumbering the Project (a "Related Lender Loan"). Under no circumstances shall a Related Lender be considered to be acting on behalf or as an agent or the alter ego of the Limited Partner or any of its members, partners, or beneficiaries. A Related Lender may in its discretion take any actions that it determines advisable in connection with a Mortgage Loan, including enforcement actions. The Partners hereby acknowledge that no Related Lender owes the Partnership or any Partner any fiduciary duty or other duty or obligation whatsoever by virtue of such Related Lender's direct or indirect ownership or beneficial interest in the Partnership (the "Related Lender's Equity Interest). Neither the Partnership nor any other Partner shall make any claim against a Related Lender, or against the Limited Partner or any other entity through which the Related Lender owns the Related Lender's Equity Interest, relating to a Related Lender Loan and alleging any breach of fiduciary duty, duty of care, or any other duty whatsoever to the Partnership, the Limited Partner, or such other Partner, based in any way upon the Related Lender's Equity Interest. As used herein, the term "Limited Partner" includes its successors and assigns, as applicable. Neither the General Partner nor any Guarantor shall have any liability to the Partnership or the Limited Partner, nor shall any credit adjuster, repurchase right or tax obligation be imposed on the General Partner or the Guarantor, by reason of any reallocation of Tax Credits, Profits and Losses to a Related Lender because of a Related Lender Loan, unless such realloaction was caused by the General Partner.

§2.14 Definitions. All capitalized words and phrases used in this Partnership Agreement (other than the full names and addresses of the Partners and governmental subdivisions and agencies) have the meanings set forth in Article 1.

ARTICLE 3: CAPITAL CONTRIBUTIONS AND PARTNER LOANS

§3.1 General Partner's Capital Contributions.

(a) The General Partner has made, or shall make upon the execution of this Agreement, a cash Capital Contribution to the Partnership in the amount of $100.00 in exchange for a 0.01% General Partner Interest, and, upon the execution of this Agreement, shall provide documentation to the Limited Partner evidencing the fact that the Capital Contribution has been, or will be, made no later than the Fourth Installment of Capital Contribution.

(b) The General Partner has assigned and hereby assigns, and has caused and shall cause its Affiliates to assign, to the Partnership all of its respective rights, title, and interest in, to,

and under all agreements, licenses, approvals, permits, Tax Credit allocations, and any other tangible or intangible personal property related to the Project Property or required to permit the Partnership to pursue its business and carry out its purposes as contemplated in this Partnership Agreement. The General Partner's Capital Account will not be credited with any amount as a result of its assignment to the Partnership of the various items referred to in the immediately preceding sentence.

(c) If the Partnership has not paid all amounts due as a Deferred Development Fee by the end of the twelfth (12^{th}) year of the Compliance Period, the General Partner shall make an additional Capital Contribution to the Partnership in the amount of the outstanding balance of the Deferred Development Fee, and any accrued and unpaid interest thereon, and the Partnership shall use this Capital Contribution to pay the remaining balance of the deferred Developer Fee, and any accrued and unpaid interest thereon.

§3.2 Limited Partner's Capital Contributions. The Limited Partner shall make Capital Contributions to the Partnership in the aggregate amount of $1,740,860 in exchange for a 99.99% Limited Partnership Interest in the Partnership. Of this amount, $142,67612 shall be used by the Partnership to pay the non-deferred portion of the Developer Fee payable pursuant to the Development Agreement. Subject to §6.9 and the other terms and conditions of this Partnership Agreement, the Limited Partner's Capital Contributions will be made as follows:

(a) **Non-Developer Fee Equity.**

(i) Upon the satisfaction of all of the following conditions, the Limited Partner shall pay to the Partnership $400,000 (the "First Installment") in cash which shall be deposited into a segregated Partnership account to be solely to pay costs associated with the construction of the Project (the "Project Account"), less $22,000, which shall be paid directly to the Limited Partner to reimburse it for its due diligence and closing costs in conjunction with its acquisition of an interest in the Partnership:

(A) Receipt and approval by the Limited Partner of all of the Limited Partner's Project Closing Checklist requirements, including a receipt of a satisfactory tax opinion; and

(B) Admission of the Limited Partner to the Partnership.

(ii) Upon the satisfaction of all of the following conditions, the Limited Partner shall pay to the Partnership $875,000 in cash (the "Second Installment") which shall be deposited into the Project Account:

(A) Satisfactory completion of 50% of the construction of the Project as evidenced by the construction disbursement documents and approved by the Asset Manager's construction inspector;

(B) Receipt of the Carryover Allocation Documents, if not previously provided, and approval of such Documents by the Limited Partner's tax counsel;

(C) Satisfaction of all of the conditions to the payment of all prior installments;

(D) Receipt and approval by the Asset Manager of any outstanding reporting items;

(E) Receipt and approval of a "Lot Book Report" from the Title Company which shall include updated title searches evidencing among other items that no unsatisfactory liens have been filed since the making of the prior Installment; and

(F) July 1, 2007.

(iii) Upon the satisfaction of all of the following conditions, the Limited Partner shall pay to the Partnership $210,000 in cash (the "Third Installment") which shall be deposited into the Project Account:

(A) Satisfactory completion of 75% of the construction of the Project as evidenced by the construction disbursement documents and approved by the Asset Manager's construction inspector;

(B) Satisfaction of all of the conditions to the payment of all prior installments;

(C) Receipt and approval by the Asset Manager of any outstanding reporting items;

(D) Receipt and approval of a "Lot Book Report" from the Title Company which shall include updated title searches evidencing among other items that no unsatisfactory liens have been filed since the making of the prior Installment; and

(E) October 1, 2007.

(iv) Upon the satisfaction of all of the following conditions, the Limited Partner shall pay to the Partnership $113,184 in cash (the "Fourth Installment") which shall be deposited into the Project Account: :

(A) Receipt by the Asset Manager of Certificates of Occupancy for all Project residential units and, if applicable, all commercial space;

(B) Receipt by the Asset Manager of an architect's certification indicating that all the work has been substantially completed in accordance with the plans and specifications provided to, and approved by, the Asset Manager;

(C) Completion of any outstanding punch list items to the satisfaction of the Asset Manager;

(D) Receipt by the Asset Manager of satisfactory evidence that the Operating Reserve, Lease-up Reserve and Replacement Reserve accounts have been established and funded at the required levels (the funding levels may be met with funds from this installment);

(F) Satisfactory completion of 100% of the construction of the Project as evidenced by the construction disbursement documents and approved by the Asset Manager's construction inspector;

(F) Satisfaction of all of the conditions to the payment of all prior Installments;

(G) Receipt and approval by the Asset Manager of any outstanding reporting items;

(H) Receipt and approval of a "Lot Book Report" from the Title Company which shall include updated title searches evidencing among other items that no unsatisfactory liens have been filed since the making of the prior Installment; and

(I) October 31, 2007.

$51,344 of this installment shall be used to fund the Partnership Operating Reserve Account, $1,200 of this installment shall be used to fund the Partnership Lease-up Reserve Account and $100 shall be used to fund the Partnership Replacement Reserve Account.

(b) **Developer Fee Equity**.

(i) Upon the satisfaction of all of the requirements for the Capital Contribution payment to be made pursuant to §3.2(a)(i), above, the Limited Partner shall pay to the Partnership $28,535 in cash which shall be used by the Partnership to pay a portion of the Developer Fee that is payable under the Development Agreement (the "First Developer Fee Installment").

(ii) Upon the satisfaction of all of the requirements for the Capital Contribution payment to be made pursuant to §3.2(a)(iv), above, and all of the following conditions, the Limited Partner shall pay to the Partnership $85,606 in cash which sum shall be used by the Partnership to pay a portion of the Developer Fee that is payable under the Development Agreement (the "Second Developer Fee Installment"):

(A) Receipt by the Asset Manager of final lien waivers from the general contractor and all subcontractors (or evidence that such final waivers are pending, conditioned only upon payment from this installment);

(B) Receipt of a final Owner's Title Insurance Policy in satisfactory form, if, the Owner's Title Insurance Policy was issued earlier, a title report indicating that the status of title has not changed;

(C) Verification to the satisfaction of the Asset Manager that 100% Qualified Occupancy of all Project Tax Credit Units;

(D) Receipt of an acceptable ALTA "as-built" survey of the Project;

(E) Receipt and approval by the Asset Manager of any outstanding reporting items;

(F) Receipt of a satisfactory Cost Certification for the Project prepared by the Project Accountant, verifying the Tax Credit basis;

(G) Satisfaction of all of the conditions to the payment of all prior Installments and Developer Fee Installments;

(H) Evidence that tax exemption for the Project is in effect; and

(I) January 1, 2008.

(iii) Upon the satisfaction of all of the following conditions, the Limited Partner shall pay to the Partnership $28,535 in cash which sum shall be used by the Partnership to pay a portion of the Developer Fee that is payable under the Development Agreement (the "Third Developer Fee Installment"):

(A) Receipt by the Asset Manager and acceptance of the first year's tax return and K-1 for the Partnership after Qualified Occupancy is achieved;
(B) Receipt by the Asset Manager of a fully executed Form 8609 for all Project buildings;
(C) Satisfaction of all of the conditions to the payment of all prior Installments and Developer Fee Installments;
(D) Receipt and approval by the Asset Manager of any outstanding reporting items; and
(E) April 15, 2008.

(iv) An estimated $92,324 representing the portion of the Developer Fee not projected to be paid out of the Limited Partner's Capital Contribution or the Project financing, shall be payable from available Cash Flow, with interest thereon at the rate of 0%, and, if applicable, as provided in §3.1(c), above, and subordinated to any cash flow payments to be made to the Limited Partner in satisfaction of a required Credit Reduction Payment. Any principal balance and/or accrued interest on the Deferred Development Fee remaining unpaid by the end of the twelfth year of the Compliance Period shall be paid in full by the General Partner and will be considered a Capital Contribution by the General Partner to the Partnership, as provided for in §3.1(c), above.

(c) The obligation to pay the amounts due under §3.2(a) and (b) is expressly conditioned upon each of the following requirements, in addition to those requirements that are set forth above, being satisfied at all times prior to and including the due dates of the above payments:

(i) The General Partner has fully complied with all of its covenants and obligations set forth in this Partnership Agreement (including, without limitation, those covenants and obligations set forth in §6.3);

(ii) The representations and warranties of the General Partner set forth in the Partnership Agreement are true and correct as of the date of the date of funding of the Capital Contribution payment (including, without limitation, those set forth in §6.3);

(iii) The General Partner has furnished the Limited Partner with any reports or other information, in satisfactory form, as set forth in Article 8 hereof; and

(iv) There has been no, and there is no imminent nor threatened, material adverse change in the General Partner's financial or business condition or operations that affects its ability to perform its obligations hereunder

(d) The General Partner shall deliver to the Limited Partner, not more than 30 days nor less than 10 days prior to the due date of each installment of the Limited Partner's Capital Contribution, the General Partner's written certification that each of the conditions set forth in §3.2(c), above, has been satisfied.

(e) Subject to the provisions set forth above, if a Limited Partner's interest in the Partnership is liquidated (within the meaning of Regulations §1.704-1(b)(2)(ii)(g)) prior to the payment of the Limited Partner's entire Capital Contribution pursuant to this §3.2, and this Limited Partner does not or has not provided a negotiable promissory note to evidence its obligation to pay its Capital Contribution, the Limited Partner shall pay no later than the end of the taxable year of the Partnership in which the Limited Partner's interest is liquidated or, if later, within 90 days after the date of the liquidation the lesser of (1) the unpaid balance of its Capital Contribution; and (2) its negative Capital Account balance.

§3.3 Security Agreement. The Limited Partner hereby pledges to the Partnership and grants the Partnership a security interest in its Partnership Interest as security for its obligation to make all Capital Contributions hereunder and agrees that the Partnership shall have, in addition to the rights provided for herein, all of the rights and remedies of a secured party under the Uniform Commercial Code of the Project State with respect to the Partnership Interest in the event of the failure of the Limited Partner to make its capital contributions when and as provided herein, in whole or in part. In furtherance of the foregoing pledge, the Limited Partner shall execute and deliver to the Partnership one or more Uniform Commercial Code Financing Statements, to be filed in the State of Illinois and, if requested by the General Partner, the Project State. Upon failure by the Limited Partner to make its Capital Contributions, in whole or in part, within applicable notice and cure period, the Partnership may, but shall not be required to, realize upon such collateral by disposing of the Partnership Interest of such defaulting Limited Partner at public or private sale, at which the Partnership, any Partner, or any third party may bid. If any notification of an intended disposition of the collateral is required by law, such notification shall be deemed reasonably and properly given if mailed at least ten (10) days before such disposition. The proceeds of any sale shall be applied in the following order of priority:

(a) to the payment of reasonable out-of-pocket costs and expenses of such sale, or resale of the Partnership Interest if the Partnership was the successful bidder at such sale, and of admission of the purchaser to the Partnership;

(b) to the payment of the capital contribution in respect to which the default occurred and any other past-due obligations of the defaulting Limited Partner to the Partnership; and

(c) to the defaulting Limited Partner as to any excess.

Such a sale shall not release the defaulting Limited Partner from its obligations hereunder, and such defaulting Limited Partner shall remain jointly and severally liable with the purchaser of the Partnership Interest to make all required contributions in respect to the foreclosed Partnership Interest and to pay all expenses of the Partnership in connection with any such sale and/or the collection of the amount due hereunder, provided that any contributions actually made to the Partnership by the purchaser at such sale shall be applied

against the amount due from the defaulting Limited Partner. The defaulting Limited Partner shall not obtain any interest in the profits or losses, cash flow, proceeds of capital transactions, or other operating or capital items of the Partnership after the foreclosure sale of the Interest by virtue of any subsequent payments made to the Partnership, as aforesaid.

§3.4 Interest on Capital Contributions. The Partnership shall not pay any Partner interest on its Capital Contribution.

§3.5 Withdrawal and Return of Capital Contributions. Except as provided elsewhere herein, no Partner has the right: (a) to withdraw any part of its Capital Contribution from the Partnership; (b) to demand a return of its Capital Contribution; or (c) to receive property other than cash in return for its Capital Contribution.

§3.6 Capital Accounts.

(a) The Partnership shall maintain for each Partner a separate capital account in accordance with §1.704-1(b) of the Regulations. The Capital Account of each Partner consists of the amount of its Capital Contribution, and will be (1) increased by (i) the fair market value of any property contributed by it to the Partnership, (ii) the amount of any Partnership liability assumed by such Partner or which is secured by any Partnership Property distributed to such Partner, and (iii) its allocable share of Profits and any items of income or gain specially allocated to it pursuant to §§4.2 (d) through (l), and (2) decreased by (i) the amount of any cash distributed to it, (ii) the fair market value of any Partnership Property distributed to it, (iii) the amount of any liability of such Partner assumed by the Partnership or which is secured by any property contributed by such Partner to the Partnership, and (iv) its allocable share of Losses and any items of loss or deduction specially allocated to it pursuant to §§4.2 (d) through (l).

(b) If any Partnership Interests are transferred in accordance with the terms of this Partnership Agreement, then the transferee will succeed to the Capital Account of the transferor to the extent it relates to the transferred Partnership Interests. Upon the occurrence of any of the following events, the Partnership shall revalue the Partnership Property and adjust the Partners' Capital Accounts to reflect the gain (or loss) that would have been allocated to each Partner if all the Partnership Property had been sold at its fair market value immediately prior to the occurrence of any of the following events, and if required to cause the provisions herein regarding the maintenance of Capital Accounts to comply with §1.704(b) of the Regulations.

(i) Any new or existing Partner acquiring an additional interest in the Partnership in exchange for more than a de minimis Capital Contribution;

(ii) The Partnership distributing to a Partner more than a de minimis amount of property or money in consideration for an interest in the Partnership; or

(iii) The "liquidation" of the Partnership within the meaning of §1.704-1(b)(2)(ii)(g) of the Regulations, other than a "liquidation" resulting from a termination under §1.708-1(b)(1)(ii) of the Regulations.

The revaluation of the Partnership Property referred to in the immediately preceding sentence will be made in accordance with §1.704-1(b)(2)(iv)(f) of the Regulations.

The foregoing provisions and all other provisions of this Partnership Agreement relating to the maintenance of Capital Accounts are intended to comply with §1.704-1(b) of the Regulations and will be interpreted and applied in a manner consistent with such Regulations.

§3.7 **Partnership Loans.** Subject to the limitations set forth in §6.2(f), if from time to time the Partnership needs funds in excess of those provided by the Permanent Loan, Subordinate Loan, Capital Contributions of the Partners, Grants and funds required to be provided by the General Partner or any Affiliate of the General Partner pursuant to any obligation hereunder or any other agreement (such as pursuant to §§6.4(f)(i) and §6.4(f)(ii)), any Partner or other person, organization, or institution may loan such additional funds to the Partnership at an interest cost to the Partnership and upon such terms, as agreed upon by the General Partner in its reasonable discretion, subject to compliance with the terms of existing loan agreements and this Partnership Agreement. Any loan made by a General Partner or an Affiliate of a General Partner will not bear interest in excess of the long term Applicable Federal Rate. Any Partner making any loan to the Partnership will be considered a general creditor of the Partnership and not as a Partner. Any loan made hereunder by a Partner will be paid as provided in §5.1 and §5.2 hereof.

§3.8 **Additional Capital Contributions.** Except as expressly provided in this Partnership Agreement, no Partner is required to make contributions to the capital of the Partnership.

§3.9 **Limited Partner's Withdrawal Option.** In the event that the following events have not occurred by the specified dates, unless such dates are waived or extended in writing by the Limited Partner:

Event	Completion or Delivery Date
(a) Commencement of construction of The Project	May __, 2007
(b) Submission of any outstanding Closing Checklist items in satisfactory form	May __, 2007

then the Limited Partner may, at its sole option and discretion, withdraw from the Partnership at any time unless and until it waives such withdrawal right in writing. Upon any such withdrawal, the Partnership shall execute and file a release of the Limited Partner's UCC Financing Statement securing its Capital Contribution obligation, and the Partners shall execute an amendment to this Partnership Agreement, the General Partner shall execute, file, and record, as applicable, an amendment to the Partnership's Certificate of Limited Partnership, reflecting the withdrawal of the Limited Partner and the release of all of the Limited Partner's obligations and liabilities in connection with the Partnership, all of the foregoing documents to be in form and content satisfactory to the Limited Partner. Notwithstanding any failure or delay in such execution and delivery, however, this Partnership Agreement shall be deemed to have been amended in accordance with the provisions of this 3.9 once the Limited Partner has provided the General Partner with written notice of its intent to

withdraw. Nothing herein shall be construed to diminish any of the General Partner's obligations under this Partnership Agreement to issue final accounting and tax reports to the Limited Partner for all periods prior to its withdrawal and in which its withdrawal occurred.

ARTICLE 4: ALLOCATION OF PROFITS, LOSSES AND TAX CREDITS

§4.1 Profit and Loss Allocations. Except as otherwise provided in §4.2, Profits and Losses for any fiscal year of the Partnership are allocated among the Partners in accordance with the following percentages:

General Partner	0.01%
Limited Partner	99.99%
Total	100.00%

§4.2 Special Allocations. Notwithstanding anything to the contrary contained in §4.1, the following special allocations in all events apply in determining the allocation of Profits and Losses among the Partners and are made prior to the allocations required under §4.1:

(a) **Depreciation and Tax Credits.**

(i) Depreciation (cost recovery) deductions and Tax Credits are allocated 0.01% to the General Partner and 99.99% to the Limited Partner.

(ii) Any recapture of Tax Credits is allocated to the Partners that were allocated (or whose predecessors-in-interest were allocated) the depreciation/cost recovery deduction and Tax Credits associated therewith.

(b) **Limitation on Allocations of Losses.** To the extent the allocation of any Losses to a Limited Partner would cause that Limited Partner to have an Adjusted Capital Account Deficit at the end of any fiscal year of the Partnership, then those Losses will not be allocated to that Limited Partner, but rather will be specially allocated to the General Partner.

(c) **Profit Chargeback.** To the extent any Losses are allocated to the General Partner in accordance with subparagraph (b) of this §4.2, then Profits will thereafter first be specially allocated to the General Partner in proportion to and in an amount (1) up to but not exceeding the amount of any such allocations of Losses made to the General Partner under such subparagraph (b) but (2) not to the extent that Losses would be allocated to the Limited Partner in excess of the amount permitted by such subparagraph (b).

(d) **Partnership Minimum Gain Chargeback.** Notwithstanding any other provision of this Article 4, if there is a net decrease in Partnership Minimum Gain during any Partnership fiscal year, then each Partner will be specially allocated items of Partnership income or gain for such fiscal year (and, if necessary, subsequent fiscal years) in an amount equal to the portion of such Partner's share of the net decrease in the Partnership Minimum Gain (determined in accordance with §1.704-2(g) of the Regulations). Any allocations made pursuant to this subparagraph (d) are to be made in proportion to the respective amounts required to be allocated to each of the Partners pursuant thereto. The items of Partnership income or gain

specially allocated under this subparagraph (d) are to be determined in accordance with §1.704-2(f) of the Regulations. This subparagraph (d) is intended to comply with the minimum gain chargeback requirements of §1.704-2(f) of the Regulations and will be interpreted consistently therewith.

(e) **Partner Minimum Gain Chargeback.** Notwithstanding any other provision of this Article 4 (except subparagraph (d) of this §4.2), if there is a net decrease in Partner Minimum Gain attributable to a Partner Nonrecourse Debt during any Partnership fiscal year, then each Partner who has a share of the Partner Minimum Gain attributable to such Partner Nonrecourse Debt (as determined in accordance with §1.704-2(i)(5) of the Regulations) will be specially allocated items of Partnership income and gain for such fiscal year (and if necessary, subsequent fiscal years) in an amount equal to the portion of such Partner's share of the net decrease in Partner Minimum Gain attributable to such Partner Nonrecourse Debt (as determined in accordance with §1.704-2(i)(4) of the Regulations). Any allocations made pursuant to this subparagraph (e) will be made in proportion to the respective amounts required to be allocated to each Partner pursuant thereto. The items of Partnership income or gain specially allocated under this subparagraph (e) will be determined in accordance with §1.704-2(i)(4) of the Regulations. This subparagraph (e) is intended to comply with the minimum gain chargeback requirements of §1.704-2(i)(4) of the Regulations and will be interpreted consistently therewith.

(f) **Qualified Income Offset.** If a Partner unexpectedly receives any adjustments, allocations, or distributions described in §1.704-1(b)(2)(ii)(d)(4), (5) or (6) of the Regulations, then items of Partnership income or gain will be specially allocated to that Partner in an amount and manner sufficient to eliminate, to the extent required by the Regulations, the Adjusted Capital Account Deficit of that Partner as quickly as possible. The special allocations required pursuant to this subparagraph (f) are made only if and to the extent that the Partner would have an Adjusted Capital Account Deficit after all other allocations provided for in this Article 4 have been tentatively made as if this subparagraph (f) were not in this Partnership Agreement. This subparagraph (f) is intended to comply with the qualified income offset requirements of §1.704-1(b)(2)(ii)(d) of the Regulations and will be interpreted consistently therewith.

(g) **Gross Income Allocation.** If a Limited Partner has a deficit balance in its Capital Account at the end of any Partnership fiscal year which exceeds the sum of (1) the amount that Limited Partner is obligated to restore pursuant to any provision of this Partnership Agreement and (2) the amount that Limited Partner is deemed to be obligated to restore pursuant to the penultimate sentences of §1.704-2(g)(1) and 1.704-2(i)(5) of the Regulations, then that Limited Partner will be specially allocated items of Partnership income or gain in the amount of such excess as quickly as possible. The special allocations required pursuant to this subparagraph (g) are made only if and to the extent that that Limited Partner would have a deficit Capital Account in excess of the aforementioned sum after all of the allocations provided for in this Article 4 have been tentatively made as if subparagraph (f) and this subparagraph (g) were not in this Partnership Agreement.

(h) **Nonrecourse Deductions.** Nonrecourse Deductions are specially allocated among the Partners in accordance with the same percentages set forth in §4.1 with respect to Profits and Losses.

(i) **Partner Nonrecourse Deductions.** Partner Nonrecourse Deductions are specially allocated to the Partner who bears the economic risk of loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable in accordance with §1.704-2(i) of the Regulations.

(j) **§754 Adjustment.** To the extent an adjustment to the adjusted tax basis of any Partnership Property undertaken pursuant to §734(b) or 743(b) of the Code is required to be taken into account in determining the Capital Accounts of the Partners under §1.704-1(b)(2)(iv)(m) of the Regulations, then the amount of such adjustment to the Capital Accounts will be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss will be specially allocated to the Partners in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to the aforementioned section of the Regulations.

(k) **Imputed Interest.** To the extent the Partnership has taxable interest income with respect to any Capital Contribution pursuant to §483 or §§1271 through 1288 of the Code, then (i) such interest income will be specially allocated to the Partner to whom such Capital Contribution relates, and (ii) the amount of such interest income will be excluded from the Capital Contributions credited to such Partner's Capital Account in connection with the payments of principal with respect to such Capital Contribution.

(l) **Curative Allocations.** The special allocations set forth in subparagraphs (d) through (i) of this §4.2 are intended to comply with the requirements of §1.704-1(b) of the Regulations. These special allocations may lead to results, which are inconsistent with the Partners' intentions concerning their sharing in Partnership distributions. Accordingly, the General Partner is hereby authorized and directed to specially allocate other items of Partnership income, gain, loss, and deduction among the Partners so as to prevent the special allocations required under subparagraphs (d) through (i) of this §4.2 from distorting the Partners' understanding of the manner in which Partnership distributions are to be made to the Partners upon the dissolution and termination of the Partnership. In general, it is anticipated that the special allocations, if any, made under this subparagraph (l) are made by specially allocating other items of Partnership income, gain, loss, and deduction among the Partners so that the sum of the special allocations made to each Partner pursuant to subparagraphs (d) through (i) of this §4.2 equals the sum of the special allocations made under this subparagraph (l).

(m) **Matching Income Allocation of Income or Gain from Sales and Refinancing Proceeds.** All items of Partnership income or gain arising from events resulting in Net Cash from Sales or Refinancings are allocated:

(i) first, as specified in §4.2(d) through (g), (j) and (l) and §4.4(c) of this Agreement;

(ii) second, if after the allocation of Profits and Losses for the fiscal year in which the gain arose, any Limited Partner has a negative Capital Account balance, 99.99% to the Limited Partner and 0.01% to the General Partner, until each Limited Partner's negative Capital Account is equal to zero;

(iii) third, to any General Partner that has a negative Capital Account balance after the allocation of Profits and Losses for the fiscal year in which the gain arose, until its Capital Account balance is equal to zero;

(iv) fourth, 99.99% to the Limited Partner and 0.01% to the General Partner, until each Limited Partner's positive Capital Account balance equals any amount to be distributed to the Limited Partner pursuant to §§5.2(a)(i) and 5.2(a)(ii); and

(v) fifth, to the Partners in accordance with the percentages specified in §5.2(b).

(n) **Grant Income.** Any income recognized as a result of any receipt of grants by the Partnership shall be allocated one hundred percent (100%) to the General Partner, except that this provision shall not apply to the extent that the Project will be financed with tax-exempt bond proceeds. In addition, if the General Partner is a tax exempt entity, the allocations to the General Partner under this §4.2 shall be limited to the highest percentage of the Partnership's property treated as tax-exempt use property, as reflected in the Projections.

(o) **Special Adjustment.** Notwithstanding any provision of this Partnership Agreement to the contrary, and prior to making any special allocations set forth in this §4.2, items of expenses and other deductions (other than depreciation, amortization, cost recovery deductions and Nonrecourse Deductions) equal to the sum of the amount of any loans to the Partnership made by the General Partner or any of its Affiliates pursuant to or for the purposes described in §§3.7, 6.4(f)(i) (but only after achievement of Construction Completion) and 6.4(f)(ii) are specially allocated to the General Partner in each tax year in which any such loan is made.

§4.3 Timing of Allocations. Except as otherwise expressly provided in this Partnership Agreement, all allocations of Profits, Losses, and Tax Credits are to be made as of the last day of each fiscal year of the Partnership.

§4.4 Other Allocation Rules. The following rules apply for the purpose of interpreting and applying the provisions of this Article 4 relating to the allocation of Profits, Losses, and Tax Credits among the Partners:

(a) **Excess Nonrecourse Liabilities.** Solely for purposes of determining a Partner's proportionate share of the "excess nonrecourse liabilities" of the Partnership within the meaning of §1.752-3(a)(3) of the Regulations, the Partners' respective interests in Partnership Profits shall be those percentage interests set forth in §4.1 (determined without regard to §4.2).

(b) **Effect of Cash Distributions.** To the extent permitted by §1.704-2(h) and §1.704-2(i)(6) of the Regulations, the General Partner shall endeavor to treat distributions of Cash Flow as having been made from the proceeds of a Nonrecourse Liability or a Partner Nonrecourse Debt only to the extent that such distributions would cause or increase an Adjusted Capital Account Deficit for any Limited Partner.

(c) **Recharacterization of Fee as Distribution.** If any fee or portion thereof payable to any Partner or any Affiliate thereof is determined to be a nondeductible distribution from the Partnership to a Partner for federal income tax purposes, there will be allocated to such Partner an amount of gross income equal to such distribution.

§4.5 Tax Effect of Allocations. Except as otherwise required under the second paragraph of this §4.5, the allocation of Profits, Losses, and Tax Credits to any Partner under this Article 4 is deemed an allocation to that Partner of the same proportionate part of each separate item of Partnership taxable income, gain, loss, deduction, or credit comprising such Profits, Losses, and Tax Credits, including, without limitation, any "unrealized receivable" or "substantially appreciated inventory item" under §751 of the Code. The Partners are aware of the income tax consequences of the allocations made pursuant to this Article 4 and hereby agree to be bound by the provisions of this Article 4 in reporting their respective shares of Partnership income, gain, loss, deduction, and credit for income tax purposes.

Notwithstanding anything to the contrary contained in this Article 4, income, gain, loss, deduction, and credit with respect to any Partnership Property contributed to the capital of the Partnership by any Partner is, solely for tax purposes, allocated among the Partners so as to take into account any variation between the adjusted tax basis of such Partnership Property to the Partnership for federal income tax purposes and the value assigned to such Partnership Property for the purposes of the computation of the Partners' Capital Accounts. If any revaluation of the Partnership Property is made by the General Partner (which revaluation may only be made with the consent of the Limited Partner) then any subsequent allocations of income, gain, loss, deduction, and credit with respect to such Partnership Property will take into account any variation between the adjusted tax basis of such Partnership Property for federal income tax purposes and the value assigned to such Partnership Property as a result of such revaluation. All allocations required under this paragraph of §4.5 are solely for purposes of federal, state, and local income taxes. These allocations do not affect and must not in any way be taken into account in computing any Partner's Capital Account or any Partner's share of Profits, Losses, Tax Credits or other items or distributions required or permitted to be made pursuant to any provision of this Partnership Agreement.

ARTICLE 5: DISTRIBUTIONS

§5.1 Distribution of Cash Flow.

(a) Cash Flow is, prior to the making of any distributions pursuant to §5.1(b) hereof, paid out in the following order and priority:

(i) First, to the Limited Partner to the extent of any amount which the Limited Partner is entitled to receive to satisfy any Credit Reduction Payment required pursuant to §6.9;

(ii) Second, payment of any accrued and payable Asset Management Fees to the Asset Manager;

(iii) Third, to the General Partner to pay any unpaid balance on the Deferred Development Fee;

(iv) Fourth, to the Operating Reserve Account until such time as such account is equal to the Operating Reserve Target Amount;

(v) Fifth, to pay any accrued and unpaid interest and unpaid principal on loans made by the Limited Partner pursuant to §3.7;

(vi) Sixth, to repay any accrued and unpaid interest and unpaid principal on loans made by the General Partner pursuant to §3.7;

(vii) Seventh, to the General Partner (in the order of loans made, with earlier loans repaid in full before subsequent loans are repaid) to repay any amounts treated as loans to the Partnership (without interest) by the General Partner pursuant to §6.4(f)(i) or §6.4(f)(ii) and not yet repaid; and

(viii) Eighth, $4,500 (increasing 3% per annum) to the General Partner as a Partnership Management Fee, on a cumulative basis; and

(ix) Ninth, to repay the Permanent Loan and the Subordinate Loan together with any accrued and unpaid interest thereon.

(b) After making the payments described in §5.1(a), the remaining Cash Flow, if any, shall be distributed to the Partners in accordance with the following percentages:

General Partner	0.01%
Limited Partner	99.99%
Total	100.00%

§5.2 **Net Cash from Sales and Refinancings.** Except as otherwise provided in Article 11 of this Partnership Agreement (pertaining to the liquidation and dissolution of the Partnership), Net Cash from Sales and Refinancings is paid or distributed to the Partners as provided in this §5.2.

(a) **Payments.** Net Cash from Sales and Refinancings is, prior to making any distributions pursuant to §5.2(b), paid out in the following order and priority:

(i) First, to the Limited Partner to the extent of any amount to which the Limited Partner is entitled to receive to satisfy any Credit Reduction Payment required pursuant to §6.9;

(ii) Second, to the Limited Partner an amount equal to the amount of taxes which would be imposed upon the Limited Partner as a result of the sale or refinancing, assuming that the Limited Partner is subject to the highest marginal federal, state and local income tax rates in effect at such time for corporations;

(iii) Third, to the payment of current and accrued Asset Management Fees, if outstanding;

(iv) Fourth, to the General Partner to pay any unpaid balance, if any, on the Deferred Development Fee;

(v) Fifth, to the Asset Manager a Disposition Fee equal to one percent (1%) of the gross proceeds of sale;

(vi) Sixth, to the payment of any debts and liabilities (including any unpaid fees) owed to the Partners or Affiliates by the Partnership for Partnership obligations; provided, however, that the foregoing debts and liabilities owed to Partners and their Affiliates will be paid or repaid, as applicable, in the following order of priority, if and to the extent applicable: (i) accrued and unpaid interest and accrued interest on loans (on a prorata basis) made by the Partners to the Partnership pursuant to §3.7, (ii) to the General Partner (in the order of loans made, with earlier loans repaid in full before subsequent loans are repaid) to repay any amounts treated as loans to the Partnership (without interest) by the General Partner pursuant to §6.4(f)(i) or §6.4(f)(ii) and not yet repaid; and

(vii) Seventh, to the General Partner for the payment of any accrued but unpaid Partnership Management Fee.

(b) **Distributions.** After making the payments specified in §5.2(a), the balance of Net Cash from Sales and Refinancings, if any, shall be distributed 99.99% to the Limited Partner and 0.01% to the General Partner.

§5.3 **Timing of Distributions.** Distributions of Cash Flow shall be made annually within 90 days after the end of each fiscal year of the Partnership. The determination of the amount of Cash Flow distributable annually to the Partners under this Article 5 shall be based upon the state of facts existing on the last day of each fiscal year of the Partnership.

§5.4 **Treatment of Distributions.** Distributions to a Partner of Cash Flow are considered draws against such Partner's allocable share of the Partnership's Profits and Losses.

ARTICLE 6: POWERS, RIGHTS AND DUTIES OF GENERAL PARTNER

§6.1 **Management of Partnership.** The Partnership is managed by the General Partner, who exercises full and exclusive control over the affairs of the Partnership, subject, however, to the limitations on its authority set forth in this Partnership Agreement (including, without limitation, §§6.2 and 6.3). The General Partner is under a fiduciary duty to conduct and manage the affairs of the Partnership in a prudent, businesslike, and lawful manner and will devote such part of its time to the affairs of the Partnership as is deemed necessary and appropriate to pursue the business and carry out the purposes of the Partnership as contemplated in this Partnership Agreement. The General Partner shall use its best efforts and exercise good faith in all activities related to the business of the Partnership.

§6.2 **Restrictions on General Partner's Authority.** Notwithstanding anything to the contrary contained in this Partnership Agreement, the General Partner does not have the authority to take any of the actions set forth below without the prior written consent of the Limited Partner:

(a) Do any act in contravention of or inconsistent with this Partnership Agreement or any other agreement to which the Partnership is a party (including, without limitation, those relating to the Permanent Loan and Subordinate Loan);

(b) Do any act making it impossible to carry on the ordinary business of the Partnership;

(c) Confess a judgment against the Partnership;

(d) Use Partnership Property or assign rights in specific Partnership Property for other than a Partnership purpose;

(e) Sell or otherwise transfer any interest in the Project Property (other than leases of residential units or, where applicable, commercial space, in the ordinary course of the Partnership's business);

(f) Incur any liability on behalf of the Partnership in the ordinary course of the Partnership's business in excess of $25,000 (or enter into any agreement resulting in any such liability being incurred), other than the Permanent Loan and the Subordinate Loan, and those liabilities (or agreements relating thereto) which have been disclosed to and approved in writing by the Limited Partner;

(g) Acquire any interest in real property or acquire any item of personal property on behalf of the Partnership having a purchase price of more than $10,000, unless such acquisition is part of the development budget or annual operating budget that has been approved in writing by the Limited Partner;

(h) Refinance, prepay or modify any mortgage or long-term liability of the Partnership, including, without limitation the Permanent Loan or the Subordinate Loan;

(i) Compromise any claim or liability in excess of $25,000 owed by or to the Partnership;

(j) Make, amend or revoke any tax election required of or permitted to be made by the Partnership under the Code or the Regulations, including, without limitation, any election under §42 or §754 of the Code. In this regard, the General Partner shall make (and the Limited Partner consents thereto) any elections required or permitted under §42 of the Code requested in writing by the Asset Manager;

(k) Change any accounting method or practice of the Partnership;

(l) Take any action which would cause the termination of the Partnership for federal income tax purposes or the dissolution of the Partnership for state law purposes;

(m) Construct any improvements on the Project Property other than those contemplated in the Plans and Specifications (or any modification thereof if such modification is expressly approved in writing by the Limited Partner);

(n) Use or cause the Project Property to be used for any purpose other than as a low income housing development as contemplated under §42 of the Code;

(o) Except for the Permanent Loan, and Subordinate Loan, mortgage, pledge or encumber any interest in any Partnership Property, including, without limitation, the Project Property;

(p) Loan any money on behalf of the Partnership or guarantee on behalf of the Partnership the indebtedness of any other Person;

(q) Change the nature of the business or purpose of the Partnership;

(r) Hire or retain any Person to manage the Project Property or the Partnership's business other than the Management Agent. The Management Agreement with Management Agent as the Project Property manager will contain the provisions specified in this Agreement, including those specified under "Management Agent" in the Article 1 hereof;

(s) Take any action (or fail to take any action) causing or resulting in a breach of any of the representations, warranties or covenants of the General Partner set forth in this Partnership Agreement, including, without limitation, those set forth in §6.3;

(t) Admit any other person or entity as a Partner;

(u) Except as permitted by §11.1 (pertaining to dissolution of the Partnership), take any action that may cause the dissolution of the Partnership;

(v) Perform any act subjecting any Limited Partner to liability as a general partner in any jurisdiction;

(w) Deposit any Partnership funds in any bank, savings and loan, or other financial institution whose accounts are not fully insured by the Federal Deposit Insurance Corporation;

(x) Commingle any Partnership funds with the funds of (1) any other partnership or limited liability company in which a General Partner is a partner or managing member, as the case may be, or (2) a General Partner or any of its affiliates; or

(y) Execute or deliver any assignment for the benefit of creditors.

§6.3 Representations, Warranties and Covenants of the General Partner. As an inducement to the Limited Partner to enter into this Partnership Agreement, and in addition to the representations, warranties, and covenants set forth elsewhere in this Partnership Agreement, each of the General Partners (if there is more than one) hereby makes the following representations, warranties, and covenants to and with the Limited Partner. All of the representations and warranties are deemed given as of the date hereof and as of every date thereafter throughout the term of the Partnership's existence and may be relied upon by counsel to the Limited Partner in connection with the Limited Partner's

investment in the Partnership. The General Partner shall fully comply with and abide by all of these covenants at all times throughout the term of the Partnership's existence.

(a) The Partnership has received an allocation or a reservation (and has or will timely comply with all requirements necessary to receive an allocation) of Tax Credits in an amount no less than the Projected Tax Credits;

(b) At all times following the completion of the contemplated improvements to the Project Property, the General Partner shall operate the Project Property in order to qualify 17 residential units in the Project Property for the Tax Credit with 100% of the tenants thereof qualifying under the appropriate income and rent restrictions of §42 of the Code as the same may be modified pursuant to the Extended Use Agreement (assuming no repeal or amendment of §42 of the Code renders such qualification impracticable);

(c) To the best of the General Partner's knowledge after due inquiry, there are no actions, suits, or proceedings pending or threatened by any person or governmental authority against or affecting the Project Property, the General Partner or any of its Affiliates that may have a material adverse affect on the Project Property or the Partnership or on the ability of the General Partner to perform its obligations hereunder;

(d) The Partnership is not liable (nor has any claim been made against it) for any expense, debt, cost, liability, or other charge other than costs incurred in connection with the acquisition and construction of the Project Property, operating expenses arising in the normal course of business, and those relating to the Permanent Loan and Subordinate Loan;

(e) All current leases (if any) for residential units in the Project Property are and all future leases will be for an initial term of at least six (6) months;

(f) The General Partner hereby represents and warrants as follows:

(i) To the best of its knowledge, after due inquiry and investigation, except to the extent, if any, disclosed in the environmental report(s) for the Project heretofore delivered to the Limited Partner or except to the extent encased, encapsulated, or otherwise corrected in a manner consistent with federal, state, or local law:

(A) the Project does not contain any substance known to be hazardous, including without limitation hazardous waste, lead-based paint, asbestos, methane gas, urea formaldehyde insulation, oil, toxic substances, underground storage tanks, polychlorinated biphenyls (PCBs), or radon and the Project is not affected by the presence of oil, toxic substances, or other pollutants that could be a detriment to the Project;

(B) the Project is not in violation of any Environmental Law, and no violation of the Clean Air Act, Clean Water Act, Toxic Substance Control Act, Safe Drinking Water Act, Lead-Based Paint Poisoning Prevention Act, or Occupational Safety and Health Act, or any amendments of these acts or successor statutes, has occurred or is continuing; and

(C) the General Partner has no knowledge and has not received any notice from any source whatsoever of the existence of any of the foregoing hazardous conditions or substances on the Project, or of a violation of any such federal, state, or local law or regulation with respect to the Project, and the General Partner shall throughout the term of the Partnership, notify the Limited Partner in writing of any notice it may receive that such a condition or violation exists.

(ii) If any such hazardous condition or the presence of any hazardous substance is disclosed in the aforesaid environmental report(s) for the Project and such condition or substance has not already been properly encased, encapsulated or otherwise corrected in a manner consistent with federal, state or local law:

(A) the Project budget includes an amount necessary for recommended removal, encapsulation, or other remediation of such condition or substance and

(B) the General Partner will verify that rehabilitation or construction of the Project has been or is being completed in accordance with the recommendations for removal, encapsulation, or remediation of such conditions or substances and will certify to such in writing to the Limited Partner, upon completion of the rehabilitation or construction.

(iii) The General Partner will deliver to the Limited Partner copies of all test results of materials or soils that are indicated in the environmental report(s) for the Project to be potentially hazardous or copies of any supplemental environmental report(s) that discuss the results of such tests.

(iv) The General Partner will take all actions within its control necessary to comply with and continue to comply with all ongoing or newly arising monitoring, maintenance, inspection, reporting, and remediation requirements of any applicable federal, state, or local environmental laws and regulations.

(v) If the Project has received project-based or tenant-based Section 8 rental subsidies, the Project operating budget shall include sufficient funds for the Project to comply with all applicable federal, state and local lead based paint laws and regulations.

(vi) Unless otherwise approved by the Limited Partner in writing, the aforesaid environmental report(s) are based on assessments of the Project that were performed or recertified not more than one hundred eighty (180) days prior to the date of execution of this Partnership Agreement by the Limited Partner.

For purposes of the representations contained in this §6.3(f), substances known to be hazardous shall not include small amounts of chemicals, cleaning agents, or similar substances employed in routine household uses in a manner typical of occupants in

other residential properties, or incidental cleaning supplies, provided that they are used at all times in strict compliance with all applicable laws and regulations and industry standards.

(g) The Partnership is a duly organized limited partnership, validly existing under the Act, and has complied with all filing requirements necessary under the Act for the preservation of the limited liability of the Limited Partner;

(h) No event has occurred that has caused and the General Partner will not act in any manner that will cause (1) the Partnership to be treated for federal income tax purposes as an "association" taxable as a corporation, rather than as a partnership, or (2) any Limited Partner to be liable for Partnership obligations in excess of its Capital Contribution, plus the limited dollar amount of any deficit restoration obligation agreed to by such Limited Partner pursuant to §11.4 and any amount required to be repaid by such Limited Partner to the Partnership pursuant to §7.1 hereof and the Act;

(i) The Partnership owns the Project Property including the improvements in fee simple free and clear of all liens and encumbrances other than (i) mortgages and other security instruments securing any of the Permanent Loan or the Subordinate Loan; (ii) the liens and encumbrances appearing on the Title Report, File No. _____, dated as of _____, 8:00 a.m., of _____ Title Insurance Company relating to the Project Property (except for the exceptions numbered _____ which will be removed upon the Limited Partner's admission to the Partnership), and (iii) those liens and encumbrances expressly agreed to in writing by the Limited Partner and the General Partner;

(i) The General Partner shall only use funds in the Project Account solely for the payment of costs and expenses in connection with the acquisition and construction of the Project.

(j) The Project Property conforms (or will timely conform) in all respects to all applicable laws, including, without limitation, all zoning, building, health, fire, and environmental rules and regulations and there are no laws, planning rules, regulations, ordinances, requirements, or environmental laws, regulations, or procedures applicable to the Project Property that would materially inhibit or materially adversely affect the operation of the Project Property as a low income housing development;

(k) The General Partner has caused and will cause the Partnership to maintain with financially sound insurers with an A. M. Best Co. rating of A VI or better all insurance coverages required by the Limited Partner;

(l) Neither of the Permanent Loan, Subordinate Loan nor any other loan or agreement to which the Partnership is a party, nor the General Partner's performance of its obligations thereunder or hereunder, violates or constitutes a default under any provision of law, order of court, indenture, or other instrument affecting the General Partner, the Partnership, or the Project Property or, except for the Permanent Loan and Subordinate Loan, result in the creation or imposition of any lien, charge, or encumbrance on the Project Property;

(m) The General Partner has provided the Limited Partner the Plans and Specifications (including, without limitation, all working drawings) and all construction schedules, approved construction draws, certifications concerning occupancy, lien notices, project inspection reports, proposed changes and modifications to the Plans and Specifications, all available documents pertaining to the Permanent Loan, and Subordinate Loan and any other information which is relevant to the construction and development of the Project Property;

(n) All material information concerning the Project Property known to the General Partner or any of its Affiliates, or which should have been known to any of them in the exercise of reasonable care, has been disclosed by the General Partner to the Limited Partner and there are no facts or information known to the General Partner or any of its Affiliates, or which should have been known to any of them in the exercise of reasonable care, which would make any of the facts or information submitted by the General Partner to the Limited Partner with respect to the Project Property inaccurate, incomplete, or misleading in any material respect;

(o) Neither the Partnership nor any Partner has or will have direct or indirect personal liability as maker, guarantor, partner, or otherwise with respect to the payment of principal or interest or any other sum due under the Permanent Loan, or Subordinate Loan;

(p) The execution and delivery of all instruments and the performance of all acts heretofore or hereafter made or taken or to be made or taken pertaining to the Partnership by the General Partner have been or will be duly authorized by all necessary corporate or other action and the consummation of any such transactions with or on behalf of the Partnership will not constitute a breach or violation of, or a default under, the articles of incorporation or by-laws of the General Partner or any agreement by which the General Partner or any of its properties is bound, nor constitutes a violation of any law, administrative regulations or court decree;

(q) Based upon the advice of tax counsel or adviser satisfactory to the Limited Partner, the Permanent Loan and Subordinate Loan will not likely adversely affect or cause a material re-allocation among the Partners of Tax Credits or Profits and Losses;

(r) The General Partner has no knowledge of, and has not received any notices with respect to, any violations by the Partnership or the Project of federal or state law or municipal ordinances or orders or requirements of any governmental body or authority in whose jurisdiction the Project Property is subject;

(s) There is no default existing, pending or threatened under any provision of the Permanent Loan, Subordinate Loan or any other agreement to which the Partnership is a party and the General Partner shall take all requisite action to comply with the provisions of all such loans and agreements; and, if any such default is alleged, the General Partner shall notify the Limited Partner of such alleged default within 5 days of any General Partner's receipt of notification of the alleged default;

(t) All appropriate roadway and public utilities, including, without limitation, telephone, sewer, water, electricity and, if applicable, gas are available to the Project Property, and all easements required in connection therewith have been obtained and filed of public record

and the General Partner shall use its best efforts to keep all such utilities operating in a manner sufficient to service the Project Property and the residential units contained therein;

(u) The construction of the Project Property will be completed in a timely and workmanlike manner by the Construction Completion Date and in compliance with: (1) applicable requirements of the Permanent Loan or any Subordinate Loan; (2) the Plans and Specifications; (3) the Projections; and (4) the requirements of all governmental agencies with jurisdiction over the Project Property and the development and construction thereof;

(v) All building permits, environmental permits or other clearances, easements and governmental permits, licenses, and approvals required in connection with the construction, ownership, operation, use, and occupancy of the Project Property and all residential units contained therein, have been or will be timely obtained and the General Partner shall take all actions necessary to maintain such approvals in full force and effect;

(w) No portion of the Project Property is treated as "tax-exempt use property" as defined in §168(h) of the Code;

(x) No General Partner is under any commitment to any real estate broker, rental agent, finder, syndicator, or other intermediary with respect to the Project or any portion thereof, except for arrangements disclosed in writing to the Limited Partner prior to the date hereof;

(y) No portion of the Project is federally subsidized as defined in §42(i)(2) of the Code, except, to the extent that the Project Property is not eligible to claim the 130% Eligible Basis permitted by §42(d)(5)(C) of the Code, HOME funds may be loaned to the Partnership with interest at a rate less than the Applicable Federal Rate, if and only if, in compliance with §42(i)(2)(E) of the Code, the General Partner agrees to rent at least 40% of the rental units in each building of the Project Property to persons whose incomes do not exceed the applicable area median gross income;

(z) The General Partner is a housing authority duly organized and validly existing under the laws of the Project State;

(aa) The General Partner has previously provided a true, complete, and current copy of the Partnership's original limited partnership agreement, together with all amendments thereto, to the Limited Partner, which original limited partnership agreement and amendments reflect all agreements among the Partners of the Partnership prior to its amendment hereby;

(bb) The execution and delivery of this Partnership Agreement and each of the other documents and agreements described in or contemplated by this Partnership Agreement by the General Partner, and the performance of the transactions contemplated herein and in each such other document have been duly authorized by all requisite corporate actions, and will not result in the breach of or default under any agreement, mortgage or other instrument to which any General Partner is a party or by which any General Partner is bound;

(cc) This Partnership Agreement is binding upon and enforceable against the General Partner in accordance with its terms;

(dd) The General Partner will not transfer a controlling interest in itself without the consent of the Limited Partner;

(ee) The General Partner shall not, and shall cause the Management Agent not to, (1) cause or permit any waste or damage to the Project Property, or (2) allow any tenant to use a residential unit, or, if applicable, commercial space, within the Project Property or any of the common areas in any manner which is unlawful, hazardous, unsanitary, noxious, or offensive or which unreasonably interferes with the use of the Project Property by the other tenants;

(ff) The General Partner shall maintain the Project Property in a decent, safe and sanitary condition;

(gg) The General Partner shall operate the Project Property in accordance with, and lease residential units within the Project Property in compliance with, the Extended Use Agreement;

(hh) To the best of the General Partner's knowledge, the Projections attached hereto as Appendix I are accurate, and the financial assumptions upon which such Projections are based are true and correct in all material respects.

(ii) The General Partner has determined that the General Partner nor any of the officers, directors, principals, employees or owners of the General Partner are on the list of Specially Designated Nationals and Blocked Persons promulgated by the U.S. Department of the Treasury and located on the internet at http://www.treas.gov/offices/eotffc.

§6.4 **Specific Obligations of General Partner.** The General Partner shall, on behalf of and in the name of the Partnership and in addition to any obligations placed upon it elsewhere in this Partnership Agreement, have the following specific obligations:

(a) **Securities Law Matters.** The General Partner shall prepare and file all required reports for the Partnership with the Securities and Exchange Commission and state securities administrators.

(b) **Limited Partnership Status.** The General Partner shall (1) file such certificates and do such other acts as may be required to qualify and maintain the Partnership as a limited partnership under the Act and to qualify the Partnership to transact business in all such jurisdictions as may be required under applicable provisions of law and (2) take or cause the Partnership to take all reasonable steps deemed necessary by counsel to the Partnership to assure that the Partnership is at all times classified as a partnership for federal and state income tax purposes.

(c) **Tax Matters Partner.** For the purposes of Subchapter C of Chapter 63 of the Code, the General Partner shall serve as the "Tax Matters Partner" of the Partnership and, as such, has all of the rights and obligations given to a Tax Matters Partner under said Subchapter. Notwithstanding anything to the contrary contained herein, the General Partner, in its capacity as