AMENDED AND RESTATED
LIMITED PARTNERSHIP AGREEMENT

OF

OLIVER GARDENS LIMITED DIVIDEND HOUSING ASSOCIATION LIMITED PARTNERSHIP

June 30, 2006

GENERAL PARTNER:	Oliver Gardens, L.L.C. 310 Seymour Street Lansing, Michigan 48933
LIMITED PARTNER	NEF Assignment Corporation, as nominee 120 South Riverside Plaza 15th Floor Chicago, Illinois 60606

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OF
OLIVER GARDENS LIMITED DIVIDEND HOUSING ASSOCIATION LIMITED PARTNERSHIP

a Michigan limited dividend housing association limited partnership

June 30, 2006

This Amended and Restated Limited Partnership Agreement (this "Partnership Agreement") is entered into as of the date first set forth above by and between Oliver Gardens, L.L.C., a Michigan limited liability company, 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 Oliver Gardens Limited Dividend Housing Association 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 Rick Koffarnus, 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 the Partnership's basis in the Project by the applicable deadline was 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.

"Act" means the Michigan Revised 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 IRS 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 $5,000, to be increased annually by three percent (3%).

"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.

"Bond Issuer" means Michigan State Housing Development Authority.

"Bonds" means those certain Michigan State Housing Development Authority Rental Housing Revenue Bonds, 2006 Series C and D to be issued by Bond Issuer in the expected aggregate principal amount of $131,585,000.

"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 the 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.

"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 Construction Loan, Permanent Loan, Subordinate Loans (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 5%; (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 May 1, 2007.

"Construction Lender" means Michigan State Housing Development Authority or another lender reasonably acceptable to the Limited Partner.

"Construction Loan" means that certain loan to the Partnership from the Construction Lender with terms no less favorable to the Partnership than (i) an original principal amount not to exceed $2,400,090, (ii) a term not to exceed 12 months, (iii) an all-in interest rate not to exceed 5.5%, and (iv) non-recourse to the Partnership, which Construction Loan shall be evidenced by a promissory note and other related documents acceptable to the Limited Partner.

"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. [See Model Forms of Accountant's letter and General Partner certification.].

"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.

"Debt Service Coverage Ratio" shall be defined as the gross cash receipts of the Partnership received during a fiscal year reduced by the sum of the following; (i) all cash expenditures incurred incident to the operation of the Partnership's business (including, without limitation, operating expenses and capital expenditures); and (ii) such cash as is necessary to fund the Replacement Reserve <u>divided by</u> all required principal and interest payments (not including those that have to be paid out of cash flow) with respect to the Construction Loan, Permanent Loan or Subordinate Loans, and/or other loans to the Partnership, but excluding loans to the Partnership from the General Partner.

"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.

"Developer" means LHC Non-Profit Development Corporation, a Michigan non-profit corporation.

"Development Agreement" means the Development Agreement entered into or to be entered into by the Partnership and the Developer pursuant to which the Developer shall have primary responsibility for overseeing the development of the Project Property and bearing certain cost overruns.

"Development Fee" and "Developer Fee" mean the $561,933 fee described in the Development Agreement payable at the times and upon the conditions set forth in the Development Agreement.

"Disposition Fee" has the meaning set forth in Section 6.5(d) of this Partnership Agreement.

"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.

"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 Oliver Gardens, L.L.C., a limited liability company, or any other Person who becomes a successor general partner pursuant to §10.1, §10.2 or §10.3.

"Guarantor" means Lansing Housing Commission.

"Guaranty Agreement" means the Guaranty Agreement between the Partnership and the Guarantor dated as of the date hereof whereby the Guarantor guarantees the obligations of the General Partner under the Partnership Agreement including, but not limited to the General Partner's guaranty obligations under §6.4(f) and the General Partner's payment obligations under §6.9.

"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.

"Housing Act" has the meaning set forth in Section 2.2 of this Partnership Agreement.

"Initial Agreement" means the Partnership's original limited partnership entered into as of May 11, 2005 by Oliver Gardens, L.L.C., a limited liability company, as the General Partner and LHC Non-Profit Development Corp., a Michigan non-profit corporation, as Initial Limited Partner.

"Initial Limited Partner" means LHC Non-Profit Development Corp., a Michigan non-profit corporation.

"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 $44,387 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, which shall be the General Partner so long as the General Partner is in compliance with its obligations under this Partnership Agreement.

"Management Agent" means initially the Lansing Housing Commission 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 a Management Agent and the Company, the form of which agreement is subject to the Asset Manager's consent and approval.

"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 Period" means the period beginning with the date of achievement of Breakeven Operations and ending on the later of (i) the fifteenth anniversary of the date of achievement of Breakeven Operations, or (ii) the date upon which the Partnership achieves, following the closing of or conversion to the Permanent Loan, 180 consecutive calendar months during which there is a Debt Service Coverage Ratio of 1.15 or better.

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

"Operating Reserve Target Amount" means $135,000. 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 Oliver Gardens Limited Dividend Housing Association 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)(viii) 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 Michigan State Housing Development Authority or another lender reasonably acceptable to the Limited Partner.

"Permanent Loan" means that certain mortgage loan from the Permanent Lender to the Partnership in the principal amount of $1,775,482, with terms no less favorable to the Partnership than (i) a 35 year term, (ii) a 35 year amortization period, (iii) an all-in interest rate not to exceed 5.5% per annum, and (iv) non-recourse to the Partnership.

"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, 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 30 low-income elderly housing units contained in one building on approximately 3 acres of vacant located at 3117 S. Martin Luther King Boulevard in Lansing, Ingham County, Michigan.

"Project State" means Michigan.

"Projected First Tax Credit Year" means 2007.

"Projected Tax Credits" means 99.99% of the Partnership's 2006 4% present value tax credits from the State of Michigan in an amount equal to $80,560 for the year 2007, $120,839 for each year of 2008 through 2016, and $40,280 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 June 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).

"Regulatory Agreement" means that certain regulatory agreement dated March 29, 2006 and entered into between the Partnership and the Construction Lender in connection with the closing of the Construction Loan.

"Replacement Reserve" means the amount required by the Partnership Agreement, Permanent Loan or other loan documents to be reserved by the Partnership, equal to not less than $250 per unit per year increasing at a rate equal to 3% 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 (7th) 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.

"State Housing Finance Agency" means the agency controlling the allocation of Low Income Housing Tax Credits and administering the Low Income Housing Tax Credits.

"Subordinate Loan(s)" means, individually or collectively as the context requires, the loan(s) from the following lender(s) in the amount(s) set forth after each respective name, each of which Subordinate Loans shall be non-recourse to the Partnership and payable solely from available Cash Flow as set forth in this Partnership Agreement:

Lender	Loan Amount	Interest Rate	Term

Lansing Housing Commission	$288,529	1%	40 years
City of Lansing (HOME Funds)	$170,000	0.5%	35 years
City of Lansing (CDBG Funds)	$400,000	0%	35 years
City of Lansing (CDBG Funds)	$150,000	0.5%	35 years

"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 the 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.

[End of Article]

ARTICLE 2: ORGANIZATION

§2.1 **Continuation of Partnership.** The Partnership was formed as of June 21, 2005, by the filing of the Partnership's certificate of limited partnership with the Michigan Department of Labor and Economic Growth, Bureau of Commercial Services ("Filing Office") on June 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 purpose of the Partnership is to acquire, construct, rehabilitate, develop, improve, maintain, own, operate, lease, dispose of and otherwise deal with the Project in accordance with the project documents, any applicable regulations and the provisions of this Agreement. The Partnership has been organized exclusively to provide housing facilities for persons of low and moderate income, or for persons whose income does not exceed limits established in Act No. 346 of Public Acts of 1966 of the State of Michigan, as amended, (the "Housing Act") and Section 42 of the Code and for social, recreational, commercial, and communal facilities as may be necessary to serve and improve a residential area in which State Housing Finance Agency-aided or federally-aided housing is located or is planned to be located, thereby enhancing the viability of the housing. The Partnership shall not engage in any other business or activity.

§2.3 **Name of Partnership.** The name of the Partnership is "Oliver Gardens Limited Dividend Housing Association Limited Partnership".

§2.4 **Principal Place of Business.** The address of the principal place of business of the Partnership shall be 310 Seymour Street, Lansing, Michigan 48933, 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 310 Seymour Avenue, Lansing, Michigan 48933, 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 Christopher W. Stuchell, 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 310 Seymour Street, Lansing, Michigan 48933.

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

Oliver Gardens, L.L.C.
310 Seymour Street
Lansing , Michigan 48933

§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 June 21, 2005 (the date on which the Partnership's certificate of limited partnership was first filed with the Filing Office) and the Partnership will continue in existence until December 31, 2060, 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 the 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, related 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.

§2.14 <u>Definitions</u>. 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.

[End of Article]

ARTICLE 3: CAPITAL CONTRIBUTIONS

§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 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 made.

(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 Developer 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 Developer 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 $1,150,880 in exchange for a 99.99% Limited Partnership Interest in the Partnership. Of this amount, $188,673 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 $144,331 in cash (the "First Installment"), less $21,000, 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 $432,993 in cash (the "Second Installment"):

(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 a title report indicating that the status of title to the Project Property has not changed adversely;

(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; and

(E) October 1, 2006

(iii) Upon the satisfaction of all of the following conditions, the Limited Partner shall pay to the Partnership $309,831 in cash (the "Third Installment"):

(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) Receipt a title report indicating that the status of title to the Project Property has not changed adversely;

(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; and

(E) January 2, 2007

$44,387 of this installment shall be used to fund the Partnership Lease-Up Reserve Account.

(iv) Upon the satisfaction of all of the following conditions, the Limited Partner shall pay to the Partnership $75,052 in cash (the "Fourth Installment"):

(A) 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;

(B) Receipt by the Asset Manager of final certificates of occupancy for all Project residential units;

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

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

(E) Receipt by the Asset Manager of satisfactory evidence that the Lease-up Reserve, Operating 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) Receipt of final lien waivers from the general contractor and all subcontractors;

(G) Receipt of satisfactory evidence that the 50% bond test under Code §42 has been met;

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

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

(J) Receipt by the Asset Manager of a certification by the General Partner that all of the Project's units have been leased to qualified tenants; and

(K) April 1, 2007

$73,576 of this installment shall be used to fund the Partnership Operating 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 $37,735 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)(iii), above, and all of the following conditions, the Limited Partner shall pay to the Partnership $75,469 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 and approval by the Asset Manager of an ALTA "as-built" survey for the Project Property;

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

(C) Satisfaction of all of the conditions to the payment of all prior installments, including the Fourth Installment;

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

(E) Receipt of all required tax-abatement approval documentation in acceptable form; and

(F) April 1, 2007.

(iii) Upon the satisfaction of all of the following conditions, the Limited Partner shall pay to the Partnership $66,036 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 of a fully executed Form 8609 for all Project buildings;

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

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

(D) Verification to the satisfaction of the Asset Manager that Qualified Occupancy has occurred;

(E) Verification to the satisfaction of the Asset Manager that the Construction Loan has been converted to the Permanent Loan; and

(F) July 1, 2007.

(iv) Upon the satisfaction of all of the following conditions, the Limited Partner shall pay to the Partnership $9,434 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 "Fourth Developer Fee Installment"):

(A) Receipt by the Asset Manager and acceptance of the Partnership's tax return and K-1 for the first year after Qualified Occupancy is achieved;

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

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

(D) January 2, 2008.

(v) $373,260, 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 zero percent (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 fully complied with its obligation to furnish the Limited Partner with any reports or other information, in satisfactory form, required to be provided by the General Partner pursuant to Article 8 hereof;

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

(v) There has been no change in any law or regulation, which would adversely affect the ability of the Partnership to generate Tax Credits.

(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 further 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 above, 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 <u>Partnership Loans</u>. 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 Construction Loan, Permanent Loan, Subordinate Loans, Capital Contributions of the Partners, 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 1.0% per annum below 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 <u>Additional Capital Contributions</u>. Except as expressly provided in this Partnership Agreement, no Partner is required to make contributions to the capital of the Partnership.

[End of Article]

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 Limited 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 Limited Partner in an amount and manner sufficient to eliminate, to the extent required by the Regulations, the Adjusted Capital Account Deficit of that Limited Partner as quickly as possible. The special allocations required pursuant to this subparagraph (f) are made only if and to the extent that that Limited 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 the 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 the 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) **<u>§754 Adjustment</u>.** 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) **<u>Imputed Interest</u>.** 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) **<u>Curative Allocations</u>.** 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) **<u>Matching Income Allocation of Income or Gain from Sales and Refinancing Proceeds</u>.** 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 **<u>Tax Effect of Allocations</u>.** 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.

[End of Article]

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 (provided that in no event shall distributions of Cash Flow exceed the amount approved annually by the Construction Lender for distributions under the terms of the Regulatory Agreement):

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

(ii) Second, to the Developer to pay any unpaid balance on the Deferred Development Fee;

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

(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;

(viii) Eighth,10,000 to the General Partner as a Partnership Management Fee, on a cumulative basis; and

(ix) Ninth, eighty percent (80%) of the balance, if any, to the General Partner as an Incentive Partnership Management Fee, on a non-cumulative basis.

(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	80%
Limited Partner	20%
Total	100%

§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 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 Developer to pay any unpaid balance, if any, on the Deferred Developer Fee;

(iv) Fourth, to the payment of current and accrued Asset Management Fees, if outstanding, except as provided for in §6.5(c) hereof;

(v) Fifth, to the Asset Manager, the Disposition Fee;

(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 Limited Partners, and then the General Partner, to the Partnership pursuant to §3.7, and (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 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 20% to the Limited Partner and 80% 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.

[End of Article]

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 Construction Loan, Permanent Loan, and Subordinate Loans);

(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 Construction Loan, the Permanent Loan and the Subordinate Loans, 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 Loans;

(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 Construction Loan, Permanent Loan, and Subordinate Loans, 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 the 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, the General Partner 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 100% of the 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 Construction Loan, Permanent Loan and Subordinate Loans;

(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 the 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 mortgages and other security instruments securing any of the Construction Loan, Permanent Loan or the Subordinate Loans and those liens and encumbrances expressly agreed to in writing by the Limited Partner and the General Partner;

(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's Project Insurance Checklist.

(l) Neither of the Construction Loan, Permanent Loan, Subordinate Loans 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 Construction Loan, Permanent Loan and Subordinate Loans, 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 Construction Loan, Permanent Loan, and Subordinate Loans 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 Construction Loan, Permanent Loan, or Subordinate Loans except that the Construction Loan may be recourse as to the Partnership;

(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) Neither the Partners nor any Affiliate of a Partner is a lender to the Partnership unless, based upon the advice of tax counsel or adviser satisfactory to the Limited Partner, such 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 Construction Loan, Permanent Loan, Subordinate Loans 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 Construction Loan, Permanent Loan or any Subordinate Loans; (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 limited liability company 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 neither 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/enforcement; http://www.treas.gov/ofac/t11sdn.pdf;

(jj) The General Partner shall elect to be treated as a corporation for federal income tax purposes;

(kk) The General Partner shall provide to the Limited Partner within sixty (60) days after Construction Completion a copy of the final determination letter pursuant to Code §42(m)(2)(D) for the Project from the Bond Issuer, which final determination letter shall be acceptable to the Limited Partner in its reasonable discretion;

(ll) At least 50% of the aggregate basis of the Project will be financed with the proceeds of the Bonds, the interest on which is exempt from taxation under Section 103 of the Code, and is within the State of Michigan's volume cap as provided in Section 146 of the Code, all in accordance with Section 42(h)(4) of the Code;

(mm) The General Partner shall cause the Project to utilize 40 year depreciation; and

(nn) The General Partner shall cause the Project to obtain a Section 8 project-based housing contract not later than six (6) months following Construction Completion.

§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 appropriate 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 the Tax Matters Partner, shall not take any of the following actions without first obtaining the prior written consent of the Limited Partner:

(i) Extend the statute of limitations for assessing or computing any tax liability against the Partnership (or the amount or character of any Partnership tax item);

(ii) Settle any audit with the IRS concerning the adjustment or readjustment of any Partnership tax item;

(iii) File a request for an administrative adjustment with the IRS at any time or file a petition for judicial review with respect to any IRS adjustment;

(iv) Initiate or settle any judicial review or action concerning the amount or character of any Partnership tax item;

(v) Intervene in any action brought by any other Partner for judicial review of a final adjustment of any Partnership tax item; or

(vi) Take any other action which would have the affect of finally resolving a tax matter affecting the rights of the Partnership and its Partners.

The General Partner shall keep the Limited Partner advised of any dispute the Partnership may have with any federal, state, or local taxing authority, and shall afford the Limited

Partner the right to participate directly in negotiations with any such taxing authority in an effort to resolve any such dispute.

(d) **Governmental Filings.** The General Partner shall prepare, sign, and submit to the IRS, the State Housing Finance Agency, and any other governmental authority having jurisdiction over the Project Property, on a timely basis, any and all annual reports, information returns, and other certifications and information required by any such governmental agency. The General Partner shall comply with all other applicable requirements of any federal, state, or local agency having jurisdiction over the Project Property, including, without limitation, any requirements of any such governmental agency with respect to the funding and maintenance of any operating or replacement reserves for the Project Property.

(e) **Bank Accounts.** The General Partner shall establish in the name and on behalf of the Partnership such bank accounts as shall be required to facilitate the operation of the Partnership's business. The Partnership's funds shall not be commingled with any other funds of the General Partner or any of its Affiliates, including without limitation, any other partnership in which a General Partner is a general partner. Funds of the Partnership held in bank accounts shall be deposited in one or more interest bearing accounts maintained in FDIC insured banking institutions, with no such account having a balance in excess of the maximum insured amount, or in such other investment vehicle as shall be approved in writing by the Limited Partner. If the Partnership incurs any loss due to any Partnership funds being deposited in FDIC insured accounts with balances in excess of the maximum insured amount, the General Partner and the Guarantor (pursuant to the Guaranty Agreement) shall be absolutely and unconditionally liable to the Partnership and the Limited Partner with respect to any such loss. Promptly upon the request of the Limited Partner, the General Partner shall obtain and deliver to the Limited Partner full, complete, and accurate statements of the amount and status of all Partnership bank accounts and all withdrawals therefrom and deposits thereto.

(f) **Guaranties.** The General Partner shall have the following guaranty obligations.

(i) **Development Completion Guaranty.**

(A) The General Partner hereby absolutely and unconditionally guaranties to the Partnership and the Limited Partner that the Project Property will be constructed in a good and workmanlike manner free and clear of all mechanics' and similar liens, in accordance with the Plans and Specifications and in accordance with the terms, conditions and provisions of the Construction Loan, Permanent Loan, Subordinate Loans and this Agreement, will be equipped with all necessary and appropriate fixtures, equipment and personal property on or before the Construction Completion Date, and the Project will be leased-up in accordance with the Projections. The obligations of the General Partner under the foregoing sentence shall include, without limitation, providing all funds (subject to the limitations set forth below) required of the Partnership to complete construction of the Project Property or to repair latent defects that occur within one year of completion of construction (to the extent not then available under the Construction Loan, Permanent Loan, Subordinate Loans or Capital Contributions), and pay all funds needed for unanticipated or additional development or construction costs, on and off-site escrows, taxes, insurance premiums, interest, funding of operating deficits, reserves, escrows, legal expenses, and accounting expenses until the Project achieves Breakeven Operations. The repayment of any borrowings arranged by the General Partner to fund its obligations under this §6.4(f)(i)(A) are the sole obligation of the General Partner. Funds made available by the General Partner to fulfill its obligations pursuant to this §6.4(f)(i)(A) may be reimbursed to the General Partner, without interest, in accordance with §5.1 hereof, or out of the proceeds of refinancing or sale pursuant to §5.2 hereof. If the construction cost overruns are due to the gross negligence or willful misconduct of the General Partner, then any guaranty advances made by the General Partner to cover such costs shall be deemed to be damages that are not repayable as loans to the Partnership.

(B) In the event that the General Partner fails to pay development costs as required under this §6.4(f)(i), an amount not in excess of the total of any remaining unpaid Limited Partner Capital Contribution installments will be applied by the Partnership to meet such obligations of the General Partner and any Guarantors. The General Partner and any Guarantors shall remain liable for any portion of their guaranty obligation not met in this manner. Any direction and application of funds otherwise payable pursuant to §3.2 hereof constitutes reductions in amounts owed pursuant to §3.2, and the Limited Partner's obligation to make such installment payments pursuant to §3.2. Any unpaid Limited Partner Capital Contribution applied by the Partnership to meet the General Partner's obligations will be deemed to have been paid to the General Partner, and subsequently paid by the General Partner in satisfaction of its obligations. The obligations of the General Partner pursuant to §6.4(f)(i) shall be satisfied to the extent such funds are so applied.

(ii) **Operating Deficit Guaranty.**

(A) The General Partner shall be obligated to provide any funds needed by the Partnership, after all funds in the Operating Reserve Account have been used, to fund Operating Deficits during the Operating Deficit Guaranty Period. Such Guaranty obligation shall be unlimited; provided, however that if the Project Property's project-based Section 8 contract is renewed on or about the tenth (10th) year of the Compliance Period for a period terminating after expiration of the Compliance Period, the General Partner's obligations under this §6.4(f)(ii) shall be limited to $425,000 for the rest of the Operating Deficit Guaranty Period. Such costs shall include all operating and fixed costs accrued or accruable during such period, including, without limitation, taxes, assessments, insurance premiums, maintenance expenses, funds for replacement reserves and required escrow and other reserves and debt service payments. Such costs will also include a ratable portion of the annual amount of seasonal and/or periodic expenses, including but not limited to 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 operation.

(B) The General Partner shall be required, upon the reduction of the Operating Reserve Account to zero, to promptly provide funds to the Partnership in an amount up to the Operating Deficit Guaranty Amount for Operating Deficits occurring during the Operating Deficit Guaranty Period. Repayment of any letters of credit or other borrowings arranged by the General Partner to meet its obligations under this §6.4(f)(ii)(B) shall be the sole obligation of the General Partner. Funds made available by the General Partner to fulfill its obligations pursuant to this §6.4(f)(ii)(B) may be reimbursed to the General Partner, without interest, in accordance with §5.1 hereof, or out of the proceeds of refinancing or sale pursuant to § 5.2 hereof.

(C) If the Operating Deficits overruns are due to the gross negligence or willful misconduct of the General Partner, then any guaranty advances made by the General Partner to cover such costs shall be deemed to be damages that are not repayable as loans to the Partnership.

(iii) **Cumulative Guaranty Obligations.** The various guaranty obligations under this §6.4(f) are cumulative, not concurrent. Any limitation of liability under one guaranty shall not affect the amount of liability under any other guaranty, and any payment of obligations under one guaranty shall not reduce the amount of liability under any other guaranty.

(g) **Required Reserves.**

(i) Lease-up Reserve. The General Partner shall establish the Lease-up Reserve out of loan or equity proceeds at the time of the Third Installment of the Limited Partner Capital Contribution. The Lease-up Reserve will be held in the Lease-up Reserve Account under the control of the General Partner, and the Partnership will maintain this account from the date of the Third Installment until the beginning of the Operating Deficit Guaranty Period. Withdrawals from the Lease-Up Reserve Account will require the written approval of the General Partner and the Asset Manager. Within five (5) business days of receipt by the Asset Manager of such requests, the Asset Manager shall notify the General Partner whether the request has been approved, disapproved or whether additional information is needed to evaluate the request. If the Asset Manager does not respond within such five (5) business day period, the withdrawal request will be deemed to be approved. The Lease-up Reserve will be used to fund operating and debt service deficits prior to the commencement of the Operating Deficit Guaranty Period, and the obligations related to the Lease-up Reserve are in addition to, and not in place of, those of the Guarantor and General Partner pursuant to §6.4(f)(ii) above. If, on the date that the Partnership achieves Breakeven Operations there are funds remaining in the Lease-up Reserve Account, those funds shall first be used for construction cost overruns and then, if any amounts remain, be deposited in the Operating Reserve Account described below, in addition to the amounts required to be deposited in the Operating Reserve Account pursuant to §6.4(g)(ii), below.

(ii) Operating Reserve. The General Partner shall establish the Operating Reserve Account and fund it with the Operating Reserve Target Amount out of loan and/or equity proceeds at the time of payment of the Fourth Installment of the Limited Partner Capital Contribution. The Operating Reserve will be held in the Operating Reserve Account, under the control of the General Partner (or a Project lender, if required), and the Partnership will maintain this account from the date of the Fourth Installment until the end of the Compliance Period. Withdrawals from the Operating Reserve Account will require the written approval of the General Partner and the Asset Manager (except in cases where the Account is under the control of one of the Project lenders in which case the General Partner shall, within five (5) business days of such withdrawal, notify the Asset Manager in writing of any withdrawals from the Operating Reserve Account and the purpose for which such withdrawal was made). If applicable, within five (5) business days of receipt by the Asset Manager of such requests, the Asset Manager shall notify the General Partner whether the request has been approved, disapproved or whether additional information is needed to evaluate the request. If the Asset Manager does not respond within such five (5) business day period, the withdrawal request will be deemed to be approved. So long as funds remain in the Operating Reserve, such funds will be used to fund Project operating and debt service deficits. Upon exhaustion of the Operating Reserve Account, continuing shortfalls will be funded pursuant to the Operating Deficit Guaranty described above in §6.4(f)(ii). Any excess funds remaining in the Operating Reserve at the end of the Compliance Period shall be released from the Operating Reserve and used by the Partnership to first pay the Limited Partner's exit taxes due upon sale or dissolution pursuant to §5.2 and §11.2 hereof upon receipt by the Partnership of Construction Lender's written consent. Any Operating Reserve Funds still remaining after the Limited Partner's exit taxes have been paid shall be distributed to the Partners in accordance with §5.2 and §11.2 hereof. The General Partner shall be obligated, to the extent funds are available, to replenish the Operating Reserve Account up to the Operating Reserve Target Amount out of Cash Flow or the proceeds of sales or refinancing in accordance with §5.1 and §5.2 hereof. To the extent any provisions regarding the Operating Reserve conflict with the Regulatory Agreement, the terms of the Regulatory Agreement shall control.

(iii) Replacement Reserve. The General Partner shall establish the Replacement Reserve out of loan and/or equity proceeds at the time of payment of the Third Installment of the Limited Partner Capital Contribution. The Replacement Reserve will be held in the Replacement Reserve Account, under the control of the General Partner (unless the Account is under the control of one of the Project Lenders), and the Partnership will maintain this account from the date of payment of the Third Installment until the end of the Compliance Period. Withdrawals from the Replacement Reserve Account in excess of $5,000 in the aggregate in any given month (unless such withdrawal was provided for in the approved Project budget) will require the written approval of the General Partner and the Asset Manager (except in cases where the Account is under the control of one of the Project Lenders, in which case the General Partner shall notify the Asset Manager in writing of any withdrawals from the Replacement Reserve Account and the purpose for which such withdrawal was made). Within five (5) business days of receipt by the Asset Manager of such requests, the Asset Manager shall notify the General Partner whether the request has been approved, disapproved or whether additional information is needed to evaluate the request. If the Asset Manager does not respond within such five (5) business day period, the withdrawal request will be deemed to be approved. The General Partner will also be required to fund the Replacement Reserve Account on a cumulative basis, in the annual amount of $250 per unit per year (to be increased annually by 3%) from Project cash flow. The Replacement Reserve will be utilized to make capital improvements and repairs to the Project. Any excess funds remaining in the Replacement Reserve at the end of the Compliance Period shall be released from the Replacement Reserve and applied by the Partnership in accordance with §5.2 hereof, in the case of a sale of the Project, or in accordance with §11.2 hereof, in the case of the dissolution of the Partnership upon receipt by the Partnership of Construction Lender's written consent. To the extent any provisions regarding the Replacement Reserve conflict with the Regulatory Agreement, the terms of the Regulatory Agreement shall control.

(h) **Qualified Occupancy.** The General Partner shall cause the Project Property to achieve not less than 100% Qualified Occupancy on or before the Qualified Occupancy Date.

(i) **Property Management.** The General Partner, on behalf of the Partnership, shall enter into a Management Agreement with the Management Agent for the physical property management and leasing of the Project, in form and of content as set forth in a separate document approved in writing by the General Partner and Asset Manager. The General Partner, on behalf of the Partnership, shall diligently enforce all of the obligations of the Management Agent thereunder and shall perform all of the Partnership's obligations as owner thereunder, subject to the following terms and conditions:

(i) Renewal or Successor Agreements. Upon the termination of such Management Agreement or any subsequent Management Agreement, the General Partner shall renew the same or enter into an agreement that does not differ materially from the initial Management Agreement in Management Agent obligations and owner remedies, or in any other respect, with the same Management Agent or another management agent of at least comparable ability and experience who can reasonably be expected to perform at least as well, subject to the requirements of subparagraphs (ii) and (iii) hereinbelow.

(ii) Notice and Consultation. If the General Partner wishes to enter into a new form of Management Agreement or retain the services of a different Management Agent, it shall give the Asset Manager at least thirty (30) business days' prior written notice of the proposed change, accompanied by a copy of any proposed new Management Agreement and a written description of the identity and qualifications of any proposed new Management Agent, and the General Partner shall consult with the Asset Manager regarding the proposed change.

(iii) Asset Manager Consent. Under any circumstances, the General Partner shall not enter into a new Management Agreement materially different from the initial Management Agreement in any respect without the prior written consent of the Asset Manager as to the form and content of such new Management Agreement, nor shall the General Partner retain the services of a Management Agent other than a Management Agent previously approved by the Asset Manager without the prior written consent of the Asset Manager as to the identity and qualifications of such new Management Agent.

(iv) Termination of Non-Performing Management Agent. If the Management Agent fails to perform any of its obligations under the Management Agreement, whether general or specific obligations, in any material respect [including without limitation failure to capably manage the Project as measured by sustained high Project vacancies, delinquent rents, or operating deficits (in each case beyond levels specified in the Projections), inadequate maintenance, or failure to qualify tenants under low-income housing tax credit requirements, or repeated failure to provide or unreasonable delay in providing accurate financial or operating reports to the General and Limited Partners], the General Partner shall promptly comply with the terms of the Management Agreement regarding notice to the Management Agent and its opportunity to cure. The General Partner shall also simultaneously provide the Asset Manager with a copy of this notice and any documentation explaining why the Management Agent should not be terminated for cause. Upon expiration of the applicable cure period, and the failure of the Management Agent to cure its breach of the Management Agreement, the General Partner shall consult with the Limited Partner as to whether or not the Management Agent should be retained and, if so, under what terms and conditions. Unless within ten (10) business days of the delivery of this notice the Asset Manager consents in writing to the retention of the Management Agent, the General Partner shall terminate the Management Agent for cause, in accordance with the terms of the Management Agreement. The General Partner shall also immediately enter into a new Management Agreement with a substitute Management Agent, subject to the prior written consent of the Asset Manager.

(v) Removal of Management Agent. The General Partner shall, either on its own or upon the written request of the Asset Manager, promptly remove the Management Agent if cause for such removal exists. As used herein, "cause" shall include, but not be limited to, any one of the following: (a) failure to promptly and competently perform (after any applicable notice and cure period) all duties of the Management Agent under the Management Agreement with the Partnership, (b) failure of the Project to generate at least 80% of the Projected Tax Credits in any calendar year, (c) failure to materially comply with the record keeping, tenant qualification and rental requirements of the Extended Use Agreement and §42 of the Code and the Regulations, rulings, and policies related thereto, or (d) material mismanagement of the Project.

(vi) Removal of Non-Complying General Partner. If the General Partner fails to comply with any of the requirements of this §6.4(i), it may be removed for cause pursuant to §10.6 hereof.

All Management Agreements shall contain specific provisions requiring the Management Agent to rent to low-income tenants at the level required to maintain Qualified Occupancy, to obtain prior written approval of the General Partner for any deviation from such level, to obtain tenant income certifications and employer and/or other relevant verifications of tenant income, to determine low-income tenant eligibility for tax credit purposes, to deliver certifications of its compliance with these requirements and of Project rent rolls upon

Qualified Occupancy and annually prior to the times such information is required for low-income housing tax credit purposes, to keep records of such low-income rental and occupancy and deliver copies of leases, certifications, and verifications to the Partnership, and to prepare elections, certifications, and any other materials contemplated by§6.4(l) hereof, to the extent necessary or advisable to qualify for and maintain the low-income housing tax credit and any other available tax benefits in connection with such rental and occupancy. Where the Management Agent is the General Partner or its Affiliate, each Management Agreement shall provide that the Management Agent's monthly fees are accrued and subordinated to payment of Operating Deficits until funds are available to pay such fees.

(j) **Cooperation with Asset Manager.** The General Partner shall cooperate and shall cause the Management Agent to cooperate fully with the Asset Manager so that the Asset Manager may carry out its duties and obligations.

(k) **Rental Program.** The General Partner shall cause the Project to be rented to low-income tenants to the extent projected in the Projections. Without limitation of the foregoing, the General Partner shall achieve Qualified Occupancy within the time specified in the Projections, and shall comply with the rent schedule set forth therein. The General Partner shall cause to be kept all records of rental and occupancy and shall take such other actions required under §6.4(l) hereof to claim all available tax benefits in connection therewith. The General Partner and Management Agent shall comply with all income certification or other record-keeping requirements of the Code and Regulations, and of prudent management accounting practices, to support the claim of a low-income housing tax credit based on the occupancy requirements for the Project and any other material tax benefits resulting from such low-income occupancy of the Project.

(l) **Tax Benefits Requirements.** The General Partner acknowledges that it is of great importance that the Tax Credits and all other tax benefits contemplated in the Projections be achieved and maintained. Accordingly, the General Partner agrees as follows:

(i) No Delays. The General Partner shall not cause or suffer any delay in Placement in Service or Qualified Occupancy that would reduce such anticipated tax benefits.

(ii) Record-Keeping. The General Partner shall cause records to be kept, and cause all elections and certifications to be made, pertaining to the number and size of apartment units, occupancy thereof by tenants, income levels of tenants, set-aside for low-income tenants, and any other matters now or hereafter required to qualify for and maintain the Tax Credits and any other available tax benefits in connection with low-income occupancy of the Project.

(iii) Set-Aside Election. The General Partner shall elect the minimum low-income set-aside requirement specified in the Projections within twelve (12) months after Placement in Service or such other time period as may hereafter be required by the Code or regulations thereunder for such Tax Credits; provided, however, that in the event it becomes reasonably certain that such set-aside either will not be met or will be exceeded, the General Partner shall promptly so notify the Partners in writing and shall proceed to elect such other minimum set-aside requirement as will best protect or enhance the projected tax benefits to the Partners under the circumstances.

(iv) Initial Tax Credit Year. The General Partner shall elect, subject to the approval of the Limited Partner, to claim such Tax Credits for each building in the Project commencing with the earlier of the year in which Qualified Occupancy for such building is achieved or the year succeeding the year in which Placement in Service occurs. The General Partner shall develop and lease the Project within such time that the initial year during which such tax credit is elected to be claimed will be no later than the year specified in the Projections.

(v) Annual Compliance Procedures. As soon as feasible after Qualified Occupancy has occurred and annually thereafter, prior to the times such information is required for Tax Credit reporting purposes, the General Partner shall:

(A) cause the Partnership's Management Agent to submit to the Partnership the certifications and all other applicable materials related to low-income leasing described in §6.4(k) hereof;

(B) check and verify the same against leases, certifications, and other appropriate back-up materials to the extent necessary or advisable to determine with reasonable assurance that the low-income leasing requirements have been met for Tax Credit purposes; and

(C) execute and deliver to the Limited Partner a certification, in form reasonably acceptable to the Limited Partner, stating that the General Partner has complied with the foregoing requirements and attaching copies of the Management Agent's certification and rent roll in a format reasonably acceptable to the Limited Partner.

The General Partner's initial certification following Qualified Occupancy shall also specify the Qualified Occupancy Date.

(vi) Cost Accounting. As soon as feasible after Placement in Service has occurred, prior to the time such information is required for Tax Credit reporting purposes, the General Partner shall:

(A) cause the Partnership's Accountant to submit to the General Partner a letter, in form reasonably acceptable to the Limited Partner, stating that such Accountant has examined the Partnership's books and records for the Project and, subject to any changes in facts or applicable law, that they are prepared to sign a tax return for the Partnership reflecting that all costs specified in the letter or in an attached schedule are includable in qualified basis for the Tax Credits; and

(B) execute and deliver to the Limited Partner a Cost Certification, in form and content reasonably acceptable to the Limited Partner, stating that the amounts described in the Accountant's letter accurately reflect Project costs incurred and attaching a copy of such letter.

(vii) Tax Filings. The General Partner shall properly reflect all Tax Credits and other tax benefits in preparing and filing federal return of income forms on behalf of the Partnership in accordance with §8.4 hereof. Notwithstanding anything in this Partnership Agreement to the contrary, in no event shall the General Partner cause or suffer any delay in the filing of such form covering the year in which Qualified Occupancy occurred. The General Partner shall obtain and deliver to the Limited Partner at the earliest feasible time a fully executed Form 8609 (Low-Income Housing Tax Credit Allocation Certification) or successor form for all Project buildings, and shall ensure that such form is timely filed.

(viii) Compliance Certifications. The General Partner shall certify compliance with the elected set-aside requirement and report the dollar amount of Qualified Basis, maximum Applicable Percentage and Qualified Basis under the State Housing Finance Agency allocation, date of Placement in Service, and any other information required for the aforesaid Tax Credit within ninety (90) days after the end of the first taxable year for which such Tax Credit is claimed and for each taxable year thereafter during the compliance period for such Tax Credit, or such other time periods as may hereafter be required by the Code or regulations thereunder for such Tax Credit.

(ix) Tax Credit Percentage Election. In addition to the foregoing, the General Partner shall, on behalf of the Partnership and in accordance with the Code, irrevocably elect to determine the Applicable Percentage applicable to the Project or any portion thereof in advance of the date of its Placement in Service as determined under the Code. Such election shall be made as soon as possible, at the time a binding agreement is entered into between the Partnership and the State Housing Finance Agency or as soon as may otherwise be provided by law, so as to determine the Applicable Percentage as consistently as possible with the rate assumed in the Projections or agreed amendment thereto. Such election shall be filed with the Service by the fifth day of the month following the date the commitment is made or as may otherwise be required by law.

(x) Notice of Tax Benefits Reduction. In the event at any time it becomes apparent that the tax benefits projected in the Projections are likely to be reduced, the General Partner shall promptly notify the Limited Partner of the circumstances.

(xi) Consequences of Tax Benefits Reduction or Delay. In the event there is a reduction or delay of tax benefits, then the provisions of §6.9 hereof relating to reduction in unpaid capital payments to the Limited Partner and other consequences described therein shall govern where applicable.

(xii) Extended Use Agreement. The General Partner, on behalf of the Partnership, shall enter into an Extended Use Agreement pursuant to §42(h)(6) of the Code, in the form of an agreement between the Partnership and the State Housing Finance Agency that has allocated or will allocate such Tax Credits to the Project, and shall cause such agreement to be recorded pursuant to state law as a restrictive covenant as soon as feasible but in any event prior to the end of the tax year during which the Project is deemed to achieve Placement in Service.

(xiii) Local Code Compliance. The General Partner shall maintain the Project in compliance with rules prescribed by the Secretary of Treasury pursuant to §42(i)(3)(B)(ii) of the Code. The General Partner shall also promptly provide the Limited Partner with any notice or other documentation sent by any federal, state or local governmental agency that the Project may be in violation of any health, environmental, safety, building, or other federal, state or local statute, regulation, or ordinance. With respect to building code or Environmental Law violations that are to be corrected during the construction or rehabilitation of the Project, the General Partner shall certify or shall cause the project architect or the project general contractor to certify upon completion of the Project that such building code and environmental law violations have been corrected. In lieu of a certification regarding the correction of building code violations, the General Partner may obtain or cause to be obtained a current owner's title insurance policy indicating that no building code violations exist at the time construction or rehabilitation is completed.

(xiv) Carryover Allocation. The General Partner shall obtain from the State Housing Finance Agency and shall deliver to the Limited Partner at the time of execution of this Partnership Agreement the following:

(A) a Carryover Allocation accompanied by a tax opinion that is based on the Accountant's Carryover Certification which states that the Partnership's basis in the Project was 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 Tax Credit allocation for the Project was awarded; or

(B) a reservation of Tax Credits, provided that:

(1) the General Partner shall deliver or cause to be delivered to the Limited Partner the Accountant's Carryover Certification, described in §6.4(l)(xiv)(A) hereof, prior to the earlier of (i) sixty (60) days after execution of this Partnership Agreement or (ii) thirty (30) days prior to the date specified by the State Housing Finance Agency for the required Accountant's Carryover Certification to be submitted to the State Housing Finance Agency, and

(2) the General Partner shall deliver a copy of the Carryover Allocation to the Limited Partner within thirty (30) days from the date that such Carryover Allocation is delivered to the Partnership.

Provided however, to the extent the Project will be financed with tax-exempt bond proceeds, then, at the time of execution of this Partnership Agreement, in lieu of obtaining the aforesaid carryover allocation or reservation, the General Partner shall obtain (i) documentation from the tax credit allocating agency stating that the Project satisfies the State Housing Finance Agency's low-income housing tax credit allocation plan and project feasibility requirements and (ii) a letter from the bond issuer or a tax opinion stating that the tax-exempt bond allocation is subject to the Project State's volume cap restrictions.

(m) **Mold Inspections.** The General Partner agrees to inspect the Project Property at least once annually for the presence of any mold, fungus or moisture buildup in or on the Project Property. In the event any mold, fungus or moisture buildup is identified in or on the Project Property, the General Partner shall notify the Limited Partner within ten (10) business days and shall consult with the Limited Partner regarding the need to hire an environmental consultant to evaluate the mold, fungus or moisture buildup and the need to prepare and implement a remediation plan.

§6.5 Fees for Services Rendered. The Partnership shall pay the following described fees to the Partners or Affiliates of one or more Partners indicated below:

(a) **Development Fee.** As provided in the Development Agreement, the Partnership shall pay the Developer Fee to the Developer for the services and obligations described in the Development Agreement.

(b) **Partnership Management Fee.** The Partnership shall pay to the General Partner a Partnership Management Fee in the amount and priority specified in §5.1(a)(viii) hereof to compensate the General Partner for managing the Partnership's operations and assets and coordinating the preparation of the required State Housing Finance Agency, federal, state, and local tax and other required filings and financial reports.

(c) **Asset Management Fee.** The Partnership shall pay the Asset Management Fee annually to the Asset Manager for property management oversight, tax credit compliance monitoring, and related services. The Asset Manager will not incur any liability to the General Partner or the Partnership as a result of the Asset Manager's performance of or failure to perform its asset management services. The Asset Manager owes no duty to the General Partner or the Partnership and may only be terminated by the Limited Partner.

(d) **Disposition Fee.** The Partnership shall pay the Asset Manager a disposition fee ("Disposition Fee") equal to the greater of 1% of the gross sales price or $35,000 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; provided, however, that if the Project or the Limited Partner's interest in the Project is sold to the Developer, the Disposition Fee shall equal the actual expenses incurred by the Limited Partner and Asset Manager in connection with such sale, not to exceed $35,000.

(e) **Incentive Partnership Management Fee.** The Partnership shall pay to the General Partner an Incentive Partnership Management Fee in the amount and priority specified in §5.1(a)(ix) hereof to provide an incentive to the General Partner to manage the Partnership's operations in an economical fashion.

The Development Agreement and any other agreement entered into by the Partnership and the General Partner or any Affiliate thereof will specifically provide that such agreement shall be terminable at the election of the Limited Partner if the General Partner is removed pursuant to §10.6.

None of the payments or reimbursements to any of the Persons indicated above will be considered a distribution of Cash Flow to any Partner and, except as otherwise specifically provided herein, the General Partner may make any such reimbursement or payment prior to any distribution of any Cash Flow to the Partners.

§6.6 **Outside Ventures of Partners**. Any Partner may engage in or possess an interest in any other business venture of any type or description, independently or with others (including, without limitation, any venture which may be competitive with the business being conducted by the Partnership) and neither the Partnership, nor any Partner will, by virtue of this Partnership Agreement, have any right, title or interest in or to such outside ventures or the income or other benefits derived therefrom.

§6.7 **Dealing With Affiliates**. The General Partner may employ or retain in any capacity any Partner or Affiliate of any Partner so long as the terms upon which such Partner or such Affiliate is employed or retained are commercially reasonable under the circumstances and comparable to those terms which could be obtained from an independent person for comparable services in the area where the Project is located or the Partnership has its principal office.

§6.8 **Indemnification of Partnership**.

(a) The General Partner hereby agrees to defend, indemnify, and hold harmless the Partnership and the Limited Partner and their successors and assigns, from and against any loss, claims, demands, liabilities, lawsuits and other proceedings, judgments, awards, costs, and expenses including, without limitation, attorneys' fees or damages (including foreseen and unforeseen damages and consequential damages) arising directly or indirectly out of the presence on, under or about the Project Property of any Hazardous Substance, or the use, release, generation, manufacture, storage, or disposal of any Hazardous Substance on, under or about the Project Property.

(b) In the event the Partnership or the Limited Partner becomes liable, due to the presence of any Hazardous Substance in the Project, under any statute, regulation, ordinance, or other provision of federal, state, or local law pertaining to the protection of the environment or otherwise pertaining to public health or employee health and safety, including without limitation protection from hazardous waste, lead-based paint, asbestos, methane gas, urea formaldehyde insulation, oil, toxic substance, underground storage tanks, PCBs, and radon, the General Partner shall indemnify and hold harmless the Limited Partner and the Partnership for any and all actual out of pocket costs, expenses (including reasonable attorneys' fees), damages, or liabilities incurred by the Partnership or the Limited Partner upon demand by the Partnership or the Limited Partner at any time and from time to time, to the extent that the Partnership or the Limited Partner is required to discharge such costs, expenses, damages, or liabilities in whole or in part from any source. The foregoing indemnification obligations of the General Partner shall be limited if and to the extent the Limited Partner participates in the control of the Partnership's business after the formation of the Partnership and such participation is the direct cause of the conditions affecting the Project that resulted in such liability under applicable law and the consequent costs, expenses, damages, or liability of the Limited Partner. References in this §6.8(b) to the Limited Partner shall include each of the Limited Partner's assignee(s) (and their respective partners, if any). The foregoing indemnification shall be a recourse obligation of the General Partner and shall survive the dissolution of the Partnership and/or the death, retirement, incompetency, insolvency, bankruptcy, or withdrawal of the General Partner.

(c) The General Partner shall indemnify, defend, and hold harmless the Limited Partner and its successors and assigns from and against any claims, demands, losses, damages, liabilities, lawsuits and other proceedings, judgments, awards, costs, and expenses including, without limitation, attorneys' fees, arising directly or indirectly, in whole or in part, out of a breach of any or all of the representations, warranties and covenants contained in this Partnership Agreement, including, without limitation, those contained in §6.3 hereof. In addition to the foregoing indemnification, the Limited Partner may pursue any other available legal or equitable remedy against the General Partner with respect to the General Partner's breach of any of the representations, warranties, or covenants contained herein, including, without limitation, the Limited Partner's deferral of the payment of its Capital Contribution pursuant to §3.2. The General Partner's obligations described in this §6.8 shall survive the termination and/or liquidation of the Partnership.

§6.9 Credit Adjusters.

(a) **Permanent Reduction in Credit.** If, as of the end of the first year of the Credit Period and based upon the Cost Certification by the Accountant or the IRS Form(s) 8609 for the Project, it is determined that the amount of Actual Tax Credits over the Credit Period for the Project will be less than the Projected Tax Credits over the Credit Period (a "Permanent Credit Reduction"), then there will be a reduction (the "Permanent Credit Reduction Adjustment") in the Limited Partner's Capital Contribution in an amount equal to the product of (i) the Permanent Credit Reduction and (ii) $0.9525. The Permanent Credit Reduction means the amount by which the Actual Tax Credits are or will be less than the Projected Tax Credits over the Credit Period due to (1) the actual Applicable Percentage being less than projected; (2) the actual Eligible Basis being less than projected; (3) the actual Qualified Basis as of the end of the first Credit Period being less than the projected Qualified Basis; (4) the actual final allocation of Tax Credits as indicated on IRS Form 8609 being less than the Projected Tax Credits; or (5) any combination of the above. This Permanent Credit Reduction Adjustment shall be made, at the option of the Limited Partner, by first decreasing the amount, if any, of the Limited Partner's Capital Contribution installment next due, and, if necessary, further installments (reducing the earliest ones first) by the amount of the Permanent Credit Reduction Adjustment. In the event that there are no remaining Limited Partner Capital Contributions, or the Permanent Credit Reduction Adjustment required hereunder exceeds the remaining Capital Contributions of the Limited Partner, or the Limited Partner elects not to offset the Permanent Credit Reduction Adjustment against the remaining Limited Partner Capital Contribution installments, the General Partner shall immediately make a Capital Contribution to the Partnership in an amount necessary for the Partnership to make the Permanent Credit Reduction Adjustment, and the Partnership shall make an immediate distribution in such amount to the Limited Partner, unless it is determined by the Limited Partner's Tax counsel that such a distribution would cause the Partnership profits, losses, and credits to be allocated other than in accordance with the percentage interests of the Partners, in which event the General Partner shall pay directly to the Limited Partner an amount which, on an after-tax basis will be equal to the Permanent Credit Reduction Adjustment.

In the event that any Capital Contribution installments are reduced or General Partner payments are required to be made under this §6.9(a), the Projections attached hereto as Appendix I will be correspondingly revised and will be considered amendments and determinative of the "Projected Tax Credits" and other amounts set forth herein if there is a conflict between any amounts set forth therein and in this Agreement.

(b) **Timing Difference in Tax Credit.** If, for the Projected First Tax Credit Year, at least 100% of the Projected Tax Credits cannot be claimed (as determined by the Accountant) by the Limited Partner during such year but must be delayed and taken in a later year or years, then the Limited Partner shall be entitled to reduce its Capital Contribution by an amount equal to $0.9525 times the amount by which the Projected Tax Credits for the Projected First Tax Credit Year exceeds the Actual Tax Credits for such year ("Timing Reduction"). This Timing Reduction is intended to compensate the Limited Partner for the reduced present value of such delayed Tax Credits. In order not to adjust under this §6.9(b) for any shortfall in Tax Credits for which an adjustment is made pursuant to §6.9(a), the definition of the term "Projected Tax Credit" will be revised, as provided for in the last paragraph of §6.9(a), to reflect the actual Applicable Percentage for the Project and the actual Eligible Basis for the Project, but not taking into account any delays in placing the Project, or any portion thereof, in service. This §6.9(b) is to be applied to the Projected First Tax Credit Year, and the total reduction of Capital Contribution of the Limited Partner pursuant to this §6.9(b) is the sum of the amounts determined upon each of such applications. This Timing Reduction shall be made, at the option of the Limited Partner, by first decreasing the amount, if any, of the Limited Partner's Capital Contribution installment next due, and, if necessary, further installments (reducing the earliest ones first) by the amount of the Timing Reduction. In the event that there are no remaining Limited Partner Capital Contributions, or the Timing Reduction required hereunder exceeds the remaining Capital Contributions of the Limited Partner, or the Limited Partner elects not to offset the Timing Reduction against the remaining Limited Partner Capital Contribution installments, the General Partner shall immediately make a Capital Contribution to the Partnership in an amount necessary for the Partnership to make the Timing Reduction, and the Partnership shall make an immediate distribution in such amount to the Limited Partner, unless it is determined by the Limited Partner's Tax counsel that such a distribution would cause the Partnership profits, losses, and credits to be allocated other than in accordance with the percentage interests of the Partners, in which event the General Partner shall pay directly to the Limited Partner an amount which, on an after-tax basis will be equal to the Timing Reduction amount.

(c) **Ongoing Credit Shortfall.** If, for any fiscal year after the Projected First Tax Credit Year, for any reason whatsoever (1) the Actual Tax Credits are, on a cumulative basis, less than 100% of the Projected Tax Credits (as adjusted in any revised Projections prepared pursuant to §6.9(a) or (b)) for such fiscal year or (2) a Limited Partner is required to recapture (resulting from other than a transfer of part or all of the Limited Partner's Partnership Interest) all or any part of the Tax Credits claimed by it in any prior fiscal year of the Partnership ("Credit Shortfall"), then, at the option of the Limited Partner, any remaining Limited Partner Capital Contribution installments shall be reduced in chronological order in an amount (the "Credit Reduction Payment") equal to the sum of One Dollar ($1.00) times (i) the difference between (A) the Projected Tax Credits (as adjusted in any revised Projections prepared in connection with §6.9(a) or (b)) for the fiscal year and all subsequent fiscal years, and (B) the Actual Tax Credits for such fiscal year and the Tax Credits projected by the Accountant as being available to the Limited Partner for all subsequent fiscal years, and (ii) the amount of the Tax Credits recaptured in such fiscal year, plus the amount of any interest or penalty payable by the Limited Partner as a result of recapture. In the event there are no remaining Limited Partner Capital Contributions, or the Credit Reduction Payment exceeds the amount of the remaining Limited Partner Capital Contributions, or the Limited Partner elects not to offset the Credit Reduction Payment against the remaining Limited Partner Capital Contribution payments, the General Partner shall immediately make a Capital

Contribution to the Partnership in an amount equal to the Credit Reduction Payment or the unpaid portion thereof, and the Credit Reduction Payment shall be immediately distributed to the Limited Partner and shall neither constitute nor be limited by the distribution requirements for Cash Flow, pursuant to §5.1, hereof, or the distribution requirements for Net Cash from Sales and Refinancings, pursuant to §5.2, hereof.

(d) **Repurchase.** Notwithstanding anything contained herein to the contrary, in the event that (1) the Project Property does not generate any Tax Credits during calendar year 2007 for any reason whatsoever, (2) Breakeven Operations does not occur within 12 months of the Construction Completion Date, unless the General Partner provides all funds required, over and above the funds available in the Lease-Up Reserve, for all Operating Deficits until Breakeven Operations occurs, (3) intentionally omitted, (4) proceedings have been commenced, filed or initiated to foreclose the Construction Loan mortgage or permanently enjoin construction or rehabilitation of the Project, (5) if the project is financed with tax-exempt bonds, but 50% or more of the aggregate basis of the Project buildings and the land on which the Project is located is not financed by the tax-exempt obligation, or (6) the IRS Form 8609 for the Project building or buildings is not issued by the end of the third year after the year in which Tax Credits for the Project are allocated, the General Partner shall purchase the Limited Partner's interest in the Partnership for an amount equal to the sum of 110% of all Capital Contributions actually made to the Partnership by the Limited Partner plus interest on such Capital Contributions at a per annum rate equal to the Prime Rate plus 2%. Upon receipt of this amount, the Limited Partner's interest as a limited partner in the Partnership will terminate, the Limited Partner shall transfer its interest in the Partnership to the General Partner or its designee(s), and the General Partner shall indemnify and hold harmless the Limited Partner from and against any losses, damages, and liabilities to which the Limited Partner (as a result of its participation hereunder) may be subject.

(e) **Failure to Pay; Remedies.** If the General Partner fails to pay any amount payable pursuant to §6.9(a), (b) or (c) above, or the repurchase amount pursuant to §6.9(d), owing to the Limited Partner within ten (10) days after written demand by the Limited Partner, then, in addition to any other rights the Limited Partner may have, any sums payable to the General Partner (or any Affiliate thereof) pursuant to the terms of this Partnership Agreement (including, without limitation, Cash Flow and any fees payable by the Partnership to the General Partner or its Affiliates) will instead be paid to the Limited Partner until such time as all amounts owing to the Limited Partner pursuant to this §6.9 are fully repaid. For purposes of this Partnership Agreement, any sums paid to the Limited Partner pursuant to the immediately preceding sentence are deemed to have been paid to the General Partner (or its Affiliates) and subsequently paid by such General Partner (or its Affiliates) to the Limited Partner in satisfaction of its obligations hereunder. The rights and remedies granted to the Limited Partner by this §6.9 are not exclusive of, but are in addition to, any other rights and remedies granted to the Limited Partner under this Partnership Agreement or by applicable law. The obligations of the General Partner under this §6.9 are deemed to have arisen as a consequence of a transaction between the General Partner and the Limited Partner other than in their capacities as Partners and the Capital Accounts or loans of the Partners are not affected in any way as a result of the making of any credits or payments hereunder.

(f) **Survival.** The obligations of the General Partner and its Affiliates prescribed or described in this §6.9 will survive the termination and/or liquidation of the Partnership.

§6.10 **Publicity and Promotional Events.** The General Partner shall be obligated to notify the Asset Manager at least thirty (30) days in advance of any (a) groundbreaking, (b) open house, (c) public relations event or other similar activities related to the Project. Representatives of the Limited Partner, the Asset Manager and any investors who have provided funds that have been invested in the Project by the Limited Partner shall be entitled to attend such events. The General Partner shall also be obligated to place the names of any entities that the Asset Manager might designate on any signage that is erected for publicity purposes during the construction of the Project. The General Partner shall notify the Asset Manager when any such signage is being prepared and provide the Asset Manager with a reasonable amount of time to provide the names it wants included on the signs.

§6.11 **Co-General Partners.** If there is more than one General Partner, or if the General Partner is a joint venture or partnership in which there is more than one general partner, then all general partners of the partnership or of such joint venture or partnership shall be jointly and severally liable to the Partnership, to the Limited Partner, and to its successors and assigns for all obligations of the General Partner, and for any damages that may arise from the acts or omissions of any of such general partners in their performance or breach of the guaranties, management, and all other obligations and the representations and warranties of the General Partner, whether now existing or hereafter created, under this Partnership Agreement as the same may from time to time be amended and under applicable law. Notwithstanding anything to the contrary herein, no General Partner shall be liable to the Partnership or to the Limited Partner for the fraud of any other General Partner.

[End of Article]

ARTICLE 7: POWERS, RIGHTS AND DUTIES OF LIMITED PARTNER

§7.1 **Limitation of Liability.** Except as otherwise required under the Act (relating to a limited partner's liability under certain circumstances to refund to the Partnership distributions of cash previously made to it as a return of capital), the Limited Partner shall not be personally liable for any loss or liability of the Partnership beyond the amount of such Limited Partner's agreed-upon Capital Contribution.

§7.2 **No Participation in Management.** Except as otherwise expressly provided in this Partnership Agreement, the Limited Partner shall not participate in the operation, management, or control of the Partnership's business, transact any business in the Partnership's name, or have any power to sign documents for or otherwise bind the Partnership.

[End of Article]

ARTICLE 8: ACCOUNTING AND FISCAL AFFAIRS

§8.1 **Books of Account.** The General Partner shall keep proper books of account for the Partnership. Such books of account shall be kept at the principal office of the Partnership and the General Partner shall make them available during normal business hours for examination and copying by the Limited Partner or its authorized representatives. The General Partner shall retain such books of account for six (6) years after the termination of the Partnership. All decisions as to the fiscal year and accounting methods to be used by the Partnership shall be made only with the prior written consent of the Limited Partner.

The General Partner shall retain all documentation with respect to initial qualification of the Project as a qualified Tax Credit project until the later of six (6) years after completion of the Project's Compliance Period or as long as is required under applicable law. The General Partner shall retain such other documentation relating to the continuing Tax Credit qualification of the Project for at least 6 years, unless requested by the Asset Manager or required by applicable law to retain such documentation for a longer period.

The General Partner shall cooperate fully and in good faith, and shall instruct and cause the Management Agent to cooperate fully and in good faith, with the Asset Manager and the Limited Partner with respect to their monitoring of the Partnership's operation of the Project Property, including the review of and compliance with Tax Credit related laws and regulations.

§8.2 **Management Reports.** The General Partner shall deliver or cause to be furnished to the Asset Manager any periodic financial or performance report provided by the Partnership to any federal, state, or local governmental agency or to any Partnership lender or any compliance monitoring report provided to the Partnership by the State Housing Finance Agency responsible for compliance monitoring or its designee. The General Partner shall deliver any such report to the Asset Manager within 20 days after such report is filed with any such governmental agency, a Partnership lender or provided to the Partnership.

The General Partner shall also prepare and deliver to or shall cause to be prepared and delivered to the Asset Manager:

(a) **Monthly Development Reports**. During the Project development period and through completion of lease-up of the Project, within ten (10) days after the end of each month, the General Partner shall provide a monthly status report on the development of the Project, containing information on development costs, completion schedule, projected occupancy, operating income and expenses, accounts payable, and any difficulties encountered or anticipated in conjunction with any of these matters. The General Partner shall also submit, such additional documentation or supporting documentation as the Limited Partner may request.

(b) **Quarterly Management Reports**. Before and after lease-up of the Project, as soon as practicable after the end of each calendar quarter but in no event later than fifteen (15) days thereafter, the General Partner shall provide a management report on the Project and any other Partnership affairs, containing such information as is reasonably necessary to advise the Asset Manager about its investment in the Partnership and the development or operation of the Project (including, to the extent now or hereafter requested by the Asset Manager, a rent roll containing tenant names and addresses, monthly rent, security deposit, lease renewal date; an income and expense statement with budget comparison and a balance sheet). The General Partner shall also submit such additional documentation or supporting documentation as the Asset Manager may request.

(c) **Annual Budget**. Annually, no later than October 15th of each calendar year, throughout the term of the Partnership, the General Partner shall prepare and submit, for approval by the Asset Manager, a proposed operating budget for the Project that provides budget projections based upon anticipated Project revenues and expenses, beginning with the first full calendar year after the year of Placement in Service, and for each succeeding year thereafter. The proposed budgets shall include without limitation an itemized account of projected operating income, expenses, an analysis of reserve sufficiency for the period covered by the budget, and a copy of the most recent rent roll for the Project.

(i) The Asset Manager shall review and approve or disapprove the proposed budget based on the financial statements for preceding operating years, the anticipated increases in operating expenses, the current and projected operating income, and the completeness of the documentation provided by the General Partner.

(ii) The Asset Manager shall submit to the General Partner, in writing, any comments on the proposed budget within thirty (30) days after receipt of same. If the Asset Manager does not submit comments on the proposed budget within said 30 day period, the proposed budget shall be deemed to be approved by the Asset Manager.

(iii) The General Partner shall have fifteen (15) days to submit a response, in writing, to the Asset Manager's comments on the proposed budget. If the Asset Manager does not respond in writing to the General Partner's comments within 15 days after receipt of same, the proposed budget shall be deemed approved by the Asset Manager.

(iv) If the Asset Manager responds in writing to the General Partner's comments within fifteen (15) days after receipt of same, the General Partner shall submit a revised proposed budget within 15 days after receipt of the Asset Manager's comments, responding to same.

(d) **Other Information**. Upon request from time to time, the General Partner shall provide such information as may be reasonably requested by the Limited Partner with respect to the Partnership and the Project.

§8.3 General Disclosure.

(a) The General Partner shall deliver to the Asset Manager a detailed report of any of the following events or receipt of the following information as quickly as possible but no later than five (5) days after the occurrence of such event or receipt of such information:

(i) a material default by the Partnership under any loan, grant, subsidy, construction or property management documents or in payment of any mortgage, taxes, interest, or other obligation on secured or unsecured debt;

(ii) receipt by the General Partner of any information regarding any lawsuits to which the Partnership has been made a party, any claims against the Project's hazard or liability insurance, any tax liens filed against the Project or the Partnership, or any notices of violations pertaining to the Project or the Partnership;

(iii) receipt of any notice, including any Form 8823, Report of Noncompliance or Building Disposition from the State Housing Finance Agency, together with a copy of any such notice;

(iv) receipt of any notice of any IRS or State Housing Finance Agency audit or proceeding involving the Partnership, together with a copy of any such notice; and

(v) the occurrence of any natural disaster or incident of widespread property damage having an impact on the Project, containing the following information to the extent available: (A) the extent of the damage to the Project, (B) any expected delays in construction or rehabilitation, (C) the effect that the damage sustained, if any, may have on marketing and lease-up activity, and (D) the amount that is anticipated to be recoverable under available insurance policies.

(b) The General Partner shall deliver to the Asset Manager a detailed report of any of the following events with 10 days after the end of any calendar quarter during which such event occurred:

(i) any reserve has been reduced or terminated by application of funds therein for purposes materially different from those for which such reserves was established; or

(ii) any General Partner has received any notice of a material fact which may substantially affect further distributions.

§8.4 Tax Information.

(a) **Tax Credit Eligible Basis.** Within 45 days of the substantial completion of the Project's construction, a Tax Credit Eligible Basis worksheet for each building of the Project shall be provided to the Asset Manager by the General Partner, in a form specified by the Asset Manager.

(b) **Financial Reports.** The General Partner shall, within fifteen (15) days after each calendar quarter, submit or cause to be submitted to the Asset Manager unaudited financial statements for the Partnership. With respect to each taxable year of the Partnership, the General Partner shall within sixty (60) days (45days if only drafts are submitted) after each taxable year ends make or cause to be prepared by the Accountant a written report to each Partner, including a Schedule K-1 or its successor form for preparing federal income tax returns and audited financial statements certified by the Accountant. The report shall include a balance sheet of the Partnership as at the end of such year; an itemized statement of income, expenses, surplus and deficits; a financial summary which reconciles and summarizes the financial statements and bank statements as of the end of such year; changes in fund balances and changes in financial position for such year; supporting schedules; a statement of

Partners' capital; the status, amount, and timing of the projected low-income housing tax credits and other tax benefits from the Project as compared with the Projections; and such additional statements with respect to the status of the Partnership and the distribution of profits and losses therefrom as are considered necessary by the General Partner or such accountants to advise all Partners properly about their investment in the Partnership for federal income tax reporting purposes.

(c) **Tax Returns**. With respect to each taxable year of the Partnership, the General Partner shall cause to be prepared and filed within sixty (60) days after each taxable year ends, Form 1065 and Schedule K-1 or any successor federal return of income forms required to be filed on behalf of the Partnership, and any and all other forms, schedules, materials required in connection therewith. In addition, the General Partner shall comply with all requirements of §6.3(b) hereof with respect to anticipated Tax Credits and other tax benefits.

(d) **Estimated Tax Credits**. Prior to October 15 of each year, the General Partner shall send to the Asset Manager an estimate of the Limited Partner's share of Tax Credits by each building of the Project, estimate of total Tax Credits, and estimates of Profits and Losses for federal income tax purposes in a form specified by the Limited Partners. The General Partner and the Accountant shall prepare this estimate.

§8.5 **Review of Compliance**. The General Partner shall, 75 days after the end of each fiscal year of the Partnership, certify to the Asset Manager in the same scope and manner that it is required to certify, if requested, to the applicable State Housing Finance Agency, that the Partnership is in compliance with all regulations and procedures relating to the operation of the Project as a qualified Tax Credit project within the meaning of §42(h) of the Code. Upon initial lease-up of the Project and thereafter no more frequently than annually, the Limited Partner may, at the Partnership's expense, conduct or cause to be conducted an audit or review of the Partnership's compliance with all regulations and procedures relating to the operation of the Project as a qualified Tax Credit project within the meaning of §42(h) of the Code. This audit or review will be conducted upon not less than 30 nor more than 90 days prior written request. The General Partner shall cooperate with any such audit by making appropriate personnel of the General Partner and Management Agent and all books and records of the Project and Partnership available to the Limited Partner or its representatives at the offices of the Partnership during regular business hours.

§8.6 **Failure to Provide Information.**

(a) Failure by the General Partner to provide the reports required under this Article 8 will result in the assessment of a $100 per day penalty, due and payable to the Limited Partner, until the reports are received in a form that is acceptable to the Limited Partner. This penalty will not be applicable if (1) waived by the Limited Partner, or (2) the required information is received within seven (7) business days of receipt of a written notice of demand from the Limited Partner (including notice sent by facsimile).

(b) If the General Partner fails to provide in a timely manner any information, report or data required to be provided by the General Partner under this Article 8, or otherwise fails to perform its obligations under this Article 8, then, in addition to any remedies the Limited Partner may have under this Partnership Agreement or applicable law, the Partnership shall not make any distributions or payments to the General Partner pursuant to §5.1 or §5.2 hereof until such time as such information, report, or data have been provided or such other obligations have been fulfilled.

(c) Regardless of whether the penalties are paid or waived, the Limited Partner shall have the right to request the General Partner to remove the Accountant and the right to approve a replacement Accountant if any of the above applicable reporting requirements are not met. The failure on the part of the General Partner to remove the Accountant and replace it with an accounting firm that is acceptable to the Limited Partner within thirty (30) days of a written request to do so from the Limited Partner shall be an Event of Default under §10.6(a) hereof.

(d) If the General Partner causes or suffers repeated or unreasonable delay in providing any reports or information required to be submitted to the Limited Partner under Article 8, it shall be an Event of Default under §10.6(a) hereof.

[End of Article]

ARTICLE 9: TRANSFER OF LIMITED PARTNER'S PARTNERSHIP INTERESTS

§9.1 Voluntary Transfers.

(a) A Limited Partner may at any time make a Voluntary Transfer of all or any part of its Partnership Interests, so long as such Voluntary Transfer complies with the following conditions: (a) the General Partner has received a written instrument of transfer of all such Partnership Interests, which instrument shall be signed by the transferor Limited Partner and the transferee and shall contain the name and address of the transferee and the transferee's express acceptance of and agreement to be bound by all of the terms and conditions of this Partnership Agreement; (b) all requirements of applicable state and federal securities laws have been complied with; (c) such Voluntary Transfer will not result in the Partnership's loss of any exemption (federal or state) from the registration of the sale of securities relied upon in its offering of the Partnership Interests; and (d) such Voluntary Transfer will not result in the Partnership being classified as an "association" which is taxable as a corporation for federal income tax purposes. Upon compliance with all of the conditions of this §9.1, such Voluntary Transfer of a Limited Partner's Partnership Interests binds the Partnership and the General Partner. No such transfer may cause the dissolution and termination of the Partnership and the transferee shall automatically be deemed to be an Assignee with respect to such Partnership Interests. If any transfer of a Partnership Interests, including the transfer of beneficial interests, results in a tax termination of the Partnership, the Limited Partner shall be responsible for the cost of preparing and filing any additional tax returns.

(b) The Limited Partner intends to hold only bare legal title to its Partnership Interests and will transfer beneficial interests in its Partnership Interests to one or more Persons, and either the Limited Partner or such Persons may also assign or pledge such Partnership Interests as security for debt. Notwithstanding the provisions of §9.1(a), the General Partner hereby acknowledges and consents to such transfers, and agrees that it will recognize the transferees of the beneficial interests as the owners of such beneficial interests in the Partnership Interests.

§9.2 General Partner's Consent to Substitution as a Limited Partner.

(a) In addition to the requirements set forth in §9.1, an Assignee of a Limited Partner's Partnership Interests, other than an assignee of a beneficial interest, will not become a Substituted Limited Partner, unless and until the General Partner consents in writing to such substitution, which consent may not be unreasonably withheld; provided that no such consent shall be required for the substitution of an Assignee that is an Affiliate of the Limited Partner. The General Partner shall duly file for record any required amended certificate of limited partnership reflecting such substitution in such public offices as shall be required under the Act. The effective date of the substitution of the Assignee as a Substituted Limited Partner shall be the date on which the General Partner provides its consent if required or the date of the assignment to such Affiliated Assignee, as the case may be.

(b) If the General Partner's consent is required but the General Partner does not consent to the substitution of an Assignee of a Limited Partner's Partnership Interests, then the transferor Limited Partner retains all the rights of a transferor of a limited partnership interest under the Act and, except as otherwise provided in §9.4, the Assignee shall not be treated as owning any interest in the Partnership. In particular, an Assignee of a Limited Partner's Partnership Interests, other than an assignee of a beneficial interest, who is not admitted as a Substituted Limited Partner under this §9.2 shall not be entitled to: (1) require any accounting of the Partnership's transactions; (2) inspect the Partnership's books and records; (3) require any information from the Partnership; or (4) exercise any privilege or right of a Limited Partner which is not specifically granted to a nonsubstituted transferee of a limited partnership interest under the Act.

§9.3 **Involuntary Transfers.** The Involuntary Transfer of all or any part of any Limited Partner's Partnership Interests will not cause the dissolution and termination of the Partnership, but rather the business of the Partnership is continued without interruption in accordance with the provisions of this §9.3. Upon an Involuntary Transfer of all or any part of any Limited Partner's Partnership Interests, such Limited Partner's successor or legal representative shall automatically be deemed to be a Substituted Limited Partner.

§9.4 **Distributions and Allocations with Respect to Transferred Partnership Interests.** If any transfer (whether a Voluntary or Involuntary Transfer) of the Limited Partner's Partnership Interests is recognized by the Partnership under this Article 9, then all allocations of Profits and Losses attributable to the transferred Partnership Interests shall be divided and allocated between the transferor and the transferee by taking into account their varying interests during such fiscal period, using any convention or method of allocation selected by the General Partner which is then permitted under §706 of the Code and the Regulations promulgated hereunder. All distributions of Cash Flow made prior to the effective date of any such transfer shall be made to the transferor and any such distributions made after the effective date of such transfer shall be made to the transferee.

§9.5 **Disposition of Project.** Subject to the restrictions set forth below, the General Partner may cause the sale of all or any portion of the assets or business of the Partnership for their fair market value upon such terms as it shall determine in the exercise of reasonable discretion and prudent business judgment. After the payment of or provision for creditors, the net proceeds of sale shall in the discretion of the General Partner either in whole or in part be distributed among the Partners as provided in §5.2 or §11.2 hereof, as applicable, or in whole or in part be retained by the Partnership and utilized in the business of the Partnership. Any such sale shall cause the dissolution and liquidation of the Partnership only if required by the provisions of Article 11 hereof. Notwithstanding the foregoing, upon any sale of the Project (which term, as used in this §9.5, shall include any portion of the Project containing one or more rental units and any related assets or business of the Partnership), the net proceeds thereof shall be distributed in accordance with §5.2 or §11.2 hereof, as applicable. Except as specifically provided below, the General Partner shall not sell the Project without the prior written consent of the Limited Partner, and shall comply with the following requirements in any proposed sale or refinancing:

The General Partner may in its discretion begin advertising the Project for sale and entertaining third-party purchase offers at any time during the last twelve (12) months of the Compliance Period and shall forward copies of all inquiries and purchase offers as and when received by it to the Limited Partner, but shall have no right or obligation to pursue any sale to a third party except as described further herein below. If the Purchase Option and Right of First Refusal described in §9.6 hereof is exercised and all conditions thereof are met in full to the satisfaction of the Limited Partner, then in lieu of any sale to an unrelated third party, the General Partner shall cause the Project to be sold as provided and within the time specified therein, after the expiration of the Compliance Period. If such Purchase Option and Right of First Refusal is not exercised or the Project is not sold as provided and within the time specified therein, however, the General Partner shall, commencing upon expiration of Purchase Option and Right of First Refusal begin advertising the Project for sale and entertaining third-party purchase offers, as described above.

§9.6 **Purchase Option and Right of First Refusal .** The provisions of §9.5 hereof shall be subject to that certain Purchase Option and Right of First Refusal Agreement between the Partnership, as grantor, and the Guarantor, as grantee, dated on or about the date hereof, pursuant to which the Partnership has granted to the Guarantor an option to purchase the Project or the Limited Partner's interest in the Partnership and a right of first refusal to purchase the Project, on the terms and conditions set forth therein, provided that the General Partner remains in good standing as General Partner without the occurrence of any event described in §10.6 hereof.

[End of Article]

ARTICLE 10: TRANSFER OF GENERAL PARTNER'S PARTNERSHIP INTERESTS

§10.1 Voluntary Transfers. The Partnership shall not recognize any Voluntary Transfer of a General Partner's Partnership Interests and any such attempted Voluntary Transfer shall be invalid and ineffective as to the Partnership and the Limited Partner, unless and until: (a) the proposed transfer is of all the Partnership Interests owned by such General Partner; (b) the Limited Partner has received a written instrument of transfer of all such Partnership Interests, which instrument shall be signed by the General Partner and the transferee and shall contain the name and address of the transferee and the transferee's express acceptance of an agreement to be bound by all of the terms and conditions of this Partnership Agreement; (c) the General Partner has paid or caused to be paid all costs related to such Voluntary Transfer, including, without limitation, the reimbursement of all legal fees and expenses incurred by the Partnership in connection with such transfer; (d) such Voluntary Transfer will not result in the termination of the Partnership for Federal income tax purposes; (e) such Voluntary Transfer will not result in the Partnership being classified as an "association" which is taxable as a corporation for Federal income tax purposes; (f) the Partnership receives an opinion of legal counsel to the effect of clause (e); and (g) the Limited Partner, the Construction Lender and the Permanent Lender have consented in writing to such Voluntary Transfer, which consent of the Limited Partner may be withheld or given in its sole discretion.

Upon compliance with this §10.1, such transfer of a General Partner's Partnership Interests shall bind the Partnership and all the Limited Partners and no such Voluntary Transfer shall cause the termination of the Partnership. In addition, effective as of the date of full compliance with the requirements of this §10.1, the transferee of a General Partner's Partnership Interests shall be admitted as a new General Partner of the Partnership and shall be vested with all the powers and obligations with respect to the management of the Partnership as are granted to and placed upon the transferor General Partner under this Partnership Agreement.

§10.2 Involuntary Transfers. An Involuntary Transfer of a General Partner's Partnership Interests at such time as there is more than one General Partner shall not dissolve the Partnership, but rather the business of the Partnership shall be continued without interruption and all of the management powers and authority granted herein to the General Partner making such Involuntary Transfer shall automatically be placed upon the remaining General Partner(s), unless the Limited Partner otherwise elects within 30 days after the occurrence of such Involuntary Transfer to dissolve the Partnership and have the Partnership's affairs and business wound up and terminated pursuant to Article 11. An Involuntary Transfer of a General Partner's Partnership Interests when there is no other General Partner in existence shall dissolve the Partnership and the Partnership's affairs and business shall be wound up and terminated under Article 11, unless the Limited Partner agrees in writing to the continuation of the business of the Partnership and the appointment of a new General Partner pursuant to the provisions of §10.3.

§10.3 Continuation of Partnership After Involuntary Transfer of General Partner's Partnership Interests. Upon an Involuntary Transfer of the last remaining General Partner's Partnership Interests, the Partnership will dissolve and the affairs and business of the Partnership will be wound up and terminated under Article 11, unless within 90 days after the occurrence of such Involuntary Transfer, the Limited Partner agrees in writing to the continuation of the business of the Partnership and the appointment of a new General Partner. Unless such an election is made within such 90-day period, the Partnership may conduct only those activities which are necessary to wind up and terminate its affairs and business. If such an election is made within such 90-day period, then:

(a) the reconstituted partnership will continue until the end of the term of the Partnership's existence set forth in this Partnership Agreement; and (b) immediately upon its receipt of cash in an amount equal to the greater of (1) $100 or (2) the then positive balance in its Capital Account, the former General Partner is automatically (and without the need for the execution of any further documentation) deemed to have relinquished its entire Partnership Interest, with such relinquished Partnership Interest being automatically allocated to the new General Partner.

§10.4 Distributions and Allocations with Respect to Transferred Partnership Interests. If any transfer (whether a Voluntary or Involuntary Transfer) of a General Partner's Partnership Interests is recognized by the Partnership under this Article 10, then all allocations of Profits and Losses attributable to the transferred Partnership Interests are divided and allocated between the transferor and the transferee by taking into account their varying interests during such fiscal period, using any convention or method of allocation selected by the Limited Partner which is then permitted under §706 of the Code and the Regulations promulgated thereunder. Any distributions of Cash Flow made prior to the effective date of any such transfer are made to the transferor and any such distributions made after the effective date of such transfer shall be made to the transferee. Neither the Partnership nor the Limited Partner will incur any liability for making allocations and distributions in accordance with the provisions of this §10.4.

§10.5 Voluntary Withdrawal. A General Partner may not voluntarily withdraw from the Partnership.

§10.6 Removal of General Partner. The Limited Partner may remove the General Partner, or at its election any individual General Partner if there is more than one General Partner, for any of the following Events of Default:

(a) **Events of Default.**

(i) Any fraud, gross negligence or intentional misconduct of the General Partner that has a material adverse effect on the Partnership or the Project; or

(ii) Any act by the General Partner outside the scope of its duties or obligations under this Partnership Agreement or any breach by the General Partner of any fiduciary duty to the Partnership or the Limited Partner, that has a material adverse effect on the Partnership or the Project; or

(iii) The material inaccuracy of any representation or warranty of the General Partner contained in this Partnership Agreement, including, without limitation, those contained in §6.3 hereof that has a material adverse effect on the Partnership or the Project; or

(iv) The breach by the General Partner of any covenant of the General Partner contained in this Partnership Agreement, including without limitation those contained in §6.3 hereof which has a material adverse effect on the Partnership or the Project; or

(v) Any action or inaction by the General Partner or any Affiliate of the General Partner that does, or with the passage of time would, (i) cause the termination of the Partnership for federal income tax purposes (except to the extent such action is expressly authorized herein), (ii) cause the Partnership to be treated for federal tax purposes as an association taxable as a corporation, (iii) violate any federal or state securities laws (as they relate to the Partnership or the Partnership Interests), (iv) cause the Partnership to fail to qualify as a limited partnership under the Act, (v) cause the Limited Partner to be liable for Partnership obligations in excess of its Capital Contribution, (vi) qualify as an event of removal or withdrawal with respect to the General Partner under the Act, or (vii) otherwise substantially reduce tax benefits or substantially increase tax liabilities of the Limited Partner; or

(vi) Any construction cost overruns or operating deficits are incurred by the Partnership and not funded by loans or other sources of funds on terms that do not adversely affect the Projections or financial viability of the Project or the Partnership; or

(vii) A material default occurs under the Construction Loan, Permanent Loan, or a Subordinate Loan and such default is not cured or waived by the lender within thirty (30) days after the occurrence of such default; or

(viii) The Project or Partnership is substantially mismanaged and such mismanagement has a material adverse effect on the Partnership; or

(ix) Any lender to the Partnership or other creditor of the Partnership files a foreclosure or other creditor's action for exercise of control over the Project or the rents therefrom, or the filing of a bankruptcy petition or similar creditor's action by or against the Partnership, and any such action is not dismissed within thirty (30) days; or

(x) The Partnership fails to achieve 80% of Projected Tax Credits with respect to any calendar year; or

(xi) The General Partner fails to timely and promptly discharge the Management Agent if at any time cause (as such term is defined in §6.4(i)(v) hereof) for such removal exists; or

(xii) The General Partner fails to remove the Accountant and replace it with an accountant that is approved by the Limited Partner in accordance with the requirements of §8.6(c) hereof;

(xiii) Any payment required to be made to the Limited Partner or the Partnership by the General Partner pursuant to §§6.4(f)(i), 6.4(f)(ii), and 6.4(f)(iii) and §6.9 is not timely made by or on behalf of the General Partner or any guarantor of such obligation; or

(xiv) The occurrence of an "Event of Default" under the Guaranty Agreement; or

(xv) A General Partner transfers a controlling interest in itself without the consent of the Limited Partner as required in §6.3(dd) of this Partnership Agreement; or

(xvi) Failure by the General Partner to prepare or cause to be prepared properly and to deliver or cause to be delivered in its entirety any reporting required under this agreement; or

(xvii) The commencement by a General Partner of a proceeding in bankruptcy or insolvency seeking a compromise, adjustment or other relief under the laws of the United States or of any state relating to the relief of debtors; or

(xviii) The failure of the General Partner to obtain the dismissal of any case commenced against a General Partner (i) for the appointment of a trustee for such General Partner, or any of its property or (ii) in bankruptcy or insolvency or for compromise adjustment or other relief under the laws of the United States or any state relating to the relief of debtors.

(b) **Effectiveness**. Prior to removing and replacing any General Partner for an Event of Default, the Limited Partner shall give such General Partner reasonable prior written notice setting forth in detail the Event of Default(s) providing the basis for such possible removal and a reasonable opportunity to cure such default(s); provided, however, that no opportunity to cure such default(s) shall be given where the extent or nature of the default is such that there is a likelihood of material loss, liability, or prejudice to the Partnership or the Limited Partner, or both, from any delay in removal and replacement. If the grounds for removal justify an immediate removal under the preceding sentence, such removal shall be effective upon the delivery of a notice thereof to the specified address in accordance with §12.1 hereof. Under all other circumstances, such removal shall be effective only after:

(i) failure by the General Partner to cure the default(s) set forth in the notice of removal within the prescribed cure period,

(ii) a decision by the Limited Partner, in its sole discretion, to remove the General Partner, and

(iii) the Limited Partner provides the General Partner with written notice of its removal as General Partner, which notice shall specify the date on which such removal shall become effective.

Notwithstanding such removal, the General Partner shall remain liable to the Partnership and the Limited Partner for (i) all obligations and liabilities (including, without limitation, its obligations to make any payments pursuant to §§6.4(f)(i), 6.4(f)(ii), 6.4(f)(iii) and 6.9 of the Partnership Agreement and liabilities resulting from any breach of any of the representations and warranties set forth in §6.3 of this Partnership Agreement) incurred by it as a General Partner before the effective date of such removal but is free of any obligations and liabilities incurred on account of Partnership activities from and after the time of such removal and (ii) all damages and other amounts recoverable or payable hereunder or under applicable law by or to the Partnership or the Limited Partner as a result of the occurrence of the event giving rise to such removal.

[End of Article]

ARTICLE 11: DISSOLUTION, WINDING UP AND TERMINATION

§11.1 **Dissolution.** The Partnership will dissolve upon the occurrence of any of the following events:

(a) The expiration of the term of the Partnership's existence;

(b) The sale or other disposition of all or substantially all of the Partnership Property and the Partnership's receipt of all or substantially all of the proceeds therefrom;

(c) The Partners' mutual election to dissolve the Partnership;

(d) The Limited Partner's election to dissolve the Partnership made at any time that is more than three years after the end of the Compliance Period;

(e) The failure of the Limited Partner to agree in writing at the time and in the manner provided in §10.3 to the continuation of the business of the Partnership and the appointment of a new General Partner upon the occurrence of an Involuntary Transfer of the last remaining General Partner's Partnership Interests or the removal of the General Partner; or

(f) The Limited Partner's election pursuant to §10.2 to dissolve the Partnership upon the occurrence of an Involuntary Transfer of a General Partner's Partnership Interests, notwithstanding the fact that one or more other General Partners are in existence at such time.

§11.2 **Winding Up and Termination.** Upon the dissolution of the Partnership, the affairs and business of the Partnership will be wound up and terminated, the Partnership's liabilities discharged and the Partnership Property liquidated and distributed in the manner hereinafter described. A reasonable time will be allowed for the orderly winding up of the affairs and business of the Partnership so as to enable the Partnership to minimize the normal losses attendant to the winding up and termination period. The winding up and termination of the affairs and business of the Partnership shall be supervised and conducted by the Liquidation Manager. The Liquidation Manager has the exclusive power and authority to act on behalf of the Partnership to wind up and terminate the affairs and business of the Partnership, to sell and convey the Partnership Property to such Persons (including, without limitation, any Partner or any Affiliate thereof) for such consideration and upon such terms and conditions as it deems necessary or appropriate, to discharge the Partnership's liabilities, to establish any reserves that it deems necessary or appropriate for any contingent or unforeseen liabilities or obligations of the Partnership, and to distribute the liquidation proceeds in the manner hereinafter described.

Upon completion of the winding up of the affairs and business of the Partnership, the liquidation proceeds will be distributed by the Liquidation Manager in the following manner and order of priority:

(a) First, such liquidation proceeds will be applied to the payment of debts and liabilities of the Partnership (excluding any loans the General Partner or its Affiliates made pursuant to §6.4(f)(i), §6.4(f)(ii) and the Guaranty Agreement and any unpaid Development Fee) and the payment of expenses of the winding up of the affairs and business of the Partnership;

(b) Second, such liquidation proceeds will be applied to the setting up of any reserves (to be held by the Liquidation Manager in an interest-bearing account) which the Liquidation Manager may deem necessary or appropriate for any contingent or unforeseen liabilities or obligations of the Partnership; provided, however, that at the expiration of such time as the Liquidation Manager deems necessary or appropriate, the balance of such reserves remaining after payment of such liabilities or obligations will be distributed by the Liquidation Manager in the manner hereinafter set forth in this §11.2; and

(c) Third, such liquidation proceeds will be paid to satisfy debts and liabilities owed to Partners and their Affiliates described in §5.2(a)(i) through (iii) and (v) and in accordance with the priority set forth therein; and

(d) Fourth, such liquidation proceeds will be distributed in compliance with §1.704-1(b)(2)(ii)(b)(2) of the Regulations to the Partners in accordance with their positive Capital Accounts, after giving effect to all contributions, distributions and allocations for all periods, including, without limitation, the allocations to be made under §4.2(m) hereof.

§11.3 <u>Compliance with Liquidation Requirements of Regulations</u>. If the Partnership is "liquidated" within the meaning of §1.704-1(b)(2)(ii)(g) of the Regulations, then:

(a) Distributions will be made pursuant to §11.2 (if such "liquidation" constitutes a dissolution and termination of the Partnership) to the Partners who have positive balances in their Capital Accounts in compliance with §1.704-1(b)(2)(ii)(b)(2) of the Regulations;

(b) If a General Partner has a deficit balance in its Capital Account (after giving effect to all contributions, distributions and allocations for all taxable years, including, without limitation, the taxable year in which such liquidation occurs), then such General Partner will contribute to the capital of the Partnership the amount necessary to restore the balance in its Capital Account to zero;

(c) If a Limited Partner has a deficit balance in its Capital Account (after giving effect to all contributions, distributions and allocations for all taxable years, including, without limitation, the taxable year in which such liquidation occurs), then such Limited Partner will contribute to the capital of the Partnership the lesser of (1) such deficit balance in its Capital Account or (2) the limited dollar amount, if any, of its Capital Account deficit which the Limited Partner has expressly agreed in writing to restore to the capital of the Partnership pursuant to §11.4; and

(d) Any such contribution by a Partner shall be made on or before the later of (1) the end of the taxable year of the "liquidation" or (2) ninety (90) days after the date of the "liquidation".

Notwithstanding anything to the contrary contained in this §11.3, in the event the Partnership is "liquidated" within the meaning of §1.704-1(b)(2)(ii)(g) of the Regulations, but such "liquidation" does not constitute a dissolution and termination of the Partnership pursuant to this Partnership Agreement, then no distributions shall be made pursuant to §11.2. Instead, the Partnership shall be deemed to have distributed the Partnership Property in kind to the Partners, who shall be deemed to have assumed and taken subject to all Partnership liabilities, all in accordance with their respective Capital Accounts. Immediately thereafter, the Partners shall be deemed to have recontributed the

Partnership Property in kind to the Partnership, which shall be deemed to have assumed and taken subject to all such liabilities.

§11.4 **Rights and Obligations of Limited Partner Upon Dissolution.** Except as otherwise expressly provided in §11.3(b), the Limited Partner shall look solely to the assets of the Partnership for the return of its Capital Contribution. Except as otherwise elected by the Limited Partner pursuant to this §11.4, the Limited Partner shall not have any obligation to restore any deficit in its Capital Account upon the liquidation of the Partnership. Notwithstanding anything to the contrary contained in this Partnership Agreement, the Limited Partner may from time to time elect to be obligated to restore a deficit in its Capital Account up to a limited dollar amount. Such election shall be made by the Limited Partner's delivery of a written notice of election to the General Partner no later than April 15 following the taxable year for which such election is to be effective and shall specify the dollar amount of the deficit in its Capital Account that the Limited Partner agrees to restore. Such election shall be irrevocable and shall be binding on subsequent transferees of the Limited Partner's Partnership Interests.

§11.5 **Waiver of Partition.** Each Partner hereby waives any right to partition or cause a partition of the Partnership Property.

§11.6 **Final Accounting.** The Liquidation Manager shall furnish each of the Partners with a statement setting forth the assets and liabilities of the Partnership as of the date of the completion of the winding up and termination of the affairs and business of the Partnership. Upon completion of the distribution plan set forth in this Article 11, the Liquidation Manager shall cause to be executed by the appropriate parties and filed in such public offices as shall be required under the Act a cancellation of the certificate of limited partnership of the Partnership and any and all other documents which the Liquidation Manager deems necessary or appropriate to effect the dissolution and termination of the Partnership.

[End of Article]

ARTICLE 12: MISCELLANEOUS

§12.1 **Notices and Addresses.** All notices, consents, demands, requests, or other communications which may or are required to be given hereunder shall be in writing and shall be sent by telefax, overnight courier or United States mail, registered or certified, return receipt requested, postage prepaid to the Partnership at the address of the Partnership's principal office and to the Partners at the addresses set forth after their respective names in Article 2. The Partnership and any Partner may change its or his address for the giving of notices, consents, demands, requests, or other communications by delivering written notice to the Partnership and to all the Partners of its or his new address for such purpose. Notices, consents, demands, requests, or other communications shall be deemed given or served on the day when sent by telefax, one business day after deposit with an overnight courier or three business days after deposit in the United States mail.

§12.2 **Pronouns and Plurals.** All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural, as the identity of the person or persons may require.

§12.3 **Counterparts.** This Partnership Agreement may be executed in several counterparts all of which shall constitute one agreement, binding on all parties hereto, notwithstanding that all the parties are not signatories to the same counterpart.

§12.4 **Applicable Law.** This Partnership Agreement and the rights of the Partners hereunder shall be interpreted in accordance with the laws of the State of Michigan.

§12.5 **Successors.** This Partnership Agreement shall inure to the benefit of, be binding upon, and be enforceable by and against the parties hereto, their heirs, executors, administrators, successors, and assigns.

§12.6 **Severability.** The invalidity or unenforceability of any provision of this Partnership Agreement in a particular respect shall not affect the validity and enforceability of any other provisions of this Partnership Agreement or of the same provision in any other respect.

§12.7 **Exhibits.** All exhibits attached hereto or referred to herein are incorporated herein by this reference.

§12.8 **Limitation of Benefits.** It is the explicit intention of the Partners that no person or entity other than the Partners and the Partnership is or shall be entitled to bring any action or enforce any provision of this Partnership Agreement against any Partner or the Partnership, and that the covenant, undertakings and agreements set forth in this Partnership Agreement shall be solely for the benefit of and shall be enforceable only by the Partners and the Partnership and theirs or its respective successors and assigns as permitted hereunder.

§12.9 **Entire Agreement.** This Partnership Agreement contains the entire agreement among the Partners with respect to the transactions contemplated herein, and supersedes all prior or written agreements, commitments, or understandings with respect to the matters provided for herein and therein.

§12.10 **Broker's Commission and Indemnity.** Each of the parties to this Partnership Agreement warrants and represents to the others that it has not been introduced to the other party by any broker, nor has it been in contact with any real estate or business broker or consultant otherwise than as specified in this Partnership Agreement regarding the Project Property; and each party to this Agreement agrees to indemnify and hold the other party harmless from all suits, claims, actions, loss or expenses (including reasonable attorney's fees) arising from the claim of any person to a brokerage or other commission in connection with this transaction and resulting from contact with or other action, alleged or actual, of the indemnifying party.

§12.11 Amendment of Partnership Agreement. Except as otherwise provided for herein, this Partnership Agreement may not be amended in whole or in part except by a written instrument signed by the General Partner and Limited Partner.

§12.12 Power of Attorney

(a) **Generally**. The Limited Partner, by the execution hereof, hereby irrevocably constitutes and appoints the General Partner its true and lawful attorney-in-fact, with full power and authority in its name, place, and stead, to execute and acknowledge under oath, swear to, deliver, file, and record at the appropriate public offices such documents as may be required by law to carry out the provisions of this Partnership Agreement, other than the provisions of §10.6 hereof, including without limitation:

(i) all certificates and other instruments, including any certificate of limited partnership and any amendment thereto, that are required to form, continue, or qualify the Partnership as a limited partnership or to transact business under the Act; and

(ii) all amendments to the certificate of limited partnership or other instrument that are required to be filed under applicable law.

The appointment by the Limited Partner of the General Partner as attorney-in-fact shall be deemed to be a power coupled with an interest in recognition of the fact that each of the Partners under the Partnership Agreement will be relying upon the power of the General Partner to act as contemplated by the Partnership Agreement in any filing and other action by it on behalf of the Partnership. The foregoing power of attorney shall survive the dissolution and termination of the Limited Partner or the assignment by the Limited Partner of the whole or any part of its interest hereunder. Nothing contained herein shall be construed to limit the authority of the General Partner under Article 6 hereof to execute documents and act on behalf of the Partnership without execution or action by the Limited Partner.

(b) **Removal for Cause**. The General Partner, by the execution hereof, hereby irrevocably constitutes and appoints the Limited Partner its true and lawful attorney-in-fact, with full power and authority in its name, place, and stead, to execute and acknowledge under oath, swear to, and, if necessary, deliver, file, and record at the appropriate public offices such documents as may be required by law to carry out the provisions of §10.6 of this Partnership Agreement, including without limitation:

(i) all certificates and other instruments, including any certificate of limited partnership and any amendment thereto, that are required to remove the General Partner from its role as General Partner and replace it with a substitute General Partner;

(ii) all amendments to this Partnership Agreement required to remove the General Partner from its role as General Partner and replace it with a substitute General Partner; and

(iii) all other certificates, documents, amendments, and instruments required to effectuate the provisions of §10.6 hereof.

The appointment by the General Partner of the Limited Partner as attorney-in-fact shall be deemed to be a power coupled with an interest in recognition of the fact that each of the Partners under this Partnership Agreement will be relying upon the power of the Limited Partner to act as contemplated by §10.6 hereof in any filing and other action by it on behalf of the Partnership. The foregoing power of attorney shall survive the dissolution and termination of the General Partner or the assignment by the General Partner of the whole or any part of its interest hereunder.

[End of Article]

ARTICLE 13: CONSTRUCTION LENDER PROVISIONS

The parties agree that notwithstanding any of the other terms, covenants and conditions contained in this Agreement:

§13.1 **Supervision.** The operations of the Partnership may be supervised by the State Construction Lender or by any other governmental body as the Construction Lender directs and the Partnership shall enter into agreements with the Construction Lender or with the governmental body as the Construction Lender from time to time requires. The agreements shall provide for regulation by the Construction Lender or the governmental body of the planning, development and management of the housing development undertaken by the Partnership and the disposition of the property and franchises of the Partnership.

§13.2 **Right to Appoint Managing Agent.** The Construction Lender shall have the power to appoint a managing agent of the Partnership and its members, who may be an officer, employee, or agent of the Construction Lender, and such managing agent shall have complete power to act as agent and attorney-in-fact for the Partnership and its members, in connection with any assets or liability of the Partnership, to fulfill any obligations the Partnership may have to the Construction Lender if:

(a) The Partnership has received a loan or advance as provided in the Housing Act and the Construction Lender determines that the loan or advance is in jeopardy of not being repaid.

(b) The Partnership has received a loan or advance as provided for in the Housing Act and the Construction Lender determines that the proposed housing development for which the loan or advance was made is in jeopardy of not being constructed.

(c) The Construction Lender determines that some part of the net income or net earnings of the Partnership, in excess of that permitted by other provisions of the Housing Act, shall inure to the benefit of any private individual, firm, corporation, partnership, trust or association.

(d) The Construction Lender determines that the Partnership is in violation of any agreements entered into with the Construction Lender providing for regulation by the Construction Lender of the planning, development and management of any housing development undertaken by the Partnership or the disposition of the property and franchises of such Partnership.

(e) The Construction Lender determines that the Partnership is in violation of its rules as promulgated under Section 22 of the Housing Act.

§13.3 **Return.** By acceptance of a beneficial interest in said Partnership or by executing this Agreement, every member of the Partnership shall be deemed to have agreed that he, she or it at no time shall receive from the Partnership, any return in excess of the face value of the investment attributable to his, her or its respective interest plus cumulative dividend payments at a rate as the Construction Lender determines to be reasonable and proper, computed from the initial date on which money was paid or property delivered in consideration for the interest, and that upon the dissolution of the Partnership, any surplus in excess of such amounts shall be paid to the Construction Lender or to any other regulating governmental body as the Construction Lender directs. As used in this paragraph, "surplus" shall not be deemed to include any increase in assets of the Partnership by reason of reduction of a mortgage, by amortization or similar payments or realized from the sale or disposition of any assets of the Partnership to the extent such surplus can be attributed to any increase in market value of any real property or tangible personal property accruing during the period the assets were owned and held by the Partnership. Any payment to a person having a beneficial interest in the Partnership shall not be deemed a "return" to such person if the funds with which such payment is made are funds contributed to the Partnership by persons purchasing a beneficial interest in the Partnership.

§13.4 **Reliance on Continuing Effect of Provisions.** Notwithstanding any other provision of this Agreement, the Partners agree that the Construction Lender may rely upon the continuing effect of this Partnership Agreement in this form as approved by the Construction Lender, and, by the execution hereof, such Partners agree not to amend, alter or change the provisions of this Agreement without the prior written consent of an authorized officer of the Construction Lender.

[*Remainder of this page intentionally left blank; signature page follows.*]

The Partners have executed this Partnership Agreement as of the date first set forth at the beginning hereof.

General Partner:

OLIVER GARDENS LIMITED DIVIDEND HOUSING ASSOCIATION LIMITED PARTNERSHIP, a Michigan limited partnership

By: Oliver Gardens, L.L.C. a Michigan limited liability company, General Partner

By: LHC Non-Profit Development Corp., a Michigan non-profit corporation, Member

By: ____________________________
Christopher Stuchell, President

Withdrawing Initial Limited Partner:

LHC NON-PROFIT DEVELOPMENT CORPORATION, a Michigan non-profit corporation

By:____________________________
Its:____________________________

LIMITED PARTNER:

NEF ASSIGNMENT CORPORATION,
as nominee

By:______________________________
Its:______________________________

APPENDIX I

PROJECTIONS