

IN THE BOARD OF COMMISSIONERS OF THE
HOUSING AUTHORITY AND COMMUNITY SERVICES AGENCY
OF LANE COUNTY, OREGON

JUL 16 1998

COUNTY CLERK
BY *M. Bulding*

ORDER 98-7-14-2H

In the Matter of Approving the Limited Partnership Agreement for
the Jacob's Lane Affordable Housing Development

WHEREAS, the Housing Authority and Community Services Agency (HACSA) was duly formed to respond to a need in the community for affordable housing for low-income members of the community;

WHEREAS, the Housing Authority and Community Services Agency (HACSA) wishes to carry out the development of a 63-unit low-income apartment complex known as the Jacob's Lane Affordable Housing Development;

WHEREAS, the Housing Authority and Community Services Agency (HACSA) has received from the State of Oregon Housing and Community Services Agency an allocation of federal tax credits;

WHEREAS, ORS 456.120 includes in the Powers of Authority as a Public Corporation the authority to enter in a partnership agreement with an individual, partnership, corporation or other association to finance, plan, undertake, construct, acquire or operate a housing project;

WHEREAS, the Board of Directors of the Housing Authority and Community Services Agency of Lane County authorized formation of the Jacob's Lane Limited Partnership;

WHEREAS, HACSA has determined that amending the Jacob's Lane Limited Partnership to admit the (A) Enterprise Housing Partners VII Limited Partnership, (B) WAMU Affordable Housing Fund Limited, and (C) Bank of America Housing Fund Limited Partnership as limited partners under such terms and conditions as are stated in the Amended and Restated Jacob's Lane Limited Partnership is in the best interest in the financing and construction of the Jacob's Lane Affordable Housing Development.

WHEREAS, HACSA has determined that it is necessary to enter into a Development Services Agreement, a Partnership Management Services Agreement, an Unconditional Construction Completion Guaranty Agreement; a Property Management Agreement; and a Right of First Refusal Agreement in order to provide for the exchange of services between HACSA and (A) Enterprise Housing Partners VII Limited Partnership, (B) WAMU Affordable Housing Fund Limited, and (C) Bank of America Housing Fund Limited Partnership that will enable the Jacob's Lane Limited Partnership to function efficiently through the development process;

In the Matter of Approving the Limited Partnership Agreement for the Jacob's Lane Affordable Housing Development

NOW IT IS THEREFORE ORDERED:

(1) the Executive Director or the Deputy Director Is Authorized to Act on Behalf of the General Partner of the Jacob's Lane Limited Partnership to Execute the First Amended and Restated Agreement of the Limited Partnership of the Jacob's Lane Limited Partnership (In a Form Substantially Similar to the Document Provided in Attachment 1 and Hereby Incorporated by this Reference).

(2) the Executive Director or the Deputy Director Is Authorized to Act on Behalf of the General Partner of the Jacob's Lane Limited Partnership to Enter into the Following Agreements (In a Form Substantially Similar to the Documents Provided in Attachment 1 and Hereby Incorporated by this Reference): the Amended and Restated Development Services Agreement; the Partnership Management Services Agreement; the Property Management Agreement; and the Right of First Refusal Agreement.

(3) the Executive Director or the Deputy Director Is Authorized to Act on Behalf of the Housing Authority and Community Services Agency of Lane County to Execute the First Amended and Restated Agreement of the Limited Partnership of the Jacob's Lane Limited Partnership (In a Form Substantially Similar to the Document Provided in Attachment 1 and Hereby Incorporated by this Reference).

(4) the Executive Director or the Deputy Director Is Authorized to Act on Behalf of the Housing Authority and Community Services Agency to Enter into the Following Agreements (In a Form Substantially Similar to the Documents Provided in Attachment 1 and Hereby Incorporated by this Reference): the Amended and Restated Development Services Agreement; the Partnership Management Services Agreement; the Property Management Agreement; the Right of First Refusal Agreement; and the Unconditional Construction Completion Guaranty Agreement.

(5) the Executive Director or the Deputy Director Are Authorized to Do and Perform Such Other Acts and Things and to Execute and Deliver Such Other Documents as May in Their Discretion Be Deemed Reasonably Necessary or Proper in Order to Carry into Effect Any of the Provisions of this Board Order.

DATED this 14th day of July, 1998


Chair, HACSA Board of Commissioners

BOOK 160 PAGE 1839

MEMORANDUM

TO: Teresa Wilson
Lane County Counsel

FROM: Chris Todis *CT*
Executive Director

DATE: July 6, 1998

On July 15th HACSA will have an agenda item titled "In the Matter of Approving the Limited Partnership Agreement for the Jacob's Lane Affordable Housing Development." Douglas Blomgren of Preston, Gates & Ellis in Portland has reviewed the partnership documents and will be present at the July 15, 1998 Board meeting.

Given the similarity of these documents with previous partnership documents, and given Doug Blomgren's involvement with these contracts, I am not requesting County Counsel review.

On the basis of this, I have not reviewed the agenda item. If the Board desires County Counsel review, the matter should be rolled forward.

Teresa J. Wilson

ATTACHMENT 1

BOOK **160** PAGE **1840**

FIRST AMENDED AND RESTATED AGREEMENT
OF
LIMITED PARTNERSHIP
OF
LAUREL GARDENSJACOB'S LANE LIMITED PARTNERSHIP

FIRST AMENDED AND RESTATED AGREEMENT

OF

LIMITED PARTNERSHIP

OF

LAUREL GARDENS JACOB'S LANE LIMITED PARTNERSHIP

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FIRST AMENDED AND RESTATED AGREEMENT

OF

LIMITED PARTNERSHIP

OF

LAUREL GARDENS JACOB'S LANE LIMITED PARTNERSHIP

THIS FIRST AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF LAUREL GARDENS JACOB'S LANE LIMITED PARTNERSHIP (the "Agreement") is made and entered into as of June ____, 1997, 1998, by and among the undersigned parties.

RECITALS

WHEREAS, Laurel Gardens Jacobs Lane Limited Partnership (the "Partnership") has been formed as a limited partnership under the Oregon Uniform Limited Partnership Act, pursuant to a Certificate of Limited Partnership filed with the Oregon Secretary of State on November 28, 1995, October 10, 1997, with Housing Authority and Community Services Agency of Lane County (the "General Partner"), a public corporation of the State of Oregon, as the general partner and Richie Weinman as the County, an Oregon public body, corporate and politic, as the general partner, and John Van Landingham, as the initial limited partner; and

WHEREAS, the original Partners of the Partnership desire to amend the original certificate and agreement to (i) expand the Partnership to admit Corporate Housing Initiatives II (A) Enterprise Housing Partners VII Limited Partnership, a limited partnership organized and existing under the laws of the State of Maryland, (B) WAMU Affordable Housing Fund Limited District of Columbia, as the limited partner; Partnership, a limited partnership organized and existing under the laws of the State of Delaware, and (C) Bank of America Housing Fund Limited Partnership, a limited partnership organized and existing under the laws of the State of Delaware, as limited partners; (ii) effectuate the withdrawal of Richie Weinman John Van Landingham as the limited partner; and (iii) amend and restate entirely the agreement among the Partners; Partners.

NOW, THEREFORE, in consideration of the foregoing, of the mutual promises of the parties hereto, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending legally to be bound, hereby agree as follows:

Definitions

1. The following defined terms used in this Agreement shall have the meanings specified below:

"Accountants" means Deloitte and Touche or such other firm of independent certified public accountants which are acceptable to The Enterprise Social Investment Corporation ("ESIC").

"Act" means the Oregon Uniform Limited Partnership Act, ORS Sections 70.005 through 70.490, and any corresponding provision or provisions of succeeding law, as it or they may be amended from time to time.

"Additional Capital Contribution" means a Capital Contribution of the Limited Partner to the Partnership, the due date of which is subsequent to the Admission Date.

"Additional Capital Contribution Due Date" means the later of (i) the due date of such Additional Capital Contribution in accordance with the schedule of payments listed on Exhibit A hereof, or (ii) forty-five (45) days after receipt by the Limited Partner of the Additional Capital Contribution Notice.

"Additional Capital Contribution Notice" has the meaning set forth in Article III(2)(c).

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

(i) Credit to such Capital Account any amounts that such Partner is obligated to restore pursuant to any provision of this Agreement, is otherwise treated as being obligated to restore under Treasury Regulation Section 1.704-1(b)(2)(ii)(c), or is deemed to be obligated to restore pursuant to the penultimate sentences of Treasury Regulation Sections 1.704-2(g)(1) and 1.704-2(i)(5); and

(ii) Debit to such Capital Account the items described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d)(4), (5), and (6).

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

"Admission Date" means the date on which the Limited Partner is admitted to the Partnership, which shall be deemed to be the later of: (i) the date of payment by the Limited Partner of its Capital Contribution due on the Admission Date in accordance with the schedule of

payments listed on Exhibit A hereof; or (ii) the date the Certificate is filed as the Partnership's certificate of limited partnership, as amended, in accordance with the Act.

"Affiliate" means, as to any Partner, (i) any such Partner or member of ~~his~~ Immediate Family; (ii) the legal representative, successor or assignee of, or any trustee of a trust for the benefit of, any such Partner or member of ~~his~~ Immediate Family; (iii) any entity of which a majority of the voting interests is owned by any one (1) or more of the Persons referred to in the preceding clauses (i) and (ii); (iv) any officer, director, trustee, employee, stockholder (10% or more) or partner of any Person referred to in the preceding clauses (i), (ii) and (iii); and (v) any Person directly or indirectly controlling (10% or more), or under direct or indirect common control with, any Person referred to in the preceding clauses (i), (ii), (iii), or (iv).

"Agreement" means this First Amended and Restated Agreement of Limited Partnership of ~~Laurel Gardens~~ Jacob's Lane Limited Partnership, including Exhibits A - ~~III~~ attached hereto and made a part hereof, as amended and in effect from time to time.

"Appraised Value" has the meaning set forth in Article IX(7).

"Architect" means Jody Heady.

"Architect Agreement" means the "~~Architectural Services Agreement~~" dated June 6, 1995 that certain architectural services agreement dated _____, 19__ between the Partnership and the Architect.

"Authority" means the Oregon Housing and Community Services Department.

"Break-even" means the achievement, on a cash basis, of annual income from the normal operation of the Project which equals or exceeds all ~~operational~~ operating costs of the Project during such year, including but not limited to, taxes, assessments, funding of Replacement Reserves in accordance with Article V(20) and debt service payments.

"Capital Account" has the meaning set forth in Article VII(1) of this Agreement.

"Capital Contribution" means the total amount of cash or any cash equivalents contributed or agreed to be contributed to the Partnership by each Partner, including all adjustments thereto, as provided in this Agreement and Exhibit A. Any reference in this Agreement to the Capital Contribution of a substituted Partner shall include all Capital Contributions previously made by any predecessor or former Partner in respect of the Interest acquired by the substituted Partner, subject to all adjustments thereto pursuant to this Agreement.

"Certificate" means the Certificate of Limited Partnership for the Partnership which is prepared and filed in accordance with the Act, as such Certificate may be amended from time to time.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, or any corresponding provision or provisions of succeeding law.

"Completion Date" means the date upon which the Partnership has completed the construction of the Partnership Property in accordance with the Construction Contract and plans and specifications as evidenced by a certificate prepared and executed by the Architect indicating that construction of the Partnership Property has been completed in accordance with the Construction Contract and plans and specifications, except for punch list items which are not material and do not affect the rental of the space in the Project on a full rent paying basis, provided the Partnership has furnished funds or cash equivalents in escrow to provide for the completion of construction of such punch list items.

____ "Compliance Audit Termination Date" means that date which is three (3) full tax years after the expiration of the Compliance Period or, if the period of assessment is extended by the Partnership, the date upon which such extended period ends.

"Compliance Period" means the period specified in Section 42(i)(1) of the Code, as applicable to the Project.

"Construction Contract" means ~~the construction contract, dated December 15, 1995, between~~ that certain Agreement Between Owner and Construction Manager/General Contractor dated September 22, 1997, between the General Partner and Meili Construction, Inc., as assigned to the Partnership and Meili Construction Company, Inc. pursuant to that certain _____, dated _____, 19__.

"Construction Loan" means the loan made to the Partnership in the principal amount of \$1,200,000 by ~~Centennial Bank~~ \$_____ by _____ to finance the construction of the Project.

"Credit" means the Low-Income Housing Tax Credit provided for under Section 42 of the Code, including the 70% present value new construction ~~and rehabilitation~~ credit.

"Credit Adjuster Advance" means an advance to the Partnership pursuant to Article III(3) or Article III(4) by the General Partner, which shall not affect its Interest or Partnership Percentage.

____ "Credit Deficiency" means the Projected Credits (reduced by any reduction in Capital Contributions and any Credit Adjuster Advances pursuant to Article III(3)(e)) less the aggregate amount of the Credits received by the Limited Partner which shall be computed no sooner than at the end of the Compliance Period. For this purpose, the Limited Partner shall be considered to have received Credits in the amount allocated to the Limited Partner on the Partnership's federal income tax returns reduced by (i) any adjustment of the Partnership's tax return that is made or claimed by the IRS, except to the extent that such adjustment or claimed adjustment is rejected or overturned by the IRS or a court in a Final Determination; and (ii) the amount of any recapture or claimed recapture of such Credits (other than recapture caused by the

action of the Limited Partner and not including recapture which is rejected by the IRS or a court in a Final Determination).

"Deferred Development Fee" means that portion of the Development Fee which has not yet been paid.

"Designated Proceeds" has the meaning set forth in Article V(14)(c).

"Development Advance" has the meaning set forth in Article V(14)(b).

~~_____ "Development Services Agreement" means the Development Services Agreement of even date herewith between the Partnership and the General Partner for the development of the Partnership Property.~~

_____ "Development Fee" means the fee payable to the General Partner pursuant to the Development Services Agreement.

_____ "Development Services Agreement" means that certain Amended and Restated Development Services Agreement of even date herewith between the Partnership and the General Partner for the development of the Partnership Property.

_____ "Event of Bankruptcy" means with respect to any Person,

(i) the entry of a decree or order for relief by a court having jurisdiction in respect of such Person in an involuntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or similar law, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) for such Person or for any substantial part of ~~his~~its property, or ordering the winding-up or liquidation of ~~his~~its affairs, and the continuance of any such decree or order unstayed and in effect for a period of sixty consecutive days; or

_____ (ii) the commencement by such Person of a voluntary case under the federal bankruptcy laws, as now constituted or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or similar law, or the consent by such Person to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator (or other similar official) for such Person or for any substantial part of ~~his~~ or its property, or the making by such Person of any assignment for the benefit of creditors, or the taking of action by such Person in furtherance of any of the foregoing; or

_____ (iii) the commencement against such Person of an involuntary case under the Federal Bankruptcy Act which has not been vacated, discharged or bonded within sixty consecutive days; or

_____ (iv) the admission by such Person of his or its inability to pay ~~his~~ or its debts as they become due; or

(v) such Person becoming "insolvent" by the taking of any action or the making of any transfer or otherwise, as insolvency is or may be defined pursuant to the Federal Bankruptcy Act, the Uniform Fraudulent Conveyances Act, any state or federal act or law, or the ruling of any court.

"Extended Use Period" means the period defined in Section 42(h)(6)(D) of the Code, ending on the date which is at least fifteen (15) years after the end of the Compliance Period.

"Fair Market Value" has the meaning set forth in Article IX(7).

"Fee Agreements" mean the agreements of even date herewith, which are attached hereto as Exhibits D through F.

"Fee Guarantee Advance" means an advance to the Partnership pursuant to Article V(16) by the General Partner, which shall not affect its Interest or Partnership Percentage.

"Final Determination" means, with respect to any issue, the earliest to occur of: (i) a decision, judgment, decree, or other order being issued by any court of competent jurisdiction, which decision, judgment, decree, or other order has become final (i.e., all allowable appeals requested by the parties to the action have been exhausted), (ii) the IRS having entered into a binding agreement with the Partnership or having reached a final administrative or judicial determination which, whether by law or agreement, is not subject to appeal, or (iii) the expiration of the applicable statute of limitation.

"First Year Credit Amount" means the lesser of (i) ~~\$61,625~~ or (ii) ~~\$61,625~~ \$18,442 or (ii) \$18,442 multiplied by the percentage that the amount of Projected Credits bears to ~~\$1,668,040~~ \$4,979,330.

"Gain" means the income and gain of the Partnership for federal income tax purposes arising from a sale or other disposition of all or any portion of the Partnership Property.

"General Partner" means ~~The Housing Authority and Community Services Agency~~ of Lane County, and any additional or substitute general partners of the Partnership named in any duly adopted amendment to this Agreement.

~~"General Partner Loans" means (i) the loan made to the Partnership in the principal amount of \$77,840 by the General Partner to finance the Project; and (ii) the loan made to the Partnership in the principal amount of \$178,222~~ Loan" means the loan made to the Partnership in the principal amount of \$100,000 by the General Partner to finance the Project.

~~"Guaranty Agreements" means (i) the Agreement"~~ means that certain Unconditional Construction Completion Guaranty Agreement of even date herewith by the General Partner, which is attached hereto as Exhibit G.

"HOME Loan" means the permanent loan made to the Partnership in the principal amount of ~~\$137,200~~\$501,600 by the General Partner to finance the Project.

"HUD" means the United States Department of Housing and Urban Development.

"Immediate Family" means, with respect to any Person, his or her spouse, children, including adopted children, step-children, parents, parents-in-law, nephews, nieces, brothers, sisters, brothers-in-law, and sisters-in-law, each whether by birth, marriage, or adoption, as well as any inter vivos trusts created for the benefit of such Person or any of the foregoing.

"Interest", as to any Partner, means such Partner's right, title, and interest in and to any and all assets, distributions, losses, profits and shares of the Partnership, whether cash or otherwise, and any other interests and economic incidents of ownership whatsoever of such Partner in the Partnership.

 "Interest Adjustment" means an amount equal to the interest which, as of the date of an event which results in a distribution of the amount of the Credit Deficiency to the Limited Partner, would have accrued upon each Shortfall (as defined below) of low income housing tax credits had such interest been accruing annually at the federal long-term rate (as defined in Section 1274(d) of the Code) in effect in January of each year beginning with the year succeeding the tax year in which the Shortfall occurred. As used herein, a "Shortfall" shall mean the difference between (i) the Projected Credits allocable to each tax year of the credit period (as defined in Section 42(f)(1) of the Code), less (ii) the amount of Credits actually received by the Limited Partner for each such tax year. For purposes of calculating a Shortfall, the amount of Credits actually received shall be the amount allocated to the Limited Partner on the Partnership's federal income tax return for such year, reduced by (i) any adjustment of the Partnership's tax return that is made or claimed by the IRS, except to the extent that such adjustment or claimed adjustment is rejected or overturned by the IRS or a court in a Final Determination, and (ii) the amount of any recapture or claimed recapture of such Credits (other than recapture caused by the action of the Limited Partner and not including recapture which is rejected by the IRS or a court in a Final Determination). A Shortfall for a taxable year shall be deemed to have occurred on the following March 15.

"IRS" means the Internal Revenue Service.

 "Lease-up Date" means the date upon which ninety-five percent (95%) of the Units are occupied.

"LIH Reduction Amount" means the sum of (i) the amount by which the portion of the Credit to be allocated to the Limited Partner which the Partnership claims for that taxable year is less than the Projected Credit for that year, and (ii) the portion of the Credit allocated to the Limited Partner which the Partnership claimed that the Partnership or the Accountants determine must be recaptured during such taxable year; provided, however, that such sum, for such taxable year, shall not exceed the aggregate amount of the Development Fee, reduced by all reductions of Additional Capital Contributions of the Limited Partner pursuant to Article

~~III(3)(d)~~III(3)(a) through (f) and the amount of all Credit Adjuster Advances which have been made to the Partnership by the General Partner pursuant to Article ~~III(3)(e)~~III(3)(g) (but no reduction shall be made for Credit Adjuster Advances made pursuant to Article III(4).

"Limited Partner" means ~~Corporate Housing Initiatives II collectively (i) Enterprise Housing Partners VII Limited Partnership, a Maryland limited partnership, (ii) Bank of America Housing Fund Limited Partnership, a State of Delaware limited partnership, and (iii) WAMU Affordable Housing Fund Limited Partnership, a Delaware limited partnership, or any Person or Persons who or which becomes a Substitute Limited Partner as provided herein, in each such person's~~Person's capacity as a Limited Partner.

"Loan Agreements" means ~~(i) the loan agreement between Centennial Bank and the Partnership for the Construction loan; and (ii) the loan agreement between Network for Oregon Affordable Housing and the Partnership for the NOAH Agreement"~~ means the loan agreement between Bank of America and the Partnership for the Permanent Loan.

"Loan Documents" means (i) the Mortgages; (ii) the Mortgage Notes; (iii) the Regulatory Agreement; (iv) the Loan Agreements; and (v) any and all other documents executed by the Partnership in connection with the aforesaid Loan Documents.

"Loss" means the loss of the Partnership for federal income tax purposes arising from a sale or other disposition of all or any portion of the Partnership Property.

"Management Agent" means Bennett Management Company, _____, an Oregon corporation.

"Management Agreement" means the Property Management Agreement of even date herewith between the Partnership and the Management Agent.

"Minimum Gain" means the amount determined by computing with respect to each nonrecourse liability of the Partnership, the amount of Gain, if any, that would be realized by the Partnership if it disposed of the asset securing such liability in full satisfaction thereof, and by then aggregating the amounts so computed. For purposes of determining the amount of such Gain with respect to a liability, the adjusted basis for federal income tax purposes of the asset securing the liability shall be allocated among all the liabilities that the asset secures in the manner set forth in Treasury Regulation Section 1.704-2(d)(2) (or successor provisions).

"Mortgages" means the deeds of trust on the Partnership Property, that have been granted by the Partnership in favor of the Mortgagees to secure the indebtedness under the Mortgage Notes, and if the Mortgages are replaced or supplemented by subsequent financing and mortgages in accordance with this Agreement, such term shall refer to any such subsequent financing, mortgage, or mortgages.

"Mortgagees" means Centennial Bank, Network for Oregon Affordable Housing, Bank of America Federal Savings Bank ("Bank of America"), and the General Partner, as payees of the Mortgage Notes, together with any successors or assigns in such capacity.

"Mortgage Notes" means the (i) the note executed by the Partnership in favor of ~~Centennial Bank~~ Bank of America in the principal amount of ~~\$1,200,000;~~ \$710,000; (ii) the note executed by the Partnership in favor of ~~Network for Oregon Affordable Housing~~ the General Partner in the principal amount of ~~\$468,750;~~ \$501,600; and (iii) the note executed by the Partnership in favor of the General Partner in the principal amount of ~~\$137,200;~~ (iv) the note executed by the Partnership in favor of the General Partner in the principal amount of \$77,840; and (v) the note executed by the Partnership in favor of the General Partner in the principal amount of ~~\$178,222.~~ \$100,000.

"Net Cash Flow" has the meaning set forth in Article VIII(1)(c).

"Net Losses" means the net loss of the Partnership for federal income tax purposes for each taxable year, calculated without regard to Gain or Loss and without regard to those items that are specially allocated in accordance with Regulatory Allocations; provided, however, that in determining net loss (i) any tax-exempt income received by the Partnership shall be included as an item of gross income, and (ii) any expenditure of the Partnership described (or treated under Treasury Regulation Section 1.704-1(b)(2)(iv)(b) as described) in Section 705(a)(2)(B) of the Code shall be treated as a deductible expense.

"Net Profits" means the taxable income of the Partnership for federal income tax purposes for each taxable year, calculated without regard to Gain or Loss and without regard to those items which are specially allocated in accordance with the Regulatory Allocations; provided, however, that in determining taxable income (i) any tax-exempt income received by the Partnership shall be included as an item of gross income, and (ii) any expenditure of the Partnership described (or treated under Treasury Regulation Section 1.704-1(b)(2)(iv)(b) as described) in Section 705(a)(2)(B) of the Code shall be treated as a deductible expense.

_____"NOAH Loan" means the permanent loan made to the Partnership in the principal amount of \$468,750 by ~~Network for Oregon Affordable Housing~~ to finance the Project.

"Nonrecourse Liability" means any Partnership liability to the extent that no Partner or related Person (within the meaning of Treasury Regulation Section 1.752-4(b)) bears (or is deemed to bear) the economic risk of loss within the meaning of Treasury Regulation Section 1.752-2.

"Notice" means a writing containing the information required by this Agreement and sent by registered or certified mail, postage prepaid, return receipt requested, or sent by commercial delivery service, by hand delivery, or by telecopy, paid for by the sender, to a Partner at the last address or addresses designated for such purpose by such Partner in Article XV(2) or as provided therein, the date of receipt of such registered mail or certified mail or the date of actual receipt of such writing by commercial delivery service, hand delivery or telecopy, being deemed the date of such Notice.

_____"Notice Certifications" has the meaning set forth in Article III(2)(c).

"Operating Deficit" means at any time or with respect to any period of time, the amount by which the collected gross receipts (including government subsidies actually received during such period) in respect of the Partnership Property (together with other cash and funds on hand of the Partnership, including if any Lease-up Reserves prior to the Lease-up Date and Operating Reserves after the Lease-up Date) reduced (but not below zero) by debt service payments made, and reserves and deposits established, in accordance with the terms of the Loan Documents or the Project Documents is less than the amount necessary to meet all of the costs and expenses of any type due and payable incidental to the operation and business activities of the Partnership, including, without limitation, taxes, insurance and fees due and payable under any of the Fee Agreements but excluding (i) any cost or expense incurred in connection with the matters described in Article V(14)(b) which becomes due and payable after the Completion Date, (ii) payment of any principal or interest on loans from Partners or under the Loan Documents, (iii) any payment of the Development Fee, (iv) distributions of Net Cash Flow to Partners or (v) reserves and deposits required pursuant to the Loan Documents or the Project Documents.

Documents.

"Operating Deficit Contribution" has the meaning set forth in Article V(15).

"Operating Reserve" means the amounts to be funded in accordance with Article V(19).

"Operating Reserve Account" means the Segregated Account for operating reserves established in accordance with Article V(19).

"Partner" or "Partners" means the General Partner and the Limited Partner, either individually or collectively.

"Partner Nonrecourse Debt" means any Partnership liability to the extent the liability is nonrecourse for purposes of Section 1.1001-2, and a Partner (or related Person (within the meaning of Treasury Regulation Section 1.752-4(b))) bears (or is deemed to bear) the economic risk of loss under Section 1.752-2.

"Partnership" means ~~Laurel Gardens~~ Jacob's Lane Limited Partnership, a limited partnership formed under and pursuant to the Act.

"Partnership Accounting Year" means the accounting year of the Partnership, ending December 31st of each year.

"Partnership Percentage", as to any Partner, means the percentage in the Partnership shown opposite the name of such Partner in Exhibit A, as Exhibit A may be amended from time to time in accordance with this Agreement.

"Partnership Property" means the Partnership's fee simple interest in the land and improvements comprising a project known as ~~Laurel Gardens~~ Jacob's Lane Apartments, which contains 4163 units (~~including one resident manager unit~~) and a community building located in Eugene, Oregon, the legal description and street address of which are set forth on Exhibit B

attached hereto and made a part hereof, together with such additions or improvements thereto as may hereafter be acquired by the Partnership in accordance with this Agreement.

"Permanent Loan" means the loan made to the Partnership in the principal amount of \$710,000 by Bank of America to finance the Project.

"Person" means an individual or entity, such as, but not limited to, a corporation, general partnership, joint venture, limited partnership, trust, cooperative, or association and the heirs, executors, administrators, legal representatives, successors, and assigns of such Person where the context so admits.

"Project" means the aggregate of all of the individual Units and the common areas located in or around the Partnership Property.

"Project Documents" means the Architect Agreement, Construction Contract, the Fee Agreements, the Guaranty Agreement, and any other document or instrument executed in connection with any of the aforesaid documents.

"Projected Credits" means the aggregate amount of Credits projected to be received by the Limited Partner based upon the projections prepared in accordance with Article III(3)(a).

"Projected Total Benefits" means \$ _____.

"Refinancing Proceeds" has the meaning set forth in Article VIII(1)(b).

"Regulatory Agreement" means the Regulatory Agreement between the Partnership and the City of Eugene.

"Regulatory Allocations" has the meaning set forth in Article VII(3)(g).

"Replacement Reserve Account" means the Segregated Account for replacement reserves established in accordance with Article V(20).

"Sale Proceeds" has the meaning set forth in Article VIII(1)(a).

"Second Year Credit Amount" means the lesser of (i) \$442,607 or (ii) \$442,607 multiplied by the percentage that the amount of Projected Credits bears to \$4,979,330.

"Segregated Account" means an interest bearing segregated Partnership bank account.

"State" or "state" means all states and the District of Columbia.

"Substitute Limited Partner" means that Person or those Persons admitted from time to time to the Partnership as a Limited Partner or Limited Partners in accordance with the provisions of Article X hereof and so reflected on Exhibit A, as such Exhibit A may be amended from time to time in accordance with this Agreement.

"Tax Matters Partner" means the General Partner.

"Term" means the period of time the Partnership shall continue in existence as stated in Article II(7).

"Title Policy" means that certain title policy issued by Western Pioneer Title Company in favor of the Partnership insuring the Partnership's title to the Partnership Property.

"Total Benefits" means the aggregate amount of actual tax benefits allocated to the Limited Partner from the Partnership as calculated in Article VII(2)(a)(ii).

"Treasury Regulations" means temporary and final regulations promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"Units" mean the individual units of residential rental housing located on the Partnership Property.

2. Generic Terms. Unless the context clearly indicates otherwise, where appropriate the singular shall include the plural and the masculine shall include the feminine or neuter, and vice versa, to the extent necessary to give the terms defined in this Article I and/or the terms otherwise used in this Agreement their proper meanings.

ARTICLE II

Restatement and Continuation; Name; Principal Place of Business; Registered Agent; Title To Partnership Property; Purposes; Term; Filing of Certificate

1. Withdrawal of ~~Richie Weinman~~; John Van Landingham; Restatement and Continuation of Partnership. ~~Richie Weinman~~ John Van Landingham hereby withdraws as a ~~limited partner~~ Limited Partner of the Partnership and acknowledges having received a full refund of his Capital Contributions and each of (i) Enterprise Housing Partners VII Limited Partnership, ~~a its Capital Contribution and Corporate Housing Initiatives II Limited Partnership~~ Maryland limited partnership, (ii) Bank of America Housing Fund Limited Partnership, a State of Delaware limited partnership, and (iii) WAMU Affordable Housing Fund Limited Partnership, a Delaware limited partnership, is hereby admitted as ~~the~~ a Limited Partner of the Partnership. The General Partner and the Limited Partner, constituting all of the Partners of the Partnership, hereby amend and restate the original agreement of ~~Laurel Gardens~~ limited partnership of Jacob's Lane Limited Partnership in its entirety and continue the Partnership under the Act.

2. Name. The name of the Partnership is "~~Laurel Gardens~~Jacob's Lane Limited Partnership."

3. Principal Place of Business. The principal office of the Partnership in the state of Oregon-, which is the office at which the records referred to in ORS Section 70.050 are required to be kept shall be located at 177 Day Island Road, Eugene, Oregon 97401. The principal place of business of the Partnership shall be located at 177 Day Island Road, Eugene, Oregon 97401.

4. Registered Agent. The registered agent for service of process on the Partnership in the State of Oregon shall be Chris Todis.

5. Title to Partnership Property. Legal title to the Partnership Property shall be in the name of the Partnership, and no Partner, individually, shall have any ownership of such Partnership Property.

6. Purposes. The purposes, nature, and general character of the business of the Partnership shall consist of:

(a) Acquiring, owning, developing, constructing, leasing, managing, operating, and, if appropriate or desirable, selling or otherwise disposing of the Partnership Property or any substantial part thereof;

(b) During the Extended Use Period, operating one hundred percent (100%) of the Units in compliance with the provisions of Section 42 of the Code; and

(c) Carrying on any and all activities related to the foregoing in accordance with this Agreement.

The purposes of this Partnership or the nature or character of its business shall not be extended, by implication or otherwise, except by written consent of the Partners.

7. Term. The term of the Partnership has commenced on ~~November 28, 1995, October 10, 1997,~~ and shall continue until December 31, ~~2036, 2047,~~ unless sooner terminated in accordance with Article XII. Upon termination of the Partnership, the General Partner shall file a certificate of cancellation and take all other actions necessary to terminate the Partnership in accordance with requirements of the Act.

8. Filing of Certificate. Immediately after the execution of this Agreement by the Partners, the General Partner shall, if required, cause the Certificate to be filed as the Partnership's amended and restated certificate of limited partnership in accordance with the Act. The General Partner shall immediately cause a copy of the Certificate, with evidence that the Certificate was filed in accordance with the Act, to be furnished to the Limited Partner.

ARTICLE III

Partners and Partnership Percentages; Capital Contributions; Adjustments to Capital Contributions; No Interest on Capital Contributions; No Right to Require Repayment of Capital; No Third-Party Beneficiary

1. Identity of Partners and Partnership Percentages. The name and business address of the General Partner and the Limited Partner are as identified on Exhibit A, as such Exhibit may be amended from time to time in accordance with this Agreement and each such Partner has the Partnership Percentage indicated next to its name and business address.

2. Capital Contributions.

(a) On or before the Admission Date, the General Partner shall be obligated to (and does hereby covenant and agree to) contribute to the capital of the Partnership that ~~sum set forth after the General Partner's name on Exhibit A, representing the contribution of the site with an agreed value of \$97,235, with the the land which comprises the Partnership Property which the Partners hereby acknowledge and agree has a fair market value of \$447,500.~~ balance by wire transfer or check.

(b) On the Admission Date, the Limited Partner shall be obligated to (and does hereby covenant and agree to) contribute to the capital of the Partnership, by wire transfer or other form of available funds, that sum indicated as due on the Admission Date and set forth after the Limited Partner's name on Exhibit A. The Limited Partner shall make Additional Capital Contributions in accordance with the schedule of amounts and dates of payments listed on Exhibit A; provided, however, that the date for payment of any Additional Capital Contribution (i) shall be the Additional Capital Contribution Due Date, and (ii) may be extended in accordance with Article III(2)(d) hereof. Except as provided in this paragraph, the Limited Partner shall not be obligated to make any Capital Contribution to the Partnership.

(c) The General Partner shall deliver Notice to the Limited Partner (the "Additional Capital Contribution Notice") of the date on which any Additional Capital Contribution is due no less than forty-five (45) days in advance of the due date of each Additional Capital Contribution as specified in Exhibit A to the Agreement, which Notice shall state the amount of the Additional Capital Contribution and, in reasonable detail, the manner of calculation thereof. The General Partner shall certify on each such Notice that, at the time of the Notice:

(i) The operation of one-hundred percent (100%) of the Units in the Project in all respects complies with the provisions of Section 42 of the Code.

____(ii) No default (or event which, with the giving of notice or the passage of time or both, would constitute a default) has occurred and is continuing under any of

the Loan Documents or any of the Project Documents and the Loan Documents and the Project Documents are in full force and effect.

____(iii) The Partnership owns the Partnership Property, the Project, and each of the Units free and clear of any liens, charges, or encumbrances other than (A) matters set forth in the Title Policy; (B) tax liens for taxes not yet payable or mechanics' or other liens that have been bonded against in a manner, reasonably satisfactory to the Limited Partner as to preclude the holder of such lien from having any recourse to the Partnership Property, the Project, any of the Units, or the Partnership for payment of any debt secured thereby, (C) the General Partner Loan Mortgage, (D) the Construction Loan Deed of Trust (as applicable), ~~(D) the General Partner Loans Deeds of Trust~~, ~~(E) the Mortgage~~, (E) the Permanent NOAA Loan Deed of Trust, Loan Mortgage, and (F) the HOME Loan Deed of Trust, Mortgage.

____(iv) No Event of Bankruptcy has occurred, and no event has occurred which with the passage of time could become an Event of Bankruptcy, with respect to the General Partner or any of its Affiliates.

(v) The General Partner is not in breach of any provision of this Agreement to be observed or performed by it.

____(vi) All Credit Adjuster Advances, Development Advances and Operating Deficit Contributions required to be made by the General Partner pursuant to this Agreement have been made.

____(vii) Except as disclosed in the environmental reports, to the best of the General Partner's knowledge, after diligent inquiry, there presently are not, in, on or under the Project: (i) any "hazardous substance" as that term is defined under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. section 9601, et seq. as amended ("CERCLA"), or any other hazardous or toxic substance, waste or material or any other substance or pollutant that poses a risk to human health or the environment, including, but not limited to, petroleum in any form, lead-based paint, asbestos, urea formaldehyde insulation, methane gas, polychlorinated biphenyls ("PCBs") or radon, except for ordinary and necessary quantities of office supplies, cleaning materials and pest control supplies stored in a safe and lawful manner and petroleum products contained in motor vehicles and Hazardous Materials used in the ordinary course of construction with respect to which the General Partner shall take all necessary action within its control to ensure that the presence and use of such materials complies with Environmental Laws, (the "Hazardous Materials"); (ii) any underground storage tanks; (iii) accumulations of debris, mining spoil, spent batteries, except for ordinary garbage stored in receptacles for regular removal; (iv) or any other condition which could result in liability for an owner or operator of the Project under any federal, state or local law, rule, regulation or ordinance. In addition, to the best of the General Partner's knowledge, Project is in compliance with all applicable federal, state and local laws, rules, regulations and ordinances (the "Environmental Laws"), including, but not limited to, CERCLA, the Clean Air Act, the Clean Water Act, the Toxic Substance Control Act, the Resource Conservation and Recovery Act, the Safe Drinking Water Control Act and the Occupational Health and Safety Act. The General Partner has not received notice of any violations of the Environmental Laws and is not

aware of any such notice having been issued with respect to the Project and is not aware of any pending investigation by any governmental agency with respect to any possible violation of Environmental Laws.

~~(viii) The _____~~ (viii) The tax return for the last fiscal year required to be completed in accordance with Article XIII(3)(a)(iv) has been forwarded to the Limited Partner.

~~(ix) All _____~~ (ix) All of the representations contained in Article V(12) and covenants contained in Article V(11) remain true and correct.

~~_____ (x) The Social Services Agreement remains in effect for fifteen (15) years.~~

The aforesaid certifications (i) - (ix) in this Article III(2)(c) are hereinafter referred to as "Notice Certifications".

(d) Should the General Partner fail to certify that each of the Notice Certifications is true and correct in its Additional Capital Contribution Notice, or should any of the Notice Certifications be in fact untrue, the Additional Capital Contribution Due Date shall be deferred until such time as the General Partner is able to and does certify that each of the Notice Certifications is true, and each of the Notice Certifications is in fact true, and failure to pay such Additional Capital Contribution prior to such time shall not constitute a default of the Limited Partner.

(e) In the event that the Limited Partner fails to pay any portion of any Additional Capital Contribution (as such Additional Capital Contribution may be adjusted in accordance with Article III(3) by the Additional Capital Contribution Due Date (as the same may be deferred pursuant to Article III(2)(d)) and any such failure is not cured within ninety (90) days after written Notice of such failure, the Limited Partner shall be deemed to be in default of its obligations under this Agreement and the General Partner shall be entitled to take all actions available to the Partnership, including, without limitation, instituting a suit at law or at equity; provided, however, in the event of a Final Determination which provides that the Limited Partner shall pay to the Partnership all Additional Capital Contributions and any accrued interest thereon, such payment shall constitute the sole remedy of the Partnership under this Article III(2). Notwithstanding any provisions of Article III(2) hereof, upon payment of all amounts owed pursuant to the terms of this Article III(2)(e) as a result of the default of a Limited Partner, and provided such payment is received prior to the acquisition by another of the defaulting Limited Partner's Interest, the Limited Partner shall be fully reinstated to its former Interest and Partnership Percentage in the Partnership, including, but not limited to, the Limited Partner's former share of distributions, as though a default under this Article III(2)(e) had not occurred.

(f) Subject to the provisions of Article III(2)(e) in the event of a default pursuant to Article III(2)(e), the Partnership may offer to sell the defaulting Limited Partner's Interest to any other Person on such commercially reasonable terms and conditions as the General Partner deems most favorable under the circumstances. Any amount which the Person acquiring the Interest of the defaulting Limited Partner shall pay in consideration of the

acquisition of such Interest shall be applied in the following order: first, to the payment of all reasonable fees and expenses incurred by the Partnership in connection with such sale; second, to the payment of the Additional Capital Contribution payment and any interest thereon then required to be paid by the defaulting Limited Partner; third, to the payment, if any, of any future Additional Capital Contributions of the defaulting Limited Partner; and fourth, any balance to the defaulting Limited Partner. In no event may a sale under this Article III(2)(f) be made to the General Partner or any Affiliate thereof.

(g) The obligations of a defaulting Limited Partner to the Partnership shall be extinguished upon completion of the transfer of the defaulting Limited Partner's Interest to a purchaser described in Article III(2)(f); provided, however, that the obligation of the defaulting Limited Partner to make Additional Capital Contributions shall only be extinguished by, and to the extent of, the aggregate of payments to be made by the purchaser or purchasers of the defaulting Limited Partner's Interest pursuant to Article III(2)(f) hereof.

(h) ~~In the event of a dispute between the Limited Partner and the General Partner and/or the Partnership as to the obligation to make, or the amount of, any Additional Capital Contribution, the Limited Partner may (but shall not be obligated to) deposit such Additional Capital Contribution in an escrow account pending a resolution of such dispute. In the event that the Limited Partner so deposits such Additional Capital Contribution or disputed amount thereof in an escrow account, the Limited Partner shall not be in default under Article III(2)(e) and the Partnership and/or the General Partner shall not be entitled to exercise any of the rights or remedies contained in Article III(2)(e), (f) or (g).~~(i) The Limited Partner hereby pledges and grants to the Partnership a security interest in all of its Interest in the Partnership as further security for its obligation to make all Capital Contributions required of the Limited Partner. The Limited Partner's pledge of its Interest to the Partnership pursuant to this Article III(2)(h) shall be effective only if the Limited Partner is in default pursuant to Article III(2)(e) of its obligation to pay any Additional Capital Contribution and shall terminate on the date upon which the Limited Partner makes its final Additional Capital Contribution.

(ii) Subject to, and in the event of a default under, the provisions of Article III(2)(e), 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 State of Oregon with respect to the Limited Partner's Interest in the Partnership. In furtherance of the foregoing pledge, the Limited Partner shall execute and deliver to the Partnership one (1) or more UCC Financing Statements, to be filed in the appropriate offices as determined by the General Partner or its counsel. Subject to the provisions of Article III(2)(e) and this Article III(2)(h), upon default the Partnership may, but shall not be required to, realize upon the Interest of the defaulting Limited Partner by disposing such Interest at a public or private sale, at which the Partnership, any Partner, or any third party may bid. The Limited Partner hereby agrees that it shall be deemed commercially reasonable for the General Partner to set criteria for admission of successful bidders to the Partnership, including the financial responsibility of such bidders and the ability of such bidders to meet the remaining obligations of the defaulting Limited Partner under this Agreement. If any notification of any intended disposition of the collateral is required by law, such notification shall be deemed reasonably and properly given if mailed at least twenty-one (21) days before such disposition.

(iii) The proceeds of any such sale described in Article III(2)(h)(ii) above shall be applied in the following order of priority: first, to the payment of reasonable out-of-pocket costs and expenses of such sale and of admission of the purchaser to the Partnership; second, to the payment of the Additional Capital Contribution payment and any interest thereon then required to be paid by the defaulting Limited Partner and any other past-due obligations of the defaulting Limited Partner to the Partnership; and third, any balance to the defaulting Limited Partner.

(iv) Such sale shall not release the defaulting Limited Partner of its obligations hereunder, and such defaulting Limited Partner shall remain liable for all required contributions in respect to the foreclosed Interest and all expenses of the Partnership in connection with any such sale, provided that any net 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.

3. LIH Adjustments to Capital Contributions.

~~(a) After~~ (a) After the Project is placed in service, but prior to the date of the Limited Partner's ~~first~~second Additional Capital Contribution, the Partnership shall prepare projections of the Projected Credits based upon the basis of the Project (as determined by the Accountants based on the final cost certification of the Project) and the credit percentage at the time the Project is placed in service or such other credit percentage as is anticipated by the Accountants to be applicable. If the Projected Credits are less than \$1,668,040,\$4,979,830, the amount of all Capital Contributions shall be reduced by ~~seventy percent (70%)~~seventy-eight and one-half percent (78.5%) of the difference between ~~\$1,668,040~~\$4,979,830 and the Projected Credits. Any decrease in the Capital Contributions attributable to Capital Contributions already made will be subtracted from the next succeeding Capital Contribution. In addition, ~~the total benefit number in Articles VII(2)(a)(ii) and VIII(3)(e) shall be adjusted in accordance with the Projections prepared in~~Total Benefits in Articles VII(2)(a)(ii) and VIII(3)(c) shall be adjusted in accordance with the Projections ~~accordance with this Article III(3)(a).~~

~~(b)~~ (b) In addition to the adjustments provided in Article III(3)(a), if the 1997 Credit Projection prepared by the General Partner pursuant to Exhibit A hereof does not indicate that the Limited Partner will be entitled to at least the First Year Credit Amount, then the Limited Partner's ~~first~~ Additional Capital Contribution will be reduced by seventy percent (70%) of the difference between the First Year Credit Amount and the amount of Credits set forth in the 1997 Credit Projection. In the event that the Limited Partner's ~~first~~ Additional Capital Contribution is reduced pursuant to this Article III(3)(b), there shall be no duplicate reduction in the first Additional Capital Contribution under Article III(3)(c), (d) or (e).

~~(c)~~ (c) In addition to the adjustments provided in Article III(3)(a) and (b), if the Updated 1997 Credit Projection prepared by the General Partner pursuant to Exhibit A hereof

does not indicate that the Limited Partner will be entitled to at least the First Year Credit Amount, then the Limited Partner's second Additional Capital Contribution will be reduced by seventy percent (70%) of the difference between the First Year Credit Amount and the amount of Credits set forth in the Updated 1997 Credit Projection, less any reduction taken pursuant to Article III(3)(b) above. In the event that the Limited Partner's second Additional Capital Contribution is reduced pursuant to this Article III(3)(c), there shall be no duplicate reduction in the first Additional Capital Contribution under Article III(3)(d) or (e).

(d) In the event that the portion of Credit allocated to the Limited Partner which the Partnership claims with respect to 1997 (as determined by the Partnership's 1997 federal income tax return) is less than the 1997 Credit Projection prepared by the General Partner pursuant to Exhibit A hereof, then the Limited Partner's third Additional Capital Contribution will be reduced by seventy percent (70%) of the difference between the amount of the 1997 Credit Projection and the amount of Credits actually allocated to the Limited Partner for the 1997 taxable year (as determined by the Partnership's 1997 federal income tax return). In the event that the Limited Partner's third Additional Capital Contribution is reduced pursuant to this Article III(3)(d), there shall be no duplicate reduction in the third Additional Capital Contributions under Article III(3)(e).

(e) In the event the portion of Credit to be allocated to the Limited Partner which the Partnership claims with respect to any taxable year after 1997 is less than 95% (or 100% in the event the shortfall is a result of the failure of the Partnership to rent the Units to qualifying tenants) of the Projected Credits for that year, and/or the Partnership or the Accountants determine that the Partnership must recapture more than five percent (5%) of the Credit allocated to the Limited Partner which the Partnership claimed in any previous taxable year, the amount of the next succeeding Additional Capital Contribution shall be reduced by the LIH Reduction Amount. In the event that the LIH Reduction Amount exceeds the amount of the next succeeding Additional Capital Contribution, such excess shall reduce the second succeeding Additional Capital Contribution, and subsequent payments of Additional Capital Contributions, until such excess is eliminated. If the LIH Reduction Amount exceeds the sum of all subsequent payments of Additional Capital Contributions, the Partnership shall make a special distribution to the Limited Partner equal to the amount of such excess out of the funds provided by the Credit Adjuster Advance described in Article III(3)(f).

(f) During the Capital Contribution pay in period, if the LIH Reduction Amount exceeds the sum of all subsequent payments of the Deferred Development Fee, the General Partner shall immediately make a Credit Adjuster Advance equal to the amount of such excess.

(g) If the amount of an Additional Capital Contribution of a Limited Partner is reduced for any taxable year by reason of Article III(3)(e), prepared in accordance with this Article III(3)(a).

(b) In the event that the portion of Credit allocated to the Limited Partner which the Partnership claims with respect to 1998 (as determined by the Partnership's 1998 federal income tax return) is less than the 1998 Credit Projection prepared by the General Partner

pursuant to Exhibit A hereof, then the Limited Partner's second Additional Capital Contribution will be reduced by the difference between the amount of the 1998 Credit Projection and the amount of Credits actually allocated to the Limited Partner for the 1998 taxable year (as determined by the Partnership's 1998 federal income tax return). In addition, if the 1999 Credit Projection prepared by the General Partner pursuant to Exhibit A hereof does not indicate that the Limited Partner will be entitled to at least the Second Year Credit Amount, then the Limited Partner's second Additional Capital Contribution will be reduced by seventy-eight and one-half percent (78.5%) of the difference between the Second Year Credit Amount and the amount of Credits set forth in the 1999 Credit Projection. In the event that the Limited Partner's second Additional Capital Contribution is reduced pursuant to this Article III(3)(b), there shall be no duplicate reduction in the second Additional Capital Contribution under Article III(3)(c), (d) or (e).

(c) In the event that the portion of Credit allocated to the Limited Partner which the Partnership claims with respect to 1999 (as determined by the Partnership's 1999 federal income tax return) is less than the 1999 Credit Projection prepared by the General Partner pursuant to Exhibit A hereof, then the Limited Partner's third Additional Capital Contribution will be reduced by the difference between the amount of the 1999 Credit Projection and the amount of Credits actually allocated to the Limited Partner for the 1999 taxable year (as determined by the Partnership's 1999 federal income tax return). In the event that the Limited Partner's third Additional Capital Contribution is reduced pursuant to this Article III(3)(c), there shall be no duplicate reduction in the second Additional Capital Contribution under Article III(3)(d) or (e).

(d) In the event the portion of Credit to be allocated to the Limited Partner which the Partnership claims with respect to any taxable year after 1999 is less than 95% (or 100% in the event the shortfall is a result of the failure of the Partnership to rent the Units to qualifying tenants) of the Projected Credits for that year, and/or the Partnership or the Accountants determine that the Partnership must recapture more than five percent (5%) of the Credit allocated to the Limited Partner which the Partnership claimed in any previous taxable year, the amount of the third Additional Capital Contribution shall be reduced by the LIH Reduction Amount. In the event that the LIH Reduction Amount exceeds the amount of the third Additional Capital Contribution, the Partnership shall make a special distribution to the Limited Partner equal to the amount of such excess out of the funds provided by the Credit Adjuster Advance described in Article III(3)(e).

(e) During the Compliance Period, if the LIH Reduction Amount or any adjustments made pursuant to Article V(3)(a) through (d) exceed the sum of all subsequent payments of Additional Capital Contributions, the General Partner shall immediately make a Credit Adjuster Advance equal to the amount of such excess.

(f) If the amount of an Additional Capital Contribution of a Limited Partner is reduced for any taxable year by reason of Article III(3)(d), such reduced Additional Capital Contribution and any Credit Adjuster Advance received pursuant to Article III(3)(e) that is not distributed to the Limited Partner pursuant to Article III(3)(e) shall be used by the General Partner in accordance with the application of funds contained in the Financial

Projections, attached hereto as Exhibit C. Any portion of the Deferred Development Fee that remains unpaid after such funds have been applied in accordance with such application of funds shall be paid out of funds received from a Credit Adjuster Advance made by the General Partner in accordance with Article III(4) below.

~~_____ (h) If there remains any LHH Reduction Amount after the end of the Capital Contribution pay-in period, such amount shall be added to the Credit Deficiency which is payable out of Sale Proceeds or Refinancing Proceeds pursuant to Article VIII(1)(a) and Article VIII(1)(b), respectively.~~

4. Additional Credit Adjuster Advances. If the amount of an Additional Capital Contribution is reduced for any taxable year by reason of Article III(3)(b), (c), (d), or (e), III(3)(b) through (f), the General Partner shall advance to the Partnership, in addition to any Credit Adjuster Advances required by Article III(3), a Credit Adjuster Advance equal to the lesser of (i) the amount of such reduction, or (ii) the portion of the Deferred Development Fee payable in such taxable year. The amount of any Credit Adjuster Advance made by reason of this Article III(4) shall be advanced to the Partnership prior to the due date of payment of the Deferred Development Fee and used by the Partnership to pay the amount of the Deferred Development Fee for that taxable year.

5. No Interest on Capital Contributions. No interest shall accrue or be payable to any Partner by reason of its Capital Contribution or its Capital Account.

6. No Right to Require Repayment of Capital. A Partner shall not have the right to withdraw from the Partnership all or any part of its Capital Contribution. No Partner shall have any right to demand and receive property of the Partnership in return for its Capital Contribution or in respect of its Interest, except as provided in this Agreement. No Limited Partner shall have priority over any other Limited Partner as to any return of Capital Contributions or as to any distributions made by the Partnership under Article VIII.

7. Deficit Restoration. If, upon liquidation of the General Partner's Interest (whether or not in connection with the liquidation of the Partnership), the General Partner has a negative balance in its Capital Account (as determined after taking into account Capital Account adjustments pursuant to Article VII(1) as well as adjustments for the Partnership taxable year during which the liquidation of the General Partner's Interest occurs, other than those for contributions made pursuant to this Article III(7), then the General Partner shall be required to contribute to the capital of the Partnership, immediately prior to the liquidation of the General Partner's Interest, the amount necessary to restore its Capital Account to zero. Such contributions shall be receipts of the Partnership available for payment of operating expenses of the Partnership or distribution to the Partners, in accordance with the terms of this Agreement. If, upon liquidation of the Limited Partner's Interest (whether or not in connection with the liquidation of the Partnership), the Limited Partner has a negative balance in its Capital Account, the Limited Partner shall have no obligation to make any contribution to the capital of the Partnership and the negative balance of the Limited Partner's Capital Account shall not be considered a debt owed by the Limited Partner to the Partnership or any other Person for any reason whatsoever.

8. No Third-Party Beneficiary. None of the provisions of this Agreement shall be construed as existing for the benefit of any creditor of the Partnership or for the benefit of any creditor of the Partners, and no provision shall be enforceable by a party not a signatory to this Agreement.

ARTICLE IV

Right to Mortgage; General Partner Bound by Loan Documents.

1. Right to Mortgage. The Partnership shall be authorized to borrow from the Mortgagees whatever amounts may be required, subject to the provisions hereof, in connection with the acquisition, development, and construction of the Partnership Property and to meet the expenses of operating the Project (including, without limitation, any items for which the Mortgagees may provide Mortgage funds) and shall secure the same by the Mortgages; such borrowing shall not at any given time exceed the amount of unpaid principal due, nor be at a higher interest rate, nor change the payment terms, under the initial Loan Documents or the commitment letters (relating to the Construction Loan and the NOAH Permanent Loan), and provided further that the General Partner shall provide the Limited Partner with an opportunity to review all documents related to the Construction Loan and the NOAH Permanent Loan and shall not enter into this loan without the prior written consent of the Limited Partner. The Loan Documents shall provide that no Partner shall have any personal liability for the payment of all or any part of any loan and that under no circumstances will the Limited Partner ever be personally liable.

2. General Partner Bound by Loan Documents. The General Partner shall be bound by the terms of the Loan Documents and the Project Documents. Any incoming General Partner shall as a condition of receiving any Interest agree to be bound by the Loan Documents and the Project Documents to the same extent and on the same terms as the other General Partner.

3. Restrictions on Loan Participation. The Loan Documents and all other documents evidencing any secured indebtedness incurred by the Partnership shall each contain a prohibition on the sale, assignment, transfer or conveyance of such indebtedness (or any interest therein) by the lender to the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation or the inclusion of any such indebtedness (or any interest therein) by the lender in a pool of loans to be sold, assigned, transferred or conveyed to the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation.