

FIRST AMENDMENT TO LOAN AGREEMENT
(Waterman Gardens- Valencia Val 9)

This First Amendment to Loan Agreement (the "First Amendment") is entered into as of March 17, 2015, by and among the County of San Bernardino, a political subdivision of the State of California (the "County"), and Val 9 Housing Partners, L.P., a California limited partnership (the "Borrower"), with reference to the following facts:

RECITALS

- A. The County, and the Borrower entered into that certain Loan Agreement dated as of March 3, 2015 (the "Loan Agreement"). These recitals refer to and utilize certain capitalized terms which are defined in Article 1 of the Loan Agreement. Capitalized terms used in this First Amendment, but not defined, shall have the meaning set forth in the Loan Agreement.
- B. Pursuant to Section 7.9 of the Loan Agreement, no alteration or variation of the terms of the Loan Agreement is valid unless made in writing by the Parties. Any material change in the amount or terms of the Loan Agreement must be approved by the County Board of Supervisors.
- C. On March 17, 2015, the governing board of the County approved and authorized the County Chief Executive Officer to execute this First Amendment and any and all documents necessary to effectuate the disbursement of the County Loan in accordance with the requirements of the Loan Agreement as modified by this First Amendment.
- D. To implement and effectuate the Loan Agreement and construction of the Development, the County and the Borrower desire to enter into this First Amendment to:
 - (i) Revise sources of the Approved Financing in order to provide the Borrower flexibility in the source of permanent and construction financing approved for the construction of the Development;
 - (ii) Revise the Conditions to Disbursement of the Predevelopment Component I of the County Loan; and
 - (iii) Revise certain Permitted Transfer in the event of default; and
 - (iv) ~~(iii)~~ Make conforming non-substantive changes to effectuate the purpose of the Loan Agreement as modified by this First Amendment.

NOW, THEREFORE, the County and the Borrower agree as follows:

AMENDMENTS TO LOAN AGREEMENT

Section 1. Amendment to Section 1.1(e). Section 1.1(e) of the Loan Agreement is hereby deleted in its entirety and replaced and amended as follows:

"(e) "Approved Financing" means all of the following loans, grants and equity obtained by Borrower and approved by the County for the purpose of financing the Development:

(i) An unsecured equity bridge loan from Wells Fargo Bank, National Association in the approximate amount of ~~Nine~~Eight Million ~~Five~~Six Hundred ~~Sixty-Six~~ Thousand ~~Three Hundred Forty-Eight~~ Dollars (\$~~9,500,000~~8,666,348) (the ~~"Construction Loan"~~"Construction Loan") which will be made to the Borrower or the General Partner. If the Construction Loan is made to the General Partner, the General Partner intends to contribute the sum of the Construction Loan to the Borrower as a partnership contribution. The County acknowledges that the Construction Loan is intended to be repaid from Tax Credit Investor Equity as and when available;

(ii) A HUD/FHA 221(d)(4) loan from PNC Bank, National Association in the approximate amount of Ten Million Six Hundred Seventy-One Thousand Dollars (\$10,671,000) (the "PNC Loan") or such other source of construction or permanent financing as is reasonably approved by the County in writing (a ~~"County Approved Alternative Loan"~~"County Approved Alternative Loan"). All references to the PNC Loan, including those in Section 1.1(vv), Section 1.1 (ww) and Section ~~2.42.4~~, shall be read to refer to any applicable permanent County Approved Alternative Loan;

(iii) A loan from the Housing Authority of the County of San Bernardino (the ~~"Housing Authority"~~"Housing Authority") of up to One Million Dollars (\$1,000,000) (the "Housing Authority Loan");

(iv) Low Income Housing Tax Credit investor limited partner capital contribution in the approximate amount of Twelve Million Four Hundred Twenty-Four Thousand Two Hundred Twenty-Three Dollars (\$12,424,223) (the "Tax Credit Investor Equity");

(v) A HOME Investment Partnership Act loan from the City of San Bernardino of approximately One Million Five Hundred Thousand Dollars (\$1,500,000)(the ~~"City HOME Loan"~~"City HOME Loan");

(vi) A seller carryback note in the amount of Five Hundred Thousand Dollars (\$500,000) from National Community Renaissance of California (the "Acquisition Loan"); and

(vii) ~~(vi)~~ Deferred Developer Fees in an approximate amount of Four Hundred Ninety-Seven Thousand Three Hundred Fifteen Dollars (\$497,315) (the "Deferred Developer Fee") as described in Section 3.16(c)."

Section 2. Amendment to Section 2.6(a). Section 2.6(a) is hereby deleted in its entirety and replaced and amended as follows:

~~"~~(a) Predevelopment Component I. The County is not obligated to make a disbursement of the Predevelopment Component I at Construction Closing, or to take any

other action under the Loan Documents unless the following conditions precedent are satisfied:

- (i) There exists no Event of Default nor any act, failure, omission or condition that would constitute an Event of Default under this Agreement;
- (ii) Borrower holds good and marketable fee title to the Property or is acquiring title to the Property;
- (iii) Borrower has delivered to the County a copy of Borrower's organizational documents and a corporate authorizing resolution authorizing Borrower's execution of the Loan Documents and the transactions contemplated by the Loan Documents;
- (iv) There exists no material adverse change in the financial condition of Borrower from that shown by the financial statements and other data and information furnished by Borrower to the County prior to the date of this Agreement;
- (v) Borrower has furnished the County with evidence of the insurance coverage meeting the requirements of Section 4.14 below;
- (vi) Borrower has caused to be executed and delivered to the County the Loan Documents and any other instruments, and policies required under the Loan Documents;
- (vii) The Deed of Trust and the Regulatory Agreement have been recorded against the Property in the Office of the Recorder of the County of San Bernardino;
- (viii) Borrower is in compliance with the Schedule of Performance;
- (ix) All environmental review necessary for the construction of the Development has been completed, and Borrower has provided the County evidence of compliance with all CEQA and NEPA mitigation measures;
- (x) The County has determined the undisbursed proceeds of the Loan, together with the firm commitment for the PNC Loan and commitments for funds that Borrower has obtained in connection with the acquisition and construction of the Development, are not less than the amount the County determines is necessary to pay for the acquisition and construction of the Development and to satisfy all of the covenants contained in this Agreement and the Regulatory Agreement. Notwithstanding anything to the contrary, the County shall not be required to disburse any funds under this Section 2.6(a) unless and until the Borrower has obtained a firm commitment for permanent take-out financing for any construction related County

Approved Alternative Loan that is in addition to any firm commitment associated with the PNC Loan);

(xi) Borrower has obtained all permits and approvals necessary for the construction of the Development, as required by Section 3.2, provided however the Borrower may satisfy this requirement with regards to the building permit, if the Borrower provides the County with a permit ready letter from the City Building Department;

(xii) Borrower has submitted a certification from the architect certifying that the plans and specifications and design documents for the Development ensure that the County-Assisted Units are in compliance with Section 3.8(f) of this Agreement.

(xiii) The County has received a copy of the General Contractor's Construction Contract as required pursuant to Section 3.3 below and has issued a notice to proceed with construction to the Contractor and the Contractor has commenced construction of the Development;

(xiv) The County has received and approved the labor and material (payment) bonds as required pursuant to Section 3.5 below;

(xv) A title insurer reasonably acceptable to the County is unconditionally and irrevocably committed to issuing an LP-10 2006 ALTA Lender's Policy of title insurance insuring the priority of the Deed of Trust in the amount of the Loan, subject only to such exceptions and exclusions as may be reasonably acceptable to the County, and containing such endorsements as the County may reasonably require. The Borrower shall provide whatever documentation (including an indemnification agreement), deposits or surety is reasonably required by the title company in order for the County's Deed of Trust to be senior in lien priority to any mechanics liens in connection with any start of construction that has occurred prior to the recordation of the Deed of Trust against the Property in the Office of the Recorder of the County of San Bernardino;

(xvi) Borrower has executed a Partnership Agreement approved by the County, with the Investor Limited Partner, in which the tax credit equity investor is obligated to provide Borrower the Tax Credit Investor Equity;

(xvii) Borrower has closed, or is concurrently closing, on the construction financing including the Construction Loan (or if necessary, the General Partner of the Borrower has closed on the Construction Loan and has contributed the sum of the Construction Loan to the Borrower as a capital contribution in accordance with the Borrower's Partnership Agreement), the County Approved Alternative Loan or the PNC Loan, and the City HOME Loan and is eligible to receive the proceeds of those loans and has received the amount of Tax Credit Investor Equity stated as the first installment in the Partnership Agreement that is allocated to development costs and not closing costs

(estimated cumulative with closing costs to be approximately Two Million Four Hundred Eight Four Thousand Eight Hundred Forty-Five Dollars (\$2,484,845);

(xviii) The County has received a written draw request from Borrower, including (1) certification that the condition set forth in Section 2.6(a)(i) continues to be satisfied, (2) certification that the proposed uses of funds consistent with the Approved Development Budget, (3) the amount of funds needed, and, (4) where applicable, a copy of the bill or invoice covering a cost incurred or to be incurred. When a disbursement is requested to pay any contractor in connection with improvements on the Property, the written request must be accompanied by (i) certification by the Borrower's architect reasonably acceptable to the County that the work for which disbursement is requested has been completed (although the County reserves the right to inspect the Property and make an independent evaluation); and (ii) lien releases and/or mechanics lien title insurance endorsements reasonably acceptable to the County."

Section 3. Amendment to Section 3.16(a). Section 3.16(a) is hereby deleted in its entirety and replaced and amended as follows:

"(a) The maximum cumulative Developer Fee that may be paid to any entity or entities providing development services to the Development, whether paid up-front or on a deferred basis, may not exceed Two Million Dollars (\$2,000,000), of which approximately Four Hundred Ninety-Seven Thousand Three Hundred Fifteen Dollars (\$497,315) shall be deferred subject to subsection (c) below, and in no event may exceed the amount allowed by TCAC and as approved by the County. For the purposes of this Agreement "Developer Fee" has the meaning set forth in California Code of Regulations, Title 4, Section 10302. Except for the Developer Fee, no compensation from any source shall be received by or be payable to the Borrower or any affiliate of the Borrower in connection with the provision of development and construction management services for the acquisition and construction of the Development."

Section 4. Amendment to Section 4.13(c)(iv). Section 4.13(c)(iv) is hereby deleted in its entirety and replaced and amended to read as follows:

"(iv) The removal, or withdrawal in lieu of removal, of Borrower's general partner for cause pursuant to the Partnership Agreement shall not require the County's consent or constitute a default under this Agreement. Notwithstanding anything to the contrary set forth in this Agreement or any of the other Loan Documents, in the event that the general partner of Borrower is removed by the limited partner of Borrower, or withdraws in lieu of being removed, for cause following default under Borrower's Partnership Agreement, the County hereby approves the transfer of the general partner interest to an affiliate of the limited partner of Borrower (which affiliate is not a 501(c)(3) tax-exempt public benefit corporation and does not meet the requirements of Section 4.6(c) or 5.1(b) hereof) to act as the interim replacement general partner for a period of time not longer than 60 days, with the understanding and agreement that the replacement general partner following the interim general partner shall be a 501(c)(3) tax-exempt nonprofit public benefit corporation that is selected by the limited partner and approved in advance and in writing by the County; provided that: (1) all documents associated with the removal of

the general partner, including the Partnership Agreement, are submitted to the County for review and approval, which approval shall not be unreasonably withheld, conditioned or delayed; (2) the Partnership Agreement and other partnership documents are consistent with and do not conflict with the Loan Documents and the approved Development Budget."

Section 5. Amendment to Section 5.1. Section 5.1 is hereby amended to add subsection (m) which shall read as follows:

"(m) TCAC Readiness. Borrower has fully and timely complied with all requirements to satisfy the TCAC readiness deadline on or before March 23, 2015."

Section 6. ~~Section 4.~~ Approved Development Budget. The Development Budget attached as Exhibit B to the Loan Agreement is hereby replaced with the updated Approved Development Budget attached hereto as Exhibit 1, incorporated into the Loan Agreement by this reference.

Section 7. ~~Section 5.~~ Schedule of Performance. The Schedule of Performance attached as Exhibit C to the Loan Agreement is hereby replaced with the updated Approved Development Budget attached hereto as Exhibit 2, incorporated into the Loan Agreement by this reference

Section 8. ~~Section 6.~~ No Other Changes to the Agreement. Except as expressly modified by this First Amendment, all other provisions of the Loan Agreement remain unmodified and continue in full force and effect.

Section 9. ~~Section 7.~~ Conflicts with the Agreement. In the event of any conflict between this First Amendment and the Loan Agreement, the provisions of this First Amendment shall prevail.

Section 10. ~~Section 8.~~ Effective Date. This First Amendment shall be effective on the date first set forth above.

Section 11. ~~Section 9.~~ Successors and Assigns. This First Amendment shall be binding on and inure to the benefit of the legal representatives, heirs, successors and assigns of the parties.

Section 12. ~~Section 10.~~ California Law. This First Amendment shall be governed by and construed in accordance with the laws of the State of California.

Section 13. ~~Section 11.~~ Counterparts; Multiple Originals. This First Amendment may be executed in multiple originals, each of which is deemed to be an original, and may be signed in counterparts.

IN WITNESS WHEREOF, the County, and the Borrower have entered into this First Amendment as of the date first set forth above.

BORROWER:

Val 9 Housing Partners, L.P., a California limited partnership

Date: _____

By: Val 9 MGP, LLC, a California limited liability company,
its sole general partner

By: National Community Renaissance of California,
its sole member and manager

By: _____
Tracy Thomas, Chief Financial Officer

COUNTY:

COUNTY OF SAN BERNARDINO, a political subdivision of the
State of California

Date: _____

By:
James Ramos, Chairman
Board of Supervisors

SIGNED AND CERTIFIED THAT A COPY OF THIS
DOCUMENT HAS BEEN DELIVERED TO THE CHAIRMAN OF
THE BOARD

Laura H. Welch
Clerk of the Board of Supervisors

By: _____

Date: _____

APPROVED AS TO LEGAL FORM:

JEAN-RENE BASLE

County Counsel

By:
Michelle Blakemore,
Chief Assistant County Counsel

Date:

ATTACHMENT 1

REPLACEMENT
EXHIBIT B

APPROVED DEVELOPMENT BUDGET

Attachment 1-1

ATTACHMENT 2

REPLACEMENT
EXHIBIT C

SCHEDULE OF PERFORMANCE

Attachment 2-1