

FIRST AMENDMENT TO COUNTY HOME LOAN AGREEMENT

This first amendment to County Home Loan Agreement (“First Amendment”) is dated as of _____, 2017, and is between the County of Contra Costa, a political subdivision of the State of California (“County”), and Reliant – Woods Grove, LP, a California limited partnership (“Borrower”).

RECITALS

- A. The County and the Borrower are parties to the County Home Loan Agreement, dated September 1, 2010, pursuant to which the County loaned Eight Hundred Thousand Dollars (\$800,000) (the “Loan”) to BRIDGE Regional Partners, Inc. (“BRIDGE”) to be used in the rehabilitation of an 80-unit affordable housing complex located at 850 East Leland Road, Pittsburg, California (the “Agreement”).
- B. Borrower became the “Borrower” under the Agreement pursuant to an Assignment and Assumption and Consent to Assignment Agreement dated _____, 2017, between the County, Borrower and BRIDGE (the “Assignment and Assumption Agreement”). Under the Assignment and Assumption Agreement, BRIDGE assigned, and Borrower assumed, all of Borrower’s rights and obligations under the Loan Documents.
- C. County and Borrower now desire to amend the HOME Loan Agreement to (i) clarify that references to the rehabilitation of the Property in the Agreement apply to the rehabilitation of the Property in the time period that follows this First Amendment, (ii) update certain definitions, (iii) modify the terms related to rehabilitation of the Property, (iv) eliminate the requirement for matching funds, and (v) permit a cure of an Event of Default by Borrower’s limited partner.

NOW, THEREFORE, in consideration of the mutual promises contained herein, and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties agree as follows:

AGREEMENT

- 1. All capitalized terms used but not defined in this First Amendment have the meanings set forth in the Agreement.
- 2. All references to the “rehabilitation” of the Property in the Agreement are deemed to include the rehabilitation of the Property by Borrower after the date of the First Amendment.
- 3. Section 1.1(b) of the Agreement is deleted in its entirety and replaced with the following:
 - (b) “Approved Scope of Work” means the work being done to rehabilitate the Property, which work has been approved by the County and is described in Exhibit A-1.

4. Section 1.1(e) of the Agreement is deleted in its entirety and replaced with the following:

(e) “Borrower” has the meaning set forth in the introductory paragraph to the first amendment to this Agreement.

5. Section 1.1(i) of the Agreement is deleted in its entirety and replaced with the following:

(i) “Deed of Trust means the Deed of Trust with Assignment of Rents, Security Agreement, and Fixture Filing, dated as of October 15, 2010, recorded in the official records of Contra Costa County on October 29, 2010, as Instrument No. 2010-231549.

6. Section 1.1(w) of the Agreement is deleted in its entirety and replaced with the following:

(w) “Note” means the promissory note dated September 1, 2010, made by BRIDGE for the benefit of the County, the performance obligations of which has been assigned to, and assumed by, Borrower.

7. Section 1.1(z) of the Agreement is deleted in its entirety and replaced with the following:

(z) “Regulatory Agreement” means the Regulatory Agreement and Declaration of Restrictive Covenants between BRIDGE and the County, dated as of October 15, 2010, and recorded in the Official Records of Contra Costa County on October 29, 2010, as Instrument No. 2010-241348.

8. Section 1.1 of the Agreement is further amended to include the following definition:

(ff) “Partnership Agreement” means that certain Amended and Restated Partnership Agreement of Borrower dated as of _____, 2017, as the same may be amended from time to time.

(gg) “Subordinate Bonds” means the [\$3,250,000 California Housing Finance Authority Multifamily Housing Revenue Bonds, Series _____,] the proceeds of which are being loaned to Borrower.

9. Section 2.6 of the Agreement is deleted in its entirety.

10. Section 2.7 of the Agreement is deleted in its entirety.

11. Section 2.8 of the Agreement is deleted in its entirety and replaced with the following:

Section 2.8 Repayment Schedule.

(a) Special Definitions. The following definitions apply for the purposes of this Section 2.8:

(i) "Annual Operating Expenses" for each calendar year means the following costs reasonably and actually incurred for operation and maintenance of the Development as confirmed by an annual independent audit performed by a certified public accountant using generally accepted accounting principles:

- (1) property taxes and assessments imposed on the Development;
- (2) debt service currently due on a non-optional basis (excluding debt service due from residual receipts or surplus cash of the Development) on loans associated with development or rehabilitation of the Development and approved by the County;
- (3) debt service currently due on the Subordinate Bonds, which is payable from residual receipts;
- (4) on-site service provider fees for tenant social services, provided the County has approved, in writing, the plan and budget for such services before such services begin, which approval may not be unreasonably withheld, conditioned or delayed and will be deemed granted if the County fails to approve or disapprove the plan and budget within 15 days after submittal;
- (5) property management fees and reimbursements, not to exceed fees and reimbursements which are standard in the industry and are made to a property management company approved by the County, as provided in the Regulatory Agreement;
- (6) premiums for property damage and liability insurance;
- (7) utility services not paid for directly by tenants, including water, sewer, and trash collection;
- (8) maintenance and repair;
- (9) any annual license or certificate of occupancy fees required for operation of the Development;
- (10) security services;
- (11) advertising and marketing;
- (12) cash deposited into reserves for capital replacements of the Development required in connection with the Senior Loans or as set forth in the

Borrower's Partnership Agreement in an amount not to exceed \$500 per unit per year (or any greater amount approved in writing by the County);

(13) cash deposited into an operating reserve in an amount not to exceed 3% of Annual Operating Expenses or the amount required in connection with the permanent financing (or any greater amount approved in writing by the County) but with the operating reserve capped at six (6) months gross rent from the Development (as such rent may vary from time to time);

(14) deferred developer fee, as set forth in Borrower's Partnership Agreement;

(15) asset management fees payable to Borrower's limited partner and partnership management fees payable to Borrower's general partners, which payments, together, may not exceed \$32,000 per year;

(16) extraordinary operating costs specifically approved in writing by the County;

(17) payments of deductibles in connection with casualty insurance claims not normally paid from reserves, the amount of uninsured losses actually replaced, repaired or restored, and not normally paid from reserves, and other ordinary and reasonable operating expenses approved in writing by the County and not listed above.

Annual Operating Expenses do not include the following: depreciation, amortization, depletion or other non-cash expenses, and any amount expended from a reserve account.

(ii) "Borrowers' Share of Residual Receipts" means fifty percent (50%) of the Residual Receipts.

(iii) "Gross Revenue" for each calendar year means all revenue, income, receipts, and other consideration actually received from operation and leasing of the Development. Gross Revenue includes, but is not limited to:

- (1) all rents, fees and charges paid by tenants;
- (2) Section 8 payments or other rental subsidy payments received for the dwelling units;
- (3) deposits forfeited by tenants;
- (4) all cancellation fees;
- (5) price index adjustments;

- (6) and any other rental adjustments to leases or rental agreements;
- (7) net proceeds from vending and laundry room machines;
- (8) the proceeds of business interruption or similar insurance and not paid to senior lenders;
- (9) the proceeds of casualty insurance not used to rebuild the Development and not paid to senior lenders; and
- (10) condemnation awards for a taking of part or all of the Development for a temporary period.

Gross Revenue does not include tenants' security deposits, loan proceeds, capital contributions or similar advances.

(iv) "Lenders' Share of Residual Receipts" means fifty percent (50%) of the Residual Receipts.

(v) "Residual Receipts" for each calendar year means the amount by which Gross Revenue (as defined above) exceeds Annual Operating Expenses (as defined above).

(b) Annual Payments. Commencing on May 1 of the year following the first full year after execution of this Agreement, and on May 1 of each year thereafter for the Term of the Loan, Borrower shall make repayments of the outstanding principal and accrued interest on the Loan equal to the Lenders' Share of Residual Receipts. The County shall credit such payments first against accrued interest and then against outstanding principal. Borrower shall submit to County a report of Residual Receipts (including an independent auditor's report regarding the auditor's review of Annual Operating Expenses) at the same time it submits its annual payment. The Borrower shall provide the County with any documentation reasonably requested by the County to substantiate the Borrower's determination of Residual Receipts.

(c) Payment in Full. Borrower shall pay all principal and accrued interest on the Loan, in full, on the earliest to occur of (i) the date of any Transfer not authorized by the County, (ii) the date of an Event of Default, and (iii) the expiration of the Term.

(d) Prepayment. Borrower may prepay the Loan at any time without premium or penalty. However, the Regulatory Agreement and the Deed of Trust will remain in effect for the entire Term, regardless of any prepayment.

12. Section 3.1 of the Agreement is deleted in its entirety and replaced with the following:

Section 3.1 Permits and Approvals.

Borrower must obtain all permits and approvals necessary for the rehabilitation of the Development as required by law.

13. Section 3.2 of the Agreement is deleted in its entirety.

14. Section 3.3 of the Agreement is deleted in its entirety.

15. Section 3.4 of the Agreement is deleted in its entirety.

16. Section 3.5 of the Agreement is deleted in its entirety and replaced with the following:

Section 3.5 Commencement of Rehabilitation.

Borrower shall cause the commencement of rehabilitation of the Development to occur no later than April 1, 2018, or such later date that the County approves.

17. Section 3.6 of the Agreement is deleted in its entirety and replaced with the following:

Section 3.6 Completion of Rehabilitation.

Borrower shall diligently prosecute rehabilitation of the Development to completion, and shall cause the completion of rehabilitation of the Development to occur no later than December 31, 2018, or such later date that the County approves.

18. Section 3.7 of the Agreement is deleted in its entirety and replaced with the following:

Section 3.7 Rehabilitation Pursuant to Plans and Laws; Prevailing Wages.

(a) Borrower shall rehabilitate the Development in conformance with the plans and specifications approved by the City's Building Inspection Department to the extent approvals are required.

(b) Borrower shall cause all work performed in connection with the Development to be performed in compliance with:

(i) all applicable laws, ordinances, rules and regulations of federal, state, county or municipal governments or agencies now in force or that may be enacted hereafter, including without limitation and to the extent applicable, the prevailing wage provisions of the federal Davis-Bacon Act and implementing rules and regulations, as further set forth in subsection (c) below, and state prevailing wages pursuant to California Labor Code Section 1770 et seq., and the regulations pursuant thereto, as further set forth in subsection (d) below;

(ii) the property standards set out in 24 C.F.R. Section 5.701 et seq. and 24 C.F.R. Section 92.251; and

(iii) all directions, rules and regulations of any fire marshal, health officer, building inspector, or other officer of every governmental agency now having or hereafter acquiring jurisdiction. The work will proceed only after procurement of each permit, license, or other authorization that may be required by any governmental agency having jurisdiction, and Borrower shall be responsible to the County for the procurement and maintenance thereof, as may be required of Borrower and all entities engaged in work on the Development.

(c) To the extent that the prevailing wage requirements of the federal Davis-Bacon Act (40 U.S.C. 3141-3148) apply to the rehabilitation of the Property, the Borrower shall cause rehabilitation of the Development performed after the date of First Amendment to this Agreement to be in compliance with the prevailing wage requirements of the federal Davis-Bacon Act (40 U.S.C. 3141-3148). The Borrower shall indemnify, hold harmless and defend (with counsel reasonably acceptable to the County) the County against any claim for damages, compensation, fines, penalties or other amounts arising out of the failure or alleged failure of any person or entity (including the Borrower, its contractor and subcontractors) to pay prevailing wages as determined pursuant to the prevailing wage provisions of the federal Davis-Bacon Act and implementing rules and regulations in connection with the rehabilitation of the Development or any other work undertaken or in connection with the Property after the date of the First Amendment to this Agreement. The requirements in this Subsection survive repayment of the Loan and the reconveyance of the Deed of Trust.

(d) With respect to the rehabilitation of the Development after the date of the First Amendment to this Agreement, to the extent that the California Labor Code Section 1720 et seq. requiring the payment of prevailing wages, and California Labor Code Sections 1777.5 et seq. regarding the employment of apprentices, and the implementing regulations of the Department of Industrial Relations (the "DIR") applies to the rehabilitation of the Development, Borrower shall comply with, and cause its contractors to comply with, California Labor Code Section 1720 et seq. requiring the payment of prevailing wages, and California Labor Code Sections 1777.5 et seq. regarding the employment of apprentices, and the implementing regulations of the DIR. Notwithstanding the foregoing, nothing in this Agreement or the First Amendment shall be construed or interpreted to be a contract under California Labor Code Section 1720(f) requiring the payment of prevailing wages under California Labor Code Section 1720 et seq. nor the employment of apprentices, under California Labor Code Sections 1777.5 et seq. regarding the employment of apprentices, and the implementing regulations of the DIR. With respect to the rehabilitation of the Development after the date of the First Amendment to this Agreement, the Borrower shall indemnify, hold harmless and defend (with counsel reasonably acceptable to the County) the County against any claim for damages, compensation, fines, penalties or other amounts arising out of the failure or alleged failure of any person or entity (including Borrower, its contractor and subcontractors) to pay prevailing wages as determined pursuant to California Labor Code Section 1720 et seq., to employ apprentices pursuant to California Labor Code Section 1777.5 et seq., and implementing regulations of the DIR or to comply with the other applicable provisions of California Labor Code Sections 1720 et seq., 1777.5 et seq., and the implementing regulations of the DIR in connection with the rehabilitation of the Development or any other work undertaken or in connection with the Property, to the extent such laws apply to the Development. The requirements in this Subsection survive the repayment of the Loan, and the reconveyance of the Deed of Trust.

19. Section 3.10 of the Agreement is deleted in its entirety.
20. Section 3.11 of the Agreement is deleted in its entirety.
21. Section 3.13 of the Agreement is deleted in its entirety.
22. Section 3.15 of the Agreement is deleted in its entirety and replaced with the following:

Section 3.15 Approved Scope of Work.

As of the date of this Agreement, the County has approved the Approved Scope of Work set forth in Exhibit A-1. Borrower shall notify the County in a timely manner of any changes in the Approved Scope of Work. Changes to the Approved Scope of Work, other than additions to the Scope of Work, are subject to the approval of the Director of the County's Department of Conservation and Development, in his reasonable discretion.

23. Section 4.1 of the Agreement is deleted in its entirety.
24. Section 4.2 of the Agreement is deleted in its entirety.
25. Section 4.14(a) of the Agreement is deleted in its entirety and replaced with the following:

(a) For purposes of this Agreement, "Transfer" means any sale, assignment, or transfer, whether voluntary or involuntary, of (i) any rights and/or duties under this Agreement, and/or (ii) any interest in the Development, including (but not limited to) a fee simple interest, a joint tenancy interest, a life estate, a partnership interest, a leasehold interest, a security interest, or an interest evidenced by a land contract by which possession of the Development is transferred and Borrower retains title. The term "Transfer" excludes (i) the leasing of any single unit in the Development to an occupant in compliance with the Regulatory Agreement, (ii) a lease that enables cable and/or laundry services to be available at the Development, (iii) transfers of limited partner interests in the Borrower, (iv) transfers of interests within the limited partner of Borrower, and (v) transfers of general partner interests to affiliates of the limited partner of Borrower.

26. Section 5.1(h) is deleted and replaced with the following:

(h) At the time of the recordation of the Assignment and Assumption Agreement, Borrower will have good and marketable fee title to the Development and there will exist thereon or with respect thereto no mortgage, lien pledge or other encumbrance of any character whatsoever other than liens for current real property taxes and liens in favor of the County or approved in writing by the County.

27. Article 6 of the Agreement is amended to include the following:

Section 6.5 Cure by Borrower's Limited Partner.

The cure of an Event of Default under this Agreement by Borrower's limited partner will be deemed to be a cure by Borrower.

28. Section 7.9 of the Agreement is deleted in its entirety and replaced with the following:

Section 7.9 Notices, Demands and Communications.

All notices required or permitted by any provision of this Agreement must be in writing and sent by registered or certified mail, postage prepaid, return receipt requested, or delivered by express delivery service, return receipt requested, or delivered personally, to the principal office of the Parties as follows:

County: County of Contra Costa
Department of Conservation and Development
30 Muir Road
Martinez, CA 94553
Attention: Assistant Deputy Director

Borrower: Reliant – Woods Grove, LP
c/o Reliant Group Management, LLC
601 California Street, Suite 1150
San Francisco, CA 94108
Attention: J. Caskie Collet

With a copy to: R4 WGCA Acquisition LLC
c/o R4 Capital LLC
780 Third Avenue, 10th Floor
New York, New York 10017
Attention: Marc Schnitzer

Such written notices, demands and communications may be sent in the same manner to such other addresses as the affected Party may from time to time designate by mail as provided in this Section. Receipt will be deemed to have occurred on the date shown on a written receipt as the date of delivery or refusal of delivery (or attempted delivery if undeliverable).

29. All other terms of the Agreement remain unchanged.

30. Borrower hereby affirms all of the representations and warranties made in Article 5 of the Agreement, as amended by this First Amendment.

31. This First Amendment is governed by the laws of the State of California.

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32. This First Amendment may be executed in multiple originals, each of which is deemed to be an original.

County and Borrower are executing this First Amendment as of the date set forth in the introductory paragraph.

BORROWER:

Reliant – Woods Grove, LP, a California limited partnership

By: _____

Name: _____

Its: _____

COUNTY:

CONTRA COSTA COUNTY, a political subdivision of the State of California

By: _____

Name: _____

Its: _____

APPROVED AS TO FORM:

By: _____
Deputy County Counsel

Exhibit A-1

Approved Scope of Work

1. New Roofs
2. New Windows
3. Exterior Paint
4. Upgraded / energy efficient site lighting
5. Conversion of 8 units to Handicapped Units with compliant ADA parking and path of travel
6. Upgraded Kitchens and Bathrooms, as necessary