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State of Rhode Island and Providence Plantations

OFFICE OF THE SECRETARY OF STATE
100 NORTH MAIN STREET
PROVIDENCE, RHODE ISLAND
02903-1335

CERTIFICATE OF AMENDMENT TO
CERTIFICATE OF LIMITED PARTNERSHIP

Be it Known to All by these Presents, That we, the undersigned, of
PG Associates Limited Partnership

desiring to amend the Certificate of said partnership, under and by virtue of the power conferred by
Chapter 7-13-9 of the General Laws of Rhode Island hereby execute the following Certificate of
Amendment to its Certificate of Limited Partnership.

FIRST. The name of the Limited Partnership is
PG Associates Limited Partnership

SECOND. The date of the filing of the Certificate of Limited Partnership is
October 9, 1996, 19

THIRD. The Certificate of Limited Partnership (as amended on
December 1, 1997),

(List all dates of amendment or omit if not applicable)

is amended as follows:

(Insert amendment)

see attached

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SECRETARY OF STATE
CORPORATIONS DIV

In Testimony Whereof, We have hereunto set our hands and stated our residences this
18th day of December A.D. 19 97

Signature (s) of at least one general partner and by each other general partner(s) designated as a
new general partner (s).

Arthur Kramer

Knight Street Housing Corp, General Partner, by Arthur Kramer its Vice
President

State of Rhode Island

} Sc.

County of Providence

At Providence in said county on the 18th day of December
19 97, before me personally appeared Arthur Kramer
Vice President of Knight Street Housing Corp,
who being by me first duly sworn, declared that he/she is the the General Partner of
PG Associates Limited Partnerhsip, that he/she signed the foregoing document as such
aforesaid mentioned capacity of corporation, and that the statements therein are true.

[Signature]

Notary Public

exp. 4/7/01

**AMENDED AND RESTATED
AGREEMENT AND CERTIFICATE OF LIMITED PARTNERSHIP
OF
PG ASSOCIATES LIMITED PARTNERSHIP,
a Rhode Island limited partnership**

THIS AMENDED AND RESTATED AGREEMENT AND CERTIFICATE OF LIMITED PARTNERSHIP (this "Agreement") of PG ASSOCIATES LIMITED PARTNERSHIP, a Rhode Island limited partnership (the "Partnership") is made as of December 1, 1997 by and among KNIGHT STREET HOUSING CORP., a Rhode Island corporation (sometimes "KSHC" and sometimes the "Managing General Partner"), GLEN HILLS REALTY CORPORATION, a Rhode Island corporation ("Glen Hills") (collectively, the Managing General Partner and Glen Hills are referred to as the "General Partners"), SUNAMERICA HOUSING FUND 354, A NEVADA LIMITED PARTNERSHIP (sometimes "SHF" and sometimes the "Limited Partner"), JOHN B. BENTZ (the "Withdrawing Limited Partner") and PROPERTY ADVISORY GROUP INC., a Rhode Island corporation (the "Withdrawing General Partner") with reference to the following facts:

A. The General Partners and the Withdrawing Limited Partner entered into an Agreement and Certificate of Limited Partnership of the Partnership, dated as of October 9, 1996 (the "Original Agreement"). The Certificate of Limited Partnership ("Certificate") of the Partnership was filed with the Secretary of State of the State of Rhode Island on October 9, 1996.

B. The Withdrawing Limited Partner now wishes to withdraw as the limited partner of the Partnership, the Withdrawing General Partner now wishes to withdraw as a general partner and the General Partners wish to admit SHF as a limited partner of the Partnership and KSHC as a general partner pursuant to the terms and conditions stated herein.

C. The parties also desire to amend and restate the Original Agreement in its entirety, pursuant to the terms and conditions stated herein.

NOW, THEREFORE, the parties hereto do hereby agree as follows:

1. CONTINUATION OF LIMITED PARTNERSHIP, AMENDMENT AND RESTATEMENT OF ORIGINAL AGREEMENT AND WITHDRAWAL OF WITHDRAWING LIMITED PARTNER. The General Partners and the Limited Partner hereby agree to continue the Partnership as a limited partnership pursuant to the provisions of the Rhode Island Revised Uniform Limited Partnership Act, and to amend and restate the Original Agreement in its entirety, as set forth herein. The Withdrawing Limited Partner

hereby withdraws from and ceases to be a limited partner of the Partnership effective upon execution of this Agreement. By executing this Agreement, the Withdrawing Limited Partner acknowledges that, other than as set forth in this Agreement, no money is due to him from the Partnership.

2. NAME AND PLACE OF BUSINESS. The business of the Partnership shall be conducted under the name of PG ASSOCIATES LIMITED PARTNERSHIP provided, however, that the Managing General Partner may, in its absolute and sole discretion, change the name of the Partnership at any time and from time to time, except that in no event shall the name of the Partnership include the name or initials of the Limited Partner or any name or initials which are substantially similar thereto. The General Partners shall provide notice to the Limited Partner of any change in the name of the Partnership. The principal office of the Partnership shall be 5 Cathedral Square, Providence, Rhode Island 02903, unless changed by the General Partners by giving written notice to the Limited Partner not less than ten (10) days preceding any such change.

3. PURPOSES AND HUD RESTRICTIONS.

(a) Purposes. The principal purpose of the Partnership is to acquire the Property and to rehabilitate, hold, improve, maintain, operate, finance, develop, sell, mortgage, exchange and lease the Project and the Property (as defined herein) and to engage in any and all general business activities related or incidental thereto. The Partnership may also engage in such other activities as may be reasonably incident or appropriate to furthering the activities of the Partnership with respect to the Project and the Property. The Partnership may also apply for and obtain from HUD, the housing finance agency in the state where the Project is located (the "State HFA"), and/or other federal, state or local government agencies, mortgage insurance, interest subsidies, rent supplement and housing assistance payments and other assistance provided by the federal, state and local law. The partnership is also authorized to enter into an agreement with HUD or the State HFA (the "Regulatory Agreement") governing the operation and maintenance of the Project.

(b) HUD Restrictions. The Partnership is authorized to execute a note and mortgage in order to secure a loan insured by the Secretary of HUD and to execute a Regulatory Agreement and other documents required by such Secretary in connection with such loan. Any incoming General Partner shall, as a condition of receiving an interest in the Partnership, agree to be bound by the note, mortgage and Regulatory Agreement and other documents required in connection with the HUD-insured loan to the same extent and on the same terms as the other General Partners. Upon any dissolution, no title or right to possession and control of the Project, and no right to collect the rents therefrom, shall pass to any person who is not bound by the Regulatory Agreement in a manner satisfactory to the Secretary. As long as the Secretary, or his or her successor or assign, is the insurer or holder of the mortgage on the Project, no amendment to the Partnership Agreement which results in any of the following shall be of force or effect without the prior written consent of HUD:

- (1) any amendment which modifies the term of the Partnership Agreement;
- (2) any amendment which results in the requirement that a HUD Prior Participation Certificate be obtained for an additional party; and
- (3) any amendment which in any way impacts or affects the HUD mortgage or Regulatory Agreement.

Any other provisions of this Agreement to the contrary notwithstanding, no distribution (as defined in the Regulatory Agreement) shall be made except in conformance with the Regulatory Agreement, and in the event that any provision of this Agreement shall be in conflict with any provision of the Regulatory Agreement, the provision of the Regulatory Agreement shall control.

4. TERM OF PARTNERSHIP; AGENT FOR SERVICE OF PROCESS.

(a) Term. The Partnership commenced on October 9, 1996 and shall continue until December 31, 2040 unless sooner terminated as herein provided or by operation of law.

(b) Agent for Service of Process. The agent for service of process of the Partnership shall be Arthur L. Kramer. The agent for service of process of the Partnership may be changed from time to time by the Managing General Partner in its sole and absolute discretion, subject to applicable law.

5. DEFINITIONS. When used in this Agreement, the following terms shall have the meanings set forth below:

(a) Actual Credits. "Actual Credits" shall mean, with respect to any Fiscal Year of the Partnership, the total amount of Tax Credits reported and claimed by the Partnership and its Partners on their respective federal information and income tax returns for that Fiscal Year of the Partnership, and allowed to the Partnership and the Partners, taking into account any adjustments thereto by any taxing authority.

(b) Additional Capital Contributions. "Additional Capital Contributions" shall mean the First Additional Capital Contribution and the Second Additional Capital Contribution. The "First Additional Capital Contribution" shall mean the \$764,280 Capital Contribution to be made by the Limited Partner pursuant to Paragraph 6(b)(3). The "Second Additional Capital Contribution" shall mean the \$84,920 Capital Contribution to be made by the Limited Partner pursuant to Paragraph 6(b)(4).

(c) Annual Allowed Distribution. "Annual Allowed Distribution" shall mean the annual distribution to partners allowed by HUD without taking into

consideration the Earned Distributions. Notwithstanding the foregoing from and after the date of payment of an aggregate amount equal to \$93,415 pursuant to Paragraph 8(a)(2), "Annual Allowed Distributions" shall mean the annual distributions to partners allowed by HUD plus \$40,000 of the Earned Distributions.

(d) Authorities and Authority. "Authorities" shall mean all nations or governments, all states or other political subdivisions thereof, and all entities exercising their executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including but not limited to, all federal, state or municipal departments, commissions, boards, bureaus, agencies, courts, tribunals or instrumentalities. "Authority" shall mean any of the Authorities.

(e) Bankruptcy. "Bankruptcy" shall mean:

(1) The filing by a General Partner of a voluntary petition in bankruptcy, insolvency, reorganization or liquidation under the United States Bankruptcy Laws (the "Bankruptcy Laws"), or any other petition under any section or chapter of the Bankruptcy Laws or any similar state, federal, or foreign law;

(2) The filing of any involuntary petition or any other petition against a General Partner under any section or chapter of the Bankruptcy Laws or any similar state, federal or foreign law which is not dismissed within ninety (90) days after such filing; or

(3) The appointment by any court of a receiver, custodian, trustee or similar official to take possession of all or any portion of the assets of a General Partner.

(f) Capital Account. "Capital Account" shall mean each Partner's initial Capital Contribution. In addition, each Partner's Capital Account shall be:

(1) Increased by:

(i) The amount of any additional Capital Contributions by such Partner, including the amount of Partnership liabilities assumed by such Partner or secured by any Partnership property distributed by the Partnership to such Partner (other than liabilities described in Paragraph 5(f)(2)(ii) hereof);

(ii) The fair market value of any property contributed by such Partner to the Partnership (net of liabilities secured by such property which are considered to be assumed or taken "subject to" by the Partnership); and

(iii) Items of book income and gain which are allocated to such Partner; and

(2) Decreased by:

(i) The amount of cash distributed to such Partner by the Partnership, including the amount of liabilities of such Partner assumed by the Partnership or secured by any property contributed by such Partner to the Partnership (other than liabilities described in Paragraph 5(f)(1)(ii) hereof);

(ii) The fair market value of any property distributed by the Partnership to such Partner (net of liabilities secured by such property which are considered to be assumed or taken "subject to" by such Partner);

(iii) Items of expense described in Section 705(a)(2)(B) of the Code allocated to such Partner; and

(iv) Items of book loss and deduction which are allocated to such Partner.

The foregoing provisions are intended to comply with the Regulations promulgated under Section 704(b) of the Code and shall be applied and interpreted accordingly. The Capital Accounts shall be adjusted in order to reflect allocations of depreciation, amortization, and gain and loss as computed for book purposes. Upon the Transfer of any Partner's interest in the Partnership, the Capital Account of the transferor Partner shall carry over to the transferee Partner.

(g) Capital Contribution. "Capital Contribution" shall mean any money or property, or a promissory note, administrative costs of and funds drawn on any letter of credit or other binding obligation to contribute money or property, or to render services as permitted by law, which a Partner contributes to the Partnership as capital in that Partner's capacity as a Partner pursuant to an agreement between the Partners, including an agreement as to value.

(h) Capital Event. "Capital Event" shall mean a sale, refinance, exchange, transfer, assignment or other disposition (including a condemnation or foreclosure), recovery of damage award or receipt of insurance proceeds (to the extent such insurance proceeds are not used to improve or repair the Project) of all or any portion of the Property.

(i) Cash From Capital Event. "Cash From Capital Event" shall mean the net proceeds of a Capital Event after (i) payment of all expenses associated with the Capital Event, (ii) repayment of all secured Partnership debts, and all Limited Partner's Advances (if any), (iii) repayment of the \$250,000 promissory note issued to the seller of the Property to the Partnership and (iv) an allowance is made for Cash Reserves. Cash From Capital Event shall not include Cash From Operations.

(j) Cash From Operations. "Cash From Operations" shall mean for each Fiscal Year of the Partnership such portion of the cash of the Partnership resulting from the operations of the Project for such Fiscal Year of the Partnership that, in the reasonable exercise of discretion by the Managing General Partner, is available for distribution to the Partners after (i) Limited Partner's Advances (if any), are repaid, and (ii) an allowance is made for Cash Reserves. Cash From Operations shall not include Cash From Capital Event.

(k) Cash Reserves. "Cash Reserves" shall mean such amounts as may be reasonably estimated by the Managing General Partner for payment of capital costs and expenses of replacement of structural components and equipment of the Project. In no event shall the amount added to Cash Reserves during each Fiscal Year of the Partnership be less than the greater of (i) the amount of the annual addition to cash reserves required by any entity (other than a Partner) which has loaned monies to the Partnership and secured such loan with a deed of trust or mortgage on the Property; or (ii) One Hundred Fifty Dollars (\$150) for each unit of the Project.

(l) Code. "Code" shall mean the Internal Revenue Code of 1986, as amended.

(m) Developer Fee. "Developer Fee" shall have the meaning set forth in Paragraph 9(b).

(n) Earned Distributions. "Earned Distributions" shall mean the annual distributions to partners of the Partnership allowed by HUD which were earned through the date hereof but have not been made. The parties acknowledge the Earned Distributions equal \$133,415.

(o) Excess Interest. "Excess Interest" shall mean all interest payable under the Initial Loan that would not have been payable under Paragraph 6(b)(1) had the Limited Partner made the Initial Loan, plus, if a third-party lender makes the Initial Loan, an amount equal to all other amounts (other than principal) payable under the Initial Loan.

(p) Excluded Contributions. "Excluded Contributions" shall mean any Capital Contribution made by the Limited Partner to pay Excess Interest.

(q) Fiscal Year of the Partnership. "Fiscal Year of the Partnership" shall mean the fiscal year of the Limited Partner.

(r) Gain From Capital Event. "Gain From Capital Event" shall mean the gain resulting from a Capital Event determined at the close of the Fiscal Year of the Partnership by the Partnership's accountants, in accordance with the principles of Paragraph 5(cc) hereof.

(s) General Partners. "General Partners" shall mean Knight Street Housing Corp., a Rhode Island corporation ("KSHC") and Glen Hills Realty Corporation, a Rhode Island corporation. "General Partner" shall refer to either of the General Partners.

(t) General Partners' Advances. "General Partners' Advances" shall mean the aggregate amount loaned by either General Partner to the Partnership from time to time prior to the date of the First Additional Capital Contribution, plus various obligations to creditors of the Partnership which either General Partner has paid or obligated itself to pay directly on behalf of the Partnership, reduced by any payments made thereon pursuant to this Agreement. General Partners' Advances shall be repaid from the Limited Partner's Additional Capital Contributions pursuant to Paragraphs 6(b)(3) and 6(b)(4). Any General Partners' Advances remaining unpaid following the date of the Limited Partner's Second Additional Capital Contribution will be deemed an expense of the General Partners, and shall neither (i) be repaid by either the Partnership or any of its Partners, nor (ii) be treated as a Capital Contribution of a General Partner.

(u) Governmental Regulations. "Governmental Regulations" shall mean all present and future statutes, regulations, rules, ordinances, codes, licenses, requirements, resolutions, policy statements and orders (including without limitation, those relating to land use, subdivision, zoning, environmental, toxic or hazardous waste, occupational health and safety, water, earthquake hazard reduction and building and fire codes) of any Authority, and all applicable judicial, administrative and regulatory decrees, judgments and orders relating to the ownership, construction, alteration, rehabilitation, maintenance, use, operation, sale or other disposition of the Property or the Project.

(v) HUD. "HUD" shall mean the United States Department of Housing and Urban Development.

(w) Improvements. "Improvements" shall mean, collectively, all of the improvements located or to be located on the Property, including the Project.

(x) Incentive Management Fee. "Incentive Management Fee" shall mean an amount equal to the lesser of (i) fifty percent (50%) of Cash From Operations or (ii) 50% of the Annual Allowed Distributions, reduced in both cases of clause (i) and clause (ii) by (A) the Tax Credit Shortfall for the corresponding Fiscal Year of the Partnership; and (B) any Unpaid Tax Credit Shortfall and any accrued interest thereon. Notwithstanding the foregoing, prior to the time when all Operating Deficit Loans are paid in full, the Incentive Management Fee shall be zero.

(y) Licenses and Permits. "Licenses and Permits" shall have the meaning given it in Paragraph 6(b)(2)(xiii).

(z) Limited Partner. "Limited Partner" shall mean SunAmerica Housing Fund 354, A Nevada Limited Partnership, or any other person or entity who has been

admitted to the Partnership as either a Limited Partner in accordance with this Agreement, or an assignee of an interest in the Partnership.

(aa) Limited Partner's Advances. "Limited Partner's Advances" shall mean the amounts loaned to the Partnership by the Limited Partner (or an affiliate of the Limited Partner) from time to time during the term of the Partnership. Any Limited Partner's Advances shall be made at the sole and absolute discretion of the Limited Partner. Limited Partner's Advances shall be repaid prior to the payment of any fee described in Paragraph 9 and prior to any payment or distribution described in Paragraph 8. Limited Partner's Advances shall be repaid with interest compounded monthly at a rate equal to the greater of ten percent (10%) per annum or one point over the Bank of America Reference Rate announced from time to time. Notwithstanding the foregoing sentence, (i) in the event that any Limited Partner's Advances are made due to the Managing General Partner's failure to fulfill its obligations under any of Paragraphs 10(i), 10(j) or 10(l) of this Agreement, such Limited Partner's Advances shall bear interest at the highest rate permitted by Rhode Island law and (ii) the Limited Partner shall have recourse against the assets of the General Partners for payment of Limited Partner's Advances, plus accrued interest, made due to the Managing General Partner's failure to satisfy its obligations under Paragraph 10(j), (iii) the Limited Partner shall have recourse against the assets of the General Partners for payment of Limited Partner's Advances (not including accrued interest) made due to the Managing General Partner's failure to satisfy its obligations under Paragraph 10(i) up to an amount equal to the difference between the outstanding Operating Deficit Loans made by the Managing General Partner and the maximum of such loans set forth in Paragraph 10(i) and (iv) the Limited Partner shall have recourse against the assets of the General Partners for payment of interest accrued on Limited Partner's Advances made to pay an obligation which the Managing General Partner failed to pay under Paragraph 10(i).

(bb) Managing General Partner. "Managing General Partner" shall mean Knight Street Housing Corp., a Rhode Island corporation.

(cc) Net Profits and Net Losses. "Net Profits" and "Net Losses" shall mean the net profits or net losses, respectively, of the Partnership as determined on the basis of the accounting method selected by the General Partners in accordance with Paragraph 14(a) hereof, at the close of the Fiscal Year of the Partnership by the Partnership's accountants in accordance with federal income tax principles, and as set forth on the information return filed by the Partnership for federal income tax purposes. Net Profits and Net Losses shall not include Nonrecourse Deductions, Partner Nonrecourse Deductions or Gain From Capital Event.

(dd) Nonrecourse Deductions. "Nonrecourse Deductions" shall mean the Partnership deductions that are characterized as "nonrecourse deductions" pursuant to the Regulations promulgated under Section 704(b) of the Code.

(ee) Operating Deficit. "Operating Deficit" shall mean for any period, the amount by which the cash revenue of the Partnership from rental payments made

by tenants of the Property is exceeded by the sum of (i) all of the operating expenses of the Partnership; (ii) all required debt service payments (principal and interest); (iii) all other accruals, including, but not limited to, accruals for property taxes and insurance; and (iv) maintenance of Cash Reserves.

(ff) Operating Deficit Loans. "Operating Deficit Loans" shall mean the loans made by the Managing General Partner to the Partnership pursuant to Paragraph 10(i).

(gg) Partner. "Partner" shall mean a General Partner or a Limited Partner. The term "Partners" shall refer collectively to the General Partners and to the Limited Partner.

(hh) Partner Nonrecourse Deductions. "Partner Nonrecourse Deductions" shall mean the Partnership deductions that are characterized as "partner nonrecourse deductions" pursuant to the Regulations promulgated under Section 704(b) of the Code.

(ii) Partnership Minimum Gain. "Partnership Minimum Gain" shall mean the amount determined pursuant to the Regulations promulgated under Section 704(b) of the Code.

(jj) Payment Date. "Payment Date" shall mean the date which is ninety (90) days after the end of each Fiscal Year of the Partnership. Payment of the Incentive Management Fee, and distributions pursuant to Paragraph 8 for each Fiscal Year of the Partnership shall be made on the Payment Date following the end of such Fiscal Year of the Partnership.

(kk) Permanent Financing. "Permanent Financing" shall mean collectively (i) a Promissory Note, dated March 21, 1972 in the original principal amount of \$824,700, (the outstanding principal balance is approximately \$615,000) in favor of Industrial National Bank to be assumed by the Partnership and all documents related thereto; (ii) a Promissory Note in the original principal amount of \$474,591, to be issued by the Partnership, and all documents related thereto ("Section 241 Loan"); and (iii) a Promissory Note in the original principal amount of \$250,000, at an annual interest rate of 6.5% with all interest and principal due in twenty (20) years, in favor of United States Investment and Development Corp. to be issued by the Partnership, and all documents related thereto.

(ll) Permanent Loan Shortfall. "Permanent Loan Shortfall" shall mean an amount equal to the excess of the actual amount of the points, costs and fees to incur the Permanent Financing over the budgeted amount of such points, costs and fees.

(mm) Project. "Project" shall mean the 40-unit residential apartment project and ancillary structures and amenities for low and moderate income residents, known as Chatham Village Apartments located on the Property.

(nn) Projected Credits. "Projected Credits" shall mean, with respect to any Fiscal Year of the Partnership, the applicable portion (as calculated using the same methods or rules (including, without limitation, rules and/or methods relating to the proration of Tax Credits, or special rules applicable to the first year of a Credit Period as defined in Code Section 42(f)(1), or to the first taxable year following the Credit Period), used to calculate Actual Credits for the same Fiscal Year of the Partnership) of the maximum amount of Tax Credits allocated or otherwise awarded with respect to the Project by the Rhode Island Housing and Mortgage Finance Corporation or other agency of whatever name or designation having the authority to award such credits in the State of Rhode Island, as further described in Paragraphs 21(a)(3) and 21(a)(4).

(oo) Property. "Property" shall mean the real property and improvements thereon located in Providence, Rhode Island as more particularly described in Exhibit "A" to this Agreement.

(pp) Regulations. "Regulations" shall mean the Income Tax Regulations promulgated under the Code, including Temporary and Proposed Regulations, as such Regulations may be amended from time to time, including corresponding provisions of succeeding Regulations.

(qq) Regulatory Agreement. The "Regulatory Agreement" shall have the meaning set forth in Paragraph 3(a) hereof.

(rr) Rent Roll. "Rent Roll" shall have the meaning set forth in Paragraph 6(b)(2)(xiv).

(ss) Rental Achievement. "Rental Achievement" shall mean the Partnership has received for any six (6) consecutive month period after the Permanent Financing is funded monthly gross rental revenues derived from the operation of the Project in an amount greater than the amount required to (A) pay on a current basis all costs, expenses, charges, taxes and debt service (principal and interest) and (B) establish Cash Reserves.

(tt) SAHP. "SAHP" shall mean SunAmerica Affordable Housing Partners, Inc.

(uu) Service Contracts. "Service Contracts" shall have the meaning set forth in Paragraph 6(b)(2)(xvii).

(vv) Tax Credit Shortfall. "Tax Credit Shortfall" shall mean the amount by which ninety-nine percent (99%) of the Projected Credits for any Fiscal Year of the Partnership exceeds one hundred percent (100%) of the Actual Credits allocated to the Limited Partner for that Fiscal Year of the Partnership. Notwithstanding the foregoing sentence, the Tax Credit Shortfall shall not include that portion of any Tax Credit Shortfall arising as a direct result of the Partnership's inability to qualify all of the units in the Project as low-income units by the close of the first year of the Credit Period (as defined in Code Section 42(f)(1)), if the first year of the Credit Period is less than nine (9) months long due to either (A) a Transfer of an interest in the Partnership by the Limited Partner, or (B) a transfer of an interest in the Limited Partner. The Tax Credit Shortfall for any Fiscal Year of the Partnership shall reduce the Incentive Management Fee in accordance with Paragraph 5(w).

(ww) Tax Credits. "Tax Credits" shall mean low-income housing credits allowable with respect to the Project under Section 42 of the Code.

(xx) Tenant Leases. "Tenant Leases" shall have the meaning set forth in Paragraph 6(b)(2)(xv).

(yy) Title Policy. "Title Policy" shall have the meaning set forth in Paragraph 6(b)(2)(vii).

(zz) Transfer. "Transfer" shall mean any encumbrance, gift, assignment, sale or other transfer of all or any portion of an interest in the Partnership, or any encumbrance, gift, assignment, sale or other transfer of a majority interest in the stock or member interests of any corporate or limited liability company Partner.

(aaa) Unpaid Tax Credit Shortfall. "Unpaid Tax Credit Shortfall" shall mean the cumulative amount of all Tax Credit Shortfalls which have not yet been paid to the Limited Partner. The Unpaid Tax Credit Shortfall shall bear interest at the Long Term Applicable Federal Rate (as defined in Section 1274 of the Code) determined as of the date of the Limited Partner's First Additional Capital Contribution, compounded monthly.

(bbb) Withdrawing Limited Partner. "Withdrawing Limited Partner" shall mean John B. Bentz.

6. PARTNERSHIP CAPITAL CONTRIBUTIONS AND LOANS.

(a) Capital Contributions of the General Partners. The Managing General Partner has made an initial Capital Contribution to the Partnership of Ninety-Nine Dollars (\$99). The Managing General Partner's Capital Account balance on the date of this Agreement is Ninety-Nine Dollars (\$99). Glen Hills has made an initial Capital Contribution to the Partnership of One Dollar (\$1). Glen Hills' Capital Account balance on the date of this Agreement is One Dollar (\$1).

(b) Capital Contributions of the Limited Partner.

(1) Initial Capital Contribution and Initial Loan. The Limited Partner shall make an initial Capital Contribution (the "Initial Capital Contribution") equal to the sum of (A) the amount necessary to pay the total fees and costs charged by Jeffer, Mangels, Butler & Marmaro LLP legal services rendered to the Limited Partner in connection with this Agreement and related documents (the "Legal Fee Amount") and (B) an amount equal to \$14,495. The Partnership shall pay the Legal Fee Amount to Jeffer, Mangels, Butler & Marmaro LLP promptly after receiving such sum. Subject to satisfaction of the conditions set forth in Paragraph 6(b)(2) (other than Paragraphs 6(b)(2)(vi), (xiv), (xix), (xx), (xxii), and (xxiv)), the Limited Partner shall also lend to the Partnership up to an amount equal to \$764,280 (the "Initial Loan"). The Partnership shall use \$14,495 of the Initial Capital Contribution to pay a fee to SAHP for arranging the Initial Loan. The General Partners hereby agree that the proceeds of the Initial Loan shall be used only to pay costs of acquiring the Property and rehabilitation of the Project (including fees, permits, overhead and related construction costs). The Initial Loan shall be disbursed in accordance with Paragraph 6(b)(6). The Initial Loan shall be made on the following terms and conditions:

(i) The Initial Loan shall be a recourse obligation of the Partnership and the General Partners;

(ii) If made by a third party lender, SunAmerica Inc. ("SunAmerica") or an affiliate thereof shall provide to such lender a guaranty of repayment of the Initial Loan and the Partnership and SunAmerica shall execute a Reimbursement and Indemnity Agreement in a form acceptable to SunAmerica and the Partnership;

(iii) If the Limited Partner makes the Initial Loan, the promissory note evidencing the Initial Loan shall be substantially in the form of Exhibit B-1 attached hereto. If a third-party lender makes the Initial Loan the promissory note evidencing the Initial Loan (the "Initial Loan Note") shall be substantially in the form of Exhibit B-2 attached hereto;

(iv) The Initial Loan shall be due on the first annual anniversary of the date the Initial Loan is made, except as provided in the Initial Loan Note and except as provided below;

(v) If a third party lender makes the Initial Loan, the provisions of this clause shall apply. Advances of Initial Loan proceeds shall be made from a facility account maintained by SunAmerica (the "Facility Account"). Payments of principal and payments of interest and other amounts owing on

the Initial Loan shall be made directly to the Facility Account and, from the Facility Account, will be paid to the maker of the Initial Loan and if necessary, to the Limited Partner and/or SunAmerica to repay any funds advanced by either of them to the Initial Loan lender for the account of the Partnership. All funds in the Facility Account may be maintained and invested (without obligation to pay interest on any invested funds) in the sole discretion of SunAmerica; provided, however, once the Partnership makes any payment into the Facility Account, the Partnership shall not have any liability for the failure of SunAmerica to forward such amount to the holder of the Initial Loan Note as a payment on such Note and SunAmerica shall immediately forward to the Partnership all advances on the Initial Loan Note made to the Facility Account;

(vi) If the Limited Partner makes the Initial Loan, each advance under the Initial Loan shall not accrue interest for a period of 240 days after the date of disbursement of the first advance and shall accrue interest at an annual rate equal to the prime rate announced by Chase Manhattan Bank from time to time at its principal office plus two percent (2%) for the period beginning on the 241st day after the first advance;

(vii) If a third party lender makes the Initial Loan, the provisions of this clause shall apply. The Limited Partner shall make a Capital Contribution as necessary to pay any Excess Interest under the Initial Loan. The Limited Partner shall be entitled to make its Capital Contribution to pay any Excess Interest at any time (except to the extent provided in Paragraph 6(b)(3)). On the first day of each month, the Partnership shall pay to the Facility Account an amount equal to the interest, if any, which would have accrued during the immediately preceding month under the Initial Loan had the Limited Partner made the Initial Loan and an amount equal to the interest which accrued under the Initial Loan shall be used to pay such interest and the remainder shall be paid to SunAmerica as a loan servicing fee for arranging the loan from the third party lender;

(viii) If the Limited Partner makes the Initial Loan the principal balance of the Initial Loan remaining unpaid on the date the First Additional Capital Contribution is made shall be deemed paid to the Limited Partner and contributed by the Limited Partner to the Partnership as part of the First Additional Capital Contribution, and the Limited Partner's

Capital Account balance shall be increased to reflect such Capital Contribution, if it occurs; and

(ix) If a third party lender makes the Initial Loan, the Initial Loan shall be repaid with the unused proceeds of the Initial Loan and a portion of the First Additional Capital Contribution."

(2) Prerequisites to First Additional Capital Contribution.

After occurrence of all of the events described below, and review and approval of the items described below, the Limited Partner shall make its First Additional Capital Contribution to the Partnership in the manner described in Paragraph 6(b)(3):

(i) Opinion. An opinion from counsel to the Partnership in form and substance satisfactory to counsel to the Limited Partner, (A) that the Partnership was duly formed, and is validly existing and in good standing, under the laws of the State of Rhode Island; (B) that each General Partner (1) was duly and validly formed, and is validly existing and in good standing, under the laws of the State of its incorporation, (2) has taken all necessary corporate steps and has the full power and authority to enter into this Agreement and to perform its obligations as herein set forth, and (3) has duly executed and delivered this Agreement; (C) that no Partnership interest is owned by any person or entity other than the Limited Partner and the General Partners specified herein; (D) that it is more likely than not that the Partnership will be taxable as a partnership and will not be treated as an association taxable as a corporation for federal income tax purposes; and (E) that under Rhode Island law the liability of the Limited Partner is limited to its required Capital Contributions;

(ii) Balance Sheet and Income Statement. A balance sheet and income statement for the Partnership from inception through the month ending before the date of the proposed First Additional Capital Contribution;

(iii) Information Returns. Copies of all federal and state information returns filed by the Partnership since inception, if any;

(iv) Loan Documents; Estoppel Certificate (Beneficiary Statement). Copies of all fully-executed loan documents pertaining to, securing or evidencing the obligations of the borrower under the Permanent Financing, as well as an estoppel certificate (beneficiary statement) executed by the lender of the Permanent Financing;

(v) Credit Certification. Receipt by the Partnership of a Low Income Housing Credit Reservation satisfactory to the Limited Partner, confirming at least \$146,414 of Tax Credits for any full Fiscal Year of the Partnership (or an appropriate amount of Tax Credits prorated for any tax year of the Partnership which is less than twelve (12) months), from the appropriate state or local Authority;

(vi) Evidence of Applicable Fraction. Evidence that the Applicable Fraction (as defined in Code Section 42(c)(1)(B)) for the Project equals or exceeds forty percent (40%) determined as of the date of the First Additional Capital Contribution;

(vii) Title Insurance. An ALTA extended coverage owner's policy of title insurance dated on or before the date of the Limited Partner's First Additional Capital Contribution with a liability amount of \$2,398,491 reflecting ownership of the Property by the Partnership, subject to only such exceptions as have been previously approved in writing by the Limited Partner, and with such endorsements as required by the Limited Partner (the "Title Policy");

(viii) General Partners' Financial Statements. A recent financial statement of each of the General Partners;

(ix) Appraisal of Property and Project. A current appraisal of the Property and the Project prepared by an independent certified M.A.I. real estate appraiser;

(x) Studies: Reports. All advertising materials, soils or geological reports, engineering reports, marketing and/or feasibility reports that are owned or held by the General Partners or the Partnership;

(xi) Local Counsel Review. Review and approval of this Agreement and related documents by Rhode Island counsel to the Limited Partner;

(xii) No Material Change. There shall have been no material change in the business, properties or activities of the Partnership;

(xiii) Licenses and Permits. A list and copies of (A) all zoning and other licenses, permits, certificates of occupancy, approvals, dedications, subdivision maps and entitlements issued, approved or granted by Authorities or otherwise in connection with the Property or the Project (or to be issued, approved or granted upon completion of the construction of the Property or the Project or any portion thereof); (B) any and all development rights and other intangible rights, titles, interests, privileges and appurtenances owned by the Partnership and in any way related to or used in connection with the Property or the Project; and (C) all licenses, consents, easements, rights of way and approvals required from private parties to make use of utilities and to insure vehicular and pedestrian ingress and egress to the Property or the Project (collectively, the "Licenses and Permits");

(xiv) Rent Roll. The rent roll for the Project showing payments by tenants pursuant to written leases (the "Tenant Leases") as of the last day of the month preceding the date of the First Additional Capital Contribution (the "Rent Roll");

(xv) Form of Tenant Leases. All form or forms of Tenant Leases pursuant to which individuals occupy units in the Project;

(xvi) Service Contracts. A list and copies of all service, maintenance and operating agreements affecting the Property or the Project (the "Service Contracts");

(xvii) Insurance Policies. A list and copies of all hazard, rent loss, liability, worker's compensation and other insurance policies currently in effect with respect to the Property or the Project, and copies of all claims and settlements of Fifty Thousand Dollars (\$50,000) or more made since the formation of the Partnership;

(xviii) ALTA Survey. An ALTA Survey of the Property and the Project in form and content acceptable to the title insurance company issuing the Title Policy;

(xix) Plans and Specifications. A copy of the as-built plans and specifications of all Improvements located on, in and about the Property and the Project, as approved by all required Authorities;

(xx) Physical Inspection. A physical inspection report stating that all Improvements have been built and/or rehabilitated in accordance with the plans and specifications provided to the Limited Partner pursuant to Paragraph 6(b)(2)(xix);

(xxi) Preliminary Site Assessment. A current preliminary site assessment prepared by an environmental consulting firm acceptable to the Limited Partner;

(xxii) Lien-Free Completion. Lien-Free completion of the rehabilitation of the Project, as evidenced by (i) receipt of all unconditional lien releases from all subcontractors, materialmen and all other providers of labor, equipment, material and/or services to the Property and the Project; and (ii) receipt of either (A) an unconditional, final certificate of occupancy for each of the buildings comprising the Project located on the Property, issued by the appropriate Authorities, or (B) a certificate from the principal architect for the Project (or, if no principal architect exists, from an agent of the Limited Partner) that the rehabilitation of the Project described in the plans and specifications provided to the Limited Partner by the General Partners is complete;

(xxiii) Approval of HUD. HUD shall have approved the Limited Partner as an indirect owner of the Project; and

(xxiv) Interest. The Partnership shall have paid all accrued interest on the Initial Loan as of the date of the First Additional Capital Contribution.

(3) First Additional Capital Contribution. The Limited Partner shall make a Capital Contribution to the Partnership equal to (a) \$764,280, which amount is payable by conversion of the Initial Loan if the Limited Partner made the Initial Loan, plus (b) if a third party lender made the Initial Loan, an amount equal to all Excess Interest accrued but unpaid to the date of payment (the "First Additional Capital Contribution"), upon satisfaction of the following conditions:

(i) the occurrence of the Limited Partner's Initial Capital Contribution pursuant to Paragraph 6(b)(1);

(ii) the last day of the month following the month in which funding of the Permanent Financing occurs;

(iii) the occurrence of the events and review and approval of the items described in Paragraph 6(b)(2); and

(iv) receipt of a certificate from the General Partners that the representations and warranties in Paragraph 21 are true and accurate as of the date of the First Additional Capital Contribution, and that the covenants in Paragraph 21 continue to be true and accurate as of the date of the First Additional Capital Contribution.

If the Limited Partner makes the Initial Loan, the funds contributed as the First Additional Capital Contribution shall be used (i) first, to pay the Developer Fee and (ii) the balance to repay General Partners' Advances. If a third party lender makes the Initial Loan, the First Additional Capital Contribution shall be used first to repay the portion of the Initial Loan remaining unpaid after the unused proceeds of the Initial Loan are used to repay the Initial Loan, next, to pay the Developer Fee and the remainder shall be used to repay General Partners' Advances. Notwithstanding anything to the contrary contained in this Agreement, the First Additional Capital Contribution shall be reduced by 58.0% of the amount by which the total federal Projected Credits are less than \$1,464,140.

(4) Second Additional Capital Contribution. The Limited Partner shall make the Second Additional Capital Contribution to the Partnership in cash in the amount of \$84,920 (the "Second Additional Capital Contribution") upon satisfaction of the following conditions:

(i) the occurrence of the Limited Partner's First Additional Capital Contribution;

(ii) the last day of the month following the month in which Rental Achievement occurs;

(iii) receipt of an audited cost certification of Eligible Basis for Tax Credit purposes prepared by Edward Gemma, C.P.A. or other independent accountants approved by the Limited Partner in its sole and absolute discretion;

(iv) delivery to the Limited Partner of a Form 8609 "Low Income Housing Credit Allocation Certification" for each building comprising the Project from the Rhode Island Housing and Mortgage Finance Corporation which is the appropriate state credit agency for the jurisdiction in which the Property and the Project are located; and

(v) receipt of a certificate from the General Partners that the representations and warranties in Paragraph 21 are true and accurate as of the date of the Second Additional Capital Contribution, and that the covenants in Paragraph 21 continue to be true and accurate as of the date of the Second Additional Capital Contribution.

The Second Additional Capital Contribution shall be used to pay General Partners' Advances. Notwithstanding anything to the contrary contained in this Agreement, the Second Additional Capital Contribution shall be reduced by 58.0% of the amount by which the total federal Projected Credits are less than \$1,464,140.

(5) Special Additional Capital Contributions. If in any Fiscal Year of the Partnership the Limited Partner's Capital Account balance may be reduced to or below zero, the Limited Partner may, in its sole and absolute discretion, make a Special Additional Capital Contribution to the Partnership pursuant to this Paragraph, in an amount reasonably required to avoid the reduction of the Limited Partner's Capital Account balance to or below zero. If the Limited Partner makes a Special Additional Capital Contribution to the Partnership pursuant to this Paragraph, the Limited Partner shall receive a guaranteed payment for the use of its Special Additional Capital Contribution pursuant to the terms of Paragraph 9(f). Whenever the Limited Partner makes a Special Additional Capital Contribution to the Partnership pursuant to this Paragraph, the General Partners shall have the option, in their sole and absolute discretion, to make Special Additional Capital Contributions to the Partnership, in the aggregate, up to the same amount and on the same terms as the Special Additional Capital Contribution made by the Limited Partner at that time.

(6) Disbursement of Initial Loan. The Initial Loan (as defined in Paragraph 6(b)(1)) shall be made to the Partnership in no more than three installments. A disbursement shall be made within three business days after the Limited Partner receives a written request from the General Partners containing the following: (A) the amount of the requested installment, (B) a certification that the General Partners are in compliance with their obligations hereunder and the representations and warranties set forth in Paragraph 21 are true, and (C) an itemization of the obligations to be paid with the proceeds of the installment.

(c) Interest on Contributions. Except as otherwise provided in Paragraph 9(f), no interest shall be paid by the Partnership on any Capital Contribution made by any Partner to the Partnership.

(d) Use of Capital Contributions. The cash portion of the Capital Contributions of each Partner shall be deposited at the Managing General Partner's discretion in a checking, savings and/or money market or similar account, to be established and maintained in the name of the Partnership, or invested in government securities or certificates of deposit issued by any bank. Thereafter, such amounts shall be utilized for the conduct of the Partnership business pursuant to the terms of this Agreement.

(e) Limited Liability of Limited Partner. Except as may otherwise be provided under applicable law, no Limited Partner shall be bound by, or personally liable for, the expenses, liabilities or obligations of the Partnership. No Limited Partner shall be required to make any Capital Contributions other than the Capital Contributions required to be made pursuant to this Paragraph 6.

(f) Return of Capital. Except as otherwise provided in this Agreement, no Partner shall have the right to withdraw or reduce such Partner's Capital Contribution or to receive any distribution. Except as otherwise provided in this Agreement, no Partner shall have the right to demand or receive property other than cash in return for such Partner's Capital Contributions, or have priority over any other Partner, either as to the return of Capital Contributions or as to Net Profits, Net Losses or distributions.

(g) Source of Return of Capital. Except as provided in Paragraph 12(d), the Limited Partner shall look solely to the assets of the Limited Partnership for the return of its Capital Contributions.

(h) Loans By a Partner. Loans by a Partner to the Partnership shall not be considered Capital Contributions for purposes of this Agreement, and shall not increase such Partner's Capital Account or entitle such Partner to any greater share of the Net Profits, Net Losses or distributions of the Partnership than such Partner is otherwise entitled to under this Agreement.

7. ALLOCATIONS.

(a) Allocation of Net Profits and Net Losses. Subject to Paragraphs 7(i) and 7(j), Net Profits and Net Losses for each Fiscal Year of the Partnership shall be allocated one percent (1%) to the General Partners and ninety-nine percent (99%) to the Limited Partner.

(b) Gain From Capital Event. Gain From Capital Event for each Fiscal Year of the Partnership shall be allocated as follows:

(1) First, to each of the Partners, in proportion to the deficits in their Capital Accounts, until the negative balances in their Capital Accounts equal their respective shares of remaining Partnership Minimum Gain;

(2) Second, to the Limited Partner, in an amount equal to the aggregate of all distributions made to the Limited Partner pursuant to Paragraphs 8(a)(1)(A)(i) and (ii) and 8(b)(1);

(3) Third, to the Limited Partner, in an amount equal to its aggregate Capital Contributions (other than the Excluded Contributions), reduced by amounts previously allocated to the Limited Partner pursuant to this Paragraph 7(b)(3);

(4) Fourth, to the General Partners, in an amount equal to their aggregate Capital Contributions, reduced by amounts previously allocated to the General Partners pursuant to this Paragraph 7(b)(4); and

(5) Subject to Paragraph 22(o), thereafter, fifty percent (50%) to the General Partners and fifty percent (50%) to the Limited Partner.

(c) Nonrecourse Deductions. Nonrecourse Deductions for each Fiscal Year of the Partnership shall be allocated in accordance with the percentages set forth in Paragraph 7(a) hereof.

(d) Partner Nonrecourse Deductions. Partner Nonrecourse Deductions for each Fiscal Year of the Partnership shall be allocated among the Partners as required in the Regulations promulgated under Section 704(b) of the Code.

(e) Tax Credits. Tax Credits for each Fiscal Year of the Partnership shall be allocated one percent (1%) to the General Partners and ninety-nine percent (99%) to the Limited Partner.

(f) Qualified Income Offset. Except as provided in Paragraph 7(g) hereof, in the event the Limited Partner unexpectedly receives an adjustment, allocation or distribution described in Regulations Sections 1.704-1(b)(2)(ii)(d)(4), (5) or (6), items of income and gain shall be specially allocated to the Limited Partner in an amount and manner sufficient to eliminate, to the extent required by the Regulations, any deficit in the Limited Partner's Capital Account as quickly as possible. For purposes of this Paragraph, the Limited Partner's Capital Account, as of the end of the relevant Fiscal Year of the Partnership, shall take into account the adjustments described in Regulations Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6), any amount of any deficit Capital Account balance which the Limited Partner is obligated to restore, and any amount of any deficit Capital Account balance which the Limited Partner is deemed obligated to restore pursuant to the Regulations promulgated under Section 704(b) of the Code.

(g) Minimum Gain Chargeback. Prior to any allocation hereunder, in the event that there is a net decrease in the Partnership Minimum Gain during a Partnership taxable year, each Partner shall be allocated items of income and gain in accordance with the Regulations promulgated under Section 704(b) of the Code, and its requirements for a "minimum gain chargeback." In the event that there is a net decrease in minimum gain attributable to debt associated with Partner Nonrecourse Deductions, income and gain shall be allocated to the Partners in accordance with the Regulations promulgated under Section 704(b) of the Code.

(h) Allocations of Book Items. All items of book income, gain, loss and deduction shall be allocated among the Partners in the same manner that any such item would be allocated if it were includible in the Partnership's taxable income.

(i) Allocations of Cancellation of Indebtedness. All income realized by the Partnership as a result of the cancellation of a General Partners' Advance shall be specially allocated to the General Partners.

(j) Allocation of Initial Loan Interest. One hundred percent (100%) of Net Losses attributable to the Partnership deductions for the interest on the Initial Loan paid through a Capital Contribution by the Limited Partner shall be allocated to the Limited Partner.

8. DISTRIBUTIONS AND PAYMENTS.

(a) Distributions and Payments of Cash From Operations. Subject to any restrictions in the Permanent Financing, on each Payment Date, Cash From Operations for the preceding Fiscal Year of the Partnership shall be distributed and paid in the following manner and order:

(1) First, up to an amount equal to the lesser of (i) Cash From Operations and (ii) the Annual Allowed Distributions shall be distributed as follows:

(A) Fifty percent (50%) shall be used as follows:

(i) First, to make a distribution to the Limited Partner equal to the Tax Credit Shortfall;

(ii) Next, the balance, if any, to make a distribution to the Limited Partner equal to the Unpaid Tax Credit Shortfall, plus interest thereon. (A distribution under this clause (B) shall be applied first to the accrued but unpaid interest on the Unpaid Tax Credit Shortfall and the remainder to pay the Unpaid Tax Credit Shortfall);

(iii) Next, the balance, if any, to repay any outstanding Operating Deficit Loans; and

(iv) Next, the balance, if any, to pay the Incentive Management Fee pursuant to Paragraph 9(a).

(B) Fifty percent (50%) shall be distributed ninety-nine percent (99%) to the Limited Partner and one percent (1%) to the General Partner.

(2) The remainder shall be used to pay a consulting fee in the aggregate equal to \$93,415 to United States Investment and Development Corporation.

(b) Distributions and Payments of Cash From Capital Event. Following the occurrence of a Capital Event (other than in dissolution of the Partnership), Cash From Capital Event shall be distributed and paid in the following manner and order:

(1) To make a distribution to the Limited Partner equal to the Unpaid Tax Credit Shortfall, plus interest thereon. (A distribution under this clause (1) shall be applied first to the accrued but unpaid interest on the Unpaid Tax Credit Shortfall and the remainder to pay the Unpaid Tax Credit Shortfall); and

(2) The balance of Cash From Capital Event, if any, shall be used as follows:

(A) First, to make a distribution to the Limited Partner equal to the difference between (i) its aggregate Capital Contributions (other than the Excluded Contributions), and (ii) amounts previously distributed to the Limited Partner pursuant to this clause (A);

(B) Next, the balance, if any, to make a distribution to the General Partners equal to the difference between (i) their aggregate Capital Contributions, and (ii) amounts previously distributed to the General Partners pursuant to this clause (B); and

(C) Subject to Paragraph 22(o), thereafter, the balance shall be distributed fifty percent (50%) to the General Partners and fifty percent (50%) to the Limited Partner.

(c) To Whom Distributions Are Made. Unless named in this Agreement or unless admitted as a substitute Limited Partner as provided herein, no person or entity shall be considered a Partner in the Partnership. All Transfers of interests by the Limited Partner shall be subject to Paragraph 11 hereof, and, until admitted as a substitute Limited Partner thereunder, no assignee shall have any right as a Limited Partner herein, including, but not limited to, the right to acquire any information on account of the transactions of the Partnership, or to inspect the Partnership books, whether or not such

assignee is otherwise entitled to distributions as assignee. Any payment by the Partnership to the person shown on the Partnership records as the Limited Partner, or to such Limited Partner's legal representatives, or to a named assignee of the right to receive distributions, shall acquit the Partnership and the General Partners of all liability to any other person who may be interested in such payment by reason of an assignment by the Limited Partner, or for any other reason.

(d) Payment to United States Investment and Development Corporation. Notwithstanding anything to the contrary contained herein, United States Investment and Development Corporation shall not receive more than \$93,415 from the Partnership under Paragraph 8(a).

9. COMPENSATION OF PARTNERS: PARTNERSHIP FEES.

(a) Incentive Management Fee. On each Payment Date, the General Partners shall receive the Incentive Management Fee for the immediately preceding Fiscal Year of the Partnership.

(b) Developer Fee. As a fee for developing the Property and the Project, the Partnership shall pay to the Managing General Partner a Developer Fee of \$112,648 which shall be paid pursuant to Paragraph 6(b)(3).

(c) Property Management Fee. The Partnership shall retain the services of United States Management Group, Inc., an affiliate of Glen Hills ("USMG") for the day-to-day management of the Property, so long as Glen Hills remains a General Partner of the Partnership. The agreement between USMG and the Partnership for management services shall be in a form satisfactory to the Limited Partner, shall be subject to renewal upon each anniversary of this Agreement with the consent of the Limited Partner, which consent shall not be unreasonably withheld, and shall provide that the Partnership may terminate such agreement when Glen Hills is no longer a General Partner of the Partnership. For its services, the property manager, so long as it or an affiliate is a General Partner, shall receive a monthly fee equal to the lesser of 5½% of the Partnership's gross receipts from the Project or the amount permitted by HUD. If the property manager is not a General Partner or an affiliate thereof, the property manager shall receive a monthly fee equal to the lesser of 5% of the Partnership's gross receipts from the Project or the amount permitted by HUD.

(d) Other Fees. Except as otherwise set forth in this Agreement or as the Partners may subsequently agree in writing, neither General Partner nor any of its affiliates shall receive any fees or other compensation except as expressly provided in this Agreement for acting as a General Partner or an affiliate thereof or providing any services to the Partnership.

(e) Reimbursable Expenses. Either General Partner may be reimbursed or may charge the Partnership for reasonable expenses incurred by such General Partner on behalf of the Partnership. The General Partners will endeavor to have the Partnership expenses billed directly to the Partnership whenever feasible.

(f) Guaranteed Payments for Use of Special Additional Capital Contribution(s). On each Payment Date, a Partner shall receive, as a guaranteed payment for the use of its capital, an amount equal to the annual interest earned by the Partnership on all Special Additional Capital Contributions made by such Partner pursuant to Paragraph 6(b)(5), if any. Any amount due to a Partner pursuant to this Paragraph shall be deemed an expense of the Partnership for purposes of determining Cash From Operations and Cash From Capital Event. Any amount due to a Partner pursuant to this Paragraph which is not paid when due, shall remain a liability of the Partnership, and shall bear interest at the rate set forth in this Paragraph.

10. POWERS AND DUTIES OF THE PARTNERS.

(a) Powers of the General Partners. The General Partners shall devote such time to the Partnership as shall be necessary to conduct the Partnership business and to operate and manage the Property and the Project in an efficient manner. Subject to the remaining provisions of this Agreement, the General Partners shall be solely responsible for the management of the Partnership business and shall have all rights and powers generally conferred by law or necessary, advisable or consistent in connection therewith, or in connection with accomplishing the purposes of the Partnership as set forth in Paragraph 3 of this Agreement. Notwithstanding the foregoing, the Managing General Partner may appoint, employ, contract or otherwise deal with any person for the transaction of the business of the Partnership, which person may, under supervision of the Managing General Partner, perform any acts or services for the Partnership as the Managing General Partner may approve. The Managing General Partner, acting alone is authorized, or the General Partners acting together are authorized, to execute mortgage notes and mortgage deeds in order to secure the Permanent Financing to be insured under the provisions of Sections 236 and 241 of the National Housing Act and the regulations promulgated pursuant thereto, and to execute the Regulatory Agreement and all other documents required by the Secretary of HUD to insure the Permanent Financing.

(b) Affiliates of the General Partners. Upon receipt of the Limited Partner's prior written consent (which may be granted or withheld in the Limited Partner's sole and absolute discretion), the Partnership may enter into contracts with affiliates of either General Partner in furtherance of the business of the Partnership.

(c) Certain Limitations. Notwithstanding any other provision of this Agreement to the contrary, neither General Partner shall have the authority to do any of the following without the written consent of the Limited Partner (which may be granted or withheld in the Limited Partner's sole and absolute discretion):

- (1) Confess a judgment against the Partnership in excess of Five Thousand Dollars (\$5,000);
- (2) Admit any person as a General Partner or a Limited Partner, or withdraw as General Partner;
- (3) Do any act in contravention of this Agreement;
- (4) Execute or deliver any assignment for the benefit of the creditors of the Partnership;
- (5) Transfer or hypothecate a General Partner's interest in the Partnership, including its interest in Partnership allocations or distributions, except as otherwise provided in this Agreement;
- (6) Dissolve the Partnership;
- (7) Refinance (except that the General Partner may refinance the Section 241 Loan (as defined in Paragraph 5(kk) provided that such refinancing does not increase the total amount due or the total monthly interest and principal payments to be made by the Partnership), sell, exchange, mortgage, encumber, pledge or otherwise transfer all or substantially all of the Property (other than leasing of the Property in the ordinary course of business);
- (8) Change the nature of the business of the Partnership;
- (9) Engage in transactions in which a General Partner or an affiliate of a General Partner has an actual or potential conflict of interest with the Limited Partner or the Partnership, which could have a material, adverse effect on the Partnership, the Property, or the Project;
- (10) File a voluntary petition for bankruptcy of the Partnership;
- (11) Make any unbudgeted expenditure in excess of Twenty-Five Thousand Dollars (\$25,000);
- (12) Borrow funds from the Partnership; and
- (13) Commingle Partnership funds or assets with the funds or assets of a General Partner or any partnership or other entity owned or operated by a General Partner.

(d) Independent Activities of Partners. Except as provided elsewhere herein, any of the Partners, General or Limited, may engage in or possess an interest in other business ventures of every nature and description, independently or with others, including, but not limited to, the ownership, financing, leasing, operation, management, syndication, brokerage, and development of real property; and neither the Partnership nor the other Partners shall have, and each of them hereby expressly waives, relinquishes and renounces, any such right by virtue of this Agreement in and to such independent ventures or to the income or profits derived therefrom.

(e) Tax Matters Partner. The Managing General Partner shall be the designated Tax Matters Partner of the Partnership, as that term is defined in the Code. The Managing General Partner shall promptly provide to the other Partners copies of all correspondence received or sent by the Managing General Partner in its capacity as Tax Matters Partner.

(f) Execution of Documents. Except as otherwise specifically provided by this Agreement, or as otherwise authorized by the Managing General Partner, each check, contract, deed, lease, promissory note, deed of trust, escrow instruction, bond, release or any other documents of any nature whatsoever, in any way pertaining to this Partnership or on behalf of the Partnership, shall be signed by the Managing General Partner, acting alone, or by all of the General Partners acting together.

(g) Indemnification. Neither General Partner shall be liable, responsible or accountable in damages or otherwise to the Partnership or to the Limited Partner for any acts performed within the scope of the authority conferred on such General Partners by this Agreement, except for a General Partner's negligence, willful misconduct or breach of fiduciary duty in carrying out such General Partner's obligations hereunder. Each General Partner shall be fully protected and indemnified by the Partnership against all liabilities and losses suffered by virtue of its status as a General Partner (including amounts paid in respect of judgments, fines or in settlement of litigation and expenses including attorneys' fees reasonably incurred in connection with any pending or threatened litigation or proceeding) with respect to any action or omission determined by a court of law (or by the Limited Partner) to have been taken or suffered in good faith in the reasonable belief that such action or omission was in, or not opposed to, the best interests of the Partnership, except in the case of a General Partner's negligence, willful misconduct or breach of fiduciary duty. No indemnification will be permitted for securities law liabilities pertaining to or arising out of transfers of interests in the Partnership, or for action by, or in the right of, the Partnership, unless or until such General Partner prevails on the merits.

(h) Meetings and Voting Rights of Limited Partner.

(1) Meetings. Either General Partner or the Limited Partner, upon written notice to the Managing General Partner, may call a meeting of the Partners within ten (10) days of any such notice. A meeting of the Partners may be called for any

lawful purpose. The Limited Partner or its designated agent may vote on any matter on which the Limited Partner is entitled to vote pursuant to the terms of this Agreement. The meetings may be held at a mutually convenient location. A Partner unable to attend a meeting in person may attend by conference call provided all participants in the meeting are able to hear and understand each other.

(2) Amendment of Agreement. The Limited Partner shall have the right to vote to amend this Agreement in accordance with the provisions of Paragraph 17 hereof.

(3) Election of New General Partner and Election to Continue Business. Where there is no remaining General Partner, the Limited Partner shall have the right to elect a new General Partner and to make an election to continue the business of the Partnership as provided in Paragraph 12(a)(3) hereof.

(4) Removal of General Partner. The Limited Partner shall have the right to vote to remove any General Partner as provided in Paragraph 13 hereof.

(5) Sale of Property. The Partnership shall sell the Property upon the vote or written consent of the Limited Partner subject to approval of the lender of the Permanent Financing, if required under the loan documents.

(6) Other Matters. The Limited Partner may vote on any other matter specified in Paragraph 10(c) or as otherwise provided in this Agreement or by law.

(i) Operating Deficit Guaranty. In the event an Operating Deficit exists at any time during the first fifteen (15) years after Rental Achievement occurs (the "Initial Period"), the Managing General Partner shall provide such funds as shall be necessary to pay such Operating Deficit(s) in the form of a loan to the Partnership (the "Operating Deficit Loan"). The Managing General Partner shall not be obligated to provide Operating Deficit Loans in excess of an outstanding principal balance of Eighty-Eight Thousand Dollars (\$88,000)(the "Maximum Amount"). The Operating Deficit Loan shall be interest free and shall be repaid pursuant to Paragraphs 8(a)(1) and 12(c)(6). If on or before expiration of the Initial Period the Managing General Partner or any affiliate of a General Partner constructs or participates in a project which qualifies for Tax Credits (the "New Project") within a one (1) mile radius of the location of the Project (the "Radius"), then the obligation of the Managing General Partner to make Operating Deficit Loans shall continue until fifteen (15) years from the date the last certificate of occupancy for the New Project is issued by the applicable Authority (the "Issuance Date"). If the Managing General Partner or any affiliate of a General Partner constructs or otherwise participates in a New Project within the Radius after the Initial Period, then the Managing General Partner shall provide Operating Deficit Loans, up to an amount equal to the Maximum Amount, for a period of fifteen (15) years commencing on the Issuance Date. In addition, if an affiliate of the Limited Partner is entitled by agreement with

either General Partner to receive the Tax Credits for the new Project, then the amount otherwise payable by the Managing General Partner under this Paragraph shall be (i) increased by an amount equal to the amount payable by the general partner for the operating deficits for the New Project under the agreement relating to the new Project (the "Other Operating Deficit Loans"), and (ii) decreased by any Other Operating Deficit Loans made by such general partner.

(j) Rental Achievement Guaranty. Commencing with the date of this Agreement and continuing through the last day of the month in which Rental Achievement occurs, the Managing General Partner shall pay all costs and expenses of constructing, rehabilitating, developing, improving, leasing and operating the Project and the Property to the extent the Partnership does not have funds sufficient to pay such costs and expenses. After (i) completion and rehabilitation of the Project as described hereunder; and (ii) the last day of the fourth consecutive quarter in which the Managing General Partner is required to provide funds to the Partnership pursuant to the Guaranty under this Paragraph, the Managing General Partner may, upon notice to the Limited Partner, elect to terminate its Guaranty under this Paragraph. Upon such notice, the Managing General Partner shall make a Capital Contribution to the Partnership in an amount equal to the undistributed aggregate Capital Contributions of the Limited Partner and shall cause the Partnership to distribute to the Limited Partner an amount equal to such funds. The termination of the Guaranty shall not be effective until such distribution is made. Any sums paid by the Managing General Partner pursuant to the first sentence of this Paragraph 10(j) shall not be treated as loans to the Partnership or any Partner and shall not be repaid by the Partnership or any Partner, nor shall such amounts be considered or treated as Capital Contributions of the Managing General Partner to the Partnership.

(k) Affirmative Covenants of the General Partners. In addition to any other obligations of the General Partners hereunder or under applicable law, the General Partners hereby agree to do each of the following:

(1) Request for Notice. The General Partners shall cause to be recorded a notice in compliance with applicable laws to provide that the Limited Partner shall receive notice, at the earliest possible date, of the commencement of foreclosure proceedings instituted by any lender whose debt is secured by the Property or the Project or both; and

(2) Insurance. The General Partners shall keep in force the policies of insurance set forth in Exhibit "C" attached hereto for the periods set forth in Exhibit "C". The Limited Partner, SunAmerica Inc. and SunAmerica Affordable Housing Partners, Inc. shall be added as additional insureds as indicated in Exhibit "C". All such policies shall be underwritten by companies licensed to write such insurance in the state in which the Project is located, and shall be rated in the latest A.M. Best's Insurance Rating Guide with a rating of at least A, and be in a financial category of at least X. The General Partners shall furnish to the Limited Partner a complete copy of each such policy of insurance.

If the policy is not available prior to the date on which it must be obtained, then certificates of insurance detailing the policy terms and conditions as noted above shall be provided, but the policies must then be provided within sixty days. All such policies shall include endorsements requiring at least 30 days prior written notice to the Limited Partner of any cancellation, termination or reduction of coverage therein. Notice of the renewal of any policy shall be made at least 10 days prior to the scheduled date of such renewal, and shall be in the form of endorsement to the policy. Notice to the Limited Partner of any replacement of any policy shall be made at least 10 days prior to such replacement, and shall be in the form of a copy of the replacement policy, or by certificate, as noted above. The General Partners hereby release and relieve the Limited Partner, SunAmerica Inc. and SunAmerica Affordable Housing Partners, Inc. for any and all liability, and waives its entire right of recovery against them, with respect to any loss or damage of property or for property damage, bodily injury or personal injury to third-parties arising out of or incident to any loss or peril insured against under any of the policies set forth in Exhibit "C", and any other perils for which the General Partners have arranged insurance; and

(3) Delivery of Documents. The General Partners shall, upon request of the Limited Partner, deliver the following documents to the Limited Partner:

(i) A representation letter signed by the Managing General Partner in the form of Exhibit "D" attached hereto;

(ii) Internal Revenue Service Form(s) 8609 "Low Income Housing Credit Allocation Certification" for each building comprising the Project, signed by the authorized official of the Rhode Island Housing and Mortgage Finance Corporation;

(iii) A copy of all the Partnership's federal and state information returns as filed;

(iv) A current financial statement of each General Partner; and

(v) Copies of other documents evidencing the availability of Tax Credits in an amount equal to the Projected Credits for the ten-year credit period commencing with the date the Project is placed in service.

(l) Permanent Loan Shortfall. In the event of a Permanent Loan Shortfall, the Managing General Partner shall provide such funds to the Partnership as shall be necessary to pay such Permanent Loan Shortfall, in the form of a contribution of capital to the Partnership.

(m) Use of Reserves to Fund Operating Deficits. The Managing General Partner shall be entitled to use the portion of Cash From Operations which would be distributed to the Managing General Partner but is not so distributed due to HUD restrictions (the "Retained Cash") to pay any Operating Deficits. No use of the Retained Cash to pay Operating Deficits shall affect in any manner the Managing General Partner's obligations under Paragraph 10(i). Without limiting the generality of the foregoing, any use of the Retained Cash to pay an Operating Deficit shall not be considered an Operating Deficit Loan.

(n) Environmental Protection and Insurance. The Limited Partner shall have the right, but not the obligation, to obtain a policy of environmental property liability insurance ("Environmental Policy") with respect to its interest in the Project. If the Limited Partner obtains such insurance, it will cause the Partnership and the General Partner to be additional insureds under the Environmental Policy. The Limited Partner shall have no claim for a breach of Paragraph 21(a)(24) if and to the extent that the Limited Partner actually recovers its losses for such claim pursuant to the Environmental Policy.

The Limited Partner anticipates that the Environmental Policy would cover not only the Project, but also a large number of other properties. The Environmental Policy would have a deductible, a per discovery policy limit and an aggregate policy limit that would apply to all claims made under the Environmental Policy (including claims made with respect to insured projects other than the Project). Accordingly, a claim made under the Environmental Policy with respect to an insured property other than the Project could adversely affect or eliminate the right of the Partnership and its Partners to recover with respect to an environmental problem affecting the Project. Neither the Limited Partner nor its affiliates shall have any liability to the Partnership, either General Partner or any other person based on the failure of the Environmental Policy to provide coverage for any claim or loss for any reason whatsoever.

The Partnership shall pay to the Limited Partner the actual out-of-pocket costs and expenses incurred by the Limited Partner or its affiliates in obtaining an Environmental Policy that covers the Project ("EI Reimbursements") as reasonably determined by the Limited Partner. The Partners acknowledge that in making such determination, the Limited Partner may have to allocate the aggregate cost of the Environmental Policy among various properties covered by the Environmental Policy. The Limited Partner projects that the EI Reimbursements to be paid by the Partnership for inclusion in an Environmental Policy having a term of approximately five (5) years will be approximately \$1,200 payable in a single installment.

(o) Payment of Environmental Assessment Consultant Fees. The General Partners acknowledge that, on behalf of the Partnership, the Limited Partner will retain an environmental consultant (the "Environmental Consultant") to review and give recommendations related to environmental reports that are provided to the Partnership by the General Partners for the Property (including, but not limited to, Phase I and Phase II environmental assessments, wetlands reports, lead and asbestos reports, abatement reports and

other environmental reports required by the Environmental Consultant). The Limited Partner shall be solely responsible for the payment of fees charged by the Environmental Consultant up to a maximum of \$1,000. The Partnership shall be solely responsible for the payment of the fees of the Environmental Consultant in excess of \$1,000, any such excess to be paid by the Partnership within ten (10) days after receipt of invoices.

11. RESTRICTIONS ON TRANSFER.

(a) Transfer by a General Partner. A General Partner may not Transfer its interest as a general partner in the Partnership without the prior written consent of the Limited Partner, which may be granted or withheld in the Limited Partner's sole and absolute discretion. The transferee shall provide any information and shall execute any documents reasonably necessary to comply with applicable federal and state laws.

(b) Transfer by a Limited Partner. Subject to the remaining provisions of this Paragraph 11, the Limited Partner may not Transfer all or any part of its interest in the Partnership without the consent of the Managing General Partner in its sole and absolute discretion. The transferee shall promptly execute this Agreement in order to become a substituted Limited Partner. It is anticipated that the limited partner of the Limited Partner may sell all or a portion of its interests in the Limited Partner. This shall not be deemed a Transfer under this Paragraph. The General Partners will cooperate as requested by the Limited Partner in facilitating such resale(s).

(c) Rights of Assignee. An assignee who does not become a substituted Limited Partner has no right to request any information regarding, or require an account of the Partnership transactions, to inspect the Partnership books, or to vote on any of the matters as to which a Limited Partner would be entitled to vote pursuant to this Agreement. A mere assignee shall be entitled only to receive the allocations of Net Profits, Net Losses and other items and share of cash distributions to which his transferor would otherwise be entitled.

(d) Division of Allocations and Distributions. If any Partnership interest, or part thereof, is transferred during any accounting period in compliance with the provisions of this Paragraph 11, Net Profits, Net Losses, each item thereof and all other items attributable to such interest for such period shall be divided and allocated between the transferor and the transferee by taking into account their varying interests during the period in accordance with Code Section 706(d), using any convention permitted by law selected by the Managing General Partner. All distributions on or before the date of such Transfer shall be made to the transferor, and all distributions thereafter shall be made to the transferee. Neither the Partnership nor a General Partner shall incur any liability for making allocations and distributions in accordance with the provisions of this Paragraph, whether or not a General Partner or the Partnership has knowledge of any Transfer of ownership of any interest.

(e) Agreement Applies to Transferred Interest. Each Partner agrees that notwithstanding the provisions for the Transfer of any interest contained herein, the interest, when and if transferred, shall remain subject to all of the terms and conditions of this Agreement.

(f) No Dissolution. If the Limited Partner Transfers all or any part of its interest without complying with the provisions of this Agreement, such action shall not cause or constitute a dissolution of the Partnership.

12. DISSOLUTION AND WINDING UP OF THE PARTNERSHIP.

(a) Dissolution of Partnership. The Partnership shall be dissolved upon the occurrence of any of the following events:

(1) The vote or written consent of the Limited Partner together with the written consent of the General Partners;

(2) The date of receipt in cash by the Partnership of the entire proceeds from a sale or other disposition by the Partnership of all, or substantially all, of the Partnership's property, provided that if such a sale is made for consideration payable in whole or part over a period of time, such date shall be the date upon which all payments therefor shall have been received;

(3) The Bankruptcy, death, removal, withdrawal or dissolution in accordance with this Agreement of the last General Partner, unless, within sixty (60) days after the occurrence of any such event, a successor General Partner is elected by vote of all remaining Partners, which successor elects to continue the business of the Partnership. In the event of the election of a successor General Partner, a new or amended Certificate of Limited Partnership shall be filed in the manner required by law; or

(4) Expiration of the term of the Partnership as set forth in Paragraph 4(a).

(b) Continuation of Partnership. If a successor General Partner is elected to continue the business of the Partnership pursuant to Paragraph 12(a), the successor General Partner shall assume the obligations of the predecessor General Partners and shall indemnify the predecessor General Partners and hold them harmless from and against any and all loss, damage, liability and expense, including costs and reasonable attorneys' fees, to which the predecessor General Partners may be put or which they may incur by reason of or in connection with any of the debts, obligations or liabilities of the Partnership thereafter made, incurred or created other than liabilities for which a former General Partner is responsible pursuant to Paragraph 13(e).

(c) Winding Up of the Partnership. Upon dissolution of the Partnership, the Managing General Partner shall wind up the affairs and liquidate the assets of the Partnership in accordance with the provisions of this Paragraph. Net Profits, Net Losses, Gain From Capital Event, Nonrecourse Deductions and Partner Nonrecourse Deductions of the Partnership shall be allocated until the liquidation is completed in the same ratio as such items were allocated prior thereto. The proceeds from liquidation of the Partnership when and as received by the Partnership shall be utilized, paid and distributed in the following order:

- (1) First, to pay the expenses of liquidation;
- (2) Next, to pay the secured debts of the Partnership, whether the creditor is a Partner, a former Partner, or a third party other than a Partner or former Partner;
- (3) Next, to pay the unsecured debts of the Partnership to third parties other than the Partners or former Partners of the Partnership;
- (4) Next, to pay the balance of any Limited Partner's Advances and the balance of any Unpaid Tax Credit Shortfall;
- (5) Next, to pay to Partners all amounts owed pursuant to Paragraph 9(f) of this Agreement;
- (6) Next, to pay other debts of the Partnership owing to creditors who are Partners or former Partners, including Operating Deficit Loans, if any;
- (7) Next, to the establishment of any Cash Reserves which the Managing General Partner may deem reasonably necessary to meet contingent or unforeseen liabilities of the Partnership; and
- (8) Thereafter, to the Partners, in accordance with their positive Capital Account balances, as determined by taking into account all Capital Account adjustments required by this Agreement.

(d) Right To Receive Property. The Limited Partner shall have no right to demand or receive property other than cash in return for its Capital Contributions to the Partnership, and the Limited Partner agrees to and shall look solely to the assets of the Partnership for the return of its Capital Contributions. If the assets of the Partnership remaining after discharge of the debts and liabilities of the Partnership are insufficient to return the then unreimbursed Capital Contributions of the Limited Partner, the Limited Partner shall not have, and hereby waives, any recourse against the General Partners; provided, however, the Limited Partner shall have recourse against the assets of each General Partner to pay any Limited Partner's Advances, plus interest accrued thereon, in accordance with Paragraph 5(aa). The winding-up of the affairs of the Partnership and the distribution of its assets shall

be conducted exclusively by the Managing General Partner, which is hereby authorized to do any and all acts and things authorized by law for such purposes at the expense of the Partnership. If there is no General Partner, the winding-up of the affairs of the Partnership shall be conducted as otherwise provided by law. Any Partner may purchase assets of the Partnership in a winding-up sale, provided that either (i) the sale is conducted by a bona fide public auction adequately advertised or (ii) for a purchase price not less than independently appraised liquidation value.

(e) Deficit Restoration. In the event the Partnership is "liquidated" within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g), if a General Partner's Capital Account has a deficit balance (after giving effect to all contributions, distributions and allocations), such General Partner shall make Capital Contributions in the amount of such deficit in compliance with Regulations Section 1.704-1(b)(2)(ii)(b)(3).

13. WITHDRAWAL, ADDITION AND REMOVAL OF A GENERAL PARTNER.

(a) Withdrawal of a General Partner. The withdrawal of a General Partner shall require the written consent of the Limited Partner (which may be granted or withheld in the Limited Partner's sole and absolute discretion).

(b) Addition of a General Partner. The addition of a new General Partner shall require the written consent of the Limited Partner (which may be granted or withheld in the Limited Partner's sole and absolute discretion).

(c) Removal of a General Partner. A General Partner may be removed and cease to be a General Partner of the Partnership only upon the following events:

(1) Upon the affirmative vote or written consent of the Limited Partner to remove such General Partner, specifying one of the following causes, (unless the breach, default or other removal event is cured within thirty (30) days after written notice specifying the breach, default or removal event is delivered to such General Partner):

(i) A breach of fiduciary duty of a General Partner;

(ii) A material breach of this Agreement by a General Partner; or

(iii) Any act by a General Partner which has a material adverse effect on the Partnership or the Limited Partner; or

(2) A breach by the Partnership of any material term of any agreement or material requirement with respect to the Property or the Project, including any loan, credit, or finance agreement or any Tax Credit compliance requirement; or

(3) If Actual Credits for any Fiscal Year of the Partnership are less than eighty-five percent (85%) of Projected Credits for such Fiscal Year of the Partnership;

(4) If the Managing General Partner defaults in its obligations under any of Paragraphs 10(i), 10(j) or 10(l);

(5) Upon the Bankruptcy of a General Partner; or

(6) Upon the occurrence of any of the following:

(i) The filing by a General Partner of an assignment for the benefit of creditors; or

(ii) The attachment, execution or judicial seizure, whether by enforcement of money judgment, writ or warrant of attachment or any other process, of all or substantially all of the assets of a General Partner which is not released within sixty (60) days after such action.

(d) Notice. Written notice of the removal of a General Partner shall be given by the Limited Partner to the General Partners. Such notice shall set forth the date on which the removal is to become effective, which date shall not be less than thirty (30) days after such notice is delivered. This notice may be the same as the notice of a breach delivered pursuant to Paragraph 13(c)(1); provided, however, in such case the removal shall not be effective until the cure period specified in Paragraph 13(c)(1) expires without cure of the default or breach.

(e) Effect of Removal Upon General Partner's Interest. If, upon the removal of a General Partner (a "Former General Partner"), either (i) another General Partner exists or (ii) a new General Partner is elected within sixty (60) days by the Limited Partner pursuant to Paragraph 12(a)(3), the Former General Partner shall become a limited partner, with a limited partner's interest in the Partnership economically equivalent to its General Partner's interest in allocations and distributions in the Partnership. The Former General Partner shall not be entitled to the reimbursement of expenses or other compensation set forth in Paragraph 9 except to the extent already earned, incurred or expended. The Former General Partner shall remain obligated for the Operating Deficit Guaranty under Paragraph 10(i), the Rental Achievement Guaranty under Paragraph 10(j) and for the Permanent Loan Shortfall under Paragraph 10(l). The Former General Partner's new limited partner interest shall be a non-voting interest hereunder. Any interest in Partnership allocations or distributions provided to the new General Partner elected by the Limited Partner to replace the Former General

Partner, shall be payable from, and thereby reduce, the Former General Partner's new limited partner interest in allocations and distributions. Except as expressly provided in this Paragraph, any indemnification or release given by any Partner hereunder shall continue to be in effect with respect to the Former General Partner after such withdrawal or removal, but only with respect to any claim or liability based on facts which occurred prior to such withdrawal or removal. The Partnership and the new General Partner shall indemnify the Former General Partner for any claims against or liabilities or expenses incurred by the Former General Partner arising out of facts which occur after such withdrawal or removal, except claims, liabilities or expenses which arise out of the Former General Partner's willful misconduct.

14. BOOKS AND RECORDS.

(a) Books of Account. The Managing General Partner shall, at the Partnership's sole cost and expense, keep adequate books of account of the Partnership wherein shall be recorded and reflected, in accordance with generally accepted accounting principles, all of the Capital Contributions and all of the income, expenses and transactions of the Partnership and a list of the names and addresses, and interests held by the Partners in alphabetical order. The income and expenses of the Partnership shall be accounted for on an accrual basis.

(b) Accounting and Reports. The Managing General Partner shall, at the Partnership's sole cost and expense, (i) cause federal and state information returns for the Partnership to be prepared and filed with the appropriate Authorities; (ii) furnish to the Limited Partner within sixty (60) days prior to the beginning of each Fiscal Year of the Partnership, an annual budget for the ensuing Fiscal Year of the Partnership, which must be approved or disapproved in writing by the Limited Partner within thirty (30) days after receipt by the Limited Partner; (iii) furnish to the Limited Partner, within thirty-five (35) days after the end of each month, a report of operations for such month, including a balance sheet, a statement of income and expense and a cash flow statement for the month and the period then ended; and (iv) furnish to the Limited Partner, within seventy-five (75) days after the close of each Fiscal Year of the Partnership, audited financial statements prepared by Edward Gemma, C.P.A. (or other independent accountants approved by the Limited Partner) in accordance with generally accepted accounting principles, and such financial information with respect to each Fiscal Year of the Partnership as shall be reportable for federal and state income tax purposes.

(c) Banking. All funds of the Partnership shall be deposited in a separate bank account or accounts as shall be determined by the Managing General Partner. All withdrawals therefrom shall be made upon checks signed by the Managing General Partner, acting alone, or both of the General Partners.

(d) Accountants. The accountants for the Partnership shall be Edward Gemma, C.P.A. or another accounting firm selected by the Managing General Partner and approved by the Limited Partner. The accountants for the Partnership may be changed by the Managing General Partner with the consent of the Limited Partner.

(e) Annual Property Management Review. The Partnership shall pay an annual fee of Five Thousand Dollars (\$5,000) to SAHP (or to such other entity as the Limited Partner shall designate), for an annual review and report (a copy of which will be provided to the General Partners upon completion) of the operations of the Partnership, the Property and the Project.

(f) Late Report Penalties. The General Partners shall properly and timely comply with all filing and reporting requirements set forth in this Paragraph 14. Any report, budget, certified financial statement or other tax information required pursuant to Paragraph 14(b) furnished to the Limited Partner after the date on which it was due shall be a "Late Report." If a Late Report is not provided to the Limited Partner within ten (10) business days of delivery of notice from the Limited Partner to the General Partners, the General Partners shall pay to the Limited Partner Two Hundred Fifty Dollars (\$250) per day as a Late Report Penalty, until the date the Late Report is delivered to the Limited Partner. The Late Report Penalty shall be calculated separately for each Late Report, and the total Late Report Penalty obligation shall be cumulative for all Late Reports.

15. ADJUSTMENT OF BASIS ELECTION. At the request of the Limited Partner, the General Partners shall file an election, in accordance with Section 754 of the Code and applicable Treasury Regulations, to cause the basis of the Partnership's property to be adjusted for Federal income tax purposes, as provided in Sections 734, 743 and 754 of the Code.

16. WAIVER OF ACTION FOR PARTITION. Each of the Partners hereby irrevocably waives, during the term of the Partnership, any right such Partner may have to maintain any action for partition with respect to any property of the Partnership, including without limitation, the Property.

17. AMENDMENTS. Amendments to this Agreement may be made only if approved in writing by the General Partners and the Limited Partner.

18. EQUITABLE RELIEF. It is agreed that the rights granted to the parties hereunder are of a special and unique kind and character and that, if there is a breach by any party of any material provision of this Agreement, the other parties would not have an adequate remedy at law. It is expressly agreed, therefore, that the rights of the parties hereunder may be enforced by equitable relief as is provided under the laws of the State of Rhode Island.

19. **NOTICES.** Any and all notices, demands or other communications required or desired to be given hereunder by any party shall be in writing and shall be validly given or made to another party only (a) if served personally, (b) if deposited in the United States first class mail, certified or registered, postage prepaid, or (c) if sent by overnight delivery service and a confirmation of receipt is obtained. If such notice, demand or other communication is served personally, service shall be conclusively deemed made at the time of such personal service. If such notice, demand or other communication is given by mail, such shall be conclusively deemed given seventy two (72) hours after the deposit thereof in the United States mail addressed to the party to whom such notice, demand or other communication is to be given at the following address set forth below. If such notice, demand or other communication is sent by overnight delivery service, such shall be conclusively deemed given at the time confirmation of receipt is obtained, provided the overnight delivery is addressed to the party to whom such notice, demand or other communication is to be given at the address set forth below.

If to the Partnership or the Managing General Partner:

Knight Street Housing Corp.
5 Cathedral Square
Providence, Rhode Island 02903
Telephone: (401) 453-4455
Telecopier: (401) 453-3223

With a copy to:

Scott Nebergall, Esq.
Edwards & Angell
2700 Hospital Trust Tower
Providence, Rhode Island 02903
Telephone: (401) 276-6461
Telecopier: (401) 276-6611

If to Glen Hills:

P.O. Box 8171
Garden City
Cranston, Rhode Island 02920
Attention: Gary Malloy
Telephone: (401) 942-1666
Telecopier: (401) 946-5744

With a copy to:

Arthur I. Fixler, Esq.
1100 Turks Head Building
Providence, Rhode Island 02903
Telephone: (401) 272-9000
Telecopier: (401) 272-9020

If to the Limited Partner:

SunAmerica Housing Fund 354,
A Nevada Limited Partnership
c/o SunAmerica Inc.
1 SunAmerica Center
2nd Floor, Century City
Los Angeles, California 90067-6022
Attention: Mr. Michael L. Fowler
Telephone: (310) 772-6000
Telecopier: (310) 772-6179

With a copy to:

Frederick W. Gartside, Esq.
Jeffer, Mangels, Butler & Marmaro
2121 Avenue of the Stars
Tenth Floor
Los Angeles, California 90067
Telephone: (310) 203-8080
Telecopier: (310) 203-0567

Any party hereto may change its address for the purpose of receiving notices, demands and other communications as herein provided by a written notice given in the manner aforesaid to the other party or parties hereto.

20. ATTORNEYS' FEES. Should any party hereto institute any action or proceeding at law or in equity to enforce any provision hereof, including an action for declaratory relief or for damages by reason of an alleged breach of any provision of this Agreement, or otherwise in connection with this Agreement, or any provision hereof, the prevailing party shall be entitled to recover from the losing party or parties reasonable attorneys' fees and costs for services rendered to the prevailing party in such action or proceeding.

21. REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE GENERAL PARTNERS. With respect to the following representations and warranties, the General Partners hereby jointly and severally represent and warrant as of the date of this Agreement, the date of each Additional Capital Contribution, and with respect to the following covenants, the General Partners hereby jointly and severally covenant from and after the date

of this Agreement, the following to the Limited Partner, the veracity of which was a material factor in the Limited Partner's entering into this and becoming a Limited Partner:

(a) Warranties and Representations Pertaining to Real Estate and Legal Matters.

(1) Formation. The Partnership is and will continue to be a valid limited partnership, duly organized and validly existing under the laws of the State of Rhode Island, and has (and shall continue to have) full power and authority to acquire, own, develop, rehabilitate, operate and maintain the Property and the Project in accordance with the terms of this Agreement.

(2) Low-Income Housing Tax Credits. The Project has been acquired and shall be rehabilitated, and has been operated at all times beginning with the first day of the Compliance Period (as defined in Section 42(i)(1) of the Code), and will continue to be operated, in a manner which satisfies all requirements and restrictions, including tenant income and rent restrictions, applicable to projects which qualify for low-income housing tax credits under Section 42 of the Code, including without limitation the following:

(i) At least twenty percent (20%) of the units in the Project must be occupied by households with income at or below fifty percent (50%) of the area median gross income or at least forty percent (40%) of the units in the Project must be occupied by households with income at or below sixty percent (60%) of the area median gross income as required by Section 42(g)(1) of the Code;

(ii) The gross rents paid by tenants of low-income units in the Project must not exceed thirty percent (30%) of the qualifying income standard applicable to the Project (i.e., 50% or 60% of median gross income) as required by Code Section 42(g)(2)(A);

(iii) The low-income units in the Project must be suitable for occupancy; and

(iv) The low-income units in the Project must not be used on a transient basis;

(3) Credit Allocation. The Partnership has received an allocation of low-income housing tax credits, sufficient to provide the full amount of Projected Credits, from the Rhode Island Housing and Mortgage Finance Corporation which is the appropriate state credit agency for the jurisdiction in which the Property and the Project are located;

(4) Amount of Projected Credits. The aggregate Projected Credits applicable to the Property for the ten-year credit period commencing with the Project's placed-in-service date are \$1,464,140 for federal income tax purposes. There is and at all times shall continue to be sufficient Eligible Basis (as that term is defined in Section 42(d) of

the Code) to provide the full amount of Projected Credits. The Limited Partner shall be allocated ninety-nine percent (99%) of all Tax Credits from and after the date of its admission to the Partnership;

(5) Applicable Fraction. The applicable fraction as defined in Section 42(c)(1)(B) of the Code (or other fraction, as appropriate, pursuant to Section 42(f)(2)(A) of the Code) with respect to all qualified low-income buildings (as defined in Section 42(c) of the Code) comprising the Project is or is anticipated to be 1.0 as of the close of the first taxable year of the Credit Period (as defined in Section 42(f) of the Code);

(6) Taxpayer Certifications. For federal income tax purposes, each General Partner reports its income under the accrual method of accounting. On behalf of the Partnership, the General Partners have filed, and will continue to file, any and all certifications and other documents on a timely basis with the Internal Revenue Service, the Rhode Island taxing authorities and all other Authorities, as have been and may be required to support the full amount of Projected Credits;

(7) Rehabilitation Expenditures.

(i) Previous Placement in Service. There was a period of at least 10 years between the date the Partnership acquired the Project and the later of (i) the date the Project was last previously placed in service or (ii) the date of the most recent previous nonqualified substantial improvement of the Project. There have been no nonqualified substantial improvements to the Project since it was last placed in service. For these purposes, a "substantial improvement" means capital improvements with respect to the Project during any 24-month period, but only if the sum of such capital improvements during such period equals or exceeds 25 percent of the adjusted basis of the Project as of the first day of such period. A "nonqualified" substantial improvement is a substantial improvement if Code Section 167(k) was elected, or if Code Section 168 applied, to such improvement. In addition, the Project was not previously placed in service by the Partnership or by any person who was a related person with respect to the Partnership as of the time the Project was previously placed in service;

(ii) "Purchase" Requirement. The Partnership acquired the Project from a person other than a partner or other related person as defined in Sections 267 or 707(b) of the Code (as modified by Code Section 179(d)(2)). The tax basis of the Partnership in the Project is not determined, in whole or in part, by reference to the adjusted basis of such property in the hands of the party from whom it was acquired;

(iii) "Rehabilitation" Requirement. The Partnership has incurred or shall incur, prior to the date of the Second Additional Capital Contribution, capital expenditures which are subject to the allowance for depreciation in connection with the rehabilitation of the Project ("Rehabilitation Expenditures"). The Rehabilitation Expenditures are allocable to one or more low-income units or substantially benefit such units. The amount of the Rehabilitation Expenditures during any 24-month period meets the requirements of whichever of the following results in the greater amount of such

Expenditures: (i) the amount of such Expenditures is not less than 10 percent of the adjusted basis of the Project as of the first day of such 24-month period; or (ii) the qualified basis attributable to such Expenditures, when divided by the low-income units in the Project, is \$3,000 or more; and

(iv) Placement in Service. The Rehabilitation Expenditures which are treated as a "separate building" for purposes of the low-income housing credit are being treated as placed in service at the close of the 24-month period referred to above;

(8) Form 8609. The Partnership has received or will receive a Form 8609 from the Rhode Island Housing and Mortgage Finance Corporation which is the appropriate state credit agency for the jurisdiction in which the Property and the Project are located;

(9) Required Consents: No Defaults Under Loan Documents. The Partnership has obtained all consents required for the admission of the Limited Partner to the Partnership, including, but not limited to the consent of the holder of the Permanent Financing and any required consents of federal, state or local governmental authorities or agencies. Neither the Partnership nor either General Partner is in default under the Permanent Financing, or the loan documents relating thereto, or any agreement relating to the Property or the Project, nor has any event occurred which but for the passage of time or the giving of notice would constitute such a default. The Partnership is current in payments under the Permanent Financing.

(10) Insurance. The Partnership maintains and will continue to maintain insurance on all Partnership activities, the Property and the Project which complies with the terms specified in Paragraph 10(k)(2);

(11) Compliance with Contractual Obligations. The Partnership has performed all material obligations that are required to be performed by it, and is not in default under, or in breach of, or in receipt of any claim of default under, any contract or obligation, the breach or termination of which may have a materially adverse effect on the business or operation of the Partnership, the Property or the Project. Further, there is no breach and neither General Partner has knowledge of any threatened breach by the other parties to any contract or agreement to which the Partnership is a party;

(12) Litigation. There are no pending or threatened, adverse actions, suits, arbitrations, claims or proceedings, at law or in equity, (collectively, "Actions") affecting the Property or the Project or in which the Partnership is a party by reason of the Partnership's ownership of the Property or the Project, including, but not limited to, judicial, municipal or administrative proceedings in eminent domain, unlawful detainer or tenant evictions, collections, alleged building code, health and safety or zoning violations, employment discrimination or unfair labor practices, or worker's compensation, personal injuries or property damages alleged to have occurred at the Property or the Project or by reason of the condition or use of the Property or the Project. There are no pending or

threatened Actions against a General Partner or any of its assets which, if adversely determined against such General Partner, would materially adversely affect the ability of such General Partner to perform its obligations hereunder.

(13) Bankruptcy. No attachments, execution proceedings, assignments for the benefit of creditors, insolvency, event of Bankruptcy, reorganization or other proceedings are pending or threatened, against the Partnership or a General Partner;

(14) Governmental Actions. There is no plan, study or effort of any Authority which in any way would materially adversely affect the use of the Property or the Project for their intended uses or which involves any intended public improvements which will result in any material charge being levied against, or any material lien assessed upon, the Property or the Project. There is no existing, proposed or contemplated, plan to widen, modify or realign any street or highway contiguous to the Property or the Project;

(15) Moratoria; Assessments; Dedications. There is no reassessment, (except for real estate property taxes) reclassification, rezoning or other statute, law, judicial or administrative decision, proceeding, ordinance or regulation (including amendments and modifications of any of the foregoing) pending or proposed to be imposed, by any Authority or any public or private utility having jurisdiction over the Property which would materially adversely affect the use or occupancy of the Property. No special assessments have been levied against the Property or the Project or by any Authority upon the commencement or completion of any construction, alteration or rehabilitation on or of the Project or any portion thereof. The completion of the Improvements, construction, alteration or rehabilitation on or of the Property or the Project or any portion thereof will not require the dedication of any portion of the Property or the Project by any Authority;

(16) Violation of Laws. There are no violations of any Governmental Regulations which would materially adversely affect the Property or the Project;

(17) Licenses and Permits. All Licenses and Permits necessary for the ownership, construction or rehabilitation of the Improvements, are or will be possessed by the Partnership. The Property and the Project will be rehabilitated to completion in accordance with (A) all such Licenses and Permits (and all required certificates of occupancy shall be obtained upon completion of any such rehabilitation of the Property or the Project) (B) all Governmental Regulations, (C) accepted standards of good materials and workmanship, (D) all covenants, conditions, restrictions, easements and agreements of any kind or nature affecting the Property or the Project including the existing documents. Any conditions to any licenses, approvals, permits and certificates for the rehabilitation of the Improvements have been satisfied and will be satisfied upon completion. The Licenses and Permits have been or will be fully paid for and are not and shall not be subject to any liens, encumbrances or claims of any kind;

(18) Title. The Partnership is the legal fee simple titleholder of the Property and the Project, and has good, marketable and insurable title to the Property and the Project, free and clear of all liens, encumbrances, claims, covenants, conditions, restrictions, easements, rights of way, options, judgments, special assessments or other matters, except as disclosed by the matters shown on the Title Policy and except for the Tenant Leases;

(19) Utilities. The Improvements are connected to and are served by water, solid waste and sewage disposal, drainage, telephone, gas, electricity and other utility equipment facilities and services required by law and which are adequate for the present use and operation of the Property, and which are installed and connected pursuant to valid permits and to the best of each General Partner's knowledge, are in full compliance with all Governmental Regulations. No fact or condition exists which would result in the termination or impairment in the furnishing of utility services to the Improvements;

(20) No Physical or Mechanical Defects. There are no material physical or mechanical defects or deficiencies in the condition of the Property or the Project, including, but not limited to, the roofs, exterior walls or structural components of the Improvements and the heating, air conditioning, plumbing, ventilating, elevator, utility, sprinkler and other mechanical and electrical systems, apparatus and appliances located in, on or about the Property which would adversely affect the Property or the Project. The Property and the Project are free from infestation by termites or other pests, insects, animals or other vermin;

(21) No Defective Soils Conditions. There are no defects or conditions of the soil which will materially adversely affect the use, occupancy and operation of the Property or the Project. The soil condition of the Property and the Project is such that it will support all of the Improvements to be located thereon for their foreseeable life, without the need for unusual or new subsurface excavations, fill, footings, caissons or other installations. The Improvements, as built, will be or are constructed in a manner compatible with the soil condition at the time of construction and all necessary excavations, fills, footings, caissons and other installations were then and have since been and will be provided;

(22) No Notices of Defects. Neither a General Partner, the Partnership, nor, to the best of each General Partner's knowledge, any tenant of the Property or the Project, has received any notice from any insurance company of any defect or inadequacy in, on or about the Property or the Project;

(23) Rights of First Refusal: Options. The Partnership has not entered into any contracts for the sale of the Property, the Project, the Tax Credits with respect thereto or any interest in the Partnership other than this Agreement, nor do there exist any rights of first refusal or options to purchase the Property, the Project, the Tax Credits with respect thereto, or any interest in the Partnership;

(24) Hazardous Substances. All operations or activities upon, or use or occupancy of the Property or the Project, or any portion thereof, by the Partnership or any tenant or occupant of the Property or the Project, or any portion thereof, are in all material respects in compliance with all Governmental Regulations relating to the generation, handling, manufacturing, treatment, storage, use, transportation, spillage, leakage, dumping, discharge or disposal (whether accidental or intentional) of any toxic or hazardous substances, materials or wastes, including, but not limited to, Hazardous Material (as such term is defined in this subparagraph), and no person has engaged in or permitted any dumping, discharge, disposal, spillage or leakage (whether legal or illegal, accidental or intentional) of Hazardous Material, at, on, in or about, the Property, the Project or any portion thereof. There is not present upon the Property, the Project or any portion thereof, any asbestos, or any structures, fixtures, equipment or other objects or materials containing asbestos, nor is there any radon present on, in or about the Property, the Project or any portion thereof in an amount sufficient to create a material hazard or violate local Governmental Regulations relating to radon. There is no proceeding or inquiry by any Authority with respect to any of the matters set forth in this subparagraph;

For purposes of this Paragraph "Hazardous Material" means any hazardous or toxic substance, material or waste which is regulated by any local governmental authority, the State in which the Property is located or the United States Government. The term "Hazardous Material" includes, without limitation, any material or substance which is (i) defined as a hazardous waste, extremely hazardous waste or restricted hazardous waste or hazardous substance under the laws of the State in which the Property is located or any regulations or orders now promulgated or hereafter promulgated thereunder, (ii) designated as a "hazardous substance" pursuant to Section 311 of the Federal Water Pollution Control Act (33 U.S.C. § 1321) or as listed pursuant to Section 307 of the Federal Water Pollution Control Act (33 U.S.C. § 1317), (iii) defined as a "hazardous waste" pursuant to Section 1004 of the Federal Resource Conservation and Recovery Act (42 U.S.C. § 6903), as the same may be amended from time to time, or (iv) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. § 9601), as the same may be amended from time to time; and

The General Partners jointly and severally agree to indemnify and hold the Partnership and the Limited Partner harmless from and against any and all losses, liabilities, damages, claims, actions or orders by Authorities arising out of or related to the presence beneath, in, on or about the Property or the Project (or any portion thereof) of Hazardous Material;

(25) No Convictions or Prohibitive Orders. Neither a General Partner nor any of such General Partner's affiliates or members:

(i) Has been convicted of any felony or misdemeanor in connection with the purchase or sale of any security involving the making of a false filing with the Securities and Exchange Commission (the "Commission"), or arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer or investment advisor;

(ii) Is or has been subject to any order, judgment or decree of any court of competent jurisdiction, temporarily or preliminarily enjoining or restraining, or is subject to any order, judgment or decree of any court of competent jurisdiction, entered prior to the date of this Agreement, permanently enjoining or restraining such person from engaging in or continuing any conduct or practice in connection with the purchase or sale of any security or involving the making of a false filing with the Commission, or arising out of the conduct of the business of an underwriter, broker, dealer, municipal securities dealer or investment adviser;

(iii) Is or has been subject to an order of the Commission entered pursuant to Section 15(b), 15B(a) or 15B(c) of the Securities Exchange Act of 1934, as amended (the "1934 Act"); or is or has been subject to an order of the Commission entered pursuant to Section 203(e) or (f) of the Investment Advisers Act of 1940;

(iv) Is or has been suspended or expelled from membership in, or suspended or barred from association with a member of, an exchange registered as a national securities exchange pursuant to Section 6 of the 1934 Act, an association registered as a national securities association under Section 15A of the 1934 Act, or a Canadian securities exchange or association for any act or omission to act constituting conduct inconsistent with just and equitable principles of trade;

(v) Is or has been subject to a United States Postal Service false representation order entered under Section 3005 of Title 39, United States Code, within the five (5) years prior to the date of this Agreement; or is or has been subject to a restraining order or preliminary injunction entered under Section 3007 of Title 39, United States Code, with respect to conduct alleged to have violated Section 3005 of Title 39, United States Code; or

(vi) Has acted as underwriter of any securities:

(A) Covered by a registration statement which is the subject of any pending proceeding or examination under Section 8 of the Securities Act of 1933, as amended (the "1933 Act") or is the subject of any refusal order or stop order entered thereunder within five (5) years prior to the date of this Agreement; or

(B) Covered by any filing which is subject to any pending proceeding under Rule 261 or any similar rule promulgated under the provisions of Section 3(b) of the 1933 Act, or to an order entered thereunder, within five (5) years prior to the date of this Agreement; and

(26) Securities Law Compliance. The General Partners have or will have timely complied with all applicable federal and state securities laws in connection with the offer and sale of interests in the Partnership to the Limited Partner;

(b) Representations Pertaining to Tenant Leases and Service Contracts.

(1) Leases. To the best of each General Partner's knowledge, there are no leases, occupancies or tenancies in effect pertaining to the Property or the Project, except for the Tenant Leases, and there are no material oral agreements with anyone, including tenants, with respect to the occupancy of the Property or the Project, except as may be shown by the Rent Roll. No Tenant Lease has been modified, amended or altered in writing or otherwise, and no material concessions, abatements or adjustments have been granted to any tenant, except as set forth on the Rent Roll. The Rent Roll is substantially true and complete in all material respects;

To the best of each General Partner's knowledge, the Tenant Leases have been duly authorized and executed, by the landlord and tenant thereunder. The Tenant Leases are in full force and effect strictly according to the terms set forth therein. There are no uncured defaults under such Tenant Leases, and no tenant has asserted, or has any defense to, offsets or claims against rent payable, or obligations under its Tenant Lease except as shown on the Rent Roll. All of the landlord's obligations under the Tenant Leases which accrued prior to the date of this Agreement have been performed. Neither the Partnership nor either General Partner has made any representations to tenants regarding the condition of the premises covered by any Tenant Lease or the compliance of the premises with any applicable Governmental Regulations, except as expressly set forth in the Tenant Leases. All of the Improvements to be constructed by the Partnership, if any, contemplated under the Tenant Leases have been completed as so required. Neither the Partnership's interest in the Tenant Leases nor any of the rentals due or to become due under the Tenant Leases has been assigned, encumbered or subject to any liens, other than liens held by the holders of the Permanent Financing; and

(2) Service and Maintenance Contracts. There are no service or maintenance contracts, warranties, guarantees or bonds (whether oral or written) which materially adversely affect or will materially adversely affect or which are or will be obligations of the Partnership or the Property, other than the Service Contracts. Except as set forth on the list of Service Contracts provided to the Limited Partner, all of the Service Contracts may be terminated without penalty or other payment on thirty (30) days or less notice. There is no current material default or breach under the terms and provisions of any of the Service Contracts; and the Service Contracts have not been, and will not be, amended or modified except as indicated herein; and

(c) Affiliations. Neither the Managing General Partner, nor any of its shareholders, officers, directors or affiliates nor any member of the immediate family of any of such shareholders, officers, directors or affiliates has any interest in Glen Hills or United States Investment and Development Corporation.

(d) General Representation. No representation, warranty or statement of the General Partners in this Agreement or in any document, certificate or schedule furnished or to be furnished to the Limited Partner pursuant hereto contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements or facts contained therein not misleading.

22. MISCELLANEOUS.

(a) Applicable Law. This Agreement shall, in all respects, be governed by the laws of the State of Rhode Island, without regard to conflicts of law principles.

(b) Severability. Nothing contained herein shall be construed so as to require the commission of any act contrary to law, and wherever there is any conflict between any provisions contained herein and any present or future statute, law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter shall prevail; but the provision of this Agreement which is affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of the law. If any provision of this Agreement shall be held to be invalid, the same shall not affect the validity, legality or enforceability of the remainder of this Agreement.

(c) Further Assurances. Each of the parties hereto shall execute and deliver any and all additional papers, documents and other assurances, and shall do any and all acts and things reasonably necessary in connection with the performance of their obligations hereunder to carry out the intent of the parties hereto.

(d) Successors and Assigns. All of the terms and provisions contained herein shall inure to the benefit of and shall be binding upon the parties hereto and their respective successors and assigns.

(e) Number and Gender. In this Agreement, the masculine, feminine or neuter gender, and the singular or plural number, shall each be deemed to include the others whenever the context so requires.

(f) Paragraph References. In this Agreement, unless otherwise specifically indicated, any reference to a Paragraph by number shall mean that corresponding paragraph in this Agreement.

(g) Entire Agreement. This Agreement constitutes the entire understanding and agreement of the parties with respect to its subject matter and any and all prior agreements, understandings or representations with respect to its subject matter are hereby terminated and canceled in their entirety and are of no further force or effect.

(h) Waivers. No waiver by any party hereto of any breach of this Agreement or any provision hereof shall be effective unless it is in writing and signed by the party making the waiver. No such waiver shall be deemed to be a waiver of any preceding or succeeding breach of the same or any other provision hereof. All waivers shall be in writing and signed by the Partner making the waiver.

(i) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(j) Full Authority. Each of the parties and signatories to this Agreement has the full right, power, legal capacity and authority to enter into and perform the parties' respective obligations hereunder, and no approvals or consents of any other person are necessary in connection therewith.

(k) Captions. The captions appearing at the commencement of the paragraphs hereof are descriptive only and for convenience in reference. Should there be any conflict between any such caption and the paragraph at the head of which it appears, the paragraph and not such caption shall control and govern in the construction of this Agreement.

(l) Expenses. Except for the Legal Fee Amount as described in Paragraph 6(b)(1), the Limited Partner shall pay its own costs, legal fees, accounting fees, and any other expenses incurred or to be incurred by the Limited Partner in negotiating and preparing this Agreement and closing and carrying out the transactions contemplated by this Agreement (collectively, the "Expenses"), provided however, the Limited Partner may contribute to the Partnership amounts necessary to pay the Expenses and direct the Partnership to use such contributions to pay such Expenses.

(m) Exhibits. All exhibits attached hereto are hereby incorporated by reference.

(n) Parties in Interest. Nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any persons other than the parties and their respective successors and assigns, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any third persons to any party to this Agreement, nor shall any provision give any third person any right of subrogation or action over or against any party to this Agreement.

(o) Distributions Between General Partners. All allocations, distributions, fees and other payments to be made to the General Partners pursuant to this Agreement shall be divided between them 20% to Glen Hills and 80% to the Managing General Partner; provided, however, in no event shall Glen Hills be allocated more than 10% of the Net Profits from any transaction or receive more than 10% of the cash to be distributed, the intent of the General Partners being that all allocations, distribution and payments to Glen Hills must comply with the 10% limitation of Section 42(d)(2)(D)(iii) of the Code.

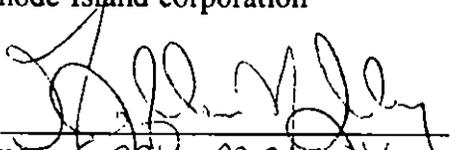
IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first hereinabove mentioned.

GENERAL PARTNERS:

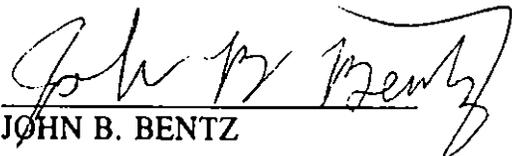
KNIGHT STREET HOUSING CORP.,
a Rhode Island corporation

By: 
Name: Arthur Kramer
Title: Vice President Knight Street Housing Corp.

GLEN HILLS REALTY CORPORATION,
a Rhode Island corporation

By: 
Name: GARY MACEY
Title: VICE PRESIDENT

WITHDRAWING LIMITED PARTNER:


JOHN B. BENTZ

LIMITED PARTNER:

SUNAMERICA HOUSING FUND 354,
A NEVADA LIMITED PARTNERSHIP

By: SunAmerica Inc.,
a Maryland corporation, general partner

By: 
Michael L. Fowler, Vice President

WITHDRAWING GENERAL PARTNER:

PROPERTY ADVISORY GROUP, INC.
a Rhode Island corporation

By: 
Name: Robert Gaudreau
Title: Vice President

EXHIBIT "A"

Description of Property

Parcel 'A'

THAT CERTAIN PARCEL OR TRACT OF LAND SITUATED ON THE SOUTHERLY SIDE OF NORTHUP STREET, IN THE CITY OF PROVIDENCE, COUNTY OF PROVIDENCE, STATE OF RHODE ISLAND, BEING LOTS 482 AND 528 ON ASSESSORS PLAT 72, SHOWN ON A PLAN ENTITLED "AS-BUILT SURVEY PLAN OF, CHATHAM APARTMENTS LOCATION PROVIDENCE, RHODE ISLAND ASSESSORS PLAT 72 LOTS 482, 483 AND 528, PREPARED FOR CHATHAM VILLAGE ASSOCIATES, PREPARED BY A T S SURVEY, INC, SCALE 1"=30' DATED NOV. 15, 1996, AND MORE PARTICULAR BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE SOUTHEASTERLY LINE OF LUNA STREET, SAID POINT BEING THE NORTHWESTERLY CORNER OF LAND NOW OR FORMERLY BELONGING TO MUNZIO AND GIOVANNINA D'AGOSTINO (A.P. 72 LOT 478), SAID POINT ALSO BEING THE SOUTHWESTERLY CORNER OF THE HEREINAFTER DESCRIBED PARCEL:

THENCE RUNNING IN A GENERAL SOUTHEASTERLY DIRECTION BOUNDED SOUTHWESTERLY IN PART BY LAND NOW OR FORMERLY BELONGING TO MUNZIO AND GIOVANNINA D'AGOSTINO (A.P. 72 LOT 478), IN PART BY PARLEY STREET, AND IN PART BY LAND NOW OR FORMERLY BELONGING TO ANTONIO CICCONE (A.P. 72 LOT 450 AND LOT 448) A DISTANCE OF (290.69') FEET TO A POINT IN THE NORTHWESTERLY LINE OF CHATHAM STREET:

THENCE TURNING AN INTERIOR ANGLE OF $104^{\circ}-08'-34''$ AND RUNNING IN A GENERAL NORTHEASTERLY DIRECTION ALONG THE NORTHWESTERLY LINE OF CHATHAM STREET A DISTANCE OF (160.77') FEET TO AN ANGLE POINT:

THENCE TURNING AN INTERIOR ANGLE OF $179^{\circ}-58'-56''$ AND RUNNING IN A GENERAL NORTHEASTERLY DIRECTION ALONG THE NORTHWESTERLY LINE OF CHATHAM STREET A DISTANCE OF (94.12') FEET TO A STONE BOUND FOUND SET IN THE GROUND AT THE INTERSECTION OF THE NORTHWESTERLY LINE OF CHATHAM STREET WITH THE SOUTHERLY LINE OF NORTHUP STREET:

THENCE TURNING AN INTERIOR ANGLE OF $54^{\circ}-23'-37''$ AND RUNNING IN A GENERAL WESTERLY DIRECTION ALONG THE SOUTHERLY LINE OF NORTHUP STREET A DISTANCE OF (248.00') FEET TO A POINT, SAID POINT BEING THE NORTHEASTERLY CORNER OF LAND NOW OR FORMERLY BELONGING TO THE CITY OF PROVIDENCE (A.P. 72 LOT 527):

THENCE TURNING AN INTERIOR ANGLE OF $125^{\circ}-37'-36''$ AND RUNNING IN A GENERAL SOUTHWESTERLY DIRECTION A DISTANCE OF (18.93') FEET TO A POINT:

THENCE TURNING AN INTERIOR ANGLE OF $210^{\circ}-46'-00''$ AND RUNNING IN A GENERAL SOUTHWESTERLY DIRECTION A DISTANCE OF (40.59') FEET TO A POINT:

THENCE TURNING AN INTERIOR ANGLE OF $178^{\circ}-44'-12''$ AND RUNNING IN A GENERAL SOUTHWESTERLY DIRECTION A DISTANCE OF (44.20') FEET TO A POINT:

THENCE TURNING AN INTERIOR ANGLE OF $178^{\circ}-00'-12''$ AND RUNNING IN A GENERAL SOUTHWESTERLY DIRECTION A DISTANCE OF (30.03') FEET TO A POINT:

THENCE TURNING AN INTERIOR ANGLE OF $174^{\circ}-41'-00''$ AND RUNNING IN A GENERAL SOUTHWESTERLY DIRECTION A DISTANCE OF (67.56') FEET TO THE POINT AND PLACE OF BEGINNING. SAID LAST (5) FIVE COURSES BEING BOUNDED NORTHWESTERLY BY LAND NOW OR FORMERLY BELONGING TO THE CITY OF PROVIDENCE (A.P. 72 LOT 527).

SAID LAST DESCRIBED COURSE FORMS AN INTERIOR ANGLE OF $53^{\circ}-41'-53''$ WITH THE FIRST DESCRIBED COURSE

SAID PARCEL CONTAINS 1.10 ACRES MORE OR LESS.

Parcel 'B'

THAT CERTAIN PARCEL OR TRACT OF LAND SITUATED ON THE SOUTHERLY SIDE OF NORTHUP STREET, IN THE CITY OF PROVIDENCE, COUNTY OF PROVIDENCE, STATE OF RHODE ISLAND, BEING LOT 483 ON ASSESSORS PLAT 72, SHOWN ON A PLAN ENTITLED "AS-BUILT SURVEY PLAN OF, CHATHAM APARTMENTS LOCATION PROVIDENCE, RHODE ISLAND ASSESSORS PLAT 72 LOTS 482, 483 AND 528, PREPARED FOR CHATHAM VILLAGE ASSOCIATES, PREPARED BY A T S SURVEY, INC, SCALE 1"=30' DATED NOV. 15, 1996, AND MORE PARTICULAR BOUNDED AND DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT IN THE NORTHWESTERLY LINE OF FLORA STREET, SAID POINT BEING THE NORTHEASTERLY CORNER OF LAND NOW OR FORMERLY BELONGING TO FREDERIC AND JEANETTE BUCCI (A.P. 72 LOT 522), SAID POINT BEING THE SOUTHEASTERLY CORNER OF THE HEREINAFTER DESCRIBED PARCEL:

THENCE RUNNING IN A GENERAL NORTHEASTERLY DIRECTION ALONG THE SOUTHWESTERLY LINE OF FLORA STREET A DISTANCE OF (110.50') FEET TO AN ANGLE POINT:

THENCE TURNING AN INTERIOR ANGLE OF $179^{\circ}-59'-50''$ AND RUNNING IN A GENERAL NORTHEASTERLY DIRECTION ALONG THE SOUTHWESTERLY LINE OF FLORA STREET A DISTANCE OF (223.14') FEET TO A STONE BOUND FOUND SET IN THE GROUND AT THE INTERSECTION OF THE SOUTHWESTERLY LINE OF FLORA STREET WITH THE SOUTHERLY LINE OF NORTHUP STREET:

THENCE TURNING AN INTERIOR ANGLE OF $60^{\circ}-38'-37''$ AND RUNNING IN A GENERAL WESTERLY DIRECTION ALONG THE SOUTHERLY LINE OF NORTHUP STREET A DISTANCE OF (106.35') FEET TO AN ANGLE POINT:

THENCE TURNING AN INTERIOR ANGLE OF $173^{\circ}-44'-58''$ AND RUNNING IN A GENERAL WESTERLY DIRECTION ALONG THE SOUTHERLY LINE OF NORTHUP STREET A DISTANCE OF (82.76') FEET TO A POINT AT THE INTERSECTION OF THE SOUTHERLY LINE OF CHATHAM STREET WITH THE NORTHWESTERLY LINE OF CHATHAM STREET:

THENCE TURNING AN INTERIOR ANGLE OF $125^{\circ}-36'-23''$ AND RUNNING IN A GENERAL SOUTHWESTERLY DIRECTION ALONG THE SOUTHEASTERLY LINE OF CHATHAM STREET A DISTANCE OF (122.78') FEET TO AN ANGLE POINT:

THENCE TURNING AN INTERIOR ANGLE OF $180^{\circ}-01'-00''$ AND RUNNING IN A GENERAL SOUTHWESTERLY DIRECTION ALONG THE SOUTHEASTERLY LINE OF CHATHAM STREET A DISTANCE OF (150.71') FEET TO A POINT:

THENCE TURNING AN INTERIOR ANGLE OF $75^{\circ}-53'-30''$ AND RUNNING IN A GENERAL SOUTHEASTERLY DIRECTION BOUNDED SOUTHWESTERLY IN PART BY LAND NOW OR FORMERLY BELONGING TO DOMENICO TREPASSO (A.P. 72 LOT 392) AND IN PART BY LAND NOW OR FORMERLY BELONGING TO FREDERIC AND JEANETTE BUCCI (A.P. 72 LOT 522) A DISTANCE OF (164.98') FEET TO THE POINT AND PLACE OF BEGINNING.

SAID LAST DESCRIBED COURSE FORMS AN INTERIOR ANGLE OF $104^{\circ}-05'-42''$ WITH THE FIRST DESCRIBED COURSE.

SAID PARCEL CONTAINS 1.13 ACRES MORE OR LESS.