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FIRST AMENDMENT TO INTERCREDITOR AGREEMENT

This First Amendment to Intercreditor Agreement (this "Amendment"), dated as of February 14, 1996, is entered into by and among BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION ("B of A") successor by merger to Security Pacific National Bank, a national banking association ("SPNB"; B of A, as successor to SPNB, shall be referred to herein as "Bank"), the CITY OF REDLANDS, a municipal corporation duly organized and existing under the laws of the State of California ("Issuer"), and FIRST TRUST OF CALIFORNIA, N.A., successor in interest to Bankers Trust Company of California, in its capacity as trustee under the Indenture referred to below ("Trustee").

PRELIMINARY STATEMENTS: (1) Issuer and Trustee are parties to an Indenture of Trust dated as of February 1, 1991 (the "Indenture") securing \$22,650,000 City of Redlands Variable Rate Demand Multifamily Housing Revenue Refunding Bonds (Parkview Terrace Project), 1991 Series A (the "Bonds").

(2) The proceeds of the sale of the Bonds issued under the Indenture were loaned by Issuer to Redlands-558, a California limited partnership ("Owner"), pursuant to that certain Loan Agreement dated as of February 1, 1991 (the "Loan Agreement"), and SPNB issued a direct draw letter of credit (such letter of credit, as extended, supplemented or otherwise modified (including any substitute therefor issued by Bank), the "Letter of Credit") in favor of the Trustee pursuant to the terms of the Indenture and the Loan Agreement.

(3) In connection with the execution of the Loan Agreement and the issuance of the Letter of Credit, the parties hereto entered into an Intercreditor Agreement dated as of February 1, 1991 (the "Intercreditor Agreement") to set forth certain agreements of the parties with respect to the Bond Documents and the Loan Documents (as defined therein). Capitalized terms used and not otherwise defined in this Amendment shall have the same meanings as in the Intercreditor Agreement.

(4) In connection with the extension by Bank of the termination date of the Letter of Credit, the parties hereto have agreed to amend the Intercreditor Agreement in the manner set forth herein.

NOW THEREFORE, for good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. Section 4 of the Intercreditor Agreement is hereby amended and restated in its entirety to read as follows:

"Section 4. Exercise of Rights Under Loan Documents and Bond Documents. So long as Bank is not in default in the payment

of any amount required to be paid pursuant to the Letter of Credit, the following provisions shall be applicable:

(a) (i) Upon the occurrence of an Event of Default under any Loan Document, Bank shall be permitted and is hereby authorized to take any and all actions and to exercise any and all rights, remedies and options which it may have under any Loan Document or at law to cause such default to be cured, or to foreclose (by judicial or non-judicial means) the Deed of Trust and sell the Property or any part thereof (or accept a deed thereof in lieu of foreclosure), and sell or otherwise realize upon the property mortgaged, pledged or assigned to or for the benefit of Bank under the Loan Documents, without objection or interference by Issuer or Trustee, and in Bank's sole discretion, there shall be no declaration of a default or mandatory redemption under the Indenture or the Loan Agreement, notwithstanding any such implementation by Bank of its rights, remedies and options under the Loan Documents, so long as the lien of the Trustee Deed of Trust shall not be discharged or materially impaired thereby.

(ii) Upon the occurrence of an Event of Default under any Loan Document, Bank may, whether or not it is pursuing any other rights or remedies under the Reimbursement Agreement and the other Loan Documents, give notice of such Event of Default to Trustee and require Trustee to accelerate the Loan and redeem the Bonds, in which event Trustee shall immediately call all Bonds for mandatory redemption and make a "D" Drawing under the Letter of Credit.

(b) (i) Except as otherwise expressly permitted by paragraphs (ii) and (iii) below, neither Issuer nor Trustee shall, without Bank's prior written consent:

(A) take any action to declare the outstanding balance of the Bonds or the Note to be due pursuant to the Indenture or the Loan Agreement or to foreclose the lien or the Trustee

Deed of Trust or to sell the property covered thereby, or to enforce any other remedy against any of the property described in the Trustee Deed of Trust, the Trustee Assignment of Leases or the Trustee Security Agreement (the "Bank's Collateral"), or

(B) take any other action or enforce any other remedy against the Owner or the Property on account of any default by Owner with respect to any obligation secured by the Trustee Deed of Trust.

(ii) If Owner defaults in the performance or observance of any covenant, agreement or obligation of Owner set forth in the Regulatory Agreement, and if such default remains uncured for a period of 60 days after Owner and Bank receive written notice from the Trustee stating that a Regulatory Agreement default has occurred and specifying the nature of such default (which 60-day period, as it may be extended in accordance with clause C(1) below or reduced by Trustee in accordance with the proviso set forth below, is hereinafter referred to as the "Cure Period"), then Issuer and Trustee shall thereafter have the right, without the Bank's consent, (1) to declare the outstanding balance of the Bonds and the Note to be due pursuant to the Indenture and the Loan Agreement on account of such default, (2) to call the Bonds for redemption in accordance with the Indenture and to draw upon the Letter of Credit in accordance with the terms thereof, and (3) in the event Bank defaults in the payment of any amount required by the terms of the Letter of Credit and applicable law to be paid pursuant to the Letter of Credit upon such draw, to foreclose the Lien of the Trustee Deed of Trust, sell the property covered thereby or enforce any remedy against the Bank's Collateral, unless:

(A) upon the written request of Bank to Trustee prior to the end of such Cure Period, Trustee receives an opinion of Bond Counsel (as defined in the Indenture) to the effect either

(1) that the failure to cure such default will not have a materially adverse effect on the exemption of interest on the Bonds from federal gross income taxation, or (2) that an extension of the Cure Period to a date specified in the opinion will not have a materially adverse effect on the exemption of interest on the Bonds from federal gross income taxation, in which case the Cure Period shall be extended to such date, or

(B) action to cure such default is instituted within the Cure Period and diligently pursued thereafter until such default is cured, or

(C) if such default is not reasonably curable by Bank without first securing possession of the Property, Bank (1) institutes, within the Cure Period (which period shall be tolled during the pendency of any stay or injunction on account of the bankruptcy of Owner or by reason of any judicial or administrative action), foreclosure proceedings or other action for the purpose of obtaining such possession, (2) thereafter diligently pursues such proceedings (subject to any such stay or injunction) until such possession is obtained, and (3) diligently pursues action to cure such default after it obtains possession of the Property, until such default is cured;

provided, however, that no extension pursuant to paragraph (B) or (C) above of the period within which the cure of a Regulatory Agreement default must be completed shall be effective unless, in the opinion of Bond Counsel (as set forth in an opinion delivered to Trustee at Bank's request), such extension will not materially adversely effect the exemption of interest on the Bonds from federal gross income taxation; and provided, further, that Trustee, upon prior written notice to the Bank following any such default under the Regulatory Agreement, may reduce the 60-day Cure Period provided above to such shorter period of time as is specified in such notice but only if Trustee receives an opinion of Bond Counsel acceptable to Bank that such reduction of

such period is necessary to preserve the exemption of interest on the Bonds from federal gross income taxation and State of California personal income taxation.

(iii) In the event of a default under the Regulatory Agreement which remains uncured after (A) written notice thereof to Owner and Bank and (B) expiration of the applicable cure period set forth in the Regulatory Agreement, nothing in this Section 4(b) shall restrict or in any way limit the right of Issuer or Trustee to take any action available under the Regulatory Agreement or at law or in equity in order to enforce the terms of the Regulatory Agreement, so long as neither Issuer nor Trustee takes any action to redeem the Bonds or declare the outstanding balance of the Bonds or the Developer Note to be due pursuant to the Indenture or the Loan Agreement on account of such default or to foreclose any liens or security interests or enforce any other remedy against any of the Bank's Collateral; except in accordance with Sections 4(b)(i) and 4(b)(ii) above.

(iv) Nothing in this Section 4(b) shall restrict or in any way limit the actions required to be taken by Trustee or Issuer under the Indenture in connection with any purchase of Bonds, or the payment of interest thereon, or in connection with any mandatory redemption of the Bonds at or prior to maturity (other than a mandatory redemption due to a default), or the application by Trustee of any funds held under the Indenture, or the submission of any claim and the collection and application of any funds paid to Trustee under the Letter of Credit.

(c) (i) If Bank (or an affiliate of Bank) becomes the legal or beneficial owner of the Property by foreclosure, deed in lieu of foreclosure, or otherwise, Issuer and Trustee shall, for all intents and purposes, deem Bank or such affiliate(s) (the "Bank Transferee") to be the "Developer" under the Bond Documents, as substitute obligor thereunder, so long as such Bank Transferee delivers to Trustee,

concurrently with such transfer (A) a written notice of such substitution, (B) written confirmation that the Letter of Credit is still in force and effect, (C) payment of all fees then owing to Trustee and Issuer under Section 902 of the Indenture, (D) a written instrument assuming and agreeing to perform Owner's obligations under the Bond Documents accruing from and after the date of such transfer, (E) an opinion of counsel to the Bank Transferee (which may include customary and other reasonable exceptions, assumptions and limitations) that such Bank Transferee has duly assumed the obligations of Owner under the Loan Agreement and the Regulatory Agreement and that such obligations are binding on the Bank Transferee, subject to the terms of the assumption agreement as described in the proviso set forth below, and (F) an opinion of Bond Counsel that such transfer shall not materially adversely affect the exemption of interest on the Bonds from federal gross income taxation; provided, however, that Issuer and Trustee agree (and such assumption agreement shall provide) that such Bank Transferee shall have no liability beyond its interest in the Property for any of Owner's obligations under the Bond Documents, except that the Bank Transferee shall be personally liable for (1) Owner's obligation under the Loan Documents to indemnify Issuer and Trustee, to the extent set forth in Section 6.8 of the Loan Agreement and Section 23 of the Regulatory Agreement, for claims, losses, costs, damages, fees, expenses, suits, judgments, actions and liabilities resulting from defaults by the Bank Transferee under the Regulatory Agreement during the period that such Bank Transferee holds legal title to the Property, (2) Owner's obligation under Section 5.1(d) of the Loan Agreement to pay the fees and expenses of Issuer and Trustee described in such Section accruing during the period that such Bank Transferee holds legal title to the Project, and (3) Owner's obligation to pay reasonable attorneys' fees and enforcement expenses with respect to any Event of Default (as defined in the Loan Agreement) by the Bank Transferee occurring during the period that such Bank Transferee holds legal title to the Property, except to

the extent that any of the obligations described in clauses (1), (2) and (3) above are non-recourse obligations under the terms of the Bond Documents. The delivery of the items specified in clauses (A) through (F) above shall be deemed to satisfy the requirements of Section 10 of the Regulatory Agreement.

(ii) Upon transfer of title to the Property by such Bank Transferee to a third party, such third party transferee shall thereupon be deemed to be the "Developer" under the Bond Documents, as substitute obligor thereunder, provided that such transferee delivers to Trustee, concurrently with such transfer (A) one or more Letters of Credit or Substitute Credit Facilities (as defined in the Indenture) meeting the requirements of the Indenture or written confirmation of Bank that the Letter of Credit is still in force and effect, (B) a written instrument assuming and agreeing to perform all obligations of "Developer" under the Bond Documents accruing from and after the date of such transfer, with the benefit, however, of any non-recourse provisions contained in the Bond Documents, (C) payment of all fees then owing to Trustee under Section 902 of the Indenture, (D) an opinion of counsel to the transferee (which may include customary and other reasonable exceptions, assumptions and limitations) that such transferee has duly assumed the obligations of "Developer" under the Regulatory Agreement and that such obligations and the Regulatory Agreement are binding on the transferee, and (E) an opinion of Bond Counsel that such transfer will not materially adversely affect the exemption from income taxation of interest on the Bonds. The delivery of the items specified in clauses (A) through (F) above shall be deemed to satisfy the requirements of Section 10 of the Regulatory Agreement. Upon completion of any transfer in accordance with this Section 4(c)(ii), the Bank Transferee shall be relieved of any further liability for Owner's obligations under the Loan Documents accruing from and after the date of such transfer.

(iii) Anything contained in the Bond Documents to the contrary notwithstanding, Issuer and Trustee hereby approve any transfer of title to the Property to the Bank (or its affiliates), or by the Bank or its affiliate to a third party, so long as (i) such transfer complies with the requirements set forth in Section 4(c)(i) or (ii) above, whichever is applicable, or (ii) Trustee is paid an amount sufficient to pay or redeem all Bonds then outstanding.

(iv) Nothing contained in this Section 4(c) shall in any way affect or limit Bank's obligations under the Letter of Credit."

2. The text of Sections 5(a) and 5(b) of the Intercreditor Agreement is hereby deleted in its entirety and the phrase "[intentionally omitted]" is inserted in lieu thereof.

3. Section 9.3 of the Intercreditor Agreement is hereby amended and restated in its entirety to read as follows:

"9.3. All notices, demands, approvals and other communications which are required or may be given pursuant to this Agreement shall be in writing and be delivered by personal delivery, overnight air courier or registered or certified U.S. mail with return receipt requested or by facsimile with confirmation by facsimile answer back to the appropriate party as its address or facsimile number as follows:

If to Trustee:

First Trust of California, N.A.
101 California Street
Suite 1150
San Francisco, California 94111
Attention: Multi-Family Housing Group
Facsimile No.: _____

If to Issuer:

City of Redlands
30 Cajon Street
Redlands, California 92373
Attention: Mr. Gary M. Luebbbers,
City Manager
Facsimile No.: _____

If to Bank:

Bank of America
600 Wilshire Boulevard
Suite 500
RAMS #1334
Los Angeles, California 90017
Attention: Ms. Debby Moss,
Vice President
Facsimile No.: (213) 228-6318

Addresses or facsimile numbers for notices may be changed from time to time by written notice to all other parties. If any communication is given by mail it will be effective upon the earlier of (a) 96 hours after deposit in the U.S. mail with postage prepaid or (b) actual receipt, as indicated by the return receipt; and if given by personal delivery or by overnight air courier, when delivered."

Section 4. (a) Upon and after the effectiveness of this Amendment, each reference in the Intercreditor Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Intercreditor Agreement, and each reference in the Bond Documents and the Loan Documents to "the Intercreditor Agreement", "thereunder", "thereof" or words of like import referring to the Intercreditor Agreement shall mean and be a reference to the Intercreditor Agreement as modified and amended hereby.

(b) Except as specifically amended above, the Intercreditor Agreement is and shall continue to be in full force and effect and is hereby in all respects ratified and confirmed.

Section 5. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by telefacsimile shall be effective as delivery of a manually executed counterpart of this Amendment.

IN WITNESS WHEREOF, Bank, Issuer and Trustee have caused this Amendment to be duly executed as of the date first written above.

"Bank"

BANK OF AMERICA NATIONAL TRUST AND
SAVINGS ASSOCIATION

By: _____
Debby Moss,
Vice President

By: _____
Allen R. Staff, Jr.,
Vice President

"Issuer"

CITY OF REDLANDS

By: 
Name: Swen Larson
Title: Mayor

[SEAL]

Attest:


City Clerk

"Trustee"

FIRST TRUST OF CALIFORNIA, N.A.

By: _____

Name: _____

Title: _____