

**SECOND AMENDMENT TO LOAN AGREEMENT AND
SECOND AMENDMENT TO GROUND LEASE**

(BLP Partnership and City of Pleasanton – Pleasanton Assisted Living)

THIS SECOND AMENDMENT TO LOAN AGREEMENT AND SECOND AMENDMENT TO GROUND LEASE ("Second Amendment") is entered into as of April 18, 2012, by and between BLP Partnership, Inc., a California nonprofit public benefit corporation (the "Borrower") and the City of Pleasanton, a California municipal corporation (the "City"). All capitalized terms not otherwise defined in this Second Amendment shall have the meaning set forth in Section 1.1 and Section 2.3 (as amended by this Second Amendment) of the Loan Agreement (as defined in Recital A).

RECITALS

A. The Borrower and the City entered into that certain Loan Agreement dated September 1, 2005 (the "Loan Agreement") in which the City agreed to loan the Borrower Two Million Four Hundred Ninety Thousand Dollars (\$2,490,000) to finance the development of a one hundred and five (105) unit assisted living facility in the City of Pleasanton (the "Project").

B. The Borrower and the City entered into that certain Ground Lease By and Between City of Pleasanton (Lessor) and BLP Partnership ("Lessee") dated September 1, 2005, a memorandum of which was recorded as Instrument No. 2005-419130 in the Official Records of the County of Alameda on September 29, 2005 (the "Ground Lease") in which the City and the Borrower agreed that the City would lease to the Borrower certain land, as more specifically described in the Ground Lease, on which the Borrower would develop and operate the Project.

C. The Loan Agreement and the Ground Lease were amended by that certain First Amendment to Loan Agreement and Ground Lease (BLP Partnership and City of Pleasanton – Pleasanton Assisted Living) dated October 26, 2011 (the "First Amendment to Loan Agreement and Ground Lease").

D. The Borrower and the City desire that the First Amendment to Loan Agreement have no force and effect and instead be replaced in its entirety by this Second Amendment.

E. Through this Second Amendment, the Borrower and the City desire to amend the Loan Agreement as follows: allow an increase to the initial annual Asset Management Fee from Ten Thousand Dollars (\$10,000) to Twenty Five Thousand Dollars (\$25,000) while maintaining the annual 3% escalation rate; to permit annual deposits of up to Ninety-Five Thousand Dollar (\$95,000) into reserve fund accounts; to allow the Borrower to receive a management fee for managing the Affordability Reserve and to allow the Affordability Reserve to be used to pay for Annual Operating Costs to the extent short term cash flow issues or other extraordinary circumstances exist; to allow the Borrower to fund a capital reserve account of up

to Four Hundred Thousand Dollars (\$400,000); to eliminate the requirement to fund an Operating/Management Reserve; and to make other changes to help clarify the distribution of Surplus Cash, including deleting the requirement to pay the Three Hundred Thousand (\$300,000) Developer Contribution from Surplus Cash as such payment has already been made.

C. The Borrower and the City desire to amend the Ground Lease to no longer require that Bay Area Senior Services, a California nonprofit public benefit corporation invest Twenty-Four Thousand Dollars (\$24,000) per year for ten (10) years.

D. The Borrower and the City desire to make these amendments to the Loan Agreement and the Ground Lease retroactive to September 1, 2005.

NOW THEREFORE, in consideration of the mutual promises of the parties hereto, the City and the Borrower amend the Loan Agreement and the Ground Lease as follows:

Section 1. Recitals. The City and the Borrower agree that the above recitals are true and correct and are hereby incorporated herein as though set forth in full.

Section 2. Amendment to Loan Agreement: The City and the Borrower desire to amend and restate Section 2.3 of the Loan Agreement in its entirety so that it reads as follows:

"2.3 **Repayment of the Loan**. The Loan shall be repaid as set forth in the definition of the City Loan Payment in Section 2.3 (a) below and the description of the waterfall payments set forth in Section 2.3 (b) below.

(a) Definitions. The following definitions shall apply for the purposes of this Section 2. Any capitalized terms not otherwise defined below shall have the meaning set forth in Section 1.1.

(i) "Affordability Reserve" shall mean the affordability reserve described in Section 2.4 of the Regulatory Agreement.

(ii) "Annual Operating Costs" shall mean, with respect to a particular fiscal year, costs incurred for operation and maintenance of the Project, including but not limited to: property taxes and assessments imposed on the Project; debt service currently due on Approved Financing (excluding debt service owed to the City on the Loan and debt service owed to the City on the HELP Loan); annual fees charged in connection with any Approved Financing, the property management fees and reimbursements, insurance premiums; utility services not paid for directly by tenants; maintenance and repair; any annual license or occupancy fees required for operation of the Project; security services; advertising and marketing; deposits of up to Ninety-Five Thousand Dollars (\$95,000) into a replacement reserve account; extraordinary operating costs specifically approved in writing by the City; payments of deductibles in connection with casualty insurance claims; the amount of uninsured losses actually replaced, repaired or restored, other ordinary and reasonable operating expenses included in the Borrower's annual budget; other ordinary and reasonable

operating expenses approved in writing by the City and not listed above. Annual Operating Costs shall not include the following: depreciation, amortization, depletion or other non-cash expenses; and any amount expended from a reserve account.

(iii) "Asset Management Fee" shall mean the annual asset management fee paid to BRIDGE in the amount of Twenty Five Thousand Dollars (\$25,000) (increased by three percent (3%) annually).

(iv) "City Loan Payment" shall mean the annual interest only payment that is due on the Loan from the City paid from Surplus Cash pursuant to Section 2.3(b). Subject to Section 2.3(b)(ii)(2) below, the annual interest only payment shall be equal to ten percent (10%) per annum on the principal amount of the City Loan then outstanding. The Loan may be forgiven at the end of the Term in accordance with Section 2.3 (c), below.

(v) "Conversion Date" shall mean October 1, 2010, the date the Certificates of Participation were purchased by Citibank and converted to 30 year amortizing debt.

(vi) "Development Period" shall mean the period during which the Project was constructed and leased, which is the period from October 1, 2005 to the Conversion Date, as defined above.

(vii) "Development Period Surplus" shall mean all sources of financing available during the Development Period, including any Surplus Cash generated during the Development Period, LESS the sum of the following: all capital expenditures made to complete the development of the Project (as determined by an audit of those costs), the \$400,000 used to capitalize the reserve fund, and the \$1,050,250 used to pay down the principal of the HELP Loan pursuant to the HELP Loan Amended and Restated Promissory Note.

(viii) "Gross Revenue" with respect to a particular fiscal year shall mean all revenue, income, receipts, and other consideration actually received from operation and leasing of the Project. Gross Revenue shall include, but not be limited to: all rents, fees and charges paid by tenants, Section 8 payments or other rental subsidy payments received for the dwelling units, deposits forfeited by tenants, net proceeds from vending and laundry room machines; the proceeds of business interruption or similar insurance and not paid to Senior Lenders; the proceeds of casualty insurance not used to rebuild or repair the Project and not paid to Senior Lenders; and condemnation awards for a taking of part or all of the Project for a temporary period not paid to Senior Lenders. Gross Revenue shall not include tenants' security deposits, loan proceeds, capital contributions or similar advances.

(ix) "HELP Loan Amended and Restated Promissory Note" shall mean that certain First Amended and Restated HELP Promissory Note (Pleasanton Assisted Living) dated January 18, 2011.

(x) "Property Management Agreement" shall mean that certain Assisted Living Management Agreement dated September 1, 2005, by and between Eskaton Properties Incorporated and BLP Partnership, Inc, as may be amended from time to time, or a successor Management Agreement approved by City.

(xi) "Property Manager's Subordinated Fee" shall mean that portion of the property management fee that must go unpaid in any given fiscal year in order to make mandatory debt service payments on the Approved Financing, as more fully described in the Property Management Agreement.

(xii) "Surplus Cash" shall mean the difference between the Gross Revenue and Annual Operating Costs.

(b) Annual Payments from Surplus Cash.

(i) Waterfall of Payments. Commencing at the end of the fiscal year in which the Conversion Date occurs, and on that day for each year thereafter for the Term of the Loan, the Borrower shall use any existing Surplus Cash and any Development Surplus Cash to make the following payments in the following order of priority:

- (1) To pay the Property Manager's Subordinated Fee, if any.
- (2) To pay the payment due on the Help Loan Payment as set forth in HELP Loan Amended and Restated Promissory Note.
- (3) To pay the City Loan Payment.
- (4) To pay the Asset Management Fee.
- (5) Any remaining Surplus Cash shall be distributed as follows:
 - (a) 72% shall be deposited into the Affordability Reserve;
 - (b) 8% shall be paid to BRIDGE Housing, Inc. as a fee for managing the Affordability Reserve for the Project; and
 - (c) 20% shall be distributed to BRIDGE Housing, Inc.

(ii) Payments to Accrue until Paid.

(1) To the extent there is insufficient Surplus Cash to make the payments set forth in Section 2.3(b)(i)(1), (3) or (4), the unpaid amount shall accrue and be paid from Surplus Cash in subsequent year(s) in the order of priority of the Waterfall of Payments set forth in Section (i), above.

(c) Forgiveness of Principal and Interest of City Loan. Subject to the Default provisions of Article 5, at the end of the Term, any interest owed in connection with the City Loan that has not yet been paid by the Borrower pursuant to this Section 2.3 shall be forgiven, and in such event the Note shall be cancelled and returned to the Borrower.

(d) Use of Affordability Reserve. Pursuant to Section 2.4 of the Regulatory Agreement the City and the Borrower hereby agree that, in addition to the uses set forth Section 2.4 of the Regulatory Agreement, and only with prior written approval from the City, the Affordability Reserve may also be used to pay for Annual Operating Costs to the extent there are short term cash flow issues or other extraordinary circumstances.

(e) Documentation to City of Surplus Cash. The Borrower shall provide the City with any documentation reasonably requested by the City to substantiate the Borrower's determination of Surplus Cash. Payments, if any, shall be delivered within one hundred eighty (180) days of the end of the fiscal year along with the audited financial statement required pursuant to Section 4.2.

(f) Contributions or Loans to the Project from Borrower. The Borrower shall notify the City in the event any contributions or loans are made to the Borrower by a parent or affiliate of the Borrower and related to the Project.

(g) Fannie Mae Eligibility. In the event that the terms of the City Loan (alone or in conjunction with the HELP Loan) do not comply with Fannie Mae's applicable subordinate debt requirements, the City shall cooperate with the Borrower to modify the terms of the City Loan so that the City Loan (alone or in conjunction with the HELP Loan) meets such requirements."

Section 3. Amendment to Ground Lease. The City and the Borrower desire to no longer require that Bay Area Senior Services, a California nonprofit public benefit corporation invest Twenty-Four Thousand Dollars (\$24,000) per year for ten (10) years. As such, Section 3.9 of the Ground Lease is deleted in its entirety and replaced with the following: "Intentionally Omitted."

Section 4. Effective Date of Amendments. The amendments made to the Loan Agreement and to the Ground Lease are effective retroactively to September 1, 2005.

Section 5. Counterparts. This Second Amendment may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one and the same instrument.

Section 6. No Other Changes to Loan Agreement or Ground Lease. Except as expressly modified by this Second Amendment, all other provisions of the Loan Agreement and the Ground Lease are unmodified and continue in full force and effect.

Section 7. California Law. This Second Amendment shall be governed by and construed in accordance with the laws of the State of California applicable to contracts made and to be performed entirely therein.

[Signatures to Follow On Next Page]

CITY:

CITY OF PLEASANTON, a California municipal
corporation

By: STEVEN BOCIAN

Name: STEVEN BOCIAN

Its: ASSISTANT CITY MANAGER

BORROWER:

BLP PARTNERSHIP, INC., a California nonprofit
public benefit corporation

By: LYNTIA PARKER

Name: LYNTIA PARKER

Its: President