

**SUBCONTRACT FEE AGREEMENT**  
Arrowhead Grove Phase II

This Subcontract for Development Services (this “**Subcontract**”) is dated as of [\_\_\_\_], 2019 by and among NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA (“**Developer**”), WG 2 DGP, LLC (“**Clancy LLC**”), and WATERMAN AFFORDABLE 3 LLC (together with Clancy LLC and HACSB, each a “**Subcontractor**” and jointly the “**Subcontractors**”).

**Background**

Developer has entered into a certain Development Agreement of even date (the “**Development Agreement**”) with Waterman Gardens Partners 2, L.P., a California limited partnership (“**Owner**”). The Development Agreement provides for Developer to provide certain services in connection with Owner’s development of a 184-unit affordable housing project, 147 of such units being intended for rental pursuant to the Low-Income Housing Tax Credit program (and two units intended as managers units), referred to herein as the “**Project**.”

Developer has requested that the Subcontractors provide certain services to Developer in connection with the Project, and each Subcontractor has agreed to provide such services to Developer, as further set forth in this Subcontract.

**Agreement**

NOW, THEREFORE, for good and valuable consideration and intending to be legally bound, the parties agree as follows:

**1. Defined Terms.** Except as expressly otherwise defined herein, terms in this Subcontract with initial capital letters shall have the meaning set forth in the Development Agreement.

**2. Services Provided.** Each Subcontractor has provided and shall continue to provide until the Project is completed, or shall cause to be provided, to Developer, services with respect to the Project, such services to include, but not be limited to:

- a) Assisting the Developer in planning the construction and development of the Project;
- b) Assisting Developer in obtaining building code, occupancy permits, zoning determinations, and other governmental approvals concerning the development of the Project on behalf of the Partnership;
- c) Advising with respect to the design and scope of construction and improvements of the Project;
- d) Consulting with community and civic leaders and organizations to assure that the Project is developed in accordance with the needs of the surrounding neighborhood;
- e) Consulting and coordinating with governmental officials regarding construction of the Project in accordance with the needs of the surrounding neighborhood and the anticipated residents of the Project;
- f) Assisting in processing disbursements under any loan agreements with any lending institutions providing funds for construction of the Project;

g) Assisting in the preparation of reports to federal, state, and local agencies relating to the development of the Project, as appropriate;

h) Recommending plans to encourage participation by minority and locally owned businesses consistent with all local, state, and federal law;

i) Assisting Developer in reviewing and supervising the construction of the Project; and

j) Assisting in negotiating and enforcing all contracts, actions, and arrangements which must be made or carried out, and take all other actions that are reasonably necessary in connection with the construction of the Project.

**3. Level of Service.** Each Subcontractor shall use best efforts at all times in furnishing or performing such services to promote and advance the best interests of Developer to the end that the Project shall be developed and constructed, to the extent practicable, in an economical and efficient manner. In providing services hereunder, a Subcontractor shall not be deemed insurer of the results of Developer, and its obligations hereunder shall be limited to the performing of such services in good faith and in a diligent manner. This Subcontract shall not (a) relieve Developer of its obligations pursuant to the Development Agreement or any other contractual agreement, or (b) constitute an assignment of any duties of Developer under the Development Agreement to Subcontractor.

**4. Independent Contractor; Third Party Contractors.** Each Subcontractor shall at all times be an independent contractor and not an employee of Developer. The rights and obligations of each Subcontractor under this Subcontract shall be fully independent of the rights and obligations of any other Subcontractor and no Subcontractor shall be responsible for the performance of any other Subcontractor.

**5. Termination.** This Subcontract shall terminate upon the termination of Developer's duties and responsibilities pursuant to the Development Agreement. Notwithstanding such termination however, Developer shall remain liable to each Subcontractor for payment of Subcontractor's Fee in accordance with the provisions of Section 6 of this Subcontract.

**6. Fees.**

a) The Developer alone shall be entitled to a portion of the Development Amount equal to the capital contribution it is making to the Owner through Developer's affiliate, the general partner of the Owner, as reflected in the Amended and Restated Agreement of Limited Partnership of the Owner (such portion, the "**Base Fee**").

b) For the services of each Subcontractor with respect to the development of the Project, Developer shall pay to the Subcontractor a fee (the "**Subcontractor's Fee**") as follows:

(i) Developer shall pay to Waterman Affordable 3 LLC, as a Subcontractor's Fee, thirty-three percent (33%) of all Development Amount received by Developer after Developer has received the Base Fee. Developer shall make each payment due hereunder within five (5) business days of receiving an installment of Development Amount in excess of the Base Fee. In no event shall Developer be required to pay any amounts to Subcontractor hereunder unless and until it actually receives payment of same from Owner pursuant to the Development Agreement. Developer hereby pledges and grants

Subcontractor a security interest in the Development Amount in order to secure its promise to pay over the Subcontractor's Fee; provided, however, that such pledge is expressly subject and subordinate to any pledge of the Development Fee in or pursuant to the Development Agreement or any mortgage loan document in connection with the Project.

- (ii) Developer shall pay to Clancy LLC, as a Subcontractor's Fee, the sum of [Three Hundred Thousand Dollars (\$300,000.00)]. Developer shall make the entire payment due hereunder within five (5) business days of receiving an initial installment of the Development Amount, at Investment Closing.

(c) Notwithstanding anything to the contrary contained herein, in the event any portion of the Development Fee is deferred and Developer or any affiliated person or entity contributes or loans capital to the Partnership pursuant to the Development Agreement in order to satisfy such deferred portion of the Development Fee, Subcontractor shall not be entitled to any portion of the Development Fee paid with such contribution. If Subcontractor or any affiliated person or entity contributes or loans capital to Partnership pursuant to the Development Agreement in order to satisfy such deferred portion of the Development Fee, Subcontractor shall be entitled to the entirety of the Development Fee paid with such contribution.

**7. Miscellaneous.**

a) Nothing herein contained shall be construed to constitute any party as the agent of another party, except as provided herein, or in any manner to limit the parties in the carrying on of their own respective business or activities.

b) All notices provided for herein shall be in writing and transmitted by registered or certified mail postage prepaid, by prepaid courier delivery, or by telecopier to each party at its current address, or as changed by notice given to each party. Each party shall be responsible for notifying the other parties of any changes in its address.

c) It is the intent of the parties that all questions with respect to the construction of this Subcontract and the rights and liabilities of the parties shall be determined in accordance with the provisions of the laws of the State of California.

d) This Subcontract shall be assignable by any party only with the written consent of the other party.

e) This Subcontract shall be binding upon the heirs, executors, administrators, successors, and assigns of the parties hereto. Nothing herein shall be construed to be for the benefit of any third party, nor is it intended that any provision shall be for the benefit of any third party.

f) This Subcontract may be amended only by written instrument executed by all the parties hereto.

**8. Counterparts.** This Subcontract may be signed in any number of counterparts, each of which shall be an original for all purposes, but all of which taken together shall constitute only one agreement. The production of any executed counterpart of this Subcontract shall be sufficient for all purposes, without producing or accounting for any other counterpart thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Subcontract for Development Services as of the date first above written.

DEVELOPER:

NATIONAL COMMUNITY RENAISSANCE OF CALIFORNIA,  
a California nonprofit public benefit corporation

By: \_\_\_\_\_  
Michael Finn, Chief Financial Officer

SUBCONTRACTORS:

WG 2 DGP, LLC,  
a Massachusetts limited liability company

By: \_\_\_\_\_  
Patrick Clancy

WATERMAN AFFORDABLE 3 LLC,  
a California limited liability company

By: \_\_\_\_\_