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THE COUNTY OF HUMBOLDT
HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME)

REGULATORY AGREEMENT
LOAN NUMBER 04-HOME-0729

THIS REGULATORY AGREEMENT (the "Agreement") is made and entered into this 7th day of August 2006 by and between, Willow Creek Family Associates, a California Limited Partnership (the "Borrower"); and the County of Humboldt, (the "County"), a political subdivision of the State of California.

Recitals

- A. The Borrower is or will be the owner of, or holder of a fee estate in the real property located in the County of Humboldt, California and more fully described in Exhibit A (the "Property").
- B. The Borrower has proposed to develop the Property by constructing thereon a 24-unit rental housing development of which 24 units will be Assisted Units to be occupied by low and very low income households (the "Development").
- C. The Development will be financed in whole or in part and regulated by a permanent loan from the County in a principal amount not to exceed Three Million, Four Hundred Twelve Thousand, Five Hundred Dollars (\$3,412,500.00) (the "Loan") from the Home Investment Partnerships Program (the "HOME Program"). The Loan will be provided to Borrower by the County in accordance with 42 USC 12741 et seq., 24 CFR Part 92, California Health and Safety Section 50896 and Title 25, California Code of Regulations, Sections 8200 through 8220 and Sections 8300 through 8316, (together, the "HOME Regulations"). Any inconsistencies between this document and the HOME Regulations will be controlled by the HOME regulations. In consideration of the County's commitment to make the Loan, the County and the California Department of Housing and Community Development (the "Department") have entered into one Standard Agreement, Number 04-HOME-0729 dated May 20, 2005, (herein "Standard Agreement"). The proceeds of the Loan shall be disbursed, used and governed by a County Loan Agreement by and among the County of Humboldt and Borrower (the "County Loan Agreement")."
- D. The Standard Agreement and the County Loan Agreement, including all exhibits and attachments thereto, are incorporated in full by reference into this Agreement. In the event of any inconsistencies between the terms set forth in the County Loan Agreement and the terms of this Regulatory Agreement, the terms of this Regulatory Agreement shall prevail.
- E. Borrower agrees to abide by all provisions of the Standard Agreement and the County Loan Agreement with respect to the Development and Borrower shall execute a promissory note



evidencing its obligation to repay the Loan (the "Note") and a deed of trust in favor of the County to be recorded against the Property securing repayment of the Note (the "Deed of Trust"). Borrower agrees to be bound by all terms and conditions of the Note and Deed of Trust. The Note, the Deed of Trust, the Standard Agreement, the County Loan Agreement and this Agreement are collectively referred to herein as the "Loan Documents".

- F. As further consideration for the Loan and in furtherance of the purposes of the HOME Program, Borrower has agreed to enter into this Agreement. The purpose of this Agreement is to regulate and restrict occupancy, rents, operations, ownership and management of the Development in compliance with the requirements of the HOME Program.

NOW, THEREFORE, the parties hereto agree as follows:

1. Recitals. The foregoing recitals are a part of this Agreement.
2. Property. The Development will be located on the Property.
3. Definitions. Unless the context requires otherwise, the terms used in this Agreement shall be governed by the definitions set forth in 24 CFR Part 92, and 25 Cal. Code of Regulations section 8201. All references to code sections refer to Title 25 of the California Code of Regulations, unless otherwise noted.

For the purposes of this Agreement the following additional definitions shall apply:

- a. "Assisted Unit," means a dwelling unit, or a residential hotel unit, or a bedroom in a group home or congregate home, the rehabilitation or construction of which was assisted with proceeds of the Loan.
- b. "Eligible Households" means Lower Income Households or Very Low-Income Households.
- c. "Fiscal Integrity" means that the total of Operating Income plus funds released pursuant to this Agreement from the operating reserve account is sufficient to (1) pay all current Operating Expenses, (2) pay all current approved debt service, (3) fully fund for at least twelve consecutive months all reserves established pursuant to this Agreement, and (4) pay other extraordinary costs permitted by this Agreement. The ability to pay any or all of the annual permitted distribution shall not be considered in determining fiscal integrity.
- d. "HOME Rents" means rents calculated annually by the United States Department of Housing and Urban Development ("HUD") and are:
 - 1) The lesser of the Fair Market Rents or a rent that does not exceed thirty percent of sixty-five percent of area median income (High HOME Rents); or
 - 2) Thirty percent of fifty percent of area median income (Low HOME Rents).
- e. "Initial Operating Year" means the first year of operations, or portion thereof, of the rehabilitated or newly constructed rental housing development beginning at the time of initial occupancy of an Assisted Unit and ending on the last day of the fiscal year of the Development.

- f. "Lower Income Household," means persons or families whose incomes are eighty percent or less of the area median income as determined by the HUD.
 - g. "Operating Expenses" means the amount approved by the County that is necessary to pay for the essential recurring expenses of the Development, including, but not limited to, utilities, maintenance, management, taxes, licenses, and mandatory direct or supportive tenant services but not including debt service, required reserve account deposits, or costs for voluntary direct or supportive tenant services.
 - h. "Operating Income" means all income generated in connection with operation of the rental housing development including rental income from Assisted Units and non-assisted units, rental income from nonresidential space, laundry or equipment rental fees, rental subsidy payments, and interest on any accounts related to the rental housing development. "Operating Income" does not include tenant security and equipment deposits, payments received from voluntary direct or supportive tenant services, or tax benefits received by the sponsor.
 - i. "Rent" means all charges, other than deposits, paid by the tenant for the use and occupancy of an assisted unit and any mandatory charge for direct or supportive tenant services in a rental housing development, including a utility allowance in an amount determined by HUD.
 - j. "Residual Receipts" means project funds remaining after payment of expenses as described in items 1 through 5 Section 21(b)
 - k. "Very Low-Income Household" means low-income persons or families whose incomes are 50 percent or less of the area median income as determined by HUD.
4. Compliance with Program Requirements.
- a. The Borrower agrees that at all times its acts regarding the Development and the use of funds provided herein shall be in conformity with all provisions of the HOME Program including the statutes, the HOME Regulations and such policies and procedures of the Department and of HUD pertaining thereto. The Borrower acknowledges that they are familiar with such applicable provisions and have been professionally advised to the extent necessary for the purpose of enabling the Borrower to fully comply with such provisions.
 - b. The financial assistance provided under the HOME Program is governed by 24 CFR Part 92. With respect to the assistance, Borrower agrees to comply with all requirements and obligations as described in 24 CFR Part 92, as well as all provisions governing the use of HOME funds. Borrower agrees to comply with the directives of the County as necessary to ensure compliance with the obligations of the County as set forth in its agreements with HUD regarding the use of HOME funds.
5. Term of Agreement. The term of this Agreement shall commence upon its recordation in the office of the County Recorder for the county in which the Development is located and remain in full force and effect and shall apply to the Development through and including the date which is fifty-five (55) years from the Date of Completion as defined in the County Loan Agreement, but in any event, no later than fifty-seven (57) years after the recordation of this Amendment to the Agreement, regardless of any prepayment of the Loan or sale, assignment, transfer or conveyance of the Development, unless terminated earlier by the County pursuant to the terms of this Agreement or extended by the mutual consent of the parties thereto."

6. Assisted Unit Schedule. Upon occupancy following the completion of construction, the Borrower shall rent Assisted Units only in accordance with the Schedule of Assisted Units set forth in Exhibit B, attached hereto and incorporated herein.
7. Tenant Selection Standards. Borrower shall rent Assisted Units in the Development only to eligible households in accordance with the Management Plan approved by and on file with the County pursuant to Section 14 of this Agreement. Such Management Plan may be periodically altered and such alteration must be submitted to and approved by the County prior to use. At all times, twenty percent of the Assisted Units must be rented to Very Low-Income households and, at initial occupancy, no less than ninety percent of the Assisted Units shall be occupied by households whose incomes are at sixty percent and below of area median income as determined by HUD. The Management Plan shall among other things:
 - (1) detail actions to be taken by Borrower to affirmatively market vacant units in a manner which ensures equal access to all persons in any category protected by federal, state or local laws governing discrimination, and regardless of any arbitrary factor;
 - (2) specify reasonable criteria for determination of tenant eligibility, including household size in accordance with the minimum occupancy standard specified in the HOME Regulations;
 - (3) require that eligible tenants be selected based on order of applications, lottery, or other reasonable method approved by the County;
 - (4) specify procedures through which tenant applicants deemed to be ineligible shall be notified of the reason for their ineligibility and may appeal this determination;
 - (5) require maintenance of a waiting list of eligible applicants; and
 - (6) specify procedures for obtaining information regarding prospective tenants' incomes as necessary to certify that such income does not exceed the lower or very low-income limit.
8. Nondiscrimination. Borrower shall not discriminate against any tenant or prospective tenant on the basis of race, religion, sex, age, disability, marital status, nor any other arbitrary factor in violation of any state, federal or local law governing discrimination in rental housing. Housing which is intended to benefit, and is therefore limited to senior citizens, is permitted only with the prior approval of the selection criteria by the County.
9. Rental Agreement and Occupancy Procedures (the "Lease").
 - a. Each eligible household selected to occupy a unit in the Development shall enter into a written rental agreement with the Borrower on a form approved by the County containing such provisions as are required by the HOME Regulations. The Lease shall be for a term of not less than one year.
 - b. The Lease may not contain any of the following provisions:
 - 1) Agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of the Borrower or Borrower's Agent in a lawsuit brought in connection with the lease;
 - 2) Agreement by the tenant that the Borrower may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. This prohibition, however, does not apply to an agreement by the tenant concerning disposition of personal property remaining in the housing unit after the tenant has moved out of the unit. The Borrower may dispose of this personal property in accordance with state law;
 - 3) Agreement by the tenant not to hold the Borrower or Borrower's agents legally responsible for any action or failure to act, whether intentional or negligent;

- 4) Agreement of the tenant that the Borrower or Borrower's Agent may institute a lawsuit without notice to the tenant;
 - 5) Agreement by the tenant that the Borrower or Borrower's agent may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties;
 - 6) Agreement by the tenant to waive any right to a trial by jury;
 - 7) Agreement by the tenant to waive tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease; and
 - 8) Agreement by the tenant to pay attorneys' fees or other legal costs even if the tenant wins in a court proceeding by the owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.
- c. The borrower shall establish reasonable rules of conduct and occupancy. Such rules shall be consistent with state law and the HOME Regulations. Said rules shall be in writing and shall be given to each tenant upon occupancy. Any change shall become effective no fewer than 30 days after giving written notice thereof to each household.
 - d. The Borrower shall not terminate the tenancy or refuse to renew the lease of a tenant of rental housing assisted with HOME funds except for serious or repeated violation of the terms and conditions of the Lease; for violation of tenancy period; or for other good cause. Any termination or refusal to renew a Lease shall be by the owner's service upon the tenant of a written notice in compliance with State law and specifying the grounds for the action.
 - e. The Borrower shall maintain the premises in compliance with all applicable housing quality standards and local code requirements.

10. Rents.

- a. For all Assisted Units, Rents shall not exceed high HOME Rents less a utility allowance. For Assisted Units that are set-aside for Very Low-Income Households, HOME rents shall not exceed Low HOME Rents less a utility allowance.
- b. A minimum of 20 percent of all Assisted Units shall be occupied by Very Low-Income Households at Rents that are no greater than the Low HOME Rents less a utility allowance.
- c. Any household certified as an Eligible Household upon occupancy but whose income increases above the eligibility level must pay as Rent the lesser of the amount payable by the tenant under State or local law or 30 percent of the household's adjusted monthly income; except that, Assisted Units subject to low-income tax credit rules under section 42 of the Internal Revenue Code shall be governed by such rules.

11. Security Deposits.

- a. Security deposits shall be required of tenants only in accordance with State law and this Agreement.

- b. Any security deposits collected by the Borrower or Borrower's agent shall be kept separate and apart from all other funds of the Development in a trust account with a depository insured by the Federal Deposit Insurance Corporation (F.D.I.C.), or other comparable federal deposit insurance program, and shall be held and disbursed in accordance with State law. The balance of such account shall at all times equal or exceed the aggregate of all outstanding obligations under said account, plus accrued interest thereon.

12. Certification of Tenant Income and Household Size.

- a. The income and household size of all households occupying Assisted Units shall be certified by the Borrower prior to occupancy and re-certified annually thereafter in a manner approved by the County and specified in the Development's Management Plan.
- b. If the income of a tenant upon re-certification exceeds the upper limit for Lower Income Households, and there are no other requirements statutorily imposed by another federal or State funding source or tax credit program, that tenant shall not have its Lease terminated as a result thereof, but shall be charged Rents as provided in Section 10 (c).
- c. Where a household occupying a unit designated for occupancy by a Very Low Income Household no longer so qualifies at the time of re-certification, but qualifies as an otherwise Eligible Household, the rents appropriated for that income level shall be charged.

13. Assisted Unit Substitutions.

- a. For purposes of this section, "comparable" units shall be those listed in the same group in the Comparable Unit Schedule set forth in Exhibit C, attached hereto and incorporated herein.
- b. If, upon re-certification, the income of a household occupying an Assisted Unit reserved for occupancy by Lower Income Households exceeds the upper limit for lower income, the Borrower may designate this household's unit as non-assisted, provided that all of the following conditions are satisfied:
 - 1) Not later than the date the Borrower designates the unit as non-assisted, the Borrower also makes available a comparable vacant unit previously designated as non-assisted to be designated as an Assisted Unit, or designates a previously non-assisted unit occupied by a Lower Income Household as an Assisted Unit, or agrees to occupy the next available unit with a Lower Income Household; and
 - 2) The rent charged for the newly designated Assisted Unit will not exceed the high HOME Rent.
- c. Where a household occupying an assisted unit reserved for occupancy by Very Low-Income Households no longer qualifies as Very Low-Income at the time of re-certification, but qualifies as a Lower Income Household, the following shall apply:
 - 1) Borrower shall designate the unit as an assisted unit for Lower Income Households
 - 2) Borrower may increase the household's Rent up to the High HOME Rent;

- 3) Borrower shall designate the next available comparable Assisted Unit reserved for Lower Income Households as an Assisted Unit reserved for Very Low-Income Households; and
- 4) The Rent charged for the newly designated Assisted Unit reserved for Very Low-Income Households shall not exceed the Low HOME Rent.

14. Maintenance and Management.

- a. Borrower is specifically responsible for all maintenance, repair, and management functions for the Development, including without limitation, selection of tenants, recertification of household income and size, evictions, collection of rents, routine and extraordinary repairs and replacement of capital items. Borrower shall maintain units and common areas in a safe and sanitary manner in accordance with local health, building, and housing codes, HUD housing quality standards pursuant to 24 CFR Section 882.109, and the Management Plan described above.
- b. Borrower may, with the prior written approval of the County, contract with a management agent for the performance of services or duties required in paragraph (a). However, such an arrangement does not relieve the Borrower of responsibility for proper performance of these duties. Such contract shall contain a provision allowing the Borrower to terminate the contract without penalty upon no more than thirty-day's notice. Upon a determination by the County, and notice to the Borrower thereof, that the management agent has failed to operate the Development in accordance with this Agreement, the Borrower shall exercise such right of termination forthwith and shall make immediate arrangements, which shall be subject to County approval, for continuing performance of the requirements of this Agreement.
- c. Borrower may operate the Development itself only with prior written approval of the County. Upon a determination by the County, and notice to the Borrower thereof, that the Borrower has failed to operate the Development in accordance with this Agreement, the County may require the Borrower to contract with a management agent to operate the Development, or to make such other arrangements as the County deems necessary to ensure performance of the requirements of this Agreement.

15. Hazard and Liability Insurance.

- a. The Borrower shall at all times keep the Development insured against loss by fire, flood (as required pursuant to 24 CFR 92.358), and such other hazards, causalities, liabilities and contingencies, and in such amounts and for such periods as set forth in Exhibit D, attached and made a part hereof. All insurance policies and renewals thereof shall be issued by a carrier and in a form acceptable to the County. Property insurance policies shall name the County as an additional loss payee and liability insurance policies shall name the County as additionally insured, as approved by the County.
- b. Insurance proceeds and condemnation awards for any loss to or taking of the Development, or any portion thereof, shall be applied or utilized by Borrower as provided in the Deed of Trust executed by Borrower and referred to in the Recitals hereof.

16. Annual Report. The Borrower shall file with the County an annual report, as required by 24 CFR part 92 and 25 Cal. Code of Regulations, Section 8218(a)(2) no later than 90 days after the end of each fiscal year as established for the Development pursuant to Section 18(a) of this Agreement. The report shall contain a certification by the Borrower as to such information as the County may then require including, but not limited to the following:

- a. The fiscal condition of the Development, including a financial statement for the previous fiscal year that includes a balance sheet and a profit and loss statement indicating any surplus or deficit in operating accounts; a detailed itemized listing of income and expenses; the amounts of any fiscal reserves and the total amount of Residual Receipts received. Such financial statement shall be prepared in accordance with the requirements of the County. The County may require that the financial statement be audited at the Borrower's expense by an independent certified public accountant acceptable to the County or other person designed by the County.
 - b. The substantial physical defects in the Project, including a description of any major repair or maintenance work undertaken or needed in the previous and current fiscal years. Such statement shall describe what steps the Borrower has taken in order to maintain the Development in a safe and sanitary condition in accordance with applicable housing and building codes.
 - c. The occupancy of the Development indicating;
 - 1) The verified income of each current household; and
 - 2) The current rents charged each household and whether these rents include utilities.
 - d. General management performance, including tenant relations and other relevant information.
 - e. A summary of the information received from the re-certification of tenants' incomes.
 - f. Evidence of a currently paid hazard and flood insurance policy, with loss payable to the County in the amounts specified in Exhibit D.
 - g. Evidence of a currently paid liability insurance policy, naming the County as an additional loss payee in the amounts specified in Exhibit D.
 - h. Other information reasonably required by the County.
17. County Review and Inspections.
- a. Upon not less than 48 hours' notice to the Borrower, the County or its designee may, at any time during the term of the Loan, enter and inspect the physical premises and inspect all accounting records pertaining to the construction or operation of the Development. Upon request by the County, the Borrower shall notify occupants of upcoming inspections of their units in accordance with State Law.
 - b. The County may perform or cause to be performed audits of any and all phases of the Borrower's activities related to the Development. At the County's request, the Borrower shall provide, at its own expense, an audit of the financial condition of the project certified by an independent certified public accountant.
 - c. The County may request any other information that it deems necessary to monitor compliance with requirements set forth in this Agreement and the Standard Agreement. The Borrower shall promptly provide such information.

18. Annual Operating Budget.

- a. The fiscal year for the Development shall commence on January 1 and conclude on December 31.
- b. No later than sixty days prior to the beginning of each subsequent fiscal year of the Development, the Borrower shall submit to the County a proposed annual operating budget on a form provided by the County. The proposed annual operating budget shall set forth the Borrower's estimate of the Development's income, operating expenses and debt service for the upcoming year, reserves, proposed rent adjustments, and a year-to-date operating statement. Annual operating budgets and rent adjustments are subject to approval by the County.
- c. Annual operating budgets are subject to written approval by the County. Increases of five percent (5%) or less in the total operating budget and increases in specific operating expense categories (i.e. renting expenses, administrative expenses, utility expenses, operations and maintenance expenses, taxes and insurance expenses) of five percent (5%) or less shall be deemed approved by the County. Borrower shall operate the Development in accordance with the approved annual budget.
- d. Annual rent adjustments are subject to written approval by the County. For the projects approved by the County using high HOME rents, rent increases that do not exceed the upper limits for High HOME rents less a utility allowance shall be deemed approved by the County. For projects approved by the County using Low HOME rents less a utility allowance, rent increases that do not exceed the upper limits for low HOME rents shall be deemed approved by the County. For projects approved by the County using rents below low HOME rents, rent increases, which do not exceed the most, recently published annual Labor Statistics Consumer Price Index, Residential Rent for All Urban Consumers for the West (CPI) shall be deemed approved by the County. In the event this particular CIP index is no longer published, the County shall select a similar index for this purpose.
- e. Borrower shall operate the Development in accordance with the First-Year Operating Budget approved by and on file with the County. Such budget shall show all anticipated income, debt service and expenses for management, operations, reserves and maintenance for the first fiscal year or portion thereof following initial occupancy.

19. Required Reserves.

- a. Commencing no later than the end of the second month following the initial occupancy of the Development or such other date, as the County shall designate in writing, the Borrower shall establish a segregated interest-bearing replacement reserve account in an F.D.I.C. or other comparable federally insured financial institution. The Borrower shall make monthly deposits from Operating Income to the Replacement Reserve accounts in amount of \$14,400 per year as specified in the approved Initial Year Operating Budget and in subsequent annual budgets. The balance of the funds shall be deemed residual receipts and handles as specified in Section 23. The County may review the adequacy of these monthly deposits on an annual basis, and require adjustments, as it deems necessary. Withdrawals shall only be made for capital improvements, such as replacing or repairing structural elements, furniture, fixtures or equipment of the Development that are reasonably required to preserve the Development.
- b. Commencing no later than the end of the second month following the initial occupancy of the Development, or such other date, as the County shall designate in writing, the Borrower shall establish an operating reserve account or sub account within the project's

Replacement

Operating

general operating account. Borrower may transfer funds from this account only to alleviate cash shortages resulting from utility costs, abnormally high vacancies, and other expenses, seasonal fluctuations in or from month to month. The County shall approve or disapprove a request for withdrawal from the operating reserve account within 60 days of receipt of a written request. A written withdrawal request that is not disapproved within 60 days of receipt shall be deemed approved. The Borrower shall make monthly deposits from project income to the operating reserve account in amounts as specified in the Initial Year Operating Budget and subsequent increase at the same rate as the operating expenses. The initial year operating deposit shall be \$1,913/year. If the account reaches a balance equal to or greater than an amount equivalent to twelve months gross income for the Development, the County may approve a reduction in payments to an amount necessary to maintain the account balance at this level.

20. Accounting Records. In a manner subject to County approval, Borrower shall maintain on an accrual or modified accrual basis, a general ledger accounting system that is posted monthly and that accurately and fully shows all assets, liabilities, income and expenses of the Development. All records and books relating to this system shall be kept for a period of at least seven years and in such a manner as to ensure that the records are reasonably protected from destruction or tampering. All records shall be subject to County inspection and audit.

21. Use of Income from Operations.

- a. The Borrower, or Borrower's management agent, shall promptly deposit all Operating Income in a segregated account established exclusively for the Development with an F.D.I.C. or other comparable federally-insured financial institution.
- b. Withdrawals from the account shall be made only in accordance with the provisions of this Agreement, and the approved budget, and shall be disbursed, applied, or reserved and set aside for payment when due for all costs related to the Development including, but not limited to, the following: (1) salaries, wages, and any other compensation due and payable to the employees or agents of the Borrower or management agent employed on site in connection with the maintenance, administration or operation of the Development, along with all withholding taxes, insurance premiums, Social Security payments and other payroll taxes or payments required in connection with such employees; (2) all charges incurred in the operation of the Development in connection with utilities, real estate taxes and assessments, and liability, fire and other hazard insurance; (3) payments of required interest, principal, impounds, fees and charges, if any, on loans other than the Loan which are secured by liens on the Property and which have been approved by the County; (4) all other expenses incurred to cover operating costs, including the fee of the managing agent and any extraordinary expenses, in accordance with the approved annual operating budget of the Development or as otherwise approved in advance by the County; (5) deposits to required operating and replacement reserve accounts; (6) payments to the partners of the Borrower any allowed Asset Management Fees.
- c. The balance of Operating Income remaining after the payments described in section 21.b. above shall be deemed Residual Receipts to be paid and applied as provided in Paragraph 23 below.

22. Non-assisted Units and Common Areas.

- a. Borrower shall establish and implement a rent structure for non-assisted residential units that ensure the fiscal integrity of the Development. Borrower shall estimate all income and expenses attributable to the non-assisted units in the annual operating budget

described in Section 18 herein, and shall report all income and expenses attributable to non-assisted units in the Annual Report described in Section 16 herein.

- b. Borrower shall maintain and repair both assisted and non-assisted units equally without regard to their designation as assisted or non-assisted.
- c. Tenant selection practices for non-assisted units shall comply with State and federal nondiscrimination laws.
- d. The exterior walls, windows, lighting, walkways, mailboxes, landscaping, nonresidential space, and other common areas of the Development shall be safe, clean, well maintained, and in good working order.

23. Residual Receipts and Distributions.

- a. Residual Receipts shall be paid in accordance with the Uniform Multifamily Regulations (UMR).
- b. "Distributions" shall refer to any amounts remaining after payment in full of expenses as provided in Paragraph 21.b. above and required payments on the Note. Distributions shall be available to be distributed to, or retained by, the Borrower or any party having a beneficial interest in Borrower or the Development.
- c. Borrower shall receive Distributions only once for each fiscal year of the Development and only: (1) upon approval by the County of the Annual Report submitted for that year, and (2) upon determination by the County that the Borrower is in compliance with this Agreement and all Program requirements.
- d. No distribution shall be made to Borrower in the following circumstances:
 - 1) When written notice of default has been issued by any entity with an equitable or beneficial interest in the Development;
 - 2) When the County determines that the Borrower or the Borrower's management agent has failed to comply with the County's written notice of any reasonable requirement for proper maintenance of the Development;
 - 3) If all currently required debt service and operating expenses have not been paid; or
 - 4) If the replacement reserves account or other reserve accounts are not fully funded pursuant to this Agreement.

24. Restrictions on Sale, Encumbrance, and Other Acts.

- a. The Borrower shall not make any sale, encumbrance, hypothecations, assignment, refinancing, pledge, conveyance, or transfer in any other form of the Property or the Development or of any of its interest therein, except with the prior written approval of the County. Notwithstanding anything to the contrary hereinabove, the respective interest of the Borrower's administrative limited partner and the Borrower's investor limited partner shall be transferable with the consent of the County, the County shall not unreasonably withhold its consent to the substitute the administrative limited partner. Moreover, the administrative limited partner of Borrower shall be permitted to remove the general partner thereof for cause in accordance with the terms of Borrower's partnership

agreement with the consent of the County, the County shall not unreasonably withhold its consent to substitute the general partner.

- b. Other than routine maintenance, the Borrower shall not add to, remodel, remove, reconstruct, or demolish any part of the Development without the prior written approval of the County.
- c. The Borrower shall not permit the use of the Development for any purpose other than that permitted by this Agreement without the prior written approval of the County.
- d. The Borrower shall not incur any liability or obligation in connection with the Development, other than for current operating, management and maintenance costs and for the indebtedness evidenced by the Note nor incur any liability, charge, assessment, or obligation whatsoever that is secured in whole or in part by any interest in or lien or encumbrance on the Property or the Development, without the prior written approval of the County. The County may permit refinancing or additional financing secured by the Development only to the extent necessary to maintain or improve the Development's fiscal integrity, improve financial condition, or to maintain affordable rents.
- e. The Borrower shall not enter into any contract relating to rehabilitating or managing the Development, except as authorized by the County.
- f. Borrower shall not enter into any Lease for more than a single rental unit, ground lease of the Development or any interest therein without prior written approval of the County. The County may require that such lease allow for termination within 30 days upon request by the County.
- g. Reserved
- h. The County may approve a sale, transfer or conveyance provided that all of the following conditions are met:
 - 1) The existing Borrower is in compliance with this Agreement or the sale, transfer or conveyance will result in the cure of any existing violations of the Agreement;
 - 2) The successor-in-interest to the Borrower agrees to assume all obligations of the existing Borrower pursuant to this Agreement and the Program, and meets any requirements, which may be inexistence for CHDOs under the applicable regulations.
 - 3) The successor-in-interest demonstrates to the County's satisfaction that it can own and operate the Development in full compliance with all Program requirements; and
 - 4) Any terms of the sale, transfer or conveyance shall not threaten the County's security or the successor's ability to comply with all requirements of the HOME Program and this Agreement.
- i. If the County approves of the sale the County shall grant its approval for a sale, transfer or conveyance subject to such terms and conditions as may be necessary to preserve or establish the Fiscal Integrity of the Development and to ensure compliance with HOME Program requirements and this Agreement. Such conditions may include the deposit of sales proceeds, or a portion thereof, to maintain required reserves or to offset negative

cash flow, the recapture of syndication proceeds or other funds such other conditions as may be necessary to ensure compliance with the Program requirements.

25. Reserved

26. Violation of Regulatory Agreement by Borrower.

a. In the event of a breach or violation of the provisions of this Agreement, the County may give written notice to the Borrower and Borrower's administrative limited partner thereof by certified mail or any express delivery service with a delivery receipt addressed to the Borrower at the address stated in this Agreement. If the breach or violation is not cured to the satisfaction of the County within the time period specified in the notice, which shall not be fewer than 30 days, the County may declare a default and may seek legal remedies including the following:

- 1) Collect all rents and income in connections with the operation of the Development and use the same and the reserve funds for the operation and maintenance of the Development.
- 2) Take possession of the Development and bring any action necessary to enforce any rights of the Borrower growing out of the operation of the Development, and operate the Development in accordance with the terms of this Agreement until such time as the County, in its sole discretion, shall determine that the Borrower is again in a position to operate the Development in accordance with the terms of this Agreement.
- 3) Apply to any court, State or federal, for specific performance of this Agreement or for the appointment of a receiver to take over and operate the Development in accordance with the terms of this Agreement or for such other relief as may be appropriate. It is agreed by the Borrower that the injury to the County arising from a default under any of the terms of this Agreement would be irreparable and that the amount of compensation that would provide adequate relief to the County, in light of the purposes of the Program, would be impossible to ascertain.
- 4) Subject to written authorization from lenders with a priority security interest in the Property and the Development, accelerate all amounts, including outstanding principal and interest, due under the loan and demand immediate repayment thereof. Upon a failure to repay such accelerated amount in full, the County may proceed with a foreclosure in accordance with the provisions of the Deed of Trust and State law regarding foreclosures.

However, in the event of a nonmonetary breach which cannot reasonably be cured within the time period set forth in such notice, the loan may not be accelerated hereunder if within said designated time period Borrower or Borrower's administrative limited partner has given written notice to County of Borrower's intention to cure said breach, has commenced to cure such breach and has diligently prosecuted and effected such cure which shall be completed no later than 60 days from the date notice of such breach is given.

- 5) The County may seek such other remedies as may be available under law.
- b. In the event that the breach or violation involves the rents to tenants or other charges in excess of those permitted under this Agreement, the County may demand, and seek as an

additional remedy, the return of such excess rents or other charge to the affected household.

- c. The tenants of the Assisted Rental Units shall be considered to be third-party beneficiaries of this Agreement, and shall have such rights and remedies to enforce the requirements of this Agreement as may be available to third-party beneficiaries under the law.
 - d. The remedies of the County hereunder are cumulative, and the exercise of one or more of such remedies shall not be deemed an election of remedies and shall not preclude the exercise by the County of any one or more of its other remedies.
27. Assignment of County Rights. The County retains the right at its sole discretion to assign all or part of its rights under this Agreement for the purpose of ensuring compliance and enforcement of Borrower's duties and obligations hereunder. In addition, the County may designate an agent to act on its behalf in monitoring compliance and enforcing the provisions hereof.
 28. Amendment. This Agreement shall not be altered or amended except in writing, executed between or among all the parties.
 29. Partial Invalidity. If any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.
 30. Binding on Successors. This Agreement shall bind, and the benefits thereof shall inure to, the respective parties hereto, their legal representatives, executors, administrators, successors in the office of interest, and assigns, provided, however, that the Borrower may not assign this Agreement or any of its obligations hereunder, voluntarily or by operation of law, without the prior written approval of the County.
 31. Recording Agreement. This Agreement, and all amendments thereto, shall be executed by each of the parties. This Agreement, or memorandum thereof, shall be recorded against the subject Property in the official records of the county in which the Development is situated.
 32. Hold Harmless. Borrower and its successor in interest agree to indemnify, defend, and hold harmless the County and its respective agents, employees and officers from any and all claims, losses, liabilities or causes of action (including reasonable attorney's fees) arising from or in connection with Borrower's construction, management, maintenance or operation of the Development.
 33. Waiver. No waiver by the County of any breach of or default under this Agreement shall be deemed to be a waiver of any other or subsequent breach thereto or default hereunder.
 34. Captions. The captions used in this Agreement are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope or the intent of this Agreement.
 35. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of California.

36. Notice. Written notices and other written communications by and between the parties hereto shall be addressed as set forth below unless and until a party hereto has, in writing, communicated a different address to the other party hereto.

Borrower: Willow Creek Family Associates
13 12th Avenue South
Nampa, ID 83651

County: Kirk Girard
Community Development Services Director
County of Humboldt
520 E Street
Eureka, CA 95501

37. Attorneys' Fees. The prevailing party in any action to enforce this Agreement, including the residents of assisted units, shall be entitled to reasonable attorneys' fees as determined by the tier of fact in that forum.

38. Special Conditions. The Borrower agrees to comply with the special conditions, if any, as set forth in Exhibit E, which is made a part hereof. In the event of any inconsistencies between the terms set forth in the Exhibit E Special Conditions of the Regulatory Agreement and the terms of this Agreement, the terms of the Special Conditions shall prevail.

39. Incorporation. The following Exhibits, all attached hereto, are hereby incorporated into this Agreement:

Exhibit A: Legal Description
Exhibit B: Schedule of Assisted Units
Exhibit C: Comparable Unit Schedule
Exhibit D: Insurance Requirements
Exhibit E: Special Conditions

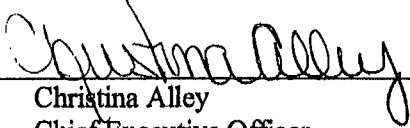
40. Superseding Document. This Regulatory Agreement supersedes all previous versions of any Regulatory Agreement executed by the parties hereto affecting the property described in Exhibit A.

WHEREAS, this Agreement has been entered into by the undersigned as of the date first above written.

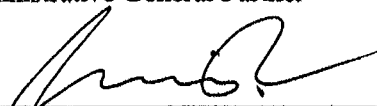
BORROWER:

**WILLOW CREEK FAMILY ASSOCIATES,
a California Limited Partnership**

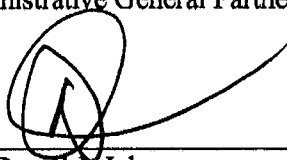
By: Central Valley Coalition for Affordable Housing, Inc.,
a California Nonprofit Public Benefit Corporation

By: 
Christina Alley
Chief Executive Officer

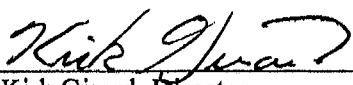
By: Roope, L.L.C.
an Idaho Limited Liability Company
its Administrative General Partner

By: 
Caleb Roope
Manager

By: Johnson & Johnson Investments, L.L.C.
a California Limited Liability Company
its Administrative General Partner

By: 
Daniel J. Johnson
Manager

COUNTY OF HUMBOLDT

By: 
Kirk Girard, Director
Community Development Services

STATE OF CALIFORNIA }
 } S.S.
COUNTY OF Merced }

On 8/17/06, before me, D. Sanders, a Notary Public in and for said County and State, personally appeared Christina Alley personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature *D. Sanders*



ALL-PURPOSE ACKNOWLEDGMENT

State of Idaho

County of Canyon

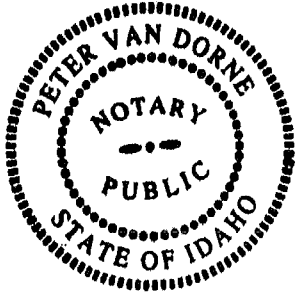
On August 14, 2006
Date

before me, Peter Van Dorne, Notary Public
Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Caleb Roope, Manager, Roope, LLC, an Idaho limited liability company.

Name(s) of Signer(s)

X Personally known to me - OR - ___ proved to me on the basis of satisfactory evidence to be the person(s) whose name is/are subscribed to the within instrument and acknowledged to me that he/she they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

[Handwritten Signature]

Signature of Notary Public

My Commission Expires: 07/26/2011

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

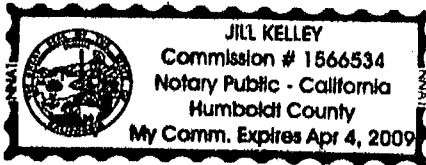
County of Humboldt

On Aug. 21, 2006 before me, Jill Kelley, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Daniel J. Johnson
Name(s) of Signer(s)

personally known to me

(or proved to me on the basis of satisfactory evidence)



to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Place Notary Seal Above

Jill Kelley
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____

- Individual
- Corporate Officer — Title(s): _____
- Partner — Limited General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: _____

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

Signer Is Representing: _____

Signer's Name: _____

- Individual
- Corporate Officer — Title(s): _____
- Partner — Limited General
- Attorney in Fact
- Trustee
- Guardian or Conservator
- Other: _____

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

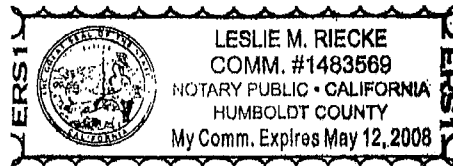
Signer Is Representing: _____

ACKNOWLEDGMENT

STATE OF CALIFORNIA
COUNTY OF HUMBOLDT

On 28 August 2006 before me, LESLIE M. RIECKE, a Notary Public, personally appeared KIRK GIRARD, personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or entity upon behalf of which the person acted, executed the instrument.

Witness my hand and official seal.



Leslie M. Riecke
SIGNATURE OF NOTARY

SEAL

OPTIONAL DATA (not required by law)

CAPACITY CLAIMED BY SIGNER

- INDIVIDUAL
- CORPORATE OFFICER

TITLE(S)
- PARTNER(S) LIMITED
 GENERAL
- ATTORNEY-IN-FACT
- TRUSTEE(S)
- GUARDIAN/CONSERVATOR
- OTHER: Appointed Official

DESCRIPTION OF ATTACHED DOCUMENT

Regulatory Agreement: Loan 04-HOME-012
TITLE OR TYPE OF DOCUMENT
16
NUMBER OF PAGES
Aug. 7, 2006
DATE OF DOCUMENT
Christina Alley, Caleb Roope, Daniel J. Johnson
SIGNER(S) OTHER THAN NAMED ABOVE

SIGNER IS REPRESENTING:
NAME OF PERSON(S) OR ENTITY(IES)

County of Humboldt

Exhibit A to Regulatory Agreement

LEGAL DESCRIPTION

Exhibit A

DESCRIPTION

That real property situate in the County of Humboldt, State of California, described as follows:

Lots 40 and 41 of Tract 156 (Clover Flat Subdivision), according to the Map thereof on file in the Office of the County Recorder of Humboldt County, California, in Book 17 of Maps, Pages 38, 39, 40, 41, and 42, including that portion of Lot 41 which lies North of the land conveyed to the State of California by Deed recorded in Book 644 of Official Records, Page 296.

EXCEPTING THEREFROM those portions which lie within Lots 48, 49, and 50 of Tract No. 250, as per Map recorded in Book 18 of Maps, Page 100, Humboldt County Records.

ALSO EXCEPTING THEREFROM that portion thereof conveyed to Ironsides Post No. 9561, Veterans of Foreign Wars of the United States, a California Corporation, by Deed recorded January 24, 1990, as Instrument No. 1990-1939-2, Humboldt County Records, and corrected by Deed recorded _____, described as follows:

BEGINNING at the Southeast corner of that parcel of land conveyed to VFW Post 9561 described in the following Deed;

VFW 888 or 300;

thence South 32 degrees 11 minutes 53 seconds East, a distance of 133.10 feet;
thence South 70 degrees 47 minutes 43 seconds West, a distance of 329.32 feet;
thence North 32 degrees 11 minutes 53 seconds West, a distance of 133.10 feet;
thence North 70 degrees 47 minutes 43 seconds East, a distance of 329.32 feet to the point of beginning.

SCHEDULE B

Order No. 1

At the date hereof exceptions to coverage in addition to the printed Exceptions and Exclusions in the policy form designated on the face page of this Report would be as follows:

1. Property taxes, including any assessments collected with taxes, to be levied for the fiscal year 2003-2004, which are a lien not yet payable.
Code Area: 157-008 Parcel No.: 522-492-018
2. The lien of Supplemental Taxes, if any, assessed pursuant to the provisions of Chapter 3.8 (commencing with Section 75) of the Revenue and Taxation Code of the State of California.
3. Matters which relate to the location of said land disclosed by the Government Land Office Survey dated November 2, 1983 and July 22, 1985, when compared to the Government Land Office Survey dated July 18, 1983.
4. The provisions and reservations contained in the Patent from the United States of America to heirs of Pinder F. Bussell, dated October 5, 1897, recorded March 26, 1898, in Book 15 of Patents, Page 541, Humboldt County Records, as follows:
 - (a) Subject to any vested and accrued water rights for mining, agricultural, manufacturing, or other purposes, and rights to ditches and reservoirs used in connection with such water rights, as may be recognized and acknowledged by the local customs, laws and decisions of courts; and there is reserved from the lands hereby granted, a right-of-way thereon for ditches or canals constructed by the authority of the United States.
 - (b) That in the absence of necessary legislation by Congress the Legislature of California may provide rules for working the mining claim or premises hereby granted, involving easements, drainage and other necessary means to the complete development thereof.
 - (c) "The right of the proprietor of any lode claim, the vein or lode of which has its top or apex outside of the land herein described and which vein or lode may be found to penetrate, intersect, pass through or dip into said land through the side lines of said lode claim, to enter said land along the dip of said vein or lode for the purpose of extracting and removing the ore therefrom."

Affects: That portion of said land which lies within the Northeast Quarter of the Southwest Quarter and the Northwest Quarter of the Southeast Quarter of Section 29.
5. The provisions and reservations contained in the Patent from the United States of America to Maria Louisa Morton, dated October 5, 1897, recorded January 20, 1899, in Book 17 of Patents, Page 23, Humboldt County Records, as follows:
 - (a) Subject to any vested and accrued water rights for mining, agricultural, manufacturing, or other purposes, and rights to ditches and reservoirs used in connection with such water rights, as may be recognized and acknowledged by the local customs, laws and decisions of courts; and there is reserved from the lands hereby granted, a right-of-way thereon for ditches or canals constructed by the authority of the United States.
 - (b) That in the absence of necessary legislation by Congress the Legislature of California may provide rules for working the mining claim or premises hereby granted, involving easements, drainage and other necessary means to the complete development thereof.

Exceptions Continued...

SCHEDULE B - CONTINUED

Order No.

Page 3

9. An easement for the purpose shown below and rights incidental thereto as set forth in a Document:
Granted to: Pacific Gas and Electric Company
(No representation is made as to the present ownership of said easement)
Purpose: public utilities and rights of way for ingress and egress and use in transmission and distribution of electricity and purposes connected therewith
Recorded: In Book 86 of Official Records, Page 364, under Recorder's Serial No. 7228, Humboldt County Records

Among other things, said Document provides:

Restrictions on the use, by the owners of said land, of the easement area as set out in the easement Document.

10. The fact that the ownership of said land does not include the rights of access to or from the street or highway abutting said land, such rights having been severed from said land by the Document:
Recorded: April 9, 1965, in Book 832 of Official Records, Page 57, under Recorder's Serial No. 5425, Humboldt County Records.
Affects: the East line of Parcel "A" as shown on the Map of said Tract No. 260
By Directors Deed to Brizard Company recorded December 31, 1965, in Book 1786 of Official Records, Page 474, under Recorder's Serial No. 23737, Humboldt County Records, the right of access across 30 feet of said Parcel "A" was re-established.

11. A waiver of any claim for any and all damages to said land by reason of the location, construction, landscaping or maintenance of the highway adjacent to said land, as contained in the Deed to the State of California.
Recorded: April 9, 1965, in Book 832 of Official Records, Page 57, under Recorder's Serial No. 5425, Humboldt County Records.

12. An easement for the purpose shown below and rights incidental thereto as set forth in a Document:
Granted to: Pacific Gas and Electric Company
(No representation is made as to the present ownership of said easement)
Purpose: public utilities and ingress and egress
Recorded: December 18, 1965, in Book 864 of Official Records, Page 40, under Recorder's Serial No. 20720, Humboldt County Records

Reference is made to said document for full particulars.

13. Rights of others to use a private road along and West of the West line of the land conveyed to Ironides Post No. 9561, Veterans of Foreign Wars of the United States, a California corporation, as disclosed by the Deed recorded June 14, 1966, in Book 886 of Official Records, Page 300, under Recorder's Serial No. 9908, Humboldt County Records.

14. An easement for the purpose shown below and rights incidental thereto, as set forth in a Document:
Granted to: Pacific Gas and Electric Company
(No representation is made as to the present ownership of said easement)
Purpose: public utilities and ingress and egress
Recorded: May 21, 1976, in Book 1344 of Official Records, Page 644, Humboldt County Records
Affects: the Southwesterly portion of said land

Exceptions Continued...

SCHEDULE B - CONTINUED

Order No.

Page 4

15. An easement for the purposes shown below and rights incidental thereto as shown or as offered for dedication on the recorded Map of said Tract No. 155

Easement purpose: public road
Affects: Brannon Mountain Road

16. The effect of notes set forth on Tract Map No. 155 recorded in Book 17, Page 38-42, of Tract Maps, related to:

- (a) A Geologic Report and Soils Evaluation are on file with the Humboldt County Planning Department.
- (b) Declaration of Restrictions, Covenants, and Conditions shall be recorded.
- (c) Any construction within 50 feet of the 1964 flood plain limits or within 2 feet of the 1964 flood elevations shall conform to Section 332-2 of the Humboldt County Code relating to construction in flood prone areas.
- (d) The 1964 Flood - High Water Line.
- (e) An Avigation Easement to be recorded with the Map.
- (f) 75 foot building setback.

17. An easement for the purpose shown below and rights incidental thereto as set forth in a Document:
Granted to: County of Humboldt

(No representation is made as to the present ownership of said easement)

Purpose: avigation

Recorded: December 28, 1979, in Book 1599 of Official Records, Page 1190, under Recorder's Serial No. 28602, Humboldt County Records

Affects: all of said land

Reference is made to said document for full particulars.

18. Covenants, conditions and restrictions (deleting therefrom any covenants or restrictions based on race, color, religion, sex, handicap, familial status or national origin "unless and only to the extent that said covenant (a) is exempt under Chapter 42, Section 3607 of the United States Code or (b) relates to handicap but does not discriminate against handicapped persons") as set forth in the Document:

Recorded: January 14, 1980, in Book 1601 of Official Records, Page 141, under Recorder's Serial No. 817, Humboldt County Records.

NOTE: Section 12956.1 of the Government Code provides the following: If this document contains any restriction based on race, color, religion, sex, familial status, marital status, disability, national origin, or ancestry, that restriction violates state and federal fair housing laws and is void, and may be removed pursuant to Section 12956.1 of the Government Code. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

Said covenants, conditions and restrictions provide that a violation thereof shall not defeat the lien of any mortgage or Deed of Trust made in good faith and for value.

Exceptions Continued...

SCHEDULE B - CONTINUED

Order No.

Page 5

Continued Item No. 18

Modification(a) of said covenants, conditions and restrictions (deleting therefrom any covenants or restrictions based on race, color, religion, sex, handicap, familial status, or national origin "unless and only to the extent that said covenant (a) is exempt under Chapter 42, Section 3607 of the United States Code or (b) relates to handicap but does not discriminate against handicapped persons")

Recorded:

May 2, 1980, in Book 1611 of Official Records, Page 136, under Recorder's Serial No. 8783, Humboldt County Records.

NOTE: Section 12956.1 of the Government Code provides the following: If this document contains any restriction based on race, color, religion, sex, familial status, marital status, disability, national origin, or ancestry, that restriction violates state and federal fair housing laws and is void, and may be removed pursuant to Section 12956.1 of the Government Code. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

19. Covenants, conditions and restrictions (deleting therefrom any covenants or restrictions based on race, color, religion, sex, handicap, familial status or national origin "unless and only to the extent that said covenant (a) is exempt under Chapter 42, Section 3607 of the United States Code or (b) relates to handicap but does not discriminate against handicapped persons") as set forth in the Document:

Recorded:

June 30, 1980, in Book 1616 of Official Records, Page 485, under Recorder's Serial No. 12500, Humboldt County Records.

NOTE: Section 12956.1 of the Government Code provides the following: If this document contains any restriction based on race, color, religion, sex, familial status, marital status, disability, national origin, or ancestry, that restriction violates state and federal fair housing laws and is void, and may be removed pursuant to Section 12956.1 of the Government Code. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

20. The effect of notes set forth on Tract Map No. 250 recorded in Book 18, Page 109, of Tract Maps, related to:

(a) Additional on-site and off-site improvement of roads in the event of further subdivision of lots created by said Map.

(b) Improvement of private lane or lanes shown on said Map in the event of acceptance by the County.

(c) Location of the high-water mark.

21. An easement for the purposes shown below and rights incidental thereto as shown or as offered for dedication on the recorded Map of said Tract No. 250.

Easement purpose:

Ingress, egress and public utilities

Affects:

that portion of said land shown thereon as Parcel "A"

22. Any rights, interests or claims which may exist or arise by reason of the following matters disclosed by on the Map of said Tract No. 250 as follows:

A fence running Northerly and Southerly across the full width of that portion of said land shown thereon as Parcel "A".

Exceptions Continued...

SCHEDULE B - CONTINUED

Order No. 6

Page 6

23. An easement for the purpose shown below and rights incidental thereto as set forth in a Document:
Granted to: Westworld Community Healthcare, Inc., a California corporation
(No representation is made as to the present ownership of said easement)
Purpose: ingress, egress and public utilities
Recorded: February 27, 1986, in Book 1790 of Official Records, Page 1302, under Recorder's Serial No. 3578, Humboldt County Records
Affects: the Northeasterly 65 feet of parcel "A" as shown upon the Map of Tract No. 250
24. A Declaration of Road Maintenance Association executed by Brizard Company, a California corporation, et al, which provides for, among other things, assessments,
Recorded: February 27, 1986, in Book 1790 of Official Records, Page 1303, under Recorder's Serial No. 3579, Humboldt County Records.
25. An easement for the purpose shown below and rights incidental thereto as set forth in a Document:
Granted to: American Hospital Management Corporation, a California corporation
(No representation is made as to the present ownership of said easement)
Purpose: ingress, egress and public utilities
Recorded: November 18, 1986, in Book 1893 of Official Records, Page 501, under Recorder's Serial No. 23959, Humboldt County Records
Affects: that portion designated as Parcel "A" on Tract No. 250
26. The effect of a Note on the Record of Survey recorded in Book 50 of Surveys, Page 9, related to an approved Lot Line Adjustment.
27. Any rights, interests or claims which may exist or arise by reason of the following matters disclosed by on the Record of Survey recorded in Book 50 of Surveys, Page 9, as follows:

A 50 foot right-of-way across the land conveyed to Ironsides Post No. 9561, Veterans of Foreign Wars of the United States, a California corporation, by Deed recorded January 24, 1990, as Instrument No. 1990-1939-2, Humboldt County Records, which should have been reserved in said Deed.
28. An easement for the purpose shown below and rights incidental thereto as reserved in a Document:
Purpose: water line
Recorded: (to be recorded), Humboldt County Records

The exact location and extent of said easement is not disclosed of record.
29. Any Policy of Title Insurance to be issued will contain the following exception to the description:

EXCEPTING THEREFROM any portion thereof which lies within the lands described in the following Deeds of record:

A. The Deed to Pacific Gas and Electric Company recorded July 19, 1948, in Book 56 of Official Records, Page 364, under Recorder's Serial No. 7228, Humboldt County Records.

B. The Deed to Pacific Gas and Electric Company recorded August 10, 1953, in Book 280 of Official Records, Page 92, under Recorder's Serial No. 10079, Humboldt County Records.

Exceptions Continued...

SCHEDULE B - CONTINUED

Order No. _____

Page 7

Continued Item No. 29

C. The Deeds to Klamath-Trinity Unified School District of Humboldt County recorded July 11, 1958, in Book 495 of Official Records, Page 612, under Recorder's Serial No. 9735, Humboldt County Records, and in Book 496 of Official Records, Page 614, under Recorder's Serial No. 9736, Humboldt County Records.

D. The Deed to the State of California recorded July 17, 1961, in Book 644 of Official Records, Page 296, under Recorder's Serial No. 11692, Humboldt County Records.

E. The Deed to Ironsides Post No. 9561, Veterans of Foreign Wars of the United States, a California corporation, recorded June 14, 1966, in Book 886 of Official Records, Page 300, under Recorder's Serial No. 9908, Humboldt County Records.

END OF SCHEDULE B

Note No. A: The description in the Deed to Ironsides Post No. 9561, Veterans of Foreign Wars of the United States, a California Corporation, appears to be erroneous, in that it does not include all of the land shown on the Record of Survey recorded in Book 50 of Surveys, Page 9, Humboldt County Records.

Note No. B: The Deed to be recorded will contain the following:

Reserving unto the Grantors, its successors and assigns a perpetual easement 10 feet in width, with the right to use, operate, inspect, repair, maintain, replace and remove the existing water line over, under, across and through said land for the benefit of and appurtenant to Lot 42 of said Tract No. 155, and that contiguous remaining ownership of the Grantor lying within the Southwest Quarter of Section 29 Township 7 North, Range 5 East, Humboldt Meridian, lying Westerly and contiguous to said Clover Flat Subdivision and any subdivision thereof, regardless of the number of separate ownerships created therefrom.

Note No. C: Property taxes for the fiscal year shown below are included for proration purposes only

Fiscal Year: 2003-2004	
1st Installment:	\$153.23, PAID
2nd Installment:	\$153.23, PAID
Land:	\$29,199.00
Structural Improvements:	\$.00
Exemption:	\$.00
Personal Property:	\$.00
Fixed Improvements:	\$.00

Code Area:	157-008
Parcel No.:	522-492-018

DP/ra

Exhibit B To Regulatory Agreement

SCHEDULE OF ASSISTED UNITS

Twelve (12) 2-bedroom units that will be floating units.

Eight (8) 3-bedroom units that will be floating units.

Four (4) 1-bedroom units that will be floating units.

Exhibit C To Regulatory Agreement

COMPARABLE UNIT SCHEDULE

All Twelve 2-bedroom HOME units are deemed comparable to all other 2-bedroom units in the Development

All Eight 3-bedroom HOME units are deemed comparable to all other 3-bedroom units in the Development

All Four 1-bedroom HOME units are deemed comparable to all other 1-bedroom units in the Development

Exhibit D To Regulatory Agreement

INSURANCE REQUIREMENTS

At close of escrow, the County must receive a one-year prepaid Certificate of Insurance policy (or a binder followed by a certificate within 30 days of loan closing) evidencing the following coverage:

1. **HAZARD (PROPERTY)**

- Perils: All risk; or Fire & Lightning, Extended Coverage, Vandalism & Malicious Mischief.
- Covered Property: Structure, and All risk contents coverage.
- Amount: Replacement value (or less if approved by County).
- Coinsurance: No less than 90 percent.
- Deductible: \$2,500 maximum deductible per occurrence; or \$1,000 maximum deductible per occurrence if the completed project value is less than \$300,000.
- Endorsement: County's Loss Payable Endorsement required insuring the County.

OTHER PROPERTY INSURANCE

- Flood Insurance: Coverage required to 80 percent of replacement cost if the property is located in a 100-year flood plain.
- Steam Boiler & Related Machinery: (When applicable) 80 percent of replacement cost coverage is required.

2. **COMPREHENSIVE GENERAL LIABILITY**

- Minimum Amount: \$1,000,000 per occurrence; or \$2,000,000 per occurrence for buildings with elevators.

3. **OTHER COVERAGE**

- Loss of Rents: Coverage shall insure 75 percent of annual gross rents.
- Workers Compensation: Required by State law if employees are involved.

ALL POLICIES MUST INCLUDE THE FOLLOWING

- Named Insured: Borrower
- Additional Insured: The County of Humboldt and its officers, agents, employees, and servants must be named as additional insured.

Cancellation Clause: The County must be notified 30 days prior to cancellation of the insurance policy.

Notification: The County must be notified prior to cancellation or lapse of coverage or in the event of any claim.

The County should be identified on all insurance documents as follows:

County of Humboldt
Attention: Risk Manager
825 5th Street
Eureka, CA 95501

and

County of Humboldt
Economic Development Division
520 E Street
Eureka, CA 95501

Exhibit E To Regulatory Agreement

SPECIAL CONDITIONS

None

2010-28158-28

Recorded — Official Records
Humboldt County, California
Carolyn Crnich, Recorder

Recorded by HUMBOLDT LAND TITLE CO.
Exempt from payment of fees
Clerk: LH Total: 0.00

Dec 16, 2010 at 15:32
CONFORMED COPY

RECORDING REQUESTED BY:

County of Humboldt *HLT CO 118746 AU*
Exempt from recording fees under Section
6103 of the California Government Code

WHEN RECORDED MAIL TO:

County of Humboldt
520 E Street
Eureka, CA 95501

THE COUNTY OF HUMBOLDT
HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME)

REGULATORY AGREEMENT
LOAN NUMBER 09-HOME-5002

THIS REGULATORY AGREEMENT (the "Agreement") is made and entered into this 1st day of November, 2010 by and between, Eureka Aster Place, L.P., a California Limited Partnership (hereinafter called the "Borrower"); and the County of Humboldt, (hereinafter called the "County"), a political subdivision of the State of California.

Recitals

- A. The Borrower is or will be the owner of, or holder of a fee estate in the real property located in the County of Humboldt, California and more fully described in Exhibit A (the "Property").
- B. The Borrower has proposed to develop the Property by constructing thereon a forty-unit (40) rental housing development of which forty (40) units will be Assisted Units to be occupied by low and very low income households (the "Development").
- C. The Development will be financed in whole or in part and regulated by a permanent loan from the County in a principal amount not to exceed Three Million Nine Hundred and Fifty Thousand Dollars (\$3,950,000.00) (the "Loan") from the Home Investment Partnerships Program (the "HOME Program"). The Loan will be provided to Borrower by the County in accordance with 42 USC 12741 et seq., 24 CFR Part 92, California Health and Safety Section 50896 and Title 25, California Code of Regulations, Sections 8200 through 8220 and Sections 8300 through 8316, (together, the "HOME Regulations"). Any inconsistencies between this document and the HOME Regulations will be controlled by the HOME regulations. In consideration of the County's commitment to make the Loan, the County and the California Department of Housing and Community Development (the "Department") have entered into one Standard Agreement, Number 08-HOME-5002 dated April 29, 2009 (herein "Standard Agreement"). The proceeds of the Loan shall be disbursed, used and governed by a County Loan Agreement by and among the County of Humboldt and Borrower (the "County Loan Agreement").
- D. The Standard Agreement and the County Loan Agreement, including all exhibits and attachments thereto, are incorporated in full by reference into this Agreement. In the event of any inconsistencies between the terms set forth in the County Loan Agreement and the terms of this Regulatory Agreement, the terms of this Regulatory Agreement shall prevail.
- E. Borrower agrees to abide by all provisions of the Standard Agreement and the County Loan Agreement with respect to the Development and Borrower shall execute a Promissory Note evidencing its obligation to repay the Loan (the "Note") and a Deed of Trust in favor of the County to be recorded against the Property securing repayment of the Note (the "Deed of Trust"). Borrower agrees to be bound by all terms and conditions of the Note and Deed of Trust. The Note, the Deed of Trust, the Standard Agreement, the County Loan Agreement and this Agreement are collectively referred to herein as the "Loan Documents".

- F. As further consideration for the Loan and in furtherance of the purposes of the HOME Program, Borrower has agreed to enter into this Agreement. The purpose of this Agreement is to regulate and restrict occupancy, rents, operations, ownership and management of the Development in compliance with the requirements of the HOME Program.

NOW, THEREFORE, the parties hereto agree as follows:

1. Recitals. The foregoing recitals are a part of this Agreement.
2. Property. The Development will be located on the Property.
3. Definitions. Unless the context requires otherwise, the terms used in this Agreement shall be governed by the definitions set forth in 24 CFR Part 92, and 25 Cal. Code of Regulations Sections 8200 through 8220 and Sections 8300 through 8316. All references to code sections refer to Title 25 of the California Code of Regulations, unless otherwise noted.

For the purposes of this Agreement the following additional definitions shall apply:

- a. "Assisted Unit" means a dwelling unit, or a residential hotel unit, or a bedroom in a group home or congregate home, the rehabilitation or construction of which was assisted with proceeds of the Loan.
- b. "Eligible Households" means Lower Income Households or Very Low-Income Households.
- c. "Fiscal Integrity" means that the total of Operating Income plus funds released pursuant to this Agreement from the operating reserve account is sufficient to (1) pay all current Operating Expenses, (2) pay all current approved debt service, (3) fully fund for at least twelve consecutive months all reserves established pursuant to this Agreement, and (4) pay other extraordinary costs permitted by this Agreement. The ability to pay any or all of the annual permitted distribution shall not be considered in determining fiscal integrity.
- d. "HOME Rents" means rents calculated annually by the United States Department of Housing and Urban Development ("HUD") and are:
 - 1) The lesser of the Fair Market Rents or a rent that does not exceed 30 percent of 65 percent of area median income (High HOME Rents); or
 - 2) Thirty percent of fifty percent of area median income (Low HOME Rents).
- e. "Initial Operating Year" means the first year of operations, or portion thereof, of the rehabilitated or newly constructed rental housing development beginning at the time of initial occupancy of an Assisted Unit and ending on the last day of the fiscal year of the Development.
- f. "Lower Income Household" means persons or families whose incomes are 80 percent or less of the area median income as determined by the HUD.
- g. "Operating Expenses" means the amount approved by the County that is necessary to pay for the essential recurring expenses of the Development, including, but not limited to, utilities, maintenance, management, taxes, licenses, and mandatory direct or supportive tenant services but not including debt service, required reserve account deposits, or costs for voluntary direct or supportive tenant services.
- h. "Operating Income" means all income generated in connection with operation of the rental housing development including rental income from Assisted Units and non-assisted units, rental income from nonresidential space, laundry or equipment rental fees, rental subsidy payments, and interest on any accounts related to the rental housing development. "Operating Income" does not include tenant security and equipment deposits, payments received from voluntary direct or supportive tenant services, or tax benefits received by the sponsor.

- i. "Rent" means all charges, other than deposits, paid by the tenant for the use and occupancy of an assisted unit and any mandatory charge for direct or supportive tenant services in a rental housing development, including a utility allowance in an amount determined by HUD.
 - j. "Residual Receipts" means project funds remaining after payment of expenses as described in items 1 through 5 Section 21(b)
 - k. "Very Low-Income Household" means low-income persons or families whose incomes are 50 percent or less of the area median income as determined by HUD.
4. Compliance with Program Requirements.
- a. The Borrower agrees that at all times its acts regarding the Development and the use of funds provided herein shall be in conformity with all provisions of the HOME Program including the statutes, the HOME Regulations and such policies and procedures of the Department and of HUD pertaining thereto. The Borrower acknowledges that they are familiar with such applicable provisions and have been professionally advised to the extent necessary for the purpose of enabling the Borrower to fully comply with such provisions.
 - b. The financial assistance provided under the HOME Program is governed by 24 CFR Part 92. With respect to the assistance, Borrower agrees to comply with all requirements and obligations as described in 24 CFR Part 92, as well as all provisions governing the use of HOME funds. Borrower agrees to comply with the directives of the County as necessary to ensure compliance with the obligations of the County as set forth in its agreements with HUD regarding the use of HOME funds.
5. Term of Agreement. The term of this Agreement shall commence upon its recordation in the office of the County Recorder for the county in which the Development is located and remain in full force and effect and shall apply to the Development through and including the date which is fifty-five (55) years from the Date of Completion as defined in the County Loan Agreement, but in any event, no later than fifty-seven (57) years after the recordation of this Agreement, regardless of any prepayment of the Loan or sale, assignment, transfer or conveyance of the Development, unless terminated earlier by the County pursuant to the terms of this Agreement or extended by the mutual consent of the parties thereto."
6. Assisted Unit Schedule. Upon occupancy following the completion of construction, the Borrower shall rent Assisted Units only in accordance with the Schedule of Assisted Units set forth in Exhibit B, attached hereto and incorporated herein.
7. Tenant Selection Standards. Borrower shall rent Assisted Units in the Development only to eligible households in accordance with the Management Plan approved by and on file with the County pursuant to Section 14 of this Agreement. Such Management Plan may be periodically altered and such alteration must be submitted to and approved by the County prior to use. At all times, twenty percent of the Assisted Units must be rented to Very Low-Income households as determined by HUD. The Management Plan shall among other things: (1) detail actions to be taken by Borrower to affirmatively market vacant units in a manner which ensures equal access to all persons in any category protected by federal, state or local laws governing discrimination, and regardless of any arbitrary factor; (2) specify reasonable criteria for determination of tenant eligibility, including household size in accordance with the minimum occupancy standard specified in the HOME Regulations; (3) require that eligible tenants be selected based on order of applications, lottery, or other reasonable method approved by the County; (4) specify procedures through which tenant applicants deemed to be ineligible shall be notified of the reason for their ineligibility and may appeal this determination; (5) require maintenance of a waiting list of eligible applicants; and (6) specify procedures for obtaining information regarding prospective tenants' incomes as necessary to certify that such income does not exceed the lower or very low-income limit.
8. Nondiscrimination. Borrower shall not discriminate against any tenant or prospective tenant on the basis of race, religion, sex, age, disability, marital status, nor any other arbitrary factor in violation of

any state, federal or local law governing discrimination in rental housing. Housing which is intended to benefit, and is therefore limited to, senior citizens is permitted only with the prior approval of the selection criteria by the County.

9. Rental Agreement and Occupancy Procedures (the "Lease").

- a. Each eligible household selected to occupy a unit in the Development shall enter into a written rental agreement with the Borrower on a form approved by the County containing such provisions as are required by the HOME Regulations. The Lease shall be for a term of not less than one year.
- b. The Lease may not contain any of the following provisions:
 - 1) Agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of the Borrower or Borrower's Agent in a lawsuit brought in connection with the lease;
 - 2) Agreement by the tenant that the Borrower may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. This prohibition, however, does not apply to an agreement by the tenant concerning disposition of personal property remaining in the housing unit after the tenant has moved out of the unit. The Borrower may dispose of this personal property in accordance with state law;
 - 3) Agreement by the tenant not to hold the Borrower or Borrower's agents legally responsible for any action or failure to act, whether intentional or negligent;
 - 4) Agreement of the tenant that the Borrower or Borrower's Agent may institute a lawsuit without notice to the tenant;
 - 5) Agreement by the tenant that the Borrower or Borrower's agent may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties;
 - 6) Agreement by the tenant to waive any right to a trial by jury;
 - 7) Agreement by the tenant that they will have to move should their income increase.
 - 8) Agreement by the tenant to waive tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease; and
 - 9) Agreement by the tenant to pay attorneys' fees or other legal costs even if the tenant wins in a court proceeding by the owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.
- c. The borrower shall establish reasonable rules of conduct and occupancy. Such rules shall be consistent with state law and the HOME Regulations. Said rules shall be in writing and shall be given to each tenant upon occupancy. Any change shall become effective no fewer than 30 days after giving written notice thereof to each household.
- d. The Borrower shall not terminate the tenancy or refuse to renew the lease of a tenant of rental housing assisted with HOME funds except for serious or repeated violation of the terms and conditions of the Lease; for violation of tenancy period; or for other good cause. Any termination or refusal to renew a Lease shall be by the owner's service upon the tenant of a written notice in compliance with State law and specifying the grounds for the action.
- e. The Borrower shall maintain the premises in compliance with all applicable housing quality standards and local code requirements.

10. Rents.

- a. For all Assisted Units, Rents shall not exceed high HOME Rents less a utility allowance. For Assisted Units that are set-aside for Very Low-Income Households, HOME rents shall not exceed Low HOME Rents less a utility allowance.
- b. A minimum of 20 percent of all Assisted Units shall be occupied by Very Low-Income Households at Rents that are no greater than the Low HOME Rents less a utility allowance.
- c. Any household certified as an Eligible Household upon occupancy but whose income increases above the eligibility level must pay as Rent the lesser of the amount payable by the tenant under State or local law or 30 percent of the household's adjusted monthly income; except that, Assisted Units subject to low-income tax credit rules under section 42 of the Internal Revenue Code shall be governed by such rules.

11. Security Deposits.

- a. Security deposits shall be required of tenants only in accordance with State law and this Agreement.
- b. Any security deposits collected by the Borrower or Borrower's agent shall be kept separate and apart from all other funds of the Development in a trust account with a depository insured by the Federal Deposit Insurance Corporation (F.D.I.C.), or other comparable federal deposit insurance program, and shall be held and disbursed in accordance with State law. The balance of such account shall at all times equal or exceed the aggregate of all outstanding obligations under said account, plus accrued interest thereon.

12. Certification of Tenant Income and Household Size.

- a. The income and household size of all households occupying Assisted Units shall be certified by the Borrower prior to occupancy and re-certified annually thereafter in a manner approved by the County and specified in the Development's Management Plan.
- b. If the income of a tenant upon re-certification exceeds the upper limit for Lower Income Households, that tenant shall not have its Lease terminated as a result thereof, but shall be charged Rents as provided in Section 10 (c).
- c. Where a household occupying a unit designated for occupancy by a Very Low Income Household no longer so qualifies at the time of re-certification, but qualifies as an otherwise Eligible Household, the rents appropriated for that income level shall be charged.

13. Assisted Unit Substitutions.

- a. For purposes of this section, "comparable" units shall be those listed in the same group in the Comparable Unit Schedule set forth in Exhibit C, attached hereto and incorporated herein.
- b. If, upon re-certification, the income of a household occupying an Assisted Unit reserved for occupancy by Lower Income Households exceeds the upper limit for lower income, the Borrower may designate this household's unit as non-assisted, provided that all of the following conditions are satisfied:
 - 1) Not later than the date the Borrower designates the unit as non-assisted, the Borrower also makes available a comparable vacant unit previously designated as non-assisted to be designated as an Assisted Unit, or designates a previously non-assisted unit occupied by a Lower Income Household as an Assisted Unit, or agrees to occupy the next available unit with a Lower Income Household; and
 - 2) The rent charged for the newly designated assisted Unit will not exceed the high HOME Rent.
 - 3) The development has non-assisted Units.

- c. Where a household occupying an assisted unit reserved for occupancy by Very Low-Income Households no longer qualifies as Very Low-Income at the time of re-certification, but qualifies as a Lower Income Household, the following shall apply:
 - 1) Borrower shall designate the unit as an assisted unit for Lower Income Households
 - 2) Borrower may increase the household's Rent up to the High HOME Rent;
 - 3) Borrower shall designate the next available comparable Assisted Unit reserved for Lower Income Households as an Assisted Unit reserved for Very Low-Income Households; and
 - 4) The Rent charged for the newly designated Assisted Unit reserved for Very Low-Income Households shall not exceed the Low HOME Rent.

14. Maintenance and Management.

- a. Borrower is specifically responsible for all maintenance, repair, and management functions for the Development, including without limitation, selection of tenants, re-certification of household income and size, evictions, collection of rents, routine and extraordinary repairs and replacement of capital items. Borrower shall maintain units and common areas in a safe and sanitary manner in accordance with local health, building, and housing codes, HUD housing quality standards pursuant to 24 CFR Section 882.109, and the Management Plan described in Section 7 above.
- b. Borrower may, with the prior written approval of the County, contract with a management agent for the performance of services or duties required in paragraph (a). However, such an arrangement does not relieve the Borrower of responsibility for proper performance of these duties. Such contract shall contain a provision allowing the Borrower to terminate the contract without penalty upon no more than thirty-day's notice. Upon a determination by the County, and notice to the Borrower thereof, that the management agent has failed to operate the Development in accordance with this Agreement, the Borrower shall exercise such right of termination forthwith and shall make immediate arrangements, which shall be subject to County approval, for continuing performance of the requirements of this Agreement.
- c. Borrower may operate the Development itself only with prior written approval of the County. Upon a determination by the County, and notice to the Borrower thereof, that the Borrower has failed to operate the Development in accordance with this Agreement, the County may require the Borrower to contract with a management agent to operate the Development, or to make such other arrangements as the County deems necessary to ensure performance of the requirements of this Agreement.

15. Hazard and Liability Insurance.

- a. The Borrower shall at all times keep the Development insured against loss by fire, flood (as required pursuant to 24 CFR 92.358), and such other hazards, causalities, liabilities and contingencies, and in such amounts and for such periods as set forth in Exhibit D, attached and made a part hereof. All insurance policies and renewals thereof shall be issued by a carrier and in a form acceptable to the County. Property insurance policies shall name the County as an additional loss payee and liability insurance policies shall name the County as additionally insured, as approved by the County.
- b. Insurance proceeds and condemnation awards for any loss to or taking of the Development, or any portion thereof, shall be applied or utilized by Borrower as provided in the Deed of Trust executed by Borrower and referred to in the Recitals hereof.

16. Annual Report. The Borrower shall file with the County an annual report, as required by 24 CFR part 92 and 25 Cal. Code of Regulations, Section 8218(a)(2) on a set schedule, as established for the Development pursuant to Section 18(a) of this Agreement. The report shall contain a certification by the Borrower as to such information as the County may then require including, but not limited to the following:

- a. The fiscal condition of the Development, including a financial statement for the previous fiscal year that includes a balance sheet and a profit and loss statement indicating any surplus or deficit in operating accounts; a detailed itemized listing of income and expenses; the amounts of any fiscal reserves and the total amount of Residual Receipts received. Such financial statement shall be prepared in accordance with the requirements of the County. The County may require that the financial statement be audited at the Borrower's expense by an independent certified public accountant acceptable to the County or other person designed by the County.
 - b. The substantial physical defects in the Project, including a description of any major repair or maintenance work undertaken or needed in the previous and current fiscal years. Such statement shall describe what steps the Borrower has taken in order to maintain the Development in a safe and sanitary condition in accordance with applicable housing and building codes.
 - c. The occupancy of the Development indicating;
 - 1) The verified income of each current household; and
 - 2) The current rents charged each household and whether these rents include utilities.
 - d. General management performance, including tenant relations and other relevant information.
 - e. A summary of the information received from the re-certification of tenants' incomes.
 - f. Evidence of a currently paid hazard and flood insurance policy, with loss payable to the County in the amounts specified in Exhibit D.
 - g. Evidence of a currently paid liability insurance policy, naming the County as an additional loss payee in the amounts specified in Exhibit D.
 - h. Other information reasonably required by the County.
17. County Review and Inspections.
- a. Upon not less than 48 hours' notice to the Borrower, the County or its designee may, at any time during the term of the Loan, enter and inspect the physical premises and inspect all accounting records pertaining to the construction or operation of the Development. Upon request by the County, the Borrower shall notify occupants of upcoming inspections of their units in accordance with State Law.
 - b. The County may perform or cause to be performed audits of any and all phases of the Borrower's activities related to the Development. At the County's request, the Borrower shall provide, at its own expense, an audit of the financial condition of the project certified by an independent certified public accountant.
 - c. The County may request any other information that it deems necessary to monitor compliance with requirements set forth in this Agreement and the Standard Agreement. The Borrower shall promptly provide such information.
18. Annual Operating Budget.
- a. The fiscal year for the Development shall commence on January 1 and conclude on December 31.
 - b. Concurrent with the Annual Report listed above the the Borrower shall submit to the County a proposed annual operating budget on a form provided by the County. The proposed annual operating budget shall set forth the Borrower's estimate of the Development's income, operating expenses and debt service for the upcoming year, reserves, proposed rent adjustments, and a year-to-date operating statement. Annual operating budgets and rent adjustments are subject to approval by the County.
 - c. Annual operating budgets are subject to written approval by the County. Increases of five percent (5%) or less in the total operating budget and increases in specific operating expense categories (i.e. renting expenses, administrative expenses, utility expenses, operations and

maintenance expenses, taxes and insurance expenses) of five percent (5%) or less shall be deemed approved by the County. Borrower shall operate the Development in accordance with the approved annual budget.

- d. Annual rent adjustments are subject to written approval by the County. For the projects approved by the County using high HOME rents, rent increases that do not exceed the upper limits for High HOME rents less a utility allowance shall be deemed approved by the County. For projects approved by the County using Low HOME rents less a utility allowance, rent increases that do not exceed the upper limits for low HOME rents shall be deemed approved by the County.
- e. Borrower shall operate the Development in accordance with the First-Year Operating Budget approved by and on file with the County. Such budget shall show all anticipated income, debt service and expenses for management, operations, reserves and maintenance for the first fiscal year or portion thereof following initial occupancy.

19. Required Reserves.

- a. Commencing no later than the end of the second month following the initial occupancy of the Development or such other date, as the County shall designate in writing, the Borrower shall establish a segregated interest-bearing replacement reserve account in an F.D.I.C. or other comparable federally insured financial institution. The Borrower shall make monthly deposits from Operating Income to the Replacement Reserve accounts in the amount of \$18,300 per year as specified in the approved Initial Year Operating Budget and in subsequent annual budgets. The balance of the funds shall be deemed residual receipts and handled as specified in section 23. The County may review the adequacy of these monthly deposits on an annual basis, and require adjustments, as it deems necessary. Withdrawals shall only be made for capital improvements, such as replacing or repairing structural elements, furniture, fixtures or equipment of the Development that are reasonably required to preserve the Development.
- b. Borrower shall establish an operating reserve for the purpose of defraying the potential operating shortfalls arising from unforeseen circumstances, beyond the rent-up period. Withdrawals from the operating reserve shall require prior written approval of the County. Should the County fail to take action on a request for an eligible withdrawal from the operating reserve within 30 days from documented receipt of the request, that request shall be deemed approved. The initial deposit to the operating reserve shall be funded from development sources in the amount of \$154,584. Borrower shall fully replace any withdrawals from the operating reserve using available cash flow prior to use of any cash flow to pay deferred developer fee, partnership management or similar fees, or distributions.
- c. Upon occurrence of both of the following events, the County may reduce the operating reserve required minimum balance: (i) operation at a debt service coverage ratio of 1.15 or greater for 5 years; and (ii) operation at an operating expense coverage ratio of 1.08, where operating expense ratio is defined to equal effective gross income, less required replacement reserve deposits and non-contingent debt service, divided by total operating expenses, not including the approved cost of supportive services coordination.

20. Accounting Records. In a manner subject to County approval, Borrower shall maintain on an accrual or modified accrual basis, a general ledger accounting system that is posted monthly and that accurately and fully shows all assets, liabilities, income and expenses of the Development. All records and books relating to this system shall be kept for a period of at least seven years and in such a manner as to ensure that the records are reasonably protected from destruction or tampering. All records shall be subject to County inspection and audit.

21. Use of Income from Operations.

- a. The Borrower, or Borrower's management agent, shall promptly deposit all Operating Income in a segregated account established exclusively for the Development with an F.D.I.C. or other comparable federally-insured financial institution.
- b. Withdrawals from the account shall be made only in accordance with the provisions of this Agreement, and the approved budget, and shall be disbursed, applied, or reserved and set aside for payment when due for all costs related to the Development including, but not limited to, the following: (1) salaries, wages, and any other compensation due and payable to the employees or agents of the Borrower or management agent employed on site in connection with the maintenance, administration or operation of the Development, along with all withholding taxes, insurance premiums, Social Security payments and other payroll taxes or payments required in connection with such employees; (2) all charges incurred in the operation of the Development in connection with utilities, real estate taxes and assessments, and liability, fire and other hazard insurance; (3) payments of required interest, principal, impounds, fees and charges, if any, on loans other than the Loan which are secured by liens on the Property and which have been approved by the County; (4) all other expenses incurred to cover operating costs, including the fee of the managing agent and any extraordinary expenses, in accordance with the approved annual operating budget of the Development or as otherwise approved in advance by the County; (5) deposits to required operating and replacement reserve accounts; and (6) payments to the partners of the Borrower any allowed Asset Management Fees.
- c. The balance of Operating Income remaining after the payments described in section 21.b. above shall be deemed Residual Receipts to be paid and applied as provided in Paragraph 23 below.

22. Non-assisted Units and Common Areas.

- a. Borrower shall establish and implement a rent structure for non-assisted residential units that ensure the fiscal integrity of the Development. Borrower shall estimate all income and expenses attributable to the non-assisted units in the annual operating budget described in Section 18 herein, and shall report all income and expenses attributable to non-assisted units in the Annual Report described in Section 16 herein.
- b. Borrower shall maintain and repair both assisted and non-assisted units equally without regard to their designation as assisted or non-assisted.
- c. Tenant selection practices for non-assisted units shall comply with State and federal nondiscrimination laws.
- d. The exterior walls, windows, lighting, walkways, mailboxes, landscaping, nonresidential space, and other common areas of the Development shall be safe, clean, well maintained, and in good working order.

23. Residual Receipts and Distributions.

- a. Residual Receipts shall first be applied to payments on the Loan as required by, and subject to the provisions of, the Loan Agreement.
- b. "Distributions" shall refer to any amounts remaining after payment in full of expenses as provided in Paragraph 21.b. above and required payments on the Note. Distributions shall be available to be distributed to, or retained by, the Borrower or any party having a beneficial interest in Borrower or the Development.
- c. Borrower shall receive Distributions only once for each fiscal year of the Development and only: (1) upon approval by the County of the Annual Report submitted for that year, and (2) upon determination by the County that the Borrower is in compliance with this Agreement and all Program requirements.
- d. No distribution shall be made to Borrower in the following circumstances:

- 1) When written notice of default has been issued by any entity with an equitable or beneficial interest in the Development;
- 2) When the County determines that the Borrower or the Borrower's management agent has failed to comply with the County's written notice of any reasonable requirement for proper maintenance of the Development;
- 3) If all currently required debt service and operating expenses have not been paid; or
- 4) If the replacement reserves account or other reserve accounts are not fully funded pursuant to this Agreement.

24. Restrictions on Sale, Encumbrance, and Other Acts.

- a. The Borrower shall not make any sale, encumbrance, hypothecations, assignment, refinancing, pledge, conveyance, or transfer in any other form of the Property or the Development or of any of its interest therein, except with the prior written approval of the County. Notwithstanding anything to the contrary hereinabove, the respective interest of the Borrower's administrative limited partner and the Borrower's investor limited partner shall be transferable with the consent of the County, the County shall not unreasonably withhold its consent to the substitute the administrative limited partner. Moreover, the administrative limited partner of Borrower shall be permitted to remove the general partner thereof for cause in accordance with the terms of Borrower's partnership agreement with the consent of the County, the County shall not unreasonably withhold its consent to substitute the general partner.
- b. Other than routine maintenance, the Borrower shall not add to, remodel, remove, reconstruct, or demolish any part of the Development without the prior written approval of the County.
- c. The Borrower shall not permit the use of the Development for any purpose other than that permitted by this Agreement without the prior written approval of the County.
- d. The Borrower shall not incur any liability or obligation in connection with the Development, other than for current operating, management and maintenance costs and for the indebtedness evidenced by the Note nor incur any liability, charge, assessment, or obligation whatsoever that is secured in whole or in part by any interest in or lien or encumbrance on the Property or the Development, without the prior written approval of the County. The County may permit refinancing or additional financing secured by the Development only to the extent necessary to maintain or improve the Development's fiscal integrity, improve financial condition, or to maintain affordable rents.
- e. The Borrower shall not enter into any contract relating to rehabilitating or managing the Development, except as authorized by the County.
- f. Borrower shall not enter into any Lease for more than a single rental unit, ground lease of the Development or any interest therein without prior written approval of the County. The County may require that such lease allow for termination within 30 days upon request by the County.
- g. The County may approve a sale, transfer or conveyance provided that all of the following conditions are met:
 - 1) The existing Borrower is in compliance with this Agreement or the sale, transfer or conveyance will result in the cure of any existing violations of the Agreement;
 - 2) The successor-in-interest to the Borrower agrees to assume all obligations of the existing Borrower pursuant to this Agreement and the Program.
 - 3) The successor-in-interest demonstrates to the County's satisfaction that it can own and operate the Development in full compliance with all Program requirements; and

- 4) Any terms of the sale, transfer or conveyance shall not threaten the County's security or the successor's ability to comply with all requirements of the HOME Program and this Agreement.
- h. If the County approves of the sale the County shall grant its approval for a sale, transfer or conveyance subject to such terms and conditions as may be necessary to preserve or establish the Fiscal Integrity of the Development and to ensure compliance with HOME Program requirements and this Agreement. Such conditions may include the deposit of sales proceeds, or a portion thereof, to maintain required reserves or to offset negative cash flow, the recapture of syndication proceeds or other funds such other conditions as may be necessary to ensure compliance with the Program requirements.

25. Violation of Regulatory Agreement by Borrower.

- a. In the event of a breach or violation of the provisions of this Agreement, the County may give written notice to the Borrower and Borrower's administrative limited partner thereof by certified mail or any express delivery service with a delivery receipt addressed to the Borrower at the address stated in this Agreement. If the breach or violation is not cured to the satisfaction of the County within the time period specified in the notice, which shall not be fewer than 30 days, the County may declare a default and may seek legal remedies including the following:
 - 1) Collect all rents and income in connections with the operation of the Development and use the same and the reserve funds for the operation and maintenance of the Development.
 - 2) Take possession of the Development and bring any action necessary to enforce any rights of the Borrower growing out of the operation of the Development, and operate the Development in accordance with the terms of this Agreement until such time as the County, in its sole discretion, shall determine that the Borrower is again in a position to operate the Development in accordance with the terms of this Agreement.
 - 3) Apply to any court, State or federal, for specific performance of this Agreement or for the appointment of a receiver to take over and operate the Development in accordance with the terms of this Agreement or for such other relief as may be appropriate. It is agreed by the Borrower that the injury to the County arising from a default under any of the terms of this Agreement would be irreparable and that the amount of compensation that would provide adequate relief to the County, in light of the purposes of the Program, would be impossible to ascertain.
 - 4) Subject to written authorization from lenders with a priority security interest in the Property and the Development, accelerate all amounts, including outstanding principal and interest, due under the loan and demand immediate repayment thereof. Upon a failure to repay such accelerated amount in full, the County may proceed with a foreclosure in accordance with the provisions of the Deed of Trust and State law regarding foreclosures.

However, in the event of a nonmonetary breach which cannot reasonably be cured within the time period set forth in such notice, the loan may not be accelerated hereunder if within said designated time period Borrower or Borrower's administrative limited partner has given written notice to County of Borrower's intention to cure said breach, has commenced to cure such breach and has diligently prosecuted and effected such cure which shall be completed no later than 60 days from the date notice of such breach is given.
 - 5) The County may seek such other remedies as may be available under law.
- b. In the event that the breach or violation involves the rents to tenants or other charges in excess of those permitted under this Agreement, the County may demand, and seek as an additional remedy, the return of such excess rents or other charge to the affected household.

- c. The tenants of the Assisted Rental Units shall be considered to be third-party beneficiaries of this Agreement, and shall have such rights and remedies to enforce the requirements of this Agreement as may be available to third-party beneficiaries under the law.
 - d. The remedies of the County hereunder are cumulative, and the exercise of one or more of such remedies shall not be deemed an election of remedies and shall not preclude the exercise by the County of any one or more of its other remedies.
26. Assignment of County Rights. The County retains the right at its sole discretion to assign all or part of its rights under this Agreement for the purpose of ensuring compliance and enforcement of Borrower's duties and obligations hereunder. In addition, the County may designate an agent to act on its behalf in monitoring compliance and enforcing the provisions hereof.
 27. Amendment. This Agreement shall not be altered or amended except in writing, executed between or among all the parties.
 28. Partial Invalidity. If any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.
 29. Binding on Successors. This Agreement shall bind, and the benefits thereof shall inure to, the respective parties hereto, their legal representatives, executors, administrators, successors in the office of interest, and assigns, provided, however, that the Borrower may not assign this Agreement or any of its obligations hereunder, voluntarily or by operation of law, without the prior written approval of the County.
 30. Recording Agreement. This Agreement and all amendments thereto shall be executed by each of the parties. This Agreement, or memorandum thereof, shall be recorded against the subject Property in the official records of the county in which the Development is situated.
 31. Hold Harmless. Borrower and its successor in interest agree to indemnify, defend, and hold harmless the County and its respective agents, employees and officers from any and all claims, losses, liabilities or causes of action (including reasonable attorney's fees) arising from or in connection with Borrower's construction, management, maintenance or operation of the Development.
 32. Waiver. No waiver by the County of any breach of or default under this Agreement shall be deemed to be a waiver of any other or subsequent breach thereto or default hereunder.
 33. Captions. The captions used in this Agreement are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope or the intent of this Agreement.
 34. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of California.
 35. Notice. Written notices and other written communications by and between the parties hereto shall be addressed as set forth below unless and until a party hereto has, in writing, communicated a different address to the other party hereto.

Borrower: Eureka Aster Place Associates
c/o DANCO Builders
5251 Ericson Way
Arcata, CA 95521

County: Community Development Services Director
County of Humboldt
520 E Street
Eureka, CA 95501

36. Attorneys' Fees. The prevailing party in any action to enforce this Agreement, including the residents of assisted units, shall be entitled to reasonable attorneys' fees as determined by the tier of fact in that forum.
37. Special Conditions. The Borrower agrees to comply with the special conditions, if any, as set forth in Exhibit E, which is made a part hereof. In the event of any inconsistencies between the terms set forth in the Exhibit E Special Conditions of the Regulatory Agreement and the terms of this Agreement, the terms of the Special Conditions shall prevail.
38. Incorporation. The following Exhibits, all attached hereto, are hereby incorporated into this Agreement:
- Exhibit A: Legal Description
 - Exhibit B: Schedule of Assisted Units
 - Exhibit C: Comparable Unit Schedule
 - Exhibit D: Insurance Requirements
 - Exhibit E: Special Conditions

WHEREAS, this Agreement has been entered into by the undersigned as of the date first above written.

BORROWER:

EUREKA ASTER PLACE ASSOCIATES,
a California Limited Partnership

GENERAL PARTNERS:

Community Revitalization & Development Corporation
A California Nonprofit Public Benefit Corporation

By: David Rutledge
David Rutledge, Chief Executive Officer & Secretary

Johnson & Johnson Investments, LLC
A California Limited Liability Company

By: _____
Daniel J. Johnson, Manager

Roope, LLC, An Idaho Limited Liability Company

By: _____
Caleb Roope, Manager

COUNTY OF HUMBOLDT

By: _____
Kirk Girard, Director
Community Development Services

WHEREAS, this Agreement has been entered into by the undersigned as of the date first above written.

BORROWER:

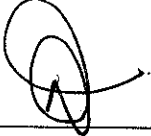
EUREKA ASTER PLACE ASSOCIATES,
a California Limited Partnership

GENERAL PARTNERS:

Community Revitalization & Development Corporation
A California Nonprofit Public Benefit Corporation

By: _____
David Rutledge, Chief Executive Officer

Johnson & Johnson Investments, LLC
A California Limited Liability Company

By: _____

Daniel J. Johnson, Manager

Roope, LLC, An Idaho Limited Liability Company

By: _____
Caleb Roope, Manager

COUNTY OF HUMBOLDT

By: _____
Kirk Girard, Director
Community Development Services

WHEREAS, this Agreement has been entered into by the undersigned as of the date first above written.

BORROWER:

EUREKA ASTER PLACE ASSOCIATES,
a California Limited Partnership

GENERAL PARTNERS:


Community Revitalization & Development Corporation
A California Nonprofit Public Benefit Corporation

By: _____
David Rutledge, Chief Executive Officer

Johnson & Johnson Investments, LLC
A California Limited Liability Company

By: _____
Daniel J. Johnson, Manager

Roope, LLC, An Idaho Limited Liability Company

By:  _____
Caleb Roope, Manager

COUNTY OF HUMBOLDT

By: _____
Kirk Girard, Director
Community Development Services

WHEREAS, this Agreement has been entered into by the undersigned as of the date first above written.

BORROWER:

EUREKA ASTER PLACE ASSOCIATES,
a California Limited Partnership

GENERAL PARTNERS:

Community Revitalization & Development Corporation
A California Nonprofit Public Benefit Corporation

By: _____
David Rutledge, Chief Executive Officer

Johnson & Johnson Investments, LLC
A California Limited Liability Company

By: _____
Daniel J. Johnson, Manager

Roope, LLC, An Idaho Limited Liability Company

By: _____
Caleb Roope, Manager

COUNTY OF HUMBOLDT

By: Kirk Girard
Kirk Girard, Director
Community Development Services

State of California
County of Shasta

On December 9, 2010 before me, Erin Elizabeth Friedman, Notary Public
a Notary Public, personally appeared DAVID RUTLEDGE

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies) and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

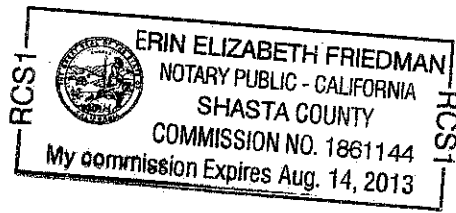
I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal

Signature 

My commission expires: Aug. 14, 2013

(This area for official notarial seal)



**CALIFORNIA
ALL PURPOSE CERTIFICATE OF ACKNOWLEDGEMENT**

State of California

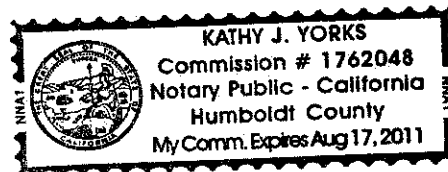
County of Humboldt } SS.

On 12/9/10 before me, Kathy J. Yorks, NOTARY PUBLIC ,
(insert name and title of the officer)

personally appeared Daniel J. Johnson ,
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are
subscribed to the within instrument and acknowledged to me that he/~~she~~/they executed the same in
his/~~her~~/~~their~~ authorized capacity(ies), and that by his/~~her~~/~~their~~ signature(s) on the instrument the
person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing
paragraph is true and correct.

WITNESS my hand and official seal.



 Kathy J. Yorks
(signature of notary public)

(seal)

ALL-PURPOSE ACKNOWLEDGMENT

State of Idaho

County of Ada

On December 9, 2010
Date

before me, Peter Van Dorne, Notary Public
Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Caleb Roope

Name(s) of Signer(s)

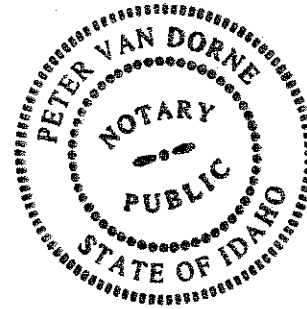
Who proved to me on the basis of satisfactory evidence to be the person(s) whose name is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Signature of Notary Public
Commission Expires: 07/26/2011



ACKNOWLEDGMENT

STATE OF CALIFORNIA)
)
COUNTY OF Humboldt)

On Dec. 9, 2010, before me, Shannon N. Hill, a Notary Public, personally appeared Kirk Girard who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/~~they~~ executed the same in his/her/~~their~~ authorized capacity(ies), and that by his/her/~~their~~ signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature Shannon N. Hill

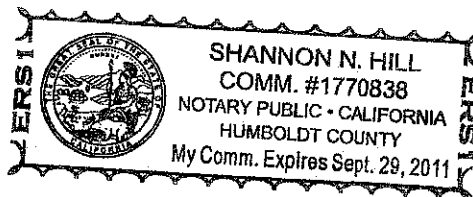


Exhibit A

DESCRIPTION

That real property situate in the County of Humboldt, State of California, described as follows:

PARCEL ONE:

BEGINNING on the North line of Lot 14 of Hartford Park, according to the Map thereof on file in the Office of the County Recorder of Humboldt County, California, in Book 11 of Maps, Page 64, at a point 9.19 feet Easterly from the Northwest corner of said Lot 14;

thence South 126.58 feet;

thence South 34 degrees 00 minutes East 294.61 feet to the South line of the tract of land conveyed to Vina Hartford, by Deed recorded November 2, 1923 in Book 165 of Deeds, Page 127;

thence South 89 degrees 43 minutes 06 seconds West (record bearing South 89 degrees 30 minutes West), along said line, 146.93 feet to the Northwest corner of that parcel of land described in Book 114 of Official Records, Page 553, Humboldt County Records;

thence South 0 degrees 14 minutes 50 seconds West, along the West line of said parcel, 66.14 feet to the Northeast corner of Resultant Parcel "B" as described in Instrument No. 2007-12481-5, Humboldt County Records;

thence South 89 degrees 43 minutes 06 seconds West (record bearing South 89 degrees 24 minutes 26 seconds West) along the North line of said parcel 220.06 feet;

thence North 0 degrees 30 minutes West 312.88 feet to the North line of that parcel of land described in Book 1129 of Official Records, Page 211;

thence North 89 degrees 45 minutes East along said North line and the Easterly prolongation thereof 156.70 feet to the West line of said Lot 18 of Hartford Park;

thence North 0 degrees 20 minutes West along said West line 125.00 feet to the Northwest corner of said Lot 18;

thence North 89 degrees 45 minutes East along the North line of said Lot 18 and the North line of said Lot 14, 49.29 feet to the point of beginning.

RESERVING therefrom a non-exclusive easement for ingress, egress, parking and public utilities, described as follows:

BEGINNING on the North line of Lot 14 of Hartford Park, according to the Map thereof on file in the Office of the County Recorder of Humboldt County, California, in Book 11 of Maps, Page 64, at a point 9.19 feet Easterly from the Northwest corner of said Lot 14;

thence South 126.58 feet;

thence South 34 degrees 00 minutes East 29.68 feet;

thence South 00 degrees 20 minutes East 33.96 feet;

thence South 89 degrees 40 minutes West 5.00 feet;

thence North 00 degrees 20 minutes West 5.79 feet;

thence South 89 degrees 40 minutes West 42.00 feet;

thence North 00 degrees 20 minutes West 20.52 feet;

thence South 89 degrees 40 minutes West 18.00 feet to the West line of Lot 18 of Hartford Park;

thence North 0 degrees 20 minutes West along said West line 159.00 feet to the Northwest corner of said Lot 18;

thence North 89 degrees 45 minutes East, along the North line of said Lot 18 and the North line of said Lot 14, 49.29 feet to the point of beginning.

Said easement is appurtenant to and for the benefit of the land described as "Resultant Parcel 2" in the Notice of Lot Line Adjustment and Certificate of Subdivision Compliance, recorded December 13, 2010 as Instrument No. 2010-27711-9, Humboldt County Records.

This description is based on a Record of Survey for DANCO GROUP in the Southwest Quarter of Section 25, Township 5 North, Range 1 West, Humboldt Meridian, dated October 2010, to be filed with the Humboldt County Recorder subsequent to the recordation of this document.

continued ...

PARCEL TWO:

A non-exclusive easement for ingress, egress, parking and public utilities, described as follows:

BEGINNING on the North line of Lot 14 of Hartford Park, according to the Map thereof on file in the Office of the County Recorder of Humboldt County, California, in Book 11 of Maps, Page 64, at a point 9.19 feet Easterly from the Northwest corner of said Lot 14;

thence South 126.58 feet;

thence South 34 degrees 00 minutes East 26.07 feet;

thence North 00 degrees 20 minutes West 138.68 feet to the Easterly line of Parcel One of the land conveyed to Allen U. Nylander and Cheryl Nylander, by Deed recorded December 7, 1967 in Book 943 of Official Records, Page 403, Humboldt County Records;

thence along the East line of said parcel, North 17 degrees 11 minutes West, 10.00 feet to the Northeast corner thereof;

thence South 89 degrees 45 minutes West, along the North line of said parcel, 10.81 feet to the point of beginning.

Said easement is appurtenant to and for the benefit of Parcel One above.

PARCEL THREE:

A non-exclusive easement for ingress, egress and public utilities over, under and across the Northerly 30 feet of the land described as Parcel One in the Deed to Kramer Investment, LLC recorded July 17, 2007 as Instrument No. 2007-21426-2, Humboldt County Records, described as follows:

COMMENCING at a point 15.87 1/3 chains North and 0.25 chains West of the quarter section post between Sections 25 and 36, Township 5 North, Range 1 West, Humboldt Meridian;

thence South 89 degrees 25 minutes West, 375 feet to the Southeast corner of Parcel Four of the land conveyed to Redwood Meat Company, Inc., a California Corporation, by Deed recorded February 8, 1972 in Book 1123 of Official Records, Page 485, Humboldt County Records, said point being the true point of beginning of the parcel of land to be herein described;

thence North 0 degrees 03 minutes 49 seconds West, along the West line of said Parcel Four, 250.00 feet;

thence South 89 degrees 24 minutes West, 480.00 feet;

thence South 0 degrees 03 minutes 49 seconds East, 250.00 feet to the South line of Parcel Four of said land conveyed to Redwood Meat Company;

thence North 89 degrees 24 minutes East (record bearing North 89 degrees 25 minutes East), along said South line, 480.00 feet to the true point of beginning.

Being the same easement as reserved by Redwood Meat Co., Inc., a California Corporation, in Deed recorded July 17, 2007 as Instrument No. 2007-21426-2, Humboldt County Records.

Exhibit B To Regulatory Agreement

SCHEDULE OF ASSISTED UNITS

Sixteen (16) 2-bedroom units that will be floating units.

Twenty-four (24) 3-bedroom units that will be floating units.

Exhibit C To Regulatory Agreement

COMPARABLE UNIT SCHEDULE

All Sixteen 2-bedroom HOME units are deemed comparable to all other 2-bedroom units in the Development

All Twenty-four 3-bedroom HOME units are deemed comparable to all other 3-bedroom units in the Development

Exhibit D To Regulatory Agreement

INSURANCE REQUIREMENTS

At close of escrow, the County must receive a one-year prepaid Certificate of Insurance policy (or a binder followed by a certificate within 30 days of loan closing) evidencing the following coverage:

1. **HAZARD (PROPERTY)**

- Perils: All risk; or Fire & Lightning, Extended Coverage, Vandalism & Malicious Mischief.
- Covered Property: Structure; and All risk contents coverage.
- Amount: Replacement value (or less if approved by County).
- Coinurance: No less than 90 percent.
- Deductible: \$2,500 maximum deductible per occurrence.
- Endorsement: County's Loss Payable Endorsement required insuring the County.

OTHER PROPERTY INSURANCE

- Flood Insurance: Coverage required to 80 percent of replacement cost if the property is located in a 100-year flood plain.
- Steam Boiler & Related Machinery: (When applicable) 80 percent of replacement cost coverage is required.

2. **COMPREHENSIVE GENERAL LIABILITY**

- Minimum Amount: \$1,000,000 per occurrence; or
\$2,000,000 per occurrence for buildings with elevators.

3. **OTHER COVERAGE**

- Loss of Rents: Coverage shall insure 75 percent of annual gross rents.
- Workers Compensation: Required by State law if employees are involved.

ALL POLICIES MUST INCLUDE THE FOLLOWING

- Named Insured: Borrower
- Additional Insured: The County of Humboldt and its officers, agents, employees, and servants must be named as additional insured.
- Cancellation Clause: The County must be notified 30 days prior to cancellation of the insurance policy.
- Notification: The County must be notified prior to cancellation or lapse of coverage or in the event of any claim.

The County should be identified on all insurance documents as follows:

County of Humboldt
Attention: Risk Manager
825 5th Street
Eureka, CA 95501

County of Humboldt
Economic Development Division
520 E Street
Eureka, CA 95501

Exhibit E To Regulatory Agreement

SPECIAL CONDITIONS

None

2004-34154-30

Recorded — Official Records
Humboldt County, California
Carolyn Crnich, Recorder
Recorded by HUMBOLDT CNTY
Exempt from payment of fees
Clerk: MM Total: 0.00
Oct 8, 2004 at 15:55

RECORDING REQUESTED BY:
County of Humboldt
Exempt from recording fees under Section
6103 of the California Government Code

WHEN RECORDED MAIL TO:
County of Humboldt
520 E Street
Eureka, CA 95501

THE COUNTY OF HUMBOLDT
HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME)

REGULATORY AGREEMENT
LOAN NUMBER 01-HOME-0547

THIS REGULATORY AGREEMENT (the "Agreement") is made and entered into this 26th day of August, 2003, by and between, Redway Humboldt Associates, a California Limited Partnership (the "Borrower"); and the County of Humboldt, (the "County"), a political subdivision of the State of California.

Recitals

- A. The Borrower is or will be the owner of, or holder of a fee estate in the real property located in the County of Humboldt, California and more fully described in Exhibit A (the "Property").
- B. The Borrower has proposed to develop the Property by constructing thereon a 20-unit rental housing development of which 20 units will be Assisted Units to be occupied by low and very low income households (the "Development").
- C. The Development will be financed in whole or in part and regulated by a permanent loan from the County in a principal amount not to exceed Two Million Six Hundred Eighty Three Thousand Seven Hundred Seventy Four Dollars (\$2,683,774.00) (the "Loan") from the Home Investment Partnerships Program (the "HOME Program"). The Loan will be provided to Borrower by the County in accordance with 42 USC 12741 et seq., 24 CFR Part 92, California Health and Safety Section 50896 and Title 25, California Code of Regulations, Sections 8200 through 8220, (together, the "HOME Regulations"). Any inconsistencies between this document and the HOME Regulations will be controlled by the HOME regulations. In consideration of the County's commitment to make the Loan, the County and the California Department of Housing and Community Development (the "Department") have entered into two Standard Agreements, Number 01-HOME-0547 dated January 31, 2002 and Amendment #1 dated . The proceeds of the Loan shall be disbursed, used and governed by a County Loan Agreement by and among the County of Humboldt and Borrower dated May 28, 2003 herewith (the "County Loan Agreement").

- D. The Standard Agreement and the County Loan Agreement, including all exhibits and attachments thereto, are incorporated in full by reference into this Agreement. In the event of any inconsistencies between the terms set forth in the County Loan Agreement and the terms of this Regulatory Agreement, the terms of this Regulatory Agreement shall prevail.
- E. Borrower agrees to abide by all provisions of the Standard Agreement and the County Loan Agreement with respect to the Development and Borrower shall execute a promissory note evidencing its obligation to repay the Loan (the "Note") and a deed of trust in favor of the County to be recorded against the Property securing repayment of the Note (the "Deed of Trust"). Borrower agrees to be bound by all terms and conditions of the Note and Deed of Trust. The Note, the Deed of Trust, the Standard Agreement, the County Loan Agreement and this Agreement are collectively referred to herein as the "Loan Documents".
- F. As further consideration for the Loan and in furtherance of the purposes of the HOME Program, Borrower has agreed to enter into this Agreement. The purpose of this Agreement is to regulate and restrict occupancy, rents, operations, ownership and management of the Development in compliance with the requirements of the HOME Program.

NOW, THEREFORE, the parties hereto agree as follows:

1. Recitals. The foregoing recitals are a part of this Agreement.
2. Property. The Development will be located on the Property.
3. Definitions. Unless the context requires otherwise, the terms used in this Agreement shall be governed by the definitions set forth in 24 CFR Part 92, and 25 Cal. Code of Regulations section 8201. All references to code sections refer to Title 25 of the California Code of Regulations, unless otherwise noted.

For the purposes of this Agreement the following additional definitions shall apply:

- a. "Assisted Unit" means a dwelling unit, or a residential hotel unit, or a bedroom in a group home or congregate home, the rehabilitation or construction of which was assisted with proceeds of the Loan.
- b. "Eligible Households" means Lower Income Households or Very Low-Income Households.
- c. "Fiscal Integrity" means that the total of Operating Income plus funds released pursuant to this Agreement from the operating reserve account is sufficient to (1) pay all current Operating Expenses, (2) pay all current approved debt service, (3) fully fund for at least twelve consecutive months all reserves established pursuant

to this Agreement, and (4) pay other extraordinary costs permitted by this Agreement. The ability to pay any or all of the annual permitted distribution shall not be considered in determining fiscal integrity.

- d. "HOME Rents" means rents calculated annually by the United States Department of Housing and Urban Development ("HUD") and are:
 - 1) The lesser of the Fair Market Rents or a rent that does not exceed 30 percent of 65 percent of area median income (High HOME Rents); or
 - 2) 30 percent of 50 percent of area median income (Low HOME Rents).
- e. "Initial Operating Year" means the first year of operations, or portion thereof, of the rehabilitated or newly constructed rental housing development beginning at the time of initial occupancy of an Assisted Unit and ending on the last day of the fiscal year of the Development.
- f. "Lower Income Household" means persons or families whose incomes are 80 percent or less of the area median income as determined by the HUD.
- g. "Operating Expenses" means the amount approved by the County that is necessary to pay for the essential recurring expenses of the Development, including, but not limited to, utilities, maintenance, management, taxes, licenses, and mandatory direct or supportive tenant services but not including debt service, required reserve account deposits, or costs for voluntary direct or supportive tenant services.
- h. "Operating Income" means all income generated in connection with operation of the rental housing development including rental income from Assisted Units and non-assisted units, rental income from nonresidential space, laundry or equipment rental fees, rental subsidy payments, and interest on any accounts related to the rental housing development. "Operating Income" does not include tenant security and equipment deposits, payments received from voluntary direct or supportive tenant services, or tax benefits received by the sponsor.
- i. "Rent" means all charges, other than deposits, paid by the tenant for the use and occupancy of an assisted unit and any mandatory charge for direct or supportive tenant services in a rental housing development, including a utility allowance in an amount determined by HUD.
- j. "Residual Receipts" means project funds remaining after payment of expenses as described in items 1 through 5 Section 21(b)
- k. "Very Low-Income Household" means low-income persons or families whose incomes are 50 percent or less of the area median income as determined by HUD.

3

4. Compliance with Program Requirements

- a. The Borrower agrees that at all times its acts regarding the Development and the use of funds provided herein shall be in conformity with all provisions of the HOME Program including the statues, the HOME Regulations and such policies and procedures of the Department and of HUD pertaining thereto. The Borrower acknowledges that they are familiar with such applicable provisions and have been professionally advised to the extent necessary for the purpose of enabling the Borrower to fully comply with such provisions.
 - b. The financial assistance provided under the HOME Program is governed by 24 CFR Part 92. With respect to the assistance, Borrower agrees to comply with all requirements and obligations as described in 24 CFR Part 92, as well as all provisions governing the use of HOME funds. Borrower agrees to comply with the directives of the County as necessary to ensure compliance with the obligations of the County as set forth in its agreements with HUD regarding the use of HOME funds.
5. Term of Agreement. The term of this Agreement shall commence upon its recordation in the office of the County Recorder for the county in which the Development is located and remain in full force and effect and shall apply to the Development through and including the date which is fifty-five (55) years from the date of such recordation regardless of any prepayment of the Loan or sale, assignment, transfer or conveyance of the Development, unless terminated earlier by the County pursuant to the terms of this Agreement or extended by the mutual consent of the parties thereto.
6. Assisted Unit Schedule. Upon occupancy following the completion of construction, the Borrower shall rent Assisted Units only in accordance with the Schedule of Assisted Units set forth in Exhibit B, attached hereto and incorporated herein.
7. Tenant Selection Standards. Borrower shall rent Assisted Units in the Development only to eligible households in accordance with the Management Plan approved by and on file with the County pursuant to Section 14 of this Agreement. Such Management Plan may be periodically altered and such alteration must be submitted to and approved by the County prior to use. At all times, 20 percent of the Assisted Units must be rented to Very Low-Income households and, at initial occupancy, no less than 90 percent of the Assisted Units shall be occupied by households whose incomes are at 60 percent and below of area median income as determined by HUD. The Management Plan shall among other things: (1) detail actions to be taken by Borrower to affirmatively market vacant units in a manner which ensures equal access to all persons in any category protected by federal, state or local laws governing discrimination, and regardless of any arbitrary factor; (2) specify reasonable criteria for determination of tenant eligibility, including household size in accordance with the minimum occupancy standard specified in the HOME Regulations; (3) require that eligible tenants be selected based on order of applications, lottery, or other reasonable method approved by the County; (4) specify procedures through which tenant applicants deemed to be ineligible shall be notified of the reason for

their ineligibility and may appeal this determination; (5) require maintenance of a waiting list of eligible applicants; and (6) specify procedures for obtaining information regarding prospective tenants' incomes as necessary to certify that such income does not exceed the lower or very low-income limit.

8. Nondiscrimination. Borrower shall not discriminate against any tenant or prospective tenant on the basis of race, religion, sex, age, disability, marital status, nor any other arbitrary factor in violation of any state, federal or local law governing discrimination in rental housing. Housing which is intended to benefit, and is therefore limited to senior citizens, is permitted only with the prior approval of the selection criteria by the County.
9. Rental Agreement and Occupancy Procedures (the "Lease").
 - a. Each eligible household selected to occupy a unit in the Development shall enter into a written rental agreement with the Borrower on a form approved by the County containing such provisions as are required by the HOME Regulations. The Lease shall be for a term of not less than one year.
 - b. The Lease may not contain any of the following provisions:
 - 3) Agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of the Borrower or Borrower's Agent in a lawsuit brought in connection with the lease;
 - 4) Agreement by the tenant that the Borrower may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. This prohibition, however, does not apply to an agreement by the tenant concerning disposition of personal property remaining in the housing unit after the tenant has moved out of the unit. The Borrower may dispose of this personal property in accordance with state law;
 - 5) Agreement by the tenant not to hold the Borrower or Borrower's agents legally responsible for any action or failure to act, whether intentional or negligent;
 - 6) Agreement of the tenant that the Borrower or Borrower's Agent may institute a lawsuit without notice to the tenant;
 - 7) Agreement by the tenant that the Borrower or Borrower's agent may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties;
 - 8) Agreement by the tenant to waive any right to a trial by jury;

- 9) Agreement by the tenant to waive tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease; and
 - 10) Agreement by the tenant to pay attorneys' fees or other legal costs even if the tenant wins in a court proceeding by the owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.
- c. The borrower shall establish reasonable rules of conduct and occupancy. Such rules shall be consistent with state law and the HOME Regulations. Said rules shall be in writing and shall be given to each tenant upon occupancy. Any change shall become effective no fewer than 30 days after giving written notice thereof to each household.
 - d. The Borrower shall not terminate the tenancy or refuse to renew the lease of a tenant of rental housing assisted with HOME funds except for serious or repeated violation of the terms and conditions of the Lease; for violation of tenancy period; or for other good cause. Any termination or refusal to renew a Lease shall be by the owner's service upon the tenant of a written notice in compliance with State law and specifying the grounds for the action.
 - e. The Borrower shall maintain the premises in compliance with all applicable housing quality standards and local code requirements.

10. Rents.

- a. For all Assisted Units, Rents shall not exceed high HOME Rents less a utility allowance. For Assisted Units that are set-aside for Very Low-Income Households, HOME rents shall not exceed Low HOME Rents less a utility allowance.
- b. A minimum of 20 percent of all Assisted Units shall be occupied by Very Low-Income Households at Rents that are no greater than the Low HOME Rents less a utility allowance.
- c. Any household certified as an Eligible Household upon occupancy but whose income increases above the eligibility level must pay as Rent the lesser of the amount payable by the tenant under State or local law or 30 percent of the household's adjusted monthly income; except that, Assisted Units subject to low-income tax credit rules under section 42 of the Internal Revenue Code shall be governed by such rules.

11. Security Deposits.

- a. Security deposits shall be required of tenants only in accordance with State law and this Agreement.
- b. Any security deposits collected by the Borrower or Borrower's agent shall be kept separate and apart from all other funds of the Development in a trust account with a depository insured by the Federal Deposit Insurance Corporation (F.D.I.C.), or other

comparable federal deposit insurance program, and shall be held and disbursed in accordance with State law. The balance of such account shall at all times equal or exceed the aggregate of all outstanding obligations under said account, plus accrued interest thereon.

12. Certification of Tenant Income and Household Size.

- a. The income and household size of all households occupying Assisted Units shall be certified by the Borrower prior to occupancy and re-certified annually thereafter in a manner approved by the County and specified in the Development's Management Plan.
- b. If the income of a tenant upon re-certification exceeds the upper limit for Lower Income Households, and there are no other requirements statutorily imposed by another federal or State funding source or tax credit program, that tenant shall not have its Lease terminated as a result thereof, but shall be charged Rents as provided in Section 10 (c).
- c. Where a household occupying a unit designated for occupancy by a Very Low Income Household no longer so qualifies at the time of re-certification, but qualifies as an otherwise Eligible Household, the rents appropriated for that income level shall be charged.

13. Assisted Unit Substitutions.

- a. For purposes of this section, "comparable" units shall be those listed in the same group in the Comparable Unit Schedule set forth in Exhibit C, attached hereto and incorporated herein.
- b. If, upon re-certification, the income of a household occupying an Assisted Unit reserved for occupancy by Lower Income Households exceeds the upper limit for lower income, the Borrower may designate this household's unit as non-assisted, provided that all of the following conditions are satisfied:
 - 1) Not later than the date the Borrower designates the unit as non-assisted, the Borrower also makes available a comparable vacant unit previously designated as non-assisted to be designated as an Assisted Unit, or designates a previously non-assisted unit occupied by a Lower Income Household as an Assisted Unit, or agrees to occupy the next available unit with a Lower Income Household; and
 - 2) The rent charged for the newly designated Assisted Unit will not exceed the high HOME Rent.
- c. Where a household occupying an assisted unit reserved for occupancy by Very Low-Income Households no longer qualifies as Very Low-Income at the time of re-certification, but qualifies as a Lower Income Household, the following shall apply:

- 1) Borrower shall designate the unit as an assisted unit for Lower Income Households
- 2) Borrower may increase the household's Rent up to the High HOME Rent;
- 3) Borrower shall designate the next available comparable Assisted Unit reserved for Lower Income Households as an Assisted Unit reserved for Very Low-Income Households; and
- 4) The Rent charged for the newly designated Assisted Unit reserved for Very Low-Income Households shall not exceed the Low HOME Rent.

14. Maintenance and Management.

- a. Borrower is specifically responsible for all maintenance, repair, and management functions for the Development, including without limitation, selection of tenants, re-certification of household income and size, evictions, collection of rents, routine and extraordinary repairs and replacement of capital items. Borrower shall maintain units and common areas in a safe and sanitary manner in accordance with local health, building, and housing codes, HUD housing quality standards pursuant to 24 CFR Section 882.109, and the Management Plan described above.
- b. Borrower may, with the prior written approval of the County, contract with a management agent for the performance of services or duties required in paragraph (a). However, such an arrangement does not relieve the Borrower of responsibility for proper performance of these duties. Such contract shall contain a provision allowing the Borrower to terminate the contract without penalty upon no more than thirty day's (30) notice. Upon a determination by the County, and notice to the Borrower thereof, that the management agent has failed to operate the Development in accordance with this Agreement, the Borrower shall exercise such right of termination forthwith and shall make immediate arrangements, which shall be subject to County approval, for continuing performance of the requirements of this Agreement.
- c. Borrower may operate the Development itself only with prior written approval of the County. Upon a determination by the County, and notice to the Borrower thereof, that the Borrower has failed to operate the Development in accordance with this Agreement, the County may require the Borrower to contract with a management agent to operate the Development, or to make such other arrangements as the County deems necessary to ensure performance of the requirements of this Agreement.

15. Hazard and Liability Insurance.

- a. The Borrower shall at all times keep the Development insured against loss by fire, flood (as required pursuant to 24 CFR 92.358), and such other hazards, causalities, liabilities and contingencies, and in such amounts and for such periods as set forth in

Exhibit D, attached and made a part hereof. All insurance policies and renewals thereof shall be issued by a carrier and in a form acceptable to the County. Property insurance policies shall name the County as an additional loss payee and liability insurance policies shall name the County as additionally insured, as approved by the County.

- b. Insurance proceeds and condemnation awards for any loss to or taking of the Development, or any portion thereof, shall be applied or utilized by Borrower as provided in the Deed of Trust executed by Borrower and referred to in the Recitals hereof.

16. Annual Report. The Borrower shall file with the County an annual report, as required by 24 CFR part 92 and 25 Cal. Code of Regulations, Section 8218(a)(2) no later than 90 days after the end of each fiscal year as established for the Development pursuant to Section 18(a) of this Agreement. The report shall contain a certification by the Borrower as to such information as the County may then require including, but not limited to the following:

- a. The fiscal condition of the Development, including a financial statement for the previous fiscal year that includes a balance sheet and a profit and loss statement indicating any surplus or deficit in operating accounts; a detailed itemized listing of income and expenses; the amounts of any fiscal reserves and the total amount of Residual Receipts received. Such financial statement shall be prepared in accordance with the requirements of the County. The County may require that the financial statement be audited at the Borrower's expense by an independent certified public accountant acceptable to the County or other person designed by the County.
- b. The substantial physical defects in the Project, including a description of any major repair or maintenance work undertaken or needed in the previous and current fiscal years. Such statement shall describe what steps the Borrower has taken in order to maintain the Development in a safe and sanitary condition in accordance with applicable housing and building codes.
- c. The occupancy of the Development indicating;
 - 1) The verified income of each current household; and
 - 2) The current rents charged each household and whether these rents include utilities.
- d. General management performance, including tenant relations and other relevant information.
- e. A summary of the information received from the re-certification of tenants' incomes.

- f. Evidence of a currently paid hazard and flood insurance policy, with loss payable to the County in the amounts specified in Exhibit D.
- g. Evidence of a currently paid liability insurance policy, naming the County as an additional loss payee in the amounts specified in Exhibit D.
- h. Other information reasonably required by the County.

17. County Review and Inspections.

- a. Upon not less than 48 hours' notice to the Borrower, the County or its designee may, at any time during the term of the Loan, enter and inspect the physical premises and inspect all accounting records pertaining to the construction or operation of the Development. Upon request by the County, the Borrower shall notify occupants of upcoming inspections of their units in accordance with State Law.
- b. The County may perform or cause to be performed audits of any and all phases of the Borrower's activities related to the Development. At the County's request, the Borrower shall provide, at its own expense, an audit of the financial condition of the project certified by an independent certified public accountant.
- c. The County may request any other information that it deems necessary to monitor compliance with requirements set forth in this Agreement and the Standard Agreement. The Borrower shall promptly provide such information.

18. Annual Operating Budget.

- a. The fiscal year for the Development shall commence on January 1 and conclude on December 31.
- b. No later than 60 days prior to the beginning of each subsequent fiscal year of the Development, the Borrower shall submit to the County a proposed annual operating budget on a form provided by the County. The proposed annual operating budget shall set forth the Borrower's estimate of the Development's income, operating expenses and debt service for the upcoming year, reserves, proposed rent adjustments, and a year-to-date operating statement. Annual operating budgets and rent adjustments are subject to approval by the County.
- c. Annual operating budgets are subject to written approval by the County. Increases of five percent (5%) or less in the total operating budget and increases in specific operating expense categories (i.e. renting expenses, administrative expenses, utility expenses, operations and maintenance expenses, taxes and insurance expenses) of five percent (5%) or less shall be deemed approved by the County. Borrower shall operate the Development in accordance with the approved annual budget.

- d. Annual rent adjustments are subject to written approval by the County. For the projects approved by the County using high HOME rents, rent increases that do not exceed the upper limits for High HOME rents less a utility allowance shall be deemed approved by the County. For projects approved by the County using Low HOME rents less a utility allowance, rent increases that do not exceed the upper limits for low HOME rents shall be deemed approved by the County. For projects approved by the County using rents below low HOME rents, rent increases, which do not exceed the most, recently published annual Labor Statistics Consumer Price Index, Residential Rent for All Urban Consumers for the West (CPI) shall be deemed approved by the County. In the event this particular CIP index is no longer published, the County shall select a similar index for this purpose.
- e. Borrower shall operate the Development in accordance with the First-Year Operating Budget approved by and on file with the County. Such budget shall show all anticipated income, debt service and expenses for management, operations, reserves and maintenance for the first fiscal year or portion thereof following initial occupancy.

19. Required Reserves.

- a. Commencing no later than the end of the second month following the initial occupancy of the Development or such other date, as the County shall designate in writing, the Borrower shall establish a segregated interest-bearing replacement reserve account in an F.D.I.C. or other comparable federally insured financial institution. The Borrower shall make monthly deposits from Operating Income to the Replacement Reserve accounts **in amount of \$11,560** per year as specified in the approved Initial Year Operating Budget and in subsequent annual budgets. The balance of the funds shall be deemed residual receipts and handled as specified in section 23. The County may review the adequacy of these monthly deposits on an annual basis, and require adjustments, as it deems necessary. Withdrawals shall only be made for capital improvements, such as replacing or repairing structural elements, furniture, fixtures or equipment of the Development that are reasonably required to preserve the Development.
- b. Commencing no later than the end of the second month following the initial occupancy of the Development, or such other date, as the County shall designate in writing, the Borrower shall establish an operating reserve account or sub account within the project's general operating account. Borrower may transfer funds from this account only to alleviate cash shortages resulting from utility costs, abnormally high vacancies, and other expenses, seasonal fluctuations in or from month to month. The County shall approve or disapprove a request for withdrawal from the operating reserve account within 60 days of receipt of a writer request. A written withdrawal request that is not disapproved within 60 days of receipt shall be deemed approved. The Borrower shall make monthly deposits from project income to the operating reserve account in amounts as specified in the Initial Year Operating Budget and subsequent increase at the same rate as the operating expenses. The initial year

operating deposit shall be \$1,913/year. If the account reaches a balance equal to or greater than an amount equivalent to twelve months gross income for the Development, the County may approve a reduction in payments to an amount necessary to maintain the account balance at this level.

20. Accounting Records. In a manner subject to County approval, Borrower shall maintain on an accrual or modified accrual basis, a general ledger accounting system that is posted monthly and that accurately and fully shows all assets, liabilities, income and expenses of the Development. All records and books relating to this system shall be kept for a period of at least seven years and in such a manner as to ensure that the records are reasonably protected from destruction or tampering. All records shall be subject to County inspection and audit.

21. Use of Income from Operations.

- a. The Borrower, or Borrower's management agent, shall promptly deposit all Operating Income in a segregated account established exclusively for the Development with an F.D.I.C. or other comparable federally-insured financial institution.
- b. Withdrawals from the account shall be made only in accordance with the provisions of this Agreement, and the approved budget, and shall be disbursed, applied, or reserved and set aside for payment when due for all costs related to the Development including, but not limited to, the following: (1) salaries, wages, and any other compensation due and payable to the employees or agents of the Borrower or management agent employed on site in connection with the maintenance, administration or operation of the Development, along with all withholding taxes, insurance premiums, Social Security payments and other payroll taxes or payments required in connection with such employees; (2) all charges incurred in the operation of the Development in connection with utilities, real estate taxes and assessments, and liability, fire and other hazard insurance; (3) payments of required interest, principal, impounds, fees and charges, if any, on loans other than the Loan which are secured by liens on the Property and which have been approved by the County; (4) all other expenses incurred to cover operating costs, including the fee of the managing agent and any extraordinary expenses, in accordance with the approved annual operating budget of the Development or as otherwise approved in advance by the County; (5) deposits to required operating and replacement reserve accounts; (6) payments to the partners of the Borrower any allowed Asset Management Fees.
- c. The balance of Operating Income remaining after the payments described in section 21.b. above shall be deemed Residual Receipts to be paid and applied as provided in Paragraph 23 below.

22. Non-assisted Units and Common Areas.

- a. Borrower shall establish and implement a rent structure for non-assisted residential units that ensure the fiscal integrity of the Development. Borrower shall estimate all

income and expenses attributable to the non-assisted units in the annual operating budget described in Section 18 herein, and shall report all income and expenses attributable to non-assisted units in the Annual Report described in Section 16 herein.

- b. Borrower shall maintain and repair both assisted and non-assisted units equally without regard to their designation as assisted or non-assisted.
- c. Tenant selection practices for non-assisted units shall comply with State and federal nondiscrimination laws.
- d. The exterior walls, windows, lighting, walkways, mailboxes, landscaping, nonresidential space, and other common areas of the Development shall be safe, clean, well maintained, and in good working order.

23. Residual Receipts and Distributions.

- a. Residual Receipts shall first be applied to payments on the Loan as required by, and subject to the provisions of, the Loan Agreement.
- b. "Distributions" shall refer to any amounts remaining after payment in full of expenses as provided in Paragraph 21.b. above and required payments on the Note. Distributions shall be available to be distributed to, or retained by, the Borrower or any party having a beneficial interest in Borrower or the Development.
- c. Borrower shall receive Distributions only once for each fiscal year of the Development and only: (1) upon approval by the County of the Annual Report submitted for that year, and (2) upon determination by the County that the Borrower is in compliance with this Agreement and all Program requirements.
- d. No distribution shall made to Borrower in the following circumstances:
 - 1) When written notice of default has been issued by any entity with an equitable or beneficial interest in the Development;
 - 2) When the County determines that the Borrower or the Borrower's management agent has failed to comply with the County's written notice of any reasonable requirement for proper maintenance of the Development;
 - 3) If all currently required debt service and operating expenses have not been paid;
or
 - 4) If the replacement reserves account or other reserve accounts are not fully funded pursuant to this Agreement.

24. Restrictions on Sale, Encumbrance, and Other Acts.

- a. The Borrower shall not make any sale, encumbrance, hypothecations, assignment, refinancing, pledge, conveyance, or transfer in any other form of the Property or the Development or of any of its interest therein, except with the prior written approval of the County. Notwithstanding anything to the contrary hereinabove, the respective interest of the Borrower's administrative limited partner and the Borrower's investor limited partner shall be transferable with the consent of the County, the County shall not unreasonably withhold its consent to the substitute the administrative limited partner. Moreover, the administrative limited partner of Borrower shall be permitted to remove the general partner thereof for cause in accordance with the terms of Borrower's partnership agreement with the consent of the County, the County shall not unreasonably withhold its consent to substitute the general partner.
- b. Other than routine maintenance, the Borrower shall not add to, remodel, remove, reconstruct, or demolish any part of the Development without the prior written approval of the County.
- c. The Borrower shall not permit the use of the Development for any purpose other than that permitted by this Agreement without the prior written approval of the County.
- d. The Borrower shall not incur any liability or obligation in connection with the Development, other than for current operating, management and maintenance costs and for the indebtedness evidenced by the Note nor incur any liability, charge, assessment, or obligation whatsoever that is secured in whole or in part by any interest in or lien or encumbrance on the Property or the Development, without the prior written approval of the County. The County may permit refinancing or additional financing secured by the Development only to the extent necessary to maintain or improve the Development's fiscal integrity, improve financial condition, or to maintain affordable rents.
- e. The Borrower shall not enter into any contract relating to rehabilitating or managing the Development, except as authorized by the County.
- f. Borrower shall not enter into any Lease for more than a single rental unit, ground lease of the Development or any interest therein without prior written approval of the County. The County may require that such lease allow for termination within 30 days upon request by the County.
- g. Reserved
- h. The County may approve a sale, transfer or conveyance provided that all of the following conditions are met:
 - 1) The existing Borrower is in compliance with this Agreement or the sale, transfer or conveyance will result in the cure of any existing violations of the Agreement;

- 2) The successor-in-interest to the Borrower agrees to assume all obligations of the existing Borrower pursuant to this Agreement and the Program, and meets any requirements, which may be inexistence for CHDOs under the applicable regulations.
 - 3) The successor-in-interest demonstrates to the County's satisfaction that it can own and operate the Development in full compliance with all Program requirements; and
 - 4) Any terms of the sale, transfer or conveyance shall not threaten the County's security or the successor's ability to comply with all requirements of the HOME Program and this Agreement.
- i. If the County approves of the sale the County shall grant its approval for a sale, transfer or conveyance subject to such terms and conditions as may be necessary to preserve or establish the Fiscal Integrity of the Development and to ensure compliance with HOME Program requirements and this Agreement. Such conditions may include the deposit of sales proceeds, or a portion thereof, to maintain required reserves or to offset negative cash flow, the recapture of syndication proceeds or other funds such other conditions as may be necessary to ensure compliance with the Program requirements.

25. Reserved

26. Violation of Regulatory Agreement by Borrower.

- a. In the event of a breach or violation of the provisions of this Agreement, the County may give written notice to the Borrower and Borrower's administrative limited partner thereof by certified mail or any express delivery service with a delivery receipt addressed to the Borrower at the address stated in this Agreement. If the breach or violation is not cured to the satisfaction of the County within the time period specified in the notice, which shall not be fewer than 30 days, the County may declare a default and may seek legal remedies including the following:
- 1) Collect all rents and income in connections with the operation of the Development and use the same and the reserve funds for the operation and maintenance of the Development.
 - 2) Take possession of the Development and bring any action necessary to enforce any rights of the Borrower growing out of the operation of the Development, and operate the Development in accordance with the terms of this Agreement until such time as the County, in its sole discretion, shall determine that the Borrower is again in a position to operate the Development in accordance with the terms of this Agreement.

- 3) Apply to any court, State or federal, for specific performance of this Agreement or for the appointment of a receiver to take over and operate the Development in accordance with the terms of this Agreement or for such other relief as may be appropriate. It is agreed by the Borrower that the injury to the County arising from a default under any of the terms of this Agreement would be irreparable and that the amount of compensation that would provide adequate relief to the County, in light of the purposes of the Program, would be impossible to ascertain.
- 4) Subject to written authorization from lender's with a priority security interest in the Property and the Development, accelerate all amounts, including outstanding principal and interest, due under the loan and demand immediate repayment thereof. Upon a failure to repay such accelerated amount in full, the County may proceed with a foreclosure in accordance with the provisions of the Deed of Trust and State law regarding foreclosures.

However, in the event of a nonmonetary breach which cannot reasonably be cured within the time period set forth in such notice, the loan may not be accelerated hereunder if within said designated time period Borrower or Borrower's administrative limited partner has given written notice to County of Borrower's intention to cure said breach, has commenced to cure such breach and has diligently prosecuted and effected such cure which shall be completed no later than 60 days from the date notice of such breach is given.

- 5) The County may seek such other remedies as may be available under law.
 - b. In the event that the breach or violation involves the rents to tenants or other charges in excess of those permitted under this Agreement, the County may demand, and seek as an additional remedy, the return of such excess rents or other charge to the affected household.
 - c. The tenants of the Assisted Rental Units shall be considered to be third-party beneficiaries of this Agreement, and shall have such rights and remedies to enforce the requirements of this Agreement as may be available to third-party beneficiaries under the law.
 - d. The remedies of the County hereunder are cumulative, and the exercise of one or more of such remedies shall not be deemed an election of remedies and shall not preclude the exercise by the County of any one or more of its other remedies.
27. Assignment of County Rights. The County retains the right at its sole discretion to assign all or part of its rights under this Agreement for the purpose of ensuring compliance and enforcement of Borrower's duties and obligations hereunder. In addition, the County may designate an agent to act on its behalf in monitoring compliance and enforcing the provisions hereof.

28. Amendment. This Agreement shall not be altered or amended except in writing, executed between or among all the parties.
29. Partial Invalidity. If any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.
30. Binding on Successors. This Agreement shall bind, and the benefits thereof shall inure to, the respective parties hereto, their legal representatives, executors, administrators, successors in the office of interest, and assigns, provided, however, that the Borrower may not assign this Agreement or any of its obligations hereunder, voluntarily or by operation of law, without the prior written approval of the County.
31. Recording Agreement. This Agreement, and all amendments thereto, shall be executed by each of the parties. This Agreement, or memorandum thereof, shall be recorded against the subject Property in the official records of the county in which the Development is situated.
32. Hold Harmless. Borrower and its successor in interest agree to indemnify, defend, and hold harmless the County and its respective agents, employees and officers from any and all claims, losses, liabilities or causes of action (including reasonable attorney's fees) arising from or in connection with Borrower's construction, management, maintenance or operation of the Development.
33. Waiver. No waiver by the County of any breach of or default under this Agreement shall be deemed to be a waiver of any other or subsequent breach thereto or default hereunder.
34. Captions. The captions used in this Agreement are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope or the intent of this Agreement.
35. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of California.
36. Notice. Written notices and other written communications by and between the parties hereto shall be addressed as set forth below unless and until a party hereto has, in writing, communicated a different address to the other party hereto.

Borrower: Redway Humboldt Associates
5251 Ericson Way
Arcata, CA 95521
Attn.: Caleb Roope

County: County of Humboldt
c/o Community Development Services Director
520 E Street

Eureka, CA 95501
Attn.: Kirk Girard

37. Attorneys' Fees. The prevailing party in any action to enforce this Agreement, including the residents of assisted units, shall be entitled to reasonable attorneys' fees as determined by the tier of fact in that forum.
38. Special Conditions. The Borrower agrees to comply with the special conditions, if any, as set forth in Exhibit E, which is made a part hereof. In the event of any inconsistencies between the terms set forth in the Exhibit E Special Conditions of the Regulatory Agreement and the terms of this Agreement, the terms of the Special Conditions shall prevail.
39. Incorporation. The following Exhibits, all attached hereto, are hereby incorporated into this Agreement:

Exhibit A: Legal Description
Exhibit B: Schedule of Assisted Units
Exhibit C: Comparable Unit Schedule
Exhibit D: Insurance Requirements
Exhibit E: Special Conditions

WHEREAS, this Agreement has been entered into by the undersigned as of the date first above written.

BORROWER:

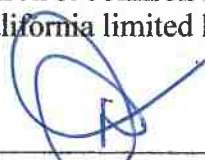
REDWAY HUMBOLDT ASSOCIATES,
a California Limited Partnership

GENERAL PARTNERS:


Central Valley Coalition for Affordable Housing, Inc.,
a California nonprofit public benefit corporation

By: 
Christina Alley, Chief Executive Officer

Johnson & Johnson Investments, L.L.C.,
a California limited liability company

By: 
Daniel J. Johnson, Manager

Roope, L.L.C., an Idaho limited liability company

By: 
Caleb Roope, Manager

COUNTY OF HUMBOLDT

By: 

Its: Comm. Dev. Services Director

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of Merced

On Oct 6, 2004 before me, MIRIAM GIEBELER, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Christina Alley
Name(s) of Signer(s)

Personally known to me - **OR** - proved to me on the basis of satisfactory evidence to be the person(s) whose name is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

Miriam Giebler
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: HOME Deed of Trust

Document Date: August 29, 2004 Number of Pages _____

Signer(s) Other Than Named Above: Caleb Roope and Daniel J. Johnson

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____ Signer's Name: _____

- Individual
- Corporate Officer
Title(s): _____
- Partner - Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____

Right thumbprint
of signer
Top of thumb here

Signer is Representing:

- Individual
- Corporate Officer
Title(s): _____
- Partner - Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____

Right thumbprint
of signer
Top of thumb here

Signer is Representing:

ALL-PURPOSE ACKNOWLEDGMENT

State of Idaho

County of Canyon

On October 1 2004 before me, Peter Van Dorne, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Caleb Roope
Name(s) of Signer(s)

Personally known to me - OR - proved to me on the basis of satisfactory evidence to be the person(s) whose name is/are subscribed to the within instrument and acknowledged to me that he/she they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

Filing # 032354
Expires 07/26/2005

Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: HOME Deed of Trust

Document Date: August 29, 2004 Number of Pages _____

Signer(s) Other Than Named Above: Christina Alley and Daniel J. Johnson
Capacity(ies) Claimed by Signer(s)

Signer's Name: _____ Signer's Name: _____

Individual
 Corporate Officer
Title(s): _____
 Partner - Limited General
 Attorney-in-Fact
 Trustee
 Guardian or Conservator
 Other: _____

Individual
 Corporate Officer
Title(s): _____
 Partner - Limited General
 Attorney-in-Fact
 Trustee
 Guardian or Conservator
 Other: _____

Signer is Representing:

Signer is Representing:

Right thumbprint
of signer
Top of thumb here

Right thumbprint
of signer
Top of thumb here

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

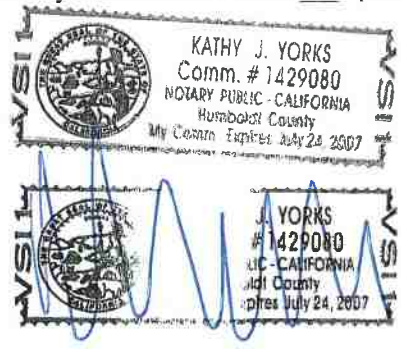
State of California

County of Humboldt

On 10/5/04 before me, Kathy J. Yorks
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Daniel J. Johnson
Name(s) of Signer(s)

Personally known to me - OR - proved to me on the basis of satisfactory evidence to be the person(s) whose name is/are subscribed to the within instrument and acknowledged to me that he/she they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.
[Signature]
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: HOME Deed of Trust

Document Date: August 29, 2004 Number of Pages: _____

Signer(s) Other Than Named Above: Caleb Roope and Christina Alley
Capacity(ies) Claimed by Signer(s)

Signer's Name: _____ Signer's Name: _____

- Individual
- Corporate Officer
Title(s): _____
- Partner - Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____

Right thumbprint of signer
Top of thumb here

Signer is Representing:

- Individual
- Corporate Officer
Title(s): _____
- Partner - Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____

Right thumbprint of signer
Top of thumb here

Signer is Representing:

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of CALIFORNIA

County of HUMBOLDT

On 9/29/04 before me, LESLIE M. RIECKE
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared KIRK GIRARD
Name(s) of Signer(s)

personally known to me – OR – proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

Leslie M. Riecke
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

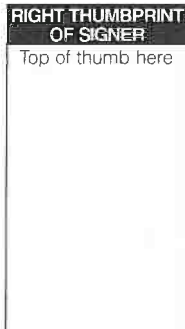
Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____

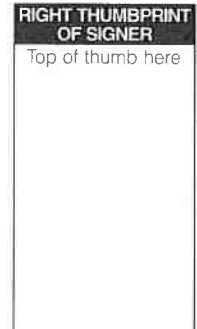
- Individual
- Corporate Officer
Title(s): _____
- Partner — Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____



Signer Is Representing:

Signer's Name: _____

- Individual
- Corporate Officer
Title(s): _____
- Partner — Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____



Signer Is Representing:

Exhibit A to Regulatory Agreement

LEGAL DESCRIPTION

EXHIBIT "ONE"

Parcel One

Lot 73 and Lot 74 of Redway Summer Homes Subdivision No. 1, according to the map thereof on file in the Office of the Recorder of Humboldt in Book 11 of Maps, page 43.

EXCEPTING FROM said Lot 73, the following described parcel:

BEGINNING at the Southwest corner of said Lot 73; and running
thence North 28 degrees 48 minutes West, 64.7 feet;
thence North 16 degrees 45 minutes West, 52.6 feet;
thence North 63 degrees 27 minutes East, 236.73 feet to the Westerly right of way
line of a 40 foot road;
thence along said right of way line South 34 degrees 53 minutes East, 85 feet to the
Southeast corner of said Lot 73; and
thence South 55 degrees 07 minutes West, 258 feet to the point of beginning.

ALSO EXCEPTING FROM said Lot 74 the following described parcel:

That portion of said Lot 74 lying Northerly of the following described Lot Line
Adjustment line;

Commencing at the Northwest corner of Lot 74 as marked by a 1/2 inch iron pipe
tagged LS 4277, as shown on that Record of Survey recorded May 17, 1988 in Book
48 of Surveys, page 38, Humboldt County Records, and running thence along the
Westerly line of said Lot 74, South 16 degrees 56 minutes East, (= South 16 degrees
45 minutes East, 11M43) 77.68 feet, to the beginning of said Lot Line Adjustment line;
thence parallel with the Northerly line of said Lot 74, North 85 degrees 00 minutes
East, 210 feet, more or less, to a point on the Westerly line of a 40 foot road right of
way (now known as Orchard Lane) as shown on said subdivision Map, said point being
the terminus of the Lot Line Adjustment line herein described.

Parcel Two

That portion of said Lot 74 lying Northerly of the following described Lot Line
Adjustment line:

COMMENCING at the Northwest corner of Lot 74 as marked by a 1/2 inch iron pipe
tagged LS 4277, as shown on that Record of Survey recorded May 17, 1988 in Book
48 of Surveys, at page 38, Humboldt County Records, and running
thence along the Westerly line of said Lot 74, South 16 degrees 56 minutes East,
(= South 16 degrees 45 minutes East, 11M43) 77.68 feet to the beginning of said Lot
Line Adjustment line;
thence parallel with the Northerly line of said Lot 74, North 85 degrees 00 minutes
East, 210 feet, more or less, to a point on the Westerly line of a 40 foot road right of
way (now known as Orchard Lane) as shown on said subdivision map.

CJ/eb

Assessor's Parcel No: 077-112-032-000 and 077-112-033-000

Exhibit B To Regulatory Agreement

SCHEDULE OF ASSISTED UNITS

Eight (8) 2-bedroom units that will be floating units.

Ten (10) 3-bedroom units that will be floating units.

Two (2) 4-bedroom units that will be floating units.

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Exhibit C To Regulatory Agreement

COMPARABLE UNIT SCHEDULE

All Eight 2-bedroom HOME units are deemed comparable to all other 2-bedroom units in the Development

All Ten 3-bedroom HOME units are deemed comparable to all other 3-bedroom units in the Development

All Two 4-bedroom HOME units are deemed comparable to all other 4-bedroom units in the Development

Exhibit D To Regulatory Agreement

INSURANCE REQUIREMENTS

At close of escrow, the County must receive a one-year prepaid Certificate of Insurance policy (or a binder followed by a certificate within 30 days of loan closing) evidencing the following coverage:

1. **HAZARD (PROPERTY)**

- Perils: All risk; or Fire & Lightning, Extended Coverage, Vandalism & Malicious Mischief.
- Covered Property: Structure; and All risk contents coverage.
- Amount: Replacement value (or less if approved by County).
- Coinsurance: No less than 90 percent.
- Deductible: \$2,500 maximum deductible per occurrence; or \$1,000 maximum deductible per occurrence if the completed project value is less than \$300,000.
- Endorsement: County's Loss Payable Endorsement required insuring the County.

OTHER PROPERTY INSURANCE

- Flood Insurance: Coverage required to 80 percent of replacement cost if the property is located in a 100-year flood plain.
- Steam Boiler & Related Machinery: (When applicable) 80 percent of replacement cost coverage is required.

2. **COMPREHENSIVE GENERAL LIABILITY**

- Minimum Amount: \$1,000,000 per occurrence; or \$2,000,000 per occurrence for buildings with elevators.

3. **OTHER COVERAGE**

- Loss of Rents: Coverage shall insure 75 percent of annual gross rents.
- Workers Compensation: Required by State law if employees are involved.



ALL POLICIES MUST INCLUDE THE FOLLOWING

- Named Insured:** Borrower
- Additional Insured:** The County of Humboldt and its officers, agents, employees, and servants must be named as additional insured.
- Cancellation Clause:** The County must be notified 30 days prior to cancellation of the insurance policy.
- Notification:** The County must be notified prior to cancellation or lapse of coverage or in the event of any claim.

The County should be identified on all insurance documents as follows:

**County of Humboldt
825 5th Street
Eureka, CA 95503
ATTN: Risk Manager**

24

Exhibit E To Regulatory Agreement

SPECIAL CONDITIONS

None



2002-2615-32

Recorded — Official Records
Humboldt County, California
Carolyn Crnich, Recorder

Recorded by HUMBOLDT CNTY
Exempt from payment of fees
Clerk: MM Total: 0.00
Jan 29, 2002 at 12:48

RECORDING REQUESTED BY:
County of Humboldt
Exempt from recording fees under Section
6103 of the California Government Code

WHEN RECORDED MAIL TO:
County of Humboldt
520 E Street
Eureka, CA 95501

THE COUNTY OF HUMBOLDT
HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME)

REGULATORY AGREEMENT
LOAN NUMBER 99-HOME-0374

THIS REGULATORY AGREEMENT (the "Agreement") is made and entered into this 4 day of December, 2001, by and between, Eureka Humboldt Associates, a California Limited Partnership (the "Borrower"); and the County of Humboldt, (the "County"), a political subdivision of the State of California.

Recitals

- A. The Borrower is or will be the owner of, or holder of a fee estate in the real property located in the County of Humboldt, California and more fully described in Exhibit A (the "Property").
- B. The Borrower has proposed to develop the Property by constructing thereon a 40-unit rental housing development of which 11 units will be Assisted Units to be occupied by low and very low income households (the "Development").
- C. The Development will be financed in whole or in part and regulated by a permanent loan from the County in a principal amount not to exceed Nine Hundred Fifty Two Thousand Three Hundred Eighty One Dollars (\$952,381.00) (the "Loan") from the Home Investment Partnerships Program (the "HOME Program"). The Loan will be provided to Borrower by the County in accordance with 42 USC 12741 et seq., 24 CFR Part 92, California Health and Safety Section 50896 and Title 25, California Code of Regulations, Sections 8200 through 8220, (together, the "HOME Regulations"). Any inconsistencies between this document and the HOME Regulations will be controlled by the HOME regulations. In consideration of the County's commitment to make the Loan, the County and the California Department of Housing and Community Development (the "Department") have entered into a Standard Agreement No. 99-HOME-0374 dated September 5, 2000. The proceeds of the Loan shall be disbursed, used and governed by a County Loan Agreement by and

①

among the County of Humboldt and Borrower dated December 5, 2001 herewith (the "County Loan Agreement").

- D. The Standard Agreement and the County Loan Agreement, including all exhibits and attachments thereto, are incorporated in full by reference into this Agreement. In the event of any inconsistencies between the terms set forth in the County Loan Agreement and the terms of this Regulatory Agreement, the terms of this Regulatory Agreement shall prevail.
- E. Borrower agrees to abide by all provisions of the Standard Agreement and the County Loan Agreement with respect to the Development and Borrower shall execute a promissory note evidencing its obligation to repay the Loan (the "Note") and a deed of trust in favor of the County to be recorded against the Property securing repayment of the Note (the "Deed of Trust"). Borrower agrees to be bound by all terms and conditions of the Note and Deed of Trust. The Note, the Deed of Trust, the Standard Agreement, the County Loan Agreement and this Agreement are collectively referred to herein as the "Loan Documents".
- F. As further consideration for the Loan and in furtherance of the purposes of the HOME Program, Borrower has agreed to enter into this Agreement. The purpose of this Agreement is to regulate and restrict occupancy, rents, operations, ownership and management of the Development in compliance with the requirements of the HOME Program.

NOW, THEREFORE, the parties hereto agree as follows:

1. Recitals. The foregoing recitals are a part of this Agreement.
2. Property. The Development will be located on the Property.
3. Definitions. Unless the context requires otherwise, the terms used in this Agreement shall be governed by the definitions set forth in 24 CFR Part 92, and 25 Cal. Code of Regulations section 8201. All references to code sections refer to Title 25 of the California Code of Regulations, unless otherwise noted.

For the purposes of this Agreement the following additional definitions shall apply:

- a. "Assisted Unit" means a dwelling unit, or a residential hotel unit, or a bedroom in a group home or congregate home, the rehabilitation or construction of which was assisted with proceeds of the Loan.
- b. "Eligible Households" means Lower Income Households or Very Low-Income Households.



- c. "Fiscal Integrity" means that the total of Operating Income plus funds released pursuant to this Agreement from the operating reserve account is sufficient to (1) pay all current Operating Expenses, (2) pay all current approved debt service, (3) fully fund for at least twelve consecutive months all reserves established pursuant to this Agreement, and (4) pay other extraordinary costs permitted by this Agreement. The ability to pay any or all of the annual permitted distribution shall not be considered in determining fiscal integrity.
- d. "HOME Rents" means rents calculated annually by the United States Department of Housing and Urban Development ("HUD") and are:
 - 1) The lesser of the Fair Market Rents or a rent that does not exceed 30 percent of 65 percent of area median income (High HOME Rents); or
 - 2) 30 percent of 50 percent of area median income (Low HOME Rents).
- e. "Initial Operating Year" means the first year of operations, or portion thereof, of the rehabilitated or newly constructed rental housing development beginning at the time of initial occupancy of an Assisted Unit and ending on the last day of the fiscal year of the Development.
- f. "Lower Income Household" means persons or families whose incomes are 80 percent or less of the area median income as determined by the HUD.
- g. "Operating Expenses" means the amount approved by the County that is necessary to pay for the essential recurring expenses of the Development, including, but not limited to, utilities, maintenance, management, taxes, licenses, and mandatory direct or supportive tenant services but not including debt service, required reserve account deposits, or costs for voluntary direct or supportive tenant services.
- h. "Operating Income" means all income generated in connection with operation of the rental housing development including rental income from Assisted Units and non-assisted units, rental income from nonresidential space, laundry or equipment rental fees, rental subsidy payments, and interest on any accounts related to the rental housing development. "Operating Income" does not include tenant security and equipment deposits, payments received from voluntary direct or supportive tenant services, or tax benefits received by the sponsor.
- i. "Rent" means all charges, other than deposits, paid by the tenant for the use and occupancy of an assisted unit and any mandatory charge for direct or supportive tenant services in a rental housing development, including a utility allowance in an amount determined by HUD.

- j. "Residual Receipts" means project funds remaining after payment of expenses as described in items 1 through 5 Section 21(b)
- k. "Very Low-Income Household" means low-income persons or families whose incomes are 50 percent or less of the area median income as determined by HUD.

4. Compliance with Program Requirements

a. The Borrower agrees that at all times its acts regarding the Development and the use of funds provided herein shall be in conformity with all provisions of the HOME Program including the statues, the HOME Regulations and such policies and procedures of the Department and of HUD pertaining thereto. The Borrower acknowledges that they are familiar with such applicable provisions and have been professionally advised to the extent necessary for the purpose of enabling the Borrower to fully comply with such provisions.

b. The financial assistance provided under the HOME Program is governed by 24 CFR Part 92. With respect to the assistance, Borrower agrees to comply with all requirements and obligations as described in 24 CFR Part 92, as well as all provisions governing the use of HOME funds. Borrower agrees to comply with the directives of the County as necessary to ensure compliance with the obligations of the County as set forth in its agreements with HUD regarding the use of HOME funds.

5. Term of Agreement. The term of this Agreement shall commence upon its recordation in the office of the County Recorder for the county in which the Development is located and remain in full force and effect and shall apply to the Development through and including the date which is forty (40) years from the date of such recordation regardless of any prepayment of the Loan or sale, assignment, transfer or conveyance of the Development, unless terminated earlier by the County pursuant to the terms of this Agreement or extended by the mutual consent of the parties thereto.

6. Assisted Unit Schedule. Upon occupancy following the completion of construction, the Borrower shall rent Assisted Units only in accordance with the Schedule of Assisted Units set forth in Exhibit B, attached hereto and incorporated herein.

7. Tenant Selection Standards. Borrower shall rent Assisted Units in the Development only to eligible households in accordance with the Management Plan approved by and on file with the County pursuant to Section 14 of this Agreement. Such Management Plan may be periodically altered and such alteration must be submitted to and approved by the County prior to use. At all times, 20 percent of the Assisted Units must be rented to Very Low-Income households and, at initial occupancy, no less than 90 percent of the Assisted Units shall be occupied by households whose incomes are at 60 percent and below of area median income as determined by HUD. The Management Plan shall among other things: (1) detail actions to be taken by Borrower to affirmatively market vacant units in

a manner which ensures equal access to all persons in any category protected by federal, state or local laws governing discrimination, and regardless of any arbitrary factor; (2) specify reasonable criteria for determination of tenant eligibility, including household size in accordance with the minimum occupancy standard specified in the HOME Regulations; (3) require that eligible tenants be selected based on order of applications, lottery, or other reasonable method approved by the County; (4) specify procedures through which tenant applicants deemed to be ineligible shall be notified of the reason for their ineligibility and may appeal this determination; (5) require maintenance of a waiting list of eligible applicants; and (6) specify procedures for obtaining information regarding prospective tenants' incomes as necessary to certify that such income does not exceed the lower or very low-income limit.

8. Nondiscrimination. Borrower shall not discriminate against any tenant or prospective tenant on the basis of race, religion, sex, age, disability, marital status, nor any other arbitrary factor in violation of any state, federal or local law governing discrimination in rental housing. Housing which is intended to benefit, and is therefore limited to senior citizens, is permitted only with the prior approval of the selection criteria by the County.
9. Rental Agreement and Occupancy Procedures (the "Lease").
 - a. Each eligible household selected to occupy a unit in the Development shall enter into a written rental agreement with the Borrower on a form approved by the County containing such provisions as are required by the HOME Regulations. The Lease shall be for a term of not less than six months.
 - b. The Lease may not contain any of the following provisions:
 - 3) Agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of the Borrower or Borrower's Agent in a lawsuit brought in connection with the lease;
 - 4) Agreement by the tenant that the Borrower may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. This prohibition, however, does not apply to an agreement by the tenant concerning disposition of personal property remaining in the housing unit after the tenant has moved out of the unit. The Borrower may dispose of this personal property in accordance with state law;
 - 5) Agreement by the tenant not to hold the Borrower or Borrower's agents legally responsible for any action or failure to act, whether intentional or negligent;
 - 6) Agreement of the tenant that the Borrower or Borrower's Agent may institute a lawsuit without notice to the tenant;

- 7) Agreement by the tenant that the Borrower or Borrower's agent may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties;
 - 8) Agreement by the tenant to waive any right to a trial by jury;
 - 9) Agreement by the tenant to waive tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease; and
 - 10) Agreement by the tenant to pay attorneys' fees or other legal costs even if the tenant wins in a court proceeding by the owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.
- c. The borrower shall establish reasonable rules of conduct and occupancy. Such rules shall be consistent with state law and the HOME Regulations. Said rules shall be in writing and shall be given to each tenant upon occupancy. Any change shall become effective no fewer than 30 days after giving written notice thereof to each household.
 - d. The Borrower shall not terminate the tenancy or refuse to renew the lease of a tenant of rental housing assisted with HOME funds except for serious or repeated violation of the terms and conditions of the Lease; for violation of tenancy period; or for other good cause. Any termination or refusal to renew a Lease shall be by the owner's service upon the tenant of a written notice in compliance with State law and specifying the grounds for the action.
 - e. The Borrower shall maintain the premises in compliance with all applicable housing quality standards and local code requirements.

10. Rents.

- a. For all Assisted Units, Rents shall not exceed high HOME Rents less a utility allowance. For Assisted Units that are set-aside for Very Low-Income Households, HOME rents shall not exceed Low HOME Rents less a utility allowance.
- b. A minimum of 20 percent of all Assisted Units shall be occupied by Very Low-Income Households at Rents that are no greater than the Low HOME Rents less a utility allowance.
- c. Any household certified as an Eligible Household upon occupancy but whose income increases above the eligibility level must pay as Rent the lesser of the amount payable by the tenant under State or local law or 30 percent of the household's adjusted monthly income; except that, Assisted Units subject to low-income tax credit rules under section 42 of the Internal Revenue Code shall be governed by such rules.

11. Security Deposits.

- a. Security deposits shall be required of tenants only in accordance with State law and this Agreement.
- b. Any security deposits collected by the Borrower or Borrower's agent shall be kept separate and apart from all other funds of the Development in a trust account with a depository insured by the Federal Deposit Insurance Corporation (F.D.I.C.), or other comparable federal deposit insurance program, and shall be held and disbursed in accordance with State law. The balance of such account shall at all times equal or exceed the aggregate of all outstanding obligations under said account, plus accrued interest thereon.

12. Certification of Tenant Income and Household Size.

- a. The income and household size of all households occupying Assisted Units shall be certified by the Borrower prior to occupancy and re-certified annually thereafter in a manner approved by the County and specified in the Development's Management Plan.
- b. If the income of a tenant upon re-certification exceeds the upper limit for Lower Income Households, and there are no other requirements statutorily imposed by another federal or State funding source or tax credit program, that tenant shall not have its Lease terminated as a result thereof, but shall be charged Rents as provided in Section 10 (c).
- c. Where a household occupying a unit designated for occupancy by a Very Low Income Household no longer so qualifies at the time of re-certification, but qualifies as an otherwise Eligible Household, the rents appropriated for that income level shall be charged.

13. Assisted Unit Substitutions.

- a. For purposes of this section, "comparable" units shall be those listed in the same group in the Comparable Unit Schedule set forth in Exhibit C, attached hereto and incorporated herein.
- b. If, upon re-certification, the income of a household occupying an Assisted Unit reserved for occupancy by Lower Income Households exceeds the upper limit for lower income, the Borrower may designate this household's unit as non-assisted, provided that all of the following conditions are satisfied:
 - 1) Not later than the date the Borrower designates the unit as non-assisted, the Borrower also makes available a comparable vacant unit previously designated as non-assisted to be designated as an Assisted Unit, or designates a previously non-

assisted unit occupied by a Lower Income Household as an Assisted Unit, or agrees to occupy the next available unit with a Lower Income Household; and

- 2) The rent charged for the newly designated Assisted Unit will not exceed the high HOME Rent.
- c. Where a household occupying an assisted unit reserved for occupancy by Very Low-Income Households no longer qualifies as Very Low-Income at the time of re-certification, but qualifies as a Lower Income Household, the following shall apply:
 - 1) Borrower shall designate the unit as an assisted unit for Lower Income Households
 - 2) Borrower may increase the household's Rent up to the High HOME Rent;
 - 3) Borrower shall designate the next available comparable Assisted Unit reserved for Lower Income Households as an Assisted Unit reserved for Very Low-Income Households; and
 - 4) The Rent charged for the newly designated Assisted Unit reserved for Very Low-Income Households shall not exceed the Low HOME Rent.

14. Maintenance and Management.

- a. Borrower is specifically responsible for all maintenance, repair, and management functions for the Development, including without limitation, selection of tenants, re-certification of household income and size, evictions, collection of rents, routine and extraordinary repairs and replacement of capital items. Borrower shall maintain units and common areas in a safe and sanitary manner in accordance with local health, building, and housing codes, HUD housing quality standards pursuant to 24 CFR Section 882.109, and the Management Plan described above.
- b. Borrower may, with the prior written approval of the County, contract with a management agent for the performance of services or duties required in paragraph (a). However, such an arrangement does not relieve the Borrower of responsibility for proper performance of these duties. Such contract shall contain a provision allowing the Borrower to terminate the contract without penalty upon no more than thirty day's (30) notice. Upon a determination by the County, and notice to the Borrower thereof, that the management agent has failed to operate the Development in accordance with this Agreement, the Borrower shall exercise such right of termination forthwith and shall make immediate arrangements, which shall be subject to County approval, for continuing performance of the requirements of this Agreement.
- c. Borrower may operate the Development itself only with prior written approval of the County. Upon a determination by the County, and notice to the Borrower thereof,

that the Borrower has failed to operate the Development in accordance with this Agreement, the County may require the Borrower to contract with a management agent to operate the Development, or to make such other arrangements as the County deems necessary to ensure performance of the requirements of this Agreement.

15. Hazard and Liability Insurance.

- a. The Borrower shall at all times keep the Development insured against loss by fire, flood (as required pursuant to 24 CFR 92.358), and such other hazards, casualties, liabilities and contingencies, and in such amounts and for such periods as set forth in Exhibit D, attached and made a part hereof. All insurance policies and renewals thereof shall be issued by a carrier and in a form acceptable to the County. Property insurance policies shall name the County as an additional loss payee and liability insurance policies shall name the County as additionally insured, as approved by the County.
- b. Insurance proceeds and condemnation awards for any loss to or taking of the Development, or any portion thereof, shall be applied or utilized by Borrower as provided in the Deed of Trust executed by Borrower and referred to in the Recitals hereof.

16. Annual Report. The Borrower shall file with the County an annual report, as required by 24 CFR part 92 and 25 Cal. Code of Regulations, Section 8218(a)(2) no later than 90 days after the end of each fiscal year as established for the Development pursuant to Section 18(a) of this Agreement. The report shall contain a certification by the Borrower as to such information as the County may then require including, but not limited to the following:

- a. The fiscal condition of the Development, including a financial statement for the previous fiscal year that includes a balance sheet and a profit and loss statement indicating any surplus or deficit in operating accounts; a detailed itemized listing of income and expenses; the amounts of any fiscal reserves and the total amount of Residual Receipts received. Such financial statement shall be prepared in accordance with the requirements of the County. The County may require that the financial statement be audited at the Borrower's expense by an independent certified public accountant acceptable to the County or other person designed by the County.
- b. The substantial physical defects in the Project, including a description of any major repair or maintenance work undertaken or needed in the previous and current fiscal years. Such statement shall describe what steps the Borrower has taken in order to maintain the Development in a safe and sanitary condition in accordance with applicable housing and building codes.
- c. The occupancy of the Development indicating;

- 1) The verified income of each current household; and
 - 2) The current rents charged each household and whether these rents include utilities.
- d. General management performance, including tenant relations and other relevant information.
 - e. A summary of the information received from the re-certification of tenants' incomes.
 - f. Evidence of a currently paid hazard and flood insurance policy, with loss payable to the County in the amounts specified in Exhibit D.
 - g. Evidence of a currently paid liability insurance policy, naming the County as an additional loss payee in the amounts specified in Exhibit D.
 - h. Other information reasonably required by the County.

17. County Review and Inspections.

- a. Upon not less than 48 hours' notice to the Borrower, the County or its designee may, at any time during the term of the Loan, enter and inspect the physical premises and inspect all accounting records pertaining to the construction or operation of the Development. Upon request by the County, the Borrower shall notify occupants of upcoming inspections of their units in accordance with State Law.
- b. The County may perform or cause to be performed audits of any and all phases of the Borrower's activities related to the Development. At the County's request, the Borrower shall provide, at its own expense, an audit of the financial condition of the project certified by an independent certified public accountant.
- c. The County may request any other information that it deems necessary to monitor compliance with requirements set forth in this Agreement and the Standard Agreement. The Borrower shall promptly provide such information.

18. Annual Operating Budget.

- a. The fiscal year for the Development shall commence on January 1 and conclude on December 31.
- b. No later than 60 days prior to the beginning of each subsequent fiscal year of the Development, the Borrower shall submit to the County a proposed annual operating budget on a form provided by the County. The proposed annual operating budget shall set forth the Borrower's estimate of the Development's income, operating expenses and debt service for the upcoming year, reserves, proposed rent adjustments,

and a year-to-date operating statement. Annual operating budgets and rent adjustments are subject to approval by the County.

- c. Annual operating budgets are subject to written approval by the County. Increases of five percent (5%) or less in the total operating budget and increases in specific operating expense categories (i.e. renting expenses, administrative expenses, utility expenses, operations and maintenance expenses, taxes and insurance expenses) of five percent (5%) or less shall be deemed approved by the County. Borrower shall operate the Development in accordance with the approved annual budget.
- d. Annual rent adjustments are subject to written approval by the County. For the projects approved by the County using high HOME rents, rent increases that do not exceed the upper limits for High HOME rents less a utility allowance shall be deemed approved by the County. For projects approved by the County using Low HOME rents less a utility allowance, rent increases that do not exceed the upper limits for low HOME rents shall be deemed approved by the County. For projects approved by the County using rents below low HOME rents, rent increases, which do not exceed the most, recently published annual Labor Statistics Consumer Price Index, Residential Rent for All Urban Consumers for the West (CPI) shall be deemed approved by the County. In the event this particular CIP index is no longer published, the County shall select a similar index for this purpose.
- e. Borrower shall operate the Development in accordance with the First-Year Operating Budget approved by and on file with the County. Such budget shall show all anticipated income, debt service and expenses for management, operations, reserves and maintenance for the first fiscal year or portion thereof following initial occupancy.

19. Required Reserves.

- a. Commencing no later than the end of the second month following the initial occupancy of the Development or such other date, as the County shall designate in writing, the Borrower shall establish a segregated interest-bearing replacement reserve account in an F.D.I.C. or other comparable federally insured financial institution. The Borrower shall make monthly deposits from Operating Income to the replacement reserve account in amounts as specified in the approved Initial Year Operating Budget and subsequent annual budgets. The County may review the adequacy of these monthly deposits on an annual basis, and require adjustments, as it deems necessary. Withdrawals shall only be made for capital improvements, such as replacing or repairing structural elements, furniture, fixtures or equipment of the Development that are reasonably required to preserve the Development.
- b. Commencing no later than the end of the second month following the initial occupancy of the Development, or such other date, as the County shall designate in writing, the Borrower shall establish an operating reserve account or sub account

within the project's general operating account. Borrower may transfer funds from this account only to alleviate cash shortages resulting from utility costs, abnormally high vacancies, and other expenses, seasonal fluctuations in or from month to month. The County shall approve or disapprove a request for withdrawal from the operating reserve account within 60 days of receipt of a writer request. A written withdrawal request that is not disapproved within 60 days of receipt shall be deemed approved. The Borrower shall make monthly deposits from project income to the operating reserve account in amounts as specified in the Initial Year Operating Budget and subsequent approved annual operating budgets. If the account reaches a balance equal to or greater than an amount equivalent to twelve months gross income for the Development, the County may approve a reduction in payments to an amount necessary to maintain the account balance at this level.

20. Accounting Records. In a manner subject to County approval, Borrower shall maintain on an accrual or modified accrual basis, a general ledger accounting system that is posted monthly and that accurately and fully shows all assets, liabilities, income and expenses of the Development. All records and books relating to this system shall be kept for a period of at least seven years and in such a manner as to ensure that the records are reasonably protected from destruction or tampering. All records shall be subject to County inspection and audit.

21. Use of Income from Operations.

- a. The Borrower, or Borrower's management agent, shall promptly deposit all Operating Income in a segregated account established exclusively for the Development with an F.D.I.C. or other comparable federally-insured financial institution.
- b. Withdrawals from the account shall be made only in accordance with the provisions of this Agreement, and the approved budget, and shall be disbursed, applied, or reserved and set aside for payment when due for all costs related to the Development including, but to limited to, the following: (1) salaries, wages, and any other compensation due and payable to the employees or agents of the Borrower or management agent employed on site in connection with the maintenance, administration or operation of the Development, along with all withholding taxes, insurance premiums, Social Security payments and other payroll taxes or payments required in connection with such employees; (2) all charges incurred in the operation of the Development in connection with utilities, real estate taxes and assessments, and liability, fire and other hazard insurance; (3) payments of required interest, principal, impounds, fees and charges, if any, on loans other than the Loan which are secured by liens on the Property and which have been approved by the County; (4) all other expenses incurred to cover operating costs, including the fee of the managing agent and any extraordinary expenses, in accordance with the approved annual operating budget of the Development or as otherwise approved in advance by the County; (5) deposits to required operating and replacement reserve accounts; (6) payments to the

partners of the Borrower under Section 9.2A(i)-(iv) of the Amended and Restated Agreement of Limited Partnership of Borrower.

- c. The balance of Operating Income remaining after the payments described in section 21.b. above shall be deemed Residual Receipts to be paid and applied as provided in Paragraph 23 below.

22. Non-assisted Units and Common Areas.

- a. Borrower shall establish and implement a rent structure for non-assisted residential units that ensure the fiscal integrity of the Development. Borrower shall estimate all income and expenses attributable to the non-assisted units in the annual operating budget described in Section 18 herein, and shall report all income and expenses attributable to non-assisted units in the Annual Report described in Section 16 herein.
- b. Borrower shall maintain and repair both assisted and non-assisted units equally without regard to their designation as assisted or non-assisted.
- c. Tenant selection practices for non-assisted units shall comply with State and federal nondiscrimination laws.
- d. The exterior walls, windows, lighting, walkways, mailboxes, landscaping, nonresidential space, and other common areas of the Development shall be safe, clean, well maintained, and in good working order.

23. Residual Receipts and Distributions.

- a. Residual Receipts shall first be applied to payments on the Loan as required by, and subject to the provisions of, the Loan Agreement.
- b. "Distributions" shall refer to any amounts remaining after payment in full of expenses as provided in Paragraph 21.b. above and required payments on the Note. Distributions shall be available to be distributed to, or retained by, the Borrower or any party having a beneficial interest in Borrower or the Development.
- c. Borrower shall receive Distributions only once for each fiscal year of the Development and only: (1) upon approval by the County of the Annual Report submitted for that year, and (2) upon determination by the County that the Borrower is in compliance with this Agreement and all Program requirements.
- d. No distribution shall made to Borrower in the following circumstances:
 - 1) When written notice of default has been issued by any entity with an equitable or beneficial interest in the Development;

- 2) When the County determines that the Borrower or the Borrower's management agent has failed to comply with the County's written notice of any reasonable requirement for proper maintenance of the Development;
- 3) If all currently required debt service and operating expenses have not been paid;
or
- 4) If the replacement reserves account or other reserve accounts are not fully funded pursuant to this Agreement.

24. Restrictions on Sale, Encumbrance, and Other Acts.

- a. The Borrower shall not make any sale, encumbrance, hypothecations, assignment, refinancing, pledge, conveyance, or transfer in any other form of the Property or the Development or of any of its interest therein, except with the prior written approval of the County. Notwithstanding anything to the contrary hereinabove, the respective interest of the Borrower's administrative limited partner and the Borrower's investor limited partner shall be transferable with the consent of the County, the County shall not unreasonably withhold its consent to the substitute the administrative limited partner. Moreover, the administrative limited partner of Borrower shall be permitted to remove the general partner thereof for cause in accordance with the terms of Borrower's partnership agreement with the consent of the County, the County shall not unreasonably withhold its consent to substitute the general partner.
- b. Other than routine maintenance, the Borrower shall not add to, remodel, remove, reconstruct, or demolish any part of the Development without the prior written approval of the County.
- c. The Borrower shall not permit the use of the Development for any purpose other than that permitted by this Agreement without the prior written approval of the County.
- d. The Borrower shall not incur any liability or obligation in connection with the Development, other than for current operating, management and maintenance costs and for the indebtedness evidenced by the Note nor incur any liability, charge, assessment, or obligation whatsoever that is secured in whole or in part by any interest in or lien or encumbrance on the Property or the Development, without the prior written approval of the County. The County may permit refinancing or additional financing secured by the Development only to the extent necessary to maintain or improve the Development's fiscal integrity, improve financial condition, or to maintain affordable rents. The following mortgage loans are hereby pre-approved and are secured by the Property: (i) the Permanent Loan by Humboldt Bank (\$310,000 loan, with a thirty year term and a thirty year amortization schedule), and (ii) the Humboldt Bank Construction Loan (in an aggregate principal amount of \$1,390,000 with an interest rate of 1% per annum in excess of the established prime rate, with a term of 18 months).

- e. The Borrower shall not enter into any contract relating to rehabilitating or managing the Development, except as authorized by the County. The Management Agreement entered into between Borrower and Infinity Management, Inc. is hereby pre-approved.
- f. Borrower shall not enter into any Lease for more than a single rental unit, ground lease of the Development or any interest therein without prior written approval of the County. The County may require that such lease allow for termination within 30 days upon request by the County.
- g. The administrative limited partner of Borrower shall be permitted to remove the general partner thereof for cause and with the consent of the County, pursuant to the terms of Borrower's Partnership Agreement. Moreover, if any limited partner of Borrower exercises its right to remove the general partner thereof, the County shall not unreasonably withhold its consent to the substitute general partner. The respective interests of Borrower's administrative limited partner and Borrower's investor limited partner shall be transferable to any affiliate of Alliant Capital, Ltd., without the consent of County. The respective interests of the Borrower's administrative limited partner and Borrower's investor limited partner shall be transferable to a non-affiliate of Alliant Capital, Ltd., with the consent of the County, which consent shall not be unreasonably withheld.
- h. The County may approve a sale, transfer or conveyance provided that all of the following conditions are met:
 - 1) The existing Borrower is in compliance with this Agreement or the sale, transfer or conveyance will result in the cure of any existing violations of the Agreement;
 - 2) The successor-in-interest to the Borrower agrees to assume all obligations of the existing Borrower pursuant to this Agreement and the Program, and meets any requirements, which may be inexistence for CHDOs under the applicable regulations.
 - 3) The successor-in-interest demonstrates to the County's satisfaction that it can own and operate the Development in full compliance with all Program requirements; and
 - 4) Any terms of the sale, transfer or conveyance shall not threaten the County's security or the successor's ability to comply with all requirements of the HOME Program and this Agreement.
- i. If the County approves of the sale the County shall grant its approval for a sale, transfer or conveyance subject to such terms and conditions as may be necessary to preserve or establish the Fiscal Integrity of the Development and to ensure

compliance with HOME Program requirements and this Agreement. Such conditions may include the deposit of sales proceeds, or a portion thereof, to maintain required reserves or to offset negative cash flow, the recapture of syndication proceeds or other funds such other conditions as may be necessary to ensure compliance with the Program requirements.

25. Use of Syndication Proceeds. Borrower shall, pursuant to the terms of the Partnership Agreement, allocate, distribute and pay all net syndication proceeds, if any, toward the costs of completing the Development. The County may approve, in writing, future syndications of the Development where it determines that such syndication is in the best interest of the Development.

26. Violation of Regulatory Agreement by Borrower.

- a. In the event of a breach or violation of the provisions of this Agreement, the County may give written notice to the Borrower and Borrower's administrative limited partner thereof by certified mail or any express delivery service with a delivery receipt addressed to the Borrower at the address stated in this Agreement. If the breach or violation is not cured to the satisfaction of the County within the time period specified in the notice, which shall not be fewer than 30 days, the County may declare a default and may seek legal remedies including the following:
 - 1) Collect all rents and income in connections with the operation of the Development and use the same and the reserve funds for the operation and maintenance of the Development.
 - 2) Take possession of the Development and bring any action necessary to enforce any rights of the Borrower growing out of the operation of the Development, and operate the Development in accordance with the terms of this Agreement until such time as the County, in its sole discretion, shall determine that the Borrower is again in a position to operate the Development in accordance with the terms of this Agreement.
 - 3) Apply to any court, State or federal, for specific performance of this Agreement or for the appointment of a receiver to take over and operate the Development in accordance with the terms of this Agreement or for such other relief as may be appropriate. It is agreed by the Borrower that the injury to the County arising from a default under any of the terms of this Agreement would be irreparable and that the amount of compensation that would provide adequate relief to the County, in light of the purposes of the Program, would be impossible to ascertain.
 - 4) Subject to written authorization from lender's with a priority security interest in the Property and the Development, accelerate all amounts, including outstanding principal and interest, due under the loan and demand immediate repayment thereof. Upon a failure to repay such accelerated amount in full, the County may

proceed with a foreclosure in accordance with the provisions of the Deed of Trust and State law regarding foreclosures.

However, in the event of a nonmonetary breach which cannot reasonably be cured within the time period set forth in such notice, the loan may not be accelerated hereunder if within said designated time period Borrower or Borrower's administrative limited partner has given written notice to County of Borrower's intention to cure said breach, has commenced to cure such breach and has diligently prosecuted and effected such cure which shall be completed no later than 60 days from the date notice of such breach is given.

- 5) The County may seek such other remedies as may be available under law.
- b. In the event that the breach or violation involves the rents to tenants or other charges in excess of those permitted under this Agreement, the County may demand, and seek as an additional remedy, the return of such excess rents or other charge to the affected household.
 - c. The tenants of the Assisted Rental Units shall be considered to be third-party beneficiaries of this Agreement, and shall have such rights and remedies to enforce the requirements of this Agreement as may be available to third-party beneficiaries under the law.
 - d. The remedies of the County hereunder are cumulative, and the exercise of one or more of such remedies shall not be deemed an election of remedies and shall not preclude the exercise by the County of any one or more of its other remedies.
 - e. Notwithstanding anything to the contrary herein, any cure of any default or Event of Default made or tendered by the administrative limited partner of Borrower shall be deemed to be a cure by Borrower and shall be accepted or rejected on the same basis as if made or tendered by Borrower. Copies of all notices which are sent to Borrower under the terms of this Agreement shall also be sent to Borrower's administrative limited partner c/o Alliant Asset Management Co., LLC, 21550 Oxnard Street, Suite 1020, Woodland Hills, California, 91367, Attn: Shawn Horwitz.
27. Assignment of County Rights. The County retains the right at its sole discretion to assign all or part of its rights under this Agreement for the purpose of ensuring compliance and enforcement of Borrower's duties and obligations hereunder. In addition, the County may designate an agent to act on its behalf in monitoring compliance and enforcing the provisions hereof.
28. Amendment. This Agreement shall not be altered or amended except in writing, executed between or among all the parties.

29. Partial Invalidity. If any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.
30. Binding on Successors. This Agreement shall bind, and the benefits thereof shall inure to, the respective parties hereto, their legal representatives, executors, administrators, successors in the office of interest, and assigns, provided, however, that the Borrower may not assign this Agreement or any of its obligations hereunder, voluntarily or by operation of law, without the prior written approval of the County.
31. Recording Agreement. This Agreement, and all amendments thereto, shall be executed by each of the parties. This Agreement, or memorandum thereof, shall be recorded against the subject Property in the official records of the county in which the Development is situated.
32. Hold Harmless. Borrower and its successor in interest agree to indemnify, defend, and hold harmless the County and its respective agents, employees and officers from any and all claims, losses, liabilities or causes of action (including reasonable attorney's fees) arising from or in connection with Borrower's construction, management, maintenance or operation of the Development.
33. Waiver. No waiver by the County of any breach of or default under this Agreement shall be deemed to be a waiver of any other or subsequent breach thereto or default hereunder.
34. Captions. The captions used in this Agreement are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope or the intent of this Agreement.
35. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of California.
36. Notice. Written notices and other written communications by and between the parties hereto shall be addressed as set forth below unless and until a party hereto has, in writing, communicated a different address to the other party hereto.

Borrower: Eureka Humboldt Associates
5251 Ericson Way
Arcata, CA 95521
Attn.: Caleb Roope

With a copy to Borrower's administrative limited partner
c/o Alliant Asset Management Co., LLC
21550 Oxnard Street, Suite 1020
Woodland Hills, CA 91367
Attn.: Shawn Horwitz

County: County of Humboldt
c/o Economic Development Coordinator
520 E Street
Eureka, CA 95501
Attn.: Kirk Girard

37. Attorneys' Fees. The prevailing party in any action to enforce this Agreement, including the residents of assisted units, shall be entitled to reasonable attorneys' fees as determined by the tier of fact in that forum.
38. Special Conditions. The Borrower agrees to comply with the special conditions, if any, as set forth in Exhibit E, which is made a part hereof. In the event of any inconsistencies between the terms set forth in the Exhibit E Special Conditions of the Regulatory Agreement and the terms of this Agreement, the terms of the Special Conditions shall prevail.
39. Incorporation. The following Exhibits, all attached hereto, are hereby incorporated into this Agreement:

Exhibit A: Legal Description
Exhibit B: Schedule of Assisted Units
Exhibit C: Comparable Unit Schedule
Exhibit D: Insurance Requirements
Exhibit E: Special Conditions

WHEREAS, this Agreement has been entered into by the undersigned as of the date first above written.

BORROWER:

EUREKA HUMBOLDT ASSOCIATES,
a California Limited Partnership
By Its: General Partners:

Central Valley Coalition for Affordable Housing, Inc.,
a California nonprofit public benefit corporation

By: Christina Alley Christina Alley
Its: Chief Executive Officer

Johnson & Johnson Investments, L.L.C., a California limited liability company

By: Daniel J. Johnson
Its: Managing Member

Roope, L.L.C., an Idaho limited liability company

By: Caleb Roope
Its: Managing Member

COUNTY OF HUMBOLDT

By: Kirk Girard Kirk Girard
Its: Director, Community Development Services

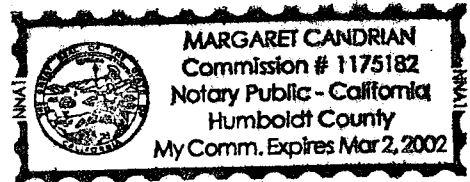
ACKNOWLEDGMENTS

STATE OF California)
) ss.
COUNTY OF Humboldt)

On Dec. 4, 2001 before me, the undersigned, a Notary Public in and for said State, personally appeared Kirk Girard, personally known to me or proved to me on the basis of satisfactory evidence to be the person who executed the within instrument in his individual capacity and as the Director of Humboldt Co. Comm. Dev. Inc., the company that executed the within instrument, and acknowledged to me that both he and such company executed the within instrument.

WITNESS my hand and official seal.

Margaret Candrian
Notary Public

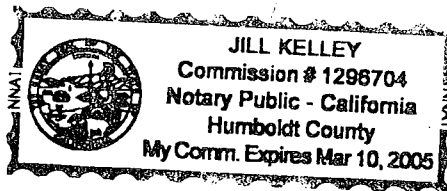


STATE OF California)
) ss.
COUNTY OF Humboldt)

On Oct 23, 2001 before me, the undersigned, a Notary Public in and for said State, personally appeared Daniel J. Johnson, personally known to me or proved to me on the basis of satisfactory evidence to be the person who executed the within instrument as the managing member of Johnson & Johnson Investments, L.L.C., the company that executed the within instrument, and acknowledged to me that such company executed the within instrument.

WITNESS my hand and official seal.

J. Kelly
Notary Public



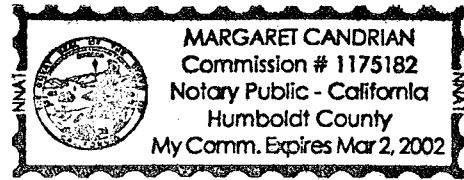
State of California)
County of Humboldt)

On 12/4/2001, before me, Mrs Kirk Girard,
personally known to me or proved to me on the basis of satisfactory evidence to be the
person(s) whose name(s) is/~~are~~ subscribed to the within instrument and acknowledged to
me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity(~~ies~~), and that
by his/~~her/their~~ signature(s) on the instrument the person(s), or the entity upon behalf of
which the person(s) acted, executed the instrument.

Witness my hand and official seal.

Margaret Candrian

Signature of Notary Public



State of California)
County of Humboldt)

On Oct. 23, 2001, before me, Daniel J. Johnson, personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/~~she~~/they executed the same in his/~~her~~/their authorized capacity(ies), and that by his/~~her~~/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

Witness my hand and official seal.

Jill Kelley
Signature of Notary Public

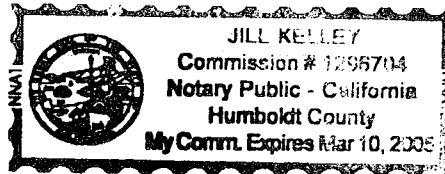
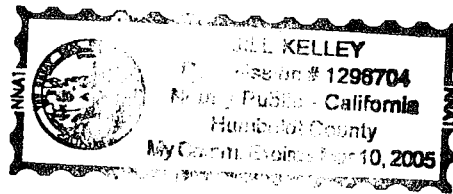


State of California)
County of Humboldt)

On Oct. 23, 2001, before me, Caleb Roope,
personally known to me or proved to me on the basis of satisfactory evidence to be the
person(s) whose name(s) is/~~are~~ subscribed to the within instrument and acknowledged to
me that he/~~she~~/~~they~~ executed the same in his/~~her~~/~~their~~ authorized capacity(~~ies~~), and that
by his/~~her~~/~~their~~ signature(s) on the instrument the person(s), or the entity upon behalf of
which the person(s) acted, executed the instrument.

Witness my hand and official seal.

J. Kelly
Signature of Notary Public



CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

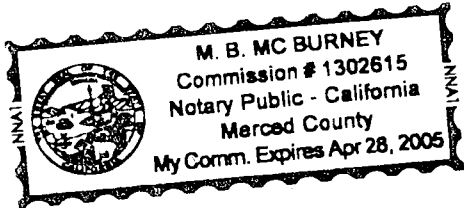
State of California }
County of Merced } ss.

On 10-23-01, before me, MBMcBurney, Notary Public-----
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Christina Alley-----
Name(s) of Signer(s)

personally known to me
 proved to me on the basis of satisfactory evidence

to be the person~~s~~ whose name~~s~~ is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity~~(ies)~~, and that by ~~his/her/their~~ signature~~s~~ on the instrument the person~~s~~, or the entity upon behalf of which the person~~s~~ acted, executed the instrument.



Place Notary Seal Above

WITNESS my hand and official seal.

M. B. McBurney
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: Regulatory Agreement

Document Date: 10-23-01 Number of Pages: 26

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer

- Signer's Name: _____
- Individual
 - Corporate Officer — Title(s): _____
 - Partner — Limited General
 - Attorney in Fact
 - Trustee
 - Guardian or Conservator
 - Other: _____

Signer Is Representing: _____

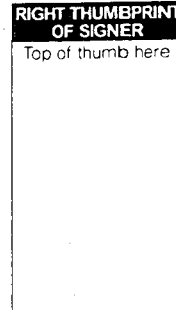


Exhibit A to Regulatory Agreement

LEGAL DESCRIPTION

TRACT A:

Parcel 1 of Parcel Map No. 3250 filed in Book 30 of Parcel Maps, pages 128, 129 and 130, Humboldt County Records.

TRACT B:

A non-exclusive easement for ingress only over Parcel A as shown on Parcel Map No. 3250 referred to in Tract A above.

TRACT C:

A non-exclusive easement for ingress and egress over Parcel E as shown on Parcel Map No. 3250 referred to in Tract A above.

TRACT D:

A non-exclusive easement for ingress, egress and drainage facilities over Parcel F as shown on Parcel Map No. 3250 referred to in Tract A above.

CJ/eb

Assessor's Parcel No: ptn. 015-011-23 and 015-011-06

Exhibit B To Regulatory Agreement

SCHEDULE OF ASSISTED UNITS

Six (6) 1-bedroom units that will be floating units.

Five (5) 2-bedroom units that will be floating units.

Exhibit D To Regulatory Agreement

INSURANCE REQUIREMENTS

At close of escrow, the County must receive a one-year prepaid Certificate of Insurance policy (or a binder followed by a certificate within 30 days of loan closing) evidencing the following coverage:

1. HAZARD (PROPERTY)

- Perils: All risk; or Fire & Lightning, Extended Coverage, Vandalism & Malicious Mischief.
- Covered Property: Structure; and All risk contents coverage.
- Amount: Replacement value (or less if approved by County).
- Coinsurance: No less than 90 percent.
- Deductible: \$2,500 maximum deductible per occurrence; or \$1,000 maximum deductible per occurrence if the completed project value is less than \$300,000.
- Endorsement: County's Loss Payable Endorsement required insuring the County.

OTHER PROPERTY INSURANCE

- Flood Insurance: Coverage required to 80 percent of replacement cost if the property is located in a 100-year flood plain.
- Steam Boiler & Related Machinery: (When applicable) 80 percent of replacement cost coverage is required.

2. COMPREHENSIVE GENERAL LIABILITY

- Minimum Amount: \$1,000,000 per occurrence; or \$2,000,000 per occurrence for buildings with elevators.

3. OTHER COVERAGE

- Loss of Rents: Coverage shall insure 75 percent of annual gross rents.
- Workers Compensation: Required by State law if employees are involved.

Exhibit C To Regulatory Agreement

COMPARABLE UNIT SCHEDULE

All Six 1-bedroom HOME units are deemed comparable to all other 1-bedroom units in the Development

All Five 2-bedroom HOME units are deemed comparable to all other 2-bedroom units in the Development

ALL POLICIES MUST INCLUDE THE FOLLOWING

- Named Insured: Borrower
- Additional Insured: The County of Humboldt and its officers, agents, employees, and servants must be named as additional insured.
- Cancellation Clause: The County must be notified 30 days prior to cancellation of the insurance policy.
- Notification: The County must be notified prior to cancellation or lapse of coverage or in the event of any claim.

The County should be identified on all insurance documents as follows:

**County of Humboldt
825 5th Street
Eureka, CA 95503
ATTN: Risk Manager**

Exhibit E To Regulatory Agreement

SPECIAL CONDITIONS

None