

**RECORDING REQUESTED BY
THE CITY OF SAN JOSE
WHEN RECORDED RETURN TO:**

QUINT & THIMMIG LLP
900 Larkspur Landing Circle, Suite 270
Larkspur, CA 94939-1726
Attention: Paul Thimmig, Esq.

**REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS**

by and between

CITY OF SAN JOSE, CALIFORNIA

and

**CATALONIA TWO, L.P.,
a California limited partnership**

dated as of October 1, 2017

relating to:

\$ _____

**City of San Jose
Multifamily Housing Revenue Bond
(Catalonia Apartments), 2017 Series C**

TABLE OF CONTENTS

Section 1.	Definitions and Interpretation.....	1
Section 2.	Representations, Covenants and Warranties of the Borrower.....	5
Section 3.	Qualified Residential Rental Project	6
Section 4.	Low Income Tenants; Reporting Requirements	8
Section 5.	Tax-Exempt Status of the Bond	10
Section 6.	Additional Requirements of the Act	11
Section 7.	Additional Requirements of the Issuer	12
Section 8.	Modification of Covenants	15
Section 9.	Indemnification; Other Payments	15
Section 10.	Consideration.....	17
Section 11.	Reliance.....	17
Section 12.	Sale or Transfer of the Project.....	18
Section 13.	Term.....	19
Section 14.	Covenants to Run with the Land.....	20
Section 15.	Burden and Benefit	21
Section 16.	Uniformity; Common Plan	21
Section 17.	Default; Enforcement	21
Section 18.	The Trustee	23
Section 19.	Recording and Filing.....	24
Section 20.	Payment of Fees	24
Section 21.	Governing Law	24
Section 22.	Amendments; Waivers	24
Section 23.	Notices	25
Section 24.	Severability	25
Section 25.	Multiple Counterparts	25
Section 26.	Limitation on Liability	25
Section 27.	Third-Party Beneficiaries	26
Section 28.	No Limitations on Actions of Issuer in Exercise of Its Governmental Powers	26
Section 29.	Limited Liability of Issuer	26
Section 30.	Conflict With Other Affordability Agreements.....	26
Section 31.	Requirements of CDLAC.....	27
EXHIBIT A	DESCRIPTION OF REAL PROPERTY RELATING TO THE PROJECT	
EXHIBIT B	FORM OF INCOME CERTIFICATION	
EXHIBIT C	FORM OF CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE	
EXHIBIT D	CDLAC RESOLUTION NO. 17-42	

REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS

THIS REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS (as supplemented and amended from time to time, this "**Regulatory Agreement**") is made and entered into as of October 1, 2017, by and among the CITY OF SAN JOSE, CALIFORNIA, a municipal corporation and charter city organized and existing under its charter and the laws of the State of California (together with any successor to its rights, duties and obligations, the "**Issuer**"), and CATALONIA TWO, L.P., a California limited partnership (together with any successor to its rights, duties and obligations hereunder and as owner of the Project identified herein, the "**Borrower**").

R E C I T A L S :

WHEREAS, pursuant to Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code, as amended (the "**Act**"), and the hereinafter defined Indenture, the Issuer proposes to deliver and issue its City of San Jose Multifamily Housing Revenue Bond (Catalonia Apartments), 2017 Series C (the "**Bond**"), in the aggregate maximum principal amount of \$_____;

WHEREAS, the Bond will be issued pursuant to an Indenture of Trust, dated as of October 1, 2017 (the "**Indenture**"), by and among the Issuer, JPMorgan Chase Bank, N.A., as the initial Bondowner Representative, and Wilmington Trust, National Association, as trustee;

WHEREAS, the proceeds of the Bond will be used to fund a loan (the "**Loan**") to the Borrower to finance the acquisition and rehabilitation of a 50-unit multifamily rental housing project known as Catalonia Apartments, located on the real property site described in Exhibit A hereto (as further described herein, the "**Project**");

WHEREAS, in order to assure the Issuer and the owner of the Bond that interest on the Bond will be excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "**Code**"), and to satisfy the public purposes for which the Bond is authorized to be issued under the Act, and to satisfy the purposes of the Issuer in determining to issue the Bond, certain limits on the occupancy of units in the Project need to be established and certain other requirements need to be met.

A G R E E M E N T :

NOW, THEREFORE, in consideration of the delivery and issuance of the Bond by the Issuer and the mutual covenants and undertakings set forth herein, and for other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the Issuer and the Borrower hereby agree as follows:

Section 1. Definitions and Interpretation [tc "Section 1. Definitions and Interpretation" \l 2]. Unless the context otherwise requires, the capitalized terms used herein have the respective meanings assigned to them in the recitals hereto, in this Section 1 or in Section 1.01 of the Indenture.

“Adjusted Income” means the adjusted income of a person (together with the adjusted income of all persons who intend to reside with such person in one residential unit) as calculated in the manner prescribed in the Code as of the Closing Date.

“Administrator” means the Issuer or any administrator or program monitor appointed by the Issuer to administer this Regulatory Agreement, and any successor so appointed.

“Annual City Fee” has the meaning given to the term Ongoing Issuer Fee in Section 7(a) of this Regulatory Agreement.

“Area” means the San Jose Primary Metropolitan Statistical Area.

“Available Units” means residential units in the Project that are actually occupied and residential units in the Project that are vacant and have been occupied at least once after becoming available for occupancy, provided that (a) a residential unit that is vacant on the later of (i) the date the Project is acquired or (ii) the Closing Date is not an Available Unit and does not become an Available Unit until it has been occupied for the first time after such date, and (b) a residential unit that is not available for occupancy due to renovations is not an Available Unit and does not become an Available Unit until it has been occupied for the first time after the renovations are completed.

“CDLAC” means the California Debt Limit Allocation Committee or its successors.

“CDLAC Conditions” has the meaning given such term in Section 32(a).

“Certificate of Continuing Program Compliance” means the Certificate to be filed by the Borrower with the Issuer, the Administrator (if other than the Issuer) and the Trustee pursuant to Section 4(f) hereof, which shall be substantially in the form attached as Exhibit C hereto or in such other comparable form as may be provided by the Issuer to the Borrower.

“County” means the County of Santa Clara, California.

“Housing Act” means the United States Housing Act of 1937, as amended, or its successor.

“HUD” means the United States Department of Housing and Urban Development.

“Income Certification” means a Verification of Income and an Occupancy Certificate in the form attached as Exhibit B hereto or in such other comparable form as may be provided by the Issuer to the Borrower.

“Inducement Date” means February 22, 2017, being the date on which the Director of Housing and the Director of Finance of the Issuer executed Declaration No. 2017-01 expressing the intent of the Issuer to issue the Bond to finance the Project.

“Low Income Tenant” means any tenant (i) whose Adjusted Income does not exceed limits determined in a manner consistent with determinations of low income families under Section 8 of the Housing Act, provided that the percentage of median gross income that qualifies as low income shall not be greater than sixty percent (60%) of median gross income for the Area, with adjustments for family size, and (ii) whose income does not exceed the qualifying limits for low income families as established and amended from time to time pursuant to Section 8 of the Housing Act. If all the occupants of a unit are students (as defined under Section 151(e)(4) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code, such occupants shall not qualify as Low Income Tenants. The determination of a tenant’s status as a Low Income Tenant shall be made by the Borrower upon initial occupancy of a unit in the Project by such tenant, on the basis of an Income Certification executed by the tenant, and annually thereafter.

“Low Income Units” means the units in the Project required to be rented, or held available for occupancy, by Low Income Tenants pursuant to Sections 4(a) and 6(a) of this Regulatory Agreement.

“Manager” means the property manager of the Project.

“Project” means the 50-unit multifamily rental housing development known as Catalonia Apartments and located on the real property site described in Exhibit A hereto, and consisting of those facilities, including leased real property, structures, buildings, fixtures or equipment situated thereon, as may at any time exist, the acquisition and rehabilitation of which facilities is to be financed, in whole or in part, from the proceeds of the sale of the Bond, and any real property, structures, buildings, fixtures or equipment acquired in substitution for, as a renewal or replacement of, or a modification or improvement to, all or any part of such facilities.

“Project Costs” means, to the extent authorized by the Act, the Code and the Regulations, any and all costs and expenses incurred by the Borrower with respect to the acquisition and rehabilitation of the Project, whether paid or incurred prior to or after the Closing Date, including, without limitation, costs for the planning of housing and related facilities and improvements, the acquisition of property, the removal or demolition of existing structures, the rehabilitation of housing and related facilities and improvements, and all other work in connection therewith, and all costs of financing, including, without limitation, the cost of consultant, accounting and legal services, other expenses necessary or incident to determining the feasibility of the Project, contractors’ and Borrower’s overhead and supervisors’ fees and costs directly allocable to the Project, administrative and other expenses necessary or incident to the Project and the financing thereof (including reimbursement to any municipality, county or entity for expenditures made for the Project), and interest accrued during the rehabilitation of the Project and prior to the Completion Date.

“Qualified Project Costs” means Project Costs that meet each of the following requirements: (i) the costs are properly chargeable to capital account (or would be so chargeable with a proper election by the Borrower or but for a proper election by the Borrower to deduct such costs) in accordance with general Federal income tax principles and in accordance with United States Treasury Regulations §1.103-8(a)(1), provided, however, that only such portion of

interest accrued during acquisition and rehabilitation of the Project shall be eligible to be a Qualified Project Cost as is so capitalizable and as bears the same ratio to all such interest as the Qualified Project Costs bear to all Project Costs; and provided further that interest accruing after the date of completion of the rehabilitation of the Project shall not be a Qualified Project Cost; and provided still further that if any portion of the Project is being rehabilitated by an Affiliated Party (whether as a general contractor or a subcontractor), Qualified Project Costs shall include only (A) the actual out-of-pocket costs incurred by such Affiliated Party in rehabilitating the Project (or any portion thereof), (B) any reasonable fees for supervisory services actually rendered by the Affiliated Party, and (C) any overhead expenses incurred by the Affiliated Party which are directly attributable to the work performed on the Project, and shall not include, for example, intercompany profits resulting from members of an affiliated group (within the meaning of Section 1504 of the Code) participating in the acquisition or rehabilitation of the Project or payments received by such Affiliated Party due to early completion of the rehabilitation of the Project (or any portion thereof); (ii) the costs are paid with respect to a qualified residential rental project within the meaning of Section 142(d) of the Code, (iii) the costs are paid after the earlier of 60 days prior to the Inducement Date or the date of issue of the Bond, and (iv) if the Project Costs were previously paid and are to be reimbursed with proceeds of the Bond, such costs were (A) costs of issuance of the Bond, (B) preliminary capital expenditures (within the meaning of United States Treasury Regulations §1.139-2(f)(2)) with respect to the Project (such as architectural, engineering and soil testing services) incurred before commencement of acquisition or rehabilitation of the Project that do not exceed twenty percent (20%) of the issue price of the Bond (as defined in United States Treasury Regulations §1.148-1), or (C) were capital expenditures with respect to the Project that are reimbursed no later than eighteen (18) months after the later of the date the expenditure was paid or the date the Project is placed in service (but no later than three (3) years after the expenditure is paid). Notwithstanding the foregoing, "Qualified Project Costs" shall not include costs related to the acquisition or rehabilitation of any office or commercial space not functionally related to the dwelling units in the Project.

"Qualified Project Period" means the period beginning on the Closing Date, and ending on the later of the following: (a) the date fifteen (15) years after the date on which at least fifty percent (50%) of the units in the Project are first occupied; (b) the first date on which no Tax-Exempt private activity bonds with respect to the Project are Outstanding; (c) the date on which any assistance provided with respect to the Project under Section 8 of the Housing Act terminates; or (d) the date on which the CDLAC Conditions no longer apply to the Project; provided, however, that if at least 10% of the residential units in the Project are Available Units at all times within 60 days after the later of (1) the date the Project is acquired by the Borrower, or (2) the issue date of the Bond, then the Qualified Project Period shall begin on the date one year after the issue date of the Bond and end on the later of (A) the date that is fifteen (15) years after such date or (B) the later of the dates specified in the foregoing clauses (a), (b) and (c) above.

"Regulatory Agreement" means this Regulatory Agreement, as it may be supplemented and amended from time to time.

"State" means the State of California.

“Tax Counsel” means, individually or collectively as the context may require, the Bond Counsel, as defined in the Indenture.

“Tax-Exempt” means with respect to interest on any obligations of a state or local government, including the Bond, that such interest is excluded from gross income for federal income tax purposes; provided, however, that such interest may be includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax under the Code.

“Verification of Income” means a Verification of Income in the form attached as Exhibit B hereto or in such other comparable form as may be provided by the Issuer to the Borrower.

Unless the context clearly requires otherwise, as used in this Regulatory Agreement, words of any gender shall be construed to include each other gender when appropriate and words of the singular number shall be construed to include the plural number, and vice versa, when appropriate. This Regulatory Agreement and all the terms and provisions hereof shall be construed to effectuate the purposes set forth herein and to sustain the validity hereof.

The titles and headings of the sections of this Regulatory Agreement have been inserted for convenience of reference only, and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof or be considered or given any effect in construing this Regulatory Agreement or any provisions hereof or in ascertaining intent, if any question of intent shall arise.

The parties to this Regulatory Agreement acknowledge that each party and their respective counsel have participated in the drafting and revision of this Regulatory Agreement. Accordingly, the parties agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Regulatory Agreement or any supplement or exhibit hereto.

Section 2. Representations, Covenants and Warranties of the Borrower{tc "Section 2. Representations, Covenants and Warranties of the Borrower" \1 2}.

(a) The Borrower hereby incorporates herein, as if set forth in full herein, each of the representations, covenants and warranties of the Borrower contained in the Tax Certificate and the Loan Agreement.

(b) The Borrower (and any person related to it within the meaning of Section 147(a)(2) of the Code) will not take or omit to take, as is applicable, any action if such action or omission would in any way cause the proceeds of the Loan to be applied in a manner contrary to the requirements of the Loan Agreement or this Regulatory Agreement.

(c) It will not knowingly take or permit, or omit to take or cause to be taken, as is appropriate, any action that would adversely affect the exclusion from gross income for federal income tax purposes or the exemption from California personal income taxation of the interest on the Bond (except, as to federal tax exemption, during any period while the Bond is held by a “substantial user” of the facilities financed by the Bond or a “related person” within the

meaning of Section 147(a) of the Code) and, if it should take or permit, or omit to take or cause to be taken, any such action, it will take all lawful actions necessary to rescind or correct such actions or omissions promptly upon obtaining knowledge thereof.

(d) It will take such action or actions as may be necessary, in the written opinion of Bond Counsel filed with the Issuer, the Trustee and the Borrower, to comply fully with the Act, the Code and all applicable rules, rulings, policies, procedures or other official statements promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service to the extent necessary to maintain the exclusion from gross income for federal income tax purposes of interest on the Bond.

(e) The Borrower has incurred a substantial binding obligation to expend proceeds of the Loan pursuant to which the Borrower is obligated to expend at least five percent (5%) of the principal amount of the Loan.

(f) The Borrower will proceed with due diligence to complete the acquisition and rehabilitation of the Project and the full expenditure of the proceeds of the Loan. The Borrower reasonably expects to complete the acquisition and rehabilitation of the Project and to expend the full amount of the Loan for Project Costs by _____, ____.

(g) The Borrower's reasonable expectations respecting the total expenditure of the proceeds of the Loan have been accurately set forth in a certificate of the Borrower delivered on the Closing Date. At all times, the aggregate disbursements of the proceeds of the Loan will have been applied to pay or to reimburse the Borrower for the payment of Qualified Project Costs in an amount equal to ninety seven percent (97%) or more of such disbursements, and less than twenty-five percent (25%) of such disbursements shall have been used to pay for the acquisition of land or an interest therein.

(h) The Borrower agrees to expend towards the rehabilitation of the Projects (such expenditures to constitute "rehabilitation expenditures" as defined in Section 147(d) of the Code), within two (2) years of the Closing Date, an amount at least equal to fifteen percent (15%) of the proceeds of the Loan used to acquire the buildings (and equipment) comprising the Projects.

(i) Money on deposit in any fund or account in connection with the Bond, whether or not such money was derived from other sources, shall not be used by or under the direction of the Borrower, in a manner which would cause the Bond to be an "arbitrage bond" within the meaning of Section 148 of the Code, and the Borrower specifically agrees that the investment of money in any such fund shall be restricted as may be necessary to prevent the Bond from being an "arbitrage bond" under the Code.

Section 3. Qualified Residential Rental Project [tc "Section 3. Qualified Residential Rental Project" \1 2]. The Borrower hereby acknowledges and agrees with the Issuer that the Project is to be owned, managed and operated as a "qualified residential rental project" (within the meaning of Section 142(d) of the Code) for a term equal to the Qualified Project Period. To that end, and for the term of this Regulatory Agreement, the Borrower hereby represents, covenants, warrants and agrees with the Issuer as follows:

(a) The Project will be acquired, rehabilitated and operated for the purpose of providing multifamily residential rental property. The Borrower will own, manage and operate the Project to provide multifamily residential rental property comprised of a building or structure or several interrelated buildings or structures, together with any functionally related and subordinate facilities, and no other facilities, in accordance with Section 142(d) of the Code, Section 1.103-8(b) of the Regulations and the provisions of the Act, and in accordance with such requirements as may be imposed thereby on the Project from time to time.

(b) All of the dwelling units in the Project will be similarly rehabilitated units, and each dwelling unit in the Project will contain complete and separate facilities for living, sleeping, eating, cooking and sanitation for a single person or a family, including a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a cooking range, refrigerator and sink.

(c) None of the dwelling units in the Project will at any time be utilized on a transient basis (and the parties hereto specifically acknowledge that a tenant's periodic hosting of guests in such tenant's leased unit is not "transient" for this purpose) or rented for a period of less than 30 consecutive days, or will ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, rest home or trailer court or park.

(d) No part of the Project will at any time during the Qualified Project Period be owned by a cooperative housing corporation, nor shall the Borrower take any steps in connection with a conversion to such ownership or use, and the Borrower will not take any steps in connection with a conversion of the Project to condominium ownership during the Qualified Project Period (except that the Borrower may obtain final map approval and the Final Subdivision Public Report from the California Department of Real Estate and may file a condominium plan with the Issuer).

(e) All of the dwelling units in the Project (except for not more than one unit set aside for a resident manager or other administrative use) will be available for rental during the Qualified Project Period on a continuous, first-come first-served basis to members of the general public, and the Borrower will not give preference to any particular class or group in renting the dwelling units in the Project, except to the extent that dwelling units are required to be leased or rented to Low Income Tenants hereunder.

(f) The Project consists of a parcel or parcels that are contiguous except for the interposition of a road, street or stream, and all of the facilities of the Project comprise a single geographically and functionally integrated project for residential rental property, as evidenced by the ownership, management, accounting and operation of the Project.

(g) No dwelling unit in the Project shall be occupied by the Borrower; however, if the Project contains five (5) or more dwelling units, this provision shall not be

construed to prohibit occupancy of not more than three dwelling units by a resident managers or maintenance personnel any of whom may be the Borrower.

(h) Should involuntary noncompliance with the provisions of Section 1.103-8(b) of the Regulations be caused by fire, seizure, requisition, foreclosure, transfer of title by deed in lieu of foreclosure, change in a federal law or an action of a federal agency after the Closing Date which prevents the Issuer from enforcing the requirements of the applicable Regulations, or condemnation or similar event, the Borrower covenants that, within a "reasonable period" determined in accordance with the applicable Regulations, the Borrower will either prepay the Loan or, if permitted under the provisions of the Indenture and the Loan Agreement, apply any proceeds received as a result of any of the preceding events to reconstruct the Project to meet the requirements of Section 142(d) of the Code and the applicable Regulations.

(i) The Borrower will not sell dwelling units within the Project.

(j) In accordance with Section 147(b) of the Code, the average maturity of the Bond does not exceed 120% of the average reasonably expected remaining economic life of the facilities being financed by the Bond.

The Issuer hereby elects to have the Project meet the requirements of Section 142(d)(1)(B) of the Code.

Section 4. Low Income Tenants; Reporting Requirements{tc "Section 4. Low Income Tenants; Reporting Requirements" \l 2}. Pursuant to the requirements of the Code, the Borrower hereby represents, warrants and covenants with the Issuer as follows:

(a) During the Qualified Project Period, no less than 40% of the total number of completed units in the Project shall at all times be rented to and occupied by Low Income Tenants. For the purposes of this paragraph (a), a vacant unit that was most recently occupied by a Low Income Tenant is treated as rented and occupied by a Low Income Tenant until reoccupied, other than for a temporary period of not more than 31 days, at which time the character of such unit shall be redetermined.

(b) No tenant qualifying as a Low Income Tenant upon initial occupancy shall be denied continued occupancy of a unit in the Project because, after admission, such tenant's Adjusted Income increases to exceed the qualifying limit for Low Income Tenants. However, should a Low Income Tenant's Adjusted Income, as of the most recent determination thereof, exceed 140% of the applicable income limit for a Low Income Tenant of the same family size, such Low Income Tenant who has ceased to qualify shall be deemed to continue to be a Low Income Tenant for purposes of the occupancy requirement of Section 4(a) hereof until a new Low Income Tenant occupies the unit, as required by Section 7(g) of this Regulatory Agreement.

(c) For the Qualified Project Period, the Borrower will obtain, complete and maintain on file Income Certifications for each Low Income Tenant, including (i) an Income Certification dated immediately prior to the initial occupancy of such Low

Income Tenant in the Project, and (ii) thereafter, an annual Income Certification with respect to each Low Income Tenant. The Borrower will provide such additional information as may be required in the future by the Code, the State or the Issuer, as the same may be amended from time to time, or in such other form and manner as may be required by applicable rules, rulings, policies, procedures, Regulations or other official statements now or hereafter promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service with respect to Tax-Exempt obligations. A copy of the most recent Income Certifications for Low Income Tenants commencing or continuing occupation of a Low Income Unit shall be attached to each report to be filed with the Issuer pursuant to paragraph (f) of this Section 4.

(d) The Borrower shall make a good faith effort to verify that the income information provided by an applicant in a Verification of Income is accurate by taking one or more of the following steps as a part of the verification process: (1) obtain a pay stub for the most recent pay period, (2) obtain an income tax return for the most recent tax year, (3) obtain a credit report or conduct a similar type credit search, (4) obtain an income verification from the applicant's current employer, (5) obtain an income verification from the Social Security Administration and/or the California Department of Social Services if the applicant receives assistance from either of such agencies, or (6) if the applicant is unemployed and does not have an income tax return, obtain another form of independent verification reasonably acceptable to the Issuer.

(e) The Borrower will maintain complete and accurate records pertaining to the Low Income Units, and will permit any duly authorized representative of the Issuer, the Trustee, the Department of the Treasury or the Internal Revenue Service to inspect the books and records of the Borrower pertaining to the Project at reasonable times and upon reasonable notice, including those records pertaining to the occupancy of the Low Income Units.

(f) The Borrower will prepare and submit to the Issuer, the Administrator (if other than the Issuer) and the Trustee, not later than February 1 of each year until the end of the Qualified Project Period, a Certificate of Continuing Program Compliance executed by the Borrower. On or before each February 1 during the Qualified Project Period, the Borrower will submit to the Issuer a draft of the completed Internal Revenue Code Form 8703 or such other annual certification as required by the Code with respect to the Project, which form shall be submitted to the Secretary of the Treasury on or before March 31 of each year (or such other date as may be required by the Code); provided that at any point when no Tax-Exempt private activity bonds are Outstanding with regards to the Project, but before the end of the Qualified Project Period, the Borrower may submit to the Issuer (in the same manner specified above) such other annual certification as the Issuer may reasonably require.

(g) The Borrower hereby represents that, as of the Closing Date, not less than 50% of the dwelling units in the Project are occupied and at least 10% of the residential units in the Project are expected to be Available Units at all times within 60 days after the Closing Date.

(h) For the Qualified Project Period, all tenant leases or rental agreements shall be subordinate to this Regulatory Agreement and the Deed of Trust. All leases pertaining to Low Income Units shall contain clauses, among others, wherein each tenant who occupies a Low Income Unit: (i) certifies the accuracy of the statements made in the Verification of Income; (ii) agrees that the family income and other eligibility requirements shall be deemed substantial and material obligations of the tenancy of such tenant, that such tenant will comply promptly with all requests for information with respect thereto from the Borrower, the Trustee, the Issuer or the Administrator on behalf of the Issuer, and that the failure to provide accurate information in the Verification of Income or refusal to comply with a request for information with respect thereto shall be deemed a violation of a substantial obligation of the tenancy of such tenant; (iii) acknowledges that the Borrower has relied on the Verification of Income and supporting information supplied by the Low Income Tenant in determining qualification for occupancy of the Low Income Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease or rental agreement; and (iv) agrees that the tenant's income is subject to annual certification in accordance with Section 4(c) and that if upon any such certification such tenant's Adjusted Income exceeds the applicable income limit under Section 4(b), such tenant may cease to qualify as a Low Income Tenant and such tenant may be evicted.

Section 5. Tax-Exempt Status of the Bond{tc "Section 5. Tax-Exempt Status of the Bond" \1 2}. The Borrower and the Issuer, as applicable, each hereby represents, warrants and agrees as follows:

(a) The Borrower and the Issuer will not knowingly take or permit, or omit to take or cause to be taken, as is appropriate, any action that would adversely affect the Tax-Exempt nature of the interest on the Bond (except during any period while the Bond is held by a "substantial user" of the facilities financed by the Bond or a "related person" within the meaning of Section 147(a) of the Code) and, if either of them should take or permit, or omit to take or cause to be taken, any such action, it will take all lawful actions necessary to rescind or correct such actions or omissions promptly upon obtaining knowledge thereof.

(b) The Borrower and the Issuer will file of record such documents and take such other steps as are necessary, in the written opinion of Tax Counsel filed with the Issuer and the Trustee, in order to insure that the requirements and restrictions of this Regulatory Agreement will be binding upon all owners of the Project, including, but not limited to, the execution and recordation of this Regulatory Agreement in the real property records of the County.

(c) The Borrower and the Issuer will take such action or actions as may be necessary, in the written opinion of Bond Counsel filed with the Issuer and the Borrower, to comply fully with the Act and all applicable rules, rulings, policies, procedures, Regulations or other official statements promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service pertaining to obligations issued under Section 142(d) of the Code to the extent necessary to maintain the exclusion

from gross income for federal income tax purposes of interest on the Bond (except during any period while the Bond is held by a "substantial user" of the facilities financed by the Bond or a "related person" within the meaning of Section 147(a) of the Code).

Section 6. Additional Requirements of the Act [tc "Section 6. Additional Requirements of the Act" \1 2]. The Borrower hereby further agrees that it shall comply with each of the requirements of Section 52080 of the Act, including (but not limited to) the following:

(a) Not less than 40% of the total number of units in the Project shall be available for occupancy on a priority basis to Low Income Tenants. The units made available to meet this requirement shall be of comparable quality (including comparable amenities, furnishings and appliances) and offer a range of sizes and numbers of bedrooms comparable to the units that are available to other tenants in the Project.

(b) The rental payments for the Low Income Units paid by the tenants thereof (excluding any supplemental rental assistance from the State, the federal government or any other public agency to those tenants or on behalf of those units) shall not exceed 30% of an amount equal to 60% of the median adjusted gross income for the Area.

(c) The Borrower shall accept as tenants, on the same basis as all other prospective tenants, low-income persons who are recipients of federal certificates or vouchers for rent subsidies pursuant to the existing program under Section 8 of the Housing Act. The Borrower shall not permit any selection criteria to be applied to Section 8 certificate or voucher holders that is more burdensome than the criteria applied to all other prospective tenants.

(d) The units reserved for occupancy as required by subsection (a) of this Section shall remain available on a priority basis for occupancy at all times during the Qualified Project Period.

(e) During the three (3) years prior to the expiration of the Qualified Project Period, the Borrower shall continue to make available to eligible households Low Income Units that have been vacated to the same extent that nonreserved units are made available to noneligible households.

(f) Following the expiration or termination of the Qualified Project Period, except in the event of foreclosure, prepayment and redemption of the Bond, deed in lieu of foreclosure, eminent domain, or action of a federal agency preventing enforcement, units reserved for occupancy as required by subsection (a) of this Section shall remain available to any eligible tenant occupying a reserved unit at the date of such expiration or termination, at the rent determined by subsection (b) of this Section, until the earliest of (1) the household's income exceeds 140% of the maximum eligible income specified above, (2) the household voluntarily moves or is evicted for good cause (as defined in the Act), (3) 30 years after the date of the commencement of the Qualified Project Period,

or (4) the Borrower pays the relocation assistance and benefits to households as provided in Section 7264(b) of the California Government Code.

Section 7. Additional Requirements of the Issuer {tc "Section 7. Additional Requirements of the Issuer" \1 2}. In addition to the requirements set elsewhere in this Regulatory Agreement and to the extent not prohibited thereby, the Borrower hereby agrees to comply with each of the requirements of the Issuer set forth in this Section 7 (and acknowledges that non-compliance with the provisions of this Section 7 could adversely affect the ability of the Issuer to issue housing bonds), as follows:

(a) The Borrower shall pay or cause to be paid to the Issuer on the Closing Date, the "Issuer's Closing Fee" in an amount equal to \$_____ (which represents an amount equal to one-half of one percent (0.5%) of the first \$10,000,000 of aggregate principal amount of the Bond and one-quarter of one percent (0.25%) of the portion of the principal of the Bond in excess of \$10,000,000). In addition, without demand or notice, the Borrower shall pay or cause to be paid to the Issuer (or other Administrator designated in writing by the Issuer) an annual monitoring fee (the "Ongoing Issuer Fee"). The Ongoing Issuer Fee shall be in an annual amount equal to \$_____ and shall be payable, in advance, on the Closing Date and on each October 1 thereafter.

(b) Under no circumstances shall the Ongoing Issuer Fee exceed any limitation under Section 148 of the Code. In the event that the Bond is redeemed in full prior to the termination of this Regulatory Agreement, the Issuer may, at its option, require the prepayment of the Ongoing Issuer Fee (a "Fee Prepayment") at such time as the Bond is redeemed in full. The amount due upon a Fee Prepayment will be a lump sum amount calculated by the Issuer as the present value of the Ongoing Issuer Fee due from the date of the Fee Prepayment through the end of the Qualified Project Period, using a discount rate equal to the then current rate on U.S. Treasuries with a maturity that most closely approximates the remaining term of the Qualified Project Period.

(c) All tenant lists, applications and waiting lists relating to the Project shall at all times be kept separate and identifiable from any other business of the Borrower and shall be maintained as required by the Issuer, in a reasonable condition for proper audit and subject to examination during business hours by representatives of the Issuer (including the Administrator).

(d) The Borrower shall submit to the Issuer, within fifteen (15) days after receipt of a request therefor, any information, records or completed forms reasonably requested by the Issuer, including, but not limited to, information relating to the occupancy of the Project, grant applications, or information necessary to comply with reporting requirements of the Internal Revenue Service or the State. This includes but is not limited to, a rent roll on the Issuer's form as well as certifications and other information that documents the Borrower's compliance with the CDLAC Conditions to the Issuer's reasonable satisfaction.

(e) The Borrower shall not discriminate on the basis of race, creed, color, religion, sex, sexual orientation, marital status, national origin, ancestry or handicap in

the lease, use or occupancy of the Project or in connection with the employment or application for employment of persons for the construction, operation or management of the Project, and will not discriminate on the basis of household size as long as the tenants meet the household size standards of Section 8 of the Housing Act. Further, the Borrower shall not permit occupancy in any unit in the Project by more persons than is permissible under the Section 8 household size standards.

(f) The Borrower acknowledges that the Issuer may appoint an Administrator other than the Issuer to administer this Regulatory Agreement and to monitor performance by the Borrower of the terms, provisions and requirements hereof. In such event, the Borrower shall comply with any reasonable request by the Issuer to deliver to any such Administrator, in addition to or instead of the Issuer, any reports, notices or other documents required to be delivered pursuant hereto, and to make the Project and the books and records with respect thereto available for inspection by the Administrator as an agent of the Issuer.

(g) To the extent permitted by applicable law and regulations (including but not limited to any applicable California Tax Credit Allocation Committee regulations and the requirements of section 42 of the Code and related regulations), the Borrower will make the units reserved pursuant to Section 4(a) and Section 6(a) available on a priority basis to households comprised of persons whom (i) the Issuer has informed the Borrower have been displaced by the Issuer or its political subdivisions from other developments located within the City of San Jose or (ii) are currently living or working in the City of San Jose or who can demonstrate they previously resided in the City of San Jose. The Borrower shall not discriminate against tenant applicants on the basis of source of income (i.e., TANF or SSI), and the Borrower shall consider a prospective tenant's previous rent history of at least one year as evidence of such tenant's ability to pay the applicable rent for the unit to be occupied (ability to pay shall be demonstrated if the tenant can show that the tenant has paid on time the same percentage or more of the tenant's income for rent as the tenant would be required to pay for the rent applicable to the unit to be occupied); provided that such tenant paid the same percentage or more of such tenant's income for rent as such tenant will be paying under the proposed lease. The Borrower may consider such factors as it deems important when reviewing and approving a tenant's application for occupancy and an existing tenant's continued occupancy.

(h) To the extent permitted under the requirements of section 42 of the Code, if a Low Income Tenant's Adjusted Income, as of the most recent determination thereof, exceeds 140% of the of the applicable income limit for a Low Income Tenant of the same family size, the tenancy of such Low Income Tenant shall, to the extent permitted by law, be terminated as soon as legally possible and the available unit shall within a reasonable time be rented to (or held vacant and available for immediate occupancy by) a Low Income Tenant.

(i) Each of the requirements of Sections 3, 4 and 6 hereof is hereby incorporated as a specific requirement of the Issuer, whether or not required by State or federal law, and shall be in force for the term of this Regulatory Agreement.

(j) In addition, the Borrower shall comply with the CDLAC Conditions, as such conditions may be modified or amended from time to time.

(k) No later than January 31 of each calendar year (commencing January 31, 2018), the Borrower, on behalf of the Issuer, agrees to provide to the California Debt and Investment Advisory Commission, by any method approved by the California Debt and Investment Advisory Commission, with a copy to the Issuer, the annual report information required by Section 8855(k)(1) of the California Government Code. This covenant shall remain in effect until the later of the date (i) the Bond is no longer Outstanding or (ii) the proceeds of the Bond have been fully spent.

(l) The Borrower agrees to maintain the Project, or cause the Project to be maintained, during the term of this Regulatory Agreement (i) in a safe condition and (ii) in good repair and good operating condition, ordinary wear and tear excepted, making from time to time all necessary repairs thereto and renewals and replacements thereof such that the Project shall be in substantially the same condition at all times as it was on completion its rehabilitation using Loan proceeds.

(m) The Borrower will pay the Issuer all of the amounts required by the Loan Agreement, and will indemnify the Issuer and the Trustee as provided in the Loan Agreement. The requirements of this Section 7 of this Regulatory Agreement shall be in effect for the term of this Regulatory Agreement; provided that any requirements of Section 7 of this Regulatory Agreement may be expressly waived by the Issuer, at its sole discretion (except Section 7(j) above, which may be expressly waived by CDLAC), in writing, but (i) no waiver by the Issuer of any requirement of this Section 7 shall, or shall be deemed to, extend to or affect any other provision of this Regulatory Agreement except to the extent the Issuer has received an opinion of Tax Counsel to the effect that any such other provision is not required by the Act and may be waived without adversely affecting the exclusion from gross income of interest on the Bond for federal income tax purposes; and (ii) any requirement of this Section 7 shall be void and of no force and effect if the Issuer and the Borrower receive a written opinion of Tax Counsel to the effect that compliance with any such requirement would cause interest on the Bond to cease to be Tax-Exempt or to the effect that compliance with such requirement would be in conflict with the Act or any other applicable State or federal law.

(n) In addition, the Borrower shall deliver to the Issuer, at least 30 days prior to the Conversion Date, information reasonably requested by the Issuer as reasonably necessary for the Issuer to perform its administrative obligations under the CDLAC Resolution, including, but not limited to, final source and uses for the Project, the final rent and income information on the forms provided by the Issuer, any changes to the ownership structure of the Borrower and asset management and property management contracts.

Section 8. Modification of Covenants{tc "Section 8. Modification of Covenants" \1 2}.

The Borrower and the Issuer hereby agree as follows:

(a) To the extent any amendments to the Act, the Regulations or the Code shall, in the written opinion of Tax Counsel filed with the Issuer, the Bondowner Representative and the Borrower, retroactively impose requirements upon the ownership or operation of the Project more restrictive than those imposed by this Regulatory Agreement, and if such requirements are applicable to the Project, this Regulatory Agreement shall be deemed to be automatically amended to impose such additional or more restrictive requirements.

(b) To the extent that the Act, the Regulations or the Code, or any amendments thereto, shall, in the written opinion of Tax Counsel filed with the Issuer, the Bondowner Representative and the Borrower, impose requirements upon the ownership or operation of the Project less restrictive than imposed by this Regulatory Agreement, this Regulatory Agreement may be amended or modified to provide such less restrictive requirements but only by written amendment signed by the Issuer, at its sole and absolute discretion, and the Borrower, and only upon receipt by the Issuer of the written opinion of Tax Counsel to the effect that such amendment will not adversely affect the Tax-Exempt status of interest on the Bond or violate the requirements of the Act, and otherwise in accordance with Sections 22 and 31 hereof.

(c) The Borrower and the Issuer shall execute, deliver and, if applicable, file of record any and all documents and instruments necessary to effectuate the intent of this Section 8, and each of the Borrower and the Issuer hereby appoints the Bondowner Representative as their true and lawful attorneys-in-fact (jointly or individually) to execute, deliver and, if applicable, file of record on behalf of the Borrower or the Issuer, as is applicable, any such document or instrument (in such form as may be approved in writing by Tax Counsel) if either the Borrower or the Issuer defaults in the performance of its obligations under this subsection (c); provided, however, that unless directed in writing by the Issuer or the Bondowner Representative, the Trustee shall not take any action under this subsection (c) without first notifying the Borrower or the Issuer, or both of them, as is applicable, and without first providing the Borrower or the Issuer, or both, as is applicable, a reasonable opportunity to comply with the requirements of this Section 8. Nothing in this subsection (c) shall be construed to allow the Bondowner Representative to execute an amendment to this Regulatory Agreement on behalf of the Issuer.

Section 9. Indemnification; Other Payments{tc "Section 9. Indemnification; Other Payments" \1 2}. To the fullest extent permitted by law, the Borrower agrees to indemnify, hold harmless and defend the Issuer and its Councilmembers, officials, employees, attorneys and agents (collectively, the "Indemnified Parties"), against any and all losses, damages, claims, actions, liabilities, costs and expenses of any conceivable nature, kind or character (including, without limitation, reasonable attorneys' fees, litigation and court costs, amounts paid in settlement and amounts not paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject under or any statutory law (including federal or state

securities laws) or at common law or otherwise, arising out of or based upon or in any way relating to:

(i) the Bond, the Indenture, the Loan Agreement, this Regulatory Agreement, the other Loan Documents or the Tax Certificate or the execution or amendment hereof or thereof or in connection with transactions contemplated hereby or thereby, including the delivery, issuance, sale or resale of the Bond;

(ii) any act or omission of the Borrower or any of its agents, contractors, servants, employees or licensees in connection with the Project, the operation of the Project, or the condition, environmental or otherwise occupancy, use, possession, conduct or management of work done in or about, or from the planning, design, acquisition, installation or rehabilitation of, the Project or any part thereof;

(iii) any lien or charge upon payments by the Borrower to the Issuer hereunder, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the Issuer or the Trustee in respect of any portion of the Project (other than income and similar taxes on fees received or earned in connection therewith);

(iv) any violation of any environmental regulations with respect to, or the release of any hazardous substances from, the Project or any part thereof;

(v) the prepayment, defeasance and/or redemption, in whole or in part, of the Bond;

(vi) any untrue statement or misleading statement or alleged untrue statement of a material fact contained in any offering statement or disclosure or continuing disclosure document for the Bond or any of the documents relating to the Bond, or any omission or alleged omission from any offering statement or disclosure or continuing disclosure document for the Bond of any material fact necessary to be stated therein in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(vii) the Trustee's acceptance or administration of the trust of the Indenture; or

(viii) the exercise or performance by the Trustee or the Bondowner Representative of any of power or duty under the Indenture, the Loan Documents or under any of the documents relating to the Bond;

except to the extent such damages are caused by the willful misconduct of such Indemnified Party. In the event that such any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the Borrower, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or

disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the Borrower shall pay the reasonable fees and expenses of such separate counsel; provided, however that such Indemnified Party may only employ separate counsel at the expense of the Borrower if in the judgment of such Indemnified Party a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel.

In addition thereto, the Borrower will pay upon demand all of the fees and expenses paid or incurred by the Issuer, the Bondowners Representative or the Trustee in enforcing the provisions of this Regulatory Agreement.

The provisions of this Section 9 shall survive the term of the Bond and this Regulatory Agreement.

The Issuer agrees that no owner of the Project subsequent to the Borrower will be liable for, assume or take title to the Project subject to: (a) any failure of any prior owner of the Project to perform or observe any representation or warranty, affirmative or negative covenant or other agreement or undertaking under this Regulatory Agreement; and (b) the payment of any compensation or any accrued unpaid fees, costs, expenses or penalties otherwise owed by any prior owner of the Project under this Regulatory Agreement.

The Borrower and each subsequent owner of the Project shall be responsible under this Regulatory Agreement for its own acts and omissions occurring during the period of its ownership of the Project. All such liability and obligations shall be and remain personal to such person even after such person ceases to be the owner of the Project.

Inasmuch as the covenants, reservations and restrictions of this Regulatory Agreement run with the land, the indemnification obligations of the Borrower contained in this Regulatory Agreement will be deemed applicable to any successor in interest to the Borrower.

Section 10. Consideration{tc "Section 10. Consideration" \1 2}. The Issuer has agreed to issue the Bond to provide funds to lend to the Borrower to finance the Project, all for the purpose, among others, of inducing the Borrower to acquire, rehabilitate and operate the Project. In consideration of the issuance of the Bond by the Issuer, the Borrower has entered into this Regulatory Agreement and has agreed to restrict the uses to which this Project can be put on the terms and conditions set forth herein.

Section 11. Reliance{tc "Section 11. Reliance" \1 2}. The Issuer and the Borrower hereby recognize and agree that the representations and covenants set forth herein may be relied upon by all persons interested in the legality and validity of the Bond, in the exemption from California personal income taxation of interest on the Bond and in the Tax-Exempt status of the interest on the Bond. In performing their duties and obligations hereunder, the Issuer and the Administrator may rely upon statements and certificates of the Low Income Tenants, and upon audits of the books and records of the Borrower pertaining to the Project. In addition, the Issuer may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Issuer hereunder

in good faith and in conformity with such opinion. In determining whether any default or lack of compliance by the Borrower exists under this Regulatory Agreement, the Issuer shall not be required to conduct any investigation into or review of the operations or records of the Borrower and may rely solely on any written notice or certificate delivered to the Issuer by the Borrower with respect to the occurrence or absence of a default unless it knows that the notice or certificate is erroneous or misleading.

Section 12. Sale or Transfer of the Project \1 2]. For the Qualified Project Period, the Borrower shall not, except as provided below, sell, transfer or otherwise voluntarily dispose of the Project, in whole or in part, without the prior written consent of the Issuer, which consent shall not be unreasonably withheld or delayed if the following conditions are satisfied: (A) the Issuer shall have received evidence, reasonably acceptable to the Issuer, that (1) the Borrower shall not be in default hereunder or under the Loan Agreement (which may be evidenced by a Certificate of Continuing Program Compliance) or the purchaser or assignee undertakes to cure any defaults of the Borrower to the reasonable satisfaction of the Issuer; (2) the continued operation of the Project shall comply with the provisions of this Regulatory Agreement; (3) either (a) the purchaser or assignee or its property manager has at least three years' experience in the ownership, operation and management of similar size rental housing projects, and at least one year's experience in the ownership, operation and management of rental housing projects containing below-market-rate units, without any record of material violations of discrimination restrictions or other State or federal laws or regulations or local governmental requirements applicable to such projects, or (b) the purchaser or assignee agrees to retain a property management firm with the experience and record described in subclause (a) above, or (c) the transferring Borrower or its management company or another management company reasonably acceptable to the Issuer will continue to manage the Project for at least one year following such transfer and during such period will provide training to the transferee and its manager in the responsibilities relating to the Low Income Units; and (4) the person or entity which is to acquire the Project does not have pending against it, and does not have a history of significant and material building code violations or complaints concerning the maintenance, upkeep, operation, and regulatory agreement compliance of any of its projects as identified by any local, State or federal regulatory agencies; (B) the execution by the purchaser or assignee of any document reasonably requested by the Issuer with respect to the assumption of the Borrower's obligations under this Regulatory Agreement and, if the Bond is outstanding at the time of transfer, the Loan Agreement, including without limitation an instrument of assumption hereof and thereof, and delivery to the Issuer of an opinion of such purchaser or assignee's counsel to the effect that each such document and this Regulatory Agreement are valid, binding and enforceable obligations of such purchaser or assignee, subject to bankruptcy and other standard limitations affecting creditor's rights; (C) receipt by the Issuer of an opinion of Tax Counsel to the effect that any such sale, transfer or other disposition will not adversely affect the Tax-Exempt status of interest on the Bond; and (D) receipt by the Issuer and Trustee of all fees and/or expenses then currently due and payable to the Issuer and Trustee.

The written consent of the Issuer to any transfer of the Project shall constitute conclusive evidence that the transfer is not in violation of this Section 12. Upon any sale or other transfer that complies with this Regulatory Agreement, the Borrower shall be fully released from its obligations hereunder to the extent such obligations have been fully assumed in writing by the

transferee of the Project. Except as otherwise provided herein, any transfer of the Project to any entity, whether or not affiliated with the Borrower, shall be subject to the provisions of this Section 12, except as provided immediately below.

Notwithstanding the foregoing or any other provision hereof, the following transfers shall be permitted without the Issuer's or Trustee's prior written consent: (a) transfers of the respective interests of the Borrower's limited partners to any entity which is either (a) an affiliate of either limited partner or (b) which is controlled by Eden Housing; (b) transfers of interests within the Borrower's limited partners; (c) the pledge and encumbrance of the interests of Borrower's limited partners to or for the benefit of any financial institution which enables the limited partners to make capital contributions to the Borrower; (d) the removal or withdrawal in lieu of removal of a general partner of Borrower by its special limited partner for cause in accordance with Borrower's Partnership Agreement and the replacement thereof by Borrower's special limited partner or an affiliate thereof; and (e) the execution and delivery of a purchase option agreement by and between the Borrower and Borrower's general partner or an affiliate thereof.

The Borrower acknowledges that a sale or exchange of 50% or more of the capital and profits interests in the Borrower in any twelve-month period will be treated for federal tax purposes as a change in ownership of the Project at the time the 50% transfer occurs. The Borrower further acknowledges that there is a possibility of the Bond being reissued at various points in the financing, including any in connection with any remarketing, and that a change in ownership of the Project within six months of a reissuance or refunding of the Bond will cause the interest paid on the reissued or refunding notes and bonds not to be excluded from gross income for federal tax purposes.

Restrictions on sale or transfer of the Project or of any interest in the Borrower, consent of the Issuer, transfer agreements, transferee criteria and requirements, opinion requirements, assumption fees, transfer fees, penalties and the like shall not apply to any transfer of title to the Project to a third party by foreclosure, deed in lieu of foreclosure or comparable conversion of the Loan or to any subsequent transfer following foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Loan. No transfer of the Project shall operate to release the Borrower from its obligations under this Regulatory Agreement.

For the Qualified Project Period, the Borrower shall not: (1) encumber any of the Project or grant commercial leases (except for laundry leases or cell tower leases) of any part thereof, or permit the conveyance, transfer or encumbrance of any part of the Project, except pursuant or subordinate to the provisions of this Regulatory Agreement, and upon receipt by the Borrower of an opinion of Tax Counsel to the effect that such action will not adversely affect the Tax-Exempt status of interest on the Bond, or except upon a sale, transfer or other disposition of the Project in accordance with the terms of this Regulatory Agreement; (2) demolish any part of the Project or substantially subtract from any real or personal property of the Project, except to the extent that what is removed is replaced with comparable property; or (3) permit the use of the dwelling accommodations of the Project for any purpose except rental residences.

Section 13. Term~~tc "Section 13. Term" \1 2].~~ This Regulatory Agreement and all and several of the terms hereof shall become effective upon its execution and delivery, and shall

remain in full force and effect for the period provided herein and shall terminate as to any provision not otherwise provided with a specific termination date and shall terminate in its entirety at the end of the Qualified Project Period, it being expressly agreed and understood that the provisions hereof are intended to survive the retirement of the Bond and discharge of the Indenture and the Loan Agreement.

The terms of this Regulatory Agreement to the contrary notwithstanding, the requirements of this Regulatory Agreement shall terminate and be of no further force and effect (i) in the event of involuntary noncompliance with the provisions of this Regulatory Agreement caused by fire, seizure, requisition, change in a federal law or an action of a federal agency after the Closing Date, which prevents the Issuer and the Trustee from enforcing such provisions, or condemnation or (ii) foreclosure, transfer of title by deed in lieu of foreclosure (whereby a third party shall take possession of the Project), or a similar event, but only if, in the case of either (i) or (ii), within a reasonable period, either the Bond is retired or amounts received as a consequence of such event are used to provide a project that meets the requirements hereof; provided, however, that the preceding provisions of this sentence shall cease to apply and the restrictions contained herein shall be reinstated if, at any time subsequent to the termination of such provisions as the result of the foreclosure or the delivery of a deed in lieu of foreclosure or a similar event, the Borrower or any related person (within the meaning of Section 1.103-10(e) of the Regulations) obtains an ownership interest in the Project for federal income tax purposes. The Borrower hereby agrees that, following any foreclosure, transfer of title by deed in lieu of foreclosure or similar event, neither the Borrower nor any such related person as described above will obtain an ownership interest in the Project for federal tax purposes. Notwithstanding any other provision of this Regulatory Agreement, this Regulatory Agreement may be terminated upon agreement by the Issuer and the Borrower, upon receipt by the Issuer and the Bondowner Representative of an opinion of Tax Counsel to the effect that such termination will not adversely affect the exclusion from gross income of interest on the Bond for federal income tax purposes. Upon the termination of the terms of this Regulatory Agreement, the parties hereto agree to execute, deliver and record appropriate instruments of release and discharge of the terms hereof; provided, however, that the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of this Regulatory Agreement in accordance with its terms.

Section 14. Covenants to Run with the Land{tc "Section 14. Covenants to Run with the Land" \1 2}. Notwithstanding Section 1461 of the California Civil Code, the Borrower hereby subjects the Project to the covenants, reservations and restrictions set forth in this Regulatory Agreement. The Issuer and the Borrower hereby declare their express intent that the covenants, reservations and restrictions set forth herein shall be deemed covenants running with the land and shall pass to and be binding upon the Borrower's successors in title to the Project; provided, however, that on the termination of this Regulatory Agreement said covenants, reservations and restrictions shall expire without the necessity of further action. Each and every contract, deed or other instrument hereafter executed covering or conveying the Project or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instruments.

Section 15. Burden and Benefit{tc "Section 15. Burden and Benefit" \1 2}. The Issuer and the Borrower hereby declare their understanding and intent that the burdens of the covenants set forth herein touch and concern the land in that the Borrower's legal interest in the Project is rendered less valuable thereby. The Issuer and the Borrower hereby further declare their understanding and intent that the benefits of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Project by Low Income Tenants, the intended beneficiaries of such covenants, reservations and restrictions, and by furthering the public purposes for which the Bond was issued.

Section 16. Uniformity; Common Plan{tc "Section 16. Uniformity; Common Plan" \1 2}. The covenants, reservations and restrictions hereof shall apply uniformly to the entire Project in order to establish and carry out a common plan for the use of the site on which the Project is located.

Section 17. Default; Enforcement{tc "Section 17. Default; Enforcement" \1 2}. (a) If the Borrower defaults in the performance or observance of any covenant, agreement or obligation of the Borrower set forth in this Regulatory Agreement, and if such default remains uncured for a period of 60 days after written notice thereof shall have been given by the Issuer or the Bondowner Representative to the Borrower, or for a period of 60 days from the date the Borrower should, with reasonable diligence, have discovered such default, then the Issuer or the Trustee (as directed by the Issuer, subject to the provisions of the Indenture) acting on its own behalf or on behalf of the Issuer, shall declare an "Event of Default" to have occurred hereunder; provided, however, that if the default is of such a nature that it cannot be corrected within 60 days, such default shall not constitute an Event of Default hereunder so long as (i) the Borrower institutes corrective action within said 60 days and diligently pursues such action until the default is corrected, and (ii) in the opinion of Tax Counsel, the failure to cure said default within 60 days will not adversely affect the Tax-Exempt status of interest on the Bond. The Issuer and the Trustee (as directed by the Issuer, subject to the provisions of the Indenture) shall have the right to enforce the obligations of the Borrower under this Regulatory Agreement within shorter periods of time than are otherwise provided herein if necessary to insure compliance with the Act or the Code.

Notwithstanding anything to the contrary contained herein, Issuer, for itself or in direction the Trustee, hereby agrees that any cure of any default made or tendered by one or more of Borrower's limited partners shall be accepted or rejected on the same basis as if made or tendered by Borrower.

(b) Following the declaration of an Event of Default hereunder, the Issuer or the Trustee, at the direction of the Issuer, subject to the provisions of the Indenture, may take any one or more of the following steps, in addition to all other remedies provided by law or equity:

(i) by mandamus or other suit, action or proceeding at law or in equity, including injunctive relief, require the Borrower to perform its obligations and covenants hereunder or enjoin any acts or things that may be unlawful or in violation of the rights of the Issuer hereunder;

(ii) have access to and inspect, examine and make copies of all of the books and records of the Borrower pertaining to the Project;

(iii) require the Borrower to pay to the Issuer, an amount equal to the excess rent or other amounts received by the Borrower for any units in the Project that were in violation of this Regulatory Agreement during the period such violation continued (which payment shall not reduce the amount due under the Loan);

(iv) declare a default under the Loan Agreement and proceed with any remedies provided therein; and

(v) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Borrower hereunder.

The Borrower hereby agrees that specific enforcement of the Borrower's agreements contained herein is the only means by which the Issuer may fully obtain the benefits of such agreements made by the Borrower herein, and the Borrower therefore agrees to the imposition of the remedy of specific performance against it in the case of any Event of Default by the Borrower hereunder.

(c) All reasonable fees, costs and expenses of the Trustee and the Issuer incurred in taking any action pursuant to this Section shall be the sole responsibility of the Borrower.

The foregoing prohibitions and limitations are not intended to limit the rights of the Issuer or the Trustee, at the direction of the Issuer, to specifically enforce this Regulatory Agreement or to seek injunctive relief in order to provide for the operation of the Project in accordance with the requirements of the Code and State law. Accordingly, upon any default by the Borrower, the Issuer or the Trustee, at the direction of the Issuer, may seek specific performance of this Regulatory Agreement or enjoin acts which may be in violation of this Regulatory Agreement or unlawful, but neither the Issuer nor the Trustee may seek any form of monetary recovery from the Borrower, although the Issuer and the Trustee may seek to enforce a claim for indemnification, provided that no obligation of the Borrower under this Regulatory Agreement, including, without limitation, any indemnification obligation, any other obligation for the payment of money, any claim and any judgment for monetary damages against the Borrower, occasioned by breach or alleged breach by the Borrower of its obligations under this Regulatory Agreement or otherwise, shall be secured by or in any manner constitute a lien on, or security interest in, the Project, whether in favor of the Issuer, the Trustee or any other person, and all such obligations shall be, and by this Regulatory Agreement are, subordinate in priority, in right to payment and in all other respects to the obligations, liens, rights (including without limitation the right to payment) and interests arising or created under the Loan Documents. Accordingly, neither the Issuer nor the Trustee shall have the right to enforce any monetary obligation other than directly against the Borrower, without recourse to the Project. In addition, any such enforcement must not cause the Borrower to file a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Borrower under any applicable liquidation, insolvency, bankruptcy, rehabilitation, composition, reorganization, conservation or other similar law in effect now or in the future.

The obligations of any owner under this Regulatory Agreement shall be personal to the person who was the owner at the time that an event, including, without limitation, any default or breach of this Regulatory Agreement, occurred or was alleged to have occurred, and such person shall remain liable for any and all such obligations, including damages occasioned by a default or breach, even after such person ceases to be the owner of the Project. Accordingly, no subsequent owner of the Project shall be liable or obligated for the obligation of any prior owner (including the Borrower), including, but not limited to, any obligation for payment, indemnification or damages, for default or breach of this Regulatory Agreement or otherwise. The owner of the Project at the time the obligation was incurred, including any obligation arising out of a default or breach of this Regulatory Agreement, shall remain liable for any and all payments and damages occasioned by the owner even after such person ceases to be the owner of the Project, and no person seeking such payments or damages shall have recourse against the Project.

Subject to the provisions of the Loan Agreement, under no circumstances shall the Issuer or the Trustee at the direction of the Issuer: (i) initiate or take any action which may have the effect, directly or indirectly, of impairing the ability of the Borrower to timely pay the principal of, interest on, or other amounts due and payable under, the Loan; or (ii) upon the occurrence of an event of default under the Loan Documents, take any action to accelerate or otherwise enforce payment or seek other remedies with respect to the Loan Documents.

Section 18. The Trustee [tc "Section 18. The Trustee" \1 2]. The Trustee shall act as expressly provided herein and in the Indenture and no implied covenants, duties or obligations shall be read into this Agreement against the Trustee. The Trustee shall have no duty to act with respect to enforcement of the Borrower's performance hereunder as described in Section 17 unless it shall have actual knowledge of any such default as provided in Section 17 and have been directed in writing by the Issuer. The Trustee may act as the agent of and on behalf of the Issuer, and any act required to be performed by the Issuer as herein provided shall be deemed taken if such act is performed by the Trustee. In connection with any such performance, the Trustee is acting solely as Trustee under the Indenture and not in its individual capacity, and except as expressly provided herein, all provisions of the Indenture relating to the rights, privileges, powers and protections of the Trustee shall apply with equal force and effect to all actions taken (or omitted to be taken) by the Trustee in connection with this Regulatory Agreement. Neither the Trustee nor any of its officers, directors or employees shall be liable for any action taken or omitted to be taken by it hereunder or in connection herewith except for its or their own negligence or willful misconduct.

The Trustee shall not be responsible for the monitoring of the Borrower's compliance with the terms of this Regulatory Agreement.

After the date on which the Bond is no longer outstanding, as provided in the Indenture, the Trustee shall no longer have any rights, duties or responsibilities under this Regulatory Agreement and all references to the Trustee in this Regulatory Agreement shall be deemed references to the Issuer.

Section 19. Recording and Filing{tc "Section 19. Recording and Filing" \1 2}.

(a) The Borrower shall cause this Regulatory Agreement and all amendments and supplements hereto and thereto, to be recorded and filed in the real property records of the County, and in such other places as the Issuer may reasonably request. The Borrower shall pay all fees and charges incurred in connection with any such recording.

(b) The Borrower and the Issuer will file of record such other documents and take such other steps as are reasonably necessary, in the opinion of Tax Counsel, in order to insure that the requirements and restrictions of this Regulatory Agreement will be binding upon all owners of the Project.

(c) The Borrower hereby covenants to include or reference the requirements and restrictions contained in this Regulatory Agreement in any documents executed and delivered in connection with a voluntary transfer of any interest in the Project to another person to the end that such transferee has notice of, and is bound by, such restrictions and to obtain the agreement from any transferee to abide by all requirements and restrictions of this Regulatory Agreement.

Section 20. Payment of Fees{tc "Section 20. Payment of Fees" \1 2}. Notwithstanding any prepayment of the Loan or the discharge of the Loan Agreement and the Indenture, the Borrower shall continue to pay (or, to the extent allowed under the Code, shall prepay) the Annual City Fee and related expenses as provided in Section 7(a) and Section 10 of this Regulatory Agreement.

Section 21. Governing Law{tc "Section 21. Governing Law" \1 2}. This Regulatory Agreement shall be governed by the laws of the State.

Section 22. Amendments; Waivers{tc "Section 22. Amendments; Waivers" \1 2}.

(a) Except as provided in Section 8(a) hereof, this Regulatory Agreement may be amended only by a written instrument executed by the parties hereto or their successors in title, and duly recorded in the real property records of the County, and only upon receipt by the Issuer of an opinion from Tax Counsel to the effect that such amendment will not adversely affect the Tax-Exempt status of interest on the Bond and is not contrary to the provisions of the Act.

(b) Anything to the contrary contained herein notwithstanding, the Issuer and the Borrower hereby agree to amend this Regulatory Agreement to the extent required, in the opinion of Tax Counsel, in order that interest on the Bond remains Tax-Exempt. The parties requesting such amendment shall notify the other parties to this Regulatory Agreement of the proposed amendment, with a copy of such requested amendment to Tax Counsel and a request that Tax Counsel render to the Issuer and the Bondowner Representative an opinion as to the effect of such proposed amendment upon the Tax-Exempt status of interest on the Bond. This provision shall not be subject to any provision of any other agreement requiring any party hereto to obtain the consent of any other person in order to amend this Regulatory Agreement.

Any waiver of, or consent to, any condition under this Regulatory Agreement must be expressly made in writing.

Section 23. Notices{tc "Section 23. Notices" \1 2}. Any notice required to be given hereunder shall be made in writing and shall be given by personal delivery, overnight delivery, certified or registered mail, postage prepaid, return receipt requested, or by telecopy, in each case at the respective addresses specified in the Indenture, or at such other addresses as may be specified in writing by the parties hereto.

In addition to the foregoing, a copy of any notice required to be given hereunder to the Issuer or the Administrator shall be provided to the following address:

Department of Housing
City of San José
200 East Santa Clara Street, 12th Floor Tower
San Jose, California 95113-1905
Attention: Director of Housing

The Issuer, the Administrator, the Trustee and the Borrower may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Notice shall be deemed given on the date evidenced by the postal or courier receipt or other written evidence of delivery or electronic transmission; provided that any telecopy or other electronic transmission received by any party after 4:00 p.m., local time of the receiving party, as evidenced by the time shown on such transmission, shall be deemed to have been received the following Business Day.

Section 24. Severability{tc "Section 24. Severability" \1 2}. If any provision of this Regulatory Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions hereof shall not in any way be affected or impaired thereby.

Section 25. Multiple Counterparts{tc "Section 25. Multiple Counterparts" \1 2}. This Regulatory Agreement may be simultaneously executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

Section 26. Limitation on Liability{tc "Section 26. Limitation on Liability" \1 2}. Notwithstanding any other provision or obligation to the contrary contained in this Regulatory Agreement, (i) the liability of the Borrower under this Regulatory Agreement to any person or entity, including, but not limited to, the Trustee or the Issuer and their successors and assigns, is limited to the Borrower's interest in the Project, including the amounts held in the funds and accounts created under the Indenture, or any rights of the Borrower under any guarantees relating to the Project, and such persons and entities shall look exclusively thereto, or to such other security as may from time to time be given for the payment of obligations arising out of this Regulatory Agreement or any other agreement securing the obligations of the Borrower under this Regulatory Agreement; and (ii) from and after the date of this Regulatory Agreement, no deficiency or other personal judgment, nor any order or decree of specific

performance (other than pertaining to this Regulatory Agreement, any agreement pertaining to any Project or any other agreement securing the Borrower's obligations under this Regulatory Agreement), shall be rendered against the Borrower, the assets of the Borrower (other than the Borrower's interest in the Project, this Regulatory Agreement, amounts held in the funds and accounts created under the Indenture, any rights of the Borrower under the Indenture or any other documents relating to the Bond or any rights of the Borrower under any guarantees relating to the Project), its partners, members, successors, transferees or assigns and each their respective officers, directors, employees, partners, agents, heirs and personal representatives, as the case may be, in any action or proceeding arising out of this Regulatory Agreement, the Loan Agreement, the Indenture or any agreement securing the obligations of the Borrower under this Regulatory Agreement, or any judgment, order or decree rendered pursuant to any such action or proceeding.

The obligations of the Borrower and any subsequent owner of the Project shall not be secured by or constitute a lien on, or security interest in, the Project.

Section 27. Third-Party Beneficiaries{tc "Section 27. Third-Party Beneficiaries" \1 2}. CDLAC, the Trustee and the Bondowner Representative intended to be and shall be third-party beneficiaries of this Regulatory Agreement. CDLAC, the Trustee and the Bondowner Representative each shall have the right (but not the obligation) to enforce the provisions of this Regulatory Agreement against the Borrower and to pursue an action for specific performance or other available remedy at law or in equity in accordance with Section 17 hereof; provided that any such action or remedy shall not materially adversely affect the interests and rights of the Issuer or the owner of the Bond.

Section 28. No Limitations on Actions of Issuer in Exercise of Its Governmental Powers{tc "Section 28. No Limitations on Actions of Issuer in Exercise of Its Governmental Powers" \1 2}. Nothing in this Regulatory Agreement is intended, nor shall it be construed, to in any way limit the actions of the Issuer in the exercise of its governmental powers, as contrasted with any contractual rights or powers. It is the express intention of the parties hereto that the Issuer shall retain the full right and ability to exercise its governmental powers with respect to the Borrower and the Project and the transactions contemplated by this Regulatory Agreement to the same extent as if it were not a party to this Regulatory Agreement or the transactions contemplated thereby, and in no event shall the Issuer have any liability in contract arising under this Regulatory Agreement by virtue of any exercise of its governmental powers.

Section 29. Limited Liability of Issuer{tc "Section 29. Limited Liability of Issuer" \1 2}. All obligations of the Issuer hereunder shall be limited obligations, payable solely from proceeds of the Bond and other amounts derived by the Issuer from the Loan or otherwise under the Loan Agreement.

Section 30. Conflict With Other Affordability Agreements{tc "Section 30. Conflict With Other Affordability Agreements" \1 2}. In the event of any conflict between the provisions of this Regulatory Agreement and any agreement imposing restrictions on the Project, the provisions providing for the most affordable units, with the most affordability, in the Project shall prevail, so long as at all times the requirements of Section 2, 3, 4, 6, 7 and 31 of this Regulatory Agreement are in any event satisfied.

Section 31. Requirements of CDLAC{tc "Section 31. Requirements of CDLAC" \1 2}. In addition to other requirements set forth herein and to the extent not prohibited by the requirements set forth in Sections 4 through 6 hereof, the Borrower hereby agrees to comply with each of the requirements of CDLAC set forth in this Section 31, as follows:

(a) The Borrower shall comply with the CDLAC Resolution attached hereto as Exhibit D and the CDLAC Conditions set forth in Exhibit A thereto (collectively, the "CDLAC Conditions"), which conditions are incorporated herein by reference and made a part hereof. The Borrower will prepare and submit to the Issuer, not later than February 1 of each year, until the Project is completed, and on February 1 every three years thereafter until the end of the Compliance Period, a Certificate of Compliance 11 for Qualified Residential Rental Projects, in substantially the form required or otherwise provided by CDLAC from time to time, executed by an authorized representative of the Borrower. Such Certificate of Compliance 11 for Qualified Residential Rental Projects shall be prepared pursuant to the terms of the CDLAC Conditions. Additionally, the Borrower will prepare and submit to the Issuer, a Certificate of Completion, in substantially the form required or otherwise provided by CDLAC from time to time, executed by an authorized representative of the Borrower certifying among other things to the substantial completion of the rehabilitation of the Project. Compliance with the terms of the CDLAC Conditions not contained within this Regulatory Agreement, but referred to in the CDLAC Conditions are the responsibility of the Borrower to report to the Issuer.

(b) The Borrower acknowledges that the Issuer and the Administrator will monitor or cause to be monitored the Borrower's compliance with the terms of the CDLAC Conditions. The Borrower acknowledges that the Issuer will prepare and submit to CDLAC, not later than March 1 of each year until the rehabilitation of the Project is completed, and on March 1 of every three years thereafter until the end of the Compliance Period, a Self-Certification Certificate in the form provided by CDLAC. The Borrower will cooperate fully with the Issuer in connection with such monitoring and reporting requirements.

(c) Except as otherwise provided in Section 13 of this Regulatory Agreement, this Regulatory Agreement shall terminate on the date 55 years after the date on which at least fifty percent (50%) of the units in the Project are first occupied or otherwise after the commencement of the Qualified Project Period.

(d) The Borrower shall notify CDLAC in writing of: (i) any change in ownership of the Project, (ii) any change in the Issuer, (iii) any change in the name of the Project or the Manager; (iv) any material default under the Indenture, the Loan Agreement or this Regulatory Agreement, including, but not limited to, such defaults associated with the Tax-Exempt status of the interest on the Bond, and the income and rental requirements as provided in Sections 4 and 6 hereof and the CDLAC Conditions; or (v) termination of this Regulatory Agreement.

(e) CDLAC shall have the right, but not the obligation, to deliver revised CDLAC Conditions to the Borrower after the Closing Date at any time that are not more restrictive than the original CDLAC conditions; provided however, that, with the prior written consent of the Bondowner Representative, which will not be unreasonably withheld: (i) any changes in the terms and conditions of the CDLAC Conditions prior to the recordation against the Project in the real property records of the County of a regulatory agreement between Borrower and the California Tax Credit Allocation Committee ("TCAC Regulatory Agreement") shall be limited to such changes as are necessary to correct any factual errors or to otherwise conform the CDLAC Conditions to any change in facts or circumstances applicable to the Borrower or the Project; and (ii) after recordation of the TCAC Regulatory Agreement, any changes in the terms and conditions of the CDLAC Conditions shall be limited to such changes as are necessary to conform Items 1, 6, 7, 10, 11, 12, 14, 15, 16, 18, 19, 20, 21, 22, 23, 24, 25, 26 and/or 37 of Exhibit A to the CDLAC Conditions to any change in terms and conditions requested by Borrower and approved by CDLAC. The Borrower shall record or cause to be recorded in the real property records of the County an amendment to this Regulatory Agreement containing such revised CDLAC Conditions, executed by the parties hereto or their successor in title and pay any expenses in connection therewith. The Borrower shall provide CDLAC with a copy of that recorded amendment reflecting the revised CDLAC Conditions.

Any of the foregoing requirements of the CDLAC contained in this Section 31 may be expressly waived by CDLAC, in its sole discretion, in writing, but (i) no waiver by CDLAC of any requirement of this Section 31 shall, or shall be deemed to, extend to or affect any other provision of this Regulatory Agreement except to the extent the Issuer has received an opinion of Bond Counsel that any such provision is not required by the Act or the Code and may be waived without adversely affecting the exclusion from gross income of interest on the Bond for federal income tax purposes; and (ii) any requirement of this Section 31 shall be void and of no force and effect if the Issuer and the Borrower receive a written opinion of Bond Counsel to the effect that compliance with any such requirement would cause interest on the Bond to cease to be Tax-Exempt or to the effect that compliance with such requirement would be in conflict with the Act, the Code or any other State or federal law.

IN WITNESS WHEREOF, the Issuer and the Borrower have executed this Regulatory Agreement by duly authorized representatives, all as of the date first above written.

CITY OF SAN JOSE, CALIFORNIA

By: _____
Julia H. Cooper,
Director of Finance

By: _____
David Bopf,
Interim Assistant Director of Housing

Approved as to form:

By: _____
Senior Deputy City Attorney

CATALONIA TWO, L.P.,
a California limited partnership

By: Catalonia Two LLC,
a California limited liability company,
its general partner

By: Eden Investments, Inc.
a California nonprofit public benefit
corporation,
its sole member/manager

By: _____

Its: _____

19021.18:J14773

[Regulatory Agreement - Catalonia Apartments]

NOTARY ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document. *new 2015 disclaimer stamp*

State of California }
County of _____ } ss.

On _____, before me, _____, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared _____
Name(s) of Signer(s)

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 _____ [Seal]
Notary Public

NOTARY ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document. *new 2015 disclaimer stamp*

State of California }
County of _____ } ss.

On _____, before me, _____, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared _____
Name(s) of Signer(s)

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 _____ [Seal]
Notary Public

NOTARY ACKNOWLEDGMENT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document. *new 2015 disclaimer stamp*

State of California }
County of _____ } ss.

On _____, before me, _____, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared _____
Name(s) of Signer(s)

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 _____ [Seal]
Notary Public

EXHIBIT A

DESCRIPTION OF REAL PROPERTY

Real property in the City of San Jose, County of Santa Clara, State of California, described as follows:

ALL OF PARCEL ONE, AS DELINEATED UPON THAT CERTAIN MAP ENTITLED "PARCEL MAP, BEING A PORTION OF LOTS 5 AND 6, AS SHOWN ON THAT CERTAIN MAP ENTITLED 'MAP OF THE CANOAS GARDEN TRACT', RECORDED IN BOOK 'N' OF MAPS, PAGES 85, RECORDED ON FEBRUARY 19, 1912, SANTA CLARA COUNTY RECORDS," FILED FOR RECORD IN THE OFFICE OF THE RECORDER OF THE COUNTY OF SANTA CLARA, STATE OF CALIFORNIA, ON APRIL 12, 1995 IN BOOK 664 OF MAPS, AT PAGES 18 AND 19.

EXCEPTING THEREFROM THE UNDERGROUND WATER OR RIGHTS THERETO WITH NO RIGHTS OF SURFACE ENTRY, AS QUITCLAIMED TO SAN JOSE WATER WORKS, A CALIFORNIA CORPORATION, RECORDED ON MARCH 31, 1995 IN BOOK N806 OF OFFICIAL RECORDS, PAGES 2213.

APN: 455-31-051

EXHIBIT B

FORM OF INCOME CERTIFICATION

VERIFICATION OF INCOME

RE: CATALONIA APARTMENTS
2036 Evans Lane, San Jose, California

Apartment Number: _____. Initial Occupancy Date: _____.

I/We, the undersigned, being first duly sworn, state that I/we have read and answered fully, and truthfully each of the following questions for all persons who are to occupy the unit in the above apartment development for which application is made, all of whom are listed below:

1. Name of Members of the Household	2. Relationship to Head of Household	3. Age	4. Social Security Number	5. Place of Employment
	Head of Household			
	Spouse			

6. The anticipated income of all the above persons during the 12-month period beginning this date, including income described in (a) below, but excluding all income described in (b) below, is \$_____.

(a) The amount set forth above includes all of the following income (unless such income is described in (b) below):

(i) all wages and salaries, over-time pay, commissions, fees, tips and bonuses before payroll deductions;

(ii) net income from the operation of a business or profession or from the rental of real or personal property (without deducting expenditures for business expansion or amortization of capital indebtedness or any allowance for depreciation of capital assets);

(iii) interest and dividends (include all income from assets as set forth in item 7(b) below);

(iv) the full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts;

(v) payments in lieu of earnings, such as unemployment and disability compensation, workmen's compensation and severance pay;

(vi) the maximum amount of public assistance available to the above persons;

(vii) periodic and determinable allowances, such as alimony and child support payments and regular contributions and gifts received from persons not residing in the dwelling;

(viii) all regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is the head of the household or spouse; and

(ix) any earned income tax credit to the extent it exceeds income tax liability.

(b) The following income is excluded from the amount set forth above:

(i) casual, sporadic or irregular gifts;

(ii) amounts which are specifically for or in reimbursement of medical expenses;

(iii) lump sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses;

(iv) amounts of educational scholarships paid directly to a student or an educational institution, and amounts paid by the government to a veteran for use in meeting the costs of tuition, fees, books and equipment, but in either case only to the extent used for such purposes;

(v) hazardous duty to a member of the household in the armed forces who is away from home and exposed to hostile fire;

(vi) relocation payments under Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970;

(vii) income from employment of children (including foster children) under the age of 18 years;

(viii) foster child care payments;

(ix) the value of coupon allotments under the Food Stamp Act of 1977;

(x) payments to volunteers under the Domestic Volunteer Service Act of 1973;

(xi) payments received under the Alaska Native Claims Settlement Act;

(xii) income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes;

(xiii) payments on allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program;

(xiv) payments received from the Job Partnership Training Act;

(xv) income derived from the disposition of funds of the Grand River Band of Ottawa Indians; and

(xvi) the first \$2000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the Court of Claims or from funds held in trust for an Indian tribe by the Secretary of Interior.

7. If any of the persons described in column 1 above (or any person whose income or contributions were included in item 6) has any savings, stocks, bonds, equity in real property or other form of capital investment (excluding interests in Indian trust lands), provide:

(a) the total value of all such assets owned by all such persons: \$_____, and

(b) the amount of income expected to be derived from such assets in the 12-month period commencing this date: \$_____.

8. (a) Will all of the persons listed in column 1 above be or have they been full-time students during five calendar months of this calendar year at an educational institution (other than a correspondence school) with regular faculty and students?

Yes _____ No _____

(b) (Complete only if the answer to Question 8(a) is "Yes"). Is any such person (other than nonresident aliens) married and eligible to file a joint federal income tax return?

Yes _____ No _____

We acknowledge that all of the foregoing information is relevant to the status under federal income tax law of the interest on notes and bonds issued to finance the rehabilitation and development of the apartment building for which application is being made. We consent to the disclosure of such information to the issuer of such notes and bonds, the holders of such notes and bonds, any trustee acting on their behalf and any authorized agent of the Treasury Department or Internal Revenue Service.

We declare under penalty of perjury that the foregoing is true and correct.

Date: _____

Head of Household

Spouse

FOR COMPLETION BY PROJECT BORROWER ONLY:

I. Calculation of eligible income:

- (A) Enter amount entered for entire household from 6 above: \$ _____
- (B) If the amount entered in 7(a) above is greater than \$5,000, enter:
- (i) the product of the amount entered in 7(a) above multiplied by the current passbook savings rate as determined by HUD: \$ _____
 - (ii) the amount entered in 7(b) above: \$ _____
 - (iii) line (i) minus line (ii) (if less than \$0, enter \$0): \$ _____
- (C) TOTAL ELIGIBLE INCOME: \$ _____
(Line I(A) plus line I(B)(iii))

II. Qualification as individuals or a family of Low Income:

- (A) Is the amount entered in line I(C) less than 50% of median gross income for the Area?
Yes _____ No _____
- (B) (i) If line II(A) is "No," then the household does not qualify as a Low Income Tenant; go to item III.
- (ii) If line II(A) above is "Yes" and 8(a) above is "Yes" and 8(b) above is "NO," then the household does not qualify as a Low Income Tenant; go to item III.
- (iii) If line II(A) above is "Yes" and 8(a) above is "No" or 8(a) above is "Yes," but 8(b) is also "Yes," then the household qualifies as a Low Income Tenant; go to item III.

III. Tenant Eligibility (Check one)

The household does not qualify as a Low Income Tenant. _____

The household qualifies as a Low Income Tenant. _____

IV. Number of apartment unit assigned: _____
(enter here and on page one)

Borrower

NOTE TO PROJECT BORROWER: A vacant unit previously occupied by a Low Income Tenant may be treated as occupied by a Low Income Tenant until reoccupied, other than for a period of 31 consecutive days or less, at which time the character of the unit shall be redetermined.

OCCUPANCY CERTIFICATE

(To be filed with the Administrator along with a Verification of Income upon the rental of a unit in the Project.)

Project: CATALONIA APARTMENTS

The tenant identified in the attached Verification of Income has entered into a lease with respect to a unit in the above-described Project.

Such tenant is / is not (*circle one*) a Low Income Tenant (as defined in the Loan Agreement).

The rental of a unit to such tenant will not result in a violation of any of the requirements of the Loan Agreement or this Regulatory Agreement to which the Borrower is a party.

Witness

Borrower

Date: _____

Date: _____

EXHIBIT C

FORM OF CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

MULTIFAMILY HOUSING REVENUE BOND PROJECTS

Certificate of Continuing Program Compliance

Reporting Period:	January 1, ____ to December 31, ____
Project Name:	Catalonia Apartments
Project Address:	2036 Evans Lane, San Jose, California
Project Owner:	Catalonia Two, L.P.

The undersigned, who is fully authorized to execute this certificate on behalf of the Project Owner, having borrowed certain funds from the City of San Jose (the "Issuer") for the purpose of financing the acquisition and rehabilitation of the multifamily rental housing development listed above (the "Project"), does hereby certify the following for this reporting period:

1. The Project was continually in compliance with the Regulatory Agreement executed in connection with such loan from the Issuer;
2. The Project, its units, and its services comply with all requirements set forth in Exhibit A to the CDLAC Resolution No. 17-42;
3. The Project met its requirement to provide ____ units for Low Income residents;
4. The submitted Rent Roll for (date) _____ is accurate to the best knowledge of the Project Owner, and the Project's occupancy as of the final day of this compliance period is:

Total Units in Project: _____
 Total occupied Extremely Low-Income Units: _____
 Total occupied Very Low-Income Units: _____
 Total occupied Low-Income Units: _____
 Total Units Held Vacant for Low-Income residents: _____

5. That, as set forth below, the income-qualified tenants who commenced or terminated occupancy during the preceding month are as follows:

Commenced Occupancy		Terminated Occupancy	
Unit #	Residents	Unit #	Residents

6.	T		
	h		

e

Project Owner, or an entity acting on its behalf, has completed an annual Tenant Income Certification for each unit and has received sufficient documentation to support that certification, both at the resident's initial occupancy and on the anniversary of the occupancy;

7. The Project Owner understands that transfer of ownership, in part or whole, requires Issuer's prior written consent and the provision of all required documents per the Issuer's Regulatory Agreement and as requested in annual bond monitoring;
8. No unremediated default has occurred under the Regulatory Agreement or the Loan Agreement. **[OR CHOOSE A default under the Regulatory Agreement or the Loan Agreement has occurred. The nature of the default and the measures being taken to remedy such default are as follows: [DESCRIBE]]**
9. The Project's current asset management contact information is provided below:

Owner's Firm:	
Asset management director:	
Title:	
Address:	
Phone:	
Email:	
Asset manager:	
Title:	
Address:	
Phone:	
Email:	

10. The Project's current property management contact information is provided below:

Property Management Firm:	
Regional property manager:	
Title:	
Address:	
Phone:	
Email:	
Property manager:	
Title:	

Address:	
Phone:	
Email:	

This certification, along with the Rent Rolls and other information submitted, is herewith attested to be true and accurate information to the best of the undersigned's knowledge and belief.

Submitted by (signature): _____

Name: _____

Company: _____

Title: _____

Date: _____

EXHIBIT D

CDLAC RESOLUTION NO. 17-42

(attached resolution here)