



**HOUSING AUTHORITY
of the County of Los Angeles**

Administrative Office
2 Coral Circle • Monterey Park, CA 91755
323.890.7001 • www.lacdc.org • TTY: 323.838.7449



**Gloria Molina
Yvonne Brathwaite Burke
Zev Yaroslavsky
Don Knabe
Michael D. Antonovich**
Commissioners

Carlos Jackson
Executive Director

**AGENDA
FOR THE REGULAR MEETING OF THE
LOS ANGELES COUNTY HOUSING COMMISSION
WEDNESDAY, NOVEMBER 17, 2004
12:00 NOON
CDC/HEADQUARTERS
2 CORAL CIRCLE
MONTEREY PARK, CA 91755
(323) 890-7001**

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- 1. **Call to Order:**
- 2. **Roll Call:**

**Treneastra Farmer, Chair
Henry Porter, Vice Chair
Chris Amegatcher
Severyn Aszkenazy
Phillip Dauk
Lynn Caffrey Gabriel
Sharon M.Y. Lowe
Andrew Nguyen**

- 3. **Reading and Approval of the Minutes of the Previous Meeting:**

Regular Meeting of September 22, 2004, and cancelled Regular Meeting of October 27, 2004.

- 4. **Report of the Executive Director**
- 5. **Staff Presentation: Quarterly Contract Status Report – Geoffrey Siebens**
- 6. **Staff Presentation: Cable Television at Nueva Maravilla - Geoffery Siebens**
- 7. **Staff Presentation: Emergency Evacuation Program - Arlene Black**
- 8. **Public Comments: The public may speak on matters that are within the jurisdiction of the Housing Commission. Each person is limited to three minutes.**



Regular Agenda

9. **Approve Housing Commission 2005 Meeting Schedule**
10. **Motion by Commissioner Porter to implement a West Nile Virus Awareness Campaign for Housing Authority residents to inform them about the dangers of the virus, and instruct staff to increase preventative measures (ALL DISTRICTS). (APPROVE)**
11. **Motion by Commissioner Aszkenazy to implement a roof inspection schedule for Housing Authority residential properties to evaluate conditions and complete repairs prior to the rainy season (ALL DISTRICTS). (APPROVE)**
12. **Approve Agreement with KPMG LLP for Financial Audit Services (ALL DISTRICTS).**

Recommendation: Approve the expenditure of an aggregate of approximately \$307,868 for financial auditing services provided to the Housing Authority under the attached one-year Agreement, with two, one-year extensions, for Financial Audit Services (Agreement between the Community Development Commission of the County of Los Angeles and KPMG LLP. Authorize the Executive Director of the Housing Authority to transfer to the Commission approximately \$307,868 for its share of financial audit services received from KPMG under all three years of the Agreement, if extended, comprised of approximately \$98,217 for the first year of services, \$102,316 for the second year of services and \$107,335 for the third year of services, and to use for this purpose funds included in the Housing Authority's approved Fiscal Year budgets. Approve the expenditure of additional funds up to \$50,000 for any unforeseen, needed special reviews and authorize the Executive Director of the Housing Authority to transfer to the Commission up to \$50,000 for this purpose, using the same source of funds described above. (APPROVE)
13. **Award One-Year Contracts to Provide Countywide Demolition Services (ALL DISTRICTS).**

Recommendation: Approve and authorize the Executive Director to execute one-year Contracts for Demolition Services (Contracts), in the form of the attached, and all related documents, with All American Demolition, Inc., Interior Demolition, Inc., and Visions West, for demolition services on a project-by-project, as-needed basis, related to the development and/or rehabilitation of affordable housing, commercial and other facilities throughout the County of Los Angeles, to be effective upon approval as to form by County Counsel and execution by all parties, and to use for this purpose an aggregate amount of \$50,000, to be incorporated into the Housing Authority's approved Fiscal Year 2004-2005 budget, as needed.

Authorize the Executive Director to execute amendments to the one-year Contracts, following approval as to form by County Counsel, to incorporate specific demolition projects, addresses and services and to extend the time of performance for two additional years, in one-year increments, in an aggregate amount of \$57,500 for year two and an aggregate amount of \$66,125 for year three of the Contracts, using funds to be included in the Housing Authority's approved budget through the annual budget process. Authorize the Executive to increase the aggregate Contract amount by \$10,000 in the first year, to be incorporated into the Housing Authority's approved Fiscal Year 2004-2005 budget, as needed, and to increase the second and third year aggregate Contract amounts by \$11,500 and \$13,225, respectively, using funds to be included in the Housing Authority's approved budgets through the annual budget process, for unforeseen, needed demolition services. (APPROVE)

14. Resolutions Approving and Authorizing the Issuance of Multifamily Housing Mortgage Revenue Bonds for San Fernando Senior Housing in the City of San Fernando

Recommendation: Acting in the role of Responsible Agency for San Fernando Senior Housing, a 98-unit affordable senior rental housing development to be located at three sites in the City of San Fernando, identified in Attachment A, certify that the Housing Authority of the County of Los Angeles has independently considered and reached its own conclusions regarding the environmental effects of the project and the Environmental Assessment/Mitigated Program (MMP) adopted by the Board of Supervisors of the County of Los Angeles, as Lead Agency, and determine that the EA/MND and MMP adequately address the environmental impacts of the projects, and adopt by reference the County's environmental findings in connection with approval of the project.

Adopt and instruct the Chairman to sign Resolution, as required under Section 34350.5 of the Health and Safety Code of the State of California, authorizing the issuance of Multifamily Housing Mortgage Revenue Bonds by the Housing Authority of the County of Los Angeles, in an amount not exceeding \$6,400,000, to assist San Fernando Senior Housing, L.P. (the Developer) to finance the site acquisition and construction of San Fernando Senior Housing. Authorize the Executive Director to execute all related documents, following approval as to form by County Counsel, and to take all necessary actions to finance acquisition and construction of San Fernando Senior Housing. (APPROVE)

15. Award One-Year Agreements to Provide Countywide Asbestos and/or Lead Consulting Services (ALL DISTRICTS)

Recommendation: Approve and authorize the Executive Director of the Housing Authority to execute one-year Asbestos and/or Lead Consulting Services Agreements (Agreements) with the 13 firms identified in Attachment A, using the form of the attached Agreement, to provide asbestos and/or lead consulting services on a project-by-project, as-needed basis during the development and/or rehabilitation of affordable housing, commercial and other facilities throughout

the County of Los Angeles, to be effective upon execution by all parties, and to use for this purpose \$110,000 to be incorporated into the Housing Authority's approved Fiscal Year 2004-2005 budget, as needed.

Authorize the Executive Director to execute amendments to the one-year Agreements, following approval as to form by County Counsel, to extend the time of performance for a maximum of two years, in one-year increments and to increase the total amount of compensation for the second and third years to a maximum aggregate amount of \$137,500 and \$171,875 respectively, using funds to be included in the Housing Authority's approved budget through the annual budget process. Authorize the Executive Director to increase the first year of the Agreements by a maximum aggregate of \$27,500, to be incorporated into the Housing Authority's approved Fiscal Year 2004-2005 budget, and to increase the second and third years of the Agreements by a maximum aggregate of \$34,375 and \$42,969, respectively, using funds to be included in the Housing Authority's approved budgets through the annual budget process, for unforeseen costs and projects. (APPROVE)

16. Housing Commissioner Comments and Recommendations for Future Agenda Items.

Housing Commissioners may provide comments or suggestions for future agenda items.

Copies of the preceding agenda items are on file and are available for public inspection between 8:00 a.m. and 5:00 p.m., Monday through Friday, at the Housing Authority's main office located at 2 Coral Circle in the City of Monterey Park. Access to the agenda and supporting documents is also available on the Housing Authority's website.

Agendas in Braille are available upon request. American Sign Language (ASL) interpreters, or reasonable modifications to Housing Commission meeting policies and/or procedures, to assist members of the disabled community who would like to request a disability-related accommodation in addressing the Commission, are available if requested at least three business days prior to the Board meeting. Later requests will be accommodated to the extent possible. Please contact the Executive Office of the Housing Authority by phone at (323) 838-5051, or by e-mail at Marisol.Ramirez@lacdc.org, from 8:00 a.m. to 5:00 p.m., Monday through Friday.

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES
MINUTES FOR THE REGULAR MEETING OF THE
LOS ANGELES COUNTY HOUSING COMMISSION

Wednesday, September 22, 2004

The meeting was convened at the Housing Authority's Section 8 Program office located at 12131 Telegraph Road, Santa Fe Springs, California.

Digest of the meeting. The minutes are being reported seriatim. A taped record is on file at the main office of the Housing Authority.

The meeting was called to order by Chair Treneatra Farmer at 12:25 p.m.

ROLL CALL	<u>Present</u>	<u>Absent</u>
Chris Amegatcher		X
Severyn Aszkenazy	X	
Phillip Dauk		X
Treneatra Farmer	X	
Lynn Caffrey Gabriel		X
Sharon M.Y. Lowe	X	
Andrew Nguyen	X	
Henry Porter, Jr.	X	

PARTIAL LIST OF STAFF PRESENT:

Bobbette Glover, Assistant Executive Director
Rebecca Craigo, Director, Assisted Housing Division
Marie Quon-Hom, Assistant Director, Assisted Housing Division
Maria Badrakhan, Director, Housing Management
Emilio Salas, Director, Administrative Services
Jim Becker, Manager, Assisted Housing Division
Arlene Black, Manager, Housing Management Division
Kevin Fulton, Manager, Housing Management Division
Carolina Romo, Manager, Housing Management Division
Esther Keosababian, Manager, Housing Management Division

PARTIAL LIST OF GUESTS PRESENT:

Stacey Roa, Policy Deputy, Fourth Supervisorial District

Reading and Approval of the Minutes of the Previous Meeting

On Motion by Commissioner Porter, seconded by Commissioner Severyn Aszkenazy, the Minutes of the Regular Meeting of August 25, 2004, were approved with one abstention by Commissioner Lowe who was not present at the last meeting.

Agenda Item No. 4 - Report of the Executive Director

This report was presented by Bobbette Glover with staff participation.

Ms. Glover introduced Stacey Roa, Deputy for the Fourth Supervisorial District. She announced that at 3:00 p.m. on October 20, 2004, Supervisor Knabe will preside over the Grand Opening of the Harbor Hills Community Center and Childcare Center. Housing Commissioners will receive formal invitations to the opening.

At the September 28, 2004, meeting of the Board of Supervisors, Supervisor Knabe will present proclamations to representatives of Long Beach City College and California State University Long Beach for contributions made to the Housing Authority through the CitySERVE Program and the Carmelitos Service Learning Initiative.

As requested by Commissioner Farmer at the last meeting, Ms. Glover advised that the tot lot to be constructed at the Nueva Maravilla housing development will have a capacity of approximately 33 children at a time.

Ms. Glover announced that she and several staff would be attending a workshop on the Ralph M. Brown Act to be conducted by County Counsel on September 23, 2004. She will advise the Housing Commissioners of any changes to the Brown Act.

The selection process for two new Tenant Commissioners will begin in November 2004. Ms. Glover requested that Commissioner Porter serve on the interview panel in February 2005, along with a representative from the Chief Administrative Office and others. The number of responses will determine the selection process.

A new recording and sound system will be purchased for use at Housing Commission meetings. The system will record meetings and have a wireless, handheld microphone.

On September 8, 2004, a meeting was held of the committee to select a developer for the transfer of ownership of the Ujima Village housing development. Commissioners Aszkenazy, Porter and Dauk serve on this committee. The consultant assisting with the process provided an analysis and ranking of the eight proposals received. The three finalists will make presentations to the selection committee in November. In the interim, the consultant is completing additional research on each of the finalists.

Agenda Item No. 5 – Legislative Update

Tricia Tasto provided an update on federal funding cuts. The Housing Authority submitted a request to HUD to reinstate \$3.9 million in funding, of which HUD granted

\$3.8 million in Section 8 Program funding for the current fiscal year. A request to replenish Housing Authority reserve funds is also pending, with approval not expected. A recent Appropriations Bill decreased most HUD programs by 4% in order to fund the Section 8 Program. Public housing programs are being cut slightly more than 4% below fiscal year 2004 levels. The new fiscal year begins on October 1, 2004, however, final approval may extend into the next calendar year.

The City of Industry was unsuccessful in regaining control of Industry Funds. The City's efforts are expected to continue and the Housing Authority will monitor these efforts.

Commissioner Porter inquired about the proposed Block Grant and Flexible Voucher programs. Ms. Tasto reported that these proposals have failed.

Becky Craig reported that due to extensive cuts in federal funding, the Section 8 Program is expected to be radically restructured. The budget-based model may provide the flexibility needed to make the Section 8 Program viable in the future. Some of the changes being considered include: flat rent subsidies; waiting lists only within jurisdictions; income re-certifications conducted every other year for certain populations; no annual property inspections; and time limits for assistance. Both political parties are desirous of program changes.

Agenda Item No. 6 – Public Comments

No members of the public were in attendance

Regular Agenda

On Motion by Commissioner Aszkenazy, seconded by Commissioner Porter and unanimously carried, the following was approved by the Housing Commission:

ACCEPT SERVICE LEARNING INITIATIVE PRODUCTIVITY INVESTMENT FUNDS
FROM THE COUNTY OF LOS ANGELES QUALITY AND PRODUCTIVITY
COMMISSION
(ALL DISTRICTS)
AGENDA ITEM NO. 7

1. Recommend that the Board of Commissioners find that the acceptance of Productivity Investment Funds to implement a two-year program to assist with the coordination, evaluation, and expansion of the Service Learning Initiative at all County Housing Authority sites is exempt from the California Environmental Quality Act (CEQA), as described herein, because the proposed activities will not have the potential for causing a significant effect on the environment.
2. Recommend that the Board of Commissioners authorize the Executive Director to accept from the County of Los Angeles Quality and Productivity Commission \$135,000 in Productivity Investment Funds to implement the two-year program

described above; and authorize the Executive Director to execute all documents required for receipt of the funds, and to incorporate the funds into the Housing Authority's approved Fiscal Year 2004-2005 budget.

3. Recommend that the Board of Commissioners authorize the Executive Director to prepare and execute contracts with Service Learning facilitators and an evaluator, in a combined total amount not to exceed \$135,000, to assist in coordination, evaluation, and expansion of the Service Learning Initiative, in accordance with County requirements, following approval as to form by County Counsel.

On Motion by Commissioner Lowe, seconded by Commissioner Porter and unanimously carried, the following item, as amended, was approved by the Housing Commission:

APPROVE EMPLOYEE MEDICAL, LIFE AND DISABILITY PLAN CHANGES
(ALL DISTRICTS)
AGENDA ITEM NO. 8

1. Recommend that the Board of Commissioners approve and authorize the Executive Director of the Housing Authority to fund, with the Community Development Commission, the difference between Commission employee contributions and the actual cost of group insurance programs, for the 2005 calendar year, with Kaiser Health Plan (Kaiser), Blue Shield Health Maintenance Organization (HMO) and Blue Shield Point-of-Service (POS), at an estimated cost of \$573,000, using funds included in the approved Fiscal Year 2004-2005 budgets of the Housing Authority and Commission, and funds to be approved through the Fiscal Year 2005-2006 budget process.
2. Recommend that the Board of Commissioners authorize the Executive Director to replace the employee life and disability plans, currently provided by ING, with comparable plans provided by MetLife, at an estimated cost of \$264,000 for the 2005 calendar year; authorize the Executive Director to pay \$22,000 as the first month's premium to MetLife; and authorize the Executive Director to use for these purposes funds included in the approved Fiscal Year 2004-2005 budgets of the Housing Authority and Commission, and funds to be approved through the Fiscal Year 2005-2006 budget process.
3. Recommend that the Board of Commissioners authorize the Executive Director to execute contracts and contract amendments with the above firms for the purposes described herein, to be effective January 1, 2005, following review by County Counsel.

Prior to Approval

Bobbette Glover proposed amendment of this item to increase the employer benefit contribution to levels consistent with County employees, as approved by the Board of Supervisors on September 21.

Commissioner Porter questioned whether a vote could be taken, because the changes were not noticed to the public, as required by the Ralph M. Brown Act. Discussion followed regarding the manner of voting and Brown Act compliance.

Commissioner Porter asked whether this matter could have been posted in time to comply with the Brown Act, and whether it was urgent. Bobbette Glover responded that the Board of Supervisors had only approved benefits for County employees on the preceding day. Margarita Herrera added that it was critical to approve this matter today in order to meet the deadline for the October 5 agenda of the Board of Commissioners and begin open enrollment on October 18.

Discussion by the Housing Commission established the following: the recommended changes are within the general scope of the agenda item as originally posted; there is an urgency in order to begin employee open enrollment on time; and the changes came to the attention of the Housing Authority after the posting of the agenda.

Commissioner Lowe moved to approve the amended item, subject to County Counsel's determination of Brown Act compliance; otherwise, the changes would be approved at a subsequent meeting. Commissioner Porter seconded, and the item was unanimously approved. Bobbette Glover will consult with County Counsel and report back.

Agenda Item No. 9 – Housing Commissioner Comments and Recommendations for Future Agenda Items

Commissioner Porter suggested that the Housing Authority take the following actions related to the West Nile Virus: utilize the flier provided by the County Department of Health Services to inform residents and tenants of the potential dangers and preventative steps; implement closer scrutiny by maintenance staff to check for water leaks, standing water, etc; provide information in tenant newsletters. Ms. Glover responded that she would explore appropriate actions and report back at the next meeting.

Commissioner Lowe commented on a Los Angeles Times article regarding a family losing a Section 8 Program Voucher issued by the City of Los Angeles, and statements attributed to Bobbette Glover. Ms. Glover stated that the quoted statements were made two months prior and were unrelated to this article.

Commissioner Aszkenazy suggested that staff conduct preventative roof inspections at all public housing sites. Maria Badrakhn responded that this matter would be placed on the agenda for the next Maintenance Supervisors' meeting.

The next scheduled meeting of the Housing Commission will be held at Noon on Wednesday, November 17, 2004 at 2 Coral Circle, Monterey Park, California 91755.

On Motion by Commissioner Porter, the Regular Meeting of September 22, 2004, was adjourned at 1:10 p.m.

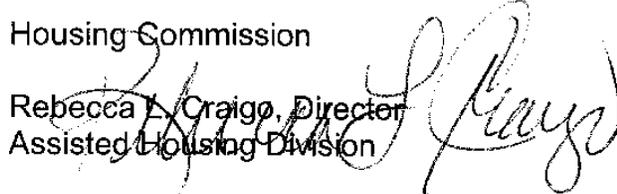

for CARLOS JACKSON
Secretary - Treasurer

FOR YOUR INFORMATION ONLY

October 27, 2004

TO: Housing Commission

FROM: Rebecca L. Craig, Director
Assisted Housing Division



SUBJECT: THE FAMILY SELF-SUFFICIENCY (FSS) PROGRAM

FSS Program Update

For the month of September, FSS staff processed 34 new FSS program Contracts of Participation. Fifty FSS applications have been reviewed for goals and fifty FSS program contracts of participation are ready to be executed this month. Additionally, FSS received 14 new applications from Section 8 Housing Choice Voucher participants. The new applications will be processed within the next 30 days.

On September 24, 2004, the FSS staff hosted a workshop for 25 new participants who joined our program in the last 3 months. The workshop focused on numerous supportive services and partnerships available to our participants throughout the County of Los Angeles. FSS staff informed participants of new payment standards from the Assisted Housing Division quarterly newsletter, *Tenant Talk*.

Graduations:

There were no graduates this month. Since the program inception, the total number of graduates is 120.

If you have any questions, please call me at (562) 347-4880.

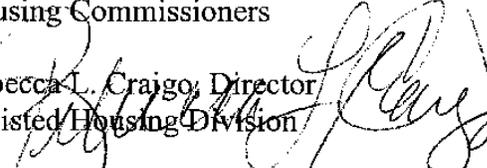
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Housing Authority - County of Los Angeles

FOR YOUR INFORMATION ONLY

November 17, 2004

TO: Housing Commissioners

FROM: Rebecca L. Craig, Director
Assisted Housing Division 

SUBJECT: **THE FAMILY SELF-SUFFICIENCY (FSS) PROGRAM**

FSS Program Update

For the month of October, FSS enrolled 19 new Section 8 Housing Choice Voucher (HCV) participants into the FSS program. Additionally, FSS received 9 new applications from Section 8 HCV participants. The new applications will be processed within the next 60 days.

In the past month, FSS attended a training seminar on the implementation of *Money Smart* modules, an adult education program that was developed and presented by the *Federal Deposit Insurance Corporation, Division of Supervision and Consumer Protection*. The *Money Smart* program is a set of 10 instructor-led training modules covering basic financial topics from choosing and maintaining a checking account, the mechanics of budgeting, the importance of saving, and how to obtain and use credit effectively. With *Money Smart*, the more people know about credit and banking services, the more likely they are to increase savings, buy homes, and improve their financial health and wellness. FSS is determined to implement the modules in 2005 by offering continuous workshops throughout the year to active FSS participants based on the needs of our families.

Graduations

This month, two families graduated from FSS. The total number of graduates is 122.

If you have any questions, please call me at (562) 347-4880.

RLC:MF:MG:dt
Commissionerreport10.04

L.A. to Fight Ruling on Housing Subsidy

LA Times
8/30/04

City will appeal decision that struck down an ordinance aimed at preserving low-income units. Thousands of people could be evicted.

By JOCELYN STEWART
AND JESSICA GARRISON
Times Staff Writers

Los Angeles City Council members voted Friday to appeal a decision by a Los Angeles Superior Court judge that outlawed a city policy aimed at preserving low-income apartments.

In August, Judge E.A. Fajardo struck down a city ordinance that imposed financial penalties on landlords who stop accepting federal housing subsidies from low-income tenants.

He found that the city law was pre-empted by a similar but much less strict state law.

If that decision were to stand, housing advocates said, as many as 67,000 people could be forced from their apartments.

"We will take this appeal and fight it to the greatest extent possible," said Cecilia Estolano of the city attorney's office. "It is important to protect these vulnerable tenants."

Craig Mordoh, of the California Apartment Law Information Foundation, called the ordinance unconstitutional and said he was confident the association would prevail.

"The city went beyond what the state did, and I don't think the city had the authority to do that," he said.

The ordinance, which the City Council passed in 2002, is intended to keep landlords from abandoning the Section 8 housing program, under which participants pay about 30% of their income in rent and the federal government pays the rest.

Supporters of the law said some landlords with Section 8 apartments were seeking higher

rents on the open market and refusing to accept housing vouchers from tenants. Without the subsidy, tenants would be forced to pay the full rent or move out.

Under the city ordinance, any owner who terminated or failed to renew a rental assistance contract with a Section 8 tenant could not demand that the tenant pay the full contract rent, but could only demand the portion paid by the tenant.

The Apartment Assn. of Greater Los Angeles challenged the law, arguing that it denied owners a fair return on their rental property, was an invalid exercise of the city's police power and constituted an illegal taking of the owner's property without proper compensation.

Fajardo ruled that a state law already addressed the issue. The state law, according to legislative history, was created to "close the loophole to prevent landlords from arbitrarily terminating their Section 8 tenants in order to get a decontrolled unit," Fajardo wrote in court documents.

The state law requires landlords leaving the Section 8 program to give tenants 90 days before they must pay higher rates.

The dispute comes when the Section 8 programs in the city and county of Los Angeles have suffered setbacks. Budget problems, fueled by cutbacks at the federal level, have forced agencies to freeze the number of new vouchers issued, reduce subsidies and increase the portion of the rent paid by tenants. Rod Field of the L.A. Housing Law Project said many families could face eviction if the court decision stands.

"We're talking about ... a lot of people here," he said. "Thirty thousand contracts. I think a lot of these landlords are going to want more money, which will put more people out on the street. Just look at the Sunday real-estate section. The market's just insane. It's like \$1,200 for a one-bedroom apartment now."

FOR YOUR INFORMATION ONLY

County Officials Celebrate Grand Opening Of 12,000 Square Foot Community And Child Care Center At 300-Unit Harbor Hills Public Housing Site



Center includes enclosed multi-purpose athletic court, children play area, conference room, and Sheriff's office.

Facility is the first such center in the history of the County Housing Authority. It aims to provide supportive services to assist residents on road to self-sufficiency.

On Wednesday, October 20th, Los Angeles County officials and the community celebrated the grand opening of a 12,000 square foot Community and Child Care Center at the 300-unit Harbor Hills public housing site in Inglewood. The center, which includes an enclosed multi-purpose athletic court, a child care facility for 30-40 kids, conference rooms, and a Sheriff's community policing office - is the first such facility in the history of the Los Angeles County Community Development Commission (CDC), which serves as the County's Housing Authority.

The \$4 million center, located at the southwest corner

of West 115th Avenue and West 115th Street, West Drive, will provide vital services for the site's approximately 200 residents that are not readily available in the adjacent community. Activities such as organized sports, recreation, community events, and educational and self-improvement workshops will foster self-sufficiency for residents.

Don Knabe, chairman of the Los Angeles County Board of Supervisors, said, "This center will provide valuable services in a friendly and secure environment. Parents can now go to work and leave their young children in an on-site quality and affordable child care facility. They and their children also have a place to bond with fellow residents, recreate, and also develop skills that will help them achieve self-sufficiency."

After remarks from officials, attendees watched Supervisor Knabe officially open the shining new athletic

court by flipping a switch that turned on the basketball ring on the court. He was joined by Nate Archibald, head coach of the Long Beach Jam professional basketball team and vice president of the NBA Hall of Famer who grew up in public housing, and by Natasha Watley, the short stop on the U.S. Olympic softball team that won the gold medal in 2004 and also a Southern California native and UCLA student-athlete.

The \$170,000 immediately focused over a dozen basketballs to the scores of children who quickly ran onto the court and started shooting baskets. Archibald and Watley volunteer their time to help inner-city youth, serving as positive role models. They have arranged to have the Jam and UCLA provide free game tickets for the Harbor Hills youth and their families so they can enjoy the sporting events.

"Getting to this point was no easy feat," said Carlos Jackson, executive director

of the CDC, executive director of the Harbor Hills Development (HHD) Department. "Over the last five years, the number of meetings with the community to create this facility has soared. It's their concerns and the residents. We will continue the good neighbor policy. I thank all the parties and the Community Development Commission staff for working long and cooperatively on what will be a valuable Harbor Hills resource." Funds for the center came from the U.S.

Housing and Urban Development (HUD) Department's Public Housing Capital Fund and Community Development Block Grant (CDBG) programs. Watching the excited youth on the athletic court and the toddlers in the child care area, Justice Kelly, could not help but smile. As president of the Harbor Hills Resident Council, an elected body that represents residents, she knows that the demand is

there. "This is the second oldest public housing site managed by the County Housing Authority. It was built in 1941, over 60 years ago. The site needed to be modernized. The \$9 million site modernization project over the last five years helped. Today's new \$4 million center helps even more. We needed more space to meet, learn, and grow as individuals. It is a positive thing for everyone."

FOR YOUR INFORMATION ONLY



Photo by Tom Underhill

Spirit Dancers and Los Angeles County officials celebrate the opening of the Harbor Hills Community Center.

Harbor Hills Opens Community Center

By Josh Cohen
Peninsula News

A ceremony led by 4th District County Supervisor Don Knabe heralded the opening of a new \$2.3-million gym and child-care facility at the Harbor Hills public housing project on Palos Verdes Drive North.

"This is our house," said an excited 8-year-old Iman Marshall in the new gymnasium. "This place is big."

The 12,650-square-foot center houses more than just a basketball court. Additional offices are there for deputies from the Lomita Sheriff's Station, child care and educational classes. Harbor Hills Property Supervisor Charmaine Francois said the Cub Scouts of Troop 642, Boy Scouts and the local resident council also will use the facility's new meeting spaces.

"Our residents are really excited," said Francois. "It's been a long time coming for this facility, since about 1998. This is a great opportunity for our Harbor Hills residents because now they have a facility to accommodate so many of the things they've wanted to do."

Marshall and his 10-year-old friend Mark Edwards love everything from the retractable

basketball hoops to the new drinking fountains.

"This is going to be my locker," Edwards said proudly as he stood next to a new bank of storage spaces.

"This place is big, and they've got more lockers in the bathroom," said Marshall.

Prior to its construction, the new gym drew the attention of some Rancho Palos Verdes residents whose homes directly abut Harbor Hills. After some intervention by former council members Marilyn Lyon and John McTaggart, portions of the development were moved further away from the RPV border, which seemed to satisfy residents' concerns about noise and lighting.

Capt. Jay Zuanich of Lomita Station and Harbor Hills Deputy Lou Madrid say Harbor Hills is safer than ever.

"Since our deputies took over here in 1996, crime has been reduced by 70 percent," said Zuanich.

The captain remembers the RPV complaints, but says since construction began in 2002, his station has received no calls from the Hill.

"It's really a nice place to live," said Francois. "This already is having a positive influence on our kids. You can tell by the smiles."

Housing Authority - County of Los Angeles

November 3, 2004

TO: Housing Commissioners
FROM: Bobbette A. Glover, Assistant Executive Director



SUBJECT: HOUSING COMMISSION QUARTERLY CONTRACT STATUS REPORT

Attached is the quarterly contract status report, which includes all Housing Authority "active projects." These contracts have been approved by the Housing Commission and are in contract award, construction, or closeout phases. The report is primarily the summary status as entered in TRACKER by the assigned project managers of Construction Management Division, as of today.

BG:qcsrmemo

Contract Status Report

Project Filter Options: Program: All Programs
 Department: Construction Management
 District: All Distr. Dev. Stage: Active
 Proj. Manager: All Managers
 Team Member: All Team Members
 Fund Source: All funds

District	Project Name	Contractor Name	Original Contract Amount	Current Contract Amount	% Cng Orders	Approved Payments	%Cmpl	Status
1st	Maravilla Electrical Systems Tracker #: TP000279	Edwin G. Bowen Company Inc.	\$74,876	\$74,876	0%	\$58,550	78%	P2S met with subconsultant on 10/29/04. The consultants determined that the metal security enclosure can not be redesigned. CMD asked the consultants to provide reasons and to check their estimate with metal fabrication contractors. CMD would recommend to re-bid the project with both the stucco and metal security enclosures. Follow-up with the consultant to finalize the design and move on to bid phase.
1st		Skips Electric Inc.	\$9,800	\$9,800	0%	\$0	0%	
1st		EDWIN G. BOWEN COMPANY INC	\$467,907	\$546,084	17%	\$374,942	69%	
1st		ROKNI ELECTRIC COMPANY INC.	\$12,000	\$22,500	88%	\$22,500	100%	
1st	Nueva Maravilla New Toilet (FY 04-05) Tracker #: TP001609	MALIBU - PACIFIC TENNIS COURTS INC	\$74,500	\$74,500	0%	\$0	0%	Contractor received the play equipment from Little Tikas the week of 10/25 - 10/29/04. A project schedule has been submitted indicating contractor anticipates finishing earlier than the allotted time. Contractor to mobilize and start construction on 11/8/04.
2nd	88th Beach Kitchen Rehab and Windows Tracker #: TP001169	TORRES CONSTRUCTION CORPORATION	\$78,000	\$79,680	2%	\$19,097	24%	Contractor working out correction list items.
2nd	Ums Village Rehab (04-05 (5 units)) Tracker #: TP001729	M.L. CONSTRUCTION	\$410,000	\$410,000	0%	\$97,076	24%	Mold remediation started on 10/7/04. All of the units did not pass the clearance testing. The mold removal crew was sent back to the site for additional cleaning. To date, 8 units have been cleared for mold. The remaining 7 units were tested again on Friday 10/29/04. Contractor is proceeding with the interior rehabilitation on the first eight units. Mold Clearance test results for the remaining 7 units should be available on 11/3/04.

District	Project Name	Contractor Name	Original Contract Amount	Current Contract Amount	% Cng Orders	Approved Payments	%Cmpl	Status
2nd	Woodcrest I & II Exterior Door Replacement (1/04-05) Tracker #: TP001606	C. A. S. General Contractor	\$62,860	\$62,860	0%	\$1,854	3%	Work was delayed due to new doors scraping on the floor, agreed upon solution was to remove the extra layer of existing subfloor and install new VCT, thus keeping finish floor at proper elevation. Also, the 3 rain days affected the schedule.
3rd	Santa Monica RHC-P-Sites Roofing Replacement Tracker #: TP000942	Cooper Roofing Service, Inc.	\$87,778	\$87,778	0%	\$0	0%	Contractor anticipates finishing all work the first full week of November; there will likely be some purchaser items the week of November 8.
3rd	Various Scattered Sites Flooring (01-02) Tracker #: TP001162	CONTINENTAL FLOORING CO	\$128,800	\$128,800	0%	\$20,064	16%	The 14th street site was completed. Contractor is working on the 9th Street site. The 20th Street site is scheduled to be started on 11/8/04.
3rd	Meshkool & Pain Cabinet Replacement and Building Improvement Tracker #: TP001158	TORRES CONSTRUCTION CORPORATION	\$954,000	\$980,753	3%	\$918,148	94%	Santa Monica project to start 11/10/04. The contractor is working on punchlist items.
4th	Harbor Hills Community Center Tracker #: TP000275	EDWIN G. BOWEN COMPANY INC	\$3,570,000	\$4,005,278	12%	\$3,957,868	96%	Consultants is working on the design to resolve the site handicap issue. The ADA site work is scheduled to be completed by the end of 1st quarter of 2005.
4th	Harbor Hills Job Replacement 504-02 Tracker #: TP001171	Natural Building Maintenance	\$900,000	\$913,670	2%	\$695,276	76%	11/2 - Contractor is anticipated to complete all of the units by mid November. CMD continues to inspect completed units with HM maintenance staff on Wednesdays. Progress payment #6 is being processed pending contractor to submit lien releases from the flooring subcontractor. Contractor will provide additional back-up documents for additional "Workers Comp" fee and "Labor Tax" fee requested for the Change Order. Change Order review pending these back-ups.
TOTALS:			\$5,830,521	\$7,988,579	8%	\$6,065,975		Continue to inspect the completed units on Wednesdays. CMD estimates that the project will be completely done by early December.

**SENIOR HOUSING DEVELOPMENTS
EVACUATION DRILL
OBSERVATIONS**

Evacuation Drills on September 17, 2004

MARINA MANOR

Out of 177 occupied units, 64 units (37%) participated in the drill.

Notes:

- Elevators were manually stopped in advance—no testing of fire alarm activated drop.
- Alarm rang for 15 minutes before drill was called over;
- Residents that participated did not display urgency.

KINGS ROAD

Out of 98 occupied units, 33 units (33%) participated in the drill.

Notes:

- Alarm bells ineffective—bell was low pitched and continuous, not pulsing. Original fire alarm equipment;
- Elevators did not have auto-drop feature – Not required for two-story building;
- Alarm rang for 15 minutes before drill was called over;
- Many residents observed inside their units (doors open) refusing to participate.

Evacuation Drills on September 20, 2004

WEST KNOLL

Out of 127 occupied units, 33 units (26%) participated in drill.

Notes:

- Elevators were manually stopped in advance of activating fire alarm.
- Alarm rang for 10 minutes before drill was called over.

PALM

Out of 114 occupied units, 40 units (35%) participated in the drill.

Notes:

- Elevators auto-drop tested and functioned properly.
- Horn/strobes on 3rd floor did not function properly (no pulsing or flashing, only barely audible continuous tone) - Vendor was contacted and problem has been corrected.
- Alarm sounded for 8 minutes before drill was called over.

Evacuation Drills on October 22, 2004

NUEVA MARAVILLA

Out of 150 units, 47 units (31%) participated in the drill

Notes:

- Resident Manager needs to prepare maps with resident names. The accounting was done by apt. number, rather by name.
- Evacuation maps posted on the walls were missing in Buildings 1, 2 and 3. Whereabouts unknown. New maps will be printed and posted.
- Elevators functioned normally.
- Several bells did not function. Vendor was contacted to make repair.

HERBERT

Out of 46 units, 15 units (33%) participated in the drill

Notes:

- Resident Manager needs to prepare maps with resident names. The accounting was conducted using a list roster.
- Some alarm bells did not function, but maintenance staff were able to correct by making adjustments during the drill.
- Alarm sounded for 15 minutes before drill was called over.

Evacuation Drills on October 25, 2004

WHITTIER MANOR

Out of 49 units, 31 units (63%) participated in the drill.

Notes:

- The fire doors on the 2nd and 3rd floor did not close – Vendor contacted to correct problem;
- The sirens did not pulse – Vendor contacted to correct problem;
- Alarm sounded for 10 minutes before drill was called over.

FRANCISQUITO VILLA

Out of 89 units, 43 units (48%) participated in the drill.

Notes:

- All the sirens/strobes functioned properly;
- Alarm sounded for 15 minutes before drill was called over.

**Housing Commission
2005 Meeting Schedule
12:00 noon**

<u>Date</u>	<u>Site</u>	<u>Address/ Telephone #</u>	<u>District</u>	<u>Description</u>
January 26	Ujima Village (Community Center)	941 E. 126 Street Los Angeles, CA 90059 (323) 564-2548	2	300 Units of Family/Senior Housing
February 23	CDC/Headquarters	2 Coral Circle Monterey Park, CA 91755 (323) 890-7001	N/A	N/A
March 23	Palm Apartments	959 Palm Ave West Hollywood, CA 90069 (323) 653-3090	3	127 Units of Senior Housing
April 27	Orchard Arms	23410-23540 Wiley Canyon Rd. Valencia, CA 91355 (661) 255-5818	5	183 Units of Senior Housing
May 25	CDC/Housing Authority	12131 Telegraph Rd. Santa Fe Springs, CA 90670 (526) 347-4663 ext.# 8196	N/A	N/A
June 22	Lomita Manor	24925 Walnut Street Lomita, CA 90717 (310) 534-6843	4	78 Units of Senior Housing
July 27	CDC/Headquarters	2 Coral Circle Monterey Park, CA 91755 (323) 890-7001	N/A	N/A
August 24	Athens Westmont Business Center	11601 S. Western Ave. Los Angeles, CA 90047 (323) 242-6895	2	Business Technology Center
September 28	CDC/Housing Authority	12131 Telegraph Rd. Santa Fe Springs, CA 90670 (526) 347-4663 ext.# 8196	N/A	N/A
October 26	Whittier Manor	11527 Slauson Avenue Whittier, CA 90606 (323) 260-2188	1	49 Units of Senior Housing
November 23	CDC/Headquarters	2 Coral Circle Monterey Park, CA 91755 (323) 890-7001	N/A	N/A
December 28	West Knoll Apartments	838 West Knoll Drive West Hollywood, CA 90069 (323) 553-3090	3	136 Units of Senior Housing

MOTION BY COMMISSIONER PORTER

AGENDA NO. _____

NOVEMBER 17, 2004

The West Nile Virus poses a serious threat to the well being of residents throughout Los Angeles County, particularly the very young and elderly. In order to help protect those who reside in properties owned or managed by the Housing Authority, it is necessary to take proactive steps to raise awareness about the dangers of the virus and to increase preventative measures.

I, THEREFORE, MOVE THAT THE HOUSING AUTHORITY:

1. Distribute written information to residents explaining the virus and the appropriate steps that can be taken to prevent its spread, including the use of County Department of Health Services publications and use of resident and tenant newsletters;
2. Implement closer scrutiny by Housing Authority maintenance staff to check for water leaks, standing water, and other conditions that may contribute to the spread of the virus.

MOTION

Farmer	_____
Amegatcher	_____
Aszkenazy	_____
Dauk	_____
Gabriel	_____
Lowe	_____
Nguyen	_____
Porter	_____

MOTION BY COMMISSIONER ASZKENAZY:

AGENDA NO. _____

NOVEMBER 17, 2004

This year's dry summer may have caused sun-damage to the roofs at properties owned and managed by the Housing Authority that could result in rain-related emergencies and property damage if forecasted El Nino conditions occur this winter. In order to be adequately prepared, it is important to immediately implement a roof inspection schedule to assess conditions and complete necessary repairs.

I, THEREFORE, MOVE THAT THE HOUSING AUTHORITY:

1. Immediately implement a roof inspection schedule to evaluate conditions at residential properties owned and managed by the Housing Authority;
2. Take all necessary steps to complete roof repairs and other corrective measures to protect the health and safety of residents, and to prevent rain-related emergencies and property damage.

MOTION

Farmer	_____
Amegatcher	_____
Aszkenazy	_____
Dauk	_____
Gabriel	_____
Lowe	_____
Nguyen	_____
Porter	_____



**HOUSING AUTHORITY
of the County of Los Angeles**

Administrative Office

2 Coral Circle • Monterey Park, CA 91755

323.890.7001 • www.lacdc.org • TTY: 323.838.7449



Gloria Molina
Yvonne Brathwaite Burke
Zev Yaroslavsky
Don Knabe
Michael D. Antonovich
Commissioners

Carlos Jackson
Executive Director

November 17, 2004

Honorable Board of Commissioners
Housing Authority of the
County of Los Angeles
2 Coral Circle
Monterey Park, California 91755

Dear Commissioners:

**APPROVE AGREEMENT WITH KPMG LLP FOR FINANCIAL AUDIT SERVICES
(ALL DISTRICTS)**

IT IS RECOMMENDED THAT YOUR COMMISSION:

1. Recommend that the Board of Commissioners approve the expenditure of an aggregate of approximately \$307,868 for financial auditing services provided to the Housing Authority under the attached one-year Agreement, with two, one-year extensions, for Financial Audit Services (Agreement) between the Community Development Commission of the County of Los Angeles and KPMG LLP.
2. Recommend that the Board of Commissioners authorize the Executive Director of the Housing Authority to transfer to the Commission approximately \$307,868 for its share of financial audit services received from KPMG under all three years of the Agreement, if extended, comprised of approximately \$98,217 for the first year of services, \$102,316 for the second year of services and \$107,335 for the third year of services, and to use for this purpose funds included in the Housing Authority's approved Fiscal Year budgets
3. Recommend that the Board of Commissioners approve the expenditure of additional funds up to \$50,000 for any unforeseen, needed special reviews and authorize the Executive Director of the Housing Authority to transfer to the Commission up to \$50,000 for this purpose, using the same source of funds described above.



PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:

The purpose of this action is to approve an Agreement with KPMG LLP to provide the audit services needed to comply with the financial and program requirements mandated by Commission and Housing Authority funding sources.

FISCAL IMPACT/FINANCING:

There is no impact on the County general fund. The maximum aggregate amount for all years of the Agreement, if extended, will be \$461,220. It is forecast that this total amount will be comprised of approximately \$153,352 for the Commission and approximately \$307,868 for the Housing Authority. The total, yearly aggregate costs of the financial auditing services are set under the terms of the Agreement, however, costs apportioned to the Commission and Housing Authority may vary from the individual forecast amounts, depending on the needed auditing services.

Costs associated with the first year of services under the Agreement will be incurred in Fiscal Year 2005-2006, in an amount not to exceed an aggregate of \$147,420, comprised of approximately \$49,203 for the Commission and approximately \$98,217 for the Housing Authority. The Commission and Housing Authority will request approval of these funds through the annual budget process.

After the first year, the Agreement may be extended for an additional two years, in one-year increments, in the amount of \$153,300 and \$160,500 respectively. Year two of the Agreement will be comprised of approximately \$50,984 for the Commission and approximately \$102,316 for the Housing Authority. Year three of the Agreement will be comprised of approximately \$53,165 for the Commission and approximately \$107,335 for the Housing Authority. The Commission and Housing Authority will request approval of these funds through the annual budget process.

An 11 percent contingency, in the maximum aggregate amount of \$50,000 is also being set aside for unforeseen, needed special reviews.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

The Commission currently contracts for financial auditing services under a multi-year contract. The proposed Agreement will replace the expiring multi-year contract with a one-year Agreement, which may be extended in one-year increments, for a total of two additional years, at the sole discretion of the Commission.

The Agreement provides for KPMG LLP to conduct financial audits of Fiscal Year 2004-2005 financial statements. The audits will focus on internal controls over federal financial assistance and compliance with program requirements. This will include all

funds and account groups of the Commission and the Housing Authority, including single audits of all federal grants and statements relating to redevelopment activities.

KPMG LLP will provide a statement regarding financial compliance with existing redevelopment laws and regulations. The firm will also prepare a Comprehensive Annual Financial Report, as required by the Governmental Accounting Standards Board, and all other reports specified in the Agreement and required by law. KPMG LLP will advise the Commission and the Housing Authority concerning methods of improving systems of internal accounting and operating controls, the appropriateness of new procedures, and provide recommendations and assistance as necessary.

Should KPMG LLP require additional or replacement personnel during the term of the Agreement, it will give consideration for any such employment openings to participants in the County's Department of Public Social Services' Greater Avenues for Independence (GAIN) Program and General Relief Opportunity for Work (GROW) Program who meet the minimum qualifications for the open positions. KPMG LLP will contact the County's GAIN/GROW Division for a list of participants by job category.

The attached form of Agreement will be effective following approval as to form by County Counsel and execution by all parties.

ENVIRONMENTAL DOCUMENTATION:

Pursuant to 24 Code of Federal Regulations, Part 58, Section 58.34(a)(3), the Agreement to conduct financial audits is exempt from the provisions of the National Environmental Policy Act (NEPA) because it involves administrative activities and will not alter existing environmental conditions. The actions are not subject to the provisions of the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines 15061 (b)(3) because they are covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment.

CONTRACTING PROCESS:

On July 7, 2004, the Commission initiated an outreach program to identify qualified firms to provide financial auditing services for both the Commission and Housing Authority. Notices of the availability of the Request for Proposals (RFP) were mailed to 27 firms identified from the Commission and Housing Authority's vendor list and firms with public sector auditing experience from the Los Angeles Business Journal's 2003 list of top 100 Certified Public Accountant firms. The availability of the RFP was also advertised in seven local newspapers and posted on the County's WebVen website.

A total of three proposals was received by the submission deadline of August 12, 2004. The proposals were evaluated by a review panel comprised of four representatives from the Commission and one representative from the County Auditor-Controller. KPMG LLP was selected for recommendation of award of Agreement based on the criteria set forth in the RFP.

The Summary of Outreach Activities is provided as Attachment A.

IMPACT ON CURRENT PROGRAMS:

The Agreement will provide continuation of mandated audit services for both financial and programmatic compliance.

Respectfully submitted,


for CARLOS JACKSON
Executive Director

CJ:KPMG_BL

Attachments: 2

ATTACHMENT A

APPROVE FINANCIAL AUDIT SERVICES AGREEMENT

Summary of Outreach Activities

On July 7, 2004 the following outreach was initiated to identify a firm to provide financial audit services to the Community Development Commission and Housing Authority under a one-year agreement, with an additional two years extension, in one-year increments effective with the Fiscal Year 2004-2005 financial statements.

A. Newspaper Advertising

Announcements appeared in the following seven local newspapers:

Eastern Group Publications
International Daily News
La Opinion
Los Angeles Sentinel

Los Angeles Times
The Daily News
Wave Community Newspapers

B. Distribution of Request for Proposal Packages

The Commission and Housing Authority's vendor list and the Los Angeles Business Journal's 2003 list of top 100 Certified Public Accountant firms were used to identify 27 firms with public sector auditing experience. Notices of the availability of the Request for Proposals (RFP) were mailed to these firms. In addition, the RFP was posted on the County's WebVen website.

C. Proposal Results

A total of three proposals was received by the submission deadline of August 12, 2004. One proposal was received after the deadline and, therefore, was not considered in the selection process.

A review panel comprised of four representatives from the Commission and one representative from the County Auditor-Controller evaluated the proposals. KPMG LLP was selected for recommendation of award of Agreement based on the criteria set forth in the RFP and consensus scoring.

<u>Firm</u>	<u>Evaluation Score</u>
KPMG LLP	957.0
Vasquez & Co. LLP*	907.25
Macias & Gini LLP*	826.25

* Minority-owned firm

D. Minority/Female Participation - Firm Selected

<u>Name</u>	<u>Ownership</u>	<u>Employees</u>
KPMG LLP	Non-minority	Total: 908 395 minorities 450 women 44% minorities 50% women

E. Minority/Female Participation - Firms Not Selected

<u>Name</u>	<u>Ownership</u>	<u>Employees</u>
Vasquez & Co. LLP	Minority	Total: 31 30 minorities 20 women 97% minorities 65% women
Macias & Gini LLP	Minority	Total: 92 38 minorities 50 women 41% minorities 54% women

The Commission encourages the participation of minorities and women in the contract award process, including: providing information about the Commission at local and national conferences, conducting seminars for minorities and women regarding programs and services, advertising in newspapers to invite placement on the vendor list, and mailing information to associations which represent minorities and women. The above information has been voluntarily provided by the firms, which participated in the outreach program.

The recommendation to award the Agreement for Financial Audit Services to KPMG LLP is being made in accordance with federal regulations, and without regard to race, creed, color, gender, or sexual orientation.

Attachment B

Financial Audit Services Agreement Summary

Project Type: Financial Audit Services Agreement
Consultant: KPMG, LLP
Purpose: Financial audit services for the Community Development Commission and Housing Authority

Scope of Work: See Attached Statement of Work

Term: Upon execution, the Agreement shall remain in full force for one (1) year unless sooner terminated or extended in writing.

Option to Renew: The Agreement may be extended in one-year increments, for a total of two (2) additional years.

Performance Review: A performance review shall be conducted no later than ninety (90) days prior to the end of the first year of the Agreement. Based on the assessment of the performance review, written notification will be given to the Auditor whether the agreement will be terminated at the end of the current year or will be continued into the next year.

Compensation: The amount payable to the Auditor for services rendered to the Housing Authority, including all costs and expenses under the Agreement, shall be approximately \$98,217. If extended, the amount payable to the Auditor by the Housing Authority shall be approximately \$102,316 for the second year of services and \$107,335 for the third year of services.

Contract Contingency: \$50,000

STATEMENT OF WORK (SOW)

1.0 GENERAL BACKGROUND AND INFORMATION

The Community Development Commission of the County of Los Angeles, California, a component unit of the County of Los Angeles, California was formed by ordinance of the Los Angeles County Board of Supervisors on July 1, 1982 under the provisions of Sections 34100-34160 of the Health and Safety Code of the State of California.

The combined basic financial statements of the Community Development Commission include the activities of the Housing Authority and Redevelopment Agency. The financial operations of these organizations are closely related and the Board of Commissioners has continuing oversight responsibilities of the entities. Oversight responsibility is determined on the basis of budget adoption and funding.

The Commission is responsible for the administration of various Federal grants including Community Development Block Grant (CDBG) funds to cities and community based organizations (CBO's), home financing, community improvement projects, arranging revenue bonds and other financing for housing development, and providing comprehensive planning and business revitalization services.

The Housing Authority of Los Angeles County is under the auspices of the Commission. This entity is responsible for managing the low-income housing and related needs for the County.

The Commission serves in the unincorporated areas of the County and in 45 cities that have requested involvement in various programs.

The Commission has a total payroll of \$21,000,000 covering 522 permanent, full-time employees.

The Community Development Commission is organized into eight divisions. The accounting and financial reporting functions of the Commission are centralized.

More detailed information on the government and its finances can be found in the prior year Comprehensive Annual Financial Reports, Budget Reports and Single Audit Reports. To obtain access to these documents, please contact Mr. Mel Manapat at (323) 838-8925.

A. Fund Structure

The Community Development Commission uses the following fund types in its financial reporting:

<u>Fund Type/Account Group</u>	<u>Number of Individual Funds</u>	<u>Number With Legally Adopted Annual Budgets</u>
General fund	1	1
Special revenue funds	7	7
Enterprise funds	3	3
Internal service funds	9	9

B. Budgetary Basis of Accounting

The Commission prepares its budgets on a basis consistent with generally accepted accounting principles. The modified accrual basis of accounting is employed in the preparation of the budget.

C. Federal and State Financial Assistance

To review the Federal Financial Assistance received by the Commission, please review the June 30, 2003 Single Audit Reports.

D. Pension Plans

The Community Development Commission participates in the Public Employees' Retirement System (PERS) administered by the State of California which covers substantially all Commission employees.

PERS is a contributory plan. The Community Development Commission is only obligated to contribute an amount actuarially determined by PERS. The Commission is currently paying a portion (4.5%) of the Commission employees' contribution of 7 percent and the Housing Authority employees' contribution of 6.65 percent.

E. Component Units

The Community Development Commission is defined, for financial reporting purposes, in conformity with the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, Section 2100. Using these criteria, component units are included in the Community Development Commission's financial statements.

F. Joint Ventures

The Community Development Commission participates in joint ventures with Southern California Home Financing Authority and Intra-County Housing Authority.

G. Magnitude of Finance Operations

The Finance Division is headed by Yui Cheng, Director of Financial Management and consists of 55 employees. The principal functions performed and the number of employees assigned to each are as follows:

<u>Function</u>	<u>Number of Employees</u>
Administration	5
Accounting	26
Management Information Services	24

H. Internal Audit Function

The Community Development Commission has maintained an internal control staff function for the past sixteen years. The staff reports to the Director of Financial Management.

I. Availability of Prior Audit Reports

Interested proposers who wish to review prior years' audit reports and management letters should contact Mel Manapat (323) 838-8925 or write to 2 Coral Circle, Monterey Park, CA 91755. The Community Development Commission will use its best efforts to make prior audit reports and supporting working papers available to proposers to aid their response to this request for proposals.

2.0 SCOPE OF SERVICES

A. General

Qualified proposer shall audit the Commission's financial statements and its affiliated non-profit agencies for the fiscal year ending June 30, 2005 and calendar year ending December 31, 2005 with the option of two (2), one year extensions provided services are satisfactory and funds are available.

These audits include performing a single agency audit, and an audit of agencies and programs that use federal and state grant money passed through to these entities (subrecipients) by the Commission. The Commission issues a Comprehensive Annual Financial Report (CAFR). This financial report incorporates the financial transactions of the Commission's Redevelopment Agency, as required by the National Council on Governmental Accounting (NCGA) Statement 3. A separate statement for this entity will be issued as well. In addition to this, subrecipients and subsidiaries to be audited are listed below by category:

Community Based Organizations (Subrecipients)	as needed
HUD Funded Close Out Projects	as needed
Rental Housing Construction Programs	2

Intra County Housing Corporation (SC.503 Non-Profit) 1

Housing Development Corporation
(SC.503 Non-Profit Subsidiaries) 1

Please note that for any additional subrecipient audit, the selected audit firm would be compensated at a fixed price per each audit report as stated in the proposal.

These audits are to be performed in accordance with the provisions contained in this request for proposals.

B. Specific Requirements

The Auditor will be required to express an opinion on the fair presentation of its basic financial statements in conformity with generally accepted accounting principles.

The Auditor is to also express an opinion on the fair presentation of its combining and individual fund and account group financial statements and schedules in conformity with generally accepted accounting principles. The Auditor is not required to audit the supporting schedules contained in the component unit financial report. However, the Auditor is to provide an "in-relation-to" opinion on the supporting schedules based on the auditing procedures applied during the audit of the basic financial statements and the combining and individual fund financial statements and schedules.

The Auditor will also be requested to conduct special management reviews of including but not limited to programs, projects, sub-recipients and other activities. The fee on special reviews is negotiable but not to exceed \$25,000.

The Auditor is not required to audit the statistical section of the report.

The Auditor shall also be responsible for performing certain limited procedures involving required supplementary information required by the Governmental Accounting Standards Board as mandated by generally accepted auditing standards.

The Auditor is not required to audit the schedule of federal financial assistance. However, the Auditor is to provide an "in-relation-to" report on that schedule based on the auditing procedures applied during the audit of the financial statements.

C. Auditing Standards To Be Followed

To meet the requirements of this request for proposals, the audit shall be performed in accordance with generally accepting auditing standards as set forth by the American Institute of Certified Public Accountants, the standards for financial audits set forth in the U.S. General Accounting

Office's Government Auditing Standards (1994); the provisions of the Single Audit Act of 1984, P.L. 98-502 and the Single Audit Act Amendments of 1996, P.L. 104 -156, and the provisions of U.S. Office of Management and Budget Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations (OMB Circular No. A-133). Audit examinations should be in accordance with the audit requirements set forth in the U.S. Department of Housing and Urban Development's Consolidated Audit Guide for Audits of HUD Programs; the Comptroller of the United States, General Accounting Offices Government Auditing Standards (Standards for Audit of Governmental Organizations, Programs, Activities & Functions), and including, but not limited to requirements as specified in the Statements of Auditing Standards (SAS) No. 63, sections 7476.1 and 7476.3 of the HUD Handbook, The Audit Guide for Community Development Block Grant Recipients (as amended), procedures described by the Department of Housing and Urban Development of the State of California, and Guidelines for Compliance Audits of California Redevelopment Agencies (November 1996), and any amendments to the foregoing standards and documents.

D. Reports

Following the completion of the audit of the fiscal year's financial statements, the Auditor shall issue the following reports:

1. The fair presentation of the basic financial statements in conformity with generally accepted accounting principles.
2. The internal control structure based on the auditors' understanding of the control structure and assessment of control risk.
3. Compliance with applicable laws and regulations.
4. An "in-relation-to" report on the schedule of federal financial assistance.
5. The internal control structure used in administering federal financial assistance programs (this report may be combined with report number 2).
6. Compliance with specific requirements applicable to major federal financial assistance programs.
7. Compliance with specific requirements applicable to nonmajor federal financial assistance programs (this report may be combined with report number 6).
8. Compliance with general requirements for both major and nonmajor federal financial assistance programs.
9. The financial information submitted via the Internet to HUD's Real Estate Assessment Center (REAC).

In the required report[s] on internal controls, the Auditor shall communicate any reportable conditions found during the audit. A reportable condition shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. In addition, the following conditions shall be considered reportable:

Reportable conditions that are also material weaknesses shall be identified as such in the report.

Nonreportable conditions discovered by the Auditors shall be reported in a separate letter to management, which shall be referred to in the report[s] on internal controls.

The reports on compliance shall include all instances of noncompliance.

Irregularities and illegal acts. Auditors shall be required to make an immediate, written report of all irregularities and illegal acts, or indications of illegal acts of which they become aware to the following parties:

Board of Supervisors of the County of Los Angeles
Executive Director, Community Development Commission
Financial Management Director, Community Development Commission

Reporting to Community Development Commission management. Auditors shall assure themselves that the Community Development Commission's management is informed of each of the following:

1. The Auditor's responsibility under generally accepted auditing standards
2. Significant accounting policies
3. Management judgments and accounting estimates
4. Significant audit adjustments
5. Other information in documents containing audited financial statements
6. Disagreements with management
7. Management consultation with other accountants
8. Major issues discussed with management prior to retention
9. Difficulties encountered in performing the audit

E. Special Requirements

1. The basic financial statements of the Commission are included as a component unit of the financial statements of the County of Los Angeles. It is anticipated that the Auditor will not be required to provide special assistance to the County of Los Angeles' Auditors.
2. The Commission will send its comprehensive annual financial report to the Government Finance Officers Association of the United States and Canada for review in their Certificate of Achievement for Excellence in Financial Reporting program. It is anticipated that the Auditor will be required to provide necessary assistance to the Community Development Commission to meet the requirements of that program.
3. The Commission has determined that the United States Department of Housing and Urban Development will function as the cognizant agency in accordance with the provisions of the Single Audit Act of 1996, OMB Circular No. A-133 and other documents as described in Section 2 C.
4. The schedule of federal financial assistance and related Auditor's report, as well as the reports on the internal controls and compliance are not to be included in the comprehensive annual financial report, but are to be issued separately.

F. Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the Auditor's expense, for a minimum of five (5) years, unless the firm is notified in writing by the Community Development Commission of the need to extend the retention period. The Auditor will be required to make working papers available, upon request, to the following parties or their designees:

Community Development Commission

Board of Commissioners of the Community Development Commission

U.S. General Accounting Office (GAO)

Parties designated by the federal or state governments or by the Community Development Commission as part of an audit quality review process

Auditors of entities of which the Community Development Commission is a subrecipient of grant funds

Auditors of entities of which the Community Development Commission is a component unit

In addition, the firm shall respond to the reasonable inquiries of successor Auditors and allow successor Auditors to review working papers relating to matters of continuing accounting significance.

3.0 TIME REQUIREMENTS

A. Date Audit May Commence

The Community Development Commission will have all records ready for audit and all management personnel available to meet with the firm's personnel as of August 26, 2005. The Commission will also provide the necessary records and documentation to complete the interim work scheduled in June.

B. Schedule for the 2004-2005 Fiscal Year Audit (A similar time schedule will be developed for audits of future fiscal years).

Each of the following should be completed by the Auditor no later than the dates indicated.

1. Interim Work

The Auditor shall complete interim work by June 30, 2005.

2. Detailed Audit Plan

The Auditor shall provide Community Development Commission by July 31, 2005 both a detailed audit plan and a list of all schedules to be prepared by the Community Development Commission.

3. Fieldwork

The Auditor shall complete all fieldwork by October 14, 2005.

4. Draft Reports

The Auditor shall have drafts of the audit report[s] and recommendations to management available for review by the Director of Financial Management by October 7, 2005.

C. Entrance Conferences, Progress Reporting and Exit Conferences (A similar time schedule will be developed for audits of future fiscal years).

At a minimum, the following conferences should be held by the dates indicated on the schedule:

Entrance conference with all Week of

key finance division personnel

June 10, 2005

- The purpose of this meeting will be to discuss prior audit problems and the interim work to be performed. This meeting will also be used to establish overall liaison for the audit and to make arrangements for workspace and other needs of the Auditor

Progress conference with Director of
Financial Management and department heads
of key offices or programs

July 1, 2005

- The purpose of this meeting will be to summarize the results of the preliminary review and to identify the key internal controls or other matters to be tested, as well as discuss the year-end work to be performed.

Entrance conference with Director of Financial
Management to commence year-end audit work

August 26, 2005

Exit conference with Director of Financial
Management and department heads of key
offices or programs

October 21, 2005

- The purpose of this meeting will be to summarize the results of the fieldwork and to review significant findings.

In addition, the Auditor shall provide bi-weekly, oral or written reports while performing fieldwork on the progress of the audit on the following dates:

D. Date Final Report is Due

The Auditor shall prepare draft financial statements, notes and all required supplementary schedules by October 7, 2005. The Auditor shall provide all recommendations, revisions and suggestions for improvement to the Director of Financial Management by October 21, 2005.

The Director of Financial Management will complete his review of the draft report as expeditiously as possible. During that period, the Auditor should be available for any meetings that may be necessary to discuss the audit reports. Once all issues for discussion are resolved, the final signed report shall be delivered to the Director of Financial Management within fifteen working days. It is anticipated that this process will be completed and the final report delivered by November 15, 2005.

The final reports, as specified below and signed copies should be delivered to Yui Cheng, Director of Financial Management at 2 Coral Circle, Monterey Park, CA 91755.

of copies

Comprehensive Annual Financial Report	1 copy*
Redevelopment	50 copies
Single Audit	75 copies
HUD Close Out Audit Reports	20 copies
Community Based Organizations Audit Reports	6 copies
Rental Housing Construction Programs Audit Reports	20 copies
Intra County Housing Corporation	20 copies
Housing Development Corporation	20 copies

*- quality of document = camera-ready on 8 1/2 x 11 sheets and a MS Word file on disk for computer input

4.0 ASSISTANCE TO BE PROVIDED BY THE COMMISSION TO THE AUDITOR AND REPORT PREPARATION

A. Finance Division and Clerical Assistance

The Finance Division staff and responsible management personnel will be available during the audit to assist the firm by providing information, documentation and explanations. The preparation of confirmations will be the responsibility of Community Development Commission. In addition clerical support will be made available to the Auditor for the preparation of routine letters and memoranda.

The Community Development Commission's accounting personnel may provide some assistance to the audit firm during the course of the audit. Cooperation may be expected in answering questions relative to the preparation of schedules. Specific tasks to be performed by Commission staff and audit staff will be identified during contract negotiations.

B. Electronic Data Processing (EDP) Assistance

The EDP personnel will be available to assist the Auditor in performing the engagement.

EDP personnel will also be available to provide systems documentation and explanations. The Auditor will be provided computer time and the use of the Community Development Commission's computer hardware and software. Use of this resource is limited to access for the purposes of performing the audit only.

C. Work Area, Telephones, Photocopying and FAX Machines

The Community Development Commission will provide the Auditor with reasonable workspace, desks and chairs. The Auditor will also be provided with access to one telephone line, photocopying facilities and FAX machines subject to certain restrictions:

D. Report Preparation

Report preparation, editing and printing (camera-ready) shall be both the responsibility of the Commission and the Auditor.



**HOUSING AUTHORITY
of the County of Los Angeles**

Administrative Office

2 Coral Circle • Monterey Park, CA 91755

323.890.7001 • www.lacdc.org • TTY: 323.838.7449



Gloria Molina
Yvonne Brathwaite Burke
Zev Yaroslavsky
Don Knabe
Michael D. Antonovich
Commissioners

Carlos Jackson
Executive Director

November 17, 2004

Honorable Housing Commissioners
Housing Authority of the
County of Los Angeles
2 Coral Circle
Monterey Park, California 91755

Dear Commissioners:

**AWARD ONE-YEAR CONTRACTS TO PROVIDE COUNTYWIDE DEMOLITION
SERVICES (ALL DISTRICTS)**

IT IS RECOMMENDED THAT YOUR COMMISSION:

1. Recommend that the Board of Commissioners approve and authorize the Executive Director to execute one-year Contracts for Demolition Services (Contracts), in the form of the attached, and all related documents, with All American Demolition, Inc., Interior Demolition, Inc., and Visions West, for demolition services on a project-by-project, as-needed basis, related to the development and/or rehabilitation of affordable housing, commercial and other facilities throughout the County of Los Angeles, to be effective upon approval as to form by County Counsel and execution by all parties, and to use for this purpose an aggregate amount of \$50,000, to be incorporated into the Housing Authority's approved Fiscal Year 2004-2005 budget, as needed.
2. Recommend that the Board of Commissioners authorize the Executive Director to execute amendments to the one-year Contracts, following approval as to form by County Counsel, to incorporate specific demolition projects, addresses and services and to extend the time of performance for two additional years, in one-year increments, in an aggregate amount of \$57,500 for year two and an aggregate amount of \$66,125 for year three of the Contracts, using funds to be included in the Housing Authority's approved budget through the annual budget process.

3. Recommend that the Board of Commissioners authorize the Executive Director to increase the aggregate Contract amount by \$10,000 in the first year, to be incorporated into the Housing Authority's approved Fiscal Year 2004-2005 budget, as needed, and to increase the second and third year aggregate Contract amounts by \$11,500 and \$13,225, respectively, using funds to be included in the Housing Authority's approved budgets through the annual budget process, for unforeseen, needed demolition services.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:

The purpose of the recommended action is to enter into Contracts to retain the services of three contractors to provide as-needed demolition services related to the development and/or rehabilitation of affordable housing, commercial and other facilities throughout the County of Los Angeles.

FISCAL IMPACT TO THE COUNTY/ FINANCING:

There is no impact on the County general fund.

The total maximum amount for all three years of services will not exceed \$1,215,375 for the Commission and \$173,625 for the Housing Authority.

The cost for the first year of services will not exceed an aggregate of \$350,000 for the Commission and an aggregate of \$50,000 for the Housing Authority, using funds to be incorporated into the Commission and Housing Authority's approved Fiscal Year 2004-2005 budget, as needed.

After the first year, if the Contracts are extended, compensation may be increased by a maximum of 15 percent per year, to an aggregate of \$402,500 for the second year, and an aggregate of \$462,875 for the third year for the Commission and to an aggregate of \$57,500 for the second year, and an aggregate of \$66,125 for the third year for the Housing Authority. Funding for years two and three of the Contracts will be approved through the annual budget process.

The Commission is setting aside a 20 percent contingency for all Contract years, for unforeseen, needed demolition services, in the aggregate amount of \$70,000 for the first year, to be incorporated into the Commission's approved Fiscal Year 2004-2005 budget, as needed, and \$80,500 and \$92,575 for the second and third years of the Contracts, respectively, using funds to be included in the Commission's approved budgets through the annual budget process.

The Housing Authority is also setting aside a 20 percent contingency for all Contract years, for unforeseen, needed demolition services, in the aggregate amount of \$10,000

for the first year, to be incorporated into the Housing Authority's approved Fiscal Year 2004-2005 budget, as needed, and \$11,500 and \$13,225 for the second and third years of the Contracts, respectively, using funds to be included in the Housing Authority's approved budgets through the annual budget process.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

During the course of acquisition of abandoned or substandard property that will later be redeveloped, it is occasionally necessary to demolish the existing structures so these vacant structures do not become a nuisance or a source of blight on the community. Currently, the Commission and Housing Authority procure a demolition contractor on a project-by-project basis when demolition services are needed. The proposed Contracts will replace individual procurements and allow for the more timely demolition of these nuisance structures.

All three proposed contractors have valid licenses from the California Contractors State License Board. In addition, the Asbestos Hazard Emergency Response Act, the National Emissions Standards for Hazardous Air Pollutants, and the South Coast Air Quality Management District have established regulatory requirements for the abatement of asbestos. The U.S. Department of Housing and Urban Development (HUD) has established requirements for the reduction of lead-based hazards in federally assisted projects, by program. In addition, the Toxic Substances Control Act, the federal Occupational Health and Safety Administration, the California Code of Regulations, and the California Environmental Protection Agency have established regulatory requirements for the abatement of lead. Therefore, all three contractors also have valid hazardous materials removal licenses or have provided in their proposals names of properly licensed and trained subcontractors to be utilized when demolition also requires abatement of lead and/or asbestos containing materials.

The one-year contracts will be amended to incorporate specific sites, and detailed scopes of work for each project. The contracts may also be amended to extend the time of performance for a maximum of two additional years, in one-year increments, and to include additional projects and compensation, depending upon satisfactory performance by the contractor.

The contractors will be assigned projects and will receive compensation based on the scope of services performed on a project-by-project basis. The addition of projects to each contract will be determined based on the site needs, qualifications of the contractor in the various aspects of demolition, and the complexity of the assignment. The cost of services for each demolition assignment will not exceed the costs accepted on the Bid Sheets submitted with the proposals in response to the Request for Proposals or the negotiated dollar amount for individual demolition projects.

The demolition assignments for the Housing Authority and certain demolitions funded for the Commission are being federally funded and are not subject to the County's

Department of Public Social Services' Greater Avenues for Independence (GAIN) Program and General Relief Opportunity for Work (GROW) Programs. Instead, the contractors will comply with Section 3 of the Housing and Community Development Act of 1968, as amended, which requires that employment and other economic opportunities generated by certain HUD assistance be directed to low- and very low-income persons, particularly to persons who are recipients of HUD housing assistance.

For all remaining demolition assignments, if the contractors require additional or replacement personnel during the term of the contract, they will give consideration for any such employment openings to participants in the County's GAIN/GROW Programs who meet the minimum qualifications for the open positions. The contractors will contact the County's GAIN/GROW Division for a list of participants by job category.

County Counsel has reviewed this letter. The contracts will be effective following approval as to form by County Counsel and execution by all parties.

ENVIRONMENTAL DOCUMENTATION:

The contract is exempt from the provisions of the National Environmental Policy Act (NEPA) pursuant to 24 Code of Federal Regulations Part 58, Section 58.34 (a)(3) because it involves administrative activities that will not have a physical impact or result in any physical changes to the environment. The action is not subject to the provisions of the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines 15061 (b)(3) because it is covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. An Environmental Service Request (ESR) will be submitted to the Commission's Environmental Unit for each property undertaking demolition activities pursuant to this contract. Each site will receive an environmental clearance in accordance with CEQA Guidelines and NEPA regulations.

CONTRACTING PROCESS:

On September 2, 2004, the Commission initiated a Request for Proposals (RFP) process to identify qualified contractors to provide demolition services to both the Commission and Housing Authority. An RFP announcement was mailed to 221 contractors that were identified from the Commission's vendor list. Announcements appeared in eight local newspapers and on the County's WebVen website. A copy of the RFP also was posted on the Commission's website.

By the deadline of September 30, 2004, proposals were received from three contractors. All three proposals were reviewed and were determined to be responsive and responsible. The three contractors were selected to be utilized on a project-by-project basis for demolition services.

The Summary of Outreach Activities is provided as Attachment A.

Honorable Housing Commissioners
November 17, 2004
Page 5

IMPACT ON CURRENT PROGRAMS:

The proposed contracts will provide timely and efficient Countywide demolition services related to the Commission and Housing Authority's housing, economic development and redevelopment projects.

Respectfully submitted,


for CARLOS JACKSON
Executive Director

CJ:Demo BL-Final

Attachments: 2

ATTACHMENT A

CONTRACTS FOR DEMOLITION SERVICES

Summary of Outreach Activities

On September 2, 2004, the Commission initiated the following outreach to identify qualified contractors to provide demolition services to both the Commission and Housing Authority.

A. Request for Proposal Advertising

Request for Proposals (RFP) announcements appeared in the following eight local newspapers on September 9, 2004:

Antelope Valley Press	L.A. Sentinel
Eastside Sun Publications	Los Angeles Times
International Daily News	The Daily News
La Opinion	Wave Community Newspapers

The announcement was also posted on the County's WebVen website and on the Commission's website.

B. Distribution of RFP Packets

The Commission's vendor list was used to mail out notice of the RFP to 221 demolition and abatement contractors, of which 129 identified themselves as businesses owned by minorities or women (private firms which are 51 percent owned by minorities or women, or publicly-owned businesses in which 51 percent of the stock is owned by minorities or women). A total of 20 firms requested and received copies of the RFP either by mail or by downloading the RFP package from the Commission's website.

C. Proposal Results

By the deadline of September 30, 2004, proposals were received from three contractors, all of which were reviewed and determined to be responsive and responsible. Two firms indicated they are minority-owned. The proposals were evaluated, and based on the RFP requirements and rating process, All American Demolition, Inc., Interior Demolition, Inc., and Visions West, were all selected to be recommended for inclusion on a list of firms to be utilized on a project-by-project basis for demolition services.

D. Minority Participation – Firms Selected for Pre-Qualified List

<u>Firm Name</u>	<u>Ownership</u>	<u>Employees</u>	
All American Demolition, Inc.	Minority	14	Total
		12	Minorities
		1	Woman
		86%	Minority
		10%	Women
Interior Demolition, Inc.	Minority	26	Total
		24	Minorities
		4	Women
		92%	Minority
		15%	Women
Visions West	Non-Minority	8	Total
		7	Minorities
		1	Woman
		88%	Minority
		13%	Women

The Commission encourages the participation of minorities and women in the contract award process including: providing information about the Commission at local and national conferences; conducting seminars for minorities and women regarding the Commission's programs and services; advertising in newspapers to invite placement on the vendor list; and mailing information to associations which represent minorities and women. The above information has been voluntarily provided by the above firms.

The recommendation to award the Contracts for Demolition Services to the above firms is being made in accordance with federal regulations, and without regard to race, color, sex, religion, national origin, ancestry, age, marital status, or disability.

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STATEMENT OF WORK

SECTION 1

A. Work Description

The Owner will have certain buildings or property conditions or both that are to be demolished or removed as well as private property to protect life, limb, health, property, safety, or welfare of the public or occupants thereof.

1. The purpose of this Contract is to facilitate the demolition and removal from each site, as designated by the Executive Director or designee including Division Directors (hereinafter Executive Director), any structures, debris, or miscellaneous material. Substandard structures are defined as residential or commercial structures of wood frame or masonry construction; one or two stories in height; with wood or concrete floors; wood, metal, masonry or stucco exteriors; wood, metal, tile or composition roofing; foundations and floor slabs; and attached-covered porches. The scope of work requires removal of trash, junk, debris; abandoned household equipment and furniture; abandoned equipment and machinery; miscellaneous personal property; abandoned, wrecked, dismantled, or inoperable vehicles; house-type trailers; and capping and/or backfilling of abandoned sewage disposal systems, excavations, or water wells.
2. Approximately 20 percent of the anticipated work will be strictly cleanup jobs, i.e., the removal of debris, etc.
3. Jobs which contain structures two or more stories in height, or jobs which are declared by the Executive Director to be an emergency situation, or which contain abatement or environmental remediation beyond what the Executive Director deems the Contractor can successfully and safely demolish, or are constructed of materials other than those mentioned above, may be advertised for bids on a project basis, or in the case of immediate emergency, awarded to a sole source by the Owner, unless the Contractor agrees to perform such work for the basic unit price applicable to this Contract or a negotiated price according to Section Y, "Change Orders - Negotiated Price" of this Appendix.

In addition, the Contractor shall perform emergency demolition or similar urgent actions, if any, deemed necessary by the Owner according to Sections F., R., and Y. of this Statement of Work.

B. Work Location

The work will be located at various job sites, primarily within the unincorporated area of the County.

C. Demolition and Removal of Debris

1. All structures, buildings, and facilities shall be demolished and removed as specified in this Contract and the Contract work orders.
2. The Contractor shall meet with the representative from the Owner at the subject property before the demolition of any structures or the removal of any debris, etc.
3. Prior to commencement of the work described in this Section for each demolition job, Contractor shall submit items a. through i. listed below, to the Owner's Project Manager (Project Manager) for review, and shall re-submit these until accepted by the Project Manager. Submittal shall include:
 - a. Demolition and removal procedures if the job is of an unusual nature;
 - b. A schedule, including abatement phase if required, permit phase including regulatory noticing requirements, demolition itself;
 - c. Written schedule for disconnection of utility services;
 - d. Detailed, job-specific safety procedures regarding the demolition work if safety plan submitted with the bid is insufficient for the specific job;
 - e. Procedures for protection of adjacent occupied facilities and public ways;
 - f. Personnel list if different than that submitted with the proposal;
 - g. Name, license numbers, physical address, and phone numbers of licensed abatement subcontractors if different than that named with the Contractor's proposal;
 - h. Name and location of a legal, off-site, acceptable disposal facility to be used.
 - i. Name and physical address of source of fill soil, and quantity of fill imported, if any.
4. Prior to the demolition and removal of any structure, building, or facility, the Owner shall have ordered and provided to the Contractor, an in-depth inspection report to be made by a State of California licensed Certified Asbestos Consultant. All Laboratories utilized for analytical services must have current certification from National Emission Standard for Hazardous Air Pollutants (NESHAP), as well as the following accreditations:

- National Institute of Occupational Safety and Health (NIOSH)
- National Institute for Science and Technology (NIST)
- American Industrial Hygiene Association (AIHA)
- California Department of Health Services (DHS) Accreditation (ELAP)
- National Voluntary Accreditation Program (NVLAP)

On occasion, such as when the demolition is considered to be an emergency by the Executive Director, and upon request of the Owner, the Contractor shall order an in-depth inspection report to be made by a State of California licensed Certified Asbestos Consultant utilizing an accredited testing laboratory (see above) regarding the presence or non-presence of asbestos and shall provide a copy of the report to the Owner. Demolition of any facility shall conform to Environmental Protection Agency (EPA) regulations set forth in 40 CFR Part 61 and South Coast Air Quality Management District (SCAQMD) Rule 1403. The South Coast Air Quality Management District shall be notified by the Contractor pursuant to Rule 1403. The removal of asbestos, when present, shall be done following Rule 1403.

5. If an inspection for lead containing materials is required and has not been conducted and therefore a report not given to the Contractor prior to demolition, the Contractor shall order an in-depth inspection report to be prepared by a State of California, Department of Health Services – Certified Lead Project Supervisor / Monitor or Certified Project Designer, and shall provide a copy of the report to the Owner. All Laboratories utilized for analytical services must have current certification from National Emission Standard for Hazardous Air Pollutants (NESHAP), as well as the following accreditations:

- National Institute of Occupational Safety and Health (NIOSH)
- National Institute for Science and Technology (NIST)
- American Industrial Hygiene Association (AIHA)
- California Department of Health Services (DHS) Accreditation (ELAP)

Otherwise, all painted surfaces shall be considered to contain lead above the notification thresholds established in the Cal/OSHA Lead in Construction Standard, California Code of Regulations Title 8, Section 1532.1 (Section 1532.1) and Cal/OSHA shall be notified accordingly.

Contractor is responsible for abatement of lead based paint and asbestos-containing materials prior to the demolition of existing structures located at the job. Contractor is responsible for having all said abatement performed by a California licensed abatement subcontractor if Contractor does not hold those licenses. All said abatement shall be performed following guidelines as defined by local, state, and federal regulations. If a lead-based paint inspection is conducted, Cal/OSHA shall be notified as required in Section 1532.1 based on the analytical data. During demolition and removal of debris, the contractor shall conform to all requirements set forth in Section 1532.1.

6. The Contractor shall demolish, remove, and dispose of all specified structures, equipment, and debris. Removal includes, but is not limited to: building construction, masonry and brickwork, porch steps, porches, footings, foundations, slabs, sidewalks, driveways, parking surfaces, trees as indicated on a job-specific basis, shrubs, vegetation, fencing, and any lean-to or other shelter all down to the level of existing exterior grade. Demolish to the existing grade and haul away the debris of all the concrete driveways, parking surfaces, patios, and walkways, including all footings and foundations, and other surface hardscape of the property within the property lines. All of the existing driveways and walkways inside the property shall be saw cut at the public sidewalk or property line. If contractor damages the sidewalks, curbs, curb cuts, or driveways designated to remain and/or outside of the property line during demolition, the contractor shall repair them at no additional expense to the Owner. Demolition also includes the proper abandonment of any sewer or sewage disposal system. Cesspools, seepage pits, or septic tanks shall have the sewage removed therefrom and shall be properly filled and compacted with an approved material and method in accordance with the Los Angeles County Building and Plumbing Code. The Contractor shall contact the Project Manager before the backfill of any cesspool, seepage pit, or septic tank. The sanitary sewer lines shall be properly capped in accordance with the Los Angeles County Plumbing Code. Site shall be graded and compacted as necessary to prevent unnecessary ponding of surface water other than what may be required to conform to the National Pollutant Discharge Elimination System (NPDES) municipal permit, detailed below in item 7.
 - a. Contractor shall verify existing sewer line connection with Public Works. All sewer lines shall be capped at the property line. Contractor shall provide as-built plan to indicate the exact location of the capped sewer lines.
 - b. The main water line shall be cut off and capped at the property line or at the meter boxes by the sidewalk.

- c. The gas line shall be disconnected from the street. Contractor shall inform the gas company of the proposed scope of work so that the gas company can remove a small portion of the asphalt and clamp the gas line.
 - d. Contractor shall notify the electrical company to disconnect the lines and wires. The power line and main wires from the poles to the existing meter boxes shall be removed prior to demolition, and the electrical company shall remove the electrical meter. Should any other existing underground utility conduits be found during performance of this contract, the contractor shall be responsible to document type and location on an as built plan and cut and cap at the property line.
 - e. Contractor shall notify the telephone and cable companies to disconnect the line or wires from the pole.
 - f. Mark the location on an as-built plan and cut and cap at the property line.
7. The requirements of the NPDES municipal permit, issued to the County shall be followed on all demolition and cleanup sites. Best Management Practices (BMP) shall be implemented as necessary to reduce pollutants to receiving waters. This requires the Contractor to prepare and file a Local and State Storm Water Pollution Prevention Plan for all demolition/cleanup sites greater than or equal to one acre of disturbed soil. The anticipated costs that will be incurred by the Contractor for compliance costs incurred on the specific job should be accounted for in the Contractor's square foot bid cost for demolition.
8. Removal of debris shall include the removal of all waste materials caused by the Contractor's operations, including but not limited to loose or broken concrete or masonry together with all other items of equipment, furnishings, or house-type trailers on the premises during the time of the Contractor's operations and specified for removal by the Director/Project Manager. Debris shall include all dead, cut, or uprooted trees fewer than four inches in diameter or other vegetation to be removed as a result of removal of the building. Dumping of debris removed shall be at an approved dumpsite.
9. Self-supporting cantilever retaining walls constructed for the retention of earth shall remain in place. All others shall be removed and the adjacent grade shall be graded to a two horizontal to one vertical (2:1) slope.
10. Below Grade Slabs: Where open cellars, swimming pools, or other excavations have concrete slab floors and there is no natural drainage, the slabs shall be broken or punctured before back filling to allow drainage

of the water. Back filling shall not be permitted until the Public Works' inspector has inspected and approved the break or puncture.

11. Removal of growing trees is not generally required. Those to be removed shall be specified by the Project Manager. Contractor shall uproot and haul away all other vegetation including but not limited to all trees designated for removal, all shrubs, and all other plants and groundcover, including all roots. Hire an arborist, when directed, to prune large trees designated to remain, to be reimbursed at the unit cost indicated on the bid sheet. The following shall not be demolished, and shall be protected in place:
 - a. Oak trees of any size, unless directed otherwise in writing after obtaining review and permission from the County's Department of Regional Planning and any other agency having legal jurisdiction.
 - b. Other large trees, as designated.
12. The Contractor shall fill to grade with suitable material any voids remaining on the site after the demolition operation. Backfill shall be of Class II aggregate base and compacted to 90%. The material shall be free from any hazardous materials, stones, debris, building material, etc. The material shall be compacted in accordance with Chapter 70 of the Los Angeles County Building Code.
13. All debris derived from the demolition services specified herein shall be removed from the property and properly disposed of at the Contractor's expense.
14. All demolition and removal work shall be done in accordance with these Specifications, the County of Los Angeles "Standard Specifications for Public Works Construction" latest adopted edition, and accepted good industrial practice.

D. Determination of Area of the Building(s)

1. The Project Manager will determine the area of the basic structure plus any appurtenances or accessory buildings to be demolished and furnish the Contractor with the information at the time of notification of work to be done.
2. If the Contractor disagrees with the square footage or cubic yardage as determined by the Project Manager, the Contractor shall notify the Project Manager of this discrepancy no more than three working days after being notified to proceed with the project. In the event an error in the Project Manager's determination of square footage or cubic yardage is found, the Contractor shall be entitled to an extension of completion time sufficient to cover the time necessary to establish an agreement on revised square

footage or cubic yardage. Notification later than three working days constitutes automatic acceptance by the Contractor of the work as specified and quantified by the Owner.

E. Site Drainage – Grading

1. Any open pits, holes, or basements shall be filled with a Class II aggregate base, compacted to 90% and be brought up to grade level of the lot.
2. Any specified backfilling of basements, cellars, swimming pools, or any similar excavation, or removal of foundations or slabs shall be performed in a way that will prevent ponding of surface water and will not materially affect the natural drainage pattern of the premises. Back fill material from the site may be used with prior approval from the Director/Project Manager. The site shall be graded and compacted as necessary to prevent ponding of surface water.

F. Site Investigation and Work Determination

1. Site Investigation: Prior to demolition and removal work, the Contractor shall investigate the site to determine all conditions affecting necessary procedure and operations in performing the required work as specified. The Contractor shall visit the site accompanied by the Project Manager for all demolitions to determine all conditions affecting necessary procedure and operations for unusual work, or other work that may not fall within the provisions of this Contract.
2. The Owner assume no responsibility for the admission of the Contractor to any part of the buildings or premises during the occupancy by any tenants who may be living in or on the premises, legally or otherwise. During such time, any arrangements for inspection of occupied buildings or premises shall be made by the Contractor with the occupant or occupants thereof.
3. Work Determination: The Contractor shall determine the nature and type of construction, structural members, finish, and appurtenant features of the structures to be demolished, and shall be responsible for determination of all classes of work to be accomplished, including determination of nature of mortar and existence of grout or concrete fillings in masonry as specified.
4. Where, in the Contractor's opinion, the required methods of demolition are impractical, impossible, or not economically feasible, the Contractor shall notify the Project Manager not more than three working days after being notified to proceed with the work to be done. Notification later than three working days constitutes automatic acceptance of the work specified by the Contractor. If notification is within three working days and if the Contractor and the Project Manager mutually agree, the work in question on the specific job / site shall be excluded from the scope of this Contract.

G. Demolition and Cleanup Procedures

1. Demolition Procedures

- a. When all required contract documentation has been completed, including provision by the Contractor of appropriate insurance and performance bond, if required, the Owner will issue to the Contractor, a Notice To Proceed with the demolition and removal of certain structures, improvements, debris, or vehicles on the site.
- b. The Contractor shall meet with the Owner's Inspector , and/or Project Manager at the subject property before the demolition of any structures. Upon the completion of all work, the Contractor shall, within 24 hours, call the Inspector/Project Manager for final inspection. Approval of site and payment for work done will not otherwise be accomplished.
- c. Demolition of the structures shall conform to regulations set forth in the Los Angeles County Building Code; SCAQMD Rules 1403 and 403; the NPDES municipal permit handbook; the Cal/OSHA Lead in Construction Standard, California Code of Regulations Title 8, Section 1532.1; and EPA regulations set forth in 40 CFR Part 61.
- d. A "Demolition Permit" shall be required for all structures that are to be demolished, including mobile homes. The permit may be obtained at the local County Building and Safety District Office.
- e. The Contractor shall provide permanent or temporary protective measures for pedestrian and property protection required by applicable statutes, ordinances, and/or regulations. Potential on-site hazards (e.g., open excavations, swimming pools, etc.) shall be protected by fencing or similar methods throughout the duration of the project. The Owner hereby notifies the Contractor that a plan and permit are required for these temporary protective measures, and it is the Contractor's sole responsibility to submit proof otherwise with the pre-demolition submittals in item C.3, above.

2. Cleanup Procedures

- a. When a site is identified for cleanup, the Project Manager will notify the Contractor to proceed with the removal of miscellaneous items of personal property, trash, junk, debris, and inoperative vehicles.
- b. Contractor shall meet with the Inspector/Project Manager 24 hours before the commencement of the work. Upon the completion of all work, the Contractor shall within 24 hours call the Inspector/Project Manager for final inspection. Approval of site and payment for work done will not otherwise be given.

- c. Remove and haul away the abandoned automobile(s), and all auto-related products, including but not limited to items such as tires, mechanical tools to an approved refuge facility, disposing as hazardous waste if required.
- d. Cleanup of property shall conform to regulations set forth in the Los Angeles County Building Code; SCAQMD Rules 1403 and 403; the NPDES municipal permit handbook; the Cal/OSHA Lead in Construction Standard, California Code of Regulations Title 8, Section 1532.1; and EPA regulations set forth in 40 CFR Part 61.
- e. Contractor shall provide permanent or temporary protective measures for pedestrian and property protection required by applicable statutes, ordinances, or regulations. Potential on-site hazards (e.g., open excavations, swimming pools, etc.) shall be protected by fencing or similar methods throughout the duration of the project. The Owner hereby notifies the Contractor that a plan and permit are required for these temporary protective measures, and it is the Contractor's sole responsibility to submit proof otherwise with the pre-demolition submittals in item C.3, above.

H. Methods of Demolition

- 1. General: As devised by the Contractor for the required work, with suitable equipment and subject to the acceptance of the Project Manager.
- 2. Regulations: Los Angeles County Building Code and any other applicable State law and/or County ordinance regulating building.
- 3. Safety Provisions:
 - a. All precautions necessary for accomplishment of the work in a safe and orderly manner.
 - b. Erection and maintenance of all fences, barricades, lights, warning signs, and other safeguards necessary for adequate protection of streets, sidewalks, adjacent property, and all persons on and off the property at the site.
 - c. Burning or burial of debris on the site shall not be permitted.
 - d. The use of explosives shall not be permitted.
 - e. Bracing and Shoring: Contractor shall provide as necessary to avoid accidents or collapse of structures. Potential on-site hazards (e.g., open excavations, swimming pools, etc.) shall be protected by fencing or similar methods throughout the duration of the project.

The Director/Project Manager will notify the Contractor when a plan and permit are required for these temporary protective measures.

- f. Access: Contractor shall keep all approaches reasonably clear and clean. Contractor shall secure the property nightly and provide site security through the contract period, until final acceptance, by providing adequate and appropriate personnel and/or fencing as required.

I. Hazardous Waste

1. When the Contractor is not performing abatement activities or demolishing any structures on the property, the removal of hazardous waste material, as defined in the California Health and Safety Code Section 25117, if necessary, will be considered as "extra work" in the performance of this Contract. See Section "Extra Work" for specific requirements.
2. Should hazardous waste be found on the site, the Contractor shall immediately contact the Project Manager for further directions as to proper removal or any other action deemed necessary. The removal of hazardous waste shall be in accordance with the U.S. Environmental Protection Agency (EPA) Regulation X - National Emission Standards for Hazardous Air Pollutants (NESHAPS) or any other applicable Federal, State law, and/or County ordinance regulating hazardous waste. All manifests for the disposal of hazardous materials shall be signed by the property owner.

J. Utilities

1. The Owner will not provide utilities. The Contractor shall notify, arrange, and pay all fees connected with the removal of electric service connections to the structure, the removal of meters, disconnection of services, and the plugging or capping of all water, gas and sewer lines as required by utility companies or ordinances. Removal of utility lines and sewers below the ground surface will not be required. Disconnected pipelines shall be capped in accordance with applicable regulations. When permitted to use water and/or power from adjacent neighbors, Contractor shall submit copy of written permission to the Owner, and shall pay reasonable rate for such use directly to the neighbor. Use of water and/or power shall not result in hazardous or objectionable conditions, such as flooding or contaminated runoff.
2. To comply with SCAQMD Ordinance 403, the Contractor shall provide water for dust control on all demolition and cleanup sites, either by means of water truck or an approved connection to a water purveyor.
3. Should a utility service be inadvertently damaged or disconnected from a structure not specified for demolition, the Contractor shall immediately

restore said service in compliance with the Los Angeles County Electrical or Plumbing Codes. The Contractor shall be responsible for any and all expenses incurred while restoring said service.

K. Time for Commencing and Completing Work

1. The Contractor shall commence the removal of asbestos and demolition work at the end of the required notification period provided to SCAQMD.
2. Asbestos and demolition work shall begin and be completed within the starting and completion dates shown on the SCAQMD Rule 1403 notification form. If this is not possible, a revised notification form shall be sent to SCAQMD in accordance with Rule 1403 (d)(1)(A)(iv).
3. The Contractor shall commence the demolition and removal of lead-painted surfaces, lead-impacted soil, or assumed lead paint at the end of the required notification period provided to Cal/OSHA.
4. Demolition and removal work affecting lead paint, lead-impacted soil, or assumed lead paint shall begin and be completed within the starting and completion dates provided on the Cal/OSHA notification. If this is not possible, a revised notification form shall be sent to Cal/OSHA in accordance with California Code of Regulations Title 8, Section 1532.1.
5. The Contractor shall commence demolition work within 10 calendar days from the date of mailing of the Notice to Proceed by the Project Manager (or sooner, as specified in the Notice, if the demolition has been deemed an emergency by the Executive Director, and complete the work within 21 calendar days or within the time period specified in the Notice to Proceed. Failure to adhere to the "Time for Commencing and Completing Work" may be cause for immediate cancellation of this Contract.
6. Should the Contractor be obstructed or delayed in the beginning, continuation or completion of the work by inclement weather or by any necessary or unavoidable act or delay of the Owner, or by riot, insurrections, war, pestilence, acts of public authorities, fire, lightning, earthquake, cyclone, or through the default of other parties under contract with said Owner; and if, in the sole opinion of the Executive Director, the ultimate completion of the entire work under this Contract is delayed thereby, then the time fixed for the completion of all work under the work order shall be extended for a period equivalent to the time the work is delayed by such means.
7. Labor strikes, when such strikes are not brought solely against the Contractor or any of the subcontractors, may constitute sufficient reason for extension of the time of completion within the provisions of these Specifications.

L. Roofed-over Areas

Roofed-over areas shall be considered as any area with a roof but without enclosing walls, such as breezeways, patios, carports, and similar structures, whether attached to the basic structure or freestanding.

M. Access to Site

Structures included within the scope of this Contract are presumed to be so situated as to be reasonably accessible to the Contractor and that will permit the use of the Contractor's conventional equipment, machinery, tools of the trade, and / or hand crews.

N. Appeals

If the property owner or other interested party files a notice with the Executive Director and requests a hearing as provided in Los Angeles County Code Title 26, (Building Code), the Contractor or the Contractor's representative agrees to appear at the time and place of the hearing and to furnish the hearing board with all information required to determine the correctness or reasonableness of the charges at no additional cost to the Owner.

O. Special Safety Requirements

1. In the performance of this Contract, precaution shall be exercised by the Contractor at all times for the protection of persons (including employees) and property. The Contractor shall comply with all applicable Federal, State, and local laws governing safety, health, and sanitation. The Contractor shall provide all safeguards, safety devices, and protective equipment, and take any other needed actions on its own volition or as the Project Manager may determine to be reasonably necessary to protect the life and health of employees on the job and the safety of the public, and to protect property in connection with the performance of the work covered by this Contract. All Contractor's operators, subcontractors, and employees shall observe all applicable Cal/OSHA regulations while at the jobsites. Hard hats shall be worn at all times. Suitable clothing, gloves and shoes that meet Cal/OSHA requirements are required. The Contractor's operators, subcontractors, and employees shall wear adequate eye, face, hearing, respiratory, and foot protection as prescribed by Cal/OSHA and brightly colored clothing when exposed to traffic hazards.
2. The Contractor shall also provide permanent or temporary protective measures for pedestrian and property protection required by applicable statutes, ordinances or regulations. Potential on-site hazards (e.g., open excavations, swimming pools, etc.) shall be protected by fencing or similar methods throughout the duration of the project.

P. Salvage

The Contractor shall have salvage rights in accordance with Los Angeles County Code, Title 26, Section 9930 (Building Code). Salvageable material and equipment shall become the property of the Contractor and shall be promptly removed from the jobsite, including all material and equipment remaining in the building after the date the work order is executed. Vehicles that are removed are not to be reconstructed or made operable in accordance with Los Angeles County Code (Building Code) Title 26, Section 9934. However, Contractor is prohibited from allowing any third party from salvaging any of the demolished building products or abandoned household items, furniture, fixtures, appliances, equipment, motor vehicles, auto parts, trees, etc. from the site.

Q. State Industrial Safety Permit

1. The issuance of a permit by the State Division of Industrial Safety is required for excavations five feet or deeper and into which a person is required to descend. This is a normal condition for capping most sewers.
2. Obtaining and submitting a copy of an Annual State Industrial Safety Permit will help reduce delays when the Contractor applies for necessary demolition building permits from the Department of Public Works.

R. Emergency Work

Should the Contractor be unable to respond to an emergency within a time period commensurate with the emergency as judged solely by the Project Manager (typically 24 hours or less), nothing in this Contract shall prevent the Owner from contracting with other parties that can respond appropriately to the emergency.

S. Responsibilities of the Owner

The Owner will determine the need for, and provide, jobsite observation to determine the square footage area of structures to be demolished, observations of the progress of the Contractor to determine adherence to these Specifications, and post-demolition/clean-up observation for purposes of final punch list and eventual acceptance of the cleared and cleaned site.

T. Responsibilities of the Contractor

The Contractor shall:

1. Provide all labor, materials, equipment, tools, utilities, and supervision required to perform the work described.
2. Notify the Inspector/Project Manager within a 24-hour period upon completion of the work.

3. Furnish private transportation for the Contractor's personnel and equipment to and from the jobsite and for travel around the jobsite.
4. Furnish security for all equipment and materials used at the jobsite during both working and nonworking hours until final acceptance, by providing adequate and appropriate personnel and/or fencing as needed.
5. Obtain and maintain in good standing all necessary City, County, and State permits or licenses for its operations, facilities, equipment, and operators.
6. Immediately advise the Inspector/Project Manager should the Contractor encounter or observe hazardous conditions while working on the jobsite.
7. Repair any damage to Owner's property or other facilities resulting from the work being done by the Contractor.
8. Repair any damage to private property that is not encompassed by the demolition or cleanup resulting from the work being done by the Contractor.
9. Before starting the job, obtain and pay for permits, licenses, and fees required by the County, State, or Federal laws concerning the demolition or removal of the building, filing of SCAQMD Rule 1403 notices, filing of all Cal-OSHA notices, obtaining and paying for the Oak Tree removal permit, and permits and fees for the capping of sewer or filling of cesspool or septic tank. The Contractor shall also be responsible for requesting and obtaining inspection and approval of the work done under the above permits. The permits shall be requested and obtained at the Public Works' Building and Safety District Office in which the work is located. Permits will be subject to cancellation and become null and void if the work is not completed within the time specified therein. Upon receipt of copy of said permit, the County will reimburse Contractor for cost of permits peculiar to the specific job. Reimbursement will be incorporated in final billing of the project.
10. Arrange the storage of materials and equipment and the performance of all work by employees and subcontractors, so as to interfere as little as possible with other persons engaged in work for the Owner at the same or adjacent jobsites.
11. Provide any necessary water supply, electrical service, toilet, or other facilities required for performance of the work and for conduct of operations, all in accordance with governing code regulations.
12. Building Regulations. Carry out all building regulations, laws, and ordinances, though such requirements are not specifically mentioned in these Specifications. When work required by these Specifications is in

conflict with any such law or ordinance, the Contractor shall notify the Project Manager and shall not proceed with the work until the Project Manager has so ordered. However, nothing herein is intended to intentionally lead Contractor into willful violations of said regulations, laws, and ordinances.

13. Defective Work. Correct any imperfect work whenever discovered before the final acceptance of the work. No work which is deficient in any of the requirements of these Specifications shall be considered as accepted in the consequence of the failure of any employee of the Owner to point out said deficiencies or to order them corrected during performance of the work.
14. Repair of Damage. Repair, at Contractor's expense, any damage to sidewalk, street improvements, and/or private property caused by the Contractor outside the scope of the required demolition. Restore the damaged areas or surfaces to a condition equal to and matching the condition existing before the damage, by repair of existing work or by replacement of damaged materials with new materials as necessary for property restoration.
15. General Supervision. At all times the Contractor shall keep a competent general supervisor on the project site who shall be authorized by the Contractor to execute this Contract's requirements and who shall have the ability to organize the work, and the work of subcontractors, to attain complete cooperation and minimize delays.
16. Final Cleanup. All equipment and temporary construction used in the work of this Contract shall be removed from the project site. The demolition site and all spaces used by the Contractor shall be left in a neat and 'broom-clean' condition until accepted by the Project Manager and per the NPDES municipal permit handbook, taking care not to let dust or debris flow into the storm drain system.

U. Subletting

1. All subcontractors proposed to perform work on the project shall be licensed in accordance with the provisions of the Business and Professions Code of the State of California for the type of work to be performed.
2. The Owner will consider all subcontractors to be agents of the Contractor, and the Contractor shall be held responsible for their work.
3. All subcontractors or contractors performing subcontractor type work (i.e., removal of asbestos, hazardous waste) shall perform such work at competitive prices. The Owner may require the Contractor to submit proof that any subcontracted work performed under this Contract has been

performed at competitive prices based on the lowest of at least three competitive bids.

4. No subcontractor shall be allowed to work on the jobsite unless said subcontractor was listed on Contractor's original proposal, or has been properly proposed via the Owner's "Request for Acceptance of Subcontractor" form and procedures.

V. Work by Owner or Others

The Owner may perform with its own forces or award to other contractors any extra work or any portion of a project not included in this Contract.

W. Methods and Application

The methods adopted by the Contractor shall be such as will assure satisfactory work and will enable the Contractor to complete the work by the time agreed and choosing said methods are solely Contractor's responsibility. If at any time such methods appear inadequate, the Executive Director in his sole discretion may order the Contractor to improve its methods or increase its efficiency. The Contractor shall conform to such order, but failure of the Owner to order such improvement of methods or increase of efficiency, will not relieve the Contractor from the obligation to perform adequate work or finish by the time agreed upon.

X. Final Inspection

In order to allow for progress and final inspections, the Contractor shall notify the Project Manager a sufficient length of time in advance of the performance of each type of intended work, typically 48 hours except in emergency demolition jobs. The Contractor is expressly prohibited from carrying out the work of this Contract at night or on a Saturday, Sunday, Federal, State, or County holiday, unless notified by the Executive Director in writing in advance that the specific demolition or clean-up job is an emergency. In such case that Contractor has received such a written order, contractor shall notify Project Manager at least 24 hours in advance so that inspection may be provided by the Inspector/Project Manager. Upon the completion of the work specified by this Contract or Contract Work Order, the Contractor shall notify the Project Manager when the Contractor desires a final inspection of the work. The Project Manager will make such requested inspection is completed as soon as possible thereafter.

Y. Change Orders - Negotiated Price

1. Should any of the necessary work not fall within the provisions of this Contract, the Owner and the Contractor may enter change order negotiations to establish a mutually agreeable price for such work. This change order would provide for a negotiated price, or where not negotiated, a mutually agreeable price can be settled upon, the price shall be established by itemized labor, material, equipment, other services, and

expenditures, Contractor's costs and profit in accordance with the "Extra Work" provisions of the "Standard Specification For Public Works Construction" latest adopted edition, as amended and submitted after authorization and performance of the work. The Owner at any time during the progress of the work may order alterations in, additions to, deviations or omissions from, the work contemplated by these Specifications or Contract Work Orders.

2. No extra work shall be performed and no change shall be made unless a written Directive, Field Order, or Change Order has been issued by the Owner stating that the extra work or change is authorized. No claim for an addition to this Contract and Contract Work Order sum shall be valid unless the extra work or change is so ordered. Any change in the work shall conform to these Specifications or Contract Work Orders insofar as they may apply without conflict to the conditions involved in the change. Payment for additional work or extras, if any occur, shall become due and payable following the provisions for payment of this Contract. The value of deletions, if any, from this Contract shall be deducted from the amount of the final Contract price.

Z. Extra Work

1. New or unforeseen work will be classified as "extra work" when the Owner determines that it is not covered by this Contract's unit prices or stipulated unit prices. Such work shall be compensated based on a mutually agreeable negotiated lump sum.
2. The removal of asbestos and hazardous waste may be considered as "extra work" in the performance of this Contract only when the structure or facility is not being demolished by the Contractor. When work (extra work) not covered by this Contract is subcontracted, the Contractor may add a reasonable markup, amount to be negotiated, submitted after authorization and performance of the work.

AA. Authority of Executive Director

1. The Executive Director will decide, within the provisions of these Specifications, all questions which may arise concerning the work performed, and all questions concerning the acceptable fulfillment of this Contract by the Contractor.
2. Final determination of the acceptable fulfillment of the Contract by the Contractor shall be made by the Executive Director. Copies of all specifications and Contract Work Orders will be kept on file.

BB. Construction and Demolition Debris Recycling

1. To the maximum extent feasible, Contractor shall employ processes which will ensure generation of the least amount of debris; salvage and reuse the debris on or off-site or deliver the debris to recycling facilities; and quantify the amount of debris reduced, reused, and/or recycled.
2. Contractor shall be responsible for arranging the collection and handling of the debris and transportation of the debris by legally permitted waste haulers to facilities that can legally accept the debris for purpose of reuse, recycling, or disposal. However, in no event shall the debris be disposed of in a landfill and/or incineration facility, unless otherwise approved by the Executive Director.
3. The Contractor shall comply with all applicable laws and regulations, including, but not limited to the California Integrated Waste Management Act of 1989 (AB 939), and the Los Angeles Countywide Integrated Waste Management Plan.
4. Upon completion of the work, the Contractor shall provide the Owner with proof of authorization from recycling/ delivery site owner/operator to deliver the demolition and/or cleanup debris to the recycling/delivery site and the tonnages reused and/or recycled. Demolition and cleanup debris means materials resulting from demolition and cleanup-related activities such as site cleanup, land clearing, excavation, grading, and are considered solid waste pursuant to Section 40191 of the Public Resources Code. The materials include, but are not limited to asphalt, brick, cardboard, carpet, cinder block, concrete, concrete with reinforcement bars, drywall, excavated materials, metal, fixtures and fittings, glass, gravel, mixed rubble, packaging materials, paper, plastics, porcelain, road work materials, roofing materials, rock, sand, soil, trees, tree stumps and other vegetative matter, stones, and wood waste.

CC. Recordkeeping of Construction and Demolition Debris Recycling

The Contractor shall retain records of the amount of debris generated and re-used, recycled, and disposed. When requested, within 15 days of completion of the work, the Contractor shall submit the following information to the Owner.

- The actual weight of debris recycled or reused.
- Copies of receipts from each subcontractor or facility that collected or received debris.
- A calculation of the actual percentage of all debris material that was recycled or reused.

DD. Payments

Upon completion of the work, the Contractor may request full payment for the work. After acceptance of the work by the Owner, and upon receipt from the Contractor of any affidavits or guarantees required by these Specifications, the Owner will make a final payment for each item designated by this Contract or Contract Work Order. The making of any payment to the Contractor under this Contract shall not relieve the Contractor of the Contractor's obligations. The Contractor is obligated to complete the contract work in its entirety at the time or times specified.

EE. Hours and Days of Demolition and Removal Services

Hours of services shall be primarily 8:00 a.m. to 4:30 p.m., Monday through Friday, each week, except holidays, when the service shall be done before or after such holiday. Work hours may only be altered, when necessary, with the approval of the Executive Director.

FF. Storage Facilities

The Owner will not provide storage facilities for the Contractor. The Owner will not be liable or responsible for any damage, by whatever means, or for theft of materials or equipment from the site.

GG. AB 939 County Diversion Requirements

1. The California Integrated Waste Management Act of 1989 (AB 939) requires that all cities and counties in the State of California divert materials going to landfills by 50 percent by the year 2000. To assist in achieving this mandate, all contractors handling green waste materials for the Owner shall be required to divert all landscape materials from any landfills and co-generation facilities. Green waste materials utilized for alternate daily landfill cover is currently acceptable for diversion credit. Contractor shall be required to seek "recycling" alternatives for any organic, biodegradable landscape materials encountered while performing these services. Acceptable "recycling" alternatives would include the utilization of these materials as feedstock for composting, co-composting, mulching, soil amendment and wood chip products.
2. The Contractor shall be required to arrange for the chipping and transport of all landscape materials to their selected processor with all costs to be borne by the Contractor. In addition, the Contractor shall provide proof of delivery of the material and weight tickets (from an approved public or private scale), or a signed statement of verification that all above AB 939 requirements have been met.

HH. Project Safety Official

The Contractor shall designate in writing a Project Safety Official who shall be thoroughly familiar with the Contractor's Injury and Illness Prevention Program (IIPP) and Code of Safe Practices (CSP). The Contractor's Project Safety Official shall be available at all times to abate any potential safety hazards and shall have the authority and responsibility to shut down an operation, if necessary. Failure by the Contractor to provide the required Project Safety Official shall be grounds for the Owner to direct the cessation of all work activities and operations at no cost to the Owner until such time as the Contractor is in compliance.

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GENERAL CONDITIONS OF THE DEMOLITION SERVICES CONTRACT

1. Contractor's License Requirements

Contractor shall be properly licensed by the State of California to perform the work proposed under these Specifications. Lack of proper license at the time of submission of Proposal shall be sufficient cause for rejection of the Proposal.

2. Wages, Materials, and Other Costs

It is the responsibility of the Contractor to calculate the Proposal price to take into consideration a possible escalation of wages, materials, and other costs during the contract period. The Board of Commissioners (Board), County of Los Angeles, and the Owner do not presume what future costs may be or the rate of wages that may become necessary to pay employees of the contractor for the work performed during the contract period.

3. Qualifications of Subcontractors

Contractors shall list all subcontractors to be used on the List of Subcontractors form included in Appendix E. The use of subcontractors shall be subject to Owner's approval. Subcontractors shall be properly licensed under the laws of the State of California for the type of work which they are to perform. Alternate subcontractors shall not be listed for the same work.

4. Opening of Proposals

Proposals will not be publicly opened.

5. Disqualification of Contractors

More than one Proposal from an individual, firm, partnership, corporation, or association under the same or different names will not be considered. Reasonable grounds for believing that any Contractor has interest in more than one Proposal for the work contemplated will cause the rejection of all Proposals in which such Contractor has interest. If there is reason for believing that collusion exists among the Contractors, none of the participants in such collusion will be considered in this or future Proposals.

6. Proposal Prices and Agreement of Figures

If the total amount arrived at by multiplying the unit price times the quantity does not agree with the total amount entered for the item or if the total amount is not entered, the unit price and the corrected extension will be considered as representing the

Contractor's intentions. If the total amount is entered for the item, but not the unit price, the unit price will be that which is derived by dividing the total amount proposed for the item by the number of units in the item as representing the Contractor's intentions. If the items are incorrectly totaled, the corrected total will be considered as representing the Contractor's intentions.

DETERMINATION OF RESPONSIBLE CONTRACTORS

- A. A responsible Contractor is a Contractor who has demonstrated the attribute of trustworthiness, as well as quality, fitness, capacity, and experience to satisfactorily perform the proposed contract. It is the Owner's policy to conduct business only with responsible contractors.
- B. Contractors are hereby notified that, in accordance with Chapter 2.202 of the County Code, the Owner may determine whether the Contractor is responsible based on a review of the Contractor's performance on any contracts, including but not limited to County contracts. Particular attention will be given to violations of labor laws related to employee compensation and benefits, and evidence of false claims made by the Contractor against public entities. Labor law violations which are the fault of subcontractors and of which the Contractor had no knowledge shall not be the basis of a determination that the Contractor is not responsible.
- C. The Owner may declare a Contractor to be non-responsible for purposes of this proposed Contract if the Board, in its discretion, finds that the Contractor has done any of the following: 1) committed any act or omission which negatively reflects on the Contractor's quality, fitness, or capacity to perform this proposed contract with the Owner or a contract with any other public entity, or engaged in a pattern or practice which negatively reflects on same; 2) committed an act or omission which indicates a lack of business integrity or business honesty; or 3) made or submitted a false claim against the Owner or any other public entity.
- D. If there is evidence that a Contractor may not be responsible, the Owner will notify the Contractor in writing of the evidence relating to the Contractor's responsibility, and their intention to recommend to the Board that the Contractor be found not responsible. The Owner will provide the Contractor and/or the Contractor's representative with an opportunity to present evidence as to why the Contractor should be found to be responsible and to rebut evidence which is the basis for the Owner's recommendation. If the Contractor fails to avail itself of the opportunity to rebut the Owner's evidence, the Contractor may be deemed to have waived all rights of appeal.
- E. If the Contractor presents evidence in rebuttal to the Owner, the Owner will evaluate the merits of such evidence, and based on that evaluation, make a recommendation to the Board. The final decision concerning the responsibility of the Contractor will reside with the Board.

F. These terms shall also apply to proposed subcontractors.

7. Labor

No person shall be employed on any work under this Contract who is found to be intemperate, troublesome, disorderly, or is otherwise objectionable to the Owner. Any such person shall be reassigned immediately and not again employed on Owner' projects.

8. Public Convenience

The Contractor shall so conduct operations to cause the least possible obstruction and inconvenience to public traffic or disruption to the peace and quiet of the area within which the work is being performed.

9. Cooperation

The Contractor shall cooperate with the Owner's forces and other contractors and consultants engaged in any other activities at the jobsite. The Contractor shall carry out all work in a diligent manner and according to instructions of the Executive Director.

10. Care and Protection of Facilities

The Contractor shall recognize that any damage to Owner's properties from Contractor negligence shall, to the Owner's satisfaction, be repaired at the Contractor's expense. The Contractor shall be responsible for the security of any and all of the Owner properties in its care. The Contractor shall provide protection against vandalism, accidental, or malicious damage, both during working and nonworking hours.

11. Equipment, Labor, Supervision, and Materials

All equipment, labor, supervision, and materials required to accomplish this Contract, except as might be specifically outlined in other sections, shall be provided by the Contractor.

12. Permits/Licenses

The Contractor shall be fully responsible for possessing or obtaining any required permits/licenses from the appropriate Federal, State, or local authorities for work to be accomplished under this Contract.

13. Quality of Work

The Contractor shall provide the quality of work under this Contract which is at least equivalent to that which the Contractor provides to all other clients it serves. All work shall be executed by experienced workers. All work shall be under supervision of a well-qualified supervisor. The Contractor also agrees that work shall be furnished in a professional manner and according to these Specifications.

14. Cooperation and Collateral Work

The Contractor shall perform work as directed by the Executive Director. The Executive Director will be supported by other personnel in assuring satisfactory performance of the work under these Specifications and that satisfactory contract controls and conditions are maintained.

15. Authority of the Owner's Inspection

The Executive Director will have the final authority in all matters affecting the work covered by this Contract's Terms, Requirement, Conditions, and Specifications. On all questions relating to work acceptability or interpretations of these Terms, Requirements, Conditions, and Specifications, the decision of the Executive Director will be final.

16. Safety Requirements

The Contractor shall be responsible for the safety of equipment, material, and personnel under the Contractor's jurisdiction during the work.

17. Public Safety

It shall be the Contractor's responsibility to maintain security against public hazards at all times while performing the work.

18. Work Area Controls

The Contractor shall comply with all applicable laws and regulations. The Contractor shall maintain work area in a neat, orderly, clean, and safe manner. The Contractor shall avoid spreading out equipment excessively. Location and layout of all equipment and materials at each jobsite will be subject to the Executive Director's approval.

19. Transportation

The Owner will not provide transportation to and from the jobsite, nor travel around the limits of the jobsite.

20. Storage Of Material And Equipment

The Contractor shall not store material or equipment at the jobsite, except as needed to perform the work. The Owner will not be liable or responsible for any damage, by whatever means, or for the theft of the Contractor's material or equipment from any jobsite.

21. Jobsite Safety

The Contractor shall be solely responsible for ensuring that all work performed under this Contract is performed in strict compliance with all applicable Federal, State and local occupational safety regulations. The Contractor shall provide at its expense all safeguards, safety devices and protective equipment, and shall take any and all actions appropriate to providing a safe jobsite.

22. Liquidated Damages

In any case of the Contractor's failure to meet certain specified performance requirements, the Owner may, in lieu of other remedies provided by law or the Contract, assess liquidated damages in specified sums and deduct them from any regularly scheduled payment to the Contractor. However, neither the provision of a sum of liquidated damages for nonperformance or untimely or inadequate performance nor the Owner acceptance of liquidated damages shall be construed to waive the Owner's right to reimbursement for damage to its property or indemnification against third-party claims.

The amounts of liquidated damages have been set in recognition of the following circumstances existing at the time of the formation of the Contract:

- All the time limits and acts required to be done by both parties are of the essence of the Contract;
- The parties are both experienced in performance of the Contract work;
- The Contract contains a reasonable statement of the work to be performed in order that the expectations of the parties to the Contract are realized. The expectation of the Owner is that the work will be performed with due care in a workmanlike, competent, timely, and cost-efficient manner, while the expectation of the Contractor is a realization of a profit through the ability to perform the Contract work in accordance with the terms and conditions of the Contract at the Proposal price;
- The parties are not under any compulsion to contract;
- The Contractor's acceptance of the assessment of liquidated damages against it for unsatisfactory and late performance is by agreement and

willingness to be bound as part of the consideration being offered to the Owner for the award of the Contract;

- Except where the Owner has incurred the cost of obtaining substitute performance, it would be difficult for the Owner to prove the loss resulting from nonperformance or untimely, negligent, or inadequate performance of the work; and
- The liquidated sums specified represent a fair approximation of the damages incurred by the Owner resulting from the Contractor's failure to meet the performance standard as to each item for which an amount of liquidated damages is specified.

The Contractor shall pay the Owner, or the Owner may withhold from monies due the Contractor, liquidated damages in the sum of \$400 for each consecutive calendar day that the Contractor fails to complete work within the time specified unless otherwise provided in this Contract.

23. Gratuitous Work

The Contractor agrees that should work be performed outside the scope of work indicated and without the Owner's prior written approval in accordance with Item Y., "Change Orders - Negotiated Price" of Appendix A – Statement of Work., such work shall be deemed to be a gratuitous effort by the Contractor, and the Contractor shall have no claim, therefore, against the Owner.

24. Nondiscrimination in Employment

The Contractor shall ensure that qualified applicants are employed, and that employees are treated during employment without regard to their race, color, religion, ancestry, national origin, age, condition of physical or mental disability, marital status, political affiliation, sexual orientation, or gender. Such action shall include, but not be limited to the following: employment, upgrading, demotion or transfer, recruitment or recruitment advertising, layoff or termination, rates of pay or other forms of compensation, and selection of training, including apprenticeship.

The Contractor shall deal with its subcontractors, bidders, or vendors without regard to, or because of, race, color, religion, ancestry, national origin, age, condition of physical or mental disability, marital status, political affiliation, sexual orientation, or gender.

The Contractor shall allow the Owner's representative access to its employment records during regular business hours to verify compliance with the provisions of this section when so requested by the Owner.

If the Owner finds that any of the above provisions have been violated, the same shall constitute a material breach of contract upon which the Owner may determine to cancel, terminate, or suspend this Contract. While the Owner reserves the right to determine independently that the antidiscrimination provisions of this Contract have been violated, in addition, a determination by the California Fair Employment Practices Commission or the Federal Equal Employment Opportunity Commission that the Contractor has violated State or Federal antidiscrimination laws or regulations shall constitute a finding by the Owner that the Contractor has violated the antidiscrimination provisions of this Contract.

The parties agree that in the event the Contractor violates the antidiscrimination provisions of this Contract, the Owner shall, at its option, be entitled to a sum of \$500 pursuant to California Civil Code Section 1671 as liquidated damages in lieu of canceling, terminating, or suspending this Contract.

25. Subcontracting

No performance of this Contract or any portion thereof may be subcontracted by the Contractor without the express written consent of the Owner. Any attempt by the Contractor to subcontract any performance of the terms of this Contract without the express written consent of the Owner shall be null and void and shall constitute a breach of the terms of this Contract. In the event of such a breach, this Contract may be terminated forthwith.

In the event the Owner should consent to subcontracting, each and all of the provisions of this Contract and any amendment thereto shall extend to and be binding upon and inure to the benefit of the successors or administrators of the respective parties.

In the event the Owner should consent to subcontracting, the Contractor shall include in all subcontracts the following provision: "This Agreement is a subcontract under the terms of a prime contract with the Owner. All representations and warranties shall inure to the benefit of the Owner."

Any third party delegate(s) appointed by the Contractor shall be specified in writing to the Director for advance concurrence.

No subcontractor shall be recognized or dealt with by the Board or any of the persons chargeable with the enforcement of this Contract. The Contractor shall, at all times, be personally responsible for the performance of this Contract.

26. Covenant Against Contingent Fees

The Contractor warrants that no person or selling agency has been employed or retained to solicit or secure this Contract upon an agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees or bona fide established commercial or selling agencies maintained by the Contractor for the purpose of securing business.

27. Governing Laws

This Contract shall be construed in accordance with and governed by the laws of the State of California.

28. Notice of Delay and Termination Claim

Except as otherwise provided herein, when either party has knowledge that any actual or potential situation is delaying or threatens to delay the timely performance of this Contract, that party shall, within five days, give notice thereof, including all relevant information with respect thereto, to the other party.

If this Contract is terminated, the Contractor shall, within 60 days after the Notice of Termination, submit to the Owner its termination claim.

Subject to the provisions of the paragraph immediately below, the Owner the Contractor shall negotiate an equitable amount to be paid the Contractor by reason of the total or partial termination of work pursuant to this clause, which amount may include a reasonable allowance for profit on services rendered, but shall not include an allowance on services terminated. The Owner will pay the agreed amount provided that such amount shall not exceed the total funding obligated under this Contract, and reduced by the amount of payments otherwise made, and as further reduced by this Contract price of work not terminated.

Failure of the Contractor to submit its termination claim and invoice within the time allowed, the Owner may determine, based on information available to the Owner, the amount, if any, due to the Contractor in respect to the termination, and such determination shall be final. After such determination is made, the Owner will pay the Contractor the amount so determined.

29. Changes And Amendments Of Terms

The Owner reserves the right to change any portion of the work required under this Contract, or amend such terms and conditions which may become necessary. Any such revisions shall be accomplished in the following manner:

For any change which does not materially affect the scope of work, period of performance, payments, or any material term or condition included in this Contract, a Change Notice shall be prepared and signed by the Executive Director and Contractor.

For any revision which materially affects the scope of work, period of performance, payments, or any material term or condition included in this Contract, a negotiated modification to this Contract shall be executed by the Board of Commissioners and the Contractor.

To the extent that extensions of time for Contractor performance do not impact either scope or cost of this Contract, the Owner may, at its sole discretion, grant the Contractor extensions of time provided, however, that the aggregate of all such extensions during the life of this Contract shall not exceed 60 days.

30. Confidentiality

The Contractor shall maintain the confidentiality of all its records relating to this Contract, according to all applicable Federal, State, and County laws, regulations, ordinances, and directives relating to confidentiality. The Contractor shall inform all of its officers, employees, and agents providing services hereunder of the confidentiality provisions of this Contract.

31. Quantities Of Work

The Contractor shall be allowed no claims for anticipated profits or for any damages of any sort because of any difference between the estimated and actual quantities of work done or for work decreased or eliminated by the Owner.

32. Independent Contractor Status

This Contract is by and between the Owner and the Contractor and is not intended, and shall not be construed, to create the relationship of agent, servant, employee, partnership, joint venture, or association, between the Owner and the Contractor.

The Contractor understands and agrees that all persons furnishing services to the Owner pursuant to this Contract are, for all purposes including, but not limited to Workers' Compensation liability, employees solely of the Contractor and not of the Owner.

The Contractor shall bear the sole responsibility and liability for furnishing Workers' Compensation and all other benefits required by law to any person for injuries arising from or connected with services performed on behalf of the Contractor pursuant to this Contract.

33. Workplace Safety Indemnification

In addition to and without limiting the indemnification required by Article 10 of the Demolition Contract (Appendix A), and to the extent allowed by law, the Contractor agrees to defend, indemnify and hold harmless the Owner, its special districts, and

its officers, employees and agents from and against any and all investigations, complaints, citations, liability, expense (including defense costs and legal fees), claims, and/or causes of action for damages of any nature whatsoever, including but not limited to injury or death to employees of the Contractor, its subcontractors or the Owner, attributable to any alleged act or omission of the Contractor and/or its subcontractors which is in violation of any Cal/OSHA regulation. The obligation to defend, indemnify and hold harmless includes all investigations and proceedings associated with purported violations of Section 336.10 of Title 8 of the California Code of Regulations pertaining to multi-employer worksites. The Contractor shall not be obligated to indemnify for liability and expenses arising from the active negligence of the Owner. The Owner may deduct from any payment otherwise due the Contractor any costs incurred or anticipated to be incurred by the Owner, including legal fees and staff costs, associated with any investigation or enforcement proceeding brought by Cal/OSHA arising out of the work being performed by the Contractor under this Contract.

34. Overtime

Eight hours labor constitutes a legal day's work. Work in excess thereof, or greater than 40 hours during any one week, shall be permitted only as authorized by Labor Code Section 1815.

35. Prohibition Against Use of Child Labor

The Contractor shall:

Not knowingly sell or supply to the Owner any products, goods, supply, or other personal property manufactured in violation of child labor standards set by the International Labor Organization through its 1973 Convention Concerning Minimum Age for Employment;

Upon request by the Owner, provide the Owner of origin of any products, goods, supplies, or other personal property the Contractor sells or supplies to the Owner; and upon request by the Owner, provide to the Owner the manufacturer's certification of compliance with all international child labor conventions.

Should the Owner discover that any products, goods, supplies, or other personal property sold or supplied by the Contractor to the Owner are produced in violation of any international child labor conventions, the Contractor shall immediately provide an alternative, compliant source of supply.

Failure by the Contractor to comply with provisions of this clause will be grounds for immediate cancellation of this Contract.

36. Legal Status of Contractor's Personnel at Facility

The Contractor warrants that it fully complies with all laws regarding employment of aliens and others, and that all of its employees performing services hereunder meet the citizenship or alien status requirements contained in Federal and State statutes and regulations including, but not limited to, the Immigration Reform and Control Act of 1986 (PL. 99-603). The Contractor shall obtain from all covered employees performing services hereunder, all verification and other documentation of employment eligibility status required by Federal statutes and regulations as they currently exist and as they may be hereafter amended. The Contractor shall retain such documentation for all covered employees for the period prescribed by law. The Contractor shall indemnify, defend, and hold harmless, the Owner, its officers and employees from employer sanctions and any other liability which may be assessed against the Contractor or the Owner or both in connection with any alleged violation of Federal statutes or regulations pertaining to the eligibility for employment of persons performing services under this Contract.

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HOUSING AUTHORITY
of the County of Los Angeles
Administrative Office
2 Coral Circle • Monterey Park, CA 91755
323.890.7001 • www.lacdc.org • TTY: 323.838.7449



Gloria Molina
Yvonne Bradhwaite Burke
Zev Yerostovsky
Don Knabe
Michael D. Antonovich
Commissioners

Charles Jackson
Executive Director

November 17, 2004

Honorable Housing Commissioners
Housing Authority of the
County of Los Angeles
2 Coral Circle
Monterey Park, California 91755

Dear Commissioners:

**RESOLUTIONS APPROVING AND AUTHORIZING THE ISSUANCE OF
MULTIFAMILY HOUSING MORTGAGE REVENUE BONDS FOR SAN FERNANDO
SENIOR HOUSING IN THE CITY OF SAN FERNANDO (3)**

IT IS RECOMMENDED THAT YOUR COMMISSION:

1. Recommend that the Board of Commissioners acting in the role of Responsible Agency for San Fernando Senior Housing, a 98-unit affordable senior rental housing development to be located at three sites in the City of San Fernando, identified in Attachment A, certify that the Housing Authority of the County of Los Angeles has independently considered and reached its own conclusions regarding the environmental effects of the project and the Environmental Assessment/Mitigated Negative Declaration (EA/MND) and Mitigation Monitoring and Reporting Program (MMP) adopted by the Board of Supervisors of the County of Los Angeles, as Lead Agency, and determine that the EA/MND and MMP adequately address the environmental impacts of the project, and adopt by reference the County's environmental findings in connection with approval of the project.
2. Recommend that the Board of Commissioners adopt and instruct the Chairman to sign a Resolution, as required under Section 34350.5 of the Health and Safety Code of the State of California, authorizing the issuance of Multifamily Housing Mortgage Revenue Bonds by the Housing Authority of the County of Los Angeles, in an amount not exceeding \$6,400,000, to assist San Fernando Senior Housing, L.P. (the Developer) to finance the site acquisition and construction of San Fernando Senior Housing.



3. Recommend that the Board of Commissioners authorize the Executive Director to execute all related documents, following approval as to form by County Counsel, and to take all necessary actions to finance acquisition and construction of San Fernando Senior Housing.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:

The purpose of this action is to authorize the issuance, sale and delivery of Multifamily Housing Mortgage Revenue Bonds to finance the acquisition and construction of San Fernando Senior Housing. This action will also allow the Bonds to qualify for a tax exemption under Section 103 of the Internal Revenue Code of 1986.

FISCAL IMPACT/FINANCING:

No County costs will be incurred. The Developer will pay all fees and related costs.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

The Housing Authority issues Multifamily Housing Mortgage Revenue Bonds on an ongoing basis to provide financing to increase the supply of multifamily housing for very low-, low- and moderate-income families throughout Los Angeles County.

On October 27, 2004, the Housing Authority conducted a public hearing at its office, located at 2 Coral Circle in the City of Monterey Park, on the issuance of bonds to finance San Fernando Senior Housing, pursuant to Section 147(f) of the Internal Revenue Code of 1986. No comments were received at the public hearing concerning the issuance of the Bonds or the nature and location of the project.

On May 19, 2004, the Housing Commission recommended approval of the inducement of Multifamily Housing Mortgage Revenue Bonds for construction of San Fernando Senior Housing. On June 15, 2004, the Board adopted an Inducement Resolution declaring the intent of the Housing Authority to undertake the financing of Multifamily Housing Mortgage Revenue Bonds for the project in accordance with United States Treasury Department Regulations. This action established a base date after which costs incurred by the Developer of the project could be included in the acquisition, construction and permanent financing obtained pursuant to the issuance of tax-exempt bonds.

The development will consist of 95 senior units and three managers' units, of which at least 48 units will be reserved for very low-income seniors with incomes not exceeding 50 percent of the area median income (AMI) for the Los Angeles-Long Beach Metropolitan Statistical Area, adjusted for family size, as defined by the U.S. Department of Housing and Urban Development (HUD). The remaining 47 units will be

reserved for seniors with incomes not exceeding 60 percent of the AMI. The affordability requirement will remain in effect for at least 55 years.

The attached resolutions, authorizing the Housing Authority to issue and sell the Bonds to finance the project, have been prepared by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Housing Authority, and have been approved as to form by County Counsel. All other related documents are being submitted in substantially final form and will be approved as to form by County Counsel prior to execution by the authorized parties.

ENVIRONMENTAL DOCUMENTATION:

An Environmental Assessment was prepared for the San Fernando Senior Housing project pursuant to the requirements of the National Environmental Policy Act of 1969 (NEPA). Based on the conclusions and findings of the Environmental Assessment, a Finding of No Significant Impact was approved by the Community Development Commission on January 13, 2004. Following the required public and agency comment period, HUD issued a Release of Funds for the project on January 29, 2004.

Consistent with the provisions of the California Environmental Quality Act (CEQA) Guidelines, Article 14, Section 15221, notice was provided to the public that the Environmental Assessment would be used in place of an Initial Study to satisfy CEQA requirements. The Environmental Assessment and Mitigated Negative Declaration (EA/MND) was circulated for public review as required by state and local law. The Board of Supervisors of the County of Los Angeles, as lead agency, adopted the findings of the EA/MND on June 15, 2004. Adoption of the EA/MND and the Mitigation Monitoring and Reporting Plan, and filing of a Notice of Determination, meet the requirements of CEQA.

The environmental review record is available for viewing by the public during business hours at the Housing Authority's main office located at 2 Coral Circle, Monterey Park.

IMPACT ON CURRENT PROJECT:

The proposed action will increase the supply of affordable senior housing in the County.

Respectfully submitted,


for CARLOS JACKSON
Executive Director

ATTACHMENT A

Site locations for San Fernando Senior Housing

Las Palmas I: 20 senior units and one manager's unit on three parcels, located at 467, 451 and 455 South Kalisher Street, City of San Fernando.

Las Palmas II: 24 senior units and one manager's unit on eight parcels, located at 1300 Celis Street, 1311 Pico Street and near the intersections of Pico Street and Kalisher Street and Celis Street and Kalisher Street, City of San Fernando.

Park Avenue: 51 senior units and one manager's unit on four parcels, located at 66 Jessie Street, 65 Park Avenue and 101 Park Avenue and near the intersection of First Avenue and Park Avenue, City of San Fernando.

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF
LOS ANGELES APPROVING THE ISSUANCE OF MULTIFAMILY HOUSING
REVENUE BONDS AND RELATED ACTIONS

WHEREAS, the Housing Authority of the County of Los Angeles (the "Authority") intends to sell and issue not to exceed \$6,400,000 of multifamily housing revenue Bonds (the "Bonds") in order to assist in financing the acquisition and construction of a multifamily rental housing development consisting of 21 units to be situated on three parcels located at 467, 451 and 455 S. Kalisher Street, 25 units to be situated on eight parcels located at 1300 Celis Street, 1311 Pico Street and near the intersections of Pico and Kalisher Streets and Celis and Kalisher Streets and 52 units to be situated on four parcels located at 66 Jessie Street, 65 Park Avenue, 101 Park Avenue and near the intersection of First and Park Avenues, all in the City of San Fernando (the "Project"), to be owned by Azkenazy Development, Inc. (or an affiliate or assign); and

WHEREAS, pursuant to Section 147(f) of the Internal Revenue Code of 1986 (the "Code"), the Bonds are required to be approved prior to their issuance by the applicable elected representative of the governmental unit on whose behalf the Bonds are expected to be issued and by each governmental unit having jurisdiction over the area in which any facility financed by such Bonds is to be located, after a public hearing held following reasonable public notice; and

WHEREAS, the interest on the Bonds may qualify for exclusion from gross income under Section 103 of the Internal Revenue Code of 1986 (the "Code"), only if the Bonds are approved in accordance with Section 147(f) of the Code; and

WHEREAS, the Project is located wholly within the County of Los Angeles, California; and

WHEREAS, this Board of Supervisors is the elected legislative body of the County and is the applicable elected representative of the Authority within the meaning of Section 147(f) of the Code; and

WHEREAS, pursuant to Section 147(f) of the Code, the Housing Authority of the County of Los Angeles has, following notice duly given, held a public hearing regarding the issuance of such Bonds on October 27, 2004, and now desires that the Board of Supervisors approve the issuance of such Bonds; and

WHEREAS, this Board hereby finds and declares that this Resolution is being adopted pursuant to the powers granted by law;

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

1. The above recitals, and each of them, are true and correct.
2. This Board of Supervisors hereby approves the issuance of the Bonds by the Authority to finance costs of the Project. It is the purpose and intent of

this Board of Supervisors that this Resolution constitute approval of the Bonds by the applicable elected representative of the issuer of the Bonds and the applicable elected representative of the governmental unit having jurisdiction over the area in which the Project is located, in accordance with Section 147(f) of the Code.

3. The proper officers of the Authority are hereby authorized and directed to take whatever further action relating to the aforesaid financial assistance may be deemed reasonable and desirable, provided that the terms and conditions under which the Bonds are to be issued and sold shall be approved by the Board of Commissioners of the Authority in the manner provided by law prior to the sale thereof.

4. The Executive Officer-Clerk of the Board of Supervisors or a deputy thereof is directed to certify and deliver a copy of this Resolution to the Authority.

5. This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED by the Board of Supervisors of the County of Los Angeles, State of California, this ____ day of _____, _____, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

By _____
Chairman of the
Board of Supervisors

ATTEST:

Violet Varona-Lukens
Executive Officer-Clerk
of the Board of Supervisors

By: _____
Deputy

APPROVED AS TO FORM:

Office of the County Counsel

By: _____
Deputy

RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$6,400,000 FOR THE PURPOSE OF MAKING A LOAN TO PROVIDE FINANCING FOR A MULTIFAMILY RENTAL HOUSING PROJECT KNOWN AS SAN FERNANDO SENIOR HOUSING, DETERMINING AND PRESCRIBING CERTAIN MATTERS RELATING THERETO, AND APPROVING AND AUTHORIZING THE EXECUTION OF RELATED DOCUMENTS, AGREEMENTS AND ACTIONS.

WHEREAS, the Housing Authority of the County of Los Angeles ("the Authority") is authorized and empowered by the provisions of Section 34312.3 of the Health and Safety Code of the State of California (the "Act") to issue and sell revenue Bonds for the purpose of making loans or otherwise providing funds to finance the acquisition and construction of multifamily residential rental housing projects, including units for households meeting the income limits set forth in the Act; and

WHEREAS, there has been prepared and presented to this Board for consideration at this meeting the documentation required for the issuance of Bonds for the financing of the San Fernando Senior Housing Project (the "Project"); and

WHEREAS, it appears that each of the documents and instruments above referred which are now before this meeting is in appropriate form and is an appropriate instrument to be executed and delivered for the purposes intended;

NOW, THEREFORE, BE IT RESOLVED, by the Board of Commissioners of the Housing Authority of the County of Los Angeles, as follows:

1. It is hereby found and determined that it is necessary and desirable for the Authority to provide financing for the Project through the issuance and sale of the Bonds (as hereinafter defined) in order to assist in the development of the type of dwelling units provided by the Project.

2. For the purpose of raising moneys with which to effectuate financing for the Project, the Authority hereby determines to issue its Multifamily Housing Revenue Bonds (San Fernando Senior Housing Project), 2004 Series B, in one or more series, each with an appropriate series designation (the "Bonds"), in an aggregate principal amount not to exceed \$6,400,000. The Bonds shall bear interest at the interest rates set forth in or determined in accordance with a Financing Agreement (the "Financing Agreement"), maturing as provided in the Financing Agreement, but not later than 35 years from the date of issue. The Bonds shall be in substantially the form set forth in the Financing Agreement, with such appropriate variations, omissions, insertions and provisions as are permitted or required by the Financing Agreement, which shall be appropriately completed when the Bonds are prepared.

The Bonds shall be limited obligations of the Authority payable solely from the revenues, receipts and other moneys pledged therefor under the Financing Agreement.

3. The Bonds shall be executed on behalf of the Authority by the manual or facsimile signature of the Chairman of this Board and attested with the manual or facsimile signature of the Executive Officer-Clerk of this Board.

4. The proposed form of Financing Agreement, in the form presented to this meeting, is hereby approved. The Chairman of this Board and the Executive Director of the Authority are each hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Financing Agreement, in substantially said form, with such additions thereto or changes therein as such officer may approve or recommend upon consultation with counsel to the Authority and Bond Counsel to the Authority (provided that such additions or changes shall not authorize an aggregate principal amount of Bonds in excess of the amount stated above or result in an initial interest rate on the Bonds in excess of 9%), the approval of such additions or changes to be evidenced conclusively by the execution and delivery of the Financing Agreement. The date, maturity dates, interest rate or rates, interest payment dates, denominations, form, registration privileges, manner of execution, place of payment, terms of redemption and other terms of the Bonds shall be as provided in the Financing Agreement as finally executed.

5. The proposed form of Regulatory Agreement and Declaration of Restrictive Covenants (the "Regulatory Agreement") in the form presented to this meeting, is hereby approved. The Chairman of this Board and the Executive Director of the Authority are each hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver Regulatory Agreements, with such additions or changes in said documents as such officer may recommend or approve upon consultation with counsel to the Authority and Bond Counsel to the Authority, the approval of such additions or changes to be evidenced conclusively by the execution and delivery of the Regulatory Agreements.

6. This Board hereby appoints the Executive Director of the Authority or his or her Deputy or designee as administrator/manager with respect to the Project and other matters arising in connection with the Bonds (the "Administrator").

7. All consents, approvals, notices, orders, requests and other actions permitted or required by any of the documents authorized by this Resolution, whether before or after the issuance of the Bonds, including without limitation any of the foregoing which may be necessary or desirable in connection with any default under or amendment of such documents, any transfer or other disposition of the Project or any redemption of the Bonds, may be given or taken by the Administrator without further authorization by this Board, and the Administrator is hereby authorized and directed to give any such consent, approval, notice, order or request and to take any such action

which such officer may deem necessary or desirable to further the purposes of this Resolution.

8. All actions heretofore taken by the officers and agents of the Authority with respect to the sale and issuance of the Bonds are hereby approved, confirmed and ratified, and the proper officers of the Authority are hereby authorized and directed, for and in the name and on behalf of the Authority to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents, including but not limited to those described in the Financing Agreement and the other documents herein approved, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds and to effectuate the purposes thereof and of the documents herein approved in accordance with this Resolution and resolutions heretofore adopted by the Authority.

9. All resolutions or parts thereto in conflict herewith are, to the extent of such conflict, hereby repealed.

This Resolution shall take effect upon its adoption.

APPROVED AND ADOPTED this ____ day of _____, _____.

By _____
Chairman of the
Board of Commissioners

ATTEST:
Violet Varona-Lukens
Executive Officer-Clerk
of the Board of Commissioners

By _____
Deputy

APPROVED AS TO FORM:
Office of the County Counsel

By _____
Deputy

FINANCING AGREEMENT

By and Among

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES

and

**BANK OF AMERICA, N.A.,
as Lender and as Registered Owner**

and

**SAN FERNANDO SENIOR HOUSING, L.P.,
a California limited partnership**

Dated as of December 1, 2004

Relating to:

**\$6,400,000
The Housing Authority of the County of Los Angeles
Multifamily Housing Revenue Bonds
(San Fernando Senior Housing Project), 2004 Series B**

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FINANCING AGREEMENT

THIS FINANCING AGREEMENT (this "Agreement"), dated as of December 1, 2004, by and among THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES, a public body corporate and politic of the State of California (the "Issuer"), BANK OF AMERICA, N.A., a national banking association organized and existing under the laws of the United States of America (as originator for and servicer of the Loan hereinafter defined, the "Lender," and as owner of the Bonds as hereinafter defined, the "Registered Owner"), and San Fernando Senior Housing, L.P., a California limited partnership (together with its successors and assigns, the "Borrower").

WITNESSETH:

WHEREAS, Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California (the "Act") authorizes the Issuer to issue revenue bonds to finance the acquisition, construction and development of multifamily rental housing projects to be occupied in whole or in part by persons of low income and to dedicate the revenue from such projects to the repayment of such bonds and to take such action and do all things that may be necessary or appropriate to carry out the powers and duties specifically granted to the Issuer by the Act; and

WHEREAS, the Issuer is authorized by the Act to make loans to any person, firm, partnership or corporation licensed to do business in the State of California in furtherance of the purposes and activities stated in the Act; and

WHEREAS, the Borrower has requested that the Issuer issue revenue bonds to assist the Borrower in its financing of the construction and development of a 98-unit multifamily housing rental project located in San Fernando, California (the "Project"); and

WHEREAS, the Issuer has determined (a) to issue, sell and deliver its Multifamily Housing Revenue Bonds (San Fernando Senior Housing Project), 2004 Series B, in a maximum principal amount of \$6,400,000 (the "Bonds") and (b) to use the proceeds thereof to fund a loan to the Borrower for the Project; and

WHEREAS, Lender has agreed to originate the loan to the Borrower on behalf of the Issuer, from proceeds of the Bonds (the "Loan") for the purpose of financing a portion of the costs of developing and constructing the Project described in Section III.D of Exhibit A hereto and located on three sites, as described in Section III.E of Exhibit A, and paying part of the costs of such financing (including costs of issuance of the Bonds hereinafter defined); and

WHEREAS, Lender is acquiring the Bonds to facilitate making the Loan to the Borrower; and

WHEREAS, the Borrower has agreed to make payments with respect to the Loan to Lender, which payments will be applied to the payment of principal of and interest on the Bonds; and

WHEREAS, the Borrower's obligations to make payments with respect to the Loan will be evidenced by a promissory note (the "Note"), which will be secured as described in Section I.G of Exhibit A hereto (the "Security"); and

WHEREAS, the parties hereto desire to confirm the underlying financial transactions between Lender and the Borrower, including, in particular, that in the event of a default under the Loan (which continues beyond any applicable notice and cure periods), the Bonds could be accelerated and the Loan and security pledged thereto would be transferred to Lender in full satisfaction of the Bonds;

NOW, THEREFORE, in consideration of the promises and the mutual covenants and undertakings set forth herein, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.1. Definitions. Capitalized words and terms as used in this Agreement shall have the following meanings, unless defined in Exhibit A hereto or unless the context or use otherwise requires:

"Act" means Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California, as now in effect and as it may be supplemented from time to time.

"Act of Bankruptcy of Borrower" means notice to the Issuer and Lender of the filing of a petition in bankruptcy (or other commencement of a bankruptcy or similar proceeding) by or against the Borrower, under any applicable bankruptcy, insolvency or similar law now or hereafter in effect.

"Agreement" means this Financing Agreement, dated as of December 1, 2004, among the Issuer, the Lender and the Borrower, as amended and supplemented from time to time.

"Assignment of Security" means the assignment by the Issuer of the Security to Lender pursuant to Section 4.1.

"Bond Counsel" means Orrick, Herrington & Sutcliffe, LLP, or an attorney-at-law or a firm of attorneys of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on bonds issued by states and their political subdivisions, who is or are acceptable to the Issuer and is or are duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia.

"Bonds" means The Housing Authority of the County of Los Angeles Multifamily Housing Revenue Bonds (San Fernando Senior Housing Project) 2004 Series B, issued pursuant to this Agreement.

"Borrower" means the entity described in Section III.A of Exhibit A hereto.

“Borrower Representative” means the person or persons at the time designated by the Borrower to act on behalf of the Borrower by written certificate furnished to the Issuer and Lender containing the specimen signatures of such person or persons and signed on behalf of the Borrower by one of the Borrower’s officers. Such certificate may designate an alternate or alternates.

“Business Day” means a day other than a Saturday, a Sunday or a day on which banks in the city in which the principal office of Lender is located are authorized or obligated by law or executive order to close.

“CCRC Loan Agreement” means the Loan Agreement, dated as of December 1, 2004, between the Borrower and Permanent Lender.

“Code” means the Internal Revenue Code of 1986, together with corresponding and applicable final, temporary or proposed regulations and revenue rulings issued or amended with respect thereto by the United States Treasury Department or Internal Revenue Service, to the extent applicable to the Bonds. All references herein to sections, paragraphs or other subdivisions of the Code or the regulations promulgated thereunder shall be deemed to be references to correlative provisions of any predecessor or successor code or regulations promulgated thereunder.

“Construction Loan Agreement” means the Construction Loan Agreement, dated as of December 1, 2004, between the Borrower and the Lender, setting forth the terms and conditions of the Loan, as amended from time to time.

“Conversion” means the delivery (following the redemption of Bonds pursuant to Section 3.5(a)(ii) of the Bonds and the Assignment of the Security by Lender to the Permanent Lender in exchange for a payment equal to the principal amount of the Bonds then outstanding pursuant to the terms of the Tri-Party Agreement.

“Conversion Date” means the date on which the Conversion occurs.

“Deed of Trust” means the Construction Deed of Trust with Assignment of Rents, Security Agreement and Fixture Filing, dated as of December 1, 2004, from the Borrower to the trustee named therein for the benefit of the Issuer and the Lender.

“Default” means any occurrence described in Section 6.1 hereof.

“Determination of Taxability” means (a) the occurrence of any action which, in the judgment of the Issuer (in reliance on the advice of Bond Counsel), will adversely affect the tax-exempt status of the Bonds, (b) the failure to take any action which, in the judgment of the Issuer (in reliance on the advice of Bond Counsel) is necessary to preserve the exemption from income taxation of interest on the Bonds, (c) a final judgment or order of a court of competent jurisdiction, or a final ruling or decision of the Internal Revenue Service, in any such case to the effect that the interest on the Bonds is includable for federal income tax purposes in the gross incomes of the recipients thereof, or (d) the enactment of federal legislation that would cause the interest on the Bonds to be includable for federal income tax purposes in the gross incomes of the recipients thereof or judgment or order of a court of competent jurisdiction or a ruling or

decision of the Internal Revenue Service shall be considered final only if no appeal or action for judicial review has been filed (and is pending) and the time for filing such appeal or action has expired.

“Face Amount” means the amount of the Bonds specified in Section I.D of Exhibit A hereto.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s-length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s-length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the Issuer and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

“Interest Payment Date” means the dates specified in Section I.K of Exhibit A hereto, commencing on the date specified in said Section I.K and (b) any other date on which interest on the Note is due and payable, whether at maturity, prepayment, acceleration or otherwise.

“Interest Rate” means the rate payable by the Borrower as interest on the Note in accordance with the terms thereof; provided that in no event shall the Interest Rate exceed the lesser of (i) the maximum rate allowed by law or (ii) 12% per annum.

“Investor Letter” means an investor letter in substantially the form attached hereto as Exhibit D and delivered by the purchaser of the Bonds hereunder.

“Investor Limited Partner” means Apollo Housing Capital, LLC, its successors and assigns.

“Issuance Cost” means all costs and expenses of issuing the Bonds, including the payment to the Issuer of the amount set forth in Section V.B of Exhibit A hereto. Issuance Costs payable from proceeds of the Bonds may not exceed two percent (2%) of the proceeds of the Bonds.

“Issue Date” means December __, 2004, the date of delivery of the Bonds.

“Issuer” means The Housing Authority of the County of Los Angeles, and its successors and assigns.

“Issuer Documents” means the Loan Documents to which the Issuer is a party.

“Issuer Fee” means (i) an issuance fee in the amount of \$8,000, payable upon the issuance of the Bonds, (ii) the Issuer’s annual fee of \$8,000 (the “Annual Fee”), which is equal to 0.125% per annum of the original aggregate principal amount (maximum principal amount) of the Bonds issued, which amount shall be payable annually, in advance, without demand, commencing on the Issue Date and continuing on December 1 of each year throughout the Qualified Project Period, subject to adjustment as set forth in Section 20 of the Regulatory Agreement, and (iii) on the Issue Date and within 30 days after receipt of request for payment thereof, all reasonable out-of-pocket expenses of the Issuer (not including salaries and wages of Issuer employees) related to the Bonds, the Project and the financing thereof, including, without limitation, legal fees and expenses incurred in connection with the interpretation, performance, enforcement or amendment of any documents relating to the Project or the Bonds. Payment shall be remitted to the Community Development Commission of the County of Los Angeles, Housing Development & Preservation Department, 2 Coral Circle, Monterey Park, CA 91755, Attn: Darshana Garg.

“Lender” means Bank of America, N.A. and its successors from time to time as holder of the Loan. From and after the Conversion Date, “Lender” shall mean and refer to the Permanent Lender.

“Lender Assignment” means the Assignment of Deed of Trust, Note and other Loan Documents, dated as of December 1, 2004, by the Issuer to the Lender, assigning the Loan, the Note and the Security.

“Loan” means the loan of the proceeds of the Bonds, originated by the Issuer to the Borrower, evidenced by the Note and assigned to the Lender pursuant to this Agreement and the Lender Assignment, in the Principal Amount specified in Section II.C of Exhibit A hereto, plus interest at the Interest Rate.

“Loan Acceleration Default” means any occurrence described in Section 6.2 hereof.

“Loan Agreement” means, prior to Conversion, the Construction Loan Agreement and, subsequent to Conversion, the CCRC Loan Agreement.

“Loan Documents” means this Agreement, the Tax Certificate, the Regulatory Agreement, the Note, the Security (including the Loan Agreement), the Lender Assignment and the Assignment of Security.

“Note” means the Promissory Note in the amount of \$6,400,000, executed by the Borrower to evidence the Loan and assigned by the Issuer to Lender as set forth herein.

“Permanent Lender” means California Community Reinvestment Corporation (“CCRC”), a California nonprofit public benefit corporation, and its successors and assigns.

“Permitted Encumbrances” means the title exceptions shown on Schedule B, Part I in that certain title insurance policy obtained by the Lender in connection with the Loan.

“Person” means any natural person, firm, partnership, limited liability company, association, corporation, trust or public body.

“Principal Amount” means the amount of the Loan specified in Section II.C of Exhibit A hereto.

“Project” has the meaning given thereto in the recitals to this Agreement.

“Project Costs” means, to the extent authorized by the Code and the Act, any and all out-of-pocket costs and financing costs paid to a person unrelated to the Borrower (within the meaning of Section 144(a)(3) of the Code) and incurred by the Borrower with respect to the acquisition, construction, renovation, rehabilitation, improvement, equipping and/or refinancing (provided that the refinancing refinances indebtedness that is owed to persons who are not related to the Borrower within the meaning of Section 144(a)(3) of the Code), as the case may be, of the Project, including, without limitation, costs for site preparation, the acquisition of real property and of tangible personal property, the removal or demolition of existing structures, and all costs of Bond financing, including, without limitation, the cost of consulting, accounting and legal services, payment of principal of and interest on a construction loan, other expenses necessary or incident to determining the feasibility of the Project, contractors’ and the Borrower’s overhead and supervisors’ fees and costs directly allocable to the Project, insurance premiums, costs of surveys and appraisals, administrative and other expenses necessary or incident to the development and financing thereof and all other costs approved by Bond Counsel, but excluding Issuance Costs.

“Qualified Institutional Buyer” has the meaning given to such term in Rule 144A of the Securities Act of 1933.

“Rebate Amount” means the amount, if any, determined to be payable with respect to the Bonds by the Borrower to the United States of America in accordance with Section 5.4 hereof and Section 148(f) of the Code.

“Rebate Analyst” means the law or accounting firm retained by the Borrower, and acceptable to the Issuer, to calculate the Rebate Amount.

“Registered Owner” has the meaning set forth in Section I.I of Exhibit A.

“Regulatory Agreement” means the Regulatory Agreement and Declaration of Restrictive Covenants dated as of December 1, 2004, between the Borrower and the Issuer, as recorded in the official records of the County of Los Angeles, with respect to the use and operation of the Project.

“Revenues” means all moneys paid to the Issuer in respect of payments of principal of, premium, if any, and interest on the Note, and all receipts of Lender, including but not limited to prepayments of the Note, proceeds of insurance or condemnation awards that are not used to repair or replace the facilities and proceeds of Transfers pursuant to Section 5.3(b) hereof, which reduce the principal balance of the Note.

“Security” means the security for the Loan as specified in Section I.G of Exhibit A hereto.

“State” means the State of California.

“Tax Certificate” means the Tax Certificate and Agreement dated the Issue Date and executed and delivered by the Issuer and the Borrower, including all exhibits thereto, as amended in accordance with its terms.

“Transfer” has the meaning given to that term in the Regulatory Agreement.

“Transferee” means the person to whom the Borrower Transfers the Project or any portion thereof.

“Tri-Party Agreement” means the Tri-Party Agreement, dated as of December 1, 2004, among Bank of America, N.A. and its successors from time to time as holder of the Loan, CCRC and the Borrower.

Section 1.2. Interpretation. Unless the context clearly requires otherwise, words of masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa. This Agreement, and all the terms and provisions hereof shall be construed to effectuate the purpose set forth herein and to sustain the validity hereof. Each party to this Agreement and its respective counsel have participated in the drafting and revision of this Agreement. Accordingly, the parties agree that none of the parties shall be deemed to be the drafting party of this Indenture for purposes of any rule of construction which disfavors the drafting party.

Section 1.3. Recitals, Title and Headings. The terms and phrases used in the recitals of this Agreement have been included for convenience of reference only, and the meaning, construction and interpretation of all such terms and phrases for purposes of this Agreement shall be determined by references to Section 1.1 hereof. The titles and headings of the articles and sections of this 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 and shall never be considered or given any effect in construing this Agreement or any provision hereof or in ascertaining intent, if any question of intent should arise.

Section 1.4. Exhibits. All exhibits to this Agreement, including but not limited to any additional terms or provisions contained therein, are hereby incorporated into this Agreement. In the event of any conflict between the provisions of Articles I-VII and of said exhibits, the terms and provisions of said exhibits shall control.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations and Warranties of the Issuer. The Issuer represents, as of the date hereof, and warrants to the parties hereto as follows:

- (a) The Issuer is a public body corporate and politic existing under the laws of the State, duly authorized to issue the Bonds and to perform its obligations under this Agreement.

(b) The Issuer Documents have been duly executed and delivered by the Issuer and, assuming due execution and delivery by all applicable parties, will constitute the legal, valid and binding obligations of the Issuer, enforceable in accordance with their terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws or judicial decisions affecting the rights of creditors generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law) and the limitations of remedies against governmental agencies within the State.

(c) The Issuer will use its best efforts to issue the Bonds and use the proceeds thereof to fund the Loan, subject to the provisions of this Agreement. Nothing in this Agreement shall be construed as requiring the Issuer to provide sufficient moneys for all of the cost of financing the Project.

(d) To the best knowledge of the Issuer, there is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency or public board or body pending against the Issuer or threatened against the Issuer that (i) affects or seeks to prohibit, restrain or enjoin the issuance, execution or delivery of the Bonds, the origination of the Loan or the loaning of the proceeds of the Bonds to the Borrower, or the execution and delivery of the Issuer Documents, (ii) affects or questions the validity or enforceability of the Bonds or the Issuer Documents or (iii) questions the tax-exempt status of the Bonds.

Section 2.2. Representations, Warranties and Covenants of the Borrower. The Borrower represents, warrants and covenants that, as of the date hereof:

(a) The Borrower is an entity described in Section III.A of Exhibit A and is qualified to transact business in the State.

(b) The Loan Documents have been duly executed and delivered by the Borrower and, when executed by all applicable parties, will constitute the legal, valid and binding obligation of the Borrower, enforceable in accordance with their terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws or judicial decisions affecting the rights of creditors generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

(c) The Borrower has duly authorized as necessary (i) the execution and delivery of the Loan Documents, (ii) the performance by the Borrower of its obligations hereunder and thereunder, and (iii) the consummation of the transactions contemplated by the Loan Documents.

(d) To the best knowledge of the Borrower, the execution and delivery of the Loan Documents, the performance by the Borrower of its obligations thereunder, and the consummation of the transactions contemplated thereby do not and will not violate any law, regulation, rule or ordinance or any order, judgment or decree of any federal, state or local court, and do not and will not conflict with or constitute a material breach of, or a

material default under, the Borrower's organizational documents, if any, or any document, instrument or commitment to which the Borrower is a party or by which the Borrower or any of its property is bound.

(e) There is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency or public board or body pending against the Borrower or, to the best knowledge of the Borrower, threatened against the Borrower (nor, to the best knowledge of the Borrower, is there any basis therefor) that (i) affects or seeks to prohibit, restrain or enjoin the execution and delivery of the Loan Documents, (ii) affects or questions the validity or enforceability of the Loan Documents or (iii) questions the power or authority of the Borrower to carry out the transactions contemplated by, or to perform its obligations contemplated by, or to perform its obligations under, the Loan Documents, or the powers of the Borrower to own, acquire, construct, equip, develop and/or operate the Project or to finance or refinance the Project.

(f) The Borrower is not in default in any material respect under any document, instrument or commitment to which the Borrower is a party or to which it or any of its property is subject which default would or could affect the ability of the Borrower to carry out its obligations under the Loan Documents.

(g) The total estimated amount of the Project Costs to be funded from proceeds of the Loan is as shown in the Tax Certificate.

(h) Neither the Loan Documents nor any document, certificate or statement (including but not limited to information and estimates with respect to the Project or the refinancing thereof) furnished to Lender, the Issuer or Bond Counsel, by or on behalf of the Borrower, contains, to the best knowledge of the Borrower, any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained herein and therein not misleading or incomplete as of the date hereof and as of Issue Date. It is specifically understood by the Borrower that all such statements, representations and warranties shall be deemed to have been relied upon by the Issuer as an inducement to make the Loan and that if any such statements, representations and warranties were materially incorrect at the time they were made or as of Issue Date, the Issuer may consider any such misrepresentation or breach a Loan Acceleration Default.

(i) Notwithstanding any provision to the contrary contained in its agreement of limited partnership, articles of incorporation, bylaws or any other organizational document, as applicable, the Borrower shall rent to families and individuals, as applicable, without regard to race, sex, national origin, disability, age or religious belief.

(j) If the Borrower or a partner of the Borrower is a nonprofit corporation or partnership, as applicable, the charter, bylaws and/or comparable organizational documents of the Borrower or such partner shall permit it to engage in the development, rehabilitation, construction, equipping, ownership and/or operation of the Project.

(k) Any certificate signed by a Borrower Representative and delivered pursuant to this Agreement shall be deemed a representation and warranty by the Borrower as to the statements made therein.

(l) The Borrower has filed or caused to be filed all federal, state and local tax returns or information returns which are required to be filed with respect to the Project, except such tax returns for which valid extensions have been granted and which have not expired, and of which the Borrower has knowledge and has paid or caused to be paid all taxes as shown on said return as payable other than those payable without penalty or interest.

(m) The Borrower shall exercise its best efforts to cause the Conversion to occur as contemplated by Section 3.4 hereof.

(n) To the best of the Borrower's knowledge, no member of the governing body of the Issuer or any other officer of the Issuer has any significant or conflicting interest, financial, employment or otherwise, in the Borrower, the Project or the transactions contemplated hereby. The Issuer and the Borrower acknowledge that a member of the general partner of the Borrower is a commissioner of the Los Angeles County Housing Commission, an advisory body to the Issuer; and further, that said commissioner was recused from participating in any action affecting the issuance of the Bonds.

(o) The Borrower will not discriminate on the basis of race, religion, creed, color, ethnic group identification, sex, source of income (e.g., AFDC, SSI), mental or physical disability, age (except as permitted by applicable law), national origin or marital status in the rental, lease, use or occupancy of the Project or in connection with the employment or application for employment of persons for the construction, operation and management of the Project.

(p) The Borrower will provide to the Issuer notice of any action (other than actions in its ordinary course of business) that adversely impacts the Issuer's rights hereunder or under the Regulatory Agreement.

(q) The Borrower acknowledges, represents and warrants that it understands the nature and structure of the transactions relating to the financing of the Project; that it is familiar with the provisions of all of the documents and instruments relating to such financing to which it is a party or of which it is a beneficiary; that it understands the risks inherent in such transactions, including, without limitation, the risk of loss of the Project; and that it has not relied on the Issuer for any guidance or expertise in analyzing the financial or other consequences of the transactions contemplated by this Agreement or otherwise relied on the Issuer in any manner.

Section 2.3. Representations and Warranties of Lender. Lender makes the following representations and warranties:

(a) Lender initially is a banking institution as described in Section II.I of Exhibit A.

(b) Lender has all power and authority necessary (i) to execute and deliver this Agreement, (ii) to perform its obligations under this Agreement, and (iii) to consummate the transactions contemplated by this Agreement.

(c) Lender has taken all actions necessary to authorize (i) the execution and delivery of this Agreement, (ii) the performance of its obligations under this Agreement and (iii) the consummation of the transactions contemplated by this Agreement.

(d) This Agreement has been duly executed and delivered by Lender and constitutes, assuming due execution and delivery by the other parties hereto and thereto, the valid and binding obligation of Lender, enforceable against Lender in accordance with its terms, except as limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the rights of creditors generally and the exercise of judicial discretion in accordance with principles of general equity.

(e) To the knowledge of Lender, without inquiry, neither the execution and delivery by Lender of this Agreement, nor the performance by Lender of its obligations under any of the Loan Documents to which it is a party, nor the consummation of the transactions contemplated by such Loan Documents will violate any law, rule, regulation or ordinance, or any order, judgment or decree of any federal, state or local court or will conflict with, or constitute a breach of, or a default under, the charter or bylaws of Lender or under any agreement, instrument or commitment to which Lender is a party or by which Lender or any of its property is bound.

(f) To the knowledge of Lender, without inquiry, there is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency or public board or body pending or, to the knowledge of Lender, threatened against Lender (nor, to the best knowledge of Lender, is there any basis therefor), which (i) affects or seeks to prohibit, restrain or enjoin the execution and delivery by Lender of any of the Loan Documents to which it is a party; the performance by Lender of its obligations under such Loan Documents, or the consummation of the transactions contemplated by such Loan Documents, or (ii) affects or questions the validity or enforceability of such Loan Documents.

(g) To the knowledge of Lender, without inquiry, no approval, permit, consent, authorization or order of any court, governmental agency or public board or body not already obtained is required to be obtained by Lender as a prerequisite to the execution and delivery by Lender of the Loan Documents to which it is a party, the performance by Lender of its obligations under such Loan Documents or the consummation of the transactions contemplated by such Loan Documents.

(h) To the knowledge of Lender, without inquiry, it is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or governmental agency, which default might have consequences that would affect its performance hereunder.

(i) To the knowledge of Lender, without inquiry, it is not a party to or bound by any agreement or instrument or subject to any charter or any other corporate restriction or any judgment, order, writ, injunction, decree, law or regulation which now or in the future may materially and adversely affect the ability of Lender to perform its obligations under any of the Loan Documents to which it is a party, or which requires the consent of any third person to the execution of such Loan Documents, or the consummation of the transaction contemplated hereby.

(j) All fees charged by Lender in connection with the origination of the Loan are reasonable for lenders to charge in connection with similar loans not financed through the issuance of tax-exempt bonds.

(k) Any certificate signed by a representative of Lender and delivered pursuant to and concurrently with this Agreement shall be deemed a representation of Lender as to the statements made therein.

(l) Lender has executed a written commitment to cooperate with the Issuer so that the Issuer originates the Loan to the Borrower and the Lender acquires the Loan from the Issuer in the Principal Amount described in Section II.C of Exhibit A hereto, for the purpose of financing the development, construction and/or equipping of the Project. The commitment has been accepted by the Borrower, and Lender reasonably expects to acquire the Loan from the Issuer no later than the Issue Date.

(m) All funds currently held by Lender or any other party that are used to secure payment of the obligations of the Borrower under the Note are identified in the Tax Certificate.

ARTICLE III

ISSUANCE OF THE BONDS

Section 3.1. Issuance and Sale of the Bonds. The Bonds will be funded as draw-down Bonds. The Issuer hereby agrees to issue the Bonds and to sell and deliver the Bonds to Lender to provide funds for the Loan. The terms of the Bonds are as set forth in Section I of Exhibit A hereto. Simultaneously with the delivery of the Bonds and subject to the provisions set forth below, the Issuer shall make the Loan to the Borrower and, in order to secure payment for the Bonds, hereby transfers and assigns the Note and the Security to the Lender pursuant to the provisions hereof.

Section 3.2. Closing Procedure. Lender shall fund the purchase price of the Bonds on the Issue Date and from time to time thereafter, upon delivery of Bonds in an aggregate principal amount not greater than the applicable Face Amount. Such amounts shall be used by the Lender, as assignee of the Issuer, to fund the Loan up to an amount equal to the applicable Principal Amount, subject to the terms and conditions of the Construction Loan Agreement.

The principal amount of the Bonds as of any given date shall be (i) the total amount advanced with respect to the Note by Lender to the Borrower on the Loan, less (ii) any payments of principal on such Bonds previously received by the Registered Owner. Interest on

the principal amounts disbursed on the Bonds, and not repaid, shall begin to accrue upon funding by Lender on the Issue Date and shall accrue daily and be calculated on the daily balance of the Bonds. Notwithstanding anything to the contrary herein, at least \$55,000 of the Bonds shall be purchased by the Lender on the Issue Date, and no additional purchases of the Bonds shall be made later than the third anniversary of the Issue Date.

Section 3.3. Delivery of the Bonds and Closing of the Loan. The delivery of the Bonds and the closing of the Loan shall not occur until the following conditions are satisfied:

- (a) The Issuer shall have received original executed Loan Documents.
- (b) The Issuer shall have received (i) certified copies of resolutions of the Borrower authorizing all actions taken or to be taken in connection with each of the Loan Documents, if applicable, (ii) an opinion of Counsel to the Borrower in substantially the form set forth in Exhibit C-1 hereto and acceptable to the Issuer, and (iii) an opinion of Counsel to Lender in substantially the form set forth in Exhibit C-2 hereto and acceptable to the Issuer.
- (c) The Issuer shall have received the Investor Letter, the additional documents specified in Section V.A of Exhibit A hereto, if any, and such other documents as it may reasonably require.
- (d) The Issuer shall have executed and delivered to Lender the Lender Assignment and the Assignment of Security, for security purposes only, to secure all obligations of the Issuer under the Bonds.
- (e) No Loan Acceleration Default nor any event which with the passage of time or the giving of notice would constitute a Loan Acceleration Default under the Loan Documents shall have occurred.
- (f) Bond Counsel shall have delivered its final opinion with respect to the Bonds and the federal tax status thereof.
- (g) The Borrower shall have paid or caused to be paid an amount equal to the Issuance Costs, as required by the Issuer.
- (h) The Regulatory Agreement and the Security shall have been recorded, in such order, in the official records of the County of Los Angeles.
- (i) All conditions to the making of the Loan set forth in Section 7 of the Construction Loan Agreement shall have been satisfied or waived by the Lender.

Section 3.4. Terms of the Bonds.

- (a) The Bonds shall be delivered in physical form, fully registered and numbered, and shall be in the principal amount funded by Lender, bear interest on the principal amount funded by Lender at the Interest Rate and contain such terms as are

described in Section I of Exhibit A hereto. The Bonds shall initially be in the form set forth in Exhibit B hereto.

Payments of principal of and interest on the Bonds shall be made to the Registered Owner in accordance with the interest rate and amortization provisions in the Note.

All payments made by the Borrower to Lender under the Note shall be deemed due and owing on the Bonds to the same extent due and owing on the Note and the payments or prepayments of principal, interest, premiums and other costs and expenses, shall be identical under the Bonds with, and shall be made on the same terms and conditions as such payments are made on, the Note. Said payments by the Borrower under the Note shall be deemed to have been constructively received by the Registered Owner as payments on the Bonds on the date of receipt of the same by Lender under the Note.

Principal of, premium, if any, and interest on the Bonds shall be payable only from the Revenues. Issuer hereby pledges the Revenues to secure the payment of principal of and interest on the Bonds and agrees that all Revenues received, and only such Revenues, shall be applied to pay to the Registered Owner when due and payable principal of, premium, if any, and interest on the Bonds on a pro rata basis. Upon receipt of payment in full of the outstanding principal balance of the Bonds, Lender shall immediately deliver the Bonds to the Issuer for cancellation.

(b) Upon Conversion, Lender, the Borrower and the Issuer shall execute such instruments of assignment and transfer related to the Note and the related Security as the Permanent Lender shall reasonably request; provided that the Permanent Lender must assume the obligations of Lender and the Registered Owner under this Agreement.

Section 3.5. Redemption of the Bonds.

(a) Mandatory Redemption. The Bonds are subject to mandatory redemption at a price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium in the case of (i), (ii) or (iii) below, or plus premium calculated as provided in the Loan Agreement and the Note, if any, as provided therein in the case of (iv), (v) or (vi) below, as follows:

(i) in whole on the Mandatory Conversion Date (as defined in the Construction Loan Agreement and as such date may be extended in accordance with the terms and provisions of the Construction Loan Agreement), if the Conversion has not occurred by such date;

(ii) in part, on the Conversion Date, in the amount necessary to reduce the principal amount of the Bonds to \$3,024,000, plus such additional amount (in integral multiples of \$1,000) as may be required to satisfy the conditions for Conversion set forth in the Tri-Party Agreement;

(iii) in whole or in part, on the first Business Day of the any month (in integral multiples of \$1,000), in accordance with the Security and the Loan Agreement, to the extent that all or part of any insurance or condemnation proceeds will not be used to repair or replace the Project or to reimburse the Borrower therefor, in a principal amount equal to the proceeds not used for such repair or replacement;

(iv) in whole upon the occurrence of an Event of Default under the Loan Agreement and the election of the Lender to cause redemption hereunder;

(v) in whole, on any date, if there occurs a Transfer that fails to comply with the requirements of Section 5.3(a) hereof; and

(vi) in whole, upon the receipt by all parties of a notice of a Loan Acceleration Default hereunder.

(b) Sinking Fund Redemptions. The Bonds are subject to mandatory redemption, in part (in integral multiples of \$1,000), at a price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium, upon and in the amount of Scheduled Principal Payments as that term is defined in the Note.

(c) Optional Redemption. The Bonds are subject to optional redemption, in whole or in part (in integral multiples of \$1,000), upon and in the amount of any prepayment of the Note in accordance with the terms thereof, on the first Business Day of any month at a redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, plus premium, if any, calculated as provided in the Loan Agreement and the Note.

(d) Miscellaneous.

(i) If the Bonds are redeemed pursuant to Section 3.5(a)(i), (iv), (v) or (vi) hereof, payment of the redemption price shall be deemed made by the Issuer's absolute assignment to the Registered Owner of all right, title and interest of the Issuer in the Note and the Security. In the event of any other redemption of the Bonds, payment of the redemption price shall be made with Revenues.

(ii) Upon payment of the redemption price in accordance with this Section 3.5, the Bonds or portion thereof so redeemed shall cease to bear interest from and after the date on which the redemption price is paid. If the Bonds are redeemed in whole, Lender shall immediately deliver the Bonds to the Issuer for cancellation.

(iii) Upon the redemption of any Bond, interest on such Bond shall cease to accrue; provided that, in the event the Note and the Security are assigned to the Lender in connection with the redemption of the Bonds, interest on the Note and with respect to the Security shall continue to accrue.

(iv) Notice of any redemption hereunder shall be provided as required under Section 4.6(c).

Section 3.6. Registration and Transfer. The Lender, on behalf of the Issuer, shall maintain the registration book containing the name and address of the registered owner of the Bonds. The Lender shall be considered, for all purposes, the registered owner of the Bonds unless the registration books maintained by the Lender indicate a different owner. Lender hereby acknowledges that the Issuer has agreed to sell the Bonds to Lender, to enter into this Agreement and to consummate the transactions hereunder only upon Lender agreeing that it will not sell, assign or transfer the Bonds or any interest therein, or any interest in the proceeds thereof, except to the Permanent Lender on the Conversion Date in accordance with the terms of the Tri-Party Agreement or in whole to a Qualified Institutional Buyer, and Lender so agrees. Prior to any transfer of the Bonds, the transferor shall provide written notice to the Issuer of such transfer including the name and address of the transferee.

The Registered Owner acknowledges, by reason of its purchase of Bonds and being the Registered Owner thereof, that the Issuer has agreed to issue and deliver the Bonds to the Registered Owner, to enter into this Agreement and to consummate the transactions hereunder only upon the Registered Owner's agreement that the Registered Owner shall not sell, assign or transfer any portion of the principal amount of the Bonds or any interest therein, or any interest in the proceeds thereof, except to the Permanent Lender upon the Conversion Date or to a Qualified Institutional Buyer. The Bonds may be sold, assigned or transferred only as a whole or to a Registered Owner who will, upon such sale, assignment or transfer, be the Registered Owner of all of the outstanding Bonds. No transfer of the Bonds shall be valid except transfers made in compliance with this Section 3.6.

Nothing contained in this Section 3.6 shall be deemed to limit or otherwise restrict the sale by any holder of any participation interests in any Bond to a Qualified Institutional Buyer (in which event such holder shall remain holder for all purposes of this Agreement); provided any such participation shall be in a principal amount of at least \$250,000.

Section 3.7. Limitation on Liability of Issuer. The Issuer shall not be obligated to pay the principal of, premium, if any, or interest on the Bonds, except from the Revenues. Lender hereby acknowledges that the Issuer's sole source of moneys to pay principal of, premium, if any, or interest on the Bonds will be provided by the Revenues.

Any obligation or liability of the Issuer created by or arising out of this Agreement (including without limitation any liability created by or arising out of the representations, warranties or covenants set forth herein or otherwise) shall not impose a debt or pecuniary liability upon the Issuer or a charge upon its general credit, but shall be payable solely out of the Revenues or, pursuant to Section 3.5(d) hereof, by absolute assignment of all of the Issuer's right, title and interest in the Note and Security. Neither the issuance of the Bonds nor the delivery of this Agreement shall, directly or indirectly or contingently, obligate the Issuer to make any appropriation for payment of the Bonds. Nothing in the Bonds or this Agreement or the proceedings of the Issuer authorizing the Bonds or in the Act or in any other related document shall be construed to authorize the Issuer to create a debt of the Issuer within the meaning of any constitutional or statutory provision of the State of California. No breach of any

pledge, obligation or agreement of the Issuer hereunder may impose any pecuniary liability upon the Issuer or any charge upon its general credit.

THE BONDS AND THE INTEREST THEREON ARE A LIMITED OBLIGATION OF THE ISSUER, PAYABLE SOLELY FROM REVENUES. NEITHER THE ISSUER, OR THE MEMBERS OF ITS BOARD OF COMMISSIONERS, THE STATE OF CALIFORNIA (THE "STATE"), NOR ANY POLITICAL SUBDIVISION THEREOF (EXCEPT THE ISSUER, TO THE LIMITED EXTENT SET FORTH IN THIS AGREEMENT) NOR ANY PUBLIC AGENCY SHALL IN ANY EVENT BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, PREMIUM (IF ANY) OR INTEREST ON THE BONDS OR FOR THE PERFORMANCE OF ANY PLEDGE, OBLIGATION OR AGREEMENT OF ANY KIND WHATSOEVER EXCEPT AS SET FORTH HEREIN, AND NONE OF THE BONDS OR ANY OF THE ISSUER'S AGREEMENTS OR OBLIGATIONS SHALL BE CONSTRUED TO CONSTITUTE AN INDEBTEDNESS OF OR A PLEDGE OF THE FAITH AND CREDIT OF OR A LOAN OF THE CREDIT OF OR A MORAL OBLIGATION OF ANY OF THE FOREGOING WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION WHATSOEVER. THE ISSUER HAS NO TAXING POWER.

No pecuniary recourse shall be had for the payment of the principal of, premium, if any, or interest on the Bonds or for any claim based thereon or upon any obligation, covenant or agreement in this Agreement contained, against, the Issuer, any past, present or future member of its governing body, its officers, attorneys, accountants, financial advisors, agents or staff or the officers, attorneys, accountants, financial advisors, agents or staff of any successor public entity, as such, either directly or through the Issuer or any successor public entity, under any rule of law or penalty of otherwise, and all such liability of the Issuer, any member of its governing body and its officers, attorneys, accountants, financial advisors, agents and staff is hereby, and by the acceptance of the Bonds, expressly waived and released as a condition of, and in consideration for, the execution of this Agreement and the issuance of the Bonds.

It is recognized that notwithstanding any other provision of this Agreement, neither the Borrower, the Lender nor any holder of the Bonds shall look to the Issuer, or its officers, Commissioners, attorneys, accountants, financial advisors, agents or staff for damages suffered by the Borrower, the Lender or such holder of the Bonds as a result of the failure of the Issuer to perform any covenant, undertaking or obligation under this Agreement, the Bonds, the Regulatory Agreement, any of the Loan Documents or any of the other documents referred to herein, or as a result of the incorrectness of any representation made by the Issuer in any of such documents, nor for any other reason except for representations made by the Issuer in any certificate of the Issuer and the opinion of counsel to the Issuer delivered on the Issue Date. Although this Agreement recognizes that such documents shall not give rise to any pecuniary liability of the Issuer, nothing contained in this Agreement shall be construed to preclude in any way any action or proceeding (other than that element of any action or proceeding involving a claim for monetary damages against the Issuer) in any court or before any governmental body, agency or instrumentality or otherwise against the Issuer or any of its officers or employees to enforce the provisions of any of such documents that the Issuer is obligated to perform and the performance of which the Issuer has not assigned to the Lender or any other person.

Section 3.8. No Warranty. The obligation of the Issuer hereunder to issue the Bonds and to provide funds to finance and/or refinance the Project Costs does not in any way constitute a representation, a warranty, a guaranty, advice or suggestion by the Issuer as to the feasibility or viability of the Project or the financing or refinancing thereof, and may not be relied on as such by the Borrower, Lender, any Registered Owner of the Bonds or any tenant, lender or other person, for any reason.

Section 3.9. Execution of Bonds. Each Bond shall be executed on behalf of the Issuer by the manual or facsimile signature of the Chairman of the Board of Commissioners and countersigned by the manual or facsimile signature of the Executive Officer-Clerk of the Board of Commissioners. Bonds bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Issuer shall bind the Issuer, notwithstanding that such individuals or any of them shall have ceased to hold such offices prior to the authentication and delivery of the Bonds or shall not have held such offices at the date of the Bonds.

ARTICLE IV

THE LOAN

Section 4.1. Amount and Source of Loan. In order to secure payment for the Bonds, the Issuer hereby agrees to make the Loan to the Borrower, and the Borrower hereby (a) accepts the Loan upon the terms and conditions set forth in the Loan Documents, (b) agrees to execute and deliver the Note and Security simultaneously with the execution of this Agreement, and (c) agrees to have the proceeds of the Loan applied and disbursed in accordance with Section 4.2 and the Construction Loan Agreement. The Loan shall be deemed made, subject to subsequent disbursements pursuant to Section 4.2, when Lender acknowledges receipt of the Bonds and satisfaction of the conditions specified in Section 3.3 hereof. To the extent there is an inconsistency between the terms of the Note and the terms of this Agreement, the terms of the Note shall prevail.

The Issuer hereby assigns without recourse or warranty (except for warranties and representations made as of their date) the Note and the Security to Lender (the "Assignment of Security"), and Lender hereby accepts such assignment. The Issuer also acknowledges the execution and delivery of the Lender Assignment. The Borrower hereby consents to the Assignment of Security and to the Lender Assignment. Lender shall file financing statements and other documents as it deems necessary or desirable to perfect its security interests, and the Issuer and the Borrower hereby consent to all such filings. Lender and the Issuer agree that the Issuer shall have no responsibility for the perfection of Lender's security interest in the Note and the Security.

Section 4.2. Disbursement of Loan Proceeds. The Borrower and Lender agree that Lender shall fund the Loan Lender, on behalf of the Issuer, from time to time by purchase of the Bonds to fund payment of Project Costs. The proceeds of the Loan shall be disbursed in accordance with the Construction Loan Agreement on the Issue Date and from time to time thereafter to pay requisitions submitted by the Borrower and approved by the Lender in accordance with the terms and conditions of the Construction Loan Agreement for amounts due and owing by the Borrower to third parties with respect to Project Costs or to reimburse the

Borrower for Project Costs it expended subsequent to the date sixty (60) days before the date specified in Section II.K of Exhibit A hereto.

Section 4.3. Loan Repayment. On each Interest Payment Date, the Borrower shall pay to the Issuer, in repayment of the Loan, until such principal of, premium, if any, and interest on the Note shall have been paid in full as provided in the Note and the Loan Agreement, an amount which will equal the sum of (i) the interest on the Note and the Loan Agreement that is due on such Interest Payment Date and (ii) the principal of and premium, if any, on the Note due on such Interest Payment Date. The Issuer hereby directs the Borrower to make such Loan repayments to Lender. Payments made on the Bonds, which shall be made on a pro rata basis, shall be deemed to be made on the same date and in the same amount as payments on the Note.

Upon receipt and deposit of such funds with Lender, such funds shall be held in trust for Lender separately and apart from all other funds of Lender, and Lender shall immediately remit to Lender amounts equal to principal and interest due and payable under the Bonds.

Section 4.4. Additional Payments. In addition to the payments of principal and interest on the Loan and other payments as may be provided for in the Note, the Security, the Loan Agreement or any other Loan Document, the Borrower shall make the following additional payments to Lender, and Lender shall forward such amounts to the persons entitled thereto:

(a) On each January 1 and June 1, following the Issue Date, immediately to the Lender for disbursement to the Issuer, one-half of the Annual Fee.

(b) Forthwith upon written notification from the Rebate Analyst (A) any costs incurred by the Rebate Analyst for the calculation of the Rebate Amount, and (B) any amounts required to be paid to the United States of America as the Rebate Amount.

(c) Such additional fees and expenses of the Issuer in connection with the issuance and delivery of the Bonds and the making of the Loan or as may be required in the monitoring of the Regulatory Agreement, any amendment of the Loan Documents or with respect to any audits of the Project or the financials thereof by or on behalf of the Issuer or any audits to be performed by or on behalf of the Issuer regarding the Loan or the Bonds.

(d) All other amounts payable pursuant to the Loan Agreement.

Any amounts payable to the Issuer but not paid in accordance with this Section 4.4 shall bear interest at a rate of one percent (1%) per month until paid. The Lender shall have no liability to the Issuer for any amounts owing to the Issuer by the Borrower but not paid by the Borrower.

Section 4.5. Nature of the Borrower's Obligations.

(a) The Borrower shall repay the Loan and make the additional payments pursuant to the terms of Sections 4.3 and 4.4 of this Agreement and the Note, irrespective of any rights of setoff, recoupment or counterclaim it might have against the Issuer, Lender or any other person, provided that any such payment shall not constitute a waiver by the Borrower of any claim for recoupment or of any counterclaim. The Borrower will

not suspend, discontinue or reduce any such payment or (except as expressly provided herein) terminate this Agreement for any cause, including, without limiting the generality of the foregoing: (i) any delay or interruption in the acquisition, construction, equipping or operation of the Project; (ii) the failure to obtain any permit, order or action of any kind from any governmental issuer relating to the Loan or the Project; (iii) any event constituting force majeure; (iv) any acts or circumstances that may constitute commercial frustration of purpose; (v) the termination of this Agreement or any of the other Loan Documents; (vi) any change in the laws of the United States of America, the State or any political subdivision thereof; or (vii) any failure of the Issuer to perform or observe any covenant, whether expressed or implied, or to discharge any duty, liability or obligation arising out of or connected with the Note; it being the intention of the parties that, as long as the Note or any portion thereof remains outstanding and unpaid, the obligation of the Borrower to repay the Loan and provide such moneys shall continue in all events. This Section 4.5 shall not be construed to release the Issuer from any of its obligations hereunder, or, except as provided in this Section 4.5 to prevent or restrict the Borrower from asserting any rights which it may have against the Issuer or Lender under this Agreement, or under any provision of law, or to prevent or restrict the Borrower, at its own cost and expense, from prosecuting or defending any action or proceeding by or against the Issuer or Lender or taking any other action to protect or secure its rights.

(b) Following Conversion and subject to the provisions of paragraph (c) below, the personal liability of the Borrower or any general partner of the Borrower to pay the principal of and interest on the debt evidenced by the Note, this Agreement, the Loan Agreement and any other agreement evidencing the Borrower's obligations under this Agreement, the Loan Agreement, the Note and the Security shall be limited to (1) the Project, (2) the Security, (3) the personal property pledged under any Loan Document and (4) the rents, profits, issues, products and income of the Project received or collected by or on behalf of the Borrower (the "Rents and Profits").

Except as provided in paragraph (c) below, following Conversion, the Issuer, Lender and the Registered Owner shall not seek (a) any judgment for a deficiency against the Borrower nor any partner of the Borrower, nor the Borrower's or any general partner's heirs, legal representatives, successors or assigns, in any action to enforce any right or remedy under the Security, nor (b) any judgment on the Note except as may be necessary in any action brought under the Security to enforce the lien against the Project or to exercise any remedies under any Loan Document.

(c) Notwithstanding paragraph (b) above, the Borrower and each general partner of the Borrower (each individually, or on a joint and several basis if more than one) shall be personally liable on a joint and several basis, in the amount of any loss, damage or cost (including but not limited to reasonable attorneys' fees) resulting from one or more of the following:

(A) fraud or intentional misrepresentation by the Borrower, the Borrower's agents or employees or any general partner of the Borrower in connection with obtaining the loan evidenced by this Agreement, the Loan

Agreement, the Note or in complying with any of the Borrower's obligations under the Loan Documents;

(B) insurance proceeds, condemnation awards, security deposits from tenants or other sums or payments received by or on behalf of the Borrower in its capacity as owner of the Project and not applied in accordance with the provisions of the Deed of Trust (except to the extent that the Borrower did not have the legal right, because of a bankruptcy, receivership or similar judicial proceeding, to direct disbursement of such sums or payments);

(C) all Rents and Profits actually received by the Borrower not applied, first, to the payment of the reasonable operating expenses as such operating expenses become due and payable, and, then, to the payment of principal and interest then due and payable under this Agreement, the Loan Agreement, the Note and any other sums due under the Security and all other Loan Documents (including but not limited to deposits or reserves payable under any Loan Documents) (except to the extent that the Borrower did not have the legal right, because of a bankruptcy, receivership or similar judicial proceeding, to direct the disbursement of such sums);

(D) the Borrower's failure to pay transfer fees and charges due the Trustee or the Beneficiary under the Deed of Trust (as defined in the Deed of Trust);

(E) the Borrower's failure following a Default under any of the Bond Documents or the Loan Documents to deliver to Lender or the Registered Owner, on demand, all Rents and Profits, security deposits (except to the extent that the Borrower did not have the legal right because of a bankruptcy, receivership or similar judicial proceeding to direct the disbursement of such sums), books and records relating to the Project;

(F) commission of material waste by the Borrower (or any partner, officer, director or agent of the Borrower or any guarantor or owner of any collateral);

(G) the presence or release of any "Hazardous Substance" (as defined in the Deed of Trust) on, in or under the Project; and

(H) any Rebate Amount payable to the United States Government or any audit of the Project or the Bonds by the Internal Revenue Service.

No provision of this paragraph (c) shall (i) affect any guaranty or similar agreement executed in connection with the debt evidenced by the Note, this Agreement or the Loan Agreement, (ii) release or reduce the debt evidenced by the Note, this Agreement or the Loan Agreement, (iii) impair the right of Lender or the Registered Owner to enforce any provisions of the Security,

(iv) impair the lien of the Security, or (v) impair the right of the Issuer, Lender or the Registered Owner to enforce the provisions of any Loan Document. Nothing herein shall directly or indirectly limit the right of the Issuer, Lender or the Registered Owner to collect or recover any collateral from the Borrower or any person holding or receiving the same, including any partner, shareholder or affiliate who receives the Rents and Profits assigned to the Issuer, Lender or the Registered Owner after the same become payable to the Issuer, Lender or the Registered Owner or under circumstances where the same are recoverable by the Issuer, Lender or the Registered Owner under applicable law or by contract. Furthermore, nothing in any other provision of the Note, this Agreement or the Loan Agreement or the other Bond Document or Loan Document shall be deemed to limit the Issuer's, Lender's or the Registered Owner's right to enforce collection from the Borrower (or any other person liable therefor) of all reasonable attorneys' fees, costs, expenses, indemnity liabilities and other amounts payable to the Issuer, Lender or the Registered Owner apart from principal or interest owing under the Note, including, but not limited to, the Issuer Fee and reasonable extraordinary costs and expenses, including, but not limited to, legal fees and reasonable out-of-pocket costs and expenses of Bond Counsel and counsel to the Issuer incurred in connection with the interpretation or enforcement of this Agreement or the other Loan Documents and indemnification under Section 5.8 hereof and under equivalent provisions of the other Loan Documents; provided, however, said indemnification provisions shall not following Conversion, be deemed to create any personal liability of the Borrower or any of its partners for the payment of principal and interest under the Note.

This paragraph (c) shall apply only to principal constituting the original Loan evidenced by the Note and interest accrued thereon under the Note and shall not affect other indebtedness owing under the Loan Documents.

Nothing in this paragraph (c) shall be interpreted to subordinate any obligation or liability of the Borrower to the Issuer, Lender or the Registered Owner to any operating expenses, and upon a Default, the Issuer, Lender or the Registered Owner may apply Rents and Profits to any secured or unsecured obligation owing to the Issuer, Lender or the Registered Owner, in any order.

Notwithstanding anything herein to the contrary, no limited partner of the Borrower who holds only a limited partnership interest in the Borrower (to the extent it continues to act in a capacity as a limited partner of the Borrower) shall have any personal liability regarding the Note or the Security.

Section 4.6. Prepayment of Note.

(a) The Note shall be prepaid in accordance with its terms, in whole or in part, as applicable, at the times and in the amounts sufficient to redeem Bonds in accordance with Section 3.5(a).

(b) In the event of a partial prepayment of the Note, the principal amount of the Borrower's obligation under the Note shall be reduced by the principal amount of the Note prepaid, and such prepayment shall correspondingly reduce the principal balance of the Bonds.

(c) The Borrower shall provide notice of any prepayment of the Note to the Issuer and the Lender not less than 20 days prior to the date of such prepayment. Each notice of prepayment required by this Section 4.6 shall state the date set for prepayment, the principal to be prepaid on the Note and the reason for prepayment. Such notice also shall state that the applicable Bonds shall be redeemed, in whole or in part, in a principal amount equal to the amount of the prepayment of the Note, on the date set for such prepayment.

(d) If the Note is prepaid in full but the Regulatory Agreement is still in effect, then at the time of prepayment of the Note and thereafter, the Borrower shall pay to the Issuer such amounts as are required by Section 20 of the Regulatory Agreement.

Section 4.7. [Reserved.]

Section 4.8. Insurance and Condemnation Proceeds.

(a) The Borrower shall, throughout the term of this Agreement, obtain insurance for the Project to the extent required and in accordance with the Loan Agreement and the Security.

(b) Lender shall hold, apply and disburse all insurance proceeds or condemnation awards in accordance with the Loan Agreement and the Security.

ARTICLE V

FURTHER AGREEMENTS

Section 5.1. Successor to the Issuer. The Issuer will at all times use its best efforts to maintain the powers, functions, duties and obligations now reposed in it pursuant to law or assure the assumption of its obligations hereunder by any public trust or political subdivision succeeding to its powers.

Section 5.2. Borrower to Maintain its Existence as a Corporation or a Partnership; Conditions Under Which Exceptions Permitted. In the event that the Borrower is a partnership or a corporation, the Borrower agrees that during the term of this Agreement it will maintain its existence as a partnership or corporation, as applicable; will continue to be duly qualified to do business in the State; and will neither dispose of all or substantially all of its assets nor consolidate with or merge into another entity, unless the Borrower shall have prepaid the Note in full or (i) the Borrower shall have first filed with the Issuer an opinion of Bond Counsel to the effect that such disposal of assets, consolidation or merger will not cause the interest on the Bonds to become subject to federal or state income taxation, (ii) the acquirer of its assets or the entity with which it shall consolidate or into which it shall merge shall be an entity, organized and existing under the laws of the United States of America or one of the states of the United States of America and shall be qualified and admitted to do business in the State, (iii) such acquiring or remaining entity shall assume in writing all of the obligations of the Borrower under the Loan Documents, subject to all of the limitations of liability applicable to the Borrower, (iv) Lender shall have provided consent in writing to such disposition, consolidation

or merger, and (v) Lender shall have furnished to the Issuer within ten (10) days after any such action notice thereof an executed original document evidencing said assumption.

As soon as practicable but not less than fifteen (15) days prior to the intended disposition of assets, consolidation or merger, Lender shall notify the Issuer of such intended transaction, provided that Lender has notice thereof.

Section 5.3. Sale or Conveyance of the Project. (a) The Borrower shall not voluntarily Transfer the Project or any portion thereof (other than for any incidental use, to the extent permissible under all applicable federal and state laws, and regulations, or by granting a security interest junior to the Security and the Note) except (i) with the written consent of the Lender (as required pursuant to the Loan Agreement and the Security); (ii) upon compliance with all of the terms of Section 12 of the Regulatory Agreement applicable to such Transfer; (iii) upon payment to the Issuer of the expenses incurred by the Issuer in connection with the Transfer; and (iv) upon a determination by the Issuer, with regard to any project of the proposed Transferee financed by the Issuer, that the proposed Transferee is not now in arrears on any payments of fees due and owing to the Issuer or in default under any agreement with the Issuer, beyond any applicable grace period or cure period and the proposed Transferee has a documented history of satisfactory compliance with provisions equivalent to those in this Agreement, the Regulatory Agreement and the Tax Certificate.

(b) If the proposed Transferee does not meet all requirements set forth in Section 5.3(a), the proceeds of said Transfer in excess of the outstanding principal balance of the Note and accrued interest to such date shall be retained by the Borrower and, provided further that until prepayment in full of the Note and the corresponding redemption of the Bond, this Agreement, the Tax Certificate, the Note and the Security shall remain in full force and effect, and the Borrower and the Project shall retain all obligations hereunder and thereunder.

(c) As soon as practicable and not later than 15 days prior to the intended date of Transfer of the Project of which the Lender has notice, the Lender shall notify the Issuer of such transaction. As soon as practicable following such transaction of which the Lender has notice, the Lender shall provide to the Issuer copies of any executed documents obtained by the Lender evidencing the transfer of title to the Project and any written assumption by the Transferee of the Loan Documents, as well as copies of all other documents obtained by the Lender that may be executed in regard to such Transfer.

(d) No Transfer of the Project in violation of Section 5.3(a) or (b) hereof shall relieve the Borrower or the Project of obligations under this Agreement, the Regulatory Agreement or the Tax Certificate.

Without limitation of the foregoing, nothing in this Section shall constitute a waiver of any term or provision of the Loan Agreement, the Deed of Trust or any other Loan Document which prohibits the Borrower from selling, assigning, encumbering, transferring or otherwise disposing of the Property or any part thereof or interest therein (whether direct or indirect), or requires the Borrower to obtain consent of the Lender, Registered Owner or any other individual or entity to any such sale, assignment, encumbrance, transfer or other disposition. Borrower

acknowledges and agrees that neither the Lender nor the Registered Owner has consented to any such sale, assignment, encumbrance, transfer or other disposition.

Section 5.4. Tax-Exempt Status of the Bonds. It is the intention of the parties hereto that interest on the Bonds shall be and remain excluded from gross income for federal income tax purposes and to that end the covenants and agreements of the Issuer and the Borrower in this Section are for the benefit of the holders of the Bonds.

(a) The Borrower and the Issuer covenant and agree that they have not taken or permitted to be taken and will not take or permit to be taken any action that will cause the interest on the Bonds to become included in gross income for federal income tax purposes pursuant to the Code or cause the Bonds to become an "arbitrage bond" within the meaning of Section 148 of the Code; provided that none of the covenants and agreements herein contained shall require either the Borrower or the Issuer to enter an appearance or intervene in any administrative, legislative or judicial proceeding in connection with any changes in applicable laws, rules or regulations or in connection with any decisions of any court or administrative agency or other governmental body affecting the taxation of interest on the Bonds; and provided, further, that each party's responsibility under this Section shall be limited to actions within its respective control.

(b) The Borrower agrees to cause the calculation of the Rebate Amount pursuant to and in conformance with the provisions of the Code and the Tax Certificate. The Borrower agrees to pay, in accordance with Section 4.4(b) hereof, the costs of the calculation of the Rebate Amount and the amount of the Rebate Amount, if any, owing to the United States of America on the Bonds.

(c) The Borrower agrees to comply with all requirements set forth in the Tax Certificate, which by reference is incorporated herein.

(d) The Borrower covenants and agrees that at least 97% (95% with an opinion of Bond Counsel) of the proceeds of the Bonds shall be expended to pay or reimburse Qualified Project Costs (as defined in the Tax Certificate).

(e) The Borrower agrees that the Note may not be amended in any way that affects payment terms of the Bonds except upon receipt by the Issuer of an opinion of Bond Counsel to the effect that such amendment will not cause the interest on the Bonds to become subject to federal income taxation.

Section 5.5. Additional Instruments. The Borrower hereby covenants to execute and deliver such additional instruments and to perform such additional acts as may be necessary, in the reasonable opinion of the Issuer or Lender, to carry out the intent of the Loan Documents or to perfect or give further assurances of any of the rights granted or provided for in the Loan Documents, provided that no such instruments shall expand the liability of the Borrower hereunder.

Section 5.6. Books and Records.

(a) The Borrower hereby covenants to permit the Issuer, Lender or their duly authorized representatives access during normal business hours to the books and records of the Borrower pertaining to the Loan and the Project, and to make such books and records available for audit and inspection, at reasonable times and under reasonable prior notice and other conditions, to the Issuer and Lender and their duly authorized representatives.

(b) Lender hereby agrees to retain all requisitions submitted by the Borrower pertaining to the Loan and the Project for a period of six years from the date of the final payment on the Bonds. Lender hereby agrees to retain all records in its possession pertaining to the Bonds and the Project for a period of six years from the date of the final payment on the Bonds. Upon any transfer of the Bonds, Lender shall deliver such records to the new Registered Owner.

Section 5.7. Notice of Certain Events. The Borrower covenants to advise the Issuer and Lender promptly in writing of the occurrence of any Default hereunder or any event which, with the passage of time or service of notice, or both, would constitute a Loan Acceleration Default hereunder, specifying the nature and period of existence of such event and the actions being taken or proposed to be taken with respect thereto. In addition, the Borrower hereby covenants to advise the Issuer and Lender promptly in writing of the occurrence of any default under the Loan Documents or of the occurrence of an Act of Bankruptcy of the Borrower.

Section 5.8. Indemnification of the Issuer. To the fullest extent permitted by law, the Borrower agrees to indemnify, hold harmless and defend the Issuer and each of its officers, Commissioners, 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 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:

(a) the Loan Documents or the execution or amendment thereof or in connection with transactions contemplated thereby, including the issuance, sale, resale or remarketing of the Bonds, but excluding nonpayment of the Note;

(b) any act or omission of the Borrower or any of its agents, contractors, servants, employees or licensees in connection with the Loan (other than nonpayment of the Note) or 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 construction of, the Project or any part thereof;

(c) any lien or charge upon payments by the Borrower to the Issuer and Lender hereunder, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the Issuer or Lender in respect of any portion of the Project;

(d) any violation of any environmental law, rule or regulation with respect to, or the release of any toxic substance from, the Project or any part thereof;

(e) the defeasance and/or redemption, in whole or in part, of the Bonds;

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

(g) any declaration of taxability of interest on the Bonds, or allegations (or regulatory inquiry) that interest on the Bonds is taxable, for federal tax purposes;

except to the extent such damages are caused by the willful misconduct of such Indemnified Party. In the event that 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 reasonably acceptable to 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 compromise or settlement which gives rise or may give rise to liability on the part of such indemnified party. 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 employ only 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.

Notwithstanding any transfer of the Project to another owner in accordance with the provisions of this Agreement, the Borrower shall remain obligated to indemnify each Indemnified Party pursuant to this Section if such subsequent owner fails to indemnify any party entitled to be indemnified hereunder, unless such Indemnified Party has consented to such transfer and to the assignment of the rights and obligations of the Borrower hereunder.

The rights of any persons to indemnity and to payment of fees and reimbursement of expenses hereunder shall survive the final payment or defeasance of the Bonds. The provisions of this Section shall survive the termination of this Agreement.

Section 5.9. Compliance with Usury Laws. Notwithstanding any other provision of this Agreement, it is agreed and understood that in no event shall this Agreement, with respect to the Note or other instrument of indebtedness, be construed as requiring the Borrower or any other Person to pay interest and other costs or considerations that constitute interest under any

applicable law which are contracted for, charged or received pursuant to this Agreement in an amount in excess of the maximum amount of interest allowed under any applicable law.

In the event of any acceleration of the payment of the principal amount of the Note, that portion of any interest payment in excess of the maximum legal rate of interest, if any, provided for in this Agreement or related documents shall be canceled automatically as of the date of such acceleration, or if theretofore paid, shall be credited against the Borrower's obligations under the Note and the payments due on the Bonds shall be correspondingly reduced.

The provisions of this Section 5.9 shall prevail over any other provision of this Agreement.

Section 5.10. Compliance with Other Laws. To the best of the Borrower's knowledge, the design, construction, rehabilitation and operation of the Project as described herein do not and will not conflict in any material respect with any zoning, water or air pollution or other ordinance, order, law or regulation applicable thereto; the Borrower has caused the Project to be designed in accordance with all the applicable federal, state and local laws or ordinances (including rules and regulations) relating to zoning, building, safety and environmental quality, and the Borrower has not failed to obtain (or will obtain when required) and maintain in effect any licenses, permits, franchises or other governmental authorizations necessary for the operation and conduct of the Project.

The Borrower shall comply with federal housing policy governing nondiscrimination and accessibility, as determined under the Americans with Disabilities Act, the Fair Housing Amendments Act of 1988, the rules and regulations of HUD and any other applicable federal, state and local law.

Section 5.11. Maintenance and Repair. The Borrower agrees to maintain the Project or to cause the Project to be maintained during the term of this Agreement, (a) in a reasonably safe condition and (b) in good repair and in good operating condition, ordinary wear and tear excepted.

Section 5.12. Location of Project. The Borrower covenants to maintain any personal property constituting all or any portion of the Project in the State.

Section 5.13. Recordation of Documents. The Borrower hereby covenants to cause to have recorded in the records of the County Recorder of the County of Los Angeles, California, at such time as the recordation of any security documents associated with any construction loan with respect to the Project, the Regulatory Agreement, the Security and such other documents as may be determined to be required by the Issuer and/or Lender.

Section 5.14. Compliance with Loan Documents. The Borrower agrees to comply with all terms and conditions of the Loan Documents.

ARTICLE VI

EVENTS OF DEFAULT AND REMEDIES

Section 6.1. Defaults.

(a) A "Default" of the Borrower shall occur when:

(i) The Borrower has failed to pay when due any amount payable on the Note (after any applicable notice and cure period contained therein) or has failed to perform any material covenant under the Loan Agreement, the Security or any other instrument providing security for the Note, including a failure to repay any amounts which have been previously paid but are recovered, attached or enjoined pursuant to any insolvency, receivership, liquidation or similar proceedings, subject to any applicable notice and cure periods.

(ii) The Borrower and the Issuer shall receive written notice from Lender that a "Default" has occurred under the Loan Agreement or the Security (other than a failure to pay any amount due on the Note and after any applicable notice and cure period), and that Lender declares that such occurrence shall be treated as a Default hereunder.

(iii) The Borrower (A) shall receive written notice from Lender or the Issuer (with a copy to the other parties hereto) that the Borrower has failed to observe any of its obligations, covenants or agreements hereunder other than as specified in Section 6.1(a)(i) or (ii) hereof, under the Tax Certificate or Regulatory Agreement, if applicable, and such failure shall continue for sixty (60) days following such notice; provided, however, if such Default cannot reasonably be cured within said 60-day period, the Borrower shall have such additional time as may be reasonably necessary if the Borrower commences such cure within such 60-day period and diligently prosecutes such cure to completion, or (B) shall receive written notice from Lender or the Issuer (with a copy to the other parties hereto) that the Borrower has made any material representation or warranty hereunder or under the Tax Certificate or Regulatory Agreement, if applicable, that was false when made.

(iv) The Borrower shall fail to satisfy the conditions to Conversion set forth in the Tri-Party Agreement prior to the Mandatory Conversion Date (as defined in the Construction Loan Agreement and as such date may be extended in accordance with the terms and provisions of the Construction Loan Agreement).

(b) A "Default" of Lender shall occur when (i) Lender shall receive written notice from the Issuer that Lender has failed to observe any of its obligations, covenants or agreements hereunder, and such failure shall continue for thirty (30) days following receipt of such notice, unless such default cannot be cured within thirty (30) days and Lender shall have commenced such cure and shall diligently prosecute such cure to completion, or (ii) Lender shall receive written notice from the Issuer that Lender has

made any material representation or warranty hereunder or under the Tax Certificate or the Regulatory Agreement, if applicable, that was false when made.

(c) A "Default" shall occur when the Borrower and Lender receive written notice from the Issuer that a Determination of Taxability has occurred and the cure period, if any, provided for in such notice of a Determination of Taxability has expired without the cure, to the satisfaction of the Issuer, in reliance on the advice of Bond Counsel, of the problem identified in the Issuer's notice, provided that in the event of a Determination of Taxability pursuant to clause (a) or (b) of the definition thereof, such notice shall provide for a cure period of at least thirty (30) days unless, in the judgment of the Issuer, in reliance on the advice of Bond Counsel, no cure is possible.

(d) If practicable, any party may, upon no less than 10 days' notice, but is not obligated to, cure an action or inaction of another party that, if uncured within the applicable time period, would become a Default hereunder.

(e) This Section 6.1 shall not affect or limit in any way Lender's right to accelerate pursuant to Section 6.2 below.

Section 6.2. Loan Acceleration Default. Upon any Default by the Borrower of any of the terms of this Financing Agreement, the Loan Agreement, the Note, any documents providing or evidencing the Security or any other documents required by Lender in connection with this Agreement or the Loan and upon any Default by the Issuer of any of the terms of the Bonds, Lender shall be entitled to declare the entire sum due under the Note, the Loan Agreement and the Security immediately due and payable and may, then, or at any time thereafter, commence and prosecute a judicial foreclosure and/or record a notice of default pursuant to Section 2924 of the California Civil Code and thereafter proceed with a nonjudicial foreclosure pursuant to Section 2924 and following of the California Civil Code subject to the rights of reinstatement contained therein, and exercise of all other rights and remedies available to Lender hereunder, under the Loan Documents, at law or in equity. Upon receipt of any such notice of default, the Borrower shall, within three (3) business days of receipt thereof, provide a copy of such notice to the Issuer. A Default as to which Lender has declared the entire sum due under the Note, the Loan Agreement and the Security immediately due and payable is referred to in this Agreement as a "Loan Acceleration Default".

Section 6.3. Remedies.

(a) Whenever any Loan Acceleration Default under Section 6.2 hereof shall have occurred and be continuing:

(i) The Bonds shall be subject to mandatory redemption in whole pursuant to Section 3.5(a)(vi) thereof; and

(ii) Subject to the provisions of Section 4.5 hereof, the nondefaulting parties also may take whatever action at law or in equity appears necessary or desirable to enforce performance and observance of any obligation or agreement in respect of which the Loan Acceleration Default has occurred.

(b) Whenever any Default under Section 6.1 hereof shall have occurred and be continuing, the nondefaulting parties may, subject to the provisions of Section 4.5 hereof, take whatever action at law or in equity that appears necessary or desirable to enforce performance and observance of any obligation or agreement in respect of which the Default has occurred.

(c) In addition to any other remedies granted herein or under applicable law, the Borrower agrees that Lender shall have the right, at its option, to declare any indebtedness evidenced by the Loan Agreement, the Note or the Security, irrespective of the maturity date specified therein, immediately, without demand or notice, due and payable upon the occurrence of a Default or Event of Default as provided in the Loan Agreement, Note or Security and to exercise all remedies provided in the Loan Documents and/or under applicable law.

Failure to exercise such option on the occasion of the occurrence of any one or more of the events above specified shall not constitute waiver of the right to exercise the option in the event of a subsequent occurrence of any one or more of such events.

The Borrower agrees to inform Lender, in writing, at or prior to the time of the occurrence of the events described in this Section 6.3(c), and promptly furnish to Lender, any and all information concerning such events as Lender shall request.

(d) Any amounts collected as payments of principal of, premium, if any, or interest on the Note, or applicable to such payments, pursuant to action taken under this Section, shall be applied to payments of amounts due on the Bonds.

Section 6.4. Attorneys' Fees and Costs. If (a) a Default pursuant to Section 6.1 hereof occurs or (b) the Issuer or Lender should employ attorneys or incur expenses for the enforcement of any obligation or agreement of Lender or the Borrower contained herein, the Borrower, on demand, will pay to the Issuer and/or Lender the applicable party's reasonable fees of such attorneys and the reasonable costs so incurred, including, without limitation, reasonable fees and costs of court appeals.

Section 6.5. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Issuer or the Lender is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof but any such right and power may be exercised from time to time and as open as may be deemed expedient. In order to entitle the Issuer or the Lender to exercise any remedy reserved to it in this Article VI, it shall not be necessary to give any notice, other than such notice as may be herein expressly required.

Section 6.6. No Additional Waiver Implied by One Waiver. In the event any agreement or covenant contained in this Agreement should be breached by the Borrower or Lender and thereafter waived by the Issuer or Lender, such waiver shall be limited to the particular breach so

provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

Section 7.5. Execution of Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 7.6. Amendments, Changes and Modifications. Except as otherwise specifically provided in this Agreement, this Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of all the parties hereto. In addition to all requirements contained therein, the terms of the Note or the Security may not be amended, changed, modified, altered or terminated without the written consent of the Issuer.

Section 7.7. Governing Law. This Agreement shall be governed exclusively by and construed in accordance with the applicable laws of the State.

Section 7.8. Term of Agreement. This Agreement shall be in full force and effect from the date hereof until such time as the Bonds shall have been fully paid, provided that the Issuer's rights to indemnification under Section 5.8 hereof shall survive the termination of this Agreement. Time is of the essence in this Agreement.

Section 7.9. Non-Business Days. Any payment or act required to be done or made on a day that is not a Business Day shall be done or made on the next succeeding day that is a Business Day with the same force and effect as if it had been done on the date originally scheduled for such payment or act.

Section 7.10. Parties to Act Reasonably. When the consent, approval, determination or authorization of the Issuer or the Borrower is required under this Agreement, such party will act reasonably in deciding whether to provide such consent, approval, determination or authorization and will not unreasonably withhold or delay such decision or such consent, approval, determination or authorization.

Section 7.11. Limitation of Liability of Issuer and Its Officers, Employees and Agents. No recourse under or upon any obligation, covenant, warranty or agreement contained in this Agreement or in the Bonds, or under any judgment obtained against the Issuer, or the enforcement of any assessment, or any legal or equitable proceedings by virtue of any constitution or statute or otherwise, or under any circumstances under or independent of this Agreement, shall be had against the Issuer or any of the members, officers, agents or employees of the Issuer, as such, past, present or future of the Issuer, either directly or through the Issuer or otherwise, for the payment for or to the Issuer or any receiver of the Issuer, or for or to the owners of the Bonds, or otherwise, of any sum that may be due and unpaid by the Issuer upon the Bonds. Any and all personal liability of every nature whether at common law or in equity or by statute or by constitution or otherwise of the Issuer or of any such member, officer, agent or employee, as such, by reason of any act of omission on his or her part or otherwise, for the payment for or to the owner of the Bonds or otherwise of any sum that may remain due and unpaid upon the Bonds secured by this Agreement or any of them is, by the acceptance of the Bonds, expressly waived and released as a condition of and in consideration for the execution of

this Agreement and the issuance of the Bonds. Anything in this Agreement to the contrary notwithstanding, it is expressly understood by the parties to this Agreement that (a) the Issuer may rely exclusively on the truth and accuracy of any certificate, opinion, notice or other instrument furnished to the Issuer by the Lender or any holder of the Bonds as to the existence of any fact or state of affairs, (b) the Issuer shall not be under any obligation under this Agreement to perform any record keeping or to provide any legal services, it being understood that such services shall be performed or caused to be performed by the Lender and (c) none of the provisions of this Agreement shall require the Issuer to expend or risk its own funds or otherwise to incur financial liability in the performance of any of its duties or in the exercise of any of its rights or powers under this Agreement, unless it shall first have been adequately indemnified to its satisfaction against any costs, expenses and liability which it may incur as a result of taking such action. No recourse for the payment of any part of the principal of, premium, if any, or interest on the Bonds or for the satisfaction of any liability arising from, founded upon or existing by reason of the issuance, purchase or ownership of the Bond shall be had against the Issuer or any officer, member, agent or employee of the Issuer, as such, all such liability being expressly released and waived as a condition of and as a part of the consideration for the execution of this Agreement and the issuance of the Bonds. No covenant, stipulation, obligation or agreement of the Issuer contained in this Agreement shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, officer, agent or employee of the Issuer in other than that person's official capacity. No member, officer, agent or employee of the Issuer shall be individually or personally liable for the payment of the principal or redemption price of or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance of the Bonds.

(Remainder of page intentionally left blank.)

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, all as of the day and year first above mentioned.

THE HOUSING AUTHORITY OF THE
COUNTY OF LOS ANGELES

By _____
Executive Director

Approved as to form:

County Counsel

By: _____
Deputy

[Signatures continue on following page.]

[Signature Page to Financing Agreement]

BANK OF AMERICA, N.A.

By: _____
Authorized Representative

[Signatures continue on following page.]

[Signature Page to Financing Agreement]

SAN FERNANDO SENIOR HOUSING, L.P.,
a California limited partnership

By: BROOKMORE APARTMENT
CORPORATION, a California nonprofit,
public benefit corporation, its Managing
General Partner

By: _____

By: ASZKENAZY SENIOR HOUSING, LLC,
a California limited liability company, its
Development General Partner

By: _____

EXHIBIT A

ADDITIONAL TERMS

I. BOND

A. Description

Housing or Nonprofit or Nonprofit Housing
If Housing, Tax Credits anticipated
 Tax Credits not anticipated

"Bonds" means The Housing Authority of the County of Los Angeles Multifamily Housing Revenue Bonds (San Fernando Senior Housing Project) 2004 Series B, issued pursuant to this Agreement.

- B. Dated Date: December __, 2004
- C. Maturity: December 1, 2036
- D. Face Amount: \$6,400,000
- E. Interest Rate: As provided in the Note.
- F. Premium: As provided in the Note.
- G. Security:
1. Construction Loan Agreement, dated as of December 1, 2004, between the Lender and the Borrower.
 2. Loan Agreement, dated as of December 1, 2004, between the Permanent Lender and the Borrower.
 3. Construction Deed of Trust with Assignment of Rents, Security Agreement and Fixture Filing, dated as of December 1, 2004, from the Borrower for the benefit of the Issuer and the Lender.
 4. Assignment, Assumption and Reassignment of Contracts, Plans and Specifications between the Borrower, the Issuer and the Lender.
 5. Security Agreement (Assignment of Partnership Interests) by Borrower and general partner in favor of the Issuer and the Lender.

6. UCC-1 Financing Statement dated December 1, 2004.
7. Replacement Reserve Agreement dated as of December 1, 2004 between the Borrower and the Permanent Lender.
8. Environmental Indemnity (Unsecured), dated as of December 1, 2004, between the Borrower and the Permanent Lender.

H. [Reserved]

I. Registered Owner: Lender

J. Issue Date: December __, 2004

K. First Interest Payment Date: January 1, 2005.

Interest Payment Dates thereafter: First day of each month

L. [Reserved]

M. Date of Public Hearing: October 27, 2004

II. LOAN AND NOTE

A. Date: December 1, 2004

B. Maturity: Note – December 1, 2036

C. Principal Amount: Note – \$6,400,000

D. Interest Rate: Set forth in the Note (but not to exceed 12%).

E. Premium for Prepayment of the Note: Set forth in the Note.

F. [Reserved]

G. Construction Lender notice to be sent to:

Bank of America, N.A.
CA9-706-10-72
450 B Street, Suite 450
San Diego, CA 92101
Attention: Loan Administration Manager

with a copy to:

Bank of America, N.A.
CA5-705-06-01
555 California Street
San Francisco, CA 94104
Attention: Judy Graboyes

H. Permanent Lender notice to be sent to:

California Community Reinvestment Corporation
225 West Broadway, Suite 120
Glendale, CA 91204
Attention: Mark Rasmussen

I. Lender: Construction Lender

A national banking association duly organized and validly existing under the laws of the United States of America and qualified to do business under the laws of the State; OR

A state-chartered bank duly organized and validly existing under the laws of the State of California; OR

Other: a United States corporation

J. [Reserved]

K. Date of Inducement Resolution: June 15, 2004.

III. BORROWER AND PROJECT

A. Borrower:

Name: San Fernando Senior Housing, L.P.
Entity Type:

- nonprofit corporation
- limited partnership
- general partnership
- individual

B. Borrower notice to be sent to:

Aszkenazy Senior Housing , LLC
601 South Brand Boulevard, 3rd Floor
San Fernando, CA 91340

Brookmore Apartment Corporation
2320 South Fremont Avenue
Alhambra, California 91803
Attn: _____

And a copy to:

Loeb & Loeb, LLP
10100 Santa Monica Blvd., Suite 2200
Los Angeles, CA 90067
Attn: Ted Handel

C. [Reserved]

D. Project: 98 Apartments (including 2 managers' unit)

During the term of the Bonds, the Project is expected to be used by the Borrower to provide affordable housing and to meet the requirements of a regulatory agreement.

E. Project Site: that certain real property described in the Security.

F. The financing with the aggregate proceeds of the Bonds of \$6,400,000 of Project Costs.

G. Purpose: See Attachment A

Land

- To pay off existing loan(s):
- To reimburse expenditures made to third parties

Buildings

To pay for construction expenses (as described in the Tax Certificate)

To pay for costs of issuance

IV. FINANCING AGREEMENT AND TAX CERTIFICATE

A. Financing Agreement is dated December 1, 2004 and is among the Issuer, the Lender and the Borrower. The Tax Certificate is dated the date of delivery of the Bonds and is executed by the Issuer and the Borrower.

V. CLOSING REQUIREMENTS

A. Additional Documents. In addition to the documents required by Section 3.3 hereof, the Issuer shall receive the following documents:

Evidence of recording of the Regulatory Agreement

Regulatory Agreement

Other _____

B. Issuance Costs.

The Issuer shall receive the amount of \$8,000 representing its initial issuance fee together with the initial installment of its annual administrative fee.

VI. APPROVED TRANSFERS

See Section 5.2 of the Financing Agreement

Not applicable

EXHIBIT B

FORM OF BOND

THIS BOND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. THE TRANSFERABILITY HEREOF IS RESTRICTED BY THE TERMS SET FORTH HEREIN AND BY THE TERMS OF THE FINANCING AGREEMENT DESCRIBED HEREIN.

No. R-____

\$_____

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES
MULTIFAMILY HOUSING REVENUE BONDS
(SAN FERNANDO SENIOR HOUSING PROJECT), 2004 SERIES B

Dated Date

Maturity Date

December __, 2004

December 1, 2036

REGISTERED OWNER:

FACE AMOUNT:

The THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES, , a public body corporate and politic of the State of California (the "Issuer"), for value received, hereby promises to pay (but only from Revenues, as that term is defined in the Financing Agreement (the "Financing Agreement"), dated as of December 1, 2004, among the Issuer, Bank of America, N.A. (together with its successors and assigns, the "Lender"), and San Fernando Senior Housing, L.P. (the "Borrower") to the order of the Registered Owner set forth above or registered assigns (the "Registered Owner"), at its office in Los Angeles, California, or such other place as the Registered Owner may designate in writing, from the source and in the manner hereinafter provided, the principal amount hereof, with interest on the unpaid balance of this Bond from the date hereof until this Bond is fully paid, at the rates determined, from time to time, in accordance with the Financing Agreement, the Note (as defined below) and the Loan Agreement, in any coin or currency which at the time or times of payment is legal tender for the payment of public or private debts in the United States of America. All capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Financing Agreement.

This Bond constitutes one of a duly authorized issue of bonds of the Issuer designated "The Housing Authority of the County of Los Angeles Multifamily Housing Revenue Bonds (San Fernando Senior Housing Project), 2004 Series B," issued in the aggregate face amount (maximum principal amount) of \$6,400,000 to provide moneys to fund a loan (the "Loan") to be made by the Lender on behalf of the Issuer to the Borrower, to finance the development, construction and equipping of an 98-unit multifamily rental housing project located in County of

Los Angeles, California (the "Project"). This Bond is issued pursuant to and in accordance with the Act.

The Loan will be evidenced by that certain Promissory Note, dated as of December 1, 2004, in the original aggregate principal amount of \$6,400,000 (the "Note") made by the Borrower to the order of the Issuer and assigned to the Lender. This Bond is issued under and secured by the Financing Agreement.

The principal amount of this Bond as of any given date shall be equal to (i) the total amount advanced by the Lender to purchase Bonds, less (ii) any payment of principal on all of the Bonds received by Registered Owners thereof.

This Bond shall mature on the Maturity Date set forth above, and the entire unpaid principal balance of and any accrued interest on this Bond shall be paid in full on or before such date.

Interest on this Bond shall be payable on each Interest Payment Date. Interest shall be payable at the rate specified in the Note.

All payments made by the Borrower to the Lender under the Note shall be deemed due and owing on this Bond to the same extent due and owing on the Note, and the payments or prepayments of principal, interest, premiums and other costs and expenses shall be identical under this Bond with and shall be made on the same terms and conditions as such payments made on the Note. Said payments by the Borrower under the Note shall be deemed to have been constructively received by the Registered Owner as payments on this Bond on the date of receipt by the Lender under the Note.

This Bond shall be subject to optional redemption and mandatory redemption on the dates, in the amounts, at the redemption prices and in the manner set forth in the Financing Agreement. Upon the occurrence of certain events of mandatory redemption described in the Financing Agreement, payment of the redemption price of the Bonds shall be deemed made by the Issuer's absolute assignment to the Registered Owners of the Bonds of all right, title and interest of the Issuer in the Note and the Security.

The Bonds are issued as a single Bond and may not be transferred in part. This Bond may not be sold, assigned or transferred, except upon satisfaction of the requirements of the Financing Agreement, including, but not limited to, the requirement that this Bond be sold, assigned or transferred only to a Qualified Institutional Buyer and only upon receipt from the purchaser of an Investor Letter in the form attached to the Financing Agreement. The Lender shall serve as Bond registrar and shall, on behalf of the Issuer, maintain records of ownership of the Bonds.

Subject to the foregoing, this Bond is transferable upon the registration books maintained by the Lender, by the Registered Owner hereof in person or by its attorney duly authorized in writing, upon surrender of this Bond together with a written instrument of transfer satisfactory to the Lender, duly executed by the Registered Owner or its duly authorized attorney. The Issuer may deem and treat the person in whose name this Bond is last registered upon the books maintained by the Lender, with such registration noted on this Bond, as the absolute owner

hereof for the purpose of receiving payment of or on account of the principal or interest and for all other purposes; all such payments so made to the Registered Owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon this Bond to the extent of the sum or sums so paid, and the Issuer shall not be affected by any notice to the contrary.

Upon the occurrence of any Default by the Borrower, the Registered Owner may exercise any or all of the remedies described in the Financing Agreement in the manner provided therein.

This Bond and the interest hereon is a limited obligation of the Issuer, payable solely from Revenues. Neither the Issuer, the State of California (the "State") nor any political subdivision thereof (except the Issuer, to the limited extent set forth in the Financing Agreement) nor any public agency shall in any event be liable for the payment of the principal of, premium (if any) or interest on the Bonds or for the performance of any pledge, obligation or agreement of any kind whatsoever except as set forth herein or in the Financing Agreement, and none of the Bonds or any of the Issuer's agreements or obligations shall be construed to constitute an indebtedness of or a pledge of the faith and credit of or a loan of the credit of any of the foregoing within the meaning of any constitutional or statutory provision whatsoever.

This Bond, together with the interest and premium (if any) hereon, shall not be deemed to constitute a debt or liability of the Issuer, the State or any public agency or a pledge of the faith and credit of the Issuer, or the faith and credit or taxing power of the State or any political subdivision thereof, but shall be payable solely from the funds provided therefor pursuant to the Financing Agreement. This Bond is only a limited obligation of the Issuer as provided by the Act, and the Issuer shall under no circumstances be obligated to pay the Bonds except from Revenues.

NONE OF THE ISSUER, THE BOARD MEMBERS, OFFICERS, EMPLOYEES, ATTORNEYS OR AGENTS OF THE ISSUER, OR ANY PERSON EXECUTING THE BONDS IS LIABLE PERSONALLY ON THE BONDS OR SUBJECT TO ANY PERSONAL LIABILITY OR ACCOUNTABILITY BY REASON OF THEIR ISSUANCE. THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE ONLY AS PROVIDED IN THE FINANCING AGREEMENT, AND ARE NOT A DEBT, NOR A PLEDGE OF THE FAITH AND CREDIT, OF THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS, AND NEITHER ARE THEY LIABLE ON THE BONDS, NOR ARE THE BONDS PAYABLE OUT OF ANY FUNDS OR PROPERTIES OTHER THAN THOSE OF THE ISSUER EXPRESSLY PLEDGED FOR THE PAYMENT THEREOF UNDER THE FINANCING AGREEMENT. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION. THE ISSUANCE OF THE BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE ISSUER HAS NO TAXING POWER.

NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM OR INTEREST ON THIS BOND AGAINST ANY PAST, PRESENT OR FUTURE OFFICER, DIRECTOR, MEMBER, EMPLOYEE OR AGENT OF THE ISSUER,

OR OF ANY SUCCESSOR TO THE ISSUER, AS SUCH, EITHER DIRECTLY OR THROUGH THE ISSUER OR ANY SUCCESSOR TO THE ISSUER, UNDER ANY RULE OF LAW OR EQUITY, STATUTE OR CONSTITUTION OR BY THE ENFORCEMENT OF ANY ASSESSMENT OR PENALTY OR OTHERWISE, AND ALL SUCH LIABILITY OF ANY SUCH OFFICERS, DIRECTORS, MEMBERS, EMPLOYEES OR AGENTS, AS SUCH, IS HEREBY EXPRESSLY WAIVED AND RELEASED AS A CONDITION OF, AND CONSIDERATION FOR, THE EXECUTION AND ISSUANCE OF THIS BOND.

No recourse shall be had for the payment of the principal of, premium, if any, or interest on the Bonds or for any claim based thereon or upon any obligation, covenant or agreement in the Financing Agreement contained, against the Issuer, any past, present or future member of its governing body, its officers, attorneys, accountants, financial advisors, agents or staff, or the officers, attorneys, accountants, financial advisors, agents or staff of any successor public entity, as such, either directly or through the Issuer or any successor public entity, under any rule of law or penalty or otherwise, and all such liability of the Issuer, any member of its governing bodies and its officers, attorneys, accountants, financial advisors, agents and staff is hereby, and by the acceptance of the Bonds, expressly waived and released as a condition of, and in consideration for, the execution of the Financing Agreement and the issuance of the Bonds.

Neither the Borrower nor any Registered Owner shall look to the Issuer or any of its elected officials, officers, attorneys, accountants, financial advisors, agents or staff or any successor or public entity for damages suffered by the Borrower or such Registered Owner as a result of the failure of the Issuer to perform any covenant, undertaking or obligation under the Financing Agreement, the Bond, the Regulatory Agreement or any of the other documents referred to in the Financing Agreement, or as a result of the incorrectness of any representation made by the Issuer in any of such documents, nor for any other reason.

It is intended that this Bond is made with reference to and shall be construed as a contract governed by the laws of the State of California.

The terms of this Bond are subject in all respects to the terms of the Financing Agreement. If there is a conflict between the provisions of this Bond and the Financing Agreement, the Financing Agreement shall control.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any benefit or security under the Financing Agreement unless the registration of this Bond in the name of the Registered Owner is confirmed by the signature of an authorized officer of the Lender on behalf of the Issuer on the Registration Schedule attached hereto.

IT IS HEREBY CERTIFIED AND RECITED that all conditions, acts and things required to exist, happen and be performed precedent to or in the issuance of this Bond do exist, have happened and have been performed in regular and due form as required by law.

The Issuer has caused this Bond to be duly executed in its name by the facsimile signature of its Chairman, and countersigned by the facsimile signature of its Secretary all as of the date first set forth above.

THE HOUSING AUTHORITY OF THE
COUNTY OF LOS ANGELES

By _____
Chairman of the Board of Commissioners

Countersigned:

Executive Officer-Clerk of the
Board of Commissioners

REGISTRATION SCHEDULE

The ownership of the unpaid principal balance of this Bond and the interest accruing thereon is registered on the books of the Lender maintained on behalf of the Issuer in the name of the Registered Owner last noted below.

Date of Registration	Name of Registered Owner	Signature of Lender
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

EXHIBIT C-1

FORM OF OPINION OF BORROWER'S COUNSEL

[Date]

The Housing Authority of the County of Los Angeles
Monterey Park, California

Bank of America, N.A.
Los Angeles, California

California Community Reinvestment Corporation
Glendale, California

We are counsel to San Fernando Senior Housing, L.P., a California limited partnership (the "Borrower"), in connection with the loan of \$6,400,000 made to the Borrower by Bank of America, N.A., as Construction Lender ("Lender") on behalf of The Housing Authority of the County of Los Angeles to finance a portion of the costs to acquire and construct a multifamily housing facility. Such loan, together with the Note and Security (as hereinafter defined), will be purchased by The Housing Authority of the County of Los Angeles (the "Issuer") with the proceeds of the sale of the Issuer's Multifamily Housing Revenue Bonds (San Fernando Senior Housing Project), 2004 Series B (the "Bonds").

In such capacity, we have reviewed (i) the organizational documents of the Borrower, (ii) a promissory note of the Borrower, made to Lender, dated as of December 1, 2004 (the "Note"), (iii) the Deed of Trust dated as of December 1, 2004 (the "Security"), (iv) the Tax Certificate and Agreement dated December __, 2004, collectively executed by the Issuer and/or the Borrower (the "Tax Certificate"), (v) the Financing Agreement among the Issuer, Lender and the Borrower dated as of December 1, 2004 (the "Financing Agreement"), (vi) the Regulatory Agreement and Declaration of Restrictive Covenants between the Issuer and the Borrower dated as of December 1, 2004 (the "Regulatory Agreement") [list all other Security documents]. Capitalized terms used herein shall have meanings ascribed thereto in the Financing Agreement.

Based upon our review of the foregoing and our examination of other records of the Borrower and other documents, information, statutes and regulations as we have considered relevant and necessary to enable us to render this opinion, and subject to other customary assumptions, limitations and qualifications, we are of the opinion that:

1. The Borrower is a California limited partnership validly existing under the laws of the State of California (the "State"), is in good standing under the laws governing its creation and existence and is duly authorized and qualified under the laws of the State to transact its business in the State.

2. The Note, Security, Tax Certificate, Regulatory Agreement and Financing Agreement [and the other security documents] have been duly authorized, executed and delivered by the Borrower and the performance and compliance with the terms thereof will not violate the instruments creating the Borrower.

3. The Note, Security, Tax Certificate, Regulatory Agreement and Financing Agreement [and the other security documents] each constitute a valid, legal and binding agreement enforceable in accordance with its terms against the Borrower and its successors, assigns and transferees, except as enforcement thereof may be limited by applicable debtor relief laws and other customary limitations and qualifications.

4. The execution and delivery of the Financing Agreement, Tax Certificate, Regulatory Agreement, Note and Security [and the other security documents] and any other instruments contemplated by any of such documents to which the Borrower is a party, and compliance with the provisions of each thereof, will not conflict with or constitute a breach or default under any applicable law or administrative rule or regulation of the State of California, the United States, or any department, division, political subdivision or instrumentality of either thereof, or any applicable court or administrative decree or order.

5. The loan evidenced by the Note is not usurious under the laws of the State.

EXHIBIT C-2

FORM OF OPINION OF LENDER'S COUNSEL

[Date]

The Housing Authority of the County of Los Angeles
Monterey Park, California

Re: The Housing Authority of the County of Los Angeles
Multifamily Housing Revenue Bond
(San Fernando Senior Housing Project), 2004 Series B

Ladies and Gentlemen:

Capitalized terms in this letter shall have the meanings assigned to them in the Financing Agreement dated as of December 1, 2004 (the "Agreement") entered into among The Housing Authority of the County of Los Angeles (the "Issuer"), Bank of America, N.A. (the "Lender") and San Fernando Senior Housing, L.P., a California limited partnership (the "Borrower"). We have acted as counsel to Lender in its capacities as originator and servicer of the Loan and purchaser of the above-mentioned Bonds. We have examined such agreements, records, documents and certificates as we have deemed necessary and we are of the opinion that:

1. Lender is a national banking association, validly existing and in good standing under the laws of the United States of America, and authorized to do business in the State of California, and is authorized by its articles of association and bylaws and by all applicable governmental regulations to perform all of its obligations in connection with the Agreement and the Loan Documents.

2. The execution, delivery and performance of the Agreement and the Loan Documents to which it is a party and the power to assign the Loan Documents to which it is a party as required by the Agreement have been duly authorized by Lender.

3. The Agreement and the Loan Documents to which the Lender is a party constitute the legal, valid and binding obligations of the Lender except as such enforceability may be affected by applicable bankruptcy and insolvency statutes and the application of general principals of equity.

4. To our knowledge, there is no litigation pending or to the undersigned's knowledge threatened, affecting the authority of Lender in respect to the Agreement, or the Loan Documents to which it is a party or in any way questioning the execution or validity of the Agreement and the Loan Documents to which it is a party.

This letter is delivered to the Issuer and the Borrower in connection with the issuance of the Bonds, and the law firm of Orrick, Herrington & Sutcliffe LLP as Bond Counsel is also authorized to rely on this opinion.

EXHIBIT D
FORM OF INVESTOR LETTER

[Date]

The Housing Authority of the County of Los Angeles
Monterey Park, California

The Housing Authority of the County of Los Angeles
Multifamily Housing Revenue Bonds
(San Fernando Senior Housing Project), 2004 Series B

Ladies and Gentlemen:

The undersigned (the "Investor") hereby represents and warrants to you as follows:

1. The Investor proposes to purchase all of the outstanding principal amount of the above-referenced bonds (collectively, the "Bonds") issued pursuant to that certain Financing Agreement, dated as of December 1, 2004 (the "Financing Agreement"), between The Housing Authority of the County of Los Angeles (the "Issuer"), San Fernando Senior Housing, L.P., a California limited partnership (the "Borrower"), and Bank of America, N.A., as Construction Lender. The Investor understands that the Bonds are not rated by any securities rating agency and are secured only by the San Fernando Senior Housing Project and the revenues therefrom, and will be sold to the Investor in reliance upon the representations and warranties of the Investor set forth herein. The Investor acknowledges that no offering document has been prepared in connection with the issuance and sale of the Bonds. The Investor has requested and received all materials which the Investor has deemed relevant in connection with its purchase of the Bonds (the "Offering Information"). The Investor has reviewed the documents executed in conjunction with the issuance of the Bonds, including, without limitation, the Financing Agreement. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Financing Agreement.

2. The Investor hereby waives the requirement of any "due diligence investigation or inquiry" by the Issuer, by each employee of the Issuer, by each member of the Issuer, and by counsel to the Issuer and Bond Counsel in connection with the authorization, execution, delivery of the Bonds and Investor's purchase of the Bonds. In making an investment decision, the Investor is relying upon its own examination of the Issuer, the Borrower, the Project and the terms of the offering.

3. The Investor has been provided an opportunity to ask questions of, and the Investor has received answers from, representatives of the Issuer and the Borrower regarding the terms and conditions of the Bonds, and the Investor has obtained all additional information requested by it in connection with the Bonds.

4. The Investor has sufficient knowledge and experience in business and financial matters in general, and investments such as the Bonds in particular, and is capable of evaluating the merits and risks involved in an investment in the Bonds. The Investor is able to bear the economic risk of, and an entire loss of, an investment in the Bonds.

5. The Investor is a Qualified Institutional Buyer as defined in the Financing Agreement or is acting as agent on behalf of one or more Qualified Institutional Buyers. The Investor is duly and validly organized under the laws of its jurisdiction of incorporation or organization, and it can bear the economic risk of the purchase of the Bonds and has such knowledge and experience in business and financial matters, including the analysis of a participation in the purchase of similar investments, as to be capable of evaluating the merits and risks of an investment in the Bonds on the basis of the information and review described in paragraphs 1, 2 and 3 above.

6. The Investor has purchased the Bonds for its own account for investment or as agent for its participating banks; provided, however, the Investor may dispose of the Bonds or any portion thereof or interest therein if such disposition can be made without violating federal or state securities laws and in accordance with the requirements of the Financing Agreement, and more specifically, and without limiting the generality of the foregoing, it is to be understood that the Investor may not, except as expressly provided in the Financing Agreement, dispose of the Bonds or any portion thereof or interest therein except to a Qualified Institutional Buyer as defined in, and under the terms set forth in, the Financing Agreement.

7. If the Investor intends to sell, transfer or otherwise dispose of the Bonds or any portion thereof or interest therein the Investor must first obtain and deliver to the Issuer, pursuant to Section 3.6 of the Financing Agreement, an executed copy of an Investor Letter addressed to the Issuer substantially in the form of this Investor Letter.

8. Neither the Bond Counsel, the Issuer, its governing body, nor any of its employees or agents will have any responsibility to the Investor for the accuracy or completeness of information obtained by the Investor from any source regarding the Project, the Issuer, the Borrower or their financial conditions or regarding the Bonds, the provisions for payment thereof, or the sufficiency of any security therefor, including, without limitation, any information specifically provided by any of such parties contained in the Offering Information. The Investor acknowledges that: (a) the Investor has assumed responsibility for obtaining such information and making such review as the Investor has deemed necessary or desirable in connection with its decision to purchase the Bonds, (b) the Offering Information and any additional information specifically requested from the Issuer or the Borrower and provided to the Investor prior to closing constitute all the information and review, with the investigation made by Investor (including specifically the Investor's investigation of the Issuer, the Project and the Borrower) prior to its purchase of the Bonds, that Investor has deemed necessary or desirable in connection with its decision to purchase the Bonds.

9. To the extent permitted by law, the Investor agrees to indemnify and hold harmless the Issuer, each member, officer, director, partner or employee of the Issuer and each person who controls the Issuer within the meaning of Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended (collectively called

the "Indemnified Parties"), against any and all losses, claims, damages, liabilities or expenses (including any legal or other expenses incurred by it in connection with investigating any claims against it and defending any actions) whatsoever caused by any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in the Offering Information or caused by any omission or alleged omission from the Offering Information of any material fact the statements made therein, in the light of the circumstances under which they were made, not misleading insofar as such losses, claims, damages, liabilities or expenses are caused by any such untrue or misleading statement or omission or alleged untrue or misleading statement or omission in the information contained in the Offering Information; provided, however, that the Investor shall not be liable to an Indemnified Party in any such case to the extent that any such loss, claim, damage, liability or action arises out of, or is based upon, any untrue statement or alleged untrue statement or omission or alleged omission made in any of such documents in reliance upon and in conformity with written information furnished to it by the Issuer specifically for use therein. No Indemnified Parties shall be indemnified hereunder for any losses, claims, damages or liabilities resulting from the negligence of such Indemnified Parties.

10. The Investor understands that (a) the Bonds have not been registered with any federal or state securities agency or commission, and (b) no credit rating has been sought or obtained with respect to the Bonds, and the Investor acknowledges that the Bonds are a speculative investment and that there is a high degree of risk in such investment.

11. The Investor acknowledges that the Bonds are a limited obligation of the Issuer, payable solely from amounts provided by or at the direction of the Borrower, and is not an obligation payable from the general revenues or other funds of the Issuer, the State of California or any other political subdivision of the State of California. The Investor acknowledges that the Issuer is issuing the Bonds on a conduit, nonrecourse basis, and has no continuing obligations with respect thereto except as expressly set forth in the Financing Agreement.

12. The undersigned is a duly appointed, qualified and acting officer of the Investor and authorized to make the certifications, representations and warranties contained herein.

Very truly yours,

[Purchaser]

By _____
Name _____
Title _____

Dated:

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

Orrick, Herrington & Sutcliffe LLP
405 Howard Street
San Francisco, CA 94105
Attention: Stephen A. Spitz, Esq.

**REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS**

By and Between

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES

and

Dated as of December 1, 2004

Relating to:

**THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES
MULTIFAMILY HOUSING REVENUE BONDS
(SAN FERNANDO SENIOR HOUSING PROJECT), 2004 SERIES B
(LAS PALMAS I SITE)**

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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 December 1, 2004, by and between THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES, a public body corporate and politic duly organized and existing under the laws of the State of California (together with any successor to its rights, duties and obligations, the "Issuer"), and SAN FERNANDO SENIOR HOUSING, 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").

WITNESSETH:

WHEREAS, pursuant to and in compliance with Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California (the "Act"), the Issuer proposes to issue its Multifamily Housing Revenue Bonds (San Fernando Senior Housing Project), 2004 Series B (the "Bonds") the proceeds of which will be utilized to fund a loan to the Borrower pursuant to the Financing Agreement of even date herewith (as supplemented and amended from time to time, the "Financing Agreement"), among the Issuer, the Borrower and Bank of America, N.A. as lender thereunder (the "Lender"), in order to enable the Borrower to finance the construction of a 21-unit multifamily rental housing project known as San Fernando Senior Housing (Las Palmas I Site), located on the real property site described in Exhibit A hereto (the "Project");

WHEREAS, in order to assure the Issuer and the owners of the Bonds that interest on the Bonds 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 Bonds are authorized to be issued under the Act, and to satisfy the purposes of the Issuer in determining to issue the Bonds, certain limits on the occupancy of units in the Project need to be established and certain other requirements need to be met;

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

Section 1. Definitions and Interpretation. Unless the context otherwise requires, the capitalized terms used herein shall have the respective meanings assigned to them in the recitals hereto, in this Section 1 or in Section 1.1 of the Financing Agreement.

"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 Regulations Section 1.167(k)-3(b)(3) in effect as of the Closing Date.

“Affordable Rents” means a monthly rent (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) which does not exceed 30 percent of 50 percent of one-twelfth of the Area median income, adjusted for family size as established under Section 8 of the United States Housing Act of 1937, as amended, based upon the following household sizes for various types of residential units in the Project:

<u>Type of Unit</u>	<u>Assumed Household Size</u>
Studio	1 person
One bedroom	2 persons
Two bedrooms	3 persons
More than two bedrooms	4 persons

“Area” means the Los Angeles, California Primary Metropolitan Statistical Area.

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

“CDLAC Conditions” shall have the meaning given such term in Section 7(i) of this Regulatory Agreement.

“Certificate of Continuing Program Compliance” means the Certificate to be filed by the Borrower with the Issuer, the Program Monitor, if applicable, and the Lender pursuant to Section 4(e) 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.

“Closing Date” means the date of the issuance and delivery of the Bonds.

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

“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.

“Program Monitor” means any program monitor or program monitor appointed by the Issuer to administer this Regulatory Agreement, and any successor so appointed. The initial Program Monitor shall be the Issuer.

“Project” means the multifamily rental housing development known as San Fernando Senior Housing (Las Palmas I Site), located on the real property site described in Exhibit A hereto, consisting of those facilities, including real property, structures, buildings, fixtures or equipment situated thereon, as it may at any time exist, the construction of which facilities is to be financed, in whole or in part, from the

proceeds of the sale of the Bonds or the proceeds of any payment by the Borrower pursuant to the Financing Agreement, 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.

“Qualified Project Period” means the period beginning on the first day on which at least ten percent (10%) of the units in the Project are first occupied and ending on the later of the following:

(A) the date that is fifteen (15) years after the date on which at least fifty percent (50%) of the units in the Project are first occupied (as specified pursuant to Section 3(h) of this Regulatory Agreement);

(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 that is fifty-five (55) years from the Closing Date, as required by the CDLAC Conditions, unless CDLAC waives its condition governing the length of the Qualified Project Period.

“Regulations” means the Income Tax Regulations of the Department of the Treasury applicable under the Code from time to time.

“Regulatory Agreement” means this Regulatory Agreement and Declaration of Restrictive Covenants, as it may be supplemented and amended from time to time.

“Tax-Exempt” means with respect to interest on any obligations of a state or local government, including the Bonds, 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 or environmental 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.

“Very Low Income Tenant” means any tenant (i) whose Adjusted Income does not exceed limits determined in a manner consistent with determinations of very low income families under Section 8 of the Housing Act, except that the percentage of median gross income that qualifies as very low income shall be fifty percent (50%) of median gross income for the Area with adjustments for family size; and (ii) whose income does not exceed the qualifying limits for very low income families as established and amended from time to time pursuant to Section 8 of the Housing Act, or who otherwise qualify as very low income households as defined by Section 50105 of the

California Health and Safety Code. 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 very low income Tenants. The determination of a tenant's status as a very low income Tenant shall be made by the Borrower upon initial occupancy of a unit in the Project by such tenants, on the basis of an Income Certification executed by the tenant.

"Very Low Income Units" means the units in the Project required to be rented, or held available for occupancy by, Very Low Income Tenants pursuant to Sections 4(a), 6(a) and 7(a) hereof.

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.

(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 Financing Agreement relating to the Project.

(b) The Borrower hereby represents and warrants that the Project is located entirely within the County of Los Angeles, California.

(c) The Borrower acknowledges, represents and warrants that it understands the nature and structure of the transactions contemplated by this Regulatory Agreement; that it is familiar with the provisions of all of the documents and instruments relating to the Bonds to which it is a party or of which it is a beneficiary; that it understands the financial and legal risks inherent in such transactions; and that it has not relied on the Issuer for any guidance or expertise in analyzing the financial or other consequences of such financing transactions or otherwise relied on the Issuer in any manner except to issue the Bonds in order to provide funds to assist the Borrower in acquiring and developing the Project.

Section 3. Qualified Residential Rental Project. The Borrower hereby acknowledges and agrees that the Project is to be owned, managed and operated in the same manner as a "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 as follows:—

(a) The Project will be operated for the purpose of providing multifamily residential rental property. The Borrower will own, manage and operate the Project as a 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 constructed units, and each dwelling unit in the Project will contain complete separate and distinct 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 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 County of Los Angeles).

(e) All of the dwelling units in the Project (except for not more than one unit set aside for resident manager or other administrative use) will be available for rental during the Qualified Project Period on a continuous basis to members of the general public, on a first-come, first-served basis, 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 Very Low Income Tenants.

(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; provided, however, that if the Project contains five or more dwelling units, this provision shall not be construed to prohibit the occupancy of a dwelling unit by resident managers or maintenance personnel, any of whom may be the Borrower.

(h) The Borrower shall deliver to the Issuer, (i) within 30 days after the date on which 10% of the dwelling units in the Project are occupied, a written notice specifying such date, and (ii) within 30 days after the date on which 50% of the dwelling units in the Project are occupied, a written notice specifying such date. The Borrower shall cause a copy of such notice to be recorded in the Official Records of the County of Los Angeles, California.

Section 4. Very Low Income Tenants; Reporting Requirements. Pursuant to the requirements of the Code, the Borrower hereby represents, warrants and covenants as follows:

(a) During the Qualified Project Period no less than 20% of the total number of completed units in the Project shall at all times be rented to and occupied by Very Low Income Tenants. For the purposes of this paragraph (a), a vacant unit which was most recently occupied by a Very Low Income Tenant is treated as rented and occupied by a Very 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 Very 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 Very Low Income Tenants. However, should a Very Low Income Tenant's Adjusted Income, as of the most recent determination thereof, exceed one hundred forty percent (140%) of the applicable income limit for a Very Low Income Tenant of the same family size, the next available unit of comparable size must be rented to (or held vacant and available for immediate occupancy by) a Very Low Income Tenant. Until such next available unit is rented, the former Very Low Income Tenant who has ceased to qualify as such shall be deemed to continue to be a Very Low Income Tenant for purposes of the twenty percent (20%) requirement of Section 4(a) hereof.

(c) For the Qualified Project Period, the Borrower will obtain, complete and maintain on file Income Certifications for each Very Low Income Tenant, including (i) an Income Certification dated, with respect to existing Very Low Income Tenants, within 60 days after the date that the Borrower acquires the Project and, with respect to new Very Low Income Tenants, immediately prior to the initial occupancy of such Very Low Income Tenant in the Project, and (ii) thereafter, an annual Income Certification with respect to each Very Low Income Tenant; provided that such certification with respect to any tenant shall in no case cover a period greater than one year. 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 Very Low Income Tenants commencing or continuing occupation of a Very Low Income Unit shall be attached to each report to be filed with the Issuer pursuant to paragraph (e) of this Section 4.

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.

(d) The Borrower will maintain complete and accurate records pertaining to the Very Low Income Units, and will permit any duly authorized representative of the Issuer, the Lender, the Department of the Treasury or the Internal Revenue Service to inspect the books and records of the Borrower pertaining to the Project, including those records pertaining to the occupancy of the Very Low Income Units.

(e) The Borrower will prepare and submit to the Issuer, the Program Monitor, if applicable, and the Lender, no later than the thirtieth day of each calendar quarter, until the end of the Qualified Project Period, a Certificate of Continuing Program Compliance executed by the Borrower stating (i) the percentage of the dwelling units of the Project that were occupied or deemed occupied pursuant to subsection (a) hereof, by Very Low Income Tenants during the preceding calendar quarter; and (ii) that either (A) no unremedied default has occurred under this Regulatory Agreement, the Financing Agreement or the Deed of Trust, or (B) a default has occurred, in which event the certificate shall describe the nature of the default in detail and set forth the measures being taken by the Borrower to remedy such default.

(f) 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 Very Low Income Units shall contain clauses, among others, wherein each tenant who occupies a Very 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 Lender, the Issuer or the Program Monitor 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 Very Low Income Tenant in determining qualification for occupancy of the Very 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 Very Low Income Tenant and such tenant's rent may be subject to increase.

Section 5. Tax-Exempt Status of Bonds. 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 Bonds 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 Bond Counsel filed with the Issuer and the Lender, 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 of Los Angeles.

(c) The Borrower hereby covenants to include or reference the requirements and restrictions contained in this Regulatory Agreement in any documents transferring 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 6. Additional Requirements of the Act. In addition to the requirements set forth above, the Borrower hereby agrees that it shall comply with each of the requirements of the Act applicable to the project. Without limiting the foregoing, the Borrower agrees as follows:

(a) Not less than 20% of the total number of units in the Project shall be available for occupancy on a priority basis by "low income tenants" as required by Section 34312.3 of the Act, one-half of which units shall be made available to Very Low Income Tenants. [Note: Section 4(a) requires that 20% of the total number of units be rented to Very Low Income Tenants].

(b) The rental payments for the Very 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 Affordable Rents.

(c) The Borrower shall accept as tenants, on the same basis as all other prospective tenants, very 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 are more burdensome than the criteria applied to all other prospective tenants.

(d) No tenant residing in a unit reserved as required by subsection (a) of this Section 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 or Very Low Income Tenants. However, should the Adjusted Income of a tenant residing in a reserved unit increase to exceed the qualifying limit, the next available unit must be rented to (or held vacant and available for immediate occupancy by) a tenant whose income satisfies the requirement of Section 4(a) hereof. Until such next available unit is rented to a qualified tenant, the former low income tenant or Very Low Income Tenant who has ceased to qualify as such shall be deemed to continue to be a low income tenant or Very Low Income Tenant for purposes of the requirement of Section 4(a) hereof.

(e) The units reserved for occupancy as required by subsection (a) of this Section shall remain available on a priority basis for occupancy until the Bonds are retired.

Section 7. Additional Requirements of the Issuer. In addition to the requirements set forth above 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, as follows:

(a) Not less than 20% of the units in the Project shall be available on a priority basis for occupancy by Very Low Income Tenants paying rents not to exceed Affordable Rents. The requirements of this Section and Sections 4(a) and 6(a) are not cumulative, but each must be satisfied.

(b) The Borrower will indemnify the Issuer and the Lender as provided in Section 12.2 of the Financing Agreement and Section 9 hereof.

(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.

(d) The Borrower shall submit to the Issuer, (i) not later than the thirtieth (30th) day after the close of each calendar year, a statistical report in the form set forth as Exhibit D hereto, or such other form as may be prescribed by the Issuer, setting forth the information called for therein, and (ii) within fifteen (15) days after receipt of a written request, any other information or completed forms requested by the Issuer in order to comply with reporting requirements of the Internal Revenue Service or the State of California.

(e) The covenants and conditions of this Regulatory Agreement shall be binding upon successors in interest of the Borrower.

(f) 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 California or federal law, and shall be in force for the Qualified Project Period.

(g) The Borrower acknowledges that the Issuer may appoint a Program Monitor other than the Issuer (at no additional cost to the Borrower) 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 request by the Issuer to deliver to any such Program Monitor, 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 Program Monitor as an agent of the Issuer.

(h) The Lender will collect the Annual Fee, in an amount equal to \$8,000, which fee shall be payable by the Borrower to the Lender, without demand, in advance on December 1 of each year (commencing on the Closing Date and continuing through the termination of this Regulatory Agreement) which the Lender shall collect pursuant to the Financing Agreement and remit to the Issuer as provided therein. The Borrower shall also pay to the Lender for the account of the Issuer, on the Closing Date and within thirty (30) days after receipt of request for payment thereof from the Lender, all reasonable out-of-pocket expenses of the Issuer (not including salaries and wages of Issuer employees) related to the Project and the financing thereof that are not otherwise required to be paid by the Borrower under the terms of this Regulatory Agreement or the Financing Agreement, including, without limitation, reasonable legal fees and expenses incurred in connection with the interpretation, performance, enforcement or amendment of any documents relating to the Project, the Loan or the Bonds. Notwithstanding any prepayment of the Loan and notwithstanding a discharge of the Bonds, the Borrower shall continue to pay (or, to the extent allowed under the Code, may prepay the present value at such time, computed based on the Bond yield) the Issuer's fees, unless such prepayment is made in connection with a refunding of the Bonds.

(i) The Borrower shall comply with the conditions set forth in Exhibit A of that certain CDLAC Resolution No. 04-088 relating to the Project and adopted on September 22, 2004 (the "CDLAC Conditions"), as they may be modified or amended from time to time, which conditions are incorporated herein by reference and made a part hereof. The Borrower will prepare and submit to CDLAC, not later than each anniversary of the Closing Date, until the end of the Qualified Project Period, a Certificate of Continuing Program Compliance, in substantially the form attached hereto as Exhibit E, executed by an authorized representative of the Borrower.

Any of the foregoing requirements of the Issuer (except subsection (i) above which may be expressly waived by CDLAC) may be expressly waived by the Issuer 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 Bond Counsel that any such provision is not required by the Act and may be waived without adversely affecting the exclusion from gross income of interest on the Bonds 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 an Opinion of Bond Counsel to the effect that compliance with any such requirement would cause interest on the Bonds 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 state or federal law.

Section 8. Modification of Covenants. The Borrower, the Lender 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 Bond Counsel filed with the Issuer, the Lender 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 Bond Counsel filed with the Issuer, the Lender 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 discretion, the Lender and the Borrower, and only upon receipt by the Issuer of the written opinion of Bond Counsel to the effect that such amendment will not affect the Tax-Exempt status of interest on the Bonds or violate the requirements of the Act, and otherwise in accordance with Section 22 hereof.

(c) The Borrower, the Issuer and, if applicable, the Lender, 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 Lender as its true and lawful attorney-in-fact 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 Bond 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 Borrower, the Lender shall take no 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, an opportunity to comply with the requirements of this Section 8. Nothing in this subsection (c) shall be construed to allow the Lender to execute an amendment to this Regulatory Agreement on behalf of the Issuer.

Section 9. Indemnification; Other Payments. To the fullest extent permitted by law, the Borrower agrees to indemnify, hold harmless and defend the Issuer, its officers, governing members, directors, 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 paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject under 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) this Regulatory Agreement, the Financing Agreement and any of the other Loan Documents or the execution or amendment thereof or in connection with transactions contemplated thereby, including the issuance, sale, resale or transfer of the Bonds;

(ii) any act or omission of the Borrower or any of its agents, contractors, servants, employees or licensees in connection with the Loan or 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 construction 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 in respect of any portion of the Project;

(iv) any violation of any environmental law, rule or regulation with respect to, or the release of any toxic substance from, the Project or any part thereof;

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

(vi) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact by the Borrower contained in any documents relating to the Bonds to which the Borrower is a party, or any omission from any such document of any material fact necessary to be stated therein in order to make the statements made therein by the Borrower, in the light of the circumstances under which they were made, not misleading; or

(vii) any declaration of taxability of interest on the Bonds, or allegations (or regulatory inquiry that interest on the Bonds is taxable, for federal tax purposes.

Except in the case of the foregoing indemnification of the Issuer or any of its officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the willful misconduct of such Indemnified Party. In the event that 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 reasonable 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.

Notwithstanding any transfer of the Project to another borrower in accordance with the provisions of this Agreement, the Borrower shall remain obligated to indemnify each Indemnified Party pursuant to this Section if such subsequent owner fails to indemnify any party entitled to be indemnified hereunder, unless such Indemnified Party has consented to such transfer and to the assignment of the rights and obligations of the Borrower hereunder.

Notwithstanding anything to the contrary contained elsewhere in this Regulatory Agreement, if the Lender, the Bondholders or any affiliate of any of them acquire title to the Project subject to the Regulatory Agreement, the party acquiring such title shall have no obligations or liabilities under this Section 9.

The provisions of this Section 9 shall survive the term of the Bonds and this Regulatory Agreement or the resignation of the Lender.

Section 10. Consideration. The Issuer has agreed to issue the Bonds to provide funds to lend to the Borrower to finance the Project, all for the purpose, among others, of inducing the Borrower to acquire and operate the Project. In consideration of the issuance of the Bonds 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. 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 Bonds, in the exemption from California personal income taxation of interest on the Bonds and in the Tax-Exempt status of the interest on the Bonds. In performing their duties and obligations hereunder, the Issuer, the Program Monitor and the Lender may rely upon statements and certificates of the Very Low Income Tenants, and upon audits of the books and records of the Borrower pertaining to the Project. In addition, the Issuer and the Lender 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 or the Lender hereunder in good faith and in conformity with such opinion.

Section 12. Sale or Transfer of the Project. For the Qualified Project Period, the Borrower shall not sell, transfer or otherwise dispose of the Project, in whole or in part, without the prior written consent of the Issuer, which consent shall not be unreasonably withheld, conditioned or delayed if the following conditions are satisfied:

(A) the receipt by the Issuer of evidence acceptable to the Issuer that (1) the Borrower shall not be in default hereunder or under the Financing 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 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 Very 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 or the Lender with respect to the assumption of the Borrower's obligations under this Regulatory Agreement and, if the Bonds are outstanding at the time of transfer, the Financing 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 Bond Counsel addressed to the Issuer to the effect that any such sale, transfer or other disposition will not adversely affect the Tax-Exempt status of interest on the Bonds; (D) receipt by the Issuer and Lender of all fees and/or expenses then currently due and payable to the Issuer and Lender; and (E) satisfaction of such other conditions as the Issuer may reasonably impose. It is hereby expressly stipulated and agreed that any sale, transfer or other disposition of the Project in violation of this Section 12 shall be null, void and without effect, shall cause a reversion of title to the Borrower, and shall be ineffective to relieve the Borrower of its obligations under this Regulatory Agreement. Nothing in this Section shall affect any provision of any other document or instrument between the Borrower and any other party which requires the Borrower to obtain the prior written consent of such other party in order to sell, transfer or otherwise dispose of the Project or any interest (direct or indirect) therein or in the Borrower, including, but not limited to, any consent of the Lender and/or the Holder required under the Financing Agreement, the Deed of Trust or any other Loan Document. 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. 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. The

Section 12 shall not apply to, or limit, any transfer of the Project to the Lender, the Holder or any Affiliate of the Lender or the Holder by foreclosure under the Deed of Trust or by deed in lieu of such foreclosure.

For the Qualified Project Period, the Borrower shall not: (1) encumber any of the Project or grant commercial leases of any part thereof, or permit the conveyance, transfer or encumbrance of any part of the Project, except as otherwise permitted by the Financing Agreement, the Deed of Trust and this Regulatory Agreement (and upon receipt by the Borrower of an opinion of Bond Counsel that such action will not adversely affect the Tax-Exempt status of interest on the Bonds; provided that such opinion will not be required with respect to any lease permitted under this Regulatory Agreement and the Deed of Trust relating to a commercial operation or ancillary facility that will be available for tenant use and is customary to the operation of multifamily housing developments similar to the Project); (2) demolish any part of the Project or substantially subtract from any real or personal property of the Project, except in accordance with the Loan Documents and 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. 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 Bonds and discharge of the Financing Agreement and the Financing Agreement.

The terms of this Regulatory Agreement to the contrary notwithstanding, the requirements hereof shall terminate and be of no further force and effect 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 Lender from enforcing such provisions, or condemnation or foreclosure, transfer of title by deed in lieu of foreclosure, or a similar event, but only if, within a reasonable period, either the Bonds are 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, the Lender and the Borrower upon receipt by the Issuer and the Lender of an opinion of Bond Counsel to the effect that such termination will not adversely affect the exclusion from

gross income of interest on the Bonds 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. 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. 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. 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 Very Low Income Tenants, the intended beneficiaries of such covenants, reservations and restrictions, and by furthering the public purposes for which the Bonds were issued.

Section 16. Uniformity; Common Plan. 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. 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 notice thereof shall have been given by the Issuer 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 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 Bond Counsel, the failure to cure said default within 60 days will not adversely affect the Tax-Exempt status of interest on the Bonds; and provided further, that notice shall be given to the Borrower's Investor Limited Partner (as designated in Section 23 of this Regulatory Agreement), who shall be entitled to cure any such default

under the conditions set forth herein. The Issuer 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.

Following the declaration and during the continuance of an Event of Default hereunder, the Issuer, subject to the provisions of the Financing Agreement, 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 rent or other amounts received by the Borrower for any units in the Project which were in violation of this Regulatory Agreement during the period such violation continued (which payment shall not reduce the amount nor affect any payment due under the Loan);
- (iv) 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; and
- (v) subject to the provisions of the Financing Agreement, declare a default thereunder and proceed with any remedies provided therein.

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.

In addition, during the Qualified Project Period, the Borrower hereby grants to the Issuer the option, upon the expiration of 60 days after the giving of the notice to the Borrower referred to in the first paragraph of this Section 17 of the Borrower's default under this Regulatory Agreement, to lease up to 20% of the units in the Project for the purpose of subleasing such units to Very Low Income Tenants, but only to the extent necessary to comply with the provisions of Sections 3, 4, 6 and 7. The option granted in the preceding sentence shall be effective only if the Borrower has not instituted corrective action within such 60-day period. Such option shall be exercisable first with respect to units which are vacant at the time of exercise of this option and shall be exercised with respect to occupied units only to the extent that subleasing of additional units is necessary in order to bring the Project into compliance with the provisions of Sections 3, 4, 6 and 7, and any eviction carried out in connection

with the exercise of such option shall be carried out in compliance with applicable laws.

The option and any leases to the Issuer under this provision shall terminate with respect to each default upon the achievement, by the Borrower or the Issuer, of compliance with the requirements of Sections 3, 4, 6 and 7, and any subleases entered into pursuant to the Issuer's option shall be deemed to be leases from the Borrower. The Issuer shall make diligent efforts to rent Very Low Income Units to Very Low Income Tenants for monthly rental amounts equivalent to those collected from tenants of similar units in the Project, or such lesser maximum amounts as may be permitted by Section 6(b) hereof, but shall not be required to obtain such rental amounts. The Issuer shall seek to rent such units for the highest possible rents that may be charged, consistent with the rent and occupancy restrictions of this Regulatory Agreement. Tenant selection shall be performed utilizing the Borrower's reasonable management and selection policies. The Issuer subleases to Very Low Income Tenants pursuant to this paragraph shall not exceed six months in term and shall expressly permit the Borrower to increase the rents to the maximum amounts as may be permitted by Section 6(b) hereof for the respective households at the time the Borrower assumes the Issuer's position hereunder. Any rental paid under any such sublease shall be paid to the Borrower after the Issuer has been reimbursed for any expenses incurred in connection with such sublease. All rents received by the Issuer from such subleases, less the Issuer's expenses incurred in connection with such subleases, shall be placed into an escrow reasonably approved by the Borrower. All funds in such escrow shall be continuously pledged by the Issuer for the benefit of the Borrower. The Issuer agrees to allow the Borrower access to the Issuer's books and records relating to the collection and disbursement of rents received pursuant to such subleases.

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

No breach or default under this Regulatory Agreement shall defeat or render invalid any deed of trust, mortgage or like encumbrance upon the Project or any portion thereof given in good faith and for value.

Section 18.[Reserved.]

Section 19.Recording and Filing. (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 of Los Angeles 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.

(a) 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 Bond Counsel, in order to insure that the requirements and restrictions of this Regulatory Agreement will be binding upon all owners of the Project.

(b) 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. Notwithstanding any prepayment of the Loan and notwithstanding a discharge of the Financing Agreement, the Borrower shall continue to pay to the Issuer and Lender all fees, losses and expenses required under the Financing Agreement and the Financing Agreement as provided therein.

Section 21. Governing Law. This Regulatory Agreement shall be governed by the laws of the State of California.

Section 22. Amendments; Waivers. (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 of Los Angeles, California, and only upon receipt by the Issuer of an opinion from Bond Counsel that such amendment will not adversely affect the Tax-Exempt status of interest on the Bonds and is not contrary to the provisions of the Act.

(b) Anything to the contrary contained herein notwithstanding, the Issuer, the Lender and the Borrower hereby agree to amend this Regulatory Agreement to the extent required, in the opinion of Bond Counsel, in order that interest on the Bonds 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 Bond Counsel and a request that such Bond Counsel render to the Issuer and the Lender an opinion as to the effect of such proposed amendment upon the Tax-Exempt status of interest on the Bonds. 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.

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

Section 23. Notices. 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 Financing Agreement, or at such other addresses as may be specified in writing by the parties hereto.

To the Issuer: Housing Authority of the County of Los Angeles
2 Coral Circle
Monterey Park, California 91755
Attention: Director, Housing Development and
Preservation Division
Phone: (323) 890-7269
Fax: (323) 890-9715
Email: gregg.kawczynski@lacdc.org

To the Borrower: Aszkenazy Senior Housing, LLC
601 South Brand Boulevard, Third Floor
San Fernando, California 91340
Attention: Adriana Gomez
Phone: (818) 270-9070
Fax: (818) 270-9088
Email: agomez@aszkenazydevelopment.com

Brookmore Apartment Corporation
2320 South Fremont Avenue
Alhambra, California 91803
Attention: _____
Phone: _____
Fax: _____
Email: _____

with a copy to:

Loeb & Loeb LLP
10100 Santa Monica Boulevard, Suite 2200
Los Angeles, California 90067
Attention: Ted M. Handel, Esq.
Phone: (310) 282-2298
Fax: (310) 282-2200
Email: thandel@loeb.com

To the Investor Limited
Partner: Apollo Housing Capital, LLC
600 Superior Avenue, Suite 2626
Cleveland, Ohio 22114
Attention: _____
Phone: _____
Fax: _____
Email: _____

To the Lender (Prior to
the Conversion Date): Bank of America, N.A.
CA9-706-10-72
450 B Street, Suite 450
San Diego, CA 92101
Attention: Loan Administration Manager
Phone: _____
Fax: _____
Email: _____

with a copy to:

Bank of America, N.A.
333 S. Hope St., 11th Floor
Los Angeles, CA 90071
Attention: David Lamb
Phone: (213) 621-4820
Fax: (213) 621-4882
Email: david.b.lamb@bankofamerica.com

To the Lender (after the
Conversion Date): California Community Reinvestment Corporation
225 West Broadway, Suite 120
Glendale, CA 91204
Attention: _____
Phone: _____
Fax: (818) 550-9806
Email: _____

The Issuer, the Program Monitor 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 received, as evidenced by written confirmation of receipt by the addressee of such notice.

Section 24. Severability. 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. 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. Notwithstanding the foregoing or 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 Lender or the Issuer and their successors and assigns, is limited to the Borrower's interest in the Project, the Revenues, including the amounts

held in the funds and accounts created under the Financing Agreement, 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 Financing Agreement, any rights of the Borrower under the Financing Agreement or any other documents relating to the Bonds 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 and the Financing Agreement 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.

Section 27. Third-Party Beneficiary. CDLAC is intended to be and shall be a third-party beneficiary of this Regulatory Agreement. CDLAC shall have the right (but not the obligation) to enforce the CDLAC Conditions 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 Bondholders.

[Remainder of page intentionally left blank]

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.

THE HOUSING AUTHORITY OF THE
COUNTY OF LOS ANGELES

By

Executive Director

Approved as to form:

County Counsel

By _____
Deputy

SAN FERNANDO SENIOR HOUSING, L.P., a
California limited partnership

By: Brookmore Apartment Corporation,
a California nonprofit, public benefit
corporation, its Managing General
Partner

By: _____

By: Aszkenazy Senior Housing, LLC, a
California limited liability company, its
Development General Partner

By: _____

[Signature Page to the Regulatory Agreement]

[Attach Notary Acknowledgements]

EXHIBIT A

**DESCRIPTION OF REAL PROPERTY
RELATING TO THE PROJECT**

EXHIBIT B

[FORM OF INCOME CERTIFICATION]

VERIFICATION OF INCOME

RE: [Name of Project]
[Address of Project]

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, workers' 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 bonds issued to finance the acquisition and rehabilitation of the apartment building for which application is being made. We consent to the disclosure of such information to the issuer of such bonds, the holders of such bonds, any agent 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 Very 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 individuals or a family of Very Low Income; go to item III.

(ii) If line II(A) above is "Yes" and 8(a) above is "No," then the household qualifies as individuals or a family of Very Low Income; go to item III.

(iii) If line II(A) above is "Yes" and 8(b) above is "Yes," then the household qualifies as individuals or a family of Very Low Income; go to item III.

(iv) If neither (ii) nor (iii) is applicable, then the household does not qualify as individuals or a family of Very Low Income.

III. (Check one)

The household does not qualify as individuals or a family of Very Low Income.

The household qualifies as individuals or a family of Very Low Income.

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

Borrower

NOTE TO PROJECT BORROWER: A vacant unit previously occupied by individuals or a family of Very Low Income, may be treated as occupied by individuals or a family of Very Low Income 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 Program Monitor along with a Verification of Income upon the rental of a unit in the Project.)

Project: SAN FERNANDO SENIOR HOUSING

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 Very Low Income Tenant.

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

Witness

Borrower

Date: _____

Date: _____

EXHIBIT C

[FORM OF CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE]

CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

Witnesseth that on this ___ day of _____, _____, the undersigned, having borrowed certain funds from The Housing Authority of The County of Los Angeles (the "Issuer") for the purpose of financing a multifamily rental housing development (the "Project"), does hereby certify that:

1. During the preceding month (i) such Project was continually in compliance with the Regulatory Agreement executed in connection with such loan from the Issuer, (ii) ___% of the units in the Project were occupied by Very Low Income Tenants (minimum of 20% at Affordable Rents).

Set forth below are the names of Very Low Income Tenants who commenced or terminated occupancy during the preceding month.

Commenced Occupancy

Terminated Occupancy

- | | |
|----|----|
| 1. | 1. |
| 2. | 2. |
| 3. | 3. |

The units occupied by Very Low Income Tenants are of similar size and quality to other units and are dispersed throughout the Project. Attached is a separate sheet listing the number of each unit and indicating which units are occupied by Very Low Income Tenants, the size, the number of bedrooms of such units and the number of Very Low Income Tenants who commenced occupancy of units during the preceding month.

2. *Select appropriate certification:* [No unremedied default has occurred under this Regulatory Agreement, the Financing Agreement or the Deed of Trust.] [A default has occurred. The nature of the default and the measures being taken to remedy such default are as follows:

_____.]

3. The representations set forth herein are true and correct to the best of the undersigned's knowledge and belief.

Date:

Borrower

EXHIBIT D

[Form of]

STATISTICAL REPORT TO ISSUER

Reporting Period: _____, _____. Date: _____

As of the date hereof:

1. Total units: _____; units occupied by Very Low Income Tenants: _____; _____; vacant units most recently occupied by Very Low Income Tenants: _____; other vacant units: _____.
2. Total units occupied by households with children, to the extent such information has been provided by tenants: _____; Very Low Income Units so occupied: _____;
3. To the extent such information has been provided by tenants, total units occupied by elderly households with a member of age 62 or over: _____; Very Low Income Units so occupied: _____;
4. The number of Very Low Income Tenants who terminated their rental agreements during the previous twelve (12) month period is _____.
5. The number of units rented to new Very Low Income Tenants during the last twelve (12) month period is _____.
6. To the extent such information has been provided by tenants, the family names of each household currently occupying a Very Low Income Unit are listed on the schedule attached hereto.

7. The number of Very Low Income Units of various sizes is:

studio:
one-bedroom:
two-bedroom:
three-bedroom:

SAN FERNANDO SENIOR HOUSING,
L.P.,
a California Limited Partnership

By _____
Borrower Representative

EXHIBIT E

CERTIFICATE OF CDLAC PROGRAM COMPLIANCE

Witnesseth that on this ___ day of _____, ___, the undersigned, having borrowed certain funds from The Housing Authority of the County of Los Angeles (the "Issuer") for the purpose of financing a multifamily rental housing development (the "Project") located in the County Los Angeles, California, does hereby certify that:

1. [The Borrower is in compliance with the CDLAC Conditions (as defined in the Regulatory Agreement relating to the Project).] [The Borrower is not in compliance with Condition No. ____ of the CDLAC Conditions. The following measures are being taken to remedy such noncompliance _____.]

2. The representations set forth herein are true and correct to the best of the undersigned's knowledge and belief.

Date: _____

SAN FERNANDO SENIOR HOUSING,
L.P.,
a California Limited Partnership

By _____
Borrower Representative

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

Orrick, Herrington & Sutcliffe LLP
405 Howard Street
San Francisco, CA 94105
Attention: Stephen A. Spitz, Esq.

**REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS**

By and Between

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES

and

Dated as of December 1, 2004

Relating to:

**THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES
MULTIFAMILY HOUSING REVENUE BONDS
(SAN FERNANDO SENIOR HOUSING PROJECT), 2004 SERIES B
LAS PALMAS II SITE**

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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 December 1, 2004, by and between THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES, a public body corporate and politic duly organized and existing under the laws of the State of California (together with any successor to its rights, duties and obligations, the "Issuer"), and SAN FERNANDO SENIOR HOUSING, 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").

WITNESSETH:

WHEREAS, pursuant to and in compliance with Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California (the "Act"), the Issuer proposes to issue its Multifamily Housing Revenue Bonds (San Fernando Senior Housing Project), 2004 Series B (the "Bonds") the proceeds of which will be utilized to fund a loan to the Borrower pursuant to the Financing Agreement of even date herewith (as supplemented and amended from time to time, the "Financing Agreement"), among the Issuer, the Borrower and Bank of America, N.A. as lender thereunder (the "Lender"), in order to enable the Borrower to finance the construction of a 25-unit multifamily rental housing project known as San Fernando Senior Housing (Las Palmas II Site), located on the real property site described in Exhibit A hereto (the "Project");

WHEREAS, in order to assure the Issuer and the owners of the Bonds that interest on the Bonds 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 Bonds are authorized to be issued under the Act, and to satisfy the purposes of the Issuer in determining to issue the Bonds, certain limits on the occupancy of units in the Project need to be established and certain other requirements need to be met;

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

Section 1. Definitions and Interpretation. Unless the context otherwise requires, the capitalized terms used herein shall have the respective meanings assigned to them in the recitals hereto, in this Section 1 or in Section 1.1 of the Financing Agreement.

"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 Regulations Section 1.167(k)-3(b)(3) in effect as of the Closing Date.

"Affordable Rents" means a monthly rent (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) which does not exceed 30 percent of 50 percent of one-twelfth of the Area median income, adjusted for family size as established under Section 8 of the United States Housing Act of 1937, as amended, based upon the following household sizes for various types of residential units in the Project:

<u>Type of Unit</u>	<u>Assumed Household Size</u>
Studio	1 person
One bedroom	2 persons
Two bedrooms	3 persons
More than two bedrooms	4 persons

"Area" means the Los Angeles, California Primary Metropolitan Statistical Area.

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

"CDLAC Conditions" shall have the meaning given such term in Section 7(i) of this Regulatory Agreement.

"Certificate of Continuing Program Compliance" means the Certificate to be filed by the Borrower with the Issuer, the Program Monitor, if applicable, and the Lender pursuant to Section 4(e) 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.

"Closing Date" means the date of the issuance and delivery of the Bonds.

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

"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.

"Program Monitor" means any program monitor or program monitor appointed by the Issuer to administer this Regulatory Agreement, and any successor so appointed. The initial Program Monitor shall be the Issuer.

"Project" means the multifamily rental housing development known as San Fernando Senior Housing (Las Palmas II Site), located on the real property site described in Exhibit A hereto, consisting of those facilities, including real property, structures, buildings, fixtures or equipment situated thereon, as it may at any time exist, the construction of which facilities is to be financed, in whole or in part, from the

proceeds of the sale of the Bonds or the proceeds of any payment by the Borrower pursuant to the Financing Agreement, 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.

"Qualified Project Period" means the period beginning on the first day on which at least ten percent (10%) of the units in the Project are first occupied and ending on the later of the following:

(A) the date that is fifteen (15) years after the date on which at least fifty percent (50%) of the units in the Project are first occupied (as specified pursuant to Section 3(h) of this Regulatory Agreement);

(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 that is fifty-five (55) years from the Closing Date, as required by the CDLAC Conditions, unless CDLAC waives its condition governing the length of the Qualified Project Period.

"Regulations" means the Income Tax Regulations of the Department of the Treasury applicable under the Code from time to time.

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

"Tax-Exempt" means with respect to interest on any obligations of a state or local government, including the Bonds, 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 or environmental 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.

"Very Low Income Tenant" means any tenant (i) whose Adjusted Income does not exceed limits determined in a manner consistent with determinations of very low income families under Section 8 of the Housing Act, except that the percentage of median gross income that qualifies as very low income shall be fifty percent (50%) of median gross income for the Area with adjustments for family size; and (ii) whose income does not exceed the qualifying limits for very low income families as established and amended from time to time pursuant to Section 8 of the Housing Act, or who otherwise qualify as very low income households as defined by Section 50105 of the

California Health and Safety Code. 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 very low income Tenants. The determination of a tenant's status as a very low income Tenant shall be made by the Borrower upon initial occupancy of a unit in the Project by such tenants, on the basis of an Income Certification executed by the tenant.

"Very Low Income Units" means the units in the Project required to be rented, or held available for occupancy by, Very Low Income Tenants pursuant to Sections 4(a), 6(a) and 7(a) hereof.

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.

(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 Financing Agreement relating to the Project.

(b) The Borrower hereby represents and warrants that the Project is located entirely within the County of Los Angeles, California.

(c) The Borrower acknowledges, represents and warrants that it understands the nature and structure of the transactions contemplated by this Regulatory Agreement; that it is familiar with the provisions of all of the documents and instruments relating to the Bonds to which it is a party or of which it is a beneficiary; that it understands the financial and legal risks inherent in such transactions; and that it has not relied on the Issuer for any guidance or expertise in analyzing the financial or other consequences of such financing transactions or otherwise relied on the Issuer in any manner except to issue the Bonds in order to provide funds to assist the Borrower in acquiring and developing the Project.

Section 3. Qualified Residential Rental Project. The Borrower hereby acknowledges and agrees that the Project is to be owned, managed and operated in the same manner as a "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 as follows:

(a) The Project will be operated for the purpose of providing multifamily residential rental property. The Borrower will own, manage and operate the Project as a 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 constructed units, and each dwelling unit in the Project will contain complete separate and distinct 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 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 County of Los Angeles).

(e) All of the dwelling units in the Project (except for not more than one unit set aside for resident manager or other administrative use) will be available for rental during the Qualified Project Period on a continuous basis to members of the general public, on a first-come, first-served basis, 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 Very Low Income Tenants.

(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; provided, however, that if the Project contains five or more dwelling units, this provision shall not be construed to prohibit the occupancy of a dwelling unit by resident managers or maintenance personnel, any of whom may be the Borrower.

(h) The Borrower shall deliver to the Issuer, (i) within 30 days after the date on which 10% of the dwelling units in the Project are occupied, a written notice specifying such date, and (ii) within 30 days after the date on which 50% of the dwelling units in the Project are occupied, a written notice specifying such date. The Borrower shall cause a copy of such notice to be recorded in the Official Records of the County of Los Angeles, California.

Section 4. Very Low Income Tenants; Reporting Requirements. Pursuant to the requirements of the Code, the Borrower hereby represents, warrants and covenants as follows:

(a) During the Qualified Project Period no less than 20% of the total number of completed units in the Project shall at all times be rented to and occupied by Very Low Income Tenants. For the purposes of this paragraph (a), a vacant unit which was most recently occupied by a Very Low Income Tenant is treated as rented and occupied by a Very 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 Very 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 Very Low Income Tenants. However, should a Very Low Income Tenant's Adjusted Income, as of the most recent determination thereof, exceed one hundred forty percent (140%) of the applicable income limit for a Very Low Income Tenant of the same family size, the next available unit of comparable size must be rented to (or held vacant and available for immediate occupancy by) a Very Low Income Tenant. Until such next available unit is rented, the former Very Low Income Tenant who has ceased to qualify as such shall be deemed to continue to be a Very Low Income Tenant for purposes of the twenty percent (20%) requirement of Section 4(a) hereof.

(c) For the Qualified Project Period, the Borrower will obtain, complete and maintain on file Income Certifications for each Very Low Income Tenant, including (i) an Income Certification dated, with respect to existing Very Low Income Tenants, within 60 days after the date that the Borrower acquires the Project and, with respect to new Very Low Income Tenants, immediately prior to the initial occupancy of such Very Low Income Tenant in the Project, and (ii) thereafter, an annual Income Certification with respect to each Very Low Income Tenant; provided that such certification with respect to any tenant shall in no case cover a period greater than one year. 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 Very Low Income Tenants commencing or continuing occupation of a Very Low Income Unit shall be attached to each report to be filed with the Issuer pursuant to paragraph (e) of this Section 4.

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.

(d) The Borrower will maintain complete and accurate records pertaining to the Very Low Income Units, and will permit any duly authorized representative of the Issuer, the Lender, the Department of the Treasury or the Internal Revenue Service to inspect the books and records of the Borrower pertaining to the Project, including those records pertaining to the occupancy of the Very Low Income Units.

(e) The Borrower will prepare and submit to the Issuer, the Program Monitor, if applicable, and the Lender, no later than the thirtieth day of each calendar quarter, until the end of the Qualified Project Period, a Certificate of Continuing Program Compliance executed by the Borrower stating (i) the percentage of the dwelling units of the Project that were occupied or deemed occupied pursuant to subsection (a) hereof, by Very Low Income Tenants during the preceding calendar quarter; and (ii) that either (A) no unremedied default has occurred under this Regulatory Agreement, the Financing Agreement or the Deed of Trust, or (B) a default has occurred, in which event the certificate shall describe the nature of the default in detail and set forth the measures being taken by the Borrower to remedy such default.

(f) 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 Very Low Income Units shall contain clauses, among others, wherein each tenant who occupies a Very 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 Lender, the Issuer or the Program Monitor 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 Very Low Income Tenant in determining qualification for occupancy of the Very 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 Very Low Income Tenant and such tenant's rent may be subject to increase.

Section 5. Tax-Exempt Status of Bonds. 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 Bonds 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 Bond Counsel filed with the Issuer and the Lender, 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 of Los Angeles.

(c) The Borrower hereby covenants to include or reference the requirements and restrictions contained in this Regulatory Agreement in any documents transferring 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 6. Additional Requirements of the Act. In addition to the requirements set forth above, the Borrower hereby agrees that it shall comply with each of the requirements of the Act applicable to the project. Without limiting the foregoing, the Borrower agrees as follows:

(a) Not less than 20% of the total number of units in the Project shall be available for occupancy on a priority basis by "low income tenants" as required by Section 34312.3 of the Act, one-half of which units shall be made available to Very Low Income Tenants. [Note: Section 4(a) requires that 20% of the total number of units be rented to Very Low Income Tenants].

(b) The rental payments for the Very 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 Affordable Rents.

(c) The Borrower shall accept as tenants, on the same basis as all other prospective tenants, very 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 are more burdensome than the criteria applied to all other prospective tenants.

(d) No tenant residing in a unit reserved as required by subsection (a) of this Section 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 or Very Low Income Tenants. However, should the Adjusted Income of a tenant residing in a reserved unit increase to exceed the qualifying limit, the next available unit must be rented to (or held vacant and available for immediate occupancy by) a tenant whose income satisfies the requirement of Section 4(a) hereof. Until such next available unit is rented to a qualified tenant, the former low income tenant or Very Low Income Tenant who has ceased to qualify as such shall be deemed to continue to be a low income tenant or Very Low Income Tenant for purposes of the requirement of Section 4(a) hereof.

(e) The units reserved for occupancy as required by subsection (a) of this Section shall remain available on a priority basis for occupancy until the Bonds are retired.

Section 7. Additional Requirements of the Issuer. In addition to the requirements set forth above 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, as follows:

(a) Not less than 20% of the units in the Project shall be available on a priority basis for occupancy by Very Low Income Tenants paying rents not to exceed Affordable Rents. The requirements of this Section and Sections 4(a) and 6(a) are not cumulative, but each must be satisfied.

(b) The Borrower will indemnify the Issuer and the Lender as provided in Section 12.2 of the Financing Agreement and Section 9 hereof.

(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.

(d) The Borrower shall submit to the Issuer, (i) not later than the thirtieth (30th) day after the close of each calendar year, a statistical report in the form set forth as Exhibit D hereto, or such other form as may be prescribed by the Issuer, setting forth the information called for therein, and (ii) within fifteen (15) days after receipt of a written request, any other information or completed forms requested by the Issuer in order to comply with reporting requirements of the Internal Revenue Service or the State of California.

(e) The covenants and conditions of this Regulatory Agreement shall be binding upon successors in interest of the Borrower.

(f) 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 California or federal law, and shall be in force for the Qualified Project Period.

(g) The Borrower acknowledges that the Issuer may appoint a Program Monitor other than the Issuer (at no additional cost to the Borrower) 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 request by the Issuer to deliver to any such Program Monitor, 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 Program Monitor as an agent of the Issuer.

(h) The Lender will collect the Annual Fee, in an amount equal to \$8,000, which fee shall be payable by the Borrower to the Lender, without demand, in advance on December 1 of each year (commencing on the Closing Date and continuing through the termination of this Regulatory Agreement) which the Lender shall collect pursuant to the Financing Agreement and remit to the Issuer as provided therein. The Borrower shall also pay to the Lender for the account of the Issuer, on the Closing Date and within thirty (30) days after receipt of request for payment thereof from the Lender, all reasonable out-of-pocket expenses of the Issuer (not including salaries and wages of Issuer employees) related to the Project and the financing thereof that are not otherwise required to be paid by the Borrower under the terms of this Regulatory Agreement or the Financing Agreement, including, without limitation, reasonable legal fees and expenses incurred in connection with the interpretation, performance, enforcement or amendment of any documents relating to the Project, the Loan or the Bonds. Notwithstanding any prepayment of the Loan and notwithstanding a discharge of the Bonds, the Borrower shall continue to pay (or, to the extent allowed under the Code, may prepay the present value at such time, computed based on the Bond yield) the Issuer's fees, unless such prepayment is made in connection with a refunding of the Bonds.

(i) The Borrower shall comply with the conditions set forth in Exhibit A of that certain CDLAC Resolution No. 04-088 relating to the Project and adopted on September 22, 2004 (the "CDLAC Conditions"), as they may be modified or amended from time to time, which conditions are incorporated herein by reference and made a part hereof. The Borrower will prepare and submit to CDLAC, not later than each anniversary of the Closing Date, until the end of the Qualified Project Period, a Certificate of Continuing Program Compliance, in substantially the form attached hereto as Exhibit E, executed by an authorized representative of the Borrower.

Any of the foregoing requirements of the Issuer (except subsection (i) above which may be expressly waived by CDLAC) may be expressly waived by the Issuer 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 Bond Counsel that any such provision is not required by the Act and may be waived without adversely affecting the exclusion from gross income of interest on the Bonds 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 an Opinion of Bond Counsel to the effect that compliance with any such requirement would cause interest on the Bonds 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 state or federal law.

Section 8. Modification of Covenants. The Borrower, the Lender 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 Bond Counsel filed with the Issuer, the Lender 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 Bond Counsel filed with the Issuer, the Lender 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 discretion, the Lender and the Borrower, and only upon receipt by the Issuer of the written opinion of Bond Counsel to the effect that such amendment will not affect the Tax-Exempt status of interest on the Bonds or violate the requirements of the Act, and otherwise in accordance with Section 22 hereof.

(c) The Borrower, the Issuer and, if applicable, the Lender, 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 Lender as its true and lawful attorney-in-fact 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 Bond 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 Borrower, the Lender shall take no 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, an opportunity to comply with the requirements of this Section 8. Nothing in this subsection (c) shall be construed to allow the Lender to execute an amendment to this Regulatory Agreement on behalf of the Issuer.

Section 9. Indemnification; Other Payments. To the fullest extent permitted by law, the Borrower agrees to indemnify, hold harmless and defend the Issuer, its officers, governing members, directors, 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 paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject under 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) this Regulatory Agreement, the Financing Agreement and any of the other Loan Documents or the execution or amendment thereof or in connection with transactions contemplated thereby, including the issuance, sale, resale or transfer of the Bonds;

(ii) any act or omission of the Borrower or any of its agents, contractors, servants, employees or licensees in connection with the Loan or 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 construction 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 in respect of any portion of the Project;

(iv) any violation of any environmental law, rule or regulation with respect to, or the release of any toxic substance from, the Project or any part thereof;

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

(vi) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact by the Borrower contained in any documents relating to the Bonds to which the Borrower is a party, or any omission from any such document of any material fact necessary to be stated therein in order to make the statements made therein by the Borrower, in the light of the circumstances under which they were made, not misleading; or

(vii) any declaration of taxability of interest on the Bonds, or allegations (or regulatory inquiry that interest on the Bonds is taxable, for federal tax purposes.

Except in the case of the foregoing indemnification of the Issuer or any of its officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the willful misconduct of such Indemnified Party. In the event that 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 reasonable 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.

Notwithstanding any transfer of the Project to another borrower in accordance with the provisions of this Agreement, the Borrower shall remain obligated to indemnify each Indemnified Party pursuant to this Section if such subsequent owner fails to indemnify any party entitled to be indemnified hereunder, unless such Indemnified Party has consented to such transfer and to the assignment of the rights and obligations of the Borrower hereunder.

Notwithstanding anything to the contrary contained elsewhere in this Regulatory Agreement, if the Lender, the Bondholders or any affiliate of any of them acquire title to the Project subject to the Regulatory Agreement, the party acquiring such title shall have no obligations or liabilities under this Section 9.

The provisions of this Section 9 shall survive the term of the Bonds and this Regulatory Agreement or the resignation of the Lender.

Section 10. Consideration. The Issuer has agreed to issue the Bonds to provide funds to lend to the Borrower to finance the Project, all for the purpose, among others, of inducing the Borrower to acquire and operate the Project. In consideration of the issuance of the Bonds 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. 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 Bonds, in the exemption from California personal income taxation of interest on the Bonds and in the Tax-Exempt status of the interest on the Bonds. In performing their duties and obligations hereunder, the Issuer, the Program Monitor and the Lender may rely upon statements and certificates of the Very Low Income Tenants, and upon audits of the books and records of the Borrower pertaining to the Project. In addition, the Issuer and the Lender 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 or the Lender hereunder in good faith and in conformity with such opinion.

Section 12. Sale or Transfer of the Project. For the Qualified Project Period, the Borrower shall not sell, transfer or otherwise dispose of the Project, in whole or in part, without the prior written consent of the Issuer, which consent shall not be unreasonably withheld, conditioned or delayed if the following conditions are satisfied:

(A) the receipt by the Issuer of evidence acceptable to the Issuer that (1) the Borrower shall not be in default hereunder or under the Financing 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 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 Very 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 or the Lender with respect to the assumption of the Borrower's obligations under this Regulatory Agreement and, if the Bonds are outstanding at the time of transfer, the Financing 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 Bond Counsel addressed to the Issuer to the effect that any such sale, transfer or other disposition will not adversely affect the Tax-Exempt status of interest on the Bonds; (D) receipt by the Issuer and Lender of all fees and/or expenses then currently due and payable to the Issuer and Lender; and (E) satisfaction of such other conditions as the Issuer may reasonably impose. It is hereby expressly stipulated and agreed that any sale, transfer or other disposition of the Project in violation of this Section 12 shall be null, void and without effect, shall cause a reversion of title to the Borrower, and shall be ineffective to relieve the Borrower of its obligations under this Regulatory Agreement. Nothing in this Section shall affect any provision of any other document or instrument between the Borrower and any other party which requires the Borrower to obtain the prior written consent of such other party in order to sell, transfer or otherwise dispose of the Project or any interest (direct or indirect) therein or in the Borrower, including, but not limited to, any consent of the Lender and/or the Holder required under the Financing Agreement, the Deed of Trust or any other Loan Document. 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. 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. The

Section 12 shall not apply to, or limit, any transfer of the Project to the Lender, the Holder or any Affiliate of the Lender or the Holder by foreclosure under the Deed of Trust or by deed in lieu of such foreclosure.

For the Qualified Project Period, the Borrower shall not: (1) encumber any of the Project or grant commercial leases of any part thereof, or permit the conveyance, transfer or encumbrance of any part of the Project, except as otherwise permitted by the Financing Agreement, the Deed of Trust and this Regulatory Agreement (and upon receipt by the Borrower of an opinion of Bond Counsel that such action will not adversely affect the Tax-Exempt status of interest on the Bonds; provided that such opinion will not be required with respect to any lease permitted under this Regulatory Agreement and the Deed of Trust relating to a commercial operation or ancillary facility that will be available for tenant use and is customary to the operation of multifamily housing developments similar to the Project); (2) demolish any part of the Project or substantially subtract from any real or personal property of the Project, except in accordance with the Loan Documents and 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. 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 Bonds and discharge of the Financing Agreement and the Financing Agreement.

The terms of this Regulatory Agreement to the contrary notwithstanding, the requirements hereof shall terminate and be of no further force and effect 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 Lender from enforcing such provisions, or condemnation or foreclosure, transfer of title by deed in lieu of foreclosure, or a similar event, but only if, within a reasonable period, either the Bonds are 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, the Lender and the Borrower upon receipt by the Issuer and the Lender of an opinion of Bond Counsel to the effect that such termination will not adversely affect the exclusion from

gross income of interest on the Bonds 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. 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. 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. 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 Very Low Income Tenants, the intended beneficiaries of such covenants, reservations and restrictions, and by furthering the public purposes for which the Bonds were issued.

Section 16. Uniformity; Common Plan. 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. 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 notice thereof shall have been given by the Issuer 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 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 Bond Counsel, the failure to cure said default within 60 days will not adversely affect the Tax-Exempt status of interest on the Bonds; and provided further, that notice shall be given to the Borrower's Investor Limited Partner (as designated in Section 23 of this Regulatory Agreement), who shall be entitled to cure any such default

under the conditions set forth herein. The Issuer 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.

Following the declaration and during the continuance of an Event of Default hereunder, the Issuer, subject to the provisions of the Financing Agreement, 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 rent or other amounts received by the Borrower for any units in the Project which were in violation of this Regulatory Agreement during the period such violation continued (which payment shall not reduce the amount nor affect any payment due under the Loan);
- (iv) 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; and
- (v) subject to the provisions of the Financing Agreement, declare a default thereunder and proceed with any remedies provided therein.

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.

In addition, during the Qualified Project Period, the Borrower hereby grants to the Issuer the option, upon the expiration of 60 days after the giving of the notice to the Borrower referred to in the first paragraph of this Section 17 of the Borrower's default under this Regulatory Agreement, to lease up to 20% of the units in the Project for the purpose of subleasing such units to Very Low Income Tenants, but only to the extent necessary to comply with the provisions of Sections 3, 4, 6 and 7. The option granted in the preceding sentence shall be effective only if the Borrower has not instituted corrective action within such 60-day period. Such option shall be exercisable first with respect to units which are vacant at the time of exercise of this option and shall be exercised with respect to occupied units only to the extent that subleasing of additional units is necessary in order to bring the Project into compliance with the provisions of Sections 3, 4, 6 and 7, and any eviction carried out in connection

with the exercise of such option shall be carried out in compliance with applicable laws. The option and any leases to the Issuer under this provision shall terminate with respect to each default upon the achievement, by the Borrower or the Issuer, of compliance with the requirements of Sections 3, 4, 6 and 7, and any subleases entered into pursuant to the Issuer's option shall be deemed to be leases from the Borrower. The Issuer shall make diligent efforts to rent Very Low Income Units to Very Low Income Tenants for monthly rental amounts equivalent to those collected from tenants of similar units in the Project, or such lesser maximum amounts as may be permitted by Section 6(b) hereof, but shall not be required to obtain such rental amounts. The Issuer shall seek to rent such units for the highest possible rents that may be charged, consistent with the rent and occupancy restrictions of this Regulatory Agreement. Tenant selection shall be performed utilizing the Borrower's reasonable management and selection policies. The Issuer subleases to Very Low Income Tenants pursuant to this paragraph shall not exceed six months in term and shall expressly permit the Borrower to increase the rents to the maximum amounts as may be permitted by Section 6(b) hereof for the respective households at the time the Borrower assumes the Issuer's position hereunder. Any rental paid under any such sublease shall be paid to the Borrower after the Issuer has been reimbursed for any expenses incurred in connection with such sublease. All rents received by the Issuer from such subleases, less the Issuer's expenses incurred in connection with such subleases, shall be placed into an escrow reasonably approved by the Borrower. All funds in such escrow shall be continuously pledged by the Issuer for the benefit of the Borrower. The Issuer agrees to allow the Borrower access to the Issuer's books and records relating to the collection and disbursement of rents received pursuant to such subleases.

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

No breach or default under this Regulatory Agreement shall defeat or render invalid any deed of trust, mortgage or like encumbrance upon the Project or any portion thereof given in good faith and for value.

Section 18.[Reserved.]

Section 19.Recording and Filing. (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 of Los Angeles 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.

(a) 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 Bond Counsel, in order to insure that the requirements and restrictions of this Regulatory Agreement will be binding upon all owners of the Project.

(b) 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. Notwithstanding any prepayment of the Loan and notwithstanding a discharge of the Financing Agreement, the Borrower shall continue to pay to the Issuer and Lender all fees, losses and expenses required under the Financing Agreement and the Financing Agreement as provided therein.

Section 21. Governing Law. This Regulatory Agreement shall be governed by the laws of the State of California.

Section 22. Amendments; Waivers. (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 of Los Angeles, California, and only upon receipt by the Issuer of an opinion from Bond Counsel that such amendment will not adversely affect the Tax-Exempt status of interest on the Bonds and is not contrary to the provisions of the Act.

(b) Anything to the contrary contained herein notwithstanding, the Issuer, the Lender and the Borrower hereby agree to amend this Regulatory Agreement to the extent required, in the opinion of Bond Counsel, in order that interest on the Bonds 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 Bond Counsel and a request that such Bond Counsel render to the Issuer and the Lender an opinion as to the effect of such proposed amendment upon the Tax-Exempt status of interest on the Bonds. 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.

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

Section 23. Notices. 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 Financing Agreement, or at such other addresses as may be specified in writing by the parties hereto.

To the Issuer: Housing Authority of the County of Los Angeles
2 Coral Circle
Monterey Park, California 91755
Attention: Director, Housing Development and
Preservation Division
Phone: (323) 890-7269
Fax: (323) 890-9715
Email: gregg.kawczynski@lacdc.org

To the Borrower: Aszkenazy Senior Housing, LLC
601 South Brand Boulevard, Third Floor
San Fernando, California 91340
Attention: Adriana Gomez
Phone: (818) 270-9070
Fax: (818) 270-9088
Email: agomez@aszkenazydevelopment.com

Brookmore Apartment Corporation
2320 South Fremont Avenue
Alhambra, California 91803
Attention: _____
Phone: _____
Fax: _____
Email: _____

with a copy to:

Loeb & Loeb LLP
10100 Santa Monica Boulevard, Suite 2200
Los Angeles, California 90067
Attention: Ted M. Handel, Esq.
Phone: (310) 282-2298
Fax: (310) 282-2200
Email: thandel@loeb.com

To the Investor Limited
Partner: Apollo Housing Capital, LLC
600 Superior Avenue, Suite 2626
Cleveland, Ohio 22114
Attention: _____
Phone: _____
Fax: _____
Email: _____

To the Lender (Prior to
the Conversion Date): Bank of America, N.A.
CA9-706-10-72
450 B Street, Suite 450
San Diego, CA 92101
Attention: Loan Administration Manager
Phone: _____
Fax: _____
Email: _____

with a copy to:

Bank of America, N.A.
333 S. Hope St., 11th Floor
Los Angeles, CA 90071
Attention: David Lamb
Phone: (213) 621-4820
Fax: (213) 621-4882
Email: david.b.lamb@bankofamerica.com

To the Lender (after the
Conversion Date): California Community Reinvestment Corporation
225 West Broadway, Suite 120
Glendale, CA 91204
Attention: _____
Phone: _____
Fax: (818) 550-9806
Email: _____

The Issuer, the Program Monitor 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 received, as evidenced by written confirmation of receipt by the addressee of such notice.

Section 24. Severability. 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. 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. Notwithstanding the foregoing or 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 Lender or the Issuer and their successors and assigns, is limited to the Borrower's interest in the Project, the Revenues, including the amounts

held in the funds and accounts created under the Financing Agreement, 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 Financing Agreement, any rights of the Borrower under the Financing Agreement or any other documents relating to the Bonds 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 and the Financing Agreement 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.

Section 27. Third-Party Beneficiary. CDLAC is intended to be and shall be a third-party beneficiary of this Regulatory Agreement. CDLAC shall have the right (but not the obligation) to enforce the CDLAC Conditions 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 Bondholders.

[Remainder of page intentionally left blank]

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.

THE HOUSING AUTHORITY OF THE
COUNTY OF LOS ANGELES

By

Executive Director

Approved as to form:

County Counsel

By _____

Deputy

**SAN FERNANDO SENIOR HOUSING, L.P., a
California limited partnership**

**By: Brookmore Apartment Corporation,
a California nonprofit, public benefit
corporation, its Managing General
Partner**

By: _____

**By: Aszkenazy Senior Housing, LLC, a
California limited liability company, its
Development General Partner**

By: _____

[Signature Page to the Regulatory Agreement]

[Attach Notary Acknowledgements]

EXHIBIT A

**DESCRIPTION OF REAL PROPERTY
RELATING TO THE PROJECT**

EXHIBIT B

[FORM OF INCOME CERTIFICATION]

VERIFICATION OF INCOME

RE: [Name of Project]
[Address of Project]

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, workers' 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 bonds issued to finance the acquisition and rehabilitation of the apartment building for which application is being made. We consent to the disclosure of such information to the issuer of such bonds, the holders of such bonds, any agent 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 Very 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 individuals or a family of Very Low Income; go to item III.

(ii) If line II(A) above is "Yes" and 8(a) above is "No," then the household qualifies as individuals or a family of Very Low Income; go to item III.

(iii) If line II(A) above is "Yes" and 8(b) above is "Yes," then the household qualifies as individuals or a family of Very Low Income; go to item III.

(iv) If neither (ii) nor (iii) is applicable, then the household does not qualify as individuals or a family of Very Low Income.

III. (Check one)

The household does not qualify as individuals or a family of Very Low Income.

The household qualifies as individuals or a family of Very Low Income.

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

Borrower

NOTE TO PROJECT BORROWER: A vacant unit previously occupied by individuals or a family of Very Low Income, may be treated as occupied by individuals or a family of Very Low Income 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 Program Monitor along with a Verification of Income upon the rental of a unit in the Project.)

Project: SAN FERNANDO SENIOR HOUSING

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 Very Low Income Tenant.

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

Witness

Borrower

Date: _____

Date: _____

EXHIBIT C

[FORM OF CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE]

CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

Witnesseth that on this ___ day of _____, _____, the undersigned, having borrowed certain funds from The Housing Authority of The County of Los Angeles (the "Issuer") for the purpose of financing a multifamily rental housing development (the "Project"), does hereby certify that:

1. During the preceding month (i) such Project was continually in compliance with the Regulatory Agreement executed in connection with such loan from the Issuer, (ii) ___% of the units in the Project were occupied by Very Low Income Tenants (minimum of 20% at Affordable Rents).

Set forth below are the names of Very Low Income Tenants who commenced or terminated occupancy during the preceding month.

<u>Commenced Occupancy</u>	<u>Terminated Occupancy</u>
1.	1.
2.	2.
3.	3.

The units occupied by Very Low Income Tenants are of similar size and quality to other units and are dispersed throughout the Project. Attached is a separate sheet listing the number of each unit and indicating which units are occupied by Very Low Income Tenants, the size, the number of bedrooms of such units and the number of Very Low Income Tenants who commenced occupancy of units during the preceding month.

2. *Select appropriate certification:* [No unremedied default has occurred under this Regulatory Agreement, the Financing Agreement or the Deed of Trust.] [A default has occurred. The nature of the default and the measures being taken to remedy such default are as follows:

_____.]

3. The representations set forth herein are true and correct to the best of the undersigned's knowledge and belief.

Date: _____

Borrower

EXHIBIT D

[Form of]

STATISTICAL REPORT TO ISSUER

Reporting Period: _____, _____. Date: _____

As of the date hereof:

1. Total units: _____; units occupied by Very Low Income Tenants: _____; _____; vacant units most recently occupied by Very Low Income Tenants: _____; other vacant units: _____.

2. Total units occupied by households with children, to the extent such information has been provided by tenants: _____; Very Low Income Units so occupied: _____;

3. To the extent such information has been provided by tenants, total units occupied by elderly households with a member of age 62 or over: _____; Very Low Income Units so occupied: _____;

4. The number of Very Low Income Tenants who terminated their rental agreements during the previous twelve (12) month period is _____.

5. The number of units rented to new Very Low Income Tenants during the last twelve (12) month period is _____.

6. To the extent such information has been provided by tenants, the family names of each household currently occupying a Very Low Income Unit are listed on the schedule attached hereto.

7. The number of Very Low Income Units of various sizes is:

studio:
one-bedroom:
two-bedroom:
three-bedroom:

SAN FERNANDO SENIOR HOUSING,
L.P.,
a California Limited Partnership

By _____
Borrower Representative

EXHIBIT E

CERTIFICATE OF CDLAC PROGRAM COMPLIANCE

Witnesseth that on this ___ day of _____, ___, the undersigned, having borrowed certain funds from The Housing Authority of the County of Los Angeles (the "Issuer") for the purpose of financing a multifamily rental housing development (the "Project") located in the County Los Angeles, California, does hereby certify that:

1. [The Borrower is in compliance with the CDLAC Conditions (as defined in the Regulatory Agreement relating to the Project).] [The Borrower is not in compliance with Condition No. ____ of the CDLAC Conditions. The following measures are being taken to remedy such noncompliance _____.]

2. The representations set forth herein are true and correct to the best of the undersigned's knowledge and belief.

Date: _____

SAN FERNANDO SENIOR HOUSING,
L.P.,
a California Limited Partnership

By _____
Borrower Representative

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

Orrick, Herrington & Sutcliffe LLP
405 Howard Street
San Francisco, CA 94105
Attention: Stephen A. Spitz, Esq.

**REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS**

By and Between

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES

and

Dated as of December 1, 2004

Relating to:

**THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES
MULTIFAMILY HOUSING REVENUE BONDS
(SAN FERNANDO SENIOR HOUSING PROJECT), 2004 SERIES B
(PARK AVENUE SITE)**

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An extra section break has been inserted above this paragraph. Do not delete this section break if you plan to add text after the Table of Contents/Authorities. Deleting this break will cause Table of Contents/Authorities headers and footers to appear on any pages following the Table of Contents/Authorities.

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 December 1, 2004, by and between THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES, a public body corporate and politic duly organized and existing under the laws of the State of California (together with any successor to its rights, duties and obligations, the "Issuer"), and SAN FERNANDO SENIOR HOUSING, 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").

WITNESSETH:

WHEREAS, pursuant to and in compliance with Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California (the "Act"), the Issuer proposes to issue its Multifamily Housing Revenue Bonds (San Fernando Senior Housing Project), 2004 Series B (the "Bonds") the proceeds of which will be utilized to fund a loan to the Borrower pursuant to the Financing Agreement of even date herewith (as supplemented and amended from time to time, the "Financing Agreement"), among the Issuer, the Borrower and Bank of America, N.A. as lender thereunder (the "Lender"), in order to enable the Borrower to finance the construction of a 52-unit multifamily rental housing project known as San Fernando Senior Housing (Park Avenue Site), located on the real property site described in Exhibit A hereto (the "Project");

WHEREAS, in order to assure the Issuer and the owners of the Bonds that interest on the Bonds 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 Bonds are authorized to be issued under the Act, and to satisfy the purposes of the Issuer in determining to issue the Bonds, certain limits on the occupancy of units in the Project need to be established and certain other requirements need to be met;

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

Section 1. Definitions and Interpretation. Unless the context otherwise requires, the capitalized terms used herein shall have the respective meanings assigned to them in the recitals hereto, in this Section 1 or in Section 1.1 of the Financing Agreement.

"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

on behalf of those units) which does not exceed 30 percent of 50 percent of one-twelfth of the Area median income, adjusted for family size as established under Section 8 of the United States Housing Act of 1937, as amended, based upon the following household sizes for various types of residential units in the Project:

<u>Type of Unit</u>	<u>Assumed Household Size</u>
Studio	1 person
One bedroom	2 persons
Two bedrooms	3 persons
More than two bedrooms	4 persons

“Area” means the Los Angeles, California Primary Metropolitan Statistical Area.

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

“CDLAC Conditions” shall have the meaning given such term in Section 7(i) of this Regulatory Agreement.

“Certificate of Continuing Program Compliance” means the Certificate to be filed by the Borrower with the Issuer, the Program Monitor, if applicable, and the Lender pursuant to Section 4(e) 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.

“Closing Date” means the date of the issuance and delivery of the Bonds.

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

“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.

“Program Monitor” means any program monitor or program monitor appointed by the Issuer to administer this Regulatory Agreement, and any successor so appointed. The initial Program Monitor shall be the Issuer.

“Project” means the multifamily rental housing development known as San Fernando Senior Housing ([Las Palmas I Site]/[Las Palmas II Site]/[Park Avenue Site]), located on the real property site described in Exhibit A hereto, consisting of those facilities, including real property, structures, buildings, fixtures or equipment situated thereon, as it may at any time exist, the construction of which facilities is to be financed, in whole or in part, from the proceeds of the sale of the Bonds or the proceeds of any payment by the Borrower pursuant to the Financing Agreement, 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.

“Qualified Project Period” means the period beginning on the first day on which at least ten percent (10%) of the units in the Project are first occupied and ending on the later of the following:

(A) the date that is fifteen (15) years after the date on which at least fifty percent (50%) of the units in the Project are first occupied (as specified pursuant to Section 3(h) of this Regulatory Agreement);

(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 that is fifty-five (55) years from the Closing Date, as required by the CDLAC Conditions, unless CDLAC waives its condition governing the length of the Qualified Project Period.

“Regulations” means the Income Tax Regulations of the Department of the Treasury applicable under the Code from time to time.

“Regulatory Agreement” means this Regulatory Agreement and Declaration of Restrictive Covenants, as it may be supplemented and amended from time to time.

“Tax-Exempt” means with respect to interest on any obligations of a state or local government, including the Bonds, 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 or environmental 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.

“Very Low Income Tenant” means any tenant (i) whose Adjusted Income does not exceed limits determined in a manner consistent with determinations of very low income families under Section 8 of the Housing Act, except that the percentage of median gross income that qualifies as very low income shall be fifty percent (50%) of median gross income for the Area with adjustments for family size; and (ii) whose income does not exceed the qualifying limits for very low income families as established and amended from time to time pursuant to Section 8 of the Housing Act, or who otherwise qualify as very low income households as defined by Section 50105 of the California Health and Safety Code. 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 very low income Tenants. The determination of a tenant’s status as a very low income Tenant shall be made by the Borrower upon initial occupancy of a unit in the Project by such tenants, on the basis of an Income Certification executed by the tenant.

“Very Low Income Units” means the units in the Project required to be rented, or held available for occupancy by, Very Low Income Tenants pursuant to Sections 4(a), 6(a) and 7(a) hereof.

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.

(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 Financing Agreement relating to the Project.

(b) The Borrower hereby represents and warrants that the Project is located entirely within the County of Los Angeles, California.

(c) The Borrower acknowledges, represents and warrants that it understands the nature and structure of the transactions contemplated by this Regulatory Agreement; that it is familiar with the provisions of all of the documents and instruments relating to the Bonds to which it is a party or of which it is a beneficiary; that it understands the financial and legal risks inherent in such transactions; and that it has not relied on the Issuer for any guidance or expertise in analyzing the financial or other consequences of such financing transactions or otherwise relied on the Issuer in any manner except to issue the Bonds in order to provide funds to assist the Borrower in acquiring and developing the Project.

Section 3. Qualified Residential Rental Project. The Borrower hereby acknowledges and agrees that the Project is to be owned, managed and operated in the same manner as a “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 as follows:

(a) The Project will be operated for the purpose of providing multifamily residential rental property. The Borrower will own, manage and operate the Project as a 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 constructed units, and each dwelling unit in the Project will contain complete separate and distinct 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 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 County of Los Angeles).

(e) All of the dwelling units in the Project (except for not more than one unit set aside for resident manager or other administrative use) will be available for rental during the Qualified Project Period on a continuous basis to members of the general public, on a first-come, first-served basis, 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 Very Low Income Tenants.

(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; provided, however, that if the Project contains five or more dwelling units, this provision shall not be construed to prohibit the occupancy of a dwelling unit by resident managers or maintenance personnel, any of whom may be the Borrower.

(h) The Borrower shall deliver to the Issuer, (i) within 30 days after the date on which 10% of the dwelling units in the Project are occupied, a written notice specifying such date, and (ii) within 30 days after the date on which 50% of the dwelling units in the Project are

occupied, a written notice specifying such date. The Borrower shall cause a copy of such notice to be recorded in the Official Records of the County of Los Angeles, California.

Section 4. Very Low Income Tenants; Reporting Requirements. Pursuant to the requirements of the Code, the Borrower hereby represents, warrants and covenants as follows:

(a) During the Qualified Project Period no less than 20% of the total number of completed units in the Project shall at all times be rented to and occupied by Very Low Income Tenants. For the purposes of this paragraph (a), a vacant unit which was most recently occupied by a Very Low Income Tenant is treated as rented and occupied by a Very 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 Very 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 Very Low Income Tenants. However, should a Very Low Income Tenant's Adjusted Income, as of the most recent determination thereof, exceed one hundred forty percent (140%) of the applicable income limit for a Very Low Income Tenant of the same family size, the next available unit of comparable size must be rented to (or held vacant and available for immediate occupancy by) a Very Low Income Tenant. Until such next available unit is rented, the former Very Low Income Tenant who has ceased to qualify as such shall be deemed to continue to be a Very Low Income Tenant for purposes of the twenty percent (20%) requirement of Section 4(a) hereof.

(c) For the Qualified Project Period, the Borrower will obtain, complete and maintain on file Income Certifications for each Very Low Income Tenant, including (i) an Income Certification dated, with respect to existing Very Low Income Tenants, within 60 days after the date that the Borrower acquires the Project and, with respect to new Very Low Income Tenants, immediately prior to the initial occupancy of such Very Low Income Tenant in the Project, and (ii) thereafter, an annual Income Certification with respect to each Very Low Income Tenant; provided that such certification with respect to any tenant shall in no case cover a period greater than one year. 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 Very Low Income Tenants commencing or continuing occupation of a Very Low Income Unit shall be attached to each report to be filed with the Issuer pursuant to paragraph (e) of this Section 4.

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.

(d) The Borrower will maintain complete and accurate records pertaining to the Very Low Income Units, and will permit any duly authorized representative of the Issuer, the Lender, the Department of the Treasury or the Internal Revenue Service to inspect the books and records of the Borrower pertaining to the Project, including those records pertaining to the occupancy of the Very Low Income Units.

(e) The Borrower will prepare and submit to the Issuer, the Program Monitor, if applicable, and the Lender, no later than the thirtieth day of each calendar quarter, until the end of the Qualified Project Period, a Certificate of Continuing Program Compliance executed by the Borrower stating (i) the percentage of the dwelling units of the Project that were occupied or deemed occupied pursuant to subsection (a) hereof, by Very Low Income Tenants during the preceding calendar quarter; and (ii) that either (A) no unremedied default has occurred under this Regulatory Agreement, the Financing Agreement or the Deed of Trust, or (B) a default has occurred, in which event the certificate shall describe the nature of the default in detail and set forth the measures being taken by the Borrower to remedy such default.

(f) 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 Very Low Income Units shall contain clauses, among others, wherein each tenant who occupies a Very 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 Lender, the Issuer or the Program Monitor 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 Very Low Income Tenant in determining qualification for occupancy of the Very 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 Very Low Income Tenant and such tenant's rent may be subject to increase.

Section 5. Tax-Exempt Status of Bonds. 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 Bonds 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 Bond Counsel filed with the Issuer and the Lender, 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 of Los Angeles.

(c) The Borrower hereby covenants to include or reference the requirements and restrictions contained in this Regulatory Agreement in any documents transferring 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 6. Additional Requirements of the Act. In addition to the requirements set forth above, the Borrower hereby agrees that it shall comply with each of the requirements of the Act applicable to the project. Without limiting the foregoing, the Borrower agrees as follows:

(a) Not less than 20% of the total number of units in the Project shall be available for occupancy on a priority basis by "low income tenants" as required by Section 34312.3 of the Act, one-half of which units shall be made available to Very Low Income Tenants. [Note: Section 4(a) requires that 20% of the total number of units be rented to Very Low Income Tenants].

(b) The rental payments for the Very 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 Affordable Rents.

(c) The Borrower shall accept as tenants, on the same basis as all other prospective tenants, very 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) No tenant residing in a unit reserved as required by subsection (a) of this Section 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 or Very Low Income Tenants. However, should the Adjusted Income of a tenant residing in a reserved unit increase to exceed the qualifying limit, the next available unit must be rented to (or held vacant and available for immediate occupancy by) a tenant whose income satisfies the requirement of Section 4(a) hereof. Until such next available unit is rented to a qualified tenant, the former low income tenant or Very Low Income Tenant who has ceased to qualify as such shall be deemed to continue to be a low income tenant or Very Low Income Tenant for purposes of the requirement of Section 4(a) hereof.

(e) The units reserved for occupancy as required by subsection (a) of this Section shall remain available on a priority basis for occupancy until the Bonds are retired.

Section 7. Additional Requirements of the Issuer. In addition to the requirements set forth above 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, as follows:

(a) Not less than 20% of the units in the Project shall be available on a priority basis for occupancy by Very Low Income Tenants paying rents not to exceed Affordable Rents. The requirements of this Section and Sections 4(a) and 6(a) are not cumulative, but each must be satisfied.

(b) The Borrower will indemnify the Issuer and the Lender as provided in Section 12.2 of the Financing Agreement and Section 9 hereof.

(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.

(d) The Borrower shall submit to the Issuer, (i) not later than the thirtieth (30th) day after the close of each calendar year, a statistical report in the form set forth as Exhibit D hereto, or such other form as may be prescribed by the Issuer, setting forth the information called for therein, and (ii) within fifteen (15) days after receipt of a written request, any other information or completed forms requested by the Issuer in order to comply with reporting requirements of the Internal Revenue Service or the State of California.

(e) The covenants and conditions of this Regulatory Agreement shall be binding upon successors in interest of the Borrower.

(f) 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 California or federal law, and shall be in force for the Qualified Project Period.

(g) The Borrower acknowledges that the Issuer may appoint a Program Monitor other than the Issuer (at no additional cost to the Borrower) 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 request by the Issuer to deliver to any such Program Monitor, 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 Program Monitor as an agent of the Issuer.

(h) The Lender will collect the Annual Fee, in an amount equal to \$8,000, which fee shall be payable by the Borrower to the Lender, without demand, in advance on December 1 of each year (commencing on the Closing Date and continuing through the termination of this Regulatory Agreement) which the Lender shall collect pursuant to the Financing Agreement and remit to the Issuer as provided therein. The Borrower shall also pay to the Lender for the account of the Issuer, on the Closing Date and within thirty (30) days after receipt of request for payment thereof from the Lender, all reasonable out-of-pocket expenses of the Issuer (not including salaries and wages of Issuer employees) related to the Project and the financing thereof that are

not otherwise required to be paid by the Borrower under the terms of this Regulatory Agreement or the Financing Agreement, including, without limitation, reasonable legal fees and expenses incurred in connection with the interpretation, performance, enforcement or amendment of any documents relating to the Project, the Loan or the Bonds. Notwithstanding any prepayment of the Loan and notwithstanding a discharge of the Bonds, the Borrower shall continue to pay (or, to the extent allowed under the Code, may prepay the present value at such time, computed based on the Bond yield) the Issuer's fees, unless such prepayment is made in connection with a refunding of the Bonds.

(i) The Borrower shall comply with the conditions set forth in Exhibit A of that certain CDLAC Resolution No. 04-088 relating to the Project and adopted on September 22, 2004 (the "CDLAC Conditions"), as they may be modified or amended from time to time, which conditions are incorporated herein by reference and made a part hereof. The Borrower will prepare and submit to CDLAC, not later than each anniversary of the Closing Date, until the end of the Qualified Project Period, a Certificate of Continuing Program Compliance, in substantially the form attached hereto as Exhibit E, executed by an authorized representative of the Borrower.

Any of the foregoing requirements of the Issuer (except subsection (i) above which may be expressly waived by CDLAC) may be expressly waived by the Issuer 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 Bond Counsel that any such provision is not required by the Act and may be waived without adversely affecting the exclusion from gross income of interest on the Bonds 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 an Opinion of Bond Counsel to the effect that compliance with any such requirement would cause interest on the Bonds 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 state or federal law.

Section 8. Modification of Covenants. The Borrower, the Lender 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 Bond Counsel filed with the Issuer, the Lender 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 Bond Counsel filed with the Issuer, the Lender 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 discretion, the Lender and the Borrower, and only upon receipt by the Issuer of the written opinion of Bond Counsel to the effect that such amendment will not affect the Tax-

Exempt status of interest on the Bonds or violate the requirements of the Act, and otherwise in accordance with Section 22 hereof.

(c) The Borrower, the Issuer and, if applicable, the Lender, 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 Lender as its true and lawful attorney-in-fact 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 Bond 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 Borrower, the Lender shall take no 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, an opportunity to comply with the requirements of this Section 8. Nothing in this subsection (c) shall be construed to allow the Lender to execute an amendment to this Regulatory Agreement on behalf of the Issuer.

Section 9. Indemnification; Other Payments. To the fullest extent permitted by law, the Borrower agrees to indemnify, hold harmless and defend the Issuer, its officers, governing members, directors, 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 paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject under 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) this Regulatory Agreement, the Financing Agreement and any of the other Loan Documents or the execution or amendment thereof or in connection with transactions contemplated thereby, including the issuance, sale, resale or transfer of the Bonds;
- (ii) any act or omission of the Borrower or any of its agents, contractors, servants, employees or licensees in connection with the Loan or 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 construction 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 in respect of any portion of the Project;
- (iv) any violation of any environmental law, rule or regulation with respect to, or the release of any toxic substance from, the Project or any part thereof;
- (v) the defeasance and/or redemption, in whole or in part, of the Bonds;

(vi) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact by the Borrower contained in any documents relating to the Bonds to which the Borrower is a party, or any omission from any such document of any material fact necessary to be stated therein in order to make the statements made therein by the Borrower, in the light of the circumstances under which they were made, not misleading; or

(vii) any declaration of taxability of interest on the Bonds, or allegations (or regulatory inquiry that interest on the Bonds is taxable, for federal tax purposes.

Except in the case of the foregoing indemnification of the Issuer or any of its officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the willful misconduct of such Indemnified Party. In the event that 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 reasonable 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.

Notwithstanding any transfer of the Project to another borrower in accordance with the provisions of this Agreement, the Borrower shall remain obligated to indemnify each Indemnified Party pursuant to this Section if such subsequent owner fails to indemnify any party entitled to be indemnified hereunder, unless such Indemnified Party has consented to such transfer and to the assignment of the rights and obligations of the Borrower hereunder.

Notwithstanding anything to the contrary contained elsewhere in this Regulatory Agreement, if the Lender, the Bondholders or any affiliate of any of them acquire title to the Project subject to the Regulatory Agreement, the party acquiring such title shall have no obligations or liabilities under this Section 9.

The provisions of this Section 9 shall survive the term of the Bonds and this Regulatory Agreement or the resignation of the Lender.

Section 10. Consideration. The Issuer has agreed to issue the Bonds to provide funds to lend to the Borrower to finance the Project, all for the purpose, among others, of inducing the Borrower to acquire and operate the Project. In consideration of the issuance of the Bonds 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. 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 Bonds, in the exemption from California personal income taxation of interest on the Bonds and in the Tax-Exempt status of the interest on the Bonds. In performing their duties and obligations hereunder, the Issuer, the Program Monitor and the Lender may rely upon statements and certificates of the Very Low Income Tenants, and upon audits of the books and records of the Borrower pertaining to the Project. In addition, the Issuer and the Lender 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 or the Lender hereunder in good faith and in conformity with such opinion.

Section 12. Sale or Transfer of the Project. For the Qualified Project Period, the Borrower shall not sell, transfer or otherwise dispose of the Project, in whole or in part, without the prior written consent of the Issuer, which consent shall not be unreasonably withheld, conditioned or delayed if the following conditions are satisfied: (A) the receipt by the Issuer of evidence acceptable to the Issuer that (1) the Borrower shall not be in default hereunder or under the Financing 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 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 Very 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 or the Lender with respect to the assumption of the Borrower's obligations under this Regulatory Agreement and, if the Bonds are outstanding at the time of transfer, the Financing 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 Bond Counsel addressed to the Issuer to the effect that any such sale, transfer or other disposition will not adversely affect the Tax-Exempt status of interest on the Bonds; (D) receipt by the Issuer and Lender of all fees and/or expenses then currently due and payable to the Issuer and Lender; and (E) satisfaction of such other conditions as the Issuer may reasonably impose. It is hereby expressly stipulated and agreed that any sale, transfer or other disposition of the Project in

violation of this Section 12 shall be null, void and without effect, shall cause a reversion of title to the Borrower, and shall be ineffective to relieve the Borrower of its obligations under this Regulatory Agreement. Nothing in this Section shall affect any provision of any other document or instrument between the Borrower and any other party which requires the Borrower to obtain the prior written consent of such other party in order to sell, transfer or otherwise dispose of the Project or any interest (direct or indirect) therein or in the Borrower, including, but not limited to, any consent of the Lender and/or the Holder required under the Financing Agreement, the Deed of Trust or any other Loan Document. 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. 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. The Section 12 shall not apply to, or limit, any transfer of the Project to the Lender, the Holder or any Affiliate of the Lender or the Holder by foreclosure under the Deed of Trust or by deed in lieu of such foreclosure.

For the Qualified Project Period, the Borrower shall not: (1) encumber any of the Project or grant commercial leases of any part thereof, or permit the conveyance, transfer or encumbrance of any part of the Project, except as otherwise permitted by the Financing Agreement, the Deed of Trust and this Regulatory Agreement (and upon receipt by the Borrower of an opinion of Bond Counsel that such action will not adversely affect the Tax-Exempt status of interest on the Bonds; provided that such opinion will not be required with respect to any lease permitted under this Regulatory Agreement and the Deed of Trust relating to a commercial operation or ancillary facility that will be available for tenant use and is customary to the operation of multifamily housing developments similar to the Project); (2) demolish any part of the Project or substantially subtract from any real or personal property of the Project, except in accordance with the Loan Documents and 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. 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 Bonds and discharge of the Financing Agreement and the Financing Agreement.

The terms of this Regulatory Agreement to the contrary notwithstanding, the requirements hereof shall terminate and be of no further force and effect 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 Lender from enforcing such provisions, or condemnation or foreclosure, transfer of title by deed in lieu of foreclosure, or a similar event, but only if, within a reasonable period, either the Bonds are 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, the Lender and the Borrower upon receipt by the Issuer and the Lender of an opinion of Bond Counsel to the effect that such termination will not adversely affect the exclusion from gross income of interest on the Bonds 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. 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. 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. 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 Very Low Income Tenants, the intended beneficiaries of such covenants, reservations and restrictions, and by furthering the public purposes for which the Bonds were issued.

Section 16. Uniformity; Common Plan. 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. 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 notice thereof shall have been given by the Issuer 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 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 Bond Counsel, the failure to cure said default within 60 days will not adversely affect the Tax-Exempt status of interest on the Bonds; and provided further, that notice shall be given to the Borrower's Investor Limited Partner (as designated in Section 23 of this Regulatory Agreement), who shall be entitled to cure any such default under the conditions set forth herein. The Issuer 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.

Following the declaration and during the continuance of an Event of Default hereunder, the Issuer, subject to the provisions of the Financing Agreement, 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 rent or other amounts received by the Borrower for any units in the Project which were in violation of this Regulatory Agreement during the period such violation continued (which payment shall not reduce the amount nor affect any payment due under the Loan);

(iv) 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; and

(v) subject to the provisions of the Financing Agreement, declare a default thereunder and proceed with any remedies provided therein.

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.

In addition, during the Qualified Project Period, the Borrower hereby grants to the Issuer the option, upon the expiration of 60 days after the giving of the notice to the Borrower referred to in the first paragraph of this Section 17 of the Borrower's default under this Regulatory Agreement, to lease up to 20% of the units in the Project for the purpose of subleasing such units to Very Low Income Tenants, but only to the extent necessary to comply with the provisions of Sections 3, 4, 6 and 7. The option granted in the preceding sentence shall be effective only if the Borrower has not instituted corrective action within such 60-day period. Such option shall be exercisable first with respect to units which are vacant at the time of

exercise of this option and shall be exercised with respect to occupied units only to the extent that subleasing of additional units is necessary in order to bring the Project into compliance with the provisions of Sections 3, 4, 6 and 7, and any eviction carried out in connection with the exercise of such option shall be carried out in compliance with applicable laws. The option and any leases to the Issuer under this provision shall terminate with respect to each default upon the achievement, by the Borrower or the Issuer, of compliance with the requirements of Sections 3, 4, 6 and 7, and any subleases entered into pursuant to the Issuer's option shall be deemed to be leases from the Borrower. The Issuer shall make diligent efforts to rent Very Low Income Units to Very Low Income Tenants for monthly rental amounts equivalent to those collected from tenants of similar units in the Project, or such lesser maximum amounts as may be permitted by Section 6(b) hereof, but shall not be required to obtain such rental amounts. The Issuer shall seek to rent such units for the highest possible rents that may be charged, consistent with the rent and occupancy restrictions of this Regulatory Agreement. Tenant selection shall be performed utilizing the Borrower's reasonable management and selection policies. The Issuer subleases to Very Low Income Tenants pursuant to this paragraph shall not exceed six months in term and shall expressly permit the Borrower to increase the rents to the maximum amounts as may be permitted by Section 6(b) hereof for the respective households at the time the Borrower assumes the Issuer's position hereunder. Any rental paid under any such sublease shall be paid to the Borrower after the Issuer has been reimbursed for any expenses incurred in connection with such sublease. All rents received by the Issuer from such subleases, less the Issuer's expenses incurred in connection with such subleases, shall be placed into an escrow reasonably approved by the Borrower. All funds in such escrow shall be continuously pledged by the Issuer for the benefit of the Borrower. The Issuer agrees to allow the Borrower access to the Issuer's books and records relating to the collection and disbursement of rents received pursuant to such subleases.

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

No breach or default under this Regulatory Agreement shall defeat or render invalid any deed of trust, mortgage or like encumbrance upon the Project or any portion thereof given in good faith and for value.

Section 18.[Reserved.]

Section 19.Recording and Filing. (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 of Los Angeles 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.

(a) 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 Bond Counsel, in order to insure that the requirements and restrictions of this Regulatory Agreement will be binding upon all owners of the Project.

(b) 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. Notwithstanding any prepayment of the Loan and notwithstanding a discharge of the Financing Agreement, the Borrower shall continue to pay to the Issuer and Lender all fees, losses and expenses required under the Financing Agreement and the Financing Agreement as provided therein.

Section 21. Governing Law. This Regulatory Agreement shall be governed by the laws of the State of California.

Section 22. Amendments; Waivers. (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 of Los Angeles, California, and only upon receipt by the Issuer of an opinion from Bond Counsel that such amendment will not adversely affect the Tax-Exempt status of interest on the Bonds and is not contrary to the provisions of the Act.

(b) Anything to the contrary contained herein notwithstanding, the Issuer, the Lender and the Borrower hereby agree to amend this Regulatory Agreement to the extent required, in the opinion of Bond Counsel, in order that interest on the Bonds 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 Bond Counsel and a request that such Bond Counsel render to the Issuer and the Lender an opinion as to the effect of such proposed amendment upon the Tax-Exempt status of interest on the Bonds. 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.

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

Section 23. Notices. 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 Financing Agreement, or at such other addresses as may be specified in writing by the parties hereto.

To the Issuer:

Housing Authority of the County of Los Angeles
2 Coral Circle
Monterey Park, California 91755
Attention: Director, Housing Development and
Preservation Division
Phone: (323) 890-7269
Fax: (323) 890-9715
Email: gregg.kawczynski@lacdc.org

To the Borrower:

Aszkenazy Senior Housing, LLC
601 South Brand Boulevard, Third Floor
San Fernando, California 91340
Attention: Adriana Gomez
Phone: (818) 270-9070
Fax: (818) 270-9088
Email: agomez@aszkenazydevelopment.com

Brookmore Apartment Corporation
2320 South Fremont Avenue
Alhambra, California 91803
Attention: _____
Phone: _____
Fax: _____
Email: _____

with a copy to:

Loeb & Loeb LLP
10100 Santa Monica Boulevard, Suite 2200
Los Angeles, California 90067
Attention: Ted M. Handel, Esq.
Phone: (310) 282-2298
Fax: (310) 282-2200
Email: thandel@loeb.com

To the Investor Limited
Partner:

Apollo Housing Capital, LLC
600 Superior Avenue, Suite 2626
Cleveland, Ohio 22114
Attention: _____
Phone: _____
Fax: _____
Email: _____

To the Lender (Prior to
the Conversion Date):

Bank of America, N.A.
CA9-706-10-72
450 B Street, Suite 450
San Diego, CA 92101
Attention: Loan Administration Manager
Phone: _____
Fax: _____
Email: _____

with a copy to:

Bank of America, N.A.
333 S. Hope St., 11th Floor
Los Angeles, CA 90071
Attention: David Lamb
Phone: (213) 621-4820
Fax: (213) 621-4882
Email: david.b.lamb@bankofamerica.com

To the Lender (after the
Conversion Date):

California Community Reinvestment Corporation
225 West Broadway, Suite 120
Glendale, CA 91204
Attention: _____
Phone: _____
Fax: (818) 550-9806
Email: _____

The Issuer, the Program Monitor 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 received, as evidenced by written confirmation of receipt by the addressee of such notice.

Section 24. Severability. 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. 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. Notwithstanding the foregoing or 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 Lender or the Issuer and their successors and assigns, is limited to the Borrower's interest in the Project, the Revenues, including the amounts held in the funds and accounts created under

the Financing Agreement, 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 Financing Agreement, any rights of the Borrower under the Financing Agreement or any other documents relating to the Bonds 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 and the Financing Agreement 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.

Section 27. Third-Party Beneficiary. CDLAC is intended to be and shall be a third-party beneficiary of this Regulatory Agreement. CDLAC shall have the right (but not the obligation) to enforce the CDLAC Conditions 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 Bondholders.

[Remainder of page intentionally left blank]

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.

THE HOUSING AUTHORITY OF THE COUNTY
OF LOS ANGELES

By _____
Executive Director

Approved as to form:

County Counsel

By _____
Deputy

SAN FERNANDO SENIOR HOUSING, L.P., a
California limited partnership

By: Brookmore Apartment Corporation, a
California nonprofit, public benefit
corporation, its Managing General Partner

By: _____

By: Aszkenazy Senior Housing, LLC, a
California limited liability company, its
Development General Partner

By: _____

[Signature Page to the Regulatory Agreement]

[Attach Notary Acknowledgements]

EXHIBIT A

**DESCRIPTION OF REAL PROPERTY
RELATING TO THE PROJECT**

EXHIBIT B

[FORM OF INCOME CERTIFICATION]

VERIFICATION OF INCOME

RE: [Name of Project]
[Address of Project]

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, workers' 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 bonds issued to finance the acquisition and rehabilitation of the apartment building for which application is being made. We consent to the disclosure of such information to the issuer of such bonds, the holders of such bonds, any agent 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 Very 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 individuals or a family of Very Low Income; go to item III.
- (ii) If line II(A) above is "Yes" and 8(a) above is "No," then the household qualifies as individuals or a family of Very Low Income; go to item III.
- (iii) If line II(A) above is "Yes" and 8(b) above is "Yes," then the household qualifies as individuals or a family of Very Low Income; go to item III.
- (iv) If neither (ii) nor (iii) is applicable, then the household does not qualify as individuals or a family of Very Low Income.

III. (Check one)

The household does not qualify as individuals or a family of Very Low Income.
_____.

The household qualifies as individuals or a family of Very Low Income. _____.

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

Borrower

NOTE TO PROJECT BORROWER: A vacant unit previously occupied by individuals or a family of Very Low Income, may be treated as occupied by individuals or a family of Very Low Income 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 Program Monitor along with a Verification of Income upon the rental of a unit in the Project.)

Project: SAN FERNANDO SENIOR HOUSING

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 Very Low Income Tenant.

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

Witness

Borrower

Date: _____

Date: _____

EXHIBIT C

[FORM OF CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE]

CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

Witnesseth that on this ___ day of _____, _____, the undersigned, having borrowed certain funds from The Housing Authority of The County of Los Angeles (the "Issuer") for the purpose of financing a multifamily rental housing development (the "Project"), does hereby certify that:

1. During the preceding month (i) such Project was continually in compliance with the Regulatory Agreement executed in connection with such loan from the Issuer, (ii) ___% of the units in the Project were occupied by Very Low Income Tenants (minimum of 20% at Affordable Rents).

Set forth below are the names of Very Low Income Tenants who commenced or terminated occupancy during the preceding month.

Commenced Occupancy

Terminated Occupancy

- | | |
|----|----|
| 1. | 1. |
| 2. | 2. |
| 3. | 3. |

The units occupied by Very Low Income Tenants are of similar size and quality to other units and are dispersed throughout the Project. Attached is a separate sheet listing the number of each unit and indicating which units are occupied by Very Low Income Tenants, the size, the number of bedrooms of such units and the number of Very Low Income Tenants who commenced occupancy of units during the preceding month.

2. *Select appropriate certification:* [No unremedied default has occurred under this Regulatory Agreement, the Financing Agreement or the Deed of Trust.] [A default has occurred. The nature of the default and the measures being taken to remedy such default are as follows: _____.]

3. The representations set forth herein are true and correct to the best of the undersigned's knowledge and belief.

Date: _____

Borrower

EXHIBIT D

[Form of]

STATISTICAL REPORT TO ISSUER

Reporting Period: _____, _____. Date: _____

As of the date hereof:

1. Total units: _____; units occupied by Very Low Income Tenants: _____; _____; vacant units most recently occupied by Very Low Income Tenants: _____; other vacant units: _____.
2. Total units occupied by households with children, to the extent such information has been provided by tenants: _____; Very Low Income Units so occupied: _____;
3. To the extent such information has been provided by tenants, total units occupied by elderly households with a member of age 62 or over: _____; Very Low Income Units so occupied: _____;
4. The number of Very Low Income Tenants who terminated their rental agreements during the previous twelve (12) month period is _____.
5. The number of units rented to new Very Low Income Tenants during the last twelve (12) month period is _____.
6. To the extent such information has been provided by tenants, the family names of each household currently occupying a Very Low Income Unit are listed on the schedule attached hereto.

7. The number of Very Low Income Units of various sizes is:

studio:
one-bedroom:
two-bedroom:
three-bedroom:

**SAN FERNANDO SENIOR HOUSING, L.P.,
a California Limited Partnership**

By _____
Borrower Representative

EXHIBIT E

CERTIFICATE OF CDLAC PROGRAM COMPLIANCE

Witnesseth that on this __ day of _____, __, the undersigned, having borrowed certain funds from The Housing Authority of the County of Los Angeles (the "Issuer") for the purpose of financing a multifamily rental housing development (the "Project") located in the County Los Angeles, California, does hereby certify that:

1. [The Borrower is in compliance with the CDLAC Conditions (as defined in the Regulatory Agreement relating to the Project).] [The Borrower is not in compliance with Condition No. ____ of the CDLAC Conditions. The following measures are being taken to remedy such noncompliance _____.]

2. The representations set forth herein are true and correct to the best of the undersigned's knowledge and belief.

Date: _____

SAN FERNANDO SENIOR HOUSING, L.P.,
a California Limited Partnership

By _____
Borrower Representative



**HOUSING AUTHORITY
of the County of Los Angeles**

Administrative Office
2 Coral Circle • Monterey Park, CA 91755
323.890.7001 • www.lacdc.org • TTY: 323.838.7449



Gloria Molina
Yvonne Brathwaite Burke
Zev Yaroslavsky
Don Knabe
Michael D. Antonovich
Commissioners

Carlos Jackson
Executive Director

November 17, 2004

Honorable Board of Commissioners
Housing Authority of the
County of Los Angeles
2 Coral Circle
Monterey Park, California 91755

Dear Commissioners:

**AWARD ONE-YEAR AGREEMENTS TO PROVIDE COUNTYWIDE ASBESTOS
AND/OR LEAD CONSULTING SERVICES (ALL DISTRICTS)**

IT IS RECOMMENDED THAT YOUR COMMISSION:

1. Recommend that the Board of Commissioners approve and authorize the Executive Director of the Housing Authority to execute one-year Asbestos and/or Lead Consulting Services Agreements (Agreements) with the 13 firms identified in Attachment A, using the form of the attached Agreement, to provide asbestos and/or lead consulting services on a project-by-project, as-needed basis during the development and/or rehabilitation of affordable housing, commercial and other facilities throughout the County of Los Angeles, to be effective upon execution by all parties, and to use for this purpose \$110,000 to be incorporated into the Housing Authority's approved Fiscal Year 2004-2005 budget, as needed.
2. Recommend that the Board of Commissioners authorize the Executive Director to execute amendments to the one-year Agreements, following approval as to form by County Counsel, to extend the time of performance for a maximum of two years, in one-year increments and to increase the total amount of compensation for the second and third years to a maximum aggregate amount of \$137,500 and \$171,875 respectively, using funds to be included in the Housing Authority's approved budget through the annual budget process.



3. Recommend that the Board of Commissioners authorize the Executive Director to increase the first year of the Agreements by a maximum aggregate of \$27,500, to be incorporated into the Housing Authority's approved Fiscal Year 2004-2005 budget, and to increase the second and third years of the Agreements by a maximum aggregate of \$34,375 and \$42,969, respectively, using funds to be included in the Housing Authority's approved budgets through the annual budget process, for unforeseen costs and projects.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:

The purpose of the recommended action is to enter into Agreements to retain the services of 13 firms to provide asbestos and/or lead consulting services for the development and/or rehabilitation of affordable housing, commercial and other facilities benefiting the County of Los Angeles.

FISCAL IMPACT/FINANCING:

There is no impact on the County general fund. The maximum aggregate amount for all years of the Agreements, if fully extended, will be \$2,706,875 for the Commission and \$419,375 for the Housing Authority.

For the first year of services under the Agreements, the Commission will use a maximum aggregate of \$710,000, to be incorporated into the Commission's approved Fiscal Year 2004-2005 budget, as needed. A 25 percent contingency, in the maximum aggregate amount of \$177,500, is also being set aside for unforeseen costs and projects, to be incorporated into the Commission's approved Fiscal Year 2004-2005 budget, as needed.

After the first year, the Commission may extend the Agreements for an additional two years, in one-year increments, contingent upon availability of funds. If extended, compensation for the second and third years of the Agreements will not exceed a maximum aggregate amount of \$877,500 and \$1,109,375 respectively, using funds to be incorporated into the Commission's approved budgets through the annual budget process.

The Commission is also setting aside a 25 percent contingency for each year of the Agreements, in the maximum aggregate amount of \$221,875 and \$277,344 for the second and third years of the Agreements, respectively, for unforeseen costs and projects, using funds to be included into the Commission's approved budgets through the annual budget process.

The terms of the Housing Authority Agreements will parallel those of the Commission. For the first year of services under the Agreements, the Housing Authority will use a maximum aggregate of \$110,000, to be incorporated into the Housing Authority's approved Fiscal Year 2004-2005 budget, as needed. After the first year, the Housing Authority may extend the Agreements for an additional two years, in one-year increments, contingent upon availability of funds. If extended, compensation for the

second and third years of the Agreements will not exceed a maximum aggregate amount of \$137,500 and \$171,875 respectively, using funds to be included in the Housing Authority's approved budgets through the annual budget process.

The Housing Authority is also setting aside a 25 percent contingency for each year of the Agreements, in the maximum aggregate amount of \$27,500 for the first year, to be incorporated into the Housing Authority's approved Fiscal Year 2004-2005 budget, as needed, and \$34,375 and \$42,969 for the second and third years of the Agreements, respectively, to incorporate specific sites and include additional projects and compensation, using funds to be included in the Housing Authority's approved budgets through the annual budget process.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

The Asbestos Hazard Emergency Response Act, the National Emissions Standards for Hazardous Air Pollutants and the South Coast Air Quality Management District have established regulatory requirements for the testing and abatement of asbestos. The U. S. Department of Housing and Urban Development (HUD) has established requirements for the reduction of lead-based hazards in federally assisted projects. In addition, the Toxic Substances Control Act, the federal Occupational Health and Safety Administration, the California Code of Regulations, and the California Environmental Protection Agency have established regulatory requirements for the testing and abatement of lead.

The proposed Agreements define the asbestos consulting services to be performed by the 13 firms identified in Attachment A. Over the initial one-year term, as required during the development and/or rehabilitation of affordable housing, commercial and other facilities, the firms will conduct the following activities: asbestos surveys, project design and monitoring (including review of construction contract documents, plans and specifications), limited (component-specific) sampling, abatement feasibility studies, pre-abatement (baseline) testing, cost estimates, on-site abatement monitoring during construction, clearance testing, and waste handling and disposal.

The proposed Agreements also define the lead consulting services to be performed by the 13 firms identified in Attachment A. Over the initial one-year term, as required during the development and/or rehabilitation of affordable housing, commercial and other facilities, the firms will conduct the following activities: lead based paint inspections, risk assessments, hazard assessments, limited sampling (component-specific), soil sampling, pre-abatement testing, abatement project design and monitoring activities (including review of construction contract documents, plans and specifications), cost estimates, and clearance testing.

The one-year Agreements may be amended to incorporate specific sites, and detailed statements of work for each project. The Agreements may also be amended to extend the time of performance for a maximum of two years, in one-year increments, and to include additional projects and compensation.

The firms will be assigned projects and will receive compensation based on the statement of services performed on a project-by-project, as-needed basis. The addition of projects to each Agreement will be determined based on site needs, qualifications of the consultant in the various aspects of the testing process, and the complexity of the assignment. The cost of services will not exceed the costs accepted on the Cost Sheets submitted with the proposals in response to the Request for Proposals, or the negotiated dollar amount for individual asbestos or lead assignments or work programs.

Should any of the firms identified in Attachment A require additional or replacement personnel during the term of the Agreements, they will give consideration for any such employment openings to participants in the County's Department of Public Social Services' Greater Avenues for Independence (GAIN) Program and General Relief Opportunity for Work (GROW) Program who meet the minimum qualifications for the open positions. The firms will contact the County's GAIN/GROW Division for a list of participants by job category.

County Counsel has reviewed this letter. The Agreements will be effective following execution by all parties.

ENVIRONMENTAL DOCUMENTATION:

Pursuant to 24 Code of Federal Regulations, Part 58, Section 58.34(a)(3), the Agreements are exempt from the provisions of the National Environmental Policy Act because they involve administrative activities and will not alter existing environmental conditions. The actions are not subject to the provisions of the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines 15061 (b)(3) because they are covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment.

CONTRACTING PROCESS:

On July 6, 2004, a Request for Proposal (RFP) process was initiated to identify firms to provide asbestos and/or lead consulting services. An RFP announcement was mailed to 487 consulting firms identified from the Commission's vendor list. Announcements appeared in eight local newspapers and on the County's WebVen website. A copy of the RFP also was posted on the Commission's website.

By the deadline of August 3, 2004, proposals were received from 19 firms, of which 17 were evaluated. Two proposals did not meet the minimum requirements set forth in the RFP. Three proposals were received after the deadline. The 17 proposals were evaluated, and based on the RFP requirements and the rating process, H2 Environmental Consulting Services, Inc., Lead Tech Environmental, Global Environmental Training and Consulting, Health Science Associates, Barr and Clark, Inc., Hillmann Environmental Group LLC, Ambient Environmental, Inc., National Econ Corporation, SCA Environmental, Inc., Komex H2O Science, Inc., CTL Environmental

Services, Allstate Services Environmental, Inc., and ATC Associates, Inc., are being recommended for inclusion on a list of firms to be utilized on a project-by-project, as-needed basis for asbestos and/or lead consulting services.

The Summary of Outreach Activities is provided as Attachment B.

IMPACT ON CURRENT PROGRAMS:

The proposed Agreements will provide Countywide asbestos and/or lead consulting services for housing, environmental, economic development and redevelopment projects.

Respectfully submitted,


for CARLOS JACKSON
Executive Director

CJ:Asbestos

Attachments: 3

Attachment A
Proposed Firms for Award of Asbestos and/or Lead
Consulting Services Agreements

H2 Environmental Consulting Services, Inc.

Lead Tech Environmental

Global Environmental Training and Consulting

Health Science Associates

Barr and Clark, Inc.

Hillmann Environmental Group, LLC

Ambient Environmental, Inc.

National Econ Corporation

SCA Environmental, Inc.

Komex H2O Science, Inc.

CTL Environmental Services

Allstate Services Environmental, Inc.

ATC Associates, Inc.

ATTACHMENT B

AGREEMENTS FOR ASBESTOS/LEAD CONSULTING SERVICES

Summary of Outreach Activities

On July 6, 2004, the following outreach was initiated to identify qualified firms to provide asbestos and/or lead consulting services.

A. Request for Proposal Advertising

Request for Proposals (RFP) announcements appeared in the following eight local newspapers:

Antelope Valley Press	La Opinion
Eastern Group Publications	Los Angeles Times
International Daily News	The Daily News
L.A. Sentinel	Wave Community Newspapers

The announcement was also posted on the County's WebVen website.

B. Distribution of Proposal Packets

The Commission's vendor list was used to mail out the RFP to 487 asbestos and/or lead consulting firms, of which 129 identified themselves as businesses owned by minorities or women (private firms which are 51 percent owned by minorities or women, or publicly-owned businesses in which 51 percent of the stock is owned by minorities or women). A total of 60 firms received copies of the RFP either by mail or by downloading the RFP package from the Commission's website.

C. Proposal Results

By the deadline of August 3, 2004, RFPs were received from 19 firms, of which seven firms indicated they are minority-owned and/or female-owned. Two firms did not meet the minimum requirements set forth in the RFP and three firms submitted proposals after the deadline. A total of 17 proposals were evaluated, and based on the RFP requirements and rating process, Allstate Services Environmental, Inc., National Econ Corporation, Hillmann Environmental Group, LLC, H2 Environmental Consulting Services, Inc. SCA Environmental, Inc., Barr and Clark, Inc., Komex H2O Science, Inc., CTL Environmental Services, Health Science Associates, Ambient Environmental, Inc., Global Environmental Training and Consulting, Lead Tech Environmental, Inc., and ATC Associates, Inc. are being recommended for inclusion on a list of firms to be utilized on a project-by-project, as-needed basis for asbestos and/or lead consulting services.

D. Minority/Female Participation - Firms Selected for Pre-Qualified List

<u>Firm Name</u>	<u>Ownership</u>	<u>Employees</u>	
Allstate Services Environmental, Inc.	Female	20 5 7 25% 35%	Total Minorities Women Minority Women
National Econ Corporation	Non-Minority	12 4 3 33% 25%	Total Minorities Women Minority Women
Hillmann Environmental Group, LLC	Non-Minority	88 11 17 13% 19%	Total Minorities Women Minority Women
H2 Environmental Consulting Services, Inc.	Minority/Female	15 3 10 20% 67%	Total Minorities Women Minority Women
SCA Environmental, Inc.	Minority	27 11 9 41% 33%	Total Minorities Women Minority Women
Barr and Clark, Inc.	Non-Minority	9 0 2 0% 22%	Total Minorities Women Minority Women
Komex H2O Science, Inc.	Non-Minority	72 15 20 21% 28%	Total Minorities Women Minority Women

CTL Environmental Services	Female	31	Total
		11	Minorities
		14	Women
		35%	Minority
		45%	Women
Health Sciences Associates	Non-Minority	38	Total
		13	Minorities
		14	Women
		34%	Minority
		37%	Women
Ambient Environmental, Inc.	Non-Minority	6	Total
		4	Minorities
		2	Women
		67%	Minority
		33%	Women
Global Environmental Training & Consulting	Minority	6	Total
		5	Minorities
		2	Women
		83%	Minority
		33%	Women
Lead Tech Environmental, Inc.	Non-Minority	6	Total
		3	Minorities
		1	Woman
		50%	Minority
		17%	Women
ATC Associates, Inc.	Non-Minority	1,454	Total
		276	Minorities
		441	Women
		19%	Minority
		30%	Women

E. Minority/Female Participation - Firms Not Selected:

<u>Firm Name</u>	<u>Ownership</u>	<u>Employees</u>	
CSC, Inc.	Non-Minority	45	Total
		9	Minorities
		9	Women
		20%	Minority
		20%	Women

Allied Environmental Services	Minority	18	Total
		13	Minorities
		3	Women
		72%	Minority
		17%	Women
Environomics Southwest, LLC	Non-Minority	28	Total
		3	Minorities
		13	Women
		11%	Minority
		46%	Women
Hydrologue, Inc.	Minority/Female	15	Total
		3	Minorities
		6	Women
		20%	Minority
		40%	Women

The Community Development Commission and Housing Authority encourage the participation of minorities and women in the Agreement award process including: providing information about the Community Development Commission and Housing Authority at local and national conferences; conducting seminars for minorities and women regarding the Community Development Commission and Housing Authority's programs and services; advertising in newspapers to invite placement on the vendor list; and mailing information to associations which represent minorities and women. The above information has been voluntarily provided by the above firms.

The recommendation to award the Consulting Services Agreements to the above firms is being made in accordance with federal regulations, and without regard to race, color, sex, religion, national origin, ancestry, age, marital status, or disability.

Agreement Summary

Project Name: Asbestos and/or Lead Consulting Services
Location: Various locations Countywide
RFP Date: 7/6/2004
Contractors: Thirteen contractors listed in Attachment A
Services: Asbestos and/or Lead consulting

Agreement Documents: Statement of Work (attached).

Term: Upon execution, the Agreements shall remain in full force for one (1) year unless sooner terminated or extended in writing.

Option to Renew: The Agreements may be extended in one-year increments, for a total of two (2) additional years.

Yearly Authorized Amount of Contract: Contracts will be executed in the yearly aggregate amounts of \$110,000 for the first year, \$137,500 for the second year, and \$171,875 for the third year of services.

Contract Contingency: Contingencies are available in the following, yearly aggregate amounts: \$27,500 for the first year, \$34,375 for the second year, and \$42,969 for the third year of services.

STATEMENT OF WORK

FOR

ASBESTOS AND/OR LEAD

CONSULTING SERVICES

The Commission and Housing Authority are the County's affordable housing and community development agency. The Commission and Housing Authority helps to strengthen neighborhoods, empower families, support local economies, and promote individual achievement of the County's residents. In order to comply with current state, federal and local regulations, and maintain the highest level of service possible to its recipients, the Commission and Housing Authority seek qualified consultants to efficiently evaluate, report, and monitor asbestos-containing materials (ACM) and/or lead-containing materials (including lead-based paint (LBP), lead-impacted soil and water on projects within the County of Los Angeles. The Commission at its sole discretion may add and/or delete services as needed. This Statement of Work has been established in four (4) sections which describe specifications and requirements of the services requested by the Commission/Housing Authority:

- Section A: Asbestos Consulting Services,
- Section B: Lead Consulting Services,
- Section C: ACM/LBP Operations & Maintenance Program Services, and
- Section D: Asbestos and/or LBP, Abatement Design, Bidding and Monitoring Activities

SECTION A

ASBESTOS CONSULTING SERVICES

I. SCOPE OF SERVICES

The following Commission or Housing Authority Statement of Work for Asbestos consulting Services has been established in accordance with Asbestos Hazard Emergency Response Act (AHERA) 40 CFR 763, the National Emissions Standards for Hazardous Air Pollutants (NESHAPS) 40 CFR 61, Subpart M, as well as South Coast Air Quality Management District (AQMD) requirements. If there is any conflict or discrepancy between current regulations and this Statement of Work, regulations shall prevail.

II. ASBESTOS PERSONNEL-QUALIFICATION REQUIREMENTS

Key Personnel shall not be substituted without prior written approval by the Commission/Housing Authority.

A. Inspector

1. Persons conducting an Asbestos Survey must have **all of** the following qualifications/certifications:
 - a. California Department of Occupational Safety and Health (DOSH) Certified asbestos consultant (CAC)
 - b. California Asbestos Site Surveillance Technician Certification (CSST)
2. Inspectors must be qualified to perform the following Asbestos-related tasks:
 - a. Inspection of a facility for suspect ACM, with knowledge of building systems and components.
 - a. Proper sampling of suspect materials for laboratory analysis
 - b. Assessment of the condition and quantity of suspect ACM
 - c. Identification of potential health hazards
 - d. Recommendation of corrective actions

B. Project Designer/Monitor

1. Persons performing Asbestos Abatement Design/Monitoring must have **all of** the following qualifications/certifications:
 - a. California Department of Occupational Safety and Health (DOSH) Certified asbestos consultant (CAC)
 - b. California Asbestos Site Surveillance Technician Certification (CSST)
 - c. EPA accredited, AHERA-approved Management Planner Certification
 - d. EPA accredited, AHERA-approved Project Designer Certification

- e. NIOSH 582 Training (analysis of air filters by Phase Contrast Microscope)

C. Laboratories

1. All Laboratories utilized for analytical services must have current certification from National Emission Standard for Hazardous Air Pollutants (NESHAP), as well as the following accreditations:
 - a. National Institute of Occupational Safety and Health (NIOSH)
 - b. National Institute for Science and Technology (NIST)
 - c. American Industrial Hygiene Association (AIHA)
 - d. California Department of Health Services (DHS) Accreditation (ELAP)
2. All suspect bulk Asbestos samples will be analyzed using Polarized Light Microscopy (PLM) analysis (EPA Method 600/R93/116), unless otherwise directed;

III. COMPREHENSIVE ACM SURVEY REQUIREMENTS

A. Site Visit & Property Access

1. If access to the property is made difficult by some unforeseen circumstance during the site visit, the Commission or Housing Authority point-of-contact should be notified immediately. The Commission or Housing Authority personnel will attempt to facilitate entry into the subject property at that time.
2. Unless otherwise directed, the site visit/survey should include (but not be limited to):
 - a. Thorough inspection of the entire facility (including all built spaces/units, common spaces, roof(s), grounds, etc.) for suspect ACM
 - b. Review of building systems and components
 - c. Proper sampling of suspect materials for laboratory analysis
 - d. Assessment of the condition and quantity of suspect ACM
 - e. Identification of potential health hazards

B. ACM Sampling

1. Sampling shall be comprehensive and conform to all current and applicable federal, state, and local requirements.
2. Collect representative bulk samples of suspect ACM using the Asbestos Hazard Emergency Response Act (AHERA) protocol:
 - a. One to three samples of Miscellaneous material;
 - b. Three samples of each type of Thermal System Insulation (TSI);

- c. Sample friable surfacing materials according to the 3/5/7 rule based on quantity of material;
- d. Collect samples from non-friable surfacing materials as deemed appropriate by the inspector.

Note: Once a sample from a Homogeneous group turns up positive, analysis of the remaining samples are not required. The Commission/Housing Authority shall not incur costs for samples obtained but not analyzed.

3. Sample Locations (excluding pre-demolition surveys)

Sample locations should be selected so that they are representative of the sampling area. The location should be as inconspicuous as possible, and destructive sampling of a material in a common visible area should be avoided, if possible. Sampling of all accessible suspect material is required. If a roof core sample is called for, appropriate patching material should be used, and the property manager/owner notified.

- a. All reasonable precautions must be taken to minimize the impact of sampling. Samples must be collected from discrete and inconspicuous areas and any damage created must be satisfactorily repaired.

- b. Roofing Materials Sampling is required unless otherwise instructed by Commission/Housing Authority. Samples of roofing components (i.e., felts, mastics, flashings, etc.) are to be taken when conducting an Asbestos Survey (unless documentation exists that the roof has been recently replaced). For roofs containing multiple roofing systems, the core samples should include all materials. When samples are taken, appropriate patching material should be used and noted in the report. Watertight roof repairs must be made to preserve the integrity of the roof.

C. ACM Survey Report

1. Submit reports to the Commission/Housing Authority within specified time period.
2. The format of the asbestos survey report shall be as follows:
 - a. Executive Summary
 - b. Scope of Services
 - c. Material Sampling/Analysis Protocol
 - d. Findings
 - 1) Building Description – provide a description of the building interior and exterior;
 - 2) Provide a table that details (by building number, unit number and room description) a summary of results, condition of the building

- components, and areas that were tested. The samples shall be numbered sequentially on the report.
- e. Submit floor plans, which clearly identify the location and material description of each asbestos sample collected. The consultant shall be responsible for submitting legible floor plans.
 - f. Identify any inaccessible areas
 - g. Total Quantity (SF/LF) of ACM
 - h. Provide approximate cost to cure estimates for removing ACM.
 - i. Conclusions & Recommendation
 - j. Alternatives for Controlling ACM
 - k. Tables/Appendices
 - 1) Summary of Bulk Sample Analysis
 - 2) Sample Description - A Table describing the Type and Location of the Material, a NESHAP Category Number assigned (Category I non-friable, Category II non-friable ACM that can become friable, and friable ACM), and the condition in which the material was found.
 - 3) Sample Location Maps (drawings)
 - 4) Photographic Documentation
 - 5) Copies of inspector's Certifications
 - 6) Inspector's Field Notes
3. **Delivery Schedule of ACM Survey Report**
Every report must be received by the Commission/Housing Authority within **15 business days** of authorization to proceed. An extension, when warranted, may be granted in advance by the Commission/Housing Authority.
4. Two (2) copies of the Asbestos Survey Report are to be submitted. One (1) bound copy and one (1) unbound copy.

SECTION B

LEAD CONSULTING SERVICES

I. SCOPE OF SERVICES

The following Commission/Housing Authority Statement of Work for Lead Consulting Services has been established to describe the requirements for consultants to follow when inspecting a property for the presence of lead-containing materials, including lead-based paint (LBP), lead in soil, and/or lead in drinking water (if requested).

The LBP Inspections and Risk Assessments shall comply with U.S. Department of Housing and Urban Development (HUD) "Guidelines for Evaluation of and Control of Lead-Based Paint Hazards in Housing", (June 1995, revised 1997); Section 403 of the "Toxic Substance Control Act", Federal OSHA Section 1926.62, Lead Exposure in Construction, Interim Final Rule, California Code of Regulations Title 8, Section 1532.1 (Cal/OSHA Construction Safety Orders, Lead) and any other applicable federal, state and local requirements, including Los Angeles County, Department of Health Services, Title 11, and California EPA-DTSC Standards of Waste Storage, Characterization, and Disposal. If there are any conflict or discrepancy between requirements of current regulations and this Statement of Work, current regulations shall prevail.

Note: HUD Regulations found in 24 CFR Part 35, outlines the Federal requirements for the reduction of lead-based paint hazards in federally assisted projects, by program. The type of program and the amount of monetary assistance determines the type of assessment approach, which must be conducted.

II. LEAD PERSONNEL - QUALIFICATIONS REQUIREMENTS

A. Inspector/Risk Assessor

Persons performing Lead Inspections/Risk Assessments must have all the following qualifications/certifications:

1. California Department of Health Services (DHS) Certified Lead Inspector/Risk Assessor
2. EPA Radiation Safety Course - if using XRF spectrum analyzer instrument; also must be certified for the "type" of instrument used (i.e., RMD LPA-1 Lead Paint Inspection System)

B. Project Designer/Monitor

Persons performing Lead Abatement Project Design and Monitoring must have the following qualifications/certifications.

1. CA DHS Certified Lead Project Designer;

2. CA DHS Certified Lead Project Supervisor / Monitor

(Industrial Hygienist on staff is recommended, but NOT required)

III. LABORATORIES

A. Laboratories

All Laboratories utilized for analytical services must have current certification from National Emission Standard for Hazardous Air Pollutants (NESHAP), as well as the following accreditations:

1. National Institute of Occupational Safety and Health (NIOSH)
2. National Institute for Science and Technology (NIST)
3. American Industrial Hygiene Association (AIHA)
4. California Department of Health Services (DHS) Accreditation (ELAP)
5. National Voluntary Accreditation Program (NVLAP)

IV. SURVERY AND TESTING

A. Site Visit & Property Access

If access to the property is made difficult by some unforeseen circumstance during the site visit, the Commission/Housing Authority point-of-contact should be notified immediately. The Commission/Housing Authority personnel will attempt to facilitate entry into the subject property at that time.

B. Surveying & Testing

Limited Sampling

Consultant may be asked to perform a "limited" or component-specific sampling on specific building components to identify only damaged or deteriorated LBP hazards prior to rehab activities. Select sampling locations based on use patterns, visual observations or planned work site.

Perform visual inspection of the structures, interior and exterior, and submit written recommendations to the Commission/Housing Authority based on analytical results where known or suspect (damaged) lead containing materials may be present, based on Consultant's best professional judgment. (This may be combined with 2 below, as requested).

Comprehensive Sampling

Conduct a visual inspection of the structures, interior and exterior and perform lead based paint chip sampling and/or the X-Ray Fluorescence Spectrum Analyzer (XRF) to determine lead levels on all painted surfaces.

1. Provide lead based paint bulk sample and laboratory analysis or XRF test results as per above-mentioned regulations. Submit written test results and complete interpretation of the bulk sample analysis.
2. Testing shall conform to all current and applicable federal (including current HUD LBP guidelines), state, Los Angeles County Department of Health Services and any other local laws and guidelines.
3. Select sampling locations based on use patterns and visual observations or work site.
4. Submit and interpret the test results (positive or negative for lead content); provide clear details (by building number, unit number and room description), include sample results for each of the building components, and the areas that were tested.
5. Clearly indicate all suspect materials that are found to be positive for lead content, and the condition of the Lead-containing materials.
6. The tests shall be numbered sequentially on the report. For XRF testing, the report shall clearly indicate the brand and model number of the XRF analyzing equipment, the actual duration of each test, and the manufacturer's range of negative, inconclusive, and positive results expected from the XRF analyzer used.
7. Submit floor plans, which clearly identify the location and material description of each test.
8. On occasion, schematic floor plans may be provided by the Commission/Housing Authority.

V. REPORT FORMAT

The contents for the Lead Survey Report shall include the following:

A. Cover Sheet

The Cover Sheet shall include the following:

1. Identify number of dwelling(s) covered during the survey
2. Assessor's Name and Number of Certificate (signature page)
3. Property Owner Name, Address and Phone Number (To be Provided)
4. Date of Report and Date of Environmental Sampling

B. Executive Summary

The Executive Summary shall include the following items:

1. Scope of Work
2. Building Description

3. Description of Painted Surfaces
4. Findings, including but not limited to:
 - a. Exact location of lead hazard, if any.
 - b. Highlight existing conditions that may affect the integrity of painted surfaces (such as water leaks);
5. Summary of Findings Table (see example below) - list each unit inspected, each building (unit by unit in consecutive order), interior and exterior surfaces, and document positive or negative readings for lead content in mg/cm².
 - a. Document the "condition" of each of the sampled areas, the quantity of damage in square feet (s.f.); the location and color of both interior and exterior surfaces.
 - b. Inaccessible units or areas should also be noted on the summary table, with an explanation as to why the unit was not inspected is to be documented in the space allocated for that unit table (see example below).

Summary of Findings

Unit #	Room, Component Substrate, Color & location	Condition /S. F.	Lead Concentration XRF or Chip Sample
Unit 1	Bathroom, Ceiling, Plaster Blue (right corner of ceiling next to damage).	Damaged - 5 s.f. peeling	XRF positive .03 Rt. Corner of ceiling next to damage.
Unit 2	Unit/area not accessed due to door key not available	N/A	N/A
Unit 3	Kitchen, Window Sills	Damage - 1 s.f.	Sample # A-7 2.5 mg/cm ² positive

C. Conclusions/Recommendations

In addition to the Summary of Findings table, a final conclusion to the survey report is required and may read as follows:

"Based on the information reviewed and contained within this report, additional investigation is not warranted at this time. However, an Operations and Maintenance (O&M) Programs for identified lead-based paint in good condition, should be implemented (if applicable)" and/or,

"A recommendation for proper abatement of lead-based painted surfaces in damaged/deteriorated condition is warranted."

D. Laboratory Sample Results

E. Photographic documentation

F. Sample Location Map

G. Inaccessible Area(s)

H. Field Notes/Checklist

I. Inspector's Certifications

J. Delivery Schedule of Lead Survey Report

Every survey report must be received by the Commission/Housing Authority within **15 business days** of authorization to proceed. An extension, when warranted, may be granted in advance by the Commission/Housing Authority.

K. Copies: Two (2) copies of the Lead Survey Report are to be submitted. One (1) bound copy and one (1) unbound copy.

***Note:** If conducting only **component-specific sampling**, the report shall include A-D, and I in an unbound report.

SECTION C

ACM/LBP OPERATIONS & MAINTENANCE PROGRAM

I. SCOPE OF SERVICES

As part of or in addition to the ACM and/or LBP Survey, an Operations and Maintenance (O & M) Program may be requested to provide appropriate notification to building owners/property managers and occupants to take the necessary steps to minimize the potential for ACM/LBP exposure.

A. Basic O & M Contents

The basic O & M program contents shall include the following:

1. Introduction
2. Responsibilities/Notification to Tenants
3. Locations Affected/Condition
4. Inspection Program
5. Maintenance Program
6. Renovation/Remodeling for Non-inspected Areas
7. Methods of Protection
8. ACM and/or LBP Inspection Log
9. Inspector's Name/Certifications

SECTION D

ASBESTOS AND/OR LEAD-BASED PAINT ABATEMENT DESIGN, BIDDING AND MONITORING ACTIVITIES

I. SCOPE OF SERVICES:

Based upon the results of survey reports of risk assessments, the Commission/Housing Authority may request the Consultant to develop a work plan and specifications for abatement of identified asbestos and/or lead hazards, develop a preliminary cost estimate for abatement activity, evaluate contractor submitted bids, and/or monitor contractor conducted abatement activity. When such services are determined by the Commission/Housing Authority to be necessary, the Commission/Housing Authority will issue a written request to the Consultant for a proposal to address the scope of design, bidding, or monitoring services required.

II. ASBESTOS AND LEAD ABATEMENT DESIGN & MONITORING REQUIREMENTS

A. Proposals

When Asbestos and/or Lead Abatement design, bidding or monitoring services are requested, proposals shall be prepared and submitted by the Consultant and broken out as follows:

1. For specification preparation, and preliminary cost estimates, project management (if required) and close out report - fees must be submitted on an **hourly rate** basis;
2. Abatement monitoring fees must be submitted on a **per-shift** basis (inclusive of all air samples). The proposal must include the anticipated number of shifts and any fluctuation in per-shift rate (i.e. weekend rate, holiday rate, etc.).

B. Project Design and Bidding

Upon written request from the Commission/Housing Authority to submit a proposal for project design and bidding.

1. Consultant shall prepare and submit for the approval of the Commission/Housing Authority, a work plan and specifications for the asbestos and/or lead abatement, as applicable, which clearly details by worksite building, unit number, room description, and abatement methodology

any and all components or areas that require asbestos and/or lead abatement.

2. If the method of abatement includes replacement of building components, the Commission/Housing Authority, or its other design consultant(s), shall provide details for installation of new materials (i.e. new floor tile) to be installed in conjunction with the floor tile abatement. Consultant shall review these details for conformance with abatement plan. Perform necessary corrections and adjustments in plans and specifications to conform to the Commission/Housing Authority design standards.
3. Based on approved plans and specifications (as identified above), Consultant shall prepare and submit an itemized estimate of probable cost and time for asbestos/lead paint abatement work that would be performed by contractors secured through competitive bid process.
4. Consultant shall conduct one pre-abatement job walk, scheduled by the Commission/Housing Authority at the site during the contractor procurement phase. Discuss requirements with prospective bidders and provide written answers to all bidders' questions. Prepare meeting minutes of the pre-bid conference for the approval of the Commission/Housing Authority and assist in preparing any required Addenda to the Contract(s).

C. Asbestos and/or Lead Abatement Monitoring

1. The Consultant shall perform Asbestos/Lead Abatement monitoring activities as requested, and in accordance with project specifications and all applicable laws and regulations.
2. Prior to commencement of abatement, Consultant may be required to attend meeting(s) with tenants to explain work and address concerns. Often this can be accomplished during pre-abatement job walk (see above).
3. The Consultant shall conduct a brief pre-abatement meeting with selected contractor at the job site, which may include (but not be limited to) the following:
 - a. Take notes of the meeting, and record all agreements reached;
 - b. Obtain contractor's submittals (equipment, products, agency notifications, worker training/medical certificates, etc.);
 - c. Visually inspect all areas where abatement work is scheduled and determine general acceptability of the work areas by the contractor;
 - d. Discuss engineering controls, work area preparation, respiratory protection, work procedures, including removal and cleaning methods, and decontamination enclosure system, as well as the personnel and equipment to be used;
 - e. Discuss air testing procedures and standards for clearance testing;

- f. Discuss the contractor's safety program, including emergency procedures;
 - g. Discuss the fact that only approved Transporters/TSD facilities must be utilized
4. The Consultant shall monitor all asbestos/lead abatement activities and replacement activities (if applicable), including but not necessarily limited to the following:
- a. Provide field observation by at least one full-time site surveillance technician and/or DHS Certified Lead Project Monitor/Supervisor to monitor abatement activities; maintain on-site records, and perform required air monitoring activities at the applicable project site.
 - b. During the abatement work of the project, the Consultant will notify the Commission/Housing Authority of contractor non-conformance of regulatory or specification requirements, and assist in identifying solutions to problems noted. Consultant shall keep the Commission/Housing Authority informed of the abatement contractor's performance.
 - c. Visually observe progress of work.
 - d. Verify work area, as well as the decontamination enclosure system, design and installation.
 - e. Verify that abatement engineering controls methods and procedures spelled out in the specifications are followed.
 - f. Call the attention of the contractor to unacceptable engineering controls, methods and procedures or unacceptable results.
 - g. Take air tests, core samples and bulk samples in accordance with project specifications and applicable regulations.
 - h. Perform air monitoring throughout the project to insure that the work is done in conformance with the fiber concentration limits specified by law or specifications (whichever is more stringent).
 - i. Provide area air monitoring (benchmarking) prior to work area preparation.
 - j. Air monitoring shall be conducted outside the building, inside the work area, and at critical locations adjacent to the work area, including negative air pressure equipment's exhaust.
 - k. Make pre-final and final reviews of the project.
 - l. Compile a punch list during the pre-final review of unacceptable results to be corrected. Deliver a copy of the punch list to the contractor, and to others as appropriate.
 - m. Verify proper resolution or mitigation of all items on punch list during the final review(s).
5. The Consultant shall conduct "Clearance Testing" as required by state, local and federal regulations.
- a. For LBP, consultant shall conduct post-abatement clearance dust wipe samples; all clearance testing to conform to current HUD Guidelines. Provide appropriate clearance testing results in accordance to the HUD Assessment Notice format.

- b. For ACM, consultant shall conduct post-abatement clearance air monitoring
6. Consultant shall conduct and monitor testing of removed building components, and shall classify those components as being hazardous (Federal RCRA), California-only hazardous, or non-hazardous (general construction debris) in the bid documents so that potential bidders shall know how to dispose of the materials. Such classification shall be clearly spelled out by means of specific instructions to the contractor in the specifications, by post-abatement testing of materials, or a combination of the two, as appropriate.

D. Abatement Closeout Report

1. The Consultant shall compile and deliver a Close-Out Report to the Commission/Housing Authority within **10 Business Days** of abatement completion. The report shall include all documents associated with the project's abatement activities.
2. Required Documentation
 - a. Summary of work: The Summary shall contain general background and justification for the project (especially exact start/finish dates). It also must summarize the project activities and Contractor's performance, and contain the final "Clean" Certification, which is to be produced by the Consultant.
 - b. Contractor Compliance with Contract Documents: (prepared by the Commission/Housing Authority and/or Consultant) - These include the technical portion of the contract between the Commission/Housing Authority and Consultant/contractor. The contract documents define procedures, schedules and standards, which the contractor must follow. During the course of the project, the Consultant must monitor the contractor's general compliance with the contract documents as well as compliance with laws, and upon completion of the project the Consultant must certify contractor's compliance.
 - c. Daily Field Reports & Correspondence: At minimum, the field reports must include unusual conditions, conformity to schedule and rules and regulations, work in progress, contractor's employees and visitors present at the site, as well as observation and other notes, which together form the permanent record of the contractor's performance.

- d. **Field Testing And Logs:** All area and "Clearance" air monitoring tests conducted by the Consultant, and all Personal air monitoring tests conducted by the contractor or his contracted air sampling professional, must be included in this section. Methods of analysis must be included.
- e. **Government Agencies' Notification:** Notification of Federal, State and local government agencies is required by government statutes in advance of each asbestos abatement project. Copies of all such notifications must be included in this section.
- f. **Hazardous Waste Manifests:** All Hazardous Waste Manifests must be signed by the owner of the property from which such waste is removed, whether that owner is the Commission/Housing Authority or another entity or person. However, the Non-Hazardous Waste Manifests can be signed by an approved consultant and/or contractor on behalf of the Commission/Housing Authority.
- g. **Contractor's Work Plan and Personnel Training:** The abatement Contractor is required to submit, and the Consultant shall review, and verify the presence of a written plan including: location of asbestos/lead paint work areas, layout and construction drawings of decontamination enclosure systems, project schedule, engineering controls, work practices, personal air monitoring procedures, employee respirator and protective clothing protocol, verification of the EPA identification number, and hazardous waste hauler registration.
 - 1) **Record of Project Personnel:** Consultant's field personnel shall prepare and maintain a complete record of the contractor, owner, and other approved personnel who worked on or visited the project . This record shall indicate the name, company, and day or days the person visited or worked on the project. The log should also indicate if approved medical examinations and histories, and training certificates were on file for the contractor's personnel who entered contaminated work areas.
 - 2) **Contractor's Employee Information:** Consultant shall verify that this section includes a list of the abatement employees on the project, medical examinations and histories, and certificates of asbestos training.
 - 3) **Product and Equipment Submittals:** Consultant shall verify that this section includes submittal of products and equipment that were used to complete the abatement activities of the project. Product and Equipment Submittals, and compliance certifications, in conjunction with the Consultant's on-site verification, ensure that only approved products and equipment are used.

E. Emergencies

In the event of an emergency, the Consultant will respond within 2 hours of the emergency call. If the emergency occurs during regular business hours (8 a.m. to 5 p.m.), compensation will be based on standard rates. If the emergency occurs outside of business hours, the compensation will be based on overtime rates.