COMMUNITY DEVELOPMENT COMMISSION
County of Los Angeles
2 Coral Circle • Monterey Park, CA 91755
323.890.7001 • www.lacdc.org

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

Carlos Jackson
Executive Director

December 7, 2004

Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Honorable Board of Commissioners
Housing Authority of the
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors/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)
(3 Vote)

IT IS RECOMMENDED THAT THE BOARD OF SUPERVISORS:

Adopt and instruct the Chairman to sign a Resolution, as required under Section 147(f) of the Internal Revenue Code of 1986, approving 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, a 98-unit affordable senior rental housing development to be located at three sites in the City of San Fernando, identified in Attachment A, known as the Las Palmas I, Las Palmas II, and Park Avenue sites.

IT IS RECOMMENDED THAT THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY:

1. 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, known as the Las Palmas I, Las Palmas II, and Park Avenue sites, 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 determines 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. 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. Authorize the Executive Director to execute all related documents, following approval as to form by County Counsel, and 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 authorize the issuance of the Bonds, which bonds would then 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, your 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 96 senior units and two managers' units, of which 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 48 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.

At its meeting of November 22, 2004, the Housing Commission recommended approval of this item.

Request for the approval of an increase in the Commission's Home Investment Partnerships (HOME) Program loan to the Developer for the project is being submitted to your Board as a separate item on today's agenda.

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,

CARLOS JACKSON
Executive Director

Attachments: 7

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:

Raymond G. Fortner, Jr.
County Counsel

By: _____
Deputy

ATTACHMENT A

Site locations for San Fernando Senior Housing

Las Palmas I: 21 senior units 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.

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

TABLE OF CONTENTS

Page

ARTICLE I DEFINITIONS AND INTERPRETATION 2

Section 1.1. Definitions 2

Section 1.2. Interpretation 7

Section 1.3. Recitals, Title and Headings 7

Section 1.4. Exhibits 7

ARTICLE II REPRESENTATIONS AND WARRANTIES 7

Section 2.1. Representations and Warranties of the Issuer 7

Section 2.2. Representations, Warranties and Covenants of the Borrower 8

Section 2.3. Representations and Warranties of Lender 10

ARTICLE III ISSUANCE OF THE BONDS 12

Section 3.1. Issuance and Sale of the Bonds 12

Section 3.2. Closing Procedure 12

Section 3.3. Delivery of the Bonds and Closing of the Loan 13

Section 3.4. Terms of the Bonds 13

Section 3.5. Redemption of the Bonds 14

Section 3.6. Registration and Transfer 16

Section 3.7. Limitation on Liability of Issuer 16

Section 3.8. No Warranty 17

Section 3.9. Execution of Bonds 18

ARTICLE IV THE LOAN 18

Section 4.1. Amount and Source of Loan 18

Section 4.2. Disbursement of Loan Proceeds 18

Section 4.3. Loan Repayment 19

Section 4.4. Additional Payments 19

Section 4.5. Nature of the Borrower's Obligations 19

Section 4.6. Prepayment of Note 22

Section 4.7. [Reserved.] 23

Section 4.8. Insurance and Condemnation Proceeds 23

ARTICLE V FURTHER AGREEMENTS 23

Section 5.1. Successor to the Issuer 23

TABLE OF CONTENTS
(continued)

Page

Section 5.2. Borrower to Maintain its Existence as a Corporation or a Partnership; Conditions Under Which Exceptions Permitted 23
Section 5.3. Sale or Conveyance of the Project 24
Section 5.4. Tax-Exempt Status of the Bonds 25
Section 5.5. Additional Instruments 25
Section 5.6. Books and Records 26
Section 5.7. Notice of Certain Events 26
Section 5.8. Indemnification of the Issuer 26
Section 5.9. Compliance with Usury Laws 28
Section 5.10. Compliance with Other Laws 28
Section 5.11. Maintenance and Repair 28
Section 5.12. Location of Project 28
Section 5.13. Recordation of Documents 28
Section 5.14. Compliance with Loan Documents 28
ARTICLE VI EVENTS OF DEFAULT AND REMEDIES 29
Section 6.1. Defaults 29
Section 6.2. Loan Acceleration Default 30
Section 6.3. Remedies 30
Section 6.4. Attorneys' Fees and Costs 31
Section 6.5. No Remedy Exclusive 31
Section 6.6. No Additional Waiver Implied by One Waiver 31
ARTICLE VII MISCELLANEOUS 32
Section 7.1. Entire Agreement 32
Section 7.2. Notices 32
Section 7.3. Assignments 32
Section 7.4. Severability 32
Section 7.5. Execution of Counterparts 33
Section 7.6. Amendments, Changes and Modifications 33
Section 7.7. Governing Law 33
Section 7.8. Term of Agreement 33
Section 7.9. Non-Business Days 33

TABLE OF CONTENTS
(continued)

Page

Section 7.10. Parties to Act Reasonably 33

Section 7.11. Limitation of Liability of Issuer and Its Officers, Employees and Agents 33

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, as agent for the Issuer, 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 Lender, as agent for the Issuer.

"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 (a) 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 Lender, as agent for 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 Lender, as agent for 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. The Lender shall execute and deliver the Construction Loan Agreement and the Lender Assignment as agent for the Issuer.

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 agent 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 by the Lender, as agent for the Issuer, 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, as agent for 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 the Issue Date and on each December 1, following the Issue Date, immediately to the Lender for disbursal to the Issuer, 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

waived and shall not be deemed to waive any other breach hereunder. Issuer may not waive any breach by Borrower except if and to the extent Lender has concurrently waived the same breach.

ARTICLE VII

MISCELLANEOUS

Section 7.1. Entire Agreement. This Agreement, the Tax Certificate and the other Loan Documents constitute the entire agreement and supersede all prior agreements and understandings, both written and oral, between the Issuer, Lender and the Borrower with respect to the subject matter hereof.

Section 7.2. Notices. All notices, certificates or other communications shall be in writing and shall be sufficiently given and shall be deemed received on the Business Day on which the same have been sent by telefax (provided that said notice is immediately followed by notice mailed as provided below), on the next Business Day following the day on which the same have been personally delivered (either by messenger or courier service which guarantees next-day delivery) or (if not by such messenger or by courier service), on the second Business Day following the date on which the same has been mailed by certified mail, return receipt requested, postage prepaid, addressed as follows:

If to Issuer:	The Housing Authority of the County of Los Angeles 2 Coral Circle Monterey Park, CA 91755 Attention: Manager, Housing Development and Preservation Facsimile: (323) 890-9715 Telephone: (323) 890-7269
If to Borrower:	See Section III.B of Exhibit A hereto
If to Lender:	See Section II.G of Exhibit A hereto

A duplicate copy of each notice, certificate or other communication given hereunder by any party hereto to another party hereto shall also be given to all of the parties specified above. All other documents required to be submitted to any of the foregoing parties shall also be submitted to such party at its address set forth above. Any of the foregoing parties may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, documents or other communications shall be sent.

Section 7.3. Assignments. This Agreement may not be assigned by any party without the prior written consent of all parties hereto, which consent shall not be unreasonably withheld; provided, howerver, that Lender may assign its interest and rights under this Agreement, the Loan Agreement, the Note, the Bonds, the Security or any such documents without obtaining the consent of the other parties by providing to the Issuer the letter outlined in Section 3.6 above.

Section 7.4. Severability. If any provision of this Agreement shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other

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

X Housing or __ Nonprofit or __ Nonprofit Housing
If Housing, X 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

X 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
X 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

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

X 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:

X Evidence of recording of the Regulatory Agreement

X Regulatory Agreement

__ Other _____

B. Issuance Costs.

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

VI. APPROVED TRANSFERS

X 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 Instutional 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 registar 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

PRINCIPAL SCHEDULE

Date	Amount of Bonds Purchased	Principal Paid on the Bonds	Current Principal of the Bonds	Signature of Lender

Date	Amount of Bonds Purchased	Principal Paid on the Bonds	Current Principal of the Bonds	Signature of Lender

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") and all other Loan 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 Loan 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 Loan 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 Loan 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)

TABLE OF CONTENTS

Page

SECTION 1. DEFINITIONS AND INTERPRETATION 1
SECTION 2. REPRESENTATIONS, COVENANTS AND WARRANTIES OF THE BORROWER 4
SECTION 3. QUALIFIED RESIDENTIAL RENTAL PROJECT 4
SECTION 4. VERY LOW INCOME TENANTS; REPORTING REQUIREMENTS 6
SECTION 5. TAX-EXEMPT STATUS OF BONDS 7
SECTION 6. ADDITIONAL REQUIREMENTS OF THE ACT 8
SECTION 7. ADDITIONAL REQUIREMENTS OF THE ISSUER 9
SECTION 8. MODIFICATION OF COVENANTS 10
SECTION 9. INDEMNIFICATION; OTHER PAYMENTS 11
SECTION 10. CONSIDERATION 12
SECTION 11. RELIANCE 13
SECTION 12. SALE OR TRANSFER OF THE PROJECT 13
SECTION 13. TERM 14
SECTION 14. COVENANTS TO RUN WITH THE LAND 15
SECTION 15. BURDEN AND BENEFIT 15
SECTION 16. UNIFORMITY; COMMON PLAN 15
SECTION 17. DEFAULT; ENFORCEMENT 15
SECTION 18. [RESERVED.] 18
SECTION 19. RECORDING AND FILING 18
SECTION 20. PAYMENT OF FEES 18
SECTION 21. GOVERNING LAW 18
SECTION 22. AMENDMENTS; WAIVERS 18
SECTION 23. NOTICES 19
SECTION 24. SEVERABILITY 19
SECTION 25. MULTIPLE COUNTERPARTS 19
SECTION 26. LIMITATION ON LIABILITY 19
SECTION 27. THIRD-PARTY BENEFICIARY 20

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").

W I T N E S S E T H:

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:

Type of Unit	Assumed Household Size
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 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 5.8 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.

The foregoing indemnification of the Issuer or any of its officers, members, directors, officials, employees, attorneys and agents does not apply only 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.

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 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: Roy Haugen
Phone: (626) 300-2454
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: (619) 515-5976
Fax: (619) 515-5973
Email: estrella.zareno-meim@bankofamerica.com

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: Mark Rasmussen
Phone: (818) 550-9807
Fax: (818) 550-9806
Email: mark.rasmussen@e-ccrc.org

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

Unit No.	Very Low Income or Market Unit	No. of Bedrooms	Rent	Total Eligible Income (for Very Low Income Units)	Size (Sq. Ft.)

Total Number of Units: _____

Percentage of Very Low Income Units: _____

Number of Very Low Income Tenants commencing occupancy this month: _____

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

TABLE OF CONTENTS

Page

SECTION 1. DEFINITIONS AND INTERPRETATION 1
SECTION 2. REPRESENTATIONS, COVENANTS AND WARRANTIES OF THE BORROWER 4
SECTION 3. QUALIFIED RESIDENTIAL RENTAL PROJECT 4
SECTION 4. VERY LOW INCOME TENANTS; REPORTING REQUIREMENTS 6
SECTION 5. TAX-EXEMPT STATUS OF BONDS 7
SECTION 6. ADDITIONAL REQUIREMENTS OF THE ACT 8
SECTION 7. ADDITIONAL REQUIREMENTS OF THE ISSUER 9
SECTION 8. MODIFICATION OF COVENANTS 10
SECTION 9. INDEMNIFICATION; OTHER PAYMENTS 11
SECTION 10. CONSIDERATION 12
SECTION 11. RELIANCE 13
SECTION 12. SALE OR TRANSFER OF THE PROJECT 13
SECTION 13. TERM 14
SECTION 14. COVENANTS TO RUN WITH THE LAND 15
SECTION 15. BURDEN AND BENEFIT 15
SECTION 16. UNIFORMITY; COMMON PLAN 15
SECTION 17. DEFAULT; ENFORCEMENT 15
SECTION 18. [RESERVED.] 18
SECTION 19. RECORDING AND FILING 18
SECTION 20. PAYMENT OF FEES 18
SECTION 21. GOVERNING LAW 18
SECTION 22. AMENDMENTS; WAIVERS 18
SECTION 23. NOTICES 19
SECTION 24. SEVERABILITY 19
SECTION 25. MULTIPLE COUNTERPARTS 19
SECTION 26. LIMITATION ON LIABILITY 19
SECTION 27. THIRD-PARTY BENEFICIARY 20

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").

W I T N E S S E T H:

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:

Type of Unit	Assumed Household Size
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 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 5.8 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.

The foregoing indemnification of the Issuer or any of its officers, members, directors, officials, employees, attorneys and agents does not apply only 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.

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 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: Roy Haugen
Phone: (626) 300-2454
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: (619) 515-5976
Fax: (619) 515-5973
Email: estrella.zareno-meim@bankofamerica.com

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: Mark Rasmussen
Phone: (818) 550-9807
Fax: (818) 550-9806
Email: mark.rasmussen@e-ccrc.org

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

Unit No.	Very Low Income or Market Unit	No. of Bedrooms	Rent	Total Eligible Income (for Very Low Income Units)	Size (Sq. Ft.)

Total Number of Units: _____

Percentage of Very Low Income Units: _____

Number of Very Low Income Tenants commencing occupancy this month: _____

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)

TABLE OF CONTENTS

Page

SECTION 1. DEFINITIONS AND INTERPRETATION 1
SECTION 2. REPRESENTATIONS, COVENANTS AND WARRANTIES OF THE BORROWER 4
SECTION 3. QUALIFIED RESIDENTIAL RENTAL PROJECT 4
SECTION 4. VERY LOW INCOME TENANTS; REPORTING REQUIREMENTS 6
SECTION 5. TAX-EXEMPT STATUS OF BONDS 7
SECTION 6. ADDITIONAL REQUIREMENTS OF THE ACT 8
SECTION 7. ADDITIONAL REQUIREMENTS OF THE ISSUER 9
SECTION 8. MODIFICATION OF COVENANTS 10
SECTION 9. INDEMNIFICATION; OTHER PAYMENTS 11
SECTION 10. CONSIDERATION 12
SECTION 11. RELIANCE 13
SECTION 12. SALE OR TRANSFER OF THE PROJECT 13
SECTION 13. TERM 14
SECTION 14. COVENANTS TO RUN WITH THE LAND 15
SECTION 15. BURDEN AND BENEFIT 15
SECTION 16. UNIFORMITY; COMMON PLAN 15
SECTION 17. DEFAULT; ENFORCEMENT 15
SECTION 18. [RESERVED.] 18
SECTION 19. RECORDING AND FILING 18
SECTION 20. PAYMENT OF FEES 18
SECTION 21. GOVERNING LAW 18
SECTION 22. AMENDMENTS; WAIVERS 18
SECTION 23. NOTICES 19
SECTION 24. SEVERABILITY 19
SECTION 25. MULTIPLE COUNTERPARTS 19
SECTION 26. LIMITATION ON LIABILITY 19
SECTION 27. THIRD-PARTY BENEFICIARY 20

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").

W I T N E S S E T H:

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 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:

Type of Unit	Assumed Household Size
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 (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 5.8 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.

The foregoing indemnification of the Issuer or any of its officers, members, directors, officials, employees, attorneys and agents does not apply only 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.

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 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: Roy Haugen
Phone: (626) 300-2454
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: (619) 515-5976
Fax: (619) 515-5973
Email: estrella.zareno-meim@bankofamerica.com

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: Mark Rasmussen
Phone: (818) 550-9807
Fax: (818) 550-9806
Email: mark.rasmussen@e-ccrc.org

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

Unit No.	Very Low Income or Market Unit	No. of Bedrooms	Rent	Total Eligible Income (for Very Low Income Units)	Size (Sq. Ft.)

Total Number of Units: _____

Percentage of Very Low Income Units: _____

Number of Very Low Income Tenants commencing occupancy this month: _____

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