RECORDING REQUESTED BY
THE CITY OF SAN JOSE

AND WHEN RECORDED RETURN TO:

Orrick, Herrington & Sutcliffe LLP
The Orrick Building
405 Howard Street
San Francisco, CA 94105-2669
Attention: Paul Toland

REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS

By and Among

CITY OF SAN JOSE,

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Fiscal Agent

and

1ST AND ROSEMARY FAMILY HOUSING, L.P.,
a California limited partnership

_____

Dated as of April 1, 2012

_____

Relating to:

CITY OF SAN JOSE
MULTIFAMILY HOUSING REVENUE NOTE
(1ST AND ROSEMARY FAMILY APARTMENTS)
SERIES 2012C

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REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS

THIS REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS (as supplemented and amended from time to time, this "Regulatory Agreement") is made and entered into as of April 1, 2012, by and among the CITY OF SAN JOSE, CALIFORNIA, a municipal corporation and charter city organized and existing under its Charter and the laws of the State of California (together with any successor to its rights, duties and obligations, the "Governmental Lender"), WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as fiscal agent (together with any successor thereto, the "Fiscal Agent") under the Funding Loan Agreement (as hereinafter defined), and 1ST AND ROSEMARY FAMILY HOUSING, L.P., a California limited partnership (together with any successor to its rights, duties and obligations hereunder and as lessee of the Project identified herein, the "Owner").

W I T N E S S E T H:

WHEREAS, the Governmental Lender proposes to execute and deliver its City of San José Multifamily Housing Revenue Note (1st and Rosemary Family Apartments) Series 2012C (the "Governmental Loan Note"), in the aggregate principal amount not to exceed $35,500,000, pursuant to Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code, as amended (the "Act"), evidencing indebtedness (the "Funding Loan") under a Funding Loan Agreement, dated as of April 1, 2012, among the Governmental Lender, Citibank, N.A., as the Funding Lender (the "Funding Lender"), and the Fiscal Agent (the "Funding Loan Agreement"); and

WHEREAS, the proceeds of the loan made to the Governmental Lender by the Funding Lender pursuant to the Funding Loan will be used by the Governmental Lender to make a loan to the Owner pursuant to the Borrower Loan Agreement, dated as of April 1, 2012 (as supplemented and amended from time to time, the "Borrower Loan Agreement"), between the Governmental Lender and the Owner, in order to enable the Owner to finance the acquisition, construction and equipping of a 184-unit rental housing project known as 1st and Rosemary Family Apartments and located on the real property site described in EXHIBIT A hereto (as further described herein, the "Project"); and

WHEREAS, in order to assure the Governmental Lender and the holders of the Governmental Loan Note that interest on the Governmental Loan Note will be excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), to satisfy the public purposes for which the Governmental Loan Note is authorized to be executed and delivered under the Act, and to satisfy the purposes of the Governmental Lender in determining to execute and deliver the Governmental Loan Note, 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 Governmental Loan Note by the Governmental Lender 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 Governmental Lender, the Fiscal Agent and the Owner 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, in the Funding Loan Agreement or in the Borrower Loan Agreement.

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

"Administrator" means the Governmental Lender or any administrator or program monitor appointed by the Governmental Lender to administer this Regulatory Agreement, and any successor so appointed.

"Affordability Restriction" means the Affordability Restriction(s) made by the Owner in connection with a separate, subordinate loan from the Governmental Lender, as amended, and as the same may be further supplemented or amended from time to time.

"Annual City Fee" has the meaning given such term in Section 7(a) of this Regulatory Agreement.

"Area" means the City of San José Primary Metropolitan Statistical Area.

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

"CDLAC Conditions" has the meaning given such term in Section 7(i).

"Certificate of Continuing Program Compliance" means the Certificate to be filed by the Owner with the Governmental Lender, the Administrator (if other than the Governmental Lender) and the Fiscal Agent pursuant to Section 4(f) hereof, which shall be substantially in the form attached as EXHIBIT C hereto or in such other comparable form as may be provided by the Governmental Lender to the Owner.

"Delivery Date" means [April 2, 2012], being the date on which the Governmental Loan Note is initially executed and delivered.

"Funding Lender" shall have the meaning ascribed to such term in the recitals to this Regulatory Agreement, and shall include authorized designees of the Funding Lender.

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

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

"Income Certification" means a Verification of Income and an Occupancy Certificate in the form attached as EXHIBIT B hereto or in such other comparable form as may be provided by the Governmental Lender to the Owner.

"Investor Limited Partner" means Alliant Tax Credit Fund IV, Ltd., a Florida limited partnership, its successors and assigns.

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

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determination of a tenant's status as a Low Income Tenant shall be made by the Owner upon initial occupancy of a unit in the Project by such tenant, on the basis of an Income Certification executed by the tenant, and annually thereafter.

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

"Project" means the 184-unit multifamily rental housing development to be known as 1st and Rosemary Family Apartments and located on the real property site described in EXHIBIT A hereto, and consisting of those facilities, including real property structures, buildings, fixtures or equipment situated thereon, as may at any time exist, the development of which facilities is to be financed, in whole or in part, from the proceeds of the Governmental Loan Note, 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 10% of the units in the Project are first occupied, and ending on the later of the following:

(A) the date fifteen (15) years after the date on which at least fifty percent (50%) of the units in the Project are first occupied;

(B) the first date on which no Tax-Exempt private activity bonds with respect to the Project are Outstanding; or

(C) the date on which any assistance provided with respect to the Project under Section 8 of the Housing Act terminates;

provided that, unless otherwise amended or modified in accordance with the terms hereof, the Qualified Project Period for purposes of this Regulatory Agreement shall be 55 years from the Delivery Date, as required by the CDLAC Conditions.

"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, as it may be supplemented and amended from time to time.

"Security Instrument" shall mean the Multifamily Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing, dated as of April 1, 2012, executed by the Owner for the benefit of the Governmental Lender.

"State" means the State of California.

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

"Verification of Income" means a Verification of Income in the form attached as EXHIBIT B hereto or in such other comparable form as may be provided by the Governmental Lender to the Owner.

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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 Owner.

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

(b) The Owner hereby represents and warrants that the Project is located entirely within the City of San José, California.

(c) The Owner 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 Governmental Loan Note 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 Governmental Lender for any guidance or expertise in analyzing the financial or other consequences of such financing transactions or otherwise relied on the Governmental Lender in any manner except to execute and deliver the Governmental Loan Note in order to provide funds to assist the Owner in acquiring, constructing and equipping the Project.

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

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

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

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

(d) No part of the Project will at any time during the Qualified Project Period be owned by a cooperative housing corporation, nor shall the Owner take any steps in connection with a conversion to such ownership or use, and the Owner will not take any steps in connection with a conversion of the Project to condominium ownership during the Qualified Project Period.

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

(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 Owner; however, if the Project contains five (5) or more dwelling units, this provision shall not be construed to prohibit occupancy of not more than three dwelling units by a resident managers or maintenance personnel any of whom may be the Owner.

Section 4. Low Income Tenants; Reporting Requirements. Pursuant to the requirements of the Code, the Owner hereby represents, warrants and covenants as follows:

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

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

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

(d) The Owner 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 Governmental Lender.

(e) The Owner will maintain complete and accurate records (including but not limited to tenant lists, applications and waiting lists) pertaining to the Low Income Units, and will permit any duly authorized representative of the Governmental Lender, the Fiscal Agent, the Department of the Treasury or the Internal Revenue Service to inspect the books and records of the Owner pertaining to the Project at reasonable times and upon reasonable notice, including those records pertaining to the occupancy of the Low Income Units. Failure to keep such records or to make them available to the Governmental Lender, the Fiscal Agent, the United States Department of the Treasury or the Internal Revenue Service shall be a default hereunder.

(f) The Owner will prepare and submit to the Governmental Lender, the Administrator (if other than the Governmental Lender) and the Fiscal Agent, at the end of each calendar quarter until the end of the Qualified Project Period, a Certificate of Continuing Program Compliance executed by the Owner. On or before each March 1 during the Qualified Project Period, the Owner will submit to the Governmental Lender a draft of the completed Internal Revenue Code Form 8703 or such other annual certification as required by the Code with respect to the Project, which form shall be submitted to the Secretary of the Treasury on or before March 31 of each year (or such other date as may be required by the Code); provided that at any point when no Tax-Exempt private activity bonds are Outstanding with regards to the Project, but before the end of the Qualified Project Period, the Owner may submit to the Governmental Lender (in the same manner specified above) such other annual certification as the Governmental Lender may reasonably require.

(g) Within 30 days after the date on which 10% of the dwelling units in the Project are occupied, the Owner shall deliver to the Administrator and the Fiscal Agent a written notice specifying such date, and within 30 days after the date on which 50% of the dwelling units in the Project are occupied, the Owner shall deliver to the Administrator and the Fiscal Agent a written notice specifying such date and the beginning and ending dates of the Qualified Project Period. The Owner shall cause a copy of such notice to be recorded in the Official Records of the County of Santa Clara, California.

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

Section 5. Tax-Exempt Status. The Owner and the Governmental Lender, as applicable, each hereby represents, warrants and agrees as follows:

(a) The Owner and the Governmental Lender 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 Governmental Loan Note 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 Owner and the Governmental Lender will file of record such documents and take such other steps as are necessary, in the written opinion of Tax Counsel filed with the Governmental Lender and the Fiscal Agent, 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 Santa Clara, California.

Section 6. Additional Requirements of the Act. The Owner hereby further agrees that it shall comply with each of the requirements of Section 52080 of the Act, including (but not limited to) the following:

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

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

(c) The Owner shall accept as tenants, on the same basis as all other prospective tenants, low-income persons who are recipients of federal certificates or vouchers for rent subsidies

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pursuant to the existing program under Section 8 of the Housing Act. The Owner shall not permit any selection criteria to be applied to Section 8 certificate or voucher holders that is more burdensome than the criteria applied to all other prospective tenants.

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

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

(f) Following the expiration or termination of the Qualified Project Period, except in the event of foreclosure and prepayment of the Governmental Loan Note, deed in lieu of foreclosure, eminent domain, or action of a federal agency preventing enforcement, units reserved for occupancy as required by subsection (a) of this Section shall remain available to any eligible tenant occupying a reserved unit at the date of such expiration or termination, at the rent determined by subsection (b) of this Section, until the earliest of (1) the household's income exceeds 140% of the maximum eligible income specified above, (2) the household voluntarily moves or is evicted for good cause (as defined in the Act), (3) 30 years after the date of the commencement of the Qualified Project Period, or (4) the Owner pays the relocation assistance and benefits to households as provided in Section 7264(b) of the California Government Code.

Section 7. Additional Requirements of the Governmental Lender. In addition to the requirements set forth above and to the extent not prohibited thereby, the Owner hereby agrees to comply with each of the requirements of the Governmental Lender set forth in this Section 7, as follows:

(a) The Owner shall pay or cause to be paid to the Governmental Lender on the Delivery Date, the "Initial City Fee" in an amount equal to $113,750 (which represents the sum of one-half of one percent (0.5%) of the first $10,000,000 of the original principal amount of the Governmental Loan Note and one-quarter of one percent (0.25%) of the portion of the original principal amount of the Governmental Loan Note in excess of $10,000,000; and thereafter, without demand or notice, the Owner shall pay or cause to be paid to the Governmental Lender (or other Administrator designated in writing by the Governmental Lender) an annual monitoring fee (the "Annual City Fee"). The Annual City Fee shall be in an amount equal to $44,375, representing 0.125% of the original principal amount of the Governmental Loan Note, payable in equal semiannual installments in advance, on each April 1 and October 1, commencing with the [October 1, 2012] payment which shall be paid on the Delivery Date; provided, however, that following the Conversion Date (as defined in the Borrower Loan Agreement) such Annual Fee shall be 0.125% of the permanent amount after the Conversion Date, subject to a minimum annual fee of $7,500. Under no circumstances shall the Annual City Fee exceed any limitation under Section 148 of the Code. The Annual City Fee shall be payable until the end of the Qualified Project Period. In the event that the principal of and the interest on the Governmental Loan Note is paid in full prior to the termination of this Regulatory Agreement (other than by reason of the issuance of refunding bonds), the Owner shall pay to the Governmental Lender, if so requested by the Governmental Lender, an amount equal to the remaining Annual City Fees, at a present value to the date of payment (using a discount rate equal to the true interest cost of the Governmental Loan Note). Such payment shall be due to the Governmental Lender at such time as the Governmental Loan Note is paid in full.

(b) 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 Owner and shall be maintained as required by the Governmental Lender, in a reasonable condition for proper audit and subject to

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examination during business hours upon reasonable advance notice by representatives of the Governmental Lender.

(c) The Owner shall submit to the Governmental Lender, within fifteen (15) days after receipt of a request therefor, any information, records or completed forms required to be maintained, requested by the Governmental Lender in order to comply with reporting requirements of the Internal Revenue Service or the State.

(d) The Owner shall not discriminate on the basis of race, creed, color, religion, sex, sexual orientation, marital status, national origin, ancestry or handicap in the lease, use or occupancy of the Project or in connection with the employment or application for employment of persons for the construction, operation or management of the Project, and will not discriminate on the basis of household size as long as the tenants meet the household size standards of Section 8 of the Housing Act. Further, the Owner shall not permit occupancy in any unit in the Project by more persons than is permissible under the Section 8 household size standards.

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

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

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

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

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(i) In addition, the Owner shall comply with the conditions set forth in Exhibit A to CDLAC Resolution No. 12-013, adopted on January 18, 2012 (the "CDLAC Conditions"), as such conditions may be modified or amended from time to time, which conditions are incorporated herein by reference and made a part hereof. The Owner will prepare and submit to CDLAC, not later than each anniversary of the Delivery Date until the end of the Qualified Project Period, a Certification of Compliance, in substantially the form attached to the CDLAC Conditions, executed by an authorized representative of the Owner. The Governmental Lender and the Administrator shall have no obligation to monitor the Owner's compliance with the CDLAC Conditions.

(j) The restrictions set forth the Affordability Restriction between the Owner and the Governmental Lender.

(k) The requirements of this Section 7 shall be in effect for the term of this Regulatory Agreement; provided that any of the foregoing requirements of the Governmental Lender may be expressly waived by the Governmental Lender, in its sole discretion (except Section 7(i) above, which may be expressly waived by CDLAC), in writing, but (i) no waiver by the Governmental Lender 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 Governmental Lender has received an opinion of Tax Counsel to the effect that any such other provision is not required by the Act and may be waived without adversely affecting the exclusion from gross income of interest on the Governmental Loan Note for federal income tax purposes; and (ii) any requirement of this Section 7 shall be void and of no force and effect if the Governmental Lender and the Owner receive a written opinion of Tax Counsel to the effect that compliance with any such requirement would cause interest on the Governmental Loan Note to cease to be Tax-Exempt or to the effect that compliance with such requirement would be in conflict with the Act or any other applicable State or federal law.

(l) The Owner will pay the Governmental Lender all of the amounts required by the Borrower Loan Agreement, and will indemnify the Governmental Lender and the Fiscal Agent as provided in the Borrower Loan Agreement.

(m) 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 Owner and shall be maintained as required by the Governmental Lender in reasonable condition for proper audit and subject to examination upon reasonable advance notice during business hours by representatives of the City of San José (including the Administrator).

Section 8. Modification of Covenants. The Owner, the Fiscal Agent and the Governmental Lender hereby agree as follows:

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

(b) To the extent that the Act, the Regulations or the Code, or any amendments thereto, shall, in the written opinion of Tax Counsel filed with the Governmental Lender, the Fiscal Agent and the Owner, 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 Governmental

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Lender, at its sole and absolute discretion, the Fiscal Agent and the Owner, and only upon receipt by the Governmental Lender of the written opinion of Tax Counsel to the effect that such amendment will not adversely affect the Tax-Exempt status of interest on the Governmental Loan Note or violate the requirements of the Act, and otherwise in accordance with Section 22 hereof.

(c) The Owner, the Governmental Lender and, if applicable, the Fiscal Agent, 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 Owner and the Governmental Lender hereby appoints the Fiscal Agent as their true and lawful attorneys-in-fact (jointly or individually) to execute, deliver and, if applicable, file of record on behalf of the Owner or the Governmental Lender, as is applicable, any such document or instrument (in such form as may be approved in writing by Tax Counsel) if either the Owner or the Governmental Lender defaults in the performance of its obligations under this subsection (c); provided, however, that unless directed in writing by the Governmental Lender or the Owner, the Fiscal Agent shall not take any action under this subsection (c) without first notifying the Owner or the Governmental Lender, or both of them, as is applicable, and the Funding Lender, and without first providing the Owner or the Governmental Lender, 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 Fiscal Agent to execute an amendment to this Regulatory Agreement on behalf of the Governmental Lender.

Section 9. Indemnification; Other Payments. The Owner hereby covenants and agrees that it shall indemnify and hold harmless the Governmental Lender and the Fiscal Agent and their respective officers, members, directors, officials, employees and agents as set forth in the Borrower Loan Agreement.

In addition thereto, the Owner will pay upon demand all of the fees and expenses paid or incurred by the Fiscal Agent and/or the Governmental Lender in enforcing the provisions of this Regulatory Agreement.

The provisions of this Section 9 shall survive the term of the Governmental Loan Note and this Regulatory Agreement; provided, however, the provisions of this Section shall, in the case of the Fiscal Agent, survive the term of this Regulatory Agreement or the resignation or removal of the Fiscal Agent, but only as to claims arising from events occurring during the term of this Regulatory Agreement or the Fiscal Agent's tenure as Fiscal Agent under the Funding Loan Agreement, and shall, in the case of the Governmental Lender, survive the term of this Regulatory Agreement, but only as to claims arising from events occurring during the term of this Regulatory Agreement.

The Governmental Lender agrees that no owner of the Project (including the Funding Lender) subsequent to the Owner will be liable for, assume or take title to the Project subject to:

(a) any failure of any prior owner of the Project to perform or observe any representation or warranty, affirmative or negative covenant or other agreement or undertaking under this Regulatory Agreement; and

(b) the payment of any compensation or any accrued unpaid fees, costs, expenses or penalties otherwise owed by any prior owner of the Project under this Regulatory Agreement.

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

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Inasmuch as the covenants, reservations and restrictions of this Regulatory Agreement run with the land, the indemnification obligations of the Owner contained in this Regulatory Agreement will be deemed applicable to any successor in interest to the Owner, but, it is acknowledged and agreed, notwithstanding any other provision of this Regulatory Agreement to the contrary, that the Funding Lender will not assume or take subject to any liability for the indemnification obligations of the Owner for acts or omissions of the Owner prior to any transfer of title to the Funding Lender, whether by foreclosure, deed in lieu of foreclosure or comparable conversion of the Loan; the Owner shall remain liable under the indemnification provisions for its acts and omissions prior to any transfer of title to the Funding Lender. The Funding Lender shall indemnify the Governmental Lender following acquisition of the Project by the Funding Lender, by foreclosure, deed in lieu of foreclosure or comparable conversion of the Loan, during, and only during, any ensuing period that the Funding Lender owns and operates the Project, provided that the Funding Lender's liability shall be strictly limited to acts and omissions of the Funding Lender occurring during the period of ownership and operation of the Project by the Funding Lender. The Owner shall remain liable under this Regulatory Agreement for its actions and omissions prior to any transfer of title to the Funding Lender.

Section 10. Consideration. The Governmental Lender has agreed to execute and deliver the Governmental Loan Note to provide funds to lend to the Owner to finance the Project, all for the purpose, among others, of inducing the Owner to acquire and operate the Project. In consideration of the issuance of the Governmental Loan Note by the Governmental Lender, the Owner 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 Governmental Lender and the Owner 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 Governmental Loan Note, in the exemption from California personal income taxation of interest on the Governmental Loan Note and in the Tax-Exempt status of the interest on the Governmental Loan Note. In performing their duties and obligations hereunder, the Governmental Lender, the Administrator and the Fiscal Agent may rely upon statements and certificates of the Low Income Tenants, and upon audits of the books and records of the Owner pertaining to the Project. In addition, the Governmental Lender and the Fiscal Agent 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 Governmental Lender or the Fiscal Agent hereunder in good faith and in conformity with such opinion. In determining whether any default or lack of compliance by the Owner exists under this Regulatory Agreement, the Fiscal Agent shall not be required to conduct any investigation into or review of the operations or records of the Owner and may rely solely on any written notice or certificate delivered to the Fiscal Agent by the Owner or the Governmental Lender with respect to the occurrence or absence of a default unless it knows that the notice or certificate is erroneous or misleading.

Section 12. Sale or Transfer of the Project. For the Qualified Project Period, the Owner shall not, except as provided below, sell, transfer or otherwise voluntarily dispose of the Project, in whole or in part, without the prior written consent of the Governmental Lender and the Fiscal Agent, which consent shall not be unreasonably withheld, conditioned or delayed if the following conditions are satisfied: (A) the Governmental Lender and the Fiscal Agent have received evidence, reasonably acceptable to the Governmental Lender and the Fiscal Agent, that (1) the Owner shall not be in default hereunder or under the Borrower Loan Agreement (which may be evidenced by a Certificate of Continuing Program Compliance) or the purchaser or assignee undertakes to cure any defaults of the Owner to the reasonable satisfaction of the Governmental Lender; (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

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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 Owner 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 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 Governmental Lender or the Fiscal Agent with respect to the assumption of the Owner's obligations under this Regulatory Agreement and, if the Governmental Loan Note is outstanding at the time of transfer, the Borrower Loan Agreement, including without limitation an instrument of assumption hereof and thereof, and delivery to the Governmental Lender 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 Governmental Lender of an opinion of Tax Counsel to the effect that any such sale, transfer or other disposition will not adversely affect the Tax-Exempt status of interest on the Governmental Loan Note; and (D) receipt by the Governmental Lender and Fiscal Agent of all fees and/or expenses then currently due and payable to the Governmental Lender and Fiscal Agent.

The written consent of the Governmental Lender to any transfer of the Project shall constitute conclusive evidence that the transfer is not in violation of this Section 12. Upon any sale or other transfer that complies with this Regulatory Agreement, the Owner shall be fully released from its obligations hereunder to the extent such obligations have been fully assumed in writing by the transferee of the Project. Except as otherwise provided herein, any transfer of the Project to any entity, whether or not affiliated with the Owner, shall be subject to the provisions of this Section 12, except as provided immediately below.

Interests in the Owner may not be transferred without the consent of the Governmental Lender, except as follows:

(a) transfers of the respective interests of the Owner's limited partners to any entity which is either (a) an affiliate of either limited partner or (b) which is controlled by Alliant Capital, Ltd.;

(b) transfers of interests within the Owner's limited partners;

(c) the pledge and encumbrance of the interests of Owner's limited partners to or for the benefit of any financial institution which enables the limited partners to make capital contributions to the Owner; and/or

(d) the removal or withdrawal in lieu of removal of a general partner of Owner by its administrative limited partner for cause in accordance with Owner's partnership agreement and the replacement thereof by Owner's administrative limited partner.

The Owner acknowledges that a sale or exchange of 50% or more of the capital and profits interests in the Owner in any twelve-month period will be treated for federal tax purposes as a change in ownership of the Project at the time the 50% transfer occurs. The Owner further acknowledges that there

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is a possibility of some or all of the Governmental Loan Note being reissued at various points in the financing, including any in connection with any remarketing, and that a change in ownership of the Project within six months of a reissuance or refinancing of the Governmental Loan Note will cause the interest paid on the reissued or refunding indebtedness not to be excluded from gross income for federal tax purposes.

Restrictions on sale or transfer of the Project or of any interest in the Owner, consents of the Governmental Lender or the Fiscal Agent, transfer agreements, transferee criteria and requirements, opinion requirements, assumption fees, transfer fees, penalties and the like shall not apply to any transfer of title to the Project to the Funding Lender or to a third party by foreclosure, deed in lieu of foreclosure or comparable conversion of the Loan or to any subsequent transfer by the Funding Lender following foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Loan. No transfer of the Project shall operate to release the Owner from its obligations under this Regulatory Agreement. Nothing contained in this Regulatory Agreement shall affect any provision of the Security Instrument or any of the other Borrower Loan Documents that requires the Owner to obtain the consent of the Funding Lender as a precondition to sale, transfer or other disposition of, or any direct or indirect interest in, the Project or of any direct or indirect interest in the Owner, excluding transfers permitted by the Security Instrument. No covenant obligating the Owner to obtain an agreement from any transferee to abide by all requirements and restrictions of this Regulatory Agreement shall apply to a transfer to the Funding Lender upon foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Loan by the Funding Lender, or to any subsequent transfer by the Funding Lender following foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Loan. Any written consent to a sale or transfer obtained from the Governmental Lender shall constitute conclusive evidence that the sale or transfer is not a violation of the transfer provisions of this Regulatory Agreement.

For the Qualified Project Period, the Owner 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 pursuant or subordinate to the provisions of this Regulatory Agreement and the Security Instrument (including any permitted encumbrances referenced therein), and upon receipt by the Owner of an opinion of Tax Counsel to the effect that such action will not adversely affect the Tax-Exempt status of interest on the Governmental Loan Note, or except upon a sale, transfer or other disposition of the Project in accordance with the terms of this Regulatory Agreement; (2) demolish any part of the Project or substantially subtract from any real or personal property of the Project, except to the extent that what is removed is replaced with comparable property; or (3) permit the use of the dwelling accommodations of the Project for any purpose except rental residences.

Section 13. Term. 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 repayment of the Governmental Loan Note.

The terms of this Regulatory Agreement to the contrary notwithstanding, the requirements of this Regulatory Agreement shall terminate and be of no further force and effect (i) in the event of involuntary noncompliance with the provisions of this Regulatory Agreement caused by fire, seizure, requisition, change in a federal law or an action of a federal agency after the Delivery Date, which prevents the Governmental Lender and the Fiscal Agent from enforcing such provisions, or condemnation or (ii) foreclosure, transfer of title by deed in lieu of foreclosure (whereby a third party shall take possession of the Project), or a similar event, but only if, in the case of either (i) or (ii), within a reasonable period, either the Governmental Loan Note is fully paid or amounts received as a consequence of such event are

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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 Owner 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 Owner hereby agrees that, following any foreclosure, transfer of title by deed in lieu of foreclosure or similar event, neither the Owner 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 Governmental Lender, the Fiscal Agent and the Owner, upon receipt by the Governmental Lender and the Fiscal Agent of an opinion of Tax Counsel to the effect that such termination will not adversely affect the exclusion from gross income of interest on the Governmental Loan Note 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 Owner hereby subjects the Project to the covenants, reservations and restrictions set forth in this Regulatory Agreement. The Governmental Lender and the Owner 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 Owner's successors in title to the Project; provided, however, that on the termination of this Regulatory Agreement said covenants, reservations and restrictions shall expire without the necessity of further action. Each and every contract, deed or other instrument hereafter executed covering or conveying the Project or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instruments.

Section 15. Burden and Benefit. The Governmental Lender and the Owner hereby declare their understanding and intent that the burdens of the covenants set forth herein touch and concern the land in that the Owner's legal interest in the Project is rendered less valuable thereby. The Governmental Lender and the Owner hereby further declare their understanding and intent that the benefits of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Project by Low Income Tenants, the intended beneficiaries of such covenants, reservations and restrictions, and by furthering the public purposes for which the Governmental Loan Note was executed and delivered.

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. (a) If the Owner defaults in the performance or observance of any covenant, agreement or obligation of the Owner set forth in this Regulatory Agreement, and if such default remains uncured for a period of 60 days after written notice thereof shall have been given by the Governmental Lender or the Fiscal Agent to the Owner, or for a period of 60 days from the date the Owner should, with reasonable diligence, have discovered such default, then the Governmental Lender or the Fiscal Agent (as directed by the Governmental Lender, subject to the provisions of the Funding Loan Agreement) acting on its own behalf or on behalf of the Governmental Lender, 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

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Event of Default hereunder so long as (i) the Owner institutes corrective action within said 60 days and diligently pursues such action until the default is corrected, and (ii) in the opinion of Tax Counsel, the failure to cure said default within 60 days will not adversely affect the Tax-Exempt status of interest on the Governmental Loan Note. The Governmental Lender and the Fiscal Agent shall have the right to enforce the obligations of the Owner under this Regulatory Agreement within shorter periods of time than are otherwise provided herein if necessary to insure compliance with the Act or the Code. Notwithstanding anything to the contrary contained herein, Governmental Lender and Fiscal Agent hereby agree that any cure of any default made or tendered by one or more of Owner's limited partners shall be deemed to be a cure by Owner and shall be accepted or rejected on the same basis as if made or tendered by Owner.

(b) Following the declaration of an Event of Default hereunder, the Governmental Lender or the Fiscal Agent, at the direction of the Governmental Lender, subject to the provisions of the Funding Loan 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 Owner 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 Governmental Lender or the Fiscal Agent hereunder;

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

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

(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 Owner hereunder.

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

(c) The Fiscal Agent shall have the right, in accordance with this Section and the provisions of the Funding Loan Agreement, without the consent or approval of the Governmental Lender, to exercise any or all of the rights or remedies of the Governmental Lender hereunder; provided that prior to taking any such action, that Fiscal Agent shall give the Governmental Lender and the Funding Lender written notice of its intended action. The Governmental Lender may act on its own behalf to declare an "Event of Default" to have occurred and to take any one or more of the steps specified hereinabove to the same extent and with the same effect as if taken by the Fiscal Agent. The Fiscal Agent shall not be deemed to have knowledge of any default hereunder unless the Fiscal Agent shall have been specifically notified in writing of such default by the Governmental Lender, the Administrator, the Funding Lender or by the holders of at least 25% of the Governmental Loan Note outstanding.

(d) All reasonable fees, costs and expenses of the Fiscal Agent and the Governmental Lender incurred in taking any action pursuant to this Section shall be the sole responsibility of the Owner.

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(e) No breach or default under this Regulatory Agreement shall defeat or render invalid the lien of the Security Instrument or any other mortgage or like encumbrance upon the Project or any portion thereof given in good faith and for value.

(f) Promptly upon determining that a violation of this Regulatory Agreement has occurred, the Governmental Lender or the Fiscal Agent shall, by written notice, inform the Funding Lender that such violation has occurred, the nature of the violation and that the violation has been cured or has not been cured, but is curable within a reasonable period of time, or is incurable; notwithstanding the occurrence of such violation, neither the Governmental Lender nor the Fiscal Agent shall have, and each of them acknowledge that they shall not have, any right to cause or direct acceleration of the Loan, to enforce the Borrower Note or to foreclose on the Security Instrument.

(g) Notwithstanding anything contained in this Regulatory Agreement to the contrary:

(i) The occurrence of an event of default under this Regulatory Agreement shall not (a) impair, defeat or render invalid the lien of the Security Instrument or (b) under any circumstances whatsoever, be or be deemed to be a default under the Borrower Loan Documents, except as may be otherwise specified in the Borrower Loan Documents.

(ii) neither the Governmental Lender nor the Fiscal Agent may, upon the occurrence of an event of default under this Regulatory Agreement, seek, in any manner, to (a) cause or direct acceleration of the Loan, (b) enforce the Borrower Note, (c) foreclose on the Security Instrument, (d) cause the Fiscal Agent to prepay the Governmental Loan Note or to declare the principal of the Governmental Loan Note and the interest accrued on the Governmental Loan Note to be immediately due and payable or (e) cause the Fiscal Agent to take any other action under any of the Borrower Loan Documents, any of the Funding Loan Documents or any other documents which action would or could have the effect of achieving any one or more of the actions, events or results described in the preceding clauses (a) through (d); and

(h) No person other than the Funding Lender shall have the right to (a) declare the principal balance of the Borrower Note to be immediately due and payable or (b) commence foreclosure or other like action. The Governmental Lender and the Fiscal Agent acknowledge the foregoing limitations.

The foregoing prohibitions and limitations are not intended to limit the rights of the Governmental Lender or the Fiscal Agent to specifically enforce this Regulatory Agreement or to seek injunctive relief in order to provide for the operation of the Project in accordance with the requirements of the Code and State law. Accordingly, upon any default by the Owner, the Governmental Lender or the Fiscal Agent may seek specific performance of this Regulatory Agreement or enjoin acts which may be in violation of this Regulatory Agreement or unlawful, but neither the Governmental Lender nor the Fiscal Agent may seek any form of monetary recovery from the Owner, although the Governmental Lender may seek to enforce a claim for indemnification, provided that no obligation of the Owner under this Regulatory Agreement, including, without limitation, any indemnification obligation, any other obligation for the payment of money, any claim and any judgment for monetary damages against the Owner, occasioned by breach or alleged breach by the Owner of its obligations under this Regulatory Agreement or otherwise, shall be secured by or in any manner constitute a lien on, or security interest in, the Project, whether in favor of the Governmental Lender, the Fiscal Agent or any other person, and all such obligations shall be, and by this Regulatory Agreement are, subordinate in priority, in right to payment and in all other respects to the obligations, liens, rights (including without limitation the right to payment) and interests arising or created under the Borrower Loan Documents. Accordingly, neither the

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Governmental Lender nor the Fiscal Agent shall have the right to enforce any monetary obligation other than directly against the Owner, without recourse to the Project. In addition, any such enforcement must not cause the Owner to file a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Owner under any applicable liquidation, insolvency, bankruptcy, rehabilitation, composition, reorganization, conservation or other similar law in effect now or in the future.

The obligations of any owner under this Regulatory Agreement shall be personal to the person who was the owner at the time that an event, including, without limitation, any default or breach of this Regulatory Agreement, occurred or was alleged to have occurred, and such person shall remain liable for any and all such obligations, including damages occasioned by a default or breach, even after such person ceases to be the owner of the Project. Accordingly, no subsequent owner of the Project shall be liable or obligated for the obligation of any prior owner (including the Owner), including, but not limited to, any obligation for payment, indemnification or damages, for default or breach of this Regulatory Agreement or otherwise. The owner of the Project at the time the obligation was incurred, including any obligation arising out of a default or breach of this Regulatory Agreement, shall remain liable for any and all payments and damages occasioned by the owner even after such person ceases to be the owner of the Project, and no person seeking such payments or damages shall have recourse against the Project. The obligations of any owner shall be subject to the limitations of Section 26, below.

Subject to the provisions of the Borrower Loan Agreement, under no circumstances shall the Governmental Lender or the Fiscal Agent:

(i) initiate or take any action which may have the effect, directly or indirectly, of impairing the ability of the Owner to timely pay the principal of, interest on, or other amounts due and payable under, the Loan;

(ii) interfere with or attempt to influence the exercise by the Funding Lender of any of its rights under the Borrower Loan Documents, including, without limitation, the Funding Lender's remedial rights under the Borrower Loan Documents upon the occurrence of an event of default by the Owner under the Borrower Loan Documents; or

(iii) upon the occurrence of an event of default under the Borrower Loan Documents, take any action to accelerate or otherwise enforce payment or seek other remedies with respect to the Borrower Loan Documents.

Section 18. The Fiscal Agent. The Fiscal Agent shall act as specifically provided herein and in the Funding Loan Agreement and may exercise such additional powers as are reasonably incidental hereto and thereto. The Fiscal Agent shall have no duty to act with respect to enforcement of the Owner's performance hereunder as described in Section 17 unless it shall have actual knowledge of any such default as provided in Section 17. The Fiscal Agent may act as the agent of and on behalf of the Governmental Lender, and any act required to be performed by the Governmental Lender as herein provided shall be deemed taken if such act is performed by the Fiscal Agent. In connection with any such performance, the Fiscal Agent is acting solely as Fiscal Agent under the Funding Loan Agreement and not in its individual capacity, and except as expressly provided herein, all provisions of the Funding Loan Agreement relating to the rights, privileges, powers and protections of the Fiscal Agent, including without limitation those set forth in Section 10 thereof, shall apply with equal force and effect to all actions taken (or omitted to be taken) by the Fiscal Agent in connection with this Regulatory Agreement. Neither the Fiscal Agent nor any of its officers, directors or employees shall be liable for any action taken or omitted to be taken by it hereunder or in connection herewith except for its or their own negligence or willful misconduct.

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The Fiscal Agent shall not be responsible for the monitoring of the Owner's compliance with the terms of this Regulatory Agreement.

After the date on which the Governmental Loan Note is fully paid, as provided in the Funding Loan Agreement, the Fiscal Agent shall no longer have any rights, duties or responsibilities under this Regulatory Agreement and all references to the Fiscal Agent in this Regulatory Agreement shall be deemed references to the Governmental Lender.

Section 19. Recording and Filing.

(a) The Owner 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 Santa Clara, California, and in such other places as the Governmental Lender or the Fiscal Agent may reasonably request. The Owner shall pay all fees and charges incurred in connection with any such recording.

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

(c) Except in the case of a foreclosure, deed in lieu of foreclosure or comparable involuntary conversion of the Loan, the Owner 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 Borrower Loan, the Owner shall continue to pay to the Fiscal Agent reasonable compensation for any services rendered by it hereunder and reimbursement for all expenses reasonably incurred by it in connection therewith, and shall continue to pay (or, to the extent allowed under the Code, shall prepay) the Annual City Fee and related expenses as provided in Section 7(a) and Section 10 of this Regulatory Agreement.

The Funding Lender shall not be liable for the payment of any compensation or any accrued unpaid fees, costs, expenses or penalties otherwise owed by the Owner or any subsequent owner of the Project prior to the date of acquisition of the Project by the Funding Lender, whether such acquisition is by foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Loan.

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 Santa Clara, California, and only upon receipt by the Governmental Lender of an opinion from Tax Counsel to the effect that such amendment will not adversely affect the Tax-Exempt status of interest on the Governmental Loan Note and is not contrary to the provisions of the Act.

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(b) Anything to the contrary contained herein notwithstanding, the Governmental Lender, the Fiscal Agent and the Owner hereby agree to amend this Regulatory Agreement to the extent required, in the opinion of Tax Counsel, in order that interest on the Governmental Loan Note remain Tax-Exempt. The parties requesting such amendment shall notify the other parties to this Regulatory Agreement of the proposed amendment, with a copy of such requested amendment to Tax Counsel and a request that Tax Counsel render to the Governmental Lender an opinion as to the effect of such proposed amendment upon the Tax-Exempt status of interest on the Governmental Loan Note. 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.

(d) The Governmental Lender shall not consent to any amendment, supplement to, or restatement of this Regulatory Agreement without the prior written consent of the Funding Lender.

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 Funding Loan Agreement or the Borrower Loan Agreement, or at such other addresses as may be specified in writing by the parties hereto.

A copy of each notice sent by or to the Owner shall also be sent to the manager of the Project at such address as provided by the Owner to the Administrator and to the Funding Lender at such address as set forth in the Funding Loan Agreement; but such copies shall not constitute a notice to the Owner, nor shall any failure to send such copies constitute a breach of this Regulatory Agreement or a failure of or defect in notice to the Owner. The Governmental Lender, the Administrator, the Fiscal Agent, the Funding Lender and the Owner may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Notice shall be deemed given on the date evidenced by the postal or courier receipt or other written evidence of delivery or electronic transmission; provided that any telecopy or other electronic transmission received by any party after 4:00 p.m., local time of the receiving party, as evidenced by the time shown on such transmission, shall be deemed to have been received the following Business Day.

Section 24. Severability. 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 any other provision or obligation to the contrary contained in this Regulatory Agreement, (i) the liability of the Owner under this Regulatory Agreement to any person or entity, including, but not limited to, the Fiscal Agent or the Governmental Lender and their successors and assigns, is limited to the Owner's interest in the Project, the Trust Estate, including the amounts held in the funds and accounts created under the Funding Loan Agreement, or any rights of the Owner 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 Owner under this Regulatory Agreement; and (ii) from and after the date of this

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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 Owner's obligations under this Regulatory Agreement), shall be rendered against the Owner, the assets of the Owner (other than the Owner's interest in the Project, this Regulatory Agreement, amounts held in the funds and accounts created under the Funding Loan Agreement, any rights of the Owner under the Funding Loan Agreement or any other documents relating to the Governmental Loan Note or any rights of the Owner 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 Funding Loan Agreement or any agreement securing the obligations of the Owner under this Regulatory Agreement, or any judgment, order or decree rendered pursuant to any such action or proceeding.

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

Section 27. Third-Party 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 undertaken by CDLAC shall not materially adversely affect the interests and rights of the Governmental Lender, the Funding Lender or the Bondholders.

The parties to this Regulatory Agreement recognize and agree that the terms of this Regulatory Agreement and the enforcement of such terms are essential to the security of the Funding Lender and are entered into for the benefit of various parties, including the Funding Lender. The Funding Lender shall accordingly have contractual rights in this Regulatory Agreement and shall be entitled (but not obligated) to enforce, separately or jointly with the Governmental Lender and/or the Fiscal Agent, or to cause the Governmental Lender or the Fiscal Agent to enforce, the terms of this Regulatory Agreement. In addition, the Owner and the Governmental Lender intend that the Funding Lender shall be a third-party beneficiary of this Regulatory Agreement.

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

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IN WITNESS WHEREOF, the Governmental Lender, the Fiscal Agent and the Owner have executed this Regulatory Agreement by duly authorized representatives, all as of the date first above written.

CITY OF SAN JOSE, as Governmental Lender

By:_____
Leslye Corsiglia, Director, Housing Department

By: _____
Julia H. Cooper, Acting Director of Finance

Approved as to form:

_____
Chief Deputy City Attorney

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Fiscal Agent

By:_____
Authorized Officer

[Signature Page to Regulatory Agreement]

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BORROWER:

1st and Rosemary Family Housing, L.P.,
a California limited partnership

By: ROEM 1st and Rosemary Family Housing, LLC,
a California limited liability company,
its Co-General Partner

By: ROEM Development Corporation,
a California corporation,
its Sole Member and Manager

By: _____
Robert Emami
President

By: Pacific Housing, Inc.,
a California nonprofit public benefit corporation,
its Managing General Partner

By: _____
Mark A. Wiese
President

[Signature Page to Regulatory Agreement]

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[Attach Notary Acknowledgements]

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EXHIBIT A

DESCRIPTION OF REAL PROPERTY
RELATING TO THE PROJECT

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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.	**2.**	**3.**	**4.**	**5.**
Name of Members of the Household	**Relationship to Head of Household**	**Age**	**Social Security Number**	**Place of Employment**
	Head of the 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);

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

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

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

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

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

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

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

(i) casual, sporadic or irregular gifts;

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

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

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

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

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

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

(viii) foster child care payments;

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

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

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

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

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(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 construction and development of the apartment building for which application is being made. We consent to the disclosure of such information to the issuer of such bonds, the holders of such bonds, any trustee acting on their behalf and any authorized agent of the Treasury Department or Internal Revenue Service.

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

Date: _____

_____
Head of Household

_____
Spouse

FOR COMPLETION BY PROJECT OWNER ONLY:

I. Calculation of eligible income:

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(A) Enter amount entered for entire household from 6 above: $_____

(B) If the amount entered in 7(a) above is greater than $5,000, enter:

(i) the product of the amount entered in 7(a) above multiplied by the current passbook savings rate as determined by HUD: $_____

(ii) the amount entered in 7(b) above: $_____

(iii) line (i) minus line (ii) (if less than $0, enter $0): $_____

(C) TOTAL ELIGIBLE INCOME: $_____
(Line I(A) plus line I(B)(iii))

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

(A) Is the amount entered in line I(C) less than 50% of median gross income for the Area?

Yes _____ No _____

(B) (i) If line II(A) is "No," then the household does not qualify as a Low Income Tenant; go to item III.

(ii) If line II(A) above is "Yes" and 8(a) above is "Yes" and 8(b) above is "NO," then the household does not qualify as a Low Income Tenant; go to item III.

(iii) If line II(A) above is "Yes" and 8(a) above is "No" or 8(a) above is "Yes," but 8(b) is also "Yes," then the household qualifies as a Low Income Tenant; go to item III.

III. Tenant Eligibility (Check one)

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

The household qualifies as a Low Income Tenant $_____

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

_____
Owner

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

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OCCUPANCY CERTIFICATE

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

Project: 1ST AND ROSEMARY FAMILY APARTMENTS

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

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

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

_____	_____
Witness	Owner
Date: _____	Date: _____

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EXHIBIT C

[***FORM OF CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE***]

CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

Witnesseth that on this __ day of _____, 20__, the undersigned, having borrowed certain funds from the CITY OF SAN JOSE (the "Governmental Lender") 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 this Regulatory Agreement executed in connection with such loan from the Governmental Lender, (ii) ___% of the units in the Project were occupied by Low Income Tenants (minimum of 40%).

Set forth below are the names of Low Income Tenants who commenced or terminated occupancy during the preceding month.

Commenced Occupancy	Terminated Occupancy
1.	1.
2.	2.
3.	3.

Attached is a separate sheet listing the number of each unit and indicating which units are occupied by Low Income Tenants, the size, the number of bedrooms of such units and the number of 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 Borrower Loan Agreement or the Security Instrument.] [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: _____ _____

Owner

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Unit No.	Low Income Unit/ Market Unit	Number of Bedrooms	Size (Sq. Ft.)	Total Eligible Income (Low Income Units)

Total Number of Units: _____

Percentage of Low Income Units: _____

Number of Low Income Tenants commencing occupancy this month: _____

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