

## **RESOLUTION NO. 2005 - 015**

Adopted by the Housing Authority of the City of Sacramento

August 16, 2005

### **RESOLUTION OF THE HOUSING AUTHORITY OF THE CITY OF SACRAMENTO AUTHORIZING THE ISSUANCE, EXECUTION AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS, AUTHORIZING THE EXECUTION AND DELIVERY OF A MASTER PLEDGE AND ASSIGNMENT, A MASTER AGENCY AGREEMENT, A REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS AND OTHER DOCUMENTS RELATING THERETO; AND APPROVING OTHER ACTIONS AND MATTERS RELATING THERETO**

#### **BACKGROUND**

- A. The Housing Authority of the City of Sacramento (the "Authority") is authorized pursuant to Chapter I of Part 2 of Division 24 of the California Health and Safety Code (the "Act") to issue revenue bonds and make loans for the purpose of financing multifamily rental housing projects to be occupied in whole or in part by persons of low and very low income; and
- B. Creekside Village Senior Apartments, L.P, a California limited partnership (the "Borrower"), has requested the Authority to issue revenue bonds designated as the Housing Authority of the City of Sacramento Multifamily Housing Revenue Bonds (Creekside Village Senior Apartments) 2005 Issue E (the "Bonds") and to loan the proceeds from the sale thereof to the Borrower to finance the acquisition and rehabilitation of a 296-unit multifamily rental housing development located in the City of Sacramento, California and to be commonly known as the Creekside Village Senior Apartments (the "Project"); and
- C. On May 17, 2005, the City Council of the City of Sacramento held public hearings on the proposed issuance of the Bonds, as required under the Internal Revenue Code of 1986, following published notice of such hearings, and, following such public hearings approved the issuance of the Bands; and
- D. The Authority hereby finds and declares that this resolution is being adopted pursuant to the powers granted by the Act; and
- E. All conditions, things and acts required to exist, to have happened and to have been performed precedent to and in connection with the issuance of the Bands as contemplated by this resolution and the documents referred to herein will exist, have happened and have been performed in due time, form and manner as required by the laws of the State of California, including the Act

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE HOUSING  
AUTHORITY OF THE CITY OF SACRAMENTO RESOLVES AS FOLLOWS:**

- Section 1 The Authority hereby finds and declares that the above recitals are true and correct.
- Section 2. Pursuant to the Act and the Pledge and Assignment (as defined below), the issuance of the Bonds, in an aggregate principal amount not to exceed \$16,000,000, is hereby authorized, The Chairperson or Executive Director of the Authority, or their designee (the "Authorized Officer"), each acting alone, are hereby authorized and directed to execute the Bonds for and in behalf of the Authority by manual or facsimile signature, in the form set forth in the Pledge and Assignment (defined below), with such changes, deletions and insertions as may be approved by such Authorized Officers and legal counsel to the Authority, such approvals being conclusively evidenced by the execution and delivery thereof, and the Clerk of the Sacramento Housing and Redevelopment Agency or her designee (the "Clerk) is hereby authorized and directed to attest the Bonds in said form and otherwise in accordance with the Pledge and Assignment,
- Section 3. The Master Pledge and Assignment by and among the Authority, Union Bank of California, N.A., as Agent, and Union Bank of California, N.A., as Holder (the "Pledge and Assignment"), in the form on file with the Clerk, is hereby approved, The Authorized Officers, each acting alone, are hereby authorized for and in behalf of the Authority to execute and deliver the Pledge and Assignment with such changes, additions or deletions as may be approved by such Authorized Officer and legal counsel to the Authority, such approvals to be conclusively evidenced by the execution and delivery thereof.
- Section 4. The Master Agency Agreement by and among the Authority and Union Bank of California, N.A., as Agent (the "Agency Agreement"), in the form on file with the Clerk, is hereby approved. The Authorized Officers, each acting alone, are hereby authorized for and in behalf of the Authority to execute and deliver the Agency Agreement with such changes, additions and deletions as may be approved by such Authorized Officer and legal counsel to the Authority, such approvals to be conclusively evidenced by the execution and delivery thereof.
- Section 5. The Regulatory Agreement and Declaration of Restrictive Covenants by and between the Authority and the Borrower (the "Regulatory Agreement"), in the form on file with the Clerk, is hereby approved. The Authorized Officers, each acting alone, are hereby authorized for and in behalf of the Authority to execute and deliver the Regulatory Agreement with such changes, additions or deletions as may be approved by such Authorized Officer and legal counsel to the Authority, such approvals to be conclusively evidenced by the execution and delivery thereof.

Section 6. The Bonds, when executed, shall be delivered to Union Bank of California, N.A., as the initial holder thereof, upon the funding of the Loan (as defined in the Pledge and Assignment) with the purchase price for the Bonds.

Section 7. All actions heretofore taken by the officers and agents of the Authority with respect to the sale and issuance of the Bonds are hereby approved, confirmed and ratified, and the proper officers of the Authority, including the Authorized Officers, are hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds in accordance with this Resolution, including but not limited to those certificates, agreements and other documents described in the Pledge and Assignment, the Agency Agreement, the Regulatory Agreement, and other documents herein approved.

Section 8. This Resolution shall take effect immediately upon its adoption

Table of Contents:

Exhibit A: Pledge and Assignment

Exhibit B: Agency Agreement

Exhibit C: Regulatory Agreement

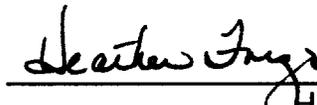
Adopted by Housing Authority on August 16, 2005 by the following vote:

Ayes: Cohn, Fong, McCarty, Pannell, Sheedy, Tretheway, Waters and Mayor Fargo.

Noes: None

Abstain: None

Absent: Hammond

  
\_\_\_\_\_  
Heather Fargo, Chair

  
\_\_\_\_\_  
Shirley Concolino, Secretary

**MASTER PLEDGE AND ASSIGNMENT**

**Amongst**

**HOUSING AUTHORITY OF THE CITY OF SACRAMENTO,  
as Issuer**

**and**

**UNION BANK OF CALIFORNIA, N.A.,  
as Agent**

**and**

**UNION BANK OF CALIFORNIA, N.A.,  
as Holder**

**Dated as of August 1, 2005**

**Relating to**

**\$16,000,000  
Housing Authority of the City of Sacramento  
Multifamily Housing Revenue Bonds  
(Creekside Village Senior Apartments)  
2005 Issue E**

---

**TABLE OF CONTENTS**

**ARTICLE I  
DEFINITIONS**

Section 1.1. Definitions..... 16

**ARTICLE II  
BONDS**

Section 2.1. Issuance of Bonds to Fund Loan; Loan Fees..... 20  
Section 2.2. Form, Face Amount and Delivery of Bonds..... 20  
Section 2.3. Principal..... 20  
Section 2.4. Interest ..... 20  
Section 2.5. Limited Obligation of Issuer and Agent to Make Payments..... 21  
Section 2.6. Corresponding Payments..... 21  
Section 2.7. Replacement of Bonds ..... 21  
Section 2.8. Registration and Transferability..... 22  
Section 2.9. Circumstances of Redemption of the Bonds..... 22  
Section 2.10. No Notice of Redemption..... 23  
Section 2.11. Effect of Redemption..... 23  
Section 2.12. Mandatory Purchase on Remarketing Date; Establishment of  
Remarketing Date..... 24  
Section 2.13. Remarketing Agent..... 25  
Section 2.14. Qualifications of Remarketing Agent ..... 25  
Section 2.15. Remarketing of Bonds..... 26  
Section 2.16. Redemption of Bonds Not Remarketed..... 26

**ARTICLE III  
SECURITY FOR THE BONDS**

Section 3.1. Delivery of Collateral..... 27  
Section 3.2. Agent the Mortgagee of Record..... 27

**ARTICLE IV  
SERVICING THE LOANS AND THE BONDS**

Section 4.1. Servicing the Loan..... 28  
Section 4.2. Paying Agent for the Bonds; Investments..... 29  
Section 4.3. Standard of Care..... 29  
Section 4.4. Indemnification of Issuer by Agent..... 29

**ARTICLE V  
DEFAULTS ON LOAN**

Section 5.1. Defaults on Loan..... 30  
Section 5.2. Action After Consultation with Holder..... 30  
Section 5.3. Losses and Expenses Upon Exercise of Rights..... 31  
Section 5.4. Notice to Issuer ..... 31

**ARTICLE VI**

**REPRESENTATIONS AND COVENANTS BY AGENT AND  
ISSUER**

Section 6.1.	Representations by Agent.....	32
Section 6.2.	Representations by Issuer.....	32

**ARTICLE VII  
BOOKS AND RECORDS; REPORTS**

Section 7.1.	Books and Records.....	34
Section 7.2.	Reports.....	34

**ARTICLE VIII  
NONRECOURSE; OBLIGATIONS NOT DEBT OF ISSUER,  
AGENT OR STATE**

Section 8.1.	Limited Obligations.....	35
--------------	--------------------------	----

**ARTICLE IX  
DEFAULTS UNDER THIS PLEDGE AND ASSIGNMENT  
AGREEMENT**

Section 9.1.	Events of Default.....	37
Section 9.2.	Remedies.....	38
Section 9.3.	Continuance of Obligations Upon Default by Agent.....	38
Section 9.4.	Continuance of Obligations and Servicing by Agent Upon Default by Issuer.....	38
Section 9.5.	Holder Authorized to Execute Assignments, Etc.....	39
Section 9.6.	Waiver of Appraisal, Evaluation, Etc.....	39
Section 9.7.	Application of Proceeds of Sale.....	39
Section 9.8.	Right of Holder to Perform Covenants of the Issuer and the Agent.....	39
Section 9.9.	No Waiver, Etc.....	39
Section 9.10.	Remedies Cumulative, Etc.....	40

**ARTICLE X  
MISCELLANEOUS**

Section 10.1.	Provisions Subject to Applicable Law.....	41
Section 10.2.	Applicable Law.....	41
Section 10.3.	Compromise of Action, Etc.....	41
Section 10.4.	Notices, Etc.....	41
Section 10.5.	Termination.....	41
Section 10.6.	Duty of Issuer.....	41
Section 10.7.	Consent to Assignment.....	41
Section 10.8.	Amendments, Successors and Assigns, Headings and Counterparts.....	42

EXHIBIT A	FORM OF BOND	
EXHIBIT B	PURCHASER'S LETTER	

## MASTER PLEDGE AND ASSIGNMENT

THIS MASTER PLEDGE AND ASSIGNMENT, dated as of August 1, 2005 (this "Pledge and Assignment"), from the HOUSING AUTHORITY OF THE CITY OF SACRAMENTO, a public body, corporate and politic, duly organized and validly existing under the laws of the State of California (the "Issuer"), and UNION BANK OF CALIFORNIA, N.A. (the "Agent"), as agent under and pursuant to that certain Master Agency Agreement dated as of August 1, 2005 (the "Agency Agreement") between the Issuer and the Agent, to UNION BANK OF CALIFORNIA, N.A., as initial holder of the Bonds described herein, and any successors and assigns (the "Holder").

### WITNESSETH:

WHEREAS, the Issuer is, concurrently herewith, issuing its Multifamily Housing Revenue Bonds (Creekside Village Senior Apartments) 2005 Issue E, in the aggregate principal amount of \$16,000,000 (the "Bonds"), to evidence the obligation to repay the advances to be made hereunder by the Holder to the Agent for the account of the Issuer;

WHEREAS, the proceeds of the Bonds will be advanced by the Agent for the account of the Issuer to Creekside Village Senior Apartments, L.P., a California limited partnership (the "Borrower"), for the purpose of funding loans (the "Loan") in the maximum aggregate principal amount of \$16,000,000 to the Borrower to finance the Borrower's acquisition and rehabilitation of a 296-unit multifamily rental housing project located in the City of Sacramento, County of Sacramento, State of California, to be known as the "Creekside Village Senior Apartments" (the "Project");

WHEREAS, the Loan will be made to the Borrower by the Agent for the account of the Issuer pursuant to that certain Construction Loan Agreement (Multifamily Housing Bond Program) (the "Loan Agreement"), of even date herewith, by and between the Agent (for the account of the Issuer), as lender, and the Borrower, as borrower;

WHEREAS, the Borrower's obligation to repay the Loan will be evidenced by that certain Promissory Note (Multifamily Housing Bond Program) (the "Note") made by Borrower to the order of the Agent for the account of the Issuer, as further described herein, and secured by that certain Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (Construction Trust Deed – Multifamily Housing Bond Program) (the "Mortgage") of even date herewith, executed by the Borrower, as trustor, for the benefit of the Agent, in its capacity as agent for the Issuer, as beneficiary;

WHEREAS, the Holder, as a condition to its purchase of the Bonds, has required that the Issuer and the Agent execute and deliver this Pledge and Assignment;

NOW, THEREFORE, as an inducement to the Holder to purchase the Bonds, as provided herein, and as an inducement to the Agent, as agent for the Issuer and for the account of the Issuer, to make and disburse the proceeds of the Bonds to make the Loan as provided herein, and in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Issuer and the Agent, in order to secure the due and punctual payment of the Bonds and other sums due the Holder hereunder or thereunder, do hereby pledge, grant, bargain, sell, convey, assign, mortgage and transfer, and grant a security interest in, all of the Issuer's and the Agent's right, title and interest in and to the following described property, whether real or personal (the "Collateral"), to the Holder; provided, however, that this Pledge and Assignment and the agreements and covenants made hereunder shall not be construed to constitute a general obligation of the Issuer or the Agent, and any obligations hereunder are limited obligations of the Issuer and the Agent to be paid and satisfied solely from the following described Collateral:

- (i) the Loan, including without limitation, the Note, the Mortgage and all other Loan Documents (as hereinafter defined) to which either the Issuer or the Agent now is, or hereafter may be, a party or a direct beneficiary, together with all rights, powers, privileges and other benefits of the Agent and the Issuer under the Loan Documents, including the right to make all waivers and agreements, to give and receive duplicate copies of all notices and other instruments or communications, to take such action upon the occurrence of any default under the Loan Documents, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Loan Documents or by law, and to do any and all other things whatsoever which the Issuer or the Agent is or may be entitled to do under the Loan Documents;
- (ii) any and all payments of principal, interest, premiums and late payment fees made on the Loan at any time hereafter by the Borrower;
- (iii) the proceeds of the sale of the Bonds to the extent they have not been applied to fund the Loan;
- (iv) all tax, insurance or other similar escrows now or hereafter held with respect to the Loan; and
- (v) any and all proceeds received under any policy of title insurance, hazard insurance, or other such insurance with respect to the Project, proceeds received from Condemnation (as that term is defined below), and revenues, proceeds and other payments and tenders received from any foreclosure (or payments in lieu of foreclosure) of the Mortgage or from enforcement of the Mortgage or any other Loan Documents, and any and all proceeds from the conversion, voluntary or involuntary, of any of the foregoing into cash or other liquidated claims;

SUBJECT, HOWEVER, to (a) the interest of the Borrower, to the extent provided in the Loan Documents, with respect to the tax, insurance or other similar escrows and with respect to any property insurance proceeds or Condemnation awards or proceeds of foreclosure, (b) the right of the Agent and the Issuer to exercise, without the consent of the Holder until an Event of Default shall have occurred and be continuing, all rights, powers, privileges and other benefits under the

Loan Documents, including the right to make all waivers and agreements, to give and receive duplicate copies of all notices and other instruments or communications, to take such action upon the occurrence of any default under the Loan Documents, including the commencement, conduct and consummation of legal, administrative or other proceedings, as shall be permitted by the Loan Documents or by law, but subject to, and only upon, the terms and conditions of Article 5 hereof, and (c) any of the rights of the Issuer and the Agent and their respective directors, officers, elected officials, attorneys, accountants, employees, agents and consultants to be held harmless and indemnified thereunder, to be paid fees as described therein, to be reimbursed for attorneys' fees and expenses thereunder and to give or withhold consent to amendments, changes, modifications and alterations to and to enforce the provisions of the Regulatory Agreement as that term is hereinafter defined; provided that payment of the fees, expenses and indemnification amount under this subpart (c) shall be subordinate and junior in right of payment to the right of the Holder to be paid in full all amounts owing to it under the Bonds and other expenses as set forth in Section 5.1 hereof.

IT IS HEREBY COVENANTED by the parties hereto that the Collateral is to be held and applied subject to the further covenants, conditions, uses and trusts herein set forth; and the Issuer and the Agent, for themselves and their respective successors and assigns, hereby covenant and agree with the Holder as follows:

## ARTICLE I

### DEFINITIONS

Section 1.1. Definitions. The following terms shall, for all purposes of this Pledge and Assignment, have the following respective meanings:

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

"Affiliate" means any entity of which the ultimate parent corporation is the same as that of Union Bank of California, N.A. (or any successor to Union Bank of California N.A. as the Holder), including such parent corporation.

"Authorized Denomination" shall mean the outstanding principal amount of Bonds.

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

"Bonds" means the Housing Authority of the City of Sacramento Multifamily Housing Revenue Bonds (Creekside Village Senior Apartments) 2005 Issue E, issued and delivered in the aggregate principal amount of \$16,000,000.

"Borrower" means Creekside Village Senior Apartments, L.P., a California limited partnership, and its successors and assigns.

"Closing Date" means the date of original issuance of the Bonds hereunder.

"Code" means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"Collateral" shall have the meaning assigned to such term in the sixth paragraph under the heading "WITNESSETH" above.

"Condemnation" means a taking of all or any part of the Project or any Land or any interest therein or right accruing thereto as a result of or in lieu of or in anticipation of the exercise of the right of condemnation, eminent domain, change of grade, appropriation or confiscation.

"Conversion Date" means \_\_\_\_\_, 200\_\_, [subject to extension to \_\_\_\_\_, 200\_\_ in accordance with the Loan Agreement].

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

"Guaranty" shall have the meaning ascribed to it in the Loan Agreement.

"Interest Payment Date" shall mean the first day of each month for so long as the Bonds are outstanding, commencing October 1, 2005.

"Loan" means the mortgage loans made by the Agent for the account of the Issuer to the Borrower with respect to the Project, from the proceeds of the Bonds, pursuant to the Loan Agreement.

"Loan Agreement" means that certain Construction Loan Agreement (Multifamily Housing Bond Program) dated as of August 1, 2005 by and between the Agent, in its capacity as agent for the Issuer, as lender, and the Borrower with respect to the Project.

"Loan Documents" means all of the following documents or instruments entered into with respect to the Loan and the Project: the Note, the Mortgage, the Loan Agreement, the Guaranty, the Regulatory Agreement and all other documents evidencing, securing or otherwise pertaining to the Loan.

"Mortgage" means the Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (Construction Trust Deed – Multifamily Housing Bond Program) of even date herewith by the Borrower, as trustor, for the benefit of the Agent, for the account of the Issuer, as beneficiary, and Unionbanca Mortgage Corporation, a California corporation, as trustee, encumbering (among other things) the Project, securing the Loan and recorded in the official records of the County of Sacramento, State of California.

"Note" means that certain Promissory Note (Multifamily Housing Bond Program) relating to the Bonds in the maximum face principal amount of \$16,000,000 executed by the Borrower to the order of the Agent, as agent for the Issuer, evidencing the obligation to repay the Loan.

"Permitted Investments" means, to the extent permitted by applicable law, any of the following:

- (1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America, including instruments evidencing an ownership interest in securities described in this clause (1);
- (2) obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following: Federal Home Loan Bank System, Export-Import Bank of the United States, Federal Financing Bank, Federal Land Banks, Government National Mortgage Association, Federal Home Loan Mortgage Corporation or Federal Housing Administration;
- (3) repurchase agreements (including those of the Agent) fully secured by collateral security described in clause (1) or (2) of this definition, which collateral (a) is held by the Agent or a third party agent approved by the Holder during the term of such repurchase agreement, (b) is not subject to liens or claims of third parties and (c) has a market value (determined at least once every fourteen (14) days) at least equal to the amount so invested;
- (4) certificates of deposit of, or time deposits or deposit accounts in, any bank (including the Agent) or savings and loan association (a) the debt obligations of which (or in the case of the principal bank of a holding company, the debt obligations of the bank holding company of which) have been rated "A" or better by S&P, or (b) which are fully insured by the Federal Deposit Insurance Corporation, or (c) which are secured at all times, in the manner and to the extent provided by law, by collateral security (described in clause (1) or (2) of this definition) of a market value (valued at least quarterly) of no less than the amount of money so invested;
- (5) investment agreements of financial institutions or insurance companies, in each case having uninsured, unsecured and unguaranteed obligations rated "AA-" or better by S&P, provided, however, that any such investment may be provided by a financial institution or insurance company having uninsured, unsecured and unguaranteed obligations not rated "AA-" or better by S&P, if such investment is unconditionally insured, guaranteed or enhanced by an entity whose uninsured, unsecured and unguaranteed obligations are rated "AA-" or better by S&P;
- (6) shares in any investment company registered under the federal Investment Company Act of 1940 whose shares are registered under the federal Securities Act of 1933 and whose only investments are government securities described in clause (1) or (2) of this definition and repurchase agreements fully secured by government securities described in clause (1) or (2) of this definition and/or other obligations rated AAA by S&P, including investment companies and master repurchase agreements from which the Agent or an affiliate derives a fee for investment advising or other service;
- (7) tax-exempt obligations of any state of the United States, or political subdivision thereof, which are rated A or better by S&P or mutual funds invested only in such obligations;

- (8) units of a taxable or nontaxable government money-market portfolio composed of U.S. Government obligations and repurchase agreements collateralized by such obligations;
- (9) commercial paper rated A or better by S&P;
- (10) corporate notes or bonds with one year or less to maturity rated A or better by S&P; or
- (11) U.S. Bank Commercial Money Market Fund.

"Post Remarketing Date Rate" means the rate of interest to be borne by the Bonds after the Remarketing Date, determined pursuant to Section 2.4 of this Pledge and Assignment.

"Project" means the 296-unit multifamily rental housing project to be known as "Creekside Village Senior Apartments" and located at 6465 Village Center Drive in the City of Sacramento, County of Sacramento, State of California.

"Purchaser's Letter" means the Purchaser's Letter in the form attached hereto as Exhibit B.

"Put Purchase Price" means the then outstanding principal amount of the Bonds plus accrued interest to the Remarketing Date (or, if the Put Purchase Price is not timely paid to the Holder on the Remarketing Date, plus accrued interest to the date such Put Purchase Price has been paid to the Holder).

"Qualified Institutional Buyer" has the meaning set forth in Rule 144A of the Securities Act of 1933, as amended.

"Regulatory Agreement" means that certain Regulatory Agreement and Declaration of Restrictive Covenants relating to the Project, dated as of August 1, 2005, by and between the Issuer and the Borrower.

"Remarketing Agent" means the Remarketing Agent acting as such pursuant to Section 2.13 of this Pledge and Assignment.

"Remarketing Agreement" means the Remarketing Agreement entered into by the Borrower and the Remarketing Agent pursuant to Section 2.13 of this Pledge and Assignment.

"Remarketing Date" means \_\_\_\_\_ 1, 20 \_\_, or such later date as may be established by Section 2.12 hereof.

"S&P" means Standard & Poor's Ratings Services, A Division of the McGraw-Hill Companies.

"State" means the State of California.

## ARTICLE II

### BONDS

Section 2.1. Issuance of Bonds to Fund Loan; Loan Fees. This Pledge and Assignment is entered into by the Issuer to assist in the acquisition and construction of the Project by providing financing for the Project through the issuance of the Bonds, the proceeds of which shall be advanced by the Holder directly to the Agent for the account of the Issuer as and when needed by the Agent to make each advance under the Loan Agreement and shall be applied by the Agent for the account of the Issuer to the funding of the Loan pursuant to the terms of the Loan Agreement. As consideration for the issuance and delivery of the Bonds, the Holder agrees to purchase, at par, the Bonds in an original principal amount of up to \$16,000,000. Concurrently with each advance of principal by the Agent, for the account of the Issuer, to the Borrower under the Loan Agreement of the proceeds of the Loan, the Holder shall deliver to the Agent, for the account of the Issuer, and on account of the Holder's purchase of a corresponding principal amount of the Bonds, an amount equal to the amount so advanced by the Agent, on account of the Issuer, to the Borrower under the Loan Agreement.

Section 2.2. Form, Face Amount and Delivery of Bonds. The Bonds secured hereby are designated "Housing Authority of the City of Sacramento Multifamily Housing Revenue Bonds (Creekside Village Senior Apartments) 2005 Issue E," are to be issued substantially in the form attached hereto as Exhibit A, are being issued in the face principal amount of \$16,000,000, and will be payable and mature as provided therein. The Bonds shall be executed, either manually or by facsimile, by the Executive Director of the Issuer and attested by the Clerk of the Sacramento Housing and Redevelopment Agency and shall be delivered to the Holder in certificate form upon the Holder's execution of the Purchaser's Letter.

Section 2.3. Principal. The outstanding principal amount of the Bonds as of any given date shall be the total amount advanced by the Holder to the Agent on account of the Holder's purchase of the Bonds and advanced or constructively advanced by the Agent to the Borrower as proceeds of the Loan, less any payments of principal previously received by such Holder on the Bonds. The principal amount of the Bonds and interest thereon shall be payable on the basis specified in Sections 2.4 and 2.6. The Bonds shall be subject to redemption as provided in Sections 2.13 and 2.14 and shall mature, and become due and payable in full, together with all accrued and unpaid interest thereon, on \_\_\_\_\_ 1, 20\_\_.

Section 2.4. Interest. Interest shall be paid on the outstanding principal amount of the Bonds, from and after the Closing Date to, but not including the Remarketing Date, at the rate or rates equal to the interest rate in effect from time to time on the Note as provided in the Loan Agreement, payable on each Interest Payment Date. Interest on the Bonds during such period shall be calculated as provided in the Loan Agreement.

From and after the Remarketing Date, and until maturity, the Bonds shall bear interest at the Post Remarketing Date Rate, payable on each Interest Payment Date following the Remarketing Date, calculated on the basis of a 360 day year, actual days elapsed. The Post Remarketing Date Rate shall be that rate, determined by the Remarketing Agent on the Remarketing Date which, in the

judgment of the Remarketing Agent, having due regard for prevailing financial market conditions, would be required, but would not exceed the rate that would be required, to be borne by the Bonds in order for the market value of the Bonds on such date to be par (disregarding accrued interest); provided that pending remarketing of the Bonds in accordance with the requirements of this Pledge and Assignment, the Bonds shall bear interest at the "Reference Rate"(as defined in the Loan Agreement) plus five percent (5.00%); and provided further that in no event shall the Post Remarketing Date Rate exceed the maximum interest rate permitted by the laws of the State. The determination of the Post Remarketing Date Rate by the Remarketing Agent shall (in the absence of manifest error) be conclusive and binding on the Holder, any other owners of Bonds, the Issuer, the Borrower and the Remarketing Agent, and each shall be protected by relying on such rate.

The Bonds shall bear interest from the date to which interest has been paid on the Bonds next preceding the date of its authentication, unless it is authenticated as of an Interest Payment Date for which interest has been paid, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before the first Interest Payment Date, in which event it shall bear interest from its Closing Date.

Section 2.5. Limited Obligation of Issuer and Agent to Make Payments. The payments of principal, interest, premiums, late payment fees and all other amounts to be made on the Bonds to the Holder thereof shall be made in accordance with the terms of the Bonds. In no event, however, shall the Issuer or the Agent have any obligation to make or remit such payments to the Holder unless and until moneys are received therefor by the Issuer or the Agent, as the case may be, from or with respect to the Loan.

Section 2.6. Corresponding Payments. The payment or prepayment of principal and interest, premiums, late payment fees and other amounts due on the Bonds shall be identical with and shall be made on the same dates, terms and conditions as the principal, interest, premiums, late payment fees and other amounts due on the Note as provided in the Loan Agreement. Any payment or prepayment made by the Borrower of principal, interest, premiums, late payment fees and other amounts due on the Note shall be deemed to be like payments or prepayments of principal, interest, premiums, late payment fees and other amounts due on the Bonds. Payments or prepayments by the Borrower under the Note shall be deemed to have been constructively received by the Holder as payments or prepayments on the Bonds on the date of receipt of such payments by the Agent, and interest with respect to each principal payment or prepayment shall cease to accrue upon receipt thereof by the Agent. Payments or prepayments of principal, interest, premiums, late payment fees and other amounts due shall be remitted immediately by the Agent to the Holder. Late payment fees payable on the Note as provided in the Loan Agreement and other amounts, if any, payable on the Note as provided in the Loan Agreement other than principal, interest and premium shall be retained by the Agent as additional compensation.

Section 2.7. Replacement of Bonds. Upon receipt of evidence reasonably satisfactory to the Issuer of the loss, theft, destruction or mutilation of the Bonds, or any replacement Bonds, and, in the case of any such loss, theft, or destruction, upon the delivery of an indemnity agreement reasonably satisfactory to the Issuer or, in the case of any mutilation, upon the surrender and

cancellation of such mutilated Bond, the Issuer, at the expense of the Holder of such Bond, will issue a new Bond, of like tenor, in lieu of such lost, destroyed or mutilated Bond.

Section 2.8. Registration and Transferability. The Bonds shall be in fully registered form, registered in the name of the Holder upon registration books of the Issuer at the office of the Agent, such registration to be noted on the Bonds, after which no transfer shall be valid unless made in compliance with the provisions of this Section 2.8.

The Bonds shall be sold, assigned, transferred or otherwise disposed of only in the Authorized Denomination. The Bonds shall be transferable upon said registration books by the Holder in person or by its attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Agent, duly executed by the registered Holder or its duly authorized attorney. Upon such transfer, the Agent will note the date of registration and the name and address of the newly registered Holder on the books of the Issuer and on the Bonds. The Issuer and the Agent may deem and treat the person in whose name the Bond is last registered upon the books of the Issuer, with such registration noted on the Bond, as the absolute owner thereof for the purpose of receiving payment of or on account of the principal, or interest, premium and late payment fees and for all other purposes; all such payments so made to the registered Holder or upon its order shall be valid and effectual to satisfy and discharge the liability upon the Bond to the extent of the sum or sums so paid, and the Issuer shall not be affected by any notice to the contrary.

With the exception of a transfer to an Affiliate of Holder, the Bonds (and any participation interests therein) shall not be sold, assigned, transferred or otherwise disposed of by the Holder or any Affiliate of the Holder unless the purchaser of the Bonds (or of any such participation interest) provides a Purchaser's Letter substantially in the form attached hereto as Exhibit B and acknowledges in writing that it shall have no right to pursue any action or claim against the Issuer; provided that the Holder agrees to and shall indemnify, hold harmless and defend the Issuer, its supervisors, commissioners, officers, members, directors, officials, agents and employees, and each of them, against all loss, costs, damages, expenses, suits, judgments, actions and liabilities of whatever nature (including, without limitation, attorneys' fees, litigation and court costs, amounts paid in settlement, and amounts paid to discharge judgments) directly or indirectly resulting from or arising out of or related to any such sale, transfer or participation. Notwithstanding the above, any Holder shall be a Qualified Institutional Buyer. The Holder shall provide written notice to the Issuer identifying any person or entity acquiring a participation interest in the Bonds. No sale of participations in the Bonds by the Holder shall relieve the Holder of its obligation to advance the proceeds of the Bonds when required by this Pledge and Assignment. In no case shall a purchaser of participation interests in the Bonds be deemed to be a Holder of the Bonds. The Holder may disclose to any purchasers or prospective purchasers any information or other data or material in the Holder's possession relating to the Issuer, the Bonds and the Project, without the consent of or notice to the Issuer.

Section 2.9. Circumstances of Redemption of the Bonds. The Bonds are subject to redemption upon the circumstances, on the dates and at the prices set forth as follows:

(a) The Bonds shall be subject to redemption in whole or in part on any Interest Payment Date, at a redemption price equal to the outstanding principal amount of the Bonds to be redeemed plus interest accrued thereon to the date fixed for redemption, together with any applicable premium, upon prepayment of the Loan under the terms of the Loan Agreement in whole or in part.

(b) The Bonds shall be subject to redemption in whole on any date at a redemption price equal to the outstanding principal amount of the Bonds to be redeemed plus interest accrued thereon to the date fixed for redemption, together with any applicable premium, upon acceleration of the Loan in whole following an Event of Default (as defined in the Loan Agreement).

(c) The Bonds shall be subject to redemption in whole or in part on any date at a redemption price equal to the outstanding principal amount of the Bonds to be redeemed plus accrued interest to the redemption date, together with any applicable premium, from the proceeds of any mandatory prepayment of the Loan under the terms of the Note or the Loan Agreement.

(d) The Bonds shall be subject to redemption in whole on any date on or after the Remarketing Date, at the direction of the Holder at a redemption price equal to the outstanding principal amount of the Bonds plus interest thereon to the redemption date, together with any applicable premium (i) if all of the Bonds are not remarketed on the Remarketing Date, for a purchase price equal to the full Put Purchase Price, or (ii) if all of the Bonds are so remarketed, if the Holder does not timely receive the full Put Purchase Price in accordance with Section 2.15 below.

The premium due in connection with any of the foregoing redemption provisions shall be an amount equal to the amount paid on the applicable Note and/or the Loan Agreement in connection with such redemption that is in excess of the principal and interest on the Bonds otherwise due on the redemption date.

The Holder is hereby authorized and directed, and hereby agrees, to fix the date for any such redemption, and, if moneys provided from the sources contemplated by this Pledge and Assignment and the Loan Agreement are available, to redeem the Bonds so called on the date so fixed by the Holder. The Holder shall give written notice of such redemption to the Issuer.

Section 2.10. No Notice of Redemption. No notice of redemption of the Bonds need be given to the Holder or other owners of the Bonds.

Section 2.11. Effect of Redemption. The Bonds so called for redemption shall, on the redemption date selected by the Holder become due and payable at the redemption price specified herein, and if moneys provided from the sources contemplated by this Pledge and Assignment and the Loan Agreement for payment of the redemption price are then held by the Holder, interest on the Bonds so called for redemption shall cease to accrue, said Bonds shall cease to be entitled to any lien, benefit or security under this Pledge and Assignment, and the holders of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All Bonds fully redeemed pursuant to the provisions of Section 2.16 or Section 2.9 shall be destroyed by the Agent, which shall thereupon note such destruction in the registration books maintained by the Agent pursuant to Section 2.8 of this Pledge and Assignment.

**Section 2.12. Mandatory Purchase on Remarketing Date; Establishment of Remarketing Date.**

The owners of the Bonds shall be required to tender their Bonds to the Agent for purchase on the Remarketing Date, at a purchase price equal to one hundred percent (100%) of the principal amount of the Bonds then outstanding, plus accrued interest to the Remarketing Date, payable from the sources described below. The Agent shall make payment for any Bond purchased pursuant to this Section on or before 4:00 p.m., Pacific Time, on the Remarketing Date, but only if and to the extent that Agent has received from the Remarketing Agent on or before 10:00 a.m., Pacific Time, on the Remarketing Date an amount equal to the Put Purchase Price.

So long as the Holder and/or one or more of its affiliates are the owners of all of the Bonds, no notice of such mandatory tender need be given to any owner of a Bond. Otherwise, the Agent shall give each registered holder of a Bond no less than six (6) days' prior written notice of such mandatory tender, which notice shall specify the Remarketing Date and that the Bond must be tendered on such date or that it will be deemed tendered on such date.

The purchase price of Bonds tendered as required by this Section 2.12 shall be payable solely from funds representing the Put Purchase Price paid by the Remarketing Agent to the Agent.

Any Bond which is not tendered on the Remarketing Date will be nevertheless deemed to have been tendered to the Agent on the Remarketing Date and, so long as the Agent timely receives the full Put Purchase Price on such date from the Remarketing Agent and pays such amounts to the owners of the Bonds on such date, from and after such date, each such Bond shall cease to bear interest. In the event that the Agent timely receives an amount equal to the full Put Purchase Price on the Remarketing Date, and any owner of a Bond fails to deliver a Bond to the Agent on the Remarketing Date, such owner of Bond will not be entitled to any payment (including any interest that might otherwise accrue from and after the Remarketing Date) other than the Purchase Price for such untendered Bond. The Issuer shall sign, and the Agent shall authenticate and deliver to the Remarketing Agent for redelivery to the purchaser or purchasers thereof, a new Bond in replacement for any untendered Bond.

The Remarketing Date shall be \_\_\_\_\_ 1, 20\_\_; provided that, if at least six (6) days prior to \_\_\_\_\_, 20\_\_ the Holder delivers to the Remarketing Agent and the Issuer its direction to establish a later Remarketing Date as set forth in such direction (accompanied by an opinion of Bond Counsel to the effect that the change in Remarketing Date will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes), the Remarketing Date shall be such later date and during the period from \_\_\_\_\_ 1, 20\_\_ until such later Remarketing Date, the Bonds shall bear interest at the "Reference Rate" (as defined in the Loan Agreement) plus two percent (2.00%), subject to Section 2.4 of this Pledge and Assignment. Any Remarketing Date established under the provision in the preceding sentence may be further extended from time to time if at least six (6) days prior to the most recently established Remarketing Date there is delivered to the Remarketing Agent and the Issuer the written direction of the Holder extending the Remarketing

Date and an opinion of Bond Counsel as described in the preceding sentence, in which event the Remarketing Date shall be such later date.

Section 2.13. Remarketing Agent. At least thirty (30) days prior to the Remarketing Date, the Borrower, with notice to the Issuer and the prior written consent of the Holder (which consent shall not be unreasonably withheld, conditioned or delayed), shall appoint a Remarketing Agent for the Bonds, subject to the conditions set forth in Section 2.14 hereof, and shall enter into the Remarketing Agreement, in a form acceptable to the Holder, with the Remarketing Agent. The Remarketing Agent shall designate to the Agent its principal office and signify its acceptance of the duties and obligations imposed upon it hereunder by execution of the Remarketing Agreement. The Remarketing Agent shall, and shall agree in the Remarketing Agreement to, do each of the following:

- (a) hold all moneys delivered to it hereunder for the purchase of the Bonds in trust for the benefit of the person which shall have so delivered such moneys until the Bonds purchased with such moneys shall have been delivered to or for the account of such person, and not commingle such moneys with other funds of the Remarketing Agent;
- (b) keep such books and records as shall be consistent with prudent industry practice and make such books and records available for inspection by the Issuer, the Agent and the Holder at all reasonable times; and
- (c) perform the duties and comply with the provisions set forth in Sections 2.14 through 2.16 hereof, inclusive.

Section 2.14. Qualifications of Remarketing Agent.

- (a) The Remarketing Agent and any successor Remarketing Agents shall be a national banking association or a member of the National Association of Securities Dealers, Inc., or such other entity agreed upon by the Issuer, the Holder and the Borrower, in any case authorized by law to perform all the duties imposed upon it by this Pledge and Assignment and the Remarketing Agreement.
- (b) The Remarketing Agent may, not less than 15 days prior to the Remarketing Date, resign and be discharged of the duties and obligations created by this Pledge and Assignment by giving at least five (5) days' written notice to the Issuer, the Borrower, the Holder and the Agent, but any such resignation shall not be effective until a successor is appointed in accordance with this Section 2.14 and has accepted such appointment.
- (c) The Remarketing Agent may be removed at any time, and a successor Remarketing Agent appointed at the direction of the Borrower (with notice to the Issuer and the prior written consent of the Holder) or the Issuer (with notice to the Borrower and the prior written consent of the Holder), upon delivery by the Borrower or the Issuer of an instrument directing such removal and appointment, signed by the Borrower or the Issuer, as applicable (and approved by (a) the Issuer, if such direction is from the Borrower, and (b) the Holder) and filed with the Issuer, the Remarketing Agent, the Holder and the Agent. No removal of the Remarketing Agent shall be

effective until a successor is appointed and has accepted such appointment in a written instrument to be provided to the Issuer, the Borrower and the Agent, and no removal of the Remarketing Agent may occur less than 15 days prior to the Remarketing Date.

(d) In the event of the resignation or removal of the Remarketing Agent, the Remarketing Agent shall pay over, assign and deliver any moneys and Bonds held by it in such capacity to its successor.

Section 2.15. Remarketing of Bonds. Prior to the Remarketing Date, the Remarketing Agent shall offer for sale and use its best efforts to remarket, on or prior to the Remarketing Date, all of the Bonds at the Post Remarketing Date Rate for the Bonds for a purchase price equal to the Put Purchase Price for the Bonds; provided, however, that the Remarketing Agent shall not offer for sale or sell any Bond to the Issuer, the Borrower or any of their affiliates, and provided, further that the Bond shall be remarketed only to a [single] purchaser who shall be a Qualified Institutional Buyer as required in Section 4.4 hereof, unless the Bond shall have received a rating of "A" or better (without regard to any modifier) by S&P, Moody's Investors Service, or another nationally recognized rating agency acceptable to the Issuer. The Bonds shall be remarketed at the Post Remarketing Date Rate, as required by Section 2.4(b) hereof.

The Remarketing Agent shall instruct the purchasers of the Bond to deliver to it, no later than 8:30 a.m. Pacific Time on the Remarketing Date, in same day funds, the Put Purchase Price for the Bonds. Upon receipt by the Remarketing Agent of the Put Purchase Price for the Bond from such purchasers and receipt by the Agent of the Bond tendered for purchase, at or prior to 8:30 a.m. Pacific Time on the Remarketing Date in good form for delivery along with, if applicable, the documentation required by Section 4.4 hereof relating to requirements for an owner of the Bond, the Remarketing Agent will give written instructions to the Agent, as bond registrar and authenticating agent, to transfer the registered ownership of the Bond to the purchasers, and will make available the Bond to such purchasers which shall thereafter be the Holder for all purposes of this Pledge and Assignment. The Remarketing Agent shall remit the Put Purchase Price of the Bond to the Agent, for payment to the Holder and any other owner of the Bond, no later than 10:00 a.m. Pacific Time, on the Remarketing Date.

The Issuer hereby agrees that it will not purchase the Bond from the Remarketing Agent or otherwise.

Section 2.16. Redemption of Bonds Not Remarketed. If the Agent receives written notice from the Remarketing Agent, on or before 10:00 a.m., Pacific Time, on the Remarketing Date, that the Remarketing Agent has not been able to remarket all of the outstanding Bonds for a purchase price equal to the full Put Purchase Price, or, if by 10:00 a.m., Pacific Time, on the Remarketing Date, the Agent has not received the full Put Purchase Price of the Bonds from the Remarketing Agent or otherwise, the Bonds shall be subject to mandatory redemption in whole, in accordance with Section 2.9(d) above.

## ARTICLE III

### SECURITY FOR THE BONDS

Section 3.1. Delivery of Collateral. To provide security for the payment of the Bonds, the Agent and the Issuer have pledged, assigned, transferred, conveyed and granted their respective right, title and interest in the Loan and other security constituting the Collateral to the Holder. In connection with such pledge, assignment, transfer and conveyance, the Agent shall deliver to the Holder the following documents or instruments promptly following their execution:

- (i) The Note endorsed without recourse by the Agent;
- (ii) An originally executed Loan Agreement and Regulatory Agreement;
- (iii) An originally executed Mortgage and all other Loan Documents constituting the Collateral existing at the time of delivery of the Note and a collateral assignment of the Mortgage from Agent to Holder, in recordable form;
- (iv) Uniform Commercial Code financing statements or other chattel security documents giving notice of the Holder's status as an assignee of the Agent's security interest in any personal property forming part of the Project, in form suitable for filing; and
- (v) Uniform Commercial Code financing statements giving notice of the pledge by the Issuer and the Agent of the Collateral pledged under this Pledge and Assignment.

The Agent and the Issuer shall deliver and deposit with the Holder such additional documents, financing statements, and instruments as the Holder may reasonably require from time to time for the better perfecting and assuring to the Holder of its lien and security interest in and to the Collateral.

Section 3.2. Agent the Mortgagee of Record. Notwithstanding the pledge, transfer and conveyance hereunder of the Loan and the other Collateral to the Holder, the Agent shall, except as otherwise provided in Section 9.2 of this Pledge and Assignment upon the occurrence of an Event of Default, be and remain the mortgagee of record for the Loan, and is fully authorized and empowered to service and administer the Loan as provided in Section 4.1 hereof.

## ARTICLE IV

### SERVICING THE LOANS AND THE BONDS

Section 4.1. Servicing the Loan. The Agent shall take all steps necessary to maintain its qualifications to act hereunder as mortgagee, and shall service and administer the Loan in accordance with standard mortgage banking practices, taking all steps and exercising the same degree of care and skill with respect to the Loan, Project and Loan Documents that it would take or exercise under the circumstances in protecting its own interests as a mortgage lender or investor therein. Except as specifically noted below, the Agent shall have full power and authority, acting alone, to do any and all things in connection with such servicing and administration of the Loan that it may deem necessary or desirable, including, without limitation, the following:

- (i) The making of advances on the Loan directly to or for the account of the Borrower, pursuant to the Loan Agreement and other Loan Documents, in accordance with law and the Agent's usual practices and procedures in administering similar projects and mortgage loans.
- (ii) Recording and filing of documents and statements to create, preserve and release the lien of the Mortgage on the Project and the site on which it is located, site inspections, obtaining title updates and endorsements, processing change orders, and maintaining required insurance and escrow funds.
- (iii) The collection, holding and disbursement in accordance with the requirements of the Loan Documents and any applicable laws, of all payments of principal and interest due under the Loan, and any other payments or sums due under or with respect to the Loan, the Mortgage or other Loan Documents, including, without limitation, all payments for taxes, assessments, hazard insurance premiums, service charges and late payment fees, all proceeds of title and hazard insurance policies, letters of credit, and all condemnation awards.
- (iv) The preservation, administration and enforcement of the Loan and the Loan Documents, and in this connection the Agent may do, or refrain from doing, all acts which are permitted under the terms of the Loan or the Loan Documents and which in its sole judgment may be appropriate; provided, however, that, except as otherwise permitted in accordance with Section 5.2 hereof upon the happening of a default by the Borrower under the Loan Agreement, the Note or the Mortgage, the Agent may not take any action that would cause interest on the Bonds to be included in the gross income of the owners thereof for purposes of federal income taxation without the prior written consent of the Issuer and the Holder or do any of the following without the prior written consent of the Holder:
  - (a) consent to or permit modification of the maximum face principal amount of the Loan, reduce the interest rate thereon, or extend the maturity date thereof or the due date of any principal payment thereof or the date for commencement of amortization (except as provided therein), or

(b) make or consent to any release of the Borrower from any liability under the Loan or any of the Loan Documents except as otherwise expressly contemplated under the Loan Documents.

(v) The preservation and administration of all escrow funds required by any of the Loan Documents, in accordance with the requirements of the Loan Documents.

Section 4.2. Paying Agent for the Bonds; Investments. The Agent shall serve as paying agent for the Bonds and on behalf of the Issuer, and shall remit, directly to the Holder, the payments of principal, interest, premiums, late payment fees and all other amounts due on the Bonds required by, and in accordance with, Sections 2.3, 2.4, 2.5, 2.6, 2.12, 2.13 and 2.14 hereof. The Agent shall invest any undisbursed Bond proceeds in Permitted Investments, as directed by the Borrower and as approved by the Holder.

Permitted Investments may be purchased at such prices as the Agent may in its discretion determine or as may be directed by written request of the Borrower, approved by the Holder, provided that, except as hereinafter provided in the next sentence, all Permitted Investments acquired with the proceeds of the Bonds (within the meaning of Section 148 of the Code) shall be acquired, disposed of and valued (as of the date that valuation is required by the Code) at Fair Market Value. Investments of such proceeds that are subject to a yield restriction under applicable provisions of the Code shall be valued at their present value (within the meaning of Section 148 of the Code). All Permitted Investments relating to the Bonds shall be acquired subject to any additional limitations set forth in the Certificate As to Arbitrage dated the Closing Date executed by the Issuer and the Borrower.

Section 4.3. Standard of Care. In servicing and administering the Loan and acting as a paying agent for the Bonds pursuant to Sections 4.1 and 4.2 hereof, the Agent shall act in the best interests of the Holder, but neither the Issuer nor the Agent shall be liable to the Holder or to any other person or entity if, in so servicing and administering the Loan and the Bonds, the Agent exercises that degree of ordinary prudence and skill which it would exercise under the circumstances in protecting its own interests as if it were the Holder, and further, neither the Issuer nor the Agent shall have any liability when the Agent acts, or refrains from acting, pursuant to the specific written instructions of the Holder. The Issuer shall have no liability to the Holder for actions taken by the Agent in servicing and administering the Loan or acting as paying agent for the Bonds, including, but not limited to, liability for the errors or omissions, willful misconduct or negligence of the Agent.

Section 4.4. Indemnification of Issuer by Agent. The Holder acknowledges that notwithstanding any other provision of this Pledge and Assignment, Agent is acting as an independent contractor and not as the agent of Issuer in servicing and administering the Loan. Agent agrees to indemnify, hold harmless and defend Issuer and its respective supervisors, commissioners, officers, members, program participants, directors, officials, agents and employees and each of them, against all loss, costs, damages, expenses, suits, judgments, actions and liabilities of whatever nature (including, without limitation, attorneys' fees, litigation and court costs, amounts paid in settlement, and amounts paid to discharge judgments) directly or indirectly resulting from or arising out of or related to any act or omission on the part of Agent under this Pledge and Assignment.

## ARTICLE V

### DEFAULTS ON LOAN

Section 5.1. Defaults on Loan. Except as provided in Section 5.2 hereof, upon the happening of any default by the Borrower under the Loan Agreement, the Note or Mortgage, or any other Loan Document, the Agent shall (a) promptly notify the Holder of the default, (b) take such action as it is directed to take by the Holder to enforce the Loan Documents, and (c) promptly apply all proceeds realized upon enforcement of the Loan Documents, if any, in the following order of priority:

- (i) To reimburse the Agent for its losses and expenses (including reasonable attorneys' fees) incurred in taking such action to enforce the Loan Documents or as a result of an alternate cause or causes of action described in Section 5.2;
- (ii) To pay to the Holder any interest accrued on the Bonds, without preference or priority of any installment of such interest over any other installment of such interest;
- (iii) To pay to the Holder all principal outstanding on the Bonds and any corresponding unpaid premium and late payment fees, without preference or priority of any installment or amount of such principal, premium or fees over any other installment of principal, premium or fees; and
- (iv) To reimburse the Holder for any losses or expenses incurred by it in connection with such default on the Bonds.

The balance, if any, of such proceeds shall be applied in accordance with the Loan Documents, if applicable, and otherwise in accordance with the applicable law or as determined by the Agent and the Issuer.

In the event that Agent or Holder accepts a deed in lieu of a foreclosure or credit bids at the foreclosure sale and subsequently takes title to the Project, Holder may request that the Issuer effect a termination of the Regulatory Agreement, but only in accordance with the terms of the Regulatory Agreement. In the event that the Agent accepts a deed in lieu of foreclosure or makes a credit bid at a foreclosure sale and subsequently takes title to the Project, the Agent shall take appropriate action to cause such deed to be delivered to the Holder.

The Issuer shall have no obligation to take any action or to incur any expense with respect to any default by the Borrower and shall have no liability to the Holder, the Agent or any other person for any losses or expenses incurred as a result of such a default.

Section 5.2. Action After Consultation with Holder. Upon the happening of any default by the Borrower under the Loan Agreement, the Note, Mortgage or any other Loan Document, the Agent shall notify the Holder of such circumstance. The Agent may request consent of the Holder, with a written copy of such request being delivered to the Issuer, to a course of action which is other than the enforcement of the Loan Documents but which is considered reasonable or appropriate by the Agent. Such course of action may include, but shall not be limited to,

waiver of payments to any escrow under the Mortgage, deferral of payment of principal of or interest on the Loan, entering into a forbearance agreement with the Borrower, and any similar work-out arrangement; provided, however, that no such course of action shall be pursued which, in the opinion of Bond Counsel, would cause interest on the Bonds to be included in gross income for purposes of federal income taxation without the prior written consent of Issuer. In the event the Holder shall approve in writing any such course of action, the Agent shall take such course of action.

Section 5.3. Losses and Expenses Upon Exercise of Rights. Any and all losses or expenses incurred in enforcing the Loan Documents, or as a result of an alternate course or courses of action approved by the Holder shall be borne by the Borrower. Such losses or expenses may include, but shall not be limited to:

- (i) Subject to the non-recourse provisions set forth in the Loan Agreement, loss resulting from nonpayment of interest on or principal of the Loan or from receipt of interest at a rate other than the rate specified in the Loan Agreement.
- (ii) Reimbursement of Agent for expenditures made voluntarily by it for taxes, assessments, water rates, hazard insurance and similar items with respect to the Project or the Loan, or for the completion and preservation of the Project.
- (iii) Expenses of foreclosure (including reasonable attorney's fees and court costs) in the event the Agent forecloses the Mortgage.
- (iv) Loss resulting from interest on the Bonds becoming includable in gross income for purposes of federal income taxation.

Section 5.4. Notice to Issuer. The Agent shall provide the Issuer a copy of any notices given by it or delivered to it regarding the acceleration of the Loan or the foreclosure of the Mortgage.

## ARTICLE VI

### REPRESENTATIONS AND COVENANTS BY AGENT AND ISSUER

Section 6.1. Representations by Agent. The Agent hereby represents and warrants to the Holder that as of the date of execution of this Pledge and Assignment, the Agent is a national banking association duly organized, validly existing and in good standing under the laws of the United States, and has all requisite power and authority to enter into this Pledge and Assignment and to carry out its obligations hereunder.

Section 6.2. Representations by Issuer. The Issuer hereby represents and warrants to the Holder, that as of the date of execution of this Pledge and Assignment:

- (i) The Issuer is a public body, corporate and politic, duly organized and validly existing under the laws of the State of California.
- (ii) The Bonds have been duly authorized and issued in accordance with the Act and other applicable laws of the State of California and constitute valid and binding limited obligations of the Issuer payable solely from the Collateral, to the extent provided herein.
- (iii) The Issuer has all requisite power and authority to enter into this Pledge and Assignment and to carry out its obligations hereunder.
- (iv) The Issuer will not take any action or permit any action to be taken if the result of the same would be to cause any of the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.
- (v) The Issuer will take any and all actions within its power to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds.
- (vi) The Issuer will not take, or permit to be taken, any action with respect to the proceeds of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Bonds would have caused the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.
- (vii) The Issuer will take all actions within its power to assure the exclusion of interest on the Bonds from the gross income of the owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.
- (viii) Except as otherwise provided in the following sentence, the Agent and the Issuer covenant that all investments of amounts deposited in any fund or account created by or pursuant to this Pledge and Assignment, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Pledge and Assignment or the Code) at Fair Market Value.

Investments in funds or accounts (or portions thereof) that are subject to yield restriction under applicable provisions of the Code and (unless valuation is undertaken at least annually) investments in any reserve fund shall be valued at their present value (within the meaning of section 148 of the Code).

## ARTICLE VII

### BOOKS AND RECORDS; REPORTS

Section 7.1. Books and Records. The Agent shall at all times keep proper books, accounts and records relating to the Loan, the Project, the Loan Documents and the Bonds in a manner conforming to normal banking practices and in accordance with generally accepted accounting principles. All such books, accounts and records shall be accessible for inspection or duplication by the Holder or the Issuer, or their respective representatives during normal business hours or at any other reasonable times.

Section 7.2. Reports. The Agent shall issue a written report to the Holder of any material adverse condition known to the Agent which, in its reasonable judgment, could result in an Event of Default hereunder or a default under the Loan or the Loan Documents promptly upon learning of such condition. Upon written request, the Agent shall furnish to the Holder and the Issuer a statement of the principal balance outstanding on the Bonds.

## ARTICLE VIII

### NONRECOURSE; OBLIGATIONS NOT DEBT OF ISSUER, AGENT OR STATE

Section 8.1. Limited Obligations. The Bonds and the interest thereon are limited obligations of the Issuer, payable solely from the Collateral, which is hereby specifically assigned and pledged to such purposes in the manner and to the extent provided herein. Neither the Issuer, the City of Sacramento, the State of California (the "State"), nor any political subdivision thereof (except the Issuer, to the limited extent set forth in the first and last sentences of this Section) nor any public agency shall in any event be liable for the payment of the principal of, premium (if any) or interest on the Bonds or for the performance of any pledge, obligation or agreement of any kind whatsoever, of the Issuer, except as set forth above, and none of the Bonds or any of the Issuer's agreements or obligations shall be construed to constitute an indebtedness of or a pledge of the faith and credit of or a loan of the credit of any of the foregoing within the meaning of any constitutional or statutory provision whatsoever.

The Bonds, together with the interest and premium (if any) thereon and the purchase price thereof, shall not be deemed to constitute a debt or liability of the Issuer, the City of Sacramento, or the State or of any public agency or a pledge of the faith and credit of the Issuer, the City of Sacramento, or the State or any political subdivision thereof, but shall be payable solely from the funds provided therefor pursuant to this Pledge and Assignment. The Bonds are only a limited obligation of the Issuer as provided by the Act, and the Issuer shall not under any circumstances be obligated to pay the Bonds except from the Collateral.

Neither the faith and credit nor the taxing power of the City of Sacramento, the State, any public agency or any political subdivision of the State, including the Issuer, is pledged to the payment of the principal of, premium, if any, purchase price of or interest on the Bonds, nor is the City of Sacramento, the State, any public agency or any political subdivision of the State, including the Issuer, in any manner obligated to make any appropriation for such payment.

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

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

## ARTICLE IX

### DEFAULTS UNDER THIS PLEDGE AND ASSIGNMENT AGREEMENT

Section 9.1. Events of Default. Each of the following events shall constitute an event of default ("Event of Default") under this Pledge and Assignment:

- (i) Any failure by the Agent to remit to the Holder any payment to be made on the Bonds in accordance with the provisions of this Pledge and Assignment or the Bonds on the due date thereof;
- (ii) If the Agent shall fail to conform or comply with any other terms or provisions of this Pledge and Assignment or the Bonds and such failure shall continue for more than thirty (30) days after notice thereof to the Agent from the Holder or, where such default is not subject to cure within such thirty (30) day period, if the Agent within such period shall not have commenced with due diligence and dispatch the curing of such default or thereafter shall fail to prosecute and complete with due diligence and dispatch and within a reasonable time the curing of such default;
- (iii) If any representation or warranty made by the Agent or by the Issuer contained in this Pledge and Assignment shall prove to have been false or incorrect in any material respect on the date as of which made;
- (iv) If the Issuer shall fail or refuse to, or be unable after thirty (30) days' notice from the Agent or the Holder to perform or comply with any term or provision of Pledge and Assignment to be performed or complied with by the Issuer;
- (v) If an action or proceeding shall be brought, or judgment rendered, against or relating to the Agent or the Issuer which has the effect of substantially impairing the rights and obligations of the Agent or the Issuer hereunder or under the Bonds or with respect to the Loan;
- (vi) Upon the written election of Holder, if either the Agent (during the term of its agency) or the Issuer shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts as they become due, or shall file a voluntary petition in bankruptcy, or shall be adjudicated a bankrupt or insolvent, or shall file any petition or answer seeking, consenting to, or acquiescing in reorganization, arrangement, adjustment, composition, liquidation, dissolution, or similar relief under any present or future statute, law or regulation, or shall file an answer admitting or shall fail to deny or contest the material allegations of a petition against it for any such relief, but only if any such event adversely impacts the payment of debt service on the Bonds; or
- (vii) Upon the written election of Holder, if, with respect to either the Agent (during the term of its agency) or the Issuer, a trustee, receiver or liquidator of any material part of its properties or assets shall be appointed with its consent or acquiescence, or if any such appointment, if not so consented to or acquiesced in, shall remain unvacated or unstayed for ninety (90) days.

**Section 9.2. Remedies.** If any Event of Default shall have occurred and be continuing, the Holder may give notice to the Issuer and Agent and shall have all rights, powers, and remedies with respect to the Collateral as are available under the Uniform Commercial Code applicable thereto or as are available under any other applicable law at the time in effect and, without limiting the generality of the foregoing, the Holder may proceed at law or in equity or otherwise, to the extent permitted by applicable law:

- (i) to take possession of the Collateral or any part thereof, with or without legal process, and to hold, service, administer and enforce any rights thereunder or thereto, and otherwise exercise all rights of ownership thereof, including (but not limited to) the sale of all or part of the Collateral;
- (ii) to become mortgagee of record for the Loan and to service and administer the same with the same power, authority and standard of care as had been provided for the Agent under Sections 4.1 and 4.3 hereof;
- (iii) to service and administer the Bonds as agent and on behalf of the Issuer or otherwise, and, if applicable, to take all actions necessary to enforce the Loan Documents, and to take alternative courses of action, with the same power, authority and standard of care as had been provided for the Agent under Sections 4.3, 5.1, 5.2 and 5.3 hereof;
- (iv) to take such steps to protect and enforce its rights whether by action, suit or proceeding in equity or at law for the specific performance of any covenant, condition or agreement of the Agent or the Issuer in the Bonds, this Pledge and Assignment, or the Loan Documents, or in and of the execution of any power herein granted, or for foreclosure hereunder, or for enforcement of any other appropriate legal or equitable remedy or otherwise as the Holder may elect.

**Section 9.3. Continuance of Obligations Upon Default by Agent.** Notwithstanding any other provision of this Pledge and Assignment, upon the occurrence and continuance of any Event of Default caused by or resulting from action, inaction or other condition on the part of the Agent (a) the Bonds shall for all purposes hereof remain outstanding and shall continue in full force and effect, and (b) the Holder shall exercise such rights, powers and remedies hereunder or at law as may be required to become the mortgagee of record for the Loan and to service and administer the Loan and the Bonds, and shall thereupon service and administer the Loan as mortgagee of record, or shall have the right to retain another mortgagee to so service and administer the Loan and administer the Bonds as agent and on behalf of the Issuer, in accordance with Sections 4.1, 4.2, 4.3, 5.1, 5.2 and 5.3 hereof, until retirement of the Bonds. Further, notwithstanding any such Event of Default, the provisions set forth in Section 4.4. hereof shall continue in full force and effect.

**Section 9.4. Continuance of Obligations and Servicing by Agent Upon Default by Issuer.** Notwithstanding any other provision of this Pledge and Assignment, upon the occurrence and continuance of any Event of Default caused by or resulting from action, inaction or other condition on the part of the Issuer, and not caused by action, inaction or other condition on the part of the Agent, then, unless otherwise specified to the contrary by the Holder (a) the Bonds shall, to the extent possible under the law and in the best interests of the Holder, for all purposes

remain outstanding and shall continue in full force and effect, (b) the Holder shall not take possession of the Collateral, become mortgagee of record for the Loan or otherwise exercise its remedies hereunder or at law, and (c) the Agent shall, to the extent possible under the law and in the best interests of the Holder, continue to service the Loan as mortgagee of record and continue to service and administer the Bonds as agent and on behalf of the Issuer in accordance herewith until retirement of the Bonds.

Section 9.5. Holder Authorized to Execute Assignments, Etc. Subject to Section 2.8 hereof, the Issuer and the Agent each hereby irrevocably appoints the Holder the true and lawful attorney of such party, in its name and stead and on its behalf, for the purpose of effectuating any sale, assignment, transfer or other disposition of the Bonds for the enforcement of this Pledge and Assignment and the Bonds, to execute and deliver all assignments and other instruments as the Holder may consider necessary or appropriate, with full power of substitution, the Issuer and the Agent each hereby ratifying and confirming all that its said attorney or any substitute shall lawfully do by virtue hereof. If so requested thereafter by the Holder, the Issuer or the Agent shall ratify and confirm any such sale, assignment, transfer or other disposition by executing and delivering to the Holder all proper assignments, releases and other instruments as may be designated in any such request. Notwithstanding the foregoing, the Holder shall not have the right to delegate the Holder's obligation to make advances to the Agent for the account of the Issuer.

Section 9.6. Waiver of Appraisal, Evaluation, Etc. The Issuer and the Agent each hereby waives, to the full extent it may lawfully do so, the benefit of all appraisal, evaluation, stay, extension and redemption laws now or hereafter in force and all rights of marshaling in the event of any sale hereunder or any taking of possession by the Holder, of the Collateral or any part thereof or any interest therein.

Section 9.7. Application of Proceeds of Sale. The proceeds of any sale hereunder of the Collateral or any part thereof or any interest therein shall be applied in the order of priorities set forth in Section 5.1 hereof.

Section 9.8. Right of Holder to Perform Covenants of the Issuer and the Agent. If the Issuer or the Agent shall fail to take any action or to perform any obligation required of it hereunder following written notice from the Holder of not less than five (5) business days, the Holder, without further notice to or demand upon the Issuer or the Agent and without waiving or releasing of any obligation or default, may (but shall be under no obligation to) at any time thereafter take such action or perform such obligation for the account of the Issuer or the Agent and, in the case of the Agent, at the Agent's expense. All sums paid by the Holder or costs incurred (including, without limitation, reasonable attorneys' fees and expenses) together with interest thereon at the maximum legal rate from the date of payment by the Holder, shall be paid by the Agent.

Section 9.9. No Waiver, Etc. No failure by the Holder to insist upon the strict performance of any term hereof or of the Bonds or the Loan Documents or to exercise any right, power or remedy consequent upon a breach thereof, shall constitute a waiver of any such term or of any such breach. No waiver of any breach shall affect or alter this Pledge and Assignment, which

shall continue in full force and effect, or the rights of the Holder with respect to any other then existing or subsequent breach.

Section 9.10. Remedies Cumulative, Etc. Each right, power and remedy of the Holder provided for in this Pledge and Assignment or now or hereafter existing at law or in equity or by statute or otherwise shall be cumulative and concurrent and shall be in addition to every other right, power or remedy provided for in this Pledge and Assignment or now or hereafter existing at law or in equity or by statute or otherwise; each such right, power or remedy may be exercised by any such person in any order or sequence; and the exercise or beginning of the exercise by any such person of any one or more of such rights, powers and remedies shall not preclude the simultaneous or later exercise of any or all such rights, powers or remedies. No failure or delay on the part of the Holder to exercise any such right, power or remedy shall operate as a waiver thereof.

## ARTICLE X

### MISCELLANEOUS

Section 10.1. Provisions Subject to Applicable Law. All rights, powers and remedies provided herein may be exercised only to the extent that the exercise thereof does not violate any applicable provision of law, and are intended to be limited to the extent necessary so that they will not render this Pledge and Assignment invalid, unenforceable or not entitled to be rendered, registered or filed under the provisions of any applicable law. If any term of this Pledge and Assignment or any application thereof shall be invalid or unenforceable, the remainder of this Pledge and Assignment and any other application of such term shall not be affected thereby.

Section 10.2. Applicable Law. This Pledge and Assignment, the Bonds and the Loan Documents shall be interpreted in accordance with and governed by the laws of the State of California.

Section 10.3. Compromise of Action, Etc. Any action, suit or proceeding brought by the Holder pursuant to any of the terms of this Pledge and Assignment or the Bonds or otherwise, and any claim made by the Holder hereunder or under the Bonds, may be compromised, withdrawn or otherwise dealt with by the Holder following reasonable written notice to the Issuer and the Agent and without the approval of such parties.

Section 10.4. Notices, Etc. All notices, demands, requests, consents, approvals and other instruments under this Pledge and Assignment shall be in writing and shall be deemed to have been properly given if mailed by first class registered or certified mail, postage prepaid, addressed (a) if to the Issuer, Housing Authority of the City of Sacramento, c/o Sacramento Housing and Redevelopment Agency, 630 I Street, 2<sup>nd</sup> Floor, Sacramento, California 95814, Attention: Multifamily Bonds, or at such other address as the Issuer may have designated by Notice to the Agent and the Holder; (b) if to the Agent, Union Bank of California, N.A., Commercial Real Estate Loan Administration, 18300 Von Karman Avenue, Suite 200, Irvine, California 92612, Attention: Manager, or at such other address as the Agent may have designated by notice to the Issuer and the Holder, or (c) if to the Holder, Union Bank of California, N.A., Commercial Real Estate Loan Administration, 18300 Von Karman Avenue, Suite 200, Irvine, California 92612, Attention: Manager, or at such other address as the Holder may have designated by Notice to the Issuer and the Agent.

Section 10.5. Termination. This Pledge and Assignment shall cease and terminate when the Bonds have been surrendered and finally paid and all obligations secured hereby shall have been observed.

Section 10.6. Duty of Issuer. Except for the actions set forth herein, the Issuer shall not be required hereby to take any action or incur any expense not expressly provided for herein. The Issuer shall not be obligated to take any action which might in its reasonable judgment involve it in any expense or liability unless it shall have been furnished with reasonable indemnity for the Issuer, its officers, directors and employees.

Section 10.7. Consent to Assignment. The Issuer agrees that Union Bank of California, N.A. shall have the right to assign all of the rights that it holds under this Pledge and Assignment,

either as "Agent" or as "Holder," to any Affiliate. The Issuer will execute and deliver to Agent any documents necessary to effectuate such assignment, and will not take any action to impair Agent's right to assign pursuant to this Section 10.7.

Section 10.8. Amendments, Successors and Assigns, Headings and Counterparts. Any of the terms of this Pledge and Assignment and the Bonds may be amended or waived only by an instrument signed by the Issuer, the Agent and the Holder. All of the terms of this Pledge and Assignment shall be binding upon the successors and assigns of and all persons claiming under or through the Issuer and the Agent or any such successor or assign, and shall inure to the benefit of and be enforceable by the successors and assigns of the Holder. The headings of this Pledge and Assignment are for convenience of reference only and shall not limit or otherwise affect the meaning hereof. This Pledge and Assignment may be executed in several counterparts, each of which shall be an original, and all of which shall constitute one and the same instrument. IN WITNESS WHEREOF, the Issuer, the Agent and the Holder have each caused this Pledge and Assignment to be executed in their respective names as of the date first above written.

HOUSING AUTHORITY OF THE CITY OF  
SACRAMENTO

By: \_\_\_\_\_  
Executive Director

Agent  
UNION BANK OF CALIFORNIA, N.A.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

Holder  
UNION BANK OF CALIFORNIA, N.A.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

**EXHIBIT A**

**THIS BOND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. THE TRANSFERABILITY HEREOF IS RESTRICTED BY THE TERMS OF THE PLEDGE AND ASSIGNMENT DESCRIBED HEREIN, INCLUDING THE PROVISION THEREOF LIMITING OWNERSHIP OF THIS BOND TO "QUALIFIED INSTITUTIONAL BUYERS" (AS DEFINED IN THE PLEDGE AND ASSIGNMENT), SUBJECT TO CERTAIN EXCEPTIONS.**

HOUSING AUTHORITY OF THE CITY OF SACRAMENTO  
 MULTIFAMILY HOUSING REVENUE BONDS  
 (CREEKSIDE VILLAGE SENIOR APARTMENTS))  
 2005 ISSUE E

Principal	Interest Rate	Maturity	Remarketing	Dated
<u>Amount</u>	Prior to Remarketing <u>Date</u>	<u>Date</u>	<u>Date</u>	<u>Date</u>
\$ 16,000,000	As determined in the below- defined Loan Agreement	_____, 20__	_____, 20__  subject to extension	August __, 2005

The HOUSING AUTHORITY OF THE CITY OF SACRAMENTO, a public body, corporate and politic, duly organized and existing under the laws of the State of California (the "Issuer"), for value received, hereby promises to pay (but only from the Collateral as that term is defined in the Master Pledge and Assignment hereinafter described) to the order of Union Bank of California, N.A., a national banking association, or registered assign (the "Holder"), at its office

in Irvine, California, or such other place as the Holder may designate in writing, from the source and in the manner hereinafter provided, the principal sum of Sixteen Million Dollars (\$16,000,000), or such portion thereof as is advanced by Holder to or for the account of Issuer, with interest on the unpaid balance of this Bond from the date hereof until this Bond is fully paid, at the rate computed as specified below, in any coin or currency which at the time or times of payment is legal tender for the payment of public or private debts in the United States of America. All capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Pledge and Assignment hereinafter mentioned.

This Bond constitutes a portion of a series in the total authorized face amount of \$16,000,000, issued by the Issuer in order to provide moneys to fund a loan (the "Loan") to be made for the account of the Issuer to Creekside Village Senior Apartments, L.P., a California limited partnership (the "Borrower") pursuant to that certain Construction Loan Agreement (Multifamily Housing Bond Program) dated August 1, 2005 between Union Bank of California, N.A., as agent for Issuer pursuant to that certain Master Agency Agreement between Issuer and Agent dated August 1, 2005 ("Agent") and Borrower ("Loan Agreement"), for the purpose of financing the acquisition and construction of an 296-unit multifamily rental housing project located at 6465 Village Center Drive in the City of Sacramento, County of Sacramento, State of California, to be known as "Creekside Village Senior Apartments" (the "Project").

The obligations of the Borrower under the Loan will be evidenced by that certain Promissory Note (Multifamily Housing Bond Program) in the original principal amount of \$16,000,000 (the "Note") made by the Borrower to the order of Agent. This Bond is secured by a Master Pledge and Assignment (the "Pledge and Assignment"), dated as of August 1, 2005, by and among the Issuer, the Agent and the Holder.

This Bond shall mature on the Maturity Date set forth above, and the entire unpaid principal balance of and any accrued interest on this Bond shall be paid in full on or before such date. This Bond is subject to mandatory purchase on the Remarketing Date set forth above (as such date may be extended pursuant to the terms of the Pledge and Assignment) at a purchase price equal to the outstanding principal amount of this Bond on such Remarketing Date plus interest due and payable hereon to such Remarketing Date as set forth in the Pledge and Assignment. In the event that there are insufficient proceeds from such remarketing of the Bonds to pay such purchase price on the Remarketing Date, the Bonds shall be subject to mandatory redemption on the Remarketing Date.

Prior to the Remarketing Date set forth above (the "Remarketing Date"), this Bond shall bear interest as provided in the Loan Agreement. On and following the Remarketing Date, this Bond shall bear interest at the Post Remarketing Date Rate as defined in and determined pursuant to the Pledge and Assignment.

This Bond shall bear interest from the date to which interest has been paid on the Bonds next preceding the date of its authentication, unless it is authenticated as of an Interest Payment Date for which interest has been paid, in which event it shall bear interest from such Interest Payment Date, or unless it is authenticated on or before the first Interest Payment Date, in which event it shall bear interest from its Closing Date.

The payment or prepayment of the principal, interest, premium, late payment fees and other amounts due on this Bond shall be identical with and shall be made on the same terms and conditions as the payments or prepayments of principal, interest, premium, late payment fees and other amounts due on the Note. Any payments or prepayments made by the Borrower of principal, interest, premium, late payment fees and other amounts due on the Note shall be deemed to be like and corresponding payments or prepayments of principal, interest, premium late payment fees and all other amounts due on this Bond. Said payments or prepayments by the Borrower shall be deemed to have been constructively received by the Holder as payments or prepayments on this Bond on the date of receipt by the Agent under the Note, and interest on this Bond with respect to each principal payment or prepayment shall cease to accrue upon receipt thereof by the Agent. Payments or prepayments of principal, interest, premium, late payment fees and other amounts due shall be remitted to the Holder by the Agent immediately.

This Bond shall be subject to redemption as provided in the Pledge and Assignment.

This Bond (or any participation interest therein) may be sold, assigned, transferred, participated or otherwise disposed of only in Authorized Denominations (as defined in the Pledge and Assignment). This Bond (or any participation interest therein) may not be sold, assigned, transferred, participated or otherwise disposed of, in whole or in part, except upon satisfaction of the requirements of the Pledge and Assignment.

Subject to the foregoing, this Bond is transferable upon the books of the Issuer at the office of the Agent, by the registered Holder hereof in person or by its attorney duly authorized in writing, upon surrender of this Bond together with a written instrument of transfer satisfactory to the Agent, duly executed by the registered Holder or its duly authorized attorney. Upon such transfer, the Agent will note the date of registration and the name and address of the newly registered Holder on the books of the Issuer and in the registration blank appearing below. The Issuer may deem and treat the person in whose name this Bond is last registered upon the books of the Issuer, with such registration noted on this Bond, as the absolute owner hereof for the purpose of receiving payment of or on account of the principal or interest and for all other purposes; all such payments so made to the registered Holder or upon his order shall be valid and effectual to satisfy and discharge the liability upon this Bond to the extent of the sum or sums so paid, and the Issuer shall not be affected by any notice to the contrary.

All of the agreements, covenants, conditions, limitations, provisions and stipulations contained in the Pledge and Assignment are hereby made a part of this Bond to the same extent and with the same effect as if they were fully set forth herein. If any payment of the principal of, premium, if any or interest hereon is not made when due in accordance with the terms and conditions of this Bond, then the Holder may at its right and option declare immediately due and payable the principal of this Bond and interest accrued hereon to the date of declaration of such default, together with any attorneys' fees incurred by the Holder in collecting or enforcing payment hereof, whether suit be brought or not, and all other sums due hereunder or under the Pledge and Assignment, notwithstanding anything to the contrary therein and payment thereof may be enforced and recovered in whole or in part, at any time, by one or more of the remedies provided in this Bond or the Pledge and Assignment.

The remedies of the Holder, as provided herein and in the Pledge and Assignment, may be pursued at the sole discretion of the Holder and may be exercised as often as occasion therefor shall occur. The failure to exercise any such right or remedy shall in no event be construed as a waiver or release thereof.

The Holder shall not be deemed, by any act of omission or commission, to have waived any of its rights or remedies hereunder unless such waiver is in writing and signed by the Holder and then only to the extent specifically set forth in the writing. A waiver with reference to one event shall not be construed as a continuing waiver or as a bar to or waiver of any right or remedy as to a subsequent event.

This Bond may not be amended without the prior written consent of the Issuer and the Holder and the Agent.

This Bond and the interest hereon is a limited obligation of the Issuer, payable solely from the Collateral, which is hereby specifically assigned and pledged to such purposes in the manner and to the extent provided herein. None of the Issuer (except to the limited extent set forth in the Pledge and Assignment), the State of California (the "State"), or any political subdivision thereof shall in any event be liable for the payment of the principal of, premium (if any) or interest on the Bonds or for the performance of any pledge, obligation or agreement of any kind whatsoever of the Issuer, and none of the Bonds or any of the Issuer's agreements or obligations shall be construed to constitute an indebtedness of or a pledge of the faith and credit of or a loan of the credit of any of the foregoing within the meaning of any constitutional or statutory provision whatsoever.

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

Neither the faith and credit nor the taxing power of the Issuer, the State, any public agency or any political subdivision of the State, is pledged to the payment of the principal of, premium, if any, or interest on this Bond, nor is the Issuer, the State, or any public agency or any political subdivision of the State, in any manner obligated to make any appropriation for such payment.

No recourse shall be had for the payment of the principal of, premium, if any, or interest on the Bonds or for any claim based thereon or upon any obligation, covenant or agreement in the Pledge and Assignment contained, against the Issuer, its officers, attorneys, accountants, financial advisors, agents or staff, or the officers, attorneys, accountants, financial advisors, agents or staff of any successor public entity, as such, either directly or through the Issuer or any successor public entity, under any rule of law or penalty or otherwise, and all such liability of the Issuer, any member of its governing bodies and its officers, attorneys, accountants, financial

advisors, agents and staff is hereby, and by the acceptance of the Bonds, expressly waived and released as a condition of, and in consideration for, the execution of the Pledge and Assignment and the issuance of the Bonds.

Neither the Borrower, the Agent nor any Holder shall look to the Issuer or its directors, officers, attorneys, accountants, financial advisors, agents or staff or any successor or public entity for damages suffered by the Borrower, the Agent or such Holder as a result of the failure of the Issuer to perform any covenant, undertaking or obligation under the Pledge and Assignment, the Master Agency Agreement, the Bonds, the Regulatory Agreement or any of the other documents referred to herein, or as a result of the incorrectness of any representation made by the Issuer in any of such documents, nor for any other reason. Although the Pledge and Assignment recognizes that such documents shall not give rise to any pecuniary liability of the Issuer, nothing contained in the Pledge and Assignment shall be construed to preclude in any way any action or proceeding (other than that element of any action or proceeding involving a claim for monetary damages against the Issuer) in any court or before any governmental body, agency or instrumentality or otherwise against the Issuer or any of its officers or employees to enforce the provisions of any of such documents which the Issuer is obligated to perform and the performance of which the Issuer has not assigned to the Agent or any other person.

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

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

IN WITNESS WHEREOF, the Issuer has caused this Bond to be executed in its name by the manual or facsimile signature of its duly authorized officer and attested by the manual or facsimile signature of its Secretary all as of the Dated Date hereof.

HOUSING AUTHORITY OF THE CITY OF  
SACRAMENTO

By: \_\_\_\_\_  
Executive Director

Attest:

\_\_\_\_\_  
Clerk of the Sacramento Housing and  
Redevelopment Agency

Resolution No. 2005-\_\_\_\_\_ adopted on \_\_\_\_\_ - \_\_\_\_\_-2005.

(47)

PROVISIONS AS TO REGISTRATION

The ownership of the unpaid principal balance of this Bond and the interest accruing thereon is registered on the books of the Agent in the name of the registered Holder last noted below.

<u>Date of Registration</u>	<u>Name of Registered Holder</u>	<u>Signature of Agent</u>
	Union Bank of California	

\_\_\_\_\_ Union Bank of California, N.A. \_\_\_\_\_

**EXHIBIT B**

**PURCHASER'S LETTER**

\_\_\_\_\_, 200\_\_

Housing Authority of the City of Sacramento  
c/o Sacramento Housing and Redevelopment Agency  
620 I Street, 2<sup>nd</sup> Floor  
Sacramento, CA 95814

Re: \$16,000,000 HOUSING AUTHORITY OF THE CITY OF SACRAMENTO  
MULTIFAMILY HOUSING REVENUE BONDS (CREEKSIDE VILLAGE  
SENIOR APARTMENTS) 2005 ISSUE E

Ladies and Gentlemen:

The undersigned (the "Purchaser") hereby acknowledges receipt, as transferee from the previous owner thereof, of the above-referenced bonds (the "Bonds"), dated August \_\_, 2005, and bearing interest from the date thereof, in fully registered form and in the aggregate principal amount of [\$\_\_\_\_\_/\$/\_\_\_\_\_/, constituting [all of] [a portion of] of the Bonds currently outstanding. The Bonds have been checked, inspected and approved by the Purchaser.

The undersigned acknowledges that the Bonds have been issued for the purpose of making a mortgage loan to assist in the financing of the acquisition and rehabilitation of a certain multifamily rental housing development located in the City of Sacramento, County of Sacramento, State of California (the "Project"), as more particularly described in that certain Loan Agreement (Multifamily Housing Bond Program), dated of as August 1, 2005 (the "Loan Agreement"), by and between Union Bank of California, N.A. (the "Agent") in its capacity as agent for the Housing Authority of the City of Sacramento (the "Issuer") and Creekside Village Senior Apartments, L.P., a California limited partnership (the "Borrower"). The undersigned further acknowledges that the Bonds are secured by a certain Master Pledge and Assignment dated as of August 1, 2005 (the "Pledge and Assignment"), between the Issuer, the Agent and Union Bank of California, N.A. (the "Original Purchaser").

In connection with the sale of the Bonds to the Purchaser, the Purchaser hereby makes the following representations upon which you may rely:

1. The Purchaser hereby certifies that it is a "qualified institutional buyer" as defined in rule 144A of the Securities Act of 1933, as amended.
2. The Bonds are being acquired by the Purchaser for investment and not with a view to, or for resale in connection with, any distribution of the Bonds, and the Purchaser intends to hold the Bonds for its own account and for an indefinite period of time, and does not intend at this time to dispose of all or any part of the Bonds. The Purchaser understands that it may need to bear the

risks of this investment for an indefinite time, since any sale prior to maturity may not be possible.

3. The Purchaser understands that the Bonds have not been registered under the Securities Act of 1933, as amended (the "Act"). The Purchaser acknowledges that the Issuer requires that, if the Bonds are disposed of by it, current information, including all current financial statements with respect to the Project, which meets the disclosure requirements of any applicable state and federal securities laws then in effect, concerning the Bonds and the Project must be furnished to any prospective purchaser, and that any disclosure document must be delivered to the Issuer before the Bonds are offered for sale to any prospective purchaser, and further acknowledges that any current exemption from registration of the Bonds does not affect or diminish such requirements.

4. The Purchaser acknowledges that it is familiar with the conditions, financial and otherwise, of the Borrower and understands that the Borrower has no significant assets other than the Project for payment of the Bonds. Further, the Purchaser understands that the Bonds involve a high degree of risk. Specifically, and without in any manner limiting the foregoing, the Purchaser understands and acknowledges that, among other risks, the Bonds are payable solely from amounts paid and/or recovered under the Loan Agreement, the Note, the Mortgage and the other Loan Documents (as defined in the Pledge and Assignment). The Purchaser has made such inquiry with respect to all of the foregoing as it believed to be desirable for its purposes.

5. It is acknowledged that no written information has been provided by the Issuer and that any written information furnished by any party to the transaction does not purport to fully disclose all information pertinent to the Bonds.

6. The Purchaser is not now and has never been controlled by, or under common control with, the Borrower. The Borrower has never been and is not now controlled by the Purchaser. The Purchaser has entered into no arrangements with the Borrower or with any affiliate in connection with the Bonds, other than as disclosed to the Issuer.

7. The Purchaser has authority to purchase the Bonds and to execute this letter and any other instruments and documents required to be executed by the Purchaser in connection with the purchase of the Bonds.

8. In entering into this transaction the Purchaser has not relied upon any representations or opinions made by the Issuer relating to the legal consequences or other aspects of the transactions, nor has it looked to, nor expected, the Issuer to undertake or require any credit investigation or due diligence reviews relating to the Borrower, its financial condition or business operations, the Project (including the financing or management thereof), or any other matter pertaining to the merits or risks of the transaction, or the adequacy of the funds pledged to secure repayment of the Bonds. The Purchaser understands and acknowledges that after the Conversion Date (as defined in the Loan Agreement) and subject to certain limited exceptions the obligations of the Borrower under the Loan Agreement are not recourse obligations against the general assets of the Borrower, but are secured only by the amounts set forth thereunder.

9. The Purchaser understands that the Bonds are not secured by any pledge of any moneys received or to be received from taxation by the State of California or any political subdivision or taxing district thereof, including, without limitation, the Issuer; that the Bonds will never represent or constitute a general obligation or a pledge of the faith and credit of the Issuer, the State of California or any political subdivision thereof; that no right will exist to have taxes levied by the Issuer, the State of California or any political subdivision thereof for the payment of principal and interest on the Bonds; and that the liability of the Issuer with respect to the Bonds is subject to further limitations as set forth in the Bonds and the Indenture.

10. The Purchaser has been informed that the Bonds (i) have not been and will not be registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any jurisdiction, (ii) will not be listed on any stock or other securities exchange, (iii) will carry no rating from any rating service and (iv) are exempt from the requirements of Rule 15c2-12 of under the Securities Exchange Act of 1934

11. Although the Purchaser does not intend at this time to dispose of all or any part of the Bonds, the Purchaser acknowledges that it has the right to sell and transfer the Bonds, subject to delivery to the Agent and the Issuer of a purchaser's letter to the same effect as this Purchaser's Letter, including this paragraph 11, with no revisions except as may be approved in writing by the Issuer unless the Bonds have been rated "A" or better. Failure to deliver such purchaser's letter shall cause the purported transfer to be null and void unless the Bonds have been rated "A" or better.

12. The Purchaser acknowledges that the Bonds are exempt from the requirements of Rule 15c2-12 of the Securities and Exchange Commission and that the Issuer has not undertaken to provide any continuing disclosure with respect to the Bonds.

13. The Purchaser acknowledges that it shall have no right to pursue any action or claim against the Issuer; provided that the Holder agrees to and shall indemnify, hold harmless and defend the Issuer, its officers, members, directors, officials and employees, and each of them, against all loss, costs, damages, expenses, suits, judgments, actions and liabilities of whatever nature (including, without limitation, attorneys' fees, litigation and court costs, amounts paid in settlement, and amounts paid to discharge judgments) directly or indirectly resulting from or arising out of or related to such participation.

Capitalized terms used herein and not otherwise defined have the meanings given such terms in the Pledge and Assignment.

[PURCHASER]

By: \_\_\_\_\_

**MASTER AGENCY AGREEMENT**

**between**

**HOUSING AUTHORITY OF THE CITY OF SACRAMENTO,  
as Issuer**

**and**

**UNION BANK OF CALIFORNIA, N.A.,  
as Agent**

**Dated as of August 1, 2005**

**Relating to**

**\$16,000,000  
Housing Authority of the City of Sacramento  
Multifamily Housing Revenue Bonds  
(Creekside Village Senior Apartments)  
2005 Issue E**

---

## MASTER AGENCY AGREEMENT

THIS MASTER AGENCY AGREEMENT, dated as of August 1, 2005 (this "Agreement"), between the HOUSING AUTHORITY OF THE CITY OF SACRAMENTO, a public body, corporate and politic, duly organized and validly existing under the laws of the State of California (the "Issuer"), and UNION BANK OF CALIFORNIA, N.A. (the "Agent"):

WITNESSETH:

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

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

WHEREAS, the Issuer has determined to engage in a program of financing the acquisition, rehabilitation, and development of a multifamily rental housing project pursuant to the Act to benefit persons of low and very low income, and has determined to borrow funds for such purpose by the issuance of revenue bonds authorized by the Act and to dedicate the revenue from said program to the repayment of said bonds;

WHEREAS, in order to raise money to provide financing to Creekside Village Senior Apartments, L.P., a California limited partnership (the "Borrower") for the acquisition and rehabilitation of a 296-unit multifamily rental housing project located at 6465 Village Center Drive in the City of Sacramento, County of Sacramento, State of California and to be known as "Creekside Village Senior Apartments" (the "Project"), the Issuer has determined to issue its Housing Authority of the City of Sacramento Multifamily Housing Revenue Bonds (Creekside Village Senior Apartments) 2005 Issue E, the aggregate principal amount of \$16,000,000 (the "Bonds"), secured by a Master Pledge and Assignment dated the date hereof (the "Pledge and Assignment") among the Issuer, the Agent and Union Bank of California, N.A. and its successors in interest, as holder of the Bonds (the "Holder"); and

WHEREAS, under the Pledge and Assignment the proceeds of the Bonds will be advanced by the Holder on the same basis upon which the advance is made to the Borrower by the Agent to acquire and construct the Project; and

WHEREAS, all conditions, things and acts required by the Act, and by all other laws of the State of California to exist, to have happened and to have been performed as a condition precedent to and in connection with the issuance of the Bonds exist, have happened, and have been performed in due time, form and manner as required by law, and the Issuer is now duly authorized and

empowered, pursuant to each and every requirement of law, to issue the Bonds for the purpose, in the manner and upon the terms therein provided; and

WHEREAS, it is necessary and desirable for the Issuer and the Agent to enter into this Master Agency Agreement (this "Agreement");

NOW, THEREFORE, in consideration of the premises and mutual covenants hereinafter contained, the parties hereto agree as follows:

Section 1. Appointment of Agent. The Issuer hereby irrevocably appoints the Agent as its agent with full authority and power to act on its behalf for the purposes set forth herein and to do all other acts necessary or incidental to the performance and execution thereof.

Section 2. Representations of the Issuer and the Agent.

(i) The Issuer represents and warrants to the Agent that the Issuer is a public body, corporate and politic, duly organized and existing under the laws of the State of California, with full power and authority to enter into the transactions contemplated by this Agreement, the Bonds and the Pledge and Assignment.

(ii) The Agent represents and warrants to the Issuer that the Agent is a national banking association duly organized and existing under the laws of the United States of America with full power and authority to enter into the transactions contemplated by this Agreement and the Pledge and Assignment and to serve as the agent of the Issuer for the purpose of making the Loan (as that term is defined in the Pledge and Assignment) to the Borrower as provided in the Loan Documents (as that term is defined in the Pledge and Assignment).

Section 3. Authority and Agreements of the Agent. The Agent is authorized and agrees to enter into, execute and deliver the Pledge and Assignment, on its own behalf, and the Loan Documents as agent for the Issuer and, pursuant to the terms thereof, advance moneys on behalf of the Issuer to fund the Loan upon satisfaction of the conditions set forth therein and otherwise to act on behalf of the Issuer as provided therein. The Agent is hereby authorized, directed and empowered to exercise all of the rights, powers and remedies of the Issuer under the Loan Agreement (as that term is defined in the Pledge and Assignment) and the other Loan Documents, and to make all determinations and exercise all options and elections thereunder, without the necessity of further advice to or consultation with, or consent or authorization by, the Issuer, and all actions taken by the Agent under the Loan Agreement or any of the other Loan Documents shall be as valid, and shall have the same force and effect, as if taken by the Issuer. The Agent agrees to provide the Issuer, from time to time upon the Issuer's request, with copies of any policies of insurance provided by the Borrower under the Loan Documents which are required to name the Issuer as an additional insured, and shall also provide, without any request of the Issuer, any notices given by it or delivered to it pursuant to the Loan Agreement regarding the acceleration of the Loan or the foreclosure of the Mortgage (as that term is defined in the Pledge and Assignment).

Section 4. Agent as Independent Contractor. Except as otherwise expressly set forth herein, in the performance of its duties as Agent hereunder, the Agent is an independent contractor acting in its own behalf and for its own account and without authority, express or implied, to act for or on behalf of the Issuer in any capacity other than that of an independent contractor and in no other respect.

Section 5. Standard of Performance. The Agent will perform its duties hereunder in accordance with sound commercial banking practice, and in accordance with the Pledge and Assignment.

Section 6. Successor Agent. Anything herein to the contrary notwithstanding, any corporation or association into which the Agent may be converted or merged or with which it may be consolidated or to which it may sell or transfer its business and assets as a whole or substantially as a whole or any corporation or association resulting from any conversion, sale, merger, consolidation or transfer to which it is a party will, ipso facto, be and become successor Agent hereunder and vested with all of the title to the whole property and all the powers, discretion, immunities, privileges, obligations and all other matters as was its predecessor, without the execution or filing of any instruments or any further act, deed or conveyance on the part of the parties hereto.

Section 7. Termination by Agent. Neither the Issuer nor the Agent may terminate this agreement so long as Agent or any Affiliate (as that term is defined in the Pledge and Assignment) of the Agent is the Holder of the Bonds. In the event the Bonds are sold, assigned, transferred or otherwise disposed of in accordance with the provisions of Sections 4.4 and 9.5 of the Pledge and Assignment, other than to an Affiliate of the Agent, either the Issuer or the Agent may terminate this Agreement upon the terms hereinafter provided in this Section 7 by giving thirty (30) days' written notice to the other party, the Borrower, and the Holder. Such termination shall take effect, except as to the duties of the Agent under Section 8 below, upon the appointment of a successor agent by the Issuer, as directed by the Holder or other owners of the Bonds with the consent, which shall not be unreasonably withheld, of the Issuer (such consent not being required if such Agent is the subsequent Holder of all of the Bonds or an Affiliate thereof) and the execution, acknowledgment and delivery by the successor Agent of an instrument in substantially the form of this Agreement.

Section 8. Obligations of Agent in the Event of Termination. From and after the effective date of termination of this Agreement pursuant to Section 7 above, the Agent will be relieved of further responsibility in connection with the Pledge and Assignment and the Loan Documents. In the event of such termination, the Agent will pay over to the Issuer or, if the Issuer shall so direct, to any successor agent appointed by the Issuer, all moneys collected and held by it pursuant to this Agreement and/or pursuant to any other agreement, letter or arrangement relative to the Pledge and Assignment and the Loan Documents simultaneously with such termination, and turn over to the successor agent appointed by the Issuer, as provided above, all documents and records in connection with the Pledge and Assignment and the Loan Documents simultaneously with such termination. The Agent will deliver to the successor agent a full accounting, including a statement showing the monthly payments collected by it and a statement of moneys held in escrow by it for the payment of taxes, maintenance or other charges in respect of the Pledge and Assignment and the Loan Documents simultaneous with such termination.

The Agent will execute and deliver to its successor, without recourse, representation or warranty of any kind, such instruments as are required to assign to the successor all its right, title and interest in all property of whatever nature which it holds as Agent of the Issuer. Where necessary, all such instruments must be filed and/or recorded in each office where such instruments are required to be filed and/or recorded. In addition, Agent shall provide to the Issuer an opinion of counsel to the Agent to the effect that all instruments necessary to transfer to the successor agent all property held by the Agent as Agent hereunder have been duly executed and delivered.

Section 9. Term of Agreement. Unless sooner terminated as herein provided, this Agreement will continue from the date hereof until payment in full of the Bonds.

Section 10. Governing Law; Severability; Captions; Definitions. This Agreement will be construed in accordance with the laws of the State of California. In the event any provision of this Agreement is held invalid by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof. Any headings of divisions of this Agreement are solely for convenience of reference and will neither constitute a part of this Agreement nor affect its meaning, construction or effect. All capitalized terms used but not defined herein shall have the meanings given in the Pledge and Assignment.

Section 11. Regulatory Agreement Fees. The Agent acknowledges that the Borrower has an obligation to pay certain fees to the Issuer pursuant to Section 17 of the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of August 1, 2005, by and between the Issuer and the Borrower and covenants to give written notification to the Borrower of fees due to the Issuer from the Borrower pursuant to said Section 17 not less than fifteen (15) days prior to the due dates thereof. Upon receipt of such fees from the Borrower, the Agent shall transfer such payments to the Issuer. In the event that said fees are not paid by the Borrower to the Agent as required by Section 17 of the Regulatory Agreement, the Agent shall promptly notify the Borrower, with a copy of such notification given to the Issuer, the Borrower's failure to pay said fees and shall demand immediate payment of said fees to the Agent. In no event shall the Agent be liable to the Issuer for the failure of the Borrower to make the payments described in this Section 11. The Agent further acknowledges that in order to preserve the tax-exempt status of the Bonds, the Borrower must comply with requirements for rebate of excess investment earnings to the federal government to the extent applicable. The Agent agrees to use commercially reasonable efforts to send the Borrower a notification or reminder of its payment obligations under said Section 17 of the Regulatory Agreement and of the Borrower's obligation to rebate excess investment earnings by August 1 of each fifth year, commencing August 1, 2010. However, in no event shall the Agent be liable to the Issuer or the Borrower for the failure to so notify or remind the Borrower.

Section 12. Notices. Any notice provided for herein must be in writing and shall be deemed to have been given when delivered personally or when deposited in the United States mail, registered and postage prepaid, addressed as follows:

If to the Issuer: Housing Authority of the City of Sacramento  
c/o Sacramento Housing and Redevelopment Agency  
630 I Street, 2nd Floor  
Sacramento, CA 95814  
Attention: Multifamily Bonds  
Telephone: (916) 440-1328  
Facsimile: (916) 442-6736

If to the Agent: Union Bank of California, N.A.  
Commercial Real Estate Loan Administration  
18300 Von Karman Avenue, Suite 200  
Irvine, California 92612  
Attention: Manager

If to the Holder: Union Bank of California, N.A.  
Commercial Real Estate Loan Administration  
18300 Von Karman Avenue, Suite 200  
Irvine, California 92612  
Attention: Manager

or at such other address as any of them may designate by notice duly given in accordance with this Section 12 to the others.

Section 13. Consent to Assignment. The Issuer agrees that Agent shall have the right to assign all of its rights under this Agreement, and under all instruments and documents executed by it as Agent of the Issuer pursuant to this Agreement, to an Affiliate of Agent, or to a subsequent Holder of all of the Bonds or an Affiliate thereof. The Issuer will execute and deliver to Agent any documents necessary to effectuate such assignment, and will not take any action to impair Agent's right to assign such rights pursuant to this Section 13.

Section 14. Execution Counterparts. This Agreement may be executed, acknowledged and delivered in any number of counterparts. Each such counterpart will constitute an original but all of such counterparts taken together will constitute one agreement.

IN WITNESS WHEREOF, the Issuer and the Agent have each caused this Agreement to be executed in their respective names as of the date first above written.

Issuer

HOUSING AUTHORITY OF THE CITY OF  
SACRAMENTO

By: \_\_\_\_\_  
Executive Director

Agent

UNION BANK OF CALIFORNIA, N.A.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

Exhibit C: Regulatory Agreement

**RECORDING REQUESTED BY AND  
WHEN RECORDED RETURN TO:  
Jones Hall, A Professional Law Corporation  
650 California Street, 18th Floor  
San Francisco, California 94108  
Attn: Thomas A. Downey**

---

**REGULATORY AGREEMENT  
AND DECLARATION OF RESTRICTIVE COVENANTS**

**By and Between**

**HOUSING AUTHORITY OF THE CITY OF SACRAMENTO,  
as Issuer**

**and**

**CREEKSIDE VILLAGE SENIOR APARTMENTS, L.P.,  
a California limited partnership,  
as Borrower**

**Dated as of August 1, 2005**

**Relating to**

**\$16,000,000  
HOUSING AUTHORITY OF THE CITY OF SACRAMENTO  
MULTIFAMILY HOUSING REVENUE BONDS  
(CREEKSIDE VILLAGE SENIOR APARTMENTS) 2005 ISSUE E**

---

## TABLE OF CONTENTS

Section 1.	Definitions and Interpretation .....	62
Section 2.	Acquisition, Rehabilitation and Development .....	67
Section 3.	Residential Rental Property. ....	69
Section 4.	Very Low Income Tenants.....	71
Section 5.	Tax Status of the Bonds.....	75
Section 6.	Modification of Special Tax Covenants.....	76
Section 7.	Indemnification.....	77
Section 8.	Consideration.....	78
Section 9.	Reliance.....	78
Section 10.	Sale or Transfer of the Project.....	78
Section 11.	Term.....	79
Section 12.	Covenants to Run With the Land.....	80
Section 13.	Burden and Benefit.....	80
Section 14.	Uniformity; Common Plan.....	80
Section 15.	Enforcement.....	80
Section 16.	Recording and Filing.....	81
Section 17.	Payment of Fees.....	81
Section 18.	Governing Law.....	83
Section 19.	Amendments.....	83
Section 20.	Notice.....	83
Section 21.	Severability.....	83
Section 22.	Multiple Counterparts.....	83
Section 23.	Third-Party Beneficiary.....	84
Exhibit A	Legal Description of Land	
Exhibit B	Form of Income Computation and Certification	
Exhibit C	Form of Completion Certificate	
Exhibit D	Schedule of Program Compliance Fees	
Exhibit E	Scope of Work	
Exhibit F	CDLAC Resolutions	

**REGULATORY AGREEMENT AND DECLARATION OF  
RESTRICTIVE COVENANTS**

THIS REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS (the "Regulatory Agreement"), is made and entered into as of August 1, 2005, by and between Housing Authority of the City of Sacramento, a public body corporate and politic, organized and existing under the laws of the State of California (together with any successor to its rights, duties and obligations, the "Issuer"), and Creekside Village Senior Apartments, L.P., a California limited partnership ("Borrower"), owner of the land described in Exhibit A attached hereto.

**WITNESSETH:**

WHEREAS, the Legislature of the State of California enacted Chapter 1 of Part 2 of Division 24 of the Health and Safety Code (the "Act") to authorize housing authorities to issue bonds to finance the acquisition and rehabilitation of multifamily rental housing for families and individuals of low or moderate income; and

WHEREAS, the Issuer is a public body corporate and politic (within the meaning of that term in the Regulations of the Department of Treasury and the rulings of the Internal Revenue Service prescribed and promulgated pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code")); and

WHEREAS, on August 16, 2005, the Issuer adopted a resolution (the "Resolution") authorizing the issuance of revenue bonds in connection with the financing of the acquisition, rehabilitation and development of a multifamily residential rental housing facility, located in the City of Sacramento and to be commonly known as the Creekside Village Senior Apartments (the "Project"); and

WHEREAS, in furtherance of the purposes of the Act and the Resolution and as a part of the Issuer's plan of financing residential housing, the Issuer has issued \$16,000,000 aggregate principal amount of its revenue bonds designated "Housing Authority of the City of Sacramento Multifamily Housing Revenue Bonds (Creekside Village Senior Apartments) 2005 Issue E", the proceeds of which will be used to fund a mortgage loan (the "Loan") to the Borrower; and

WHEREAS, the Borrower will use the proceeds of the Loan to finance Project Costs (as hereinafter defined) for the purpose of providing decent, safe and sanitary housing in the City of Sacramento to be occupied, in part, by very low income tenants;

WHEREAS, the Issuer hereby certifies that all things necessary to make the Bonds, when issued as provided in the hereinafter defined Pledge and Assignment, the valid, binding, and limited obligations of the Issuer according to the import thereof, and to constitute the Pledge and Assignment a valid assignment of the amounts pledged to the payment of the principal of, and

Resolution No. 2005-\_\_\_\_\_ adopted on \_\_\_\_\_ - \_\_\_\_\_-2005.

(61)

premium, if any, and interest on the Bonds have been done and performed, and the creation, execution, and delivery of the Pledge and Assignment and the execution and issuance of the Bonds, subject to the terms thereof, in all respects have been duly authorized; and

WHEREAS, the Code and the regulations and rulings promulgated with respect thereto and the Act prescribe that the use and operation of the Project be restricted in certain respects and in order to ensure that the Project will be constructed, used and operated in accordance with the Code and the Act, the Issuer and the Borrower have determined to enter into this Regulatory Agreement in order to set forth certain terms and conditions relating to the acquisition and rehabilitation of the Project;

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

**Section 1. Definitions and Interpretation.** Terms not otherwise defined herein shall have the meaning assigned to them in the Pledge and Assignment. The following terms shall have the respective meanings assigned to them in this Section 1 unless the context in which they are used clearly requires otherwise:

“Act” - Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California as now in effect and as it may from time to time hereafter be amended or supplemented.

“Adjusted Income” - The adjusted income of a person (together with the adjusted income of all persons of the age of 18 years or older who intend to reside with such person in one residential unit) as calculated in the manner prescribed pursuant to Section 8 of the United States Housing Act of 1937, or, if said Section 8 is terminated, as prescribed pursuant to said Section 8 immediately prior to its termination or as otherwise required under Section 142 of the Code and the Act.

“Affiliated Party” - (1) a Person whose relationship with the Borrower would result in a disallowance of losses under Section 267 or 707(b) of the Code or (2) a Person who together with the Borrower are members of the same controlled group of corporations (as defined in Section 1563(a) of the Code, except that “more than 50 percent” shall be substituted for “at least 80 percent” each place it appears therein), (3) a partnership and each of its partners (and their spouses and minor children) whose relationship with the Borrower would result in a disallowance of losses under Section 267 or 707(b) of the Code and (4) an S corporation and each of its shareholders (and their spouses and minor children) whose relationship with the Borrower would result in a disallowance of losses under Section 267 or 707(b) of the Code.

“Affordable Rent” - Monthly rent (including any supplemental rental assistance from the State, the federal government, or any other public agency to Very Low Income Tenants or on behalf of Very Low Income Units) not in excess of one-twelfth of thirty percent (30%) of fifty percent (50%) of the annual Median Income for the Area, including utilities (except those utilities paid directly by the tenant to the provider thereof), and based upon the following assumed household sizes for the following sizes of residential units in the Project:

<u>Size of Units</u>	<u>Assumed Number of Persons in Household for Very Low Income Units</u>
Studio	1
One Bedroom	2
Two Bedrooms	3
Three Bedrooms	4
Four Bedrooms	5
Five or More Bedrooms	As determined by HUD

“Agency Agreement” - The Master Agency Agreement dated as of August 1, 2005, entered into by the Issuer and the Agent.

“Agent” – Union Bank of California, N.A., or any successor or assignee thereof, as agent under the Agency Agreement.

“Area” - The Sacramento Metropolitan Statistical Area.

“Bond Counsel” - (a) On the Bond Issuance Date, the law firm delivering the approving opinion with respect to the valid issuance of the Bonds and the exclusion from gross income, for federal income tax purposes, of the interest payable on the Bonds or (b) after the Closing Date, any law firm selected by the Issuer, of nationally recognized standing in matters pertaining to the exclusion from gross income, for federal income tax purposes, of the interest payable on bonds issued by states and political subdivisions.

“Bond Issuance Date” - The date of the delivery of the Bonds, being August \_\_, 2005.

“Bond” or “Bonds” – Collectively, the Issuer’s Multifamily Housing Revenue Bonds (Creekside Village Senior Apartments) 2005 Issue E, in the original aggregate principal amount of \$16,000,000.

“Borrower” – Creekside Village Senior Apartments, L.P., a California limited partnership, and its successors and assigns.

“CDLAC” – The California Debt Limit Allocation Committee, and its successors and assigns.

“CDLAC Resolution” - CDLAC Resolution No. 05-\_\_ adopted July 20, 2005 attached hereto as Exhibit F.

“Certificate of Continuing Program Compliance” - The Monthly Bond Summary Compliance Report in the form set forth in the Sacramento Housing and Redevelopment Agency Procedures Manual Multifamily Housing Revenue Bond Program dated April 1, 2000.

“Code” - The Internal Revenue Code of 1986, as amended; each reference to the Code shall be deemed to include (a) any successor internal revenue law and (b) the applicable regulations

whether final, temporary or proposed under the Code or such successor law; any reference to a particular provision of the Code shall be deemed to include (a) any successor provision of any successor internal revenue law and (b) the applicable regulations, whether final, temporary or proposed, under such successor provision.

**"Completion Certificate"** - The certificate of completion of the acquisition and rehabilitation of the Project required to be delivered to the Issuer and the Agent by the Borrower pursuant to Section 2 of this Regulatory Agreement, which shall be substantially in the form attached to this Regulatory Agreement as Exhibit C.

**"Completion Date"** - The date of the completion of the acquisition, rehabilitation and development of the Project, as that date shall be certified as provided in Section 2 of this Regulatory Agreement.

**"Costs of Issuance"** - (a) The fees and expenses of Bond Counsel, the Issuer, the Issuer's Counsel, the Issuer's financial advisor, if any, the Agent, the Agent's counsel, the Borrower's counsel and the Borrower's financial advisor, if any, and (b) all other fees, costs and expenses directly associated with the authorization, issuance, sale and delivery of the Bonds, including, without limitation, printing costs, costs of reproducing documents, filing and recording fees, and any fees, costs and expenses required to be paid to the Agent in connection with the Loan.

**"County"** - The County of Sacramento, California.

**"Facilities"** - The buildings, structures and other improvements to be acquired, constructed and developed on the Site, and all fixtures and other property owned by the Borrower and located on, or used in connection with, such buildings, structures and other improvements constituting the Project.

**"Holder"** - Union Bank of California, N.A., as owner of the Bonds, and its successors and assigns as owners of the Bonds.

**"Income Computation and Certification"** - The Income Computation and Certification which shall be substantially in the form attached to this Regulatory Agreement as Exhibit B.

**"Inducement Date"** - Sixty (60) days prior to May 17, 2005, the date of adoption of the Inducement Resolution.

**"Inducement Resolution"** - Collectively, the resolution adopted by the Issuer on May 17, 2005, indicating its intention to issue \$16,000,000 principal amount of the Bonds.

**"Issuer"** - The Housing Authority of the City of Sacramento, California.

**"Loan"** - The loan made to the Borrower by the Agent pursuant to the Loan Agreement on behalf of the Issuer from the proceeds of the Bonds.

“Loan Agreement” - The Construction Loan Agreement (Multifamily Housing Bond Program) dated as of August 1, 2005, entered into by the Agent and the Borrower pursuant to which the Loan is made.

“Loan Documents” - The Loan Agreement, the Note and all other documents executed by the Borrower relating to the Loan.

“Median Income for the Area” - The median income for the Area as most recently determined by the Secretary of Treasury pursuant to Section 142(d)(2)(B) of the Code.

“Note” – Collectively, the Promissory Note (Multifamily Housing Bond Program), dated as of August 1, 2005, executed by the Borrower, and collectively evidencing the Borrower's payment obligations under the Loan.

“Pledge and Assignment” - means the Master Pledge and Assignment dated as of August 1, 2005 among the Issuer, the Agent and the Holder, pursuant to which the Bonds are issued.

“Program Administrator” - A governmental agency, a financial institution, a certified public accountant, an apartment management firm, a mortgage insurance company or other business entity performing similar duties or otherwise experienced in the administration of restrictions on bond financed multifamily housing projects which shall initially be the Issuer and, at the Issuer's election, any other person or entity appointed by the Issuer who shall enter into an administration agreement in a form acceptable to the Issuer and the Program Administrator.

“Project” - The Facilities and the Site.

“Project Costs”, “Cost”, “Costs” or “Costs of the Project” - With respect to the Project, the costs chargeable to the Project in accordance with generally accepted accounting principles including without limitation, the cost of acquisition, rehabilitation, restoration, repair, alteration, improvement and extension of any building, structure, facility or other improvement; stored materials for rehabilitation work in progress; the cost of machinery and equipment; the cost of the Site, rights-in-lands, easements, privileges, agreements franchises, utility extensions, disposal facilities, access roads and site development necessary or useful and convenient for the Project or in connection therewith; financing costs, including, but not limited to, Costs of Issuance, engineering and inspection costs; fees paid to the developer of the Project; organization, administrative, insurance, legal, operating, letter of credit and other expenses of the Issuer or the Borrower actually incurred prior to and during acquisition or rehabilitation; and all such other expenses as may be necessary or incidental to the financing, acquisition, rehabilitation, or completion of the Project, including, but not limited to, interest expense incurred prior to completion of the Project, insurance premiums payable by the Borrower, taxes and other governmental charges levied on the Project.

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

portion of interest accrued during rehabilitation or construction of the Project (in the case of rehabilitation, with respect to vacated units only) shall be eligible to be a Qualified Project Cost as bears the same ratio to all such interest as the Qualified Project Costs bear to all Project Costs; and provided further that interest accruing after the date of completion of the Project shall not be a Qualified Project Cost; and provided still further that if any portion of the Project is being constructed or rehabilitated by an Affiliate (whether as a general contractor or a subcontractor), Qualified Project Costs shall include only (A) the actual out-of-pocket costs incurred by such Affiliate in constructing or rehabilitating the Project (or any portion thereof), (B) any reasonable fees for supervisory services actually rendered by the Affiliate, and (C) any overhead expenses incurred by the Affiliate which are directly attributable to the work performed on the Project, and shall not include, for example, intercompany profits resulting from members of an affiliated group (within the meaning of Section 1504 of the Code) participating in the rehabilitation or construction of the Project or payments received by such Affiliate due to early completion of the Project (or any portion thereof); (ii) the costs are paid with respect to a qualified residential rental project or projects within the meaning of Section 142(d) of the Code, (iii) the costs are paid after the earlier of 60 days prior to the date of a declaration of "official intent" to reimburse costs paid with respect to the Project (within the meaning of §1.150-2 of the United States Treasury Regulations) or the date of issue of the Bonds, and (iv) if the Project Costs were previously paid and are to be reimbursed with proceeds of the Bonds such costs were (A) costs of issuance of the Bonds, (B) preliminary capital expenditures (within the meaning of United States Treasury Regulations §1.150-2(f)(2)) with respect to the Project (such as architectural, engineering and soil testing services) incurred before commencement of acquisition or construction of the Project that do not exceed twenty percent (20%) of the issue price of the Bonds (as defined in United States Treasury Regulations §1.148-1), or (C) were capital expenditures with respect to the Project that are reimbursed no later than eighteen (18) months after the later of the date the expenditure was paid or the date the Project is placed in service (but no later than three (3) years after the expenditure is paid).

"Qualified Project Period" - The period beginning on the Closing Date, and ending on the later of (a) the date which is 55 years after the Closing Date, (b) the first day on which no tax-exempt private activity bond issued with respect to the Project is outstanding, or (c) the date on which any assistance provided with respect to the Project under Section 8 of the United States Housing Act of 1937 terminates. For purposes of clause (b), the term "private activity bond" has the meaning contemplated in Section 142(d)(2)(A)(ii) of the Code.

"Registered Owner" or "owner" - When used with respect to the Bonds, the owner of a Bond then outstanding under the Pledge and Assignment as shown on the registration books maintained by the Agent pursuant to the Pledge and Assignment.

"Regulations" - The income tax regulations promulgated or proposed by the United States Department of the Treasury pursuant to the Code from time to time.

"Regulatory Agreement" - This Regulatory Agreement and Declaration of Restrictive Covenants relating to the Project, dated as of August 1, 2005, by and between the Issuer and the Borrower, as amended, modified, supplemented or restated from time to time.

"Site" - The parcel or parcels of real property described in Exhibit "A", which is attached hereto and by this reference incorporated herein, and all rights and appurtenances thereunto appertaining.

"State" - State of California.

"Tax Certificate" - means the Certificate As To Arbitrage, dated the Bond Issuance Date, executed and delivered by the Issuer and the Borrower, as amended or supplemented from time to time, together with the Certificate Regarding Use of Proceeds, dated the Bond Issuance Date, executed and delivered by the Borrower.

"Very Low Income Tenants" - Individuals or families with an Adjusted Income which does not exceed 50 percent of the Median Income for the Area, adjusted for household size. In no event, however, will the occupants of a residential unit be considered to be Very Low Income Tenants if all the occupants are students, as defined in Section 151(c)(4) of the Code, as such may be amended, no one of which is entitled to file a joint federal income tax return. Currently, Section 151(c)(4) defines a student as an individual enrolled as a full-time student during each of 5 calendar months during the calendar year in which occupancy of the unit begins at an educational organization which normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of students in attendance or is an individual pursuing a full-time course of institutional on-farm training under the supervision of an accredited agent of such an educational organization or of a state or political subdivision thereof.

"Very Low Income Units" - The dwelling units in the Project designated for occupancy by Very Low Income Tenants pursuant to Section 4(a) of this Regulatory Agreement.

Unless the context clearly requires otherwise, as used in this Regulatory Agreement, words of the masculine, feminine or neuter 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 defined terms used in the preamble and recitals of this Regulatory Agreement have been included for convenience of reference only, and the meaning, construction and interpretation of all defined terms shall be determined by reference to this Section 1 notwithstanding any contrary definition in the preamble or recitals 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.

**Section 2. Acquisition, Rehabilitation and Development.** The Borrower hereby represents, as of the date hereof, and covenants, warrants and agrees as follows:

- (a) The Borrower has incurred, or will incur within six months after the Bond Issuance Date, a substantial binding obligation to commence the acquisition, rehabilitation and development of the Project, pursuant to which the Borrower is or will

be obligated to expend at least the lesser of (i) 2-1/2 percent of the principal amount of the Bonds or (ii) \$100,000.

(b) The Borrower's reasonable expectations respecting the total cost of the acquisition, rehabilitation and development of the Project and the disbursement of Bond proceeds are accurately set forth in the Borrower's Certificate Regarding Use of Proceeds dated as of the Bond Issuance Date which has been delivered to the Issuer.

(c) The Borrower shall acquire, rehabilitate and develop the Project in accordance with the conditions set forth on Exhibit E hereto (as it may be amended from time to time in writing executed by the parties hereto, which amendments may be executed by the Executive Director of the Authority without the approval of the governing board of the Issuer if rehabilitation conditions remain consistent with the conditions set forth in Exhibit E at the time of original execution and delivery hereof) and will proceed with due diligence to complete the acquisition, rehabilitation and development of the Project and expend the full amount of the proceeds of the Loan for Project Costs prior to August 1, 2007 or such later date as may be approved by the Issuer.

(d) The statements made in the various certificates delivered by the Borrower to the Issuer or the Agent are true and correct in all material respects.

(e) On the Completion Date, the Borrower will submit to the Issuer and the Agent a duly executed and completed Completion Certificate.

(f) Less than twenty-five percent (25%) of the proceeds of the Bonds shall be used, directly or indirectly, for the acquisition of land.

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

(h) The Borrower hereby represents and warrants that the Project is located entirely within the boundaries of the City of Sacramento.

(i) Not less than 95% of the proceeds of the Bonds, including interest earnings thereon, will be disbursed for Qualified Project Costs.

(j) An amount not in excess of two percent (2%) of the proceeds of the Bonds will be used for costs of issuance of the Bonds, all within the meaning of section 147(g)(1) of the Code. For this purpose, if the fees of the original purchaser of the Bonds are retained as a discount on the purchase of the Bonds, such retention shall be deemed to be an expenditure of proceeds of the Bonds for said fees.

(k) No proceeds of the Bonds shall be used directly or indirectly to provide any airplane, skybox or other private luxury box, health club facility, facility used for gambling or store the principal business of which is the sale of alcoholic beverages for consumption off premises.

(l) The Borrower will meet the replacement reserve requirements of the Agent and the Holder, and if the Holder does not require replacement reserves, the Issuer has the right to impose reasonable replacement reserve requirements, based on industry standards, on the Project and the Borrower.

**Section 3. Residential Rental Property.** The Borrower hereby acknowledges and agrees that the Project will be owned, managed and operated as a "qualified residential rental project" (within the meaning of Section 142(d) of the Code) until the expiration of the Qualified Project Period. To that end, and for the term of this Regulatory Agreement, the Borrower hereby represents, as of the date hereof, and covenants, warrants and agrees as follows:

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

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

(c) None of the dwelling units in the Project will at any time be utilized on a transient basis, or will ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, nursing home, hospital, sanitarium, rest home, retirement house or trailer court or park.

(d) No part of the Project will at any time be owned by a cooperative housing corporation, nor shall the Borrower take any steps in connection with a conversion to such ownership or uses. Other than obtaining a final subdivision map on the Project and a Final Subdivision Public Report from the California Department of Real Estate, the Borrower shall not take any steps in connection with a conversion of the Project to a condominium ownership except with the prior written approving opinion of Bond Counsel that will cause the interest on the Bonds to be includable in gross income for federal income tax purposes under Section 103 of the Code.

(e) All of the dwelling units (except one manager's unit) will be available for rental on a continuous basis to members of the general public and the Borrower will not give preference to any particular class or group in renting the dwelling units in the Project, except to the extent that dwelling units are required to be leased or rented to Very Low Income Tenants.

(f) The Site consists of a parcel or parcels that are contiguous except for the interposition of a road, street or stream, and all of the Facilities will comprise a single

geographically and functionally integrated project for residential rental property, as evidenced by the ownership, management, accounting and operation of the Project.

(g) No dwelling unit in the Project shall be occupied by the Borrower unless the Project contains five or more dwelling units, in which case one unit may be occupied by the Borrower or by persons related to or affiliated with the Borrower such as a resident manager or maintenance personnel.

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

(i) The Borrower shall not discriminate on the basis of race, religion, creed, color, sex, source of income (e.g. TANF, SSI), physical disability, age, national origin or marital status in the rental, lease, use or occupancy of the Project or in connection with the employment or application for employment of persons for the operation and management of the Project.

(j) The Borrower shall provide competent and responsible management for the Project by a management company, and pursuant to a written management agreement, satisfactory to the Issuer. USA Multifamily Management Co. is hereby approved by the Issuer. The Borrower shall not enter into any management agreement or arrangement with any other party with respect to the management of the Project subsequent to the initial Management Agreement with USA Multifamily Management Co. (the "Initial Management Agreement") without the Issuer's prior written consent, such consent not to be unreasonably withheld or delayed. The Borrower shall not materially modify, amend or terminate any approved management agreement (other than as required to comply with the terms of the Loan Documents and/or applicable law) without the Issuer's prior written consent, which consent will not be unreasonably withheld or delayed; provided, however, that such consent shall not be required to extend the term of the Initial Management Agreement.

(k) During the term of this Regulatory Agreement, the Borrower shall cause the managing general partner of the Borrower or an entity approved by the Issuer in writing prior to its appointment to provide tenant services for the tenants residing in the Project which, from time to time, are to be determined in consultation with the Issuer. Tenant services on a regular, full-time schedule to be provided by the Borrower initially will include, but are not limited to, (i) \_\_\_\_\_ and (ii) [educational classes (such as English as a second language and computer training)]; provided, however, the above tenant services may be amended upon the written agreement of the Borrower and the Issuer. Prior to the amendment of any tenant services to be provided hereby, the Issuer and the Borrower shall agree in writing to the type of alternate tenant services to be provided and the scope of those services and upon written agreement by the Issuer and the Borrower, such amended tenant services shall be incorporated herein by reference. The Borrower shall, on each January 1, April 1, July 1 and October 1,

commencing on the Completion Date, provide the Issuer with a written report setting forth the tenant services being provided pursuant to this paragraph.

(l) The Borrower will use the proceeds of the Loan to finance Project Costs for the purpose of providing decent, safe and sanitary housing in the City of Sacramento to be occupied, in part, by very low income tenants.

**Section 4. Very Low Income Tenants.** Pursuant to the requirements of Section 142(d) of the Code and applicable provisions of the Act, the Borrower hereby represents, as of the date hereof, and warrants, covenants and agrees as follows:

(a) During the Qualified Project Period:

(1) not less than twenty percent (20%) of the completed units in the Project shall be designated as Very Low Income Units which are occupied, or held vacant for occupancy, and shall be continuously occupied by Very Low Income Tenants. All of the Very Low Income Units shall be generally distributed in terms of location and number of bedrooms throughout the Project. The Very Low Income Units shall be of comparable quality and offer a range of sizes and number of bedrooms comparable to those units which are available to other tenants.

(2) the monthly rent paid by the persons occupying the Very Low Income Units shall not exceed an Affordable Rent.

(3) The Borrower will designate the Very Low Income Units and will make any revisions to such designations (which revisions the Borrower may make from time to time at its sole option, provided that the requirements hereof are met on a continuous basis) by delivery of an appropriate certificate to the Issuer.

(4) Very Low Income Units shall remain available on a priority basis for occupancy by Very Low Income Tenants. A unit occupied by a Very Low Income Tenant who at the commencement of the occupancy is a Very Low Income Tenant shall be treated as occupied by a Very Low Income Tenant until a recertification of such tenant's income in accordance with Section 4(c) below demonstrates that such tenant no longer qualifies as a Very Low Income Tenant and thereafter any residential unit in the Project is occupied by a new resident other than a Very Low Income Tenant. Moreover, a unit previously occupied by a Very Low Income Tenant and then vacated shall be considered occupied by a Very Low Income Tenant until reoccupied, other than for a temporary period, at which time the character of the unit shall be redetermined. In no event shall such temporary period exceed thirty-one (31) days.

(5) Following the expiration or termination of the Qualified Project Period, except in the event of foreclosure and redemption of the bonds, deed in lieu of the foreclosure, eminent domain, or action of a federal agency preventing enforcement, Very Low Income Units required to be reserved for occupancy pursuant to subparagraph (a) shall remain available to the Very Low Income Tenant occupying a Very Low Income Unit at the date of expiration or termination

of the Qualified Project Period, at a rent not greater than the amount set forth by subparagraph (a)(2), until the earliest of any of the following occur:

(i) The Very Low Income Tenant's income exceeds only hundred forty percent (140%) of the maximum eligible income specified in the definition of Very Low Income Tenant.

(ii) The Very Low Income Tenant voluntarily moves or is evicted for "good cause". "Good cause" for the purposes of this section, means the nonpayment of rent or allegation of facts necessary to prove major, or repeated minor, violations of material provisions of the occupancy agreement which detrimentally affect the health and safety of other persons or the structure, the fiscal integrity of the Project or the purposes or special program of the Project.

(iii) The Borrower pays the relocation assistance and benefits to tenants as provided in subdivision (b) of Section 7264 of the Government Code of the State of California.

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

(7) Subparagraph (5) hereof shall not be construed to require the Issuer to monitor the Borrower's compliance with the provisions of subparagraph (5) hereof.

(b) Immediately prior to a Very Low Income Tenant's occupancy of a Very Low Income Unit, the Borrower will obtain and maintain on file an Income Computation and Certification form from each Very Low Income Tenant occupying a Very Low Income Unit, dated immediately prior to the initial occupancy of such Very Low Income Tenant in the Project. In addition, the Borrower will provide such further information as may be required in the future by the State of California, the Issuer and by the Act, Section 142(d) of the Code and the Regulations, 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 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 obligations issued under Section 142(d) of the Code. The Borrower shall verify that the income provided by an applicant is accurate by taking the following steps as a part of the verification process: (1) obtain a written verification of income and employment from applicant's current employer, (2) obtain a pay stub for the most recent pay period, (3) obtain a federal income tax return for the most recent tax year, (4) if an applicant is unemployed or did not file a tax return for the previous calendar year, obtain other verification of such applicant's income satisfactory to the Program Administrator or (5) such other information as may be requested by the Program Administrator.

Copies of the most recent Income Computation and Certifications for Very Low Income Tenants commencing or continuing occupancy of a Very Low Income Unit shall be attached to the monthly report to be filed with the Program Administrator.

(c) Immediately prior to the first anniversary date of the occupancy of a Very Low Income Unit by one or more Very Low Income Tenants, and on each anniversary date thereafter, the Borrower shall recertify the income of the occupants of such Very Low Income Unit by obtaining a completed Income Computation and Certification based upon the current income of each occupant of the unit. In the event that the Borrower submits an Income Computation and Certification which is reasonably determined by the Issuer or the Program Administrator to be inaccurate or incomplete, the Borrower, upon receipt of written notice thereof, shall have seven (7) days to resubmit a corrected and/or completed Income Computation and Certification. If the Borrower fails to submit an accurate and/or complete Income computation and Certification within such seven (7) day period, the Borrower shall pay the Issuer a penalty fee pursuant to the schedule set forth in Exhibit D hereto for each Income Computation and Certification filed with the Issuer or the Program Administrator which has been determined by the Issuer or the Program Administrator to be inaccurate or incomplete. In the event the recertification demonstrates that such household's income exceeds one hundred forty percent (140%) of the income at which such household would qualify as Very Low Income Tenants, such household will no longer qualify as a Very Low Income Tenant and the Borrower will rent the next available unit of comparable or smaller size to one or more Very Low Income Tenants and will not rent any unit comparable or smaller to tenants who are not Very Low Income Tenants until at least twenty percent (20%) of the units are again occupied by Very Low Income Tenants. No tenant in the Project shall be denied continued occupancy in the Project because, after occupancy, such tenant's household income increases such that the income for such household will no longer qualify such household as Very Low Income Tenants. An "available" unit is one that is unoccupied by a tenant.

(d) On the tenth day of each month the Borrower shall advise the Issuer and the Program Administrator of the status of the occupancy of the Project by delivering to such parties a Certificate of Continuing Program Compliance. For purposes of satisfying the Very Low Income Tenant occupancy requirements set forth in paragraph A(i) above, a unit occupied by a person or family who at the commencement of occupancy qualified as a Very Low Income Tenant shall be treated as occupied by a Very Low Income Tenant until thirty (30) days after the date on which any recertification of such tenant's income in accordance with subsection (c) below demonstrates that such tenant no longer qualifies as a Very Low Income Tenant. Moreover, a unit occupied by a Very Low Income Tenant shall be deemed, upon the termination of such Very Low Income Tenant's occupancy, to be continuously occupied by a Very Low Income Tenant until reoccupied, other than for a temporary period, at which time the character of the unit shall be redetermined. In no event shall such temporary period exceed 31 days. The Borrower shall also submit to the Secretary of the Treasury annually on the anniversary date of the start of the Qualified Project Period, or such other date as is required by the Secretary, a certification that the Project continues to meet the requirements of Section 142(d) of the Code, and shall provide a copy of such certification to the Issuer and the Program Administrator, if any.

(e) The Borrower will maintain complete and accurate records pertaining to the Very Low Income Units, and will permit any duly authorized representative of the Issuer, the Agent, the Holder, the Department of the Treasury, CDLAC or the Internal Revenue Service to inspect the Project and the books and records of the Borrower pertaining to the Project, including those records pertaining to the occupancy of the Very Low Income Units.

(f) The Borrower shall accept as tenants on the same basis as all other prospective tenants, persons who are recipients of federal certificates or vouchers for rent subsidies pursuant to the existing program under Section 8 of the United States Housing Act of 1937, or its successor. The Borrower shall not apply selection criteria to Section 8 certificate or voucher holders that are more burdensome than criteria applied to all other prospective tenants and the Borrower shall not refuse to rent to any Very Low Income Tenant on the basis of household size as long as such household size does not exceed three persons for a one bedroom unit, five persons for a two bedroom unit, seven persons for a three bedroom unit and nine persons for a four bedroom unit. The Borrower shall not collect any additional fees or payments from a Very Low Income Tenant except security deposits or other deposits required of all tenants and the Borrower shall not charge any Very Low Income Tenants for any amenity provided to the tenants in the Project that is provided to non-Very Low Income Tenants at no expense. The Borrower shall not collect security deposits or other deposits from Section 8 certificate or voucher holders in excess of that allowed under the Section 8 Program. The Borrower shall not discriminate against Very Low Income Tenant applicants on the basis of source of income (i.e., TANF or SSI), and the Borrower shall consider a prospective tenant's previous rent history of at least one year as evidence of the ability to pay the applicable rent (ability to pay shall be demonstrated if a Very Low Income Tenant can show that the same percentage or more of the tenant's income has been paid for rent in the past as will be required to be paid for the rent applicable to the Very Low Income Unit to be occupied provided that such Very Low Income Tenant's expenses have not materially increased). The Borrower will maintain a list of persons who have submitted an application to the Borrower of their desire to rent a Very Low Income Unit in the Project and paid the application fee, if any, and who have Adjusted Incomes which would qualify them as Very Low Income Tenants.

(g) Each lease pertaining to a Very Low Income Unit shall contain a provision to the effect that the Borrower has relied on the income certification and supporting information supplied by the Very Low Income Tenant in determining qualification for occupancy of the Very Low Income Unit, and that any material misstatement in such certification (whether or not intentional) will be cause for immediate termination of such lease. Each lease will also contain a provision that failure to cooperate with the annual recertification process reasonably instituted by the Borrower pursuant to Section 4(c) above may at the option of the Borrower disqualify the unit as a Very Low Income Unit or provide grounds for termination of the lease.

(h) To cause the Project to meet the requirements with respect to Very Low Income Tenants of subsection (a)(1) above, if and to the extent reasonably necessary, in the opinion of Bond Counsel, to preserve the exemption from federal income taxes of interest on the Bonds or to comply with the requirements of the Code, the Borrower hereby grants to the Issuer, for the Qualified Project Period, the option to lease for the customary term of and on the currently used lease forms of the Borrower for the tenant leases from time to time up to as many units as necessary to meet the requirements of subsection (a)(i) above in the Project for a rental of \$1.00 per unit per year for the purpose of subleasing such units to Very Low Income Tenants. The Issuer shall charge a rent under any such sublease which is not less than the rental charged by the Borrower for a comparable unit in the Project, or such lesser rents as is necessary, in the Issuer's sole discretion, to rent such units. The Borrower shall have the right to continue to lease units to Very Low Income Tenants in order to meet the requirements of subsection (a)(1) above, while any units in this Project are subject to the Issuer's option

to sublease such units and any units so leased by the Borrower shall reduce the number of units subject to the Issuer's sublease option accordingly. Any rental paid under any such sublease shall be paid to the Borrower after the Issuer has been reimbursed for any reasonable expenses incurred in connection with such sublease; provided that if the Borrower is in default under the Loan Agreement pursuant to notice given to the Issuer by the Agent or the Holder, such rental shall be used to make payments of principal and interest on the Loan. The Issuer shall assign any subleases entered into pursuant to this paragraph to the Borrower, as lessor, once the requirements of subsection (a)(1) have been met and shall discontinue such subleasing activities with respect to the particular non-compliance with subsection (a)(1). The Issuer shall give the Borrower an accounting of all rentals received pursuant to any such sublease, all expenses of the Issuer for which the Issuer has been reimbursed from such rentals, and all amounts used to make payments on the Loan. The Issuer shall not exercise the option granted in this paragraph unless the Borrower shall have received written notice and an opportunity to cure any noncompliance with the provisions of this Agreement as provided in Section 15, and such noncompliance shall have remained uncured for a period of sixty (60) days after delivery to the Borrower of such notice.

(i) The acquisition, rehabilitation and operation (as of the Completion Date) of the Project and the financing thereof is and shall be in compliance with the conditions set forth in Exhibit A to the CDLAC Resolution, which conditions are incorporated herein by reference and are made a part hereof; provided, however, neither the Issuer, the Agent, any Registered Owner nor the Program Administrator shall be required to monitor the Borrower's compliance with the provisions of this paragraph (i). The Borrower shall prepare and submit to CDLAC a Certificate of Compliance in substantially the form attached to the CDLAC Resolution, executed by an authorized representative of the Borrower.

**Section 5. Tax Status of the Bonds.** The Borrower and the Issuer each hereby represents, as of the date hereof, and warrants, covenants and agrees that:

(a) It will not knowingly take or permit, or omit to take or cause to be taken, as is appropriate, any action that would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds or the exemption from California personal income taxation of the interest on the Bonds and, if it should take or permit, or omit to take or cause to be taken, any such action, it will take all lawful actions necessary to rescind or correct such actions or omissions promptly upon obtaining knowledge thereof;

(b) It will take such action or actions as may be necessary, in the written opinion of Bond Counsel filed with the Issuer and the Borrower, to comply fully with the Act and all applicable rules, rulings, policies, procedures, Regulations or other official statements promulgated, proposed or made by the Department of the Treasury or the Internal Revenue Service pertaining to obligations issued under Section 142(d) of the Code to the extent necessary to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds; and

(c) It will file of record such documents and take such other steps as are necessary, in the written opinion of Bond Counsel filed with the Issuer and the Borrower, 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.

(d) The Borrower hereby covenants to include the requirements and restrictions contained in this Regulatory Agreement in any document (other than in any document granting a security interest in the Project to the Agent or the Holder and in any leases to individual occupants of units in the Project) transferring any interest in the Project to another person to the end that such transferee has notice of, and is bound by, such restrictions, and to obtain the agreement from any transferee to abide by all requirements and restrictions of this Regulatory Agreement during the term of this Agreement; provided, however, that no such agreement shall be required in connection with a transfer of the Project to Agent or the Holder by foreclosure, deed in lieu of foreclosure or comparable conversion of the Loan.

(e) The Borrower will not enter into any agreements which would result in the payment of principal of or interest on the Bonds being "federally guaranteed" within the meaning of Section 149(b) of the Code.

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

(g) The Borrower hereby reaffirms the arbitrage certifications made by it in the Tax Certificate, and such certifications are hereby incorporated herein as covenants of the Borrower by this reference.

(h) The Borrower hereby agrees to comply with the requirements of Section 148(f) of the Code and to rebate excess investment earnings to the federal government.

(i) The Borrower agrees not to acquire any of the Bonds so long as it is the owner or a substantial user (as defined in the Code) of the Project.

(j) The Borrower hereby covenants to include the requirements and restrictions contained in this Regulatory Agreement in any documents transferring any interest in the Project to another person to the end that such transferee has notice of, and is bound by, such restrictions, and to obtain the agreement from any transferee to abide by all requirements and restrictions of this Regulatory Agreement.

**Section 6. Modification of Special Tax Covenants.** The Borrower and the Issuer hereby agree as follows:

(a) To the extent any amendments to the Act, the Regulations or the Code shall, in the written opinion of Bond Counsel filed with the Issuer and the Borrower, impose requirements upon the ownership or operation of the Project more restrictive than those imposed by this Regulatory Agreement which must be complied with in order to maintain the exclusion from gross income for federal income tax purposes of interest

on the Bonds, this Regulatory Agreement shall be deemed to be automatically amended to impose such additional or more restrictive requirements.

(b) To the extent any amendments to the Act, the Regulations or the Code shall, in the written opinion of Bond Counsel filed with the Issuer and the Borrower, impose requirements upon the ownership or operation of the Project less restrictive than imposed by this Regulatory Agreement, this Regulatory Agreement may be amended or modified to provide such less restrictive requirements but only by written amendment approved and signed by the Issuer and the Borrower and approved by the written opinion of Bond Counsel that such amendment will not affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

(c) The Borrower and the Issuer shall execute, deliver and, if applicable, file of record any and all documents and instruments, necessary to effectuate the intent of this Section 6.

**Section 7. Indemnification.** The Borrower hereby covenants and agrees that it shall indemnify and hold harmless the Issuer, the Sacramento Housing and Redevelopment Agency and the Program Administrator, if not the Issuer (collectively, the "Issuer Indemnitee"), including for such purposes, their respective officers, members, commissioners, directors, officials, employees and agents from and against all claims, liabilities, obligations, damages, penalties, litigation, costs, charges and expenses (including without limitation reasonable attorneys, accounting, consulting, engineering, and other fees and expenses), imposed on, incurred by or asserted against the Issuer Indemnitee and arising from, resulting from, or in any way connected with or related to (i) any cause whatsoever in connection with the approval of tax-exempt financing for the Project or the making or administration of the Loan, including, but not limited to, the execution and delivery of the Agency Agreement, the Pledge and Assignment and the Regulatory Agreement; (ii) any act or omission of the Borrower or any of its agents, servants, employees or licensees, in connection with the Loan or the Project; (iii) the operation, use, occupancy, maintenance, or ownership of the Project (including compliance with laws, ordinances and rules and regulations of public authorities relating thereto); (iv) the issuance and/or remarketing of any Bonds or any certifications or representations of the Borrower made in connection therewith and the carrying out of any of the transactions contemplated by the Bonds and this Regulatory Agreement; provided, however, that this provision shall not require the Borrower to indemnify the Issuer Indemnitee from any claims, costs, fees, expenses or liabilities arising from the willful misconduct of the Issuer Indemnitee. The indemnity provided in this Section shall include within its scope, without limitation: any and all active or passive negligence on the part of Issuer Indemnitee (other than willful misconduct) or any claims of combined negligence on the part of Issuer Indemnitee and Borrower, to the extent Issuer Indemnitee is not prohibited by law from contracting for indemnification against such active, passive or combined negligent conduct; any claims for wrongful death; any vicarious liability imposed upon the Issuer Indemnitee; and any liability imposed by law on the Issuer Indemnitee on a strict liability theory or pursuant to any local, state or federal environmental statute, regulation or law; and the Borrower expressly acknowledges that the scope of its obligation to indemnify, hold harmless and defend the Issuer extends to and includes all loss, costs, damages, expenses, suits, judgments, actions and liabilities of whatsoever nature arising out of or related to the Issuer's obligations, liabilities and/or responsibilities with respect to the Americans with Disabilities Act of 1990, as amended, (the "ADA") insofar as they relate to the Project or arise out of the Issuer's issuance of the

Bonds, including, but not limited to, any claim that the Project is inaccessible to or that the Borrower discriminates against disabled individuals; it being expressly agreed by the Borrower that the issuance of the Bonds and/or the making of the Loan are not willful misconduct excusing the Borrower from its indemnification obligations with respect to the Issuer's potential ADA liability. It is the express intention of the parties that Borrower shall indemnify Issuer Indemnitee against any and all such liability hereunder, and that the foregoing indemnification with respect to the Borrower shall survive the termination of this Regulatory Agreement.

In addition thereto, the Borrower will pay upon written demand all of the fees and expenses paid or incurred by the Issuer Indemnitee in enforcing the provisions hereof.

**Section 8. Consideration.** The Issuer has issued the Bonds to provide funds to make the Loan to finance the Project, all for the purpose, among others, of inducing the Borrower to acquire, rehabilitate, equip and operate the Project. In consideration of the issuance of the Bonds by the Issuer, the Borrower has entered into this Regulatory Agreement and has agreed to restrict the uses to which the Project can be put on the terms and conditions set forth herein and for the term hereof.

**Section 9. Reliance.** The Issuer and the Borrower hereby recognize and agree that the representations, warranties, covenants and agreements set forth herein may be relied upon by all persons interested in the legality and validity of the Bonds, and in the exclusion from gross income for federal income tax purposes of the interest on the Bonds and the exemption from California personal income taxation of the interest on the Bonds. In performing their duties and obligations hereunder, the Issuer may rely upon statements and certificates of the Borrower and Very Low Income Tenants, and upon audits of the books and records of the Borrower pertaining to the Project. In addition, the Issuer and the Program Administrator, if any, may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Issuer or the Program Administrator, if any, hereunder in good faith and in conformity with such opinion. In determining whether any default or lack of compliance by the Borrower exists under this Regulatory Agreement, neither the Issuer nor the Program Administrator, if any, shall be required to conduct any investigation into or review of the operations or records of the Borrower and may rely solely on any notice or certificate delivered to the Issuer or the Program Administrator by the Borrower with respect to the occurrence or absence of a default.

**Section 10. Sale or Transfer of the Project.** The Borrower intends to hold the Project for its own account, has no current plans to sell, transfer or otherwise dispose of the Project, and hereby covenants and agrees not to sell, transfer or otherwise dispose of the Project, or any portion thereof (other than for individual tenant use as contemplated hereunder), without obtaining the prior consent of the Issuer, which consent shall not be unreasonably withheld so long as the following criteria are met, and upon receipt by the Issuer of (i) reasonable evidence satisfactory to the Issuer that the Borrower's purchaser or transferee has assumed in writing and in full, the Borrower's duties and obligations under this Regulatory Agreement, acknowledgment of which shall be provided to the Borrower at its request, (ii) an opinion of counsel of the transferee that the transferee has duly assumed the obligations of the Borrower under this Regulatory Agreement and that such obligations and this Regulatory Agreement are binding on the transferee, (iii) the Issuer receives evidence acceptable to the Issuer that (A) the purchaser or

assignee has experience in the ownership, operation and management of rental housing projects such as the Project without any record of material full adjudicated violations of discrimination restrictions or other state or federal laws or regulations applicable to such projects, and (B) if the purchaser or assignee does not have management experience, the purchaser or assignee agrees to retain a property management firm with the experience and record described in subparagraph (A) above or the Issuer will or will cause the Program Administrator to provide on-site training in program compliance if the Issuer determines such training is necessary, (iv) except with respect to a transfer of the Project to or by the Agent or the Holder in connection with a foreclosure, deed in lieu or comparable conversion of the Loan, no event of default exists under any of the Loan Documents, this Regulatory Agreement or the Pledge and Assignment at the time of the transfer or any such default shall be cured concurrently with the transfer, and payment of all fees and expenses of the Issuer are current, and (v) an opinion of Bond Counsel to the effect that such sale will not cause interest on any Bond to become includable in the gross income of the recipients thereof for federal income tax purposes. Notwithstanding the above, so long as the above conditions have been met and the Issuer has received all documentation it has requested, the Issuer's consent to a sale, transfer or other disposition of the Project shall be deemed given thirty (30) days subsequent to such conditions being met and such documents being received. It is hereby expressly stipulated and agreed that any sale, transfer or other disposition of the Project in violation of this Section 10 shall be null, void and without effect, shall cause a reversion of title to the Borrower, and shall be ineffective to relieve the Borrower of its obligations under this Regulatory Agreement. Nothing in this Section 10 shall affect any provision of any other document or instrument between the Borrower and any other party which requires the Borrower to obtain the prior written consent of such other party in order to sell, transfer or otherwise dispose of the Project or of any direct or indirect interest in the Project or of any interest in the Borrower. Not less than 30 days prior to consummating any sale, transfer or disposition of any interest in the Project, the Borrower shall deliver to the Issuer a notice in writing explaining the nature of the proposed transfer. The Borrower shall not syndicate the Project unless such syndication meets the requirements of the Act or any successor provision.

Neither the execution and delivery of the Mortgage (as defined in the Pledge and Assignment) nor any foreclosure (or transfer by deed in lieu of foreclosure) of the Mortgage (or any similar proceeding relating thereto) shall be prohibited by this Regulatory Agreement or require the consent of the Issuer under this Agreement.

**Section 11. Term.** Subject to the following paragraph of this Section 11, 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 during the Qualified Project Period, it being expressly agreed and understood that the provisions hereof are intended to survive the retirement of the Bonds and the Loan. Notwithstanding any other provisions of this Regulatory Agreement to the contrary, this entire Regulatory Agreement, or any of the provisions or sections hereof, may be terminated upon agreement by the Issuer and the Borrower subject to compliance with any of the provisions contained in this Regulatory Agreement only if there shall have been received an opinion of Bond Counsel that such termination will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds or the exemption from State personal income taxation of the interest on the Bonds.

The terms of this Regulatory Agreement to the contrary notwithstanding, this Regulatory Agreement, and all and several of the terms hereof, shall terminate and be of no further force and effect in the event of a foreclosure or delivery of a deed in lieu of foreclosure whereby a third party (other than the Borrower or any related person of the Borrower) shall take possession of the Project or involuntary non-compliance 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 date hereof which prevents the Issuer from enforcing the provisions hereof or condemnation or a similar event and, in each case, the payment in full and retirement of the Bonds theretofore or within a reasonable period thereafter; provided, however, that the preceding provisions of this sentence shall cease to apply and the restrictions contained herein shall be reinstated if, at any time subsequent to the termination of such provisions as the result of the foreclosure or the delivery of a deed in lieu of foreclosure or a similar event, the Borrower or any related person to it (within the meaning of the Code) obtains an ownership interest in the Project 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 12. Covenants to Run With the Land.** The Borrower hereby subjects the Project (including the Site) to the covenants, reservations and restrictions set forth in this Regulatory Agreement. The Issuer and the Borrower hereby declare their express intent that the covenants, reservations and restrictions set forth herein shall be deemed covenants running with the land and shall pass to and be binding upon the Borrower's successors in title to the Project; provided, however, that on the termination of this Regulatory Agreement said covenants, reservations and restrictions shall expire. Each and every contract, deed or other instrument hereafter executed covering or conveying the Project or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instruments. No breach of any of the provisions of this Regulatory Agreement shall defeat or render invalid the lien of the mortgage securing the Loan.

**Section 13. Burden and Benefit.** The Issuer and the Borrower hereby declare their understanding and intent that the burden of the covenants set forth herein touch and concern the land in that the Borrower's legal interest in the Project is rendered less valuable thereby. The Issuer and the Borrower hereby further declare their understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Project by Very Low Income Tenants, the intended beneficiaries of such covenants, reservations and restrictions, by making possible the obtaining of advantageous financing for the Project, and by furthering the public purposes for which the Bonds were issued.

**Section 14. 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, development and improvement of the Site.

**Section 15. Enforcement.** If the Borrower defaults in the performance or observance of any covenant, agreement or obligation of the Borrower set forth in this Regulatory Agreement, and if

such default remains uncured for a period of 60 days after notice thereof shall have been given by the Issuer to the Borrower (provided, however, that the Issuer may at its sole option extend such period if the Borrower provides the Issuer with an opinion of Bond Counsel to the effect that such extension will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds), then the Issuer, may, in its sole discretion, declare an "Event of Default" to have occurred hereunder, and may take any one or more of the following steps:

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

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

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

Notwithstanding anything herein to the contrary, (i) the liability of the Borrower hereunder shall be limited as provided in the Regulatory Agreement and (ii) the occurrence of an event of default under this Regulatory Agreement in respect of any party other than the Borrower shall not be deemed, under any circumstances whatsoever, to be a default under the Loan Documents. The parties hereto acknowledge that the maturity date of the Note may be accelerated solely by the holder thereof upon the occurrence of a default on the part of the Borrower under the Loan Documents that is not cured during any applicable grace period in accordance with their respective terms and for no other reason.

**Section 16. Recording and Filing.** The Borrower shall cause this Regulatory Agreement and all amendments and supplements hereto and thereto, to be recorded and filed, prior to the recording of any deed of trust with respect to the Project and the disbursement of the Loan proceeds in the real property records of the County and in such other places as the Issuer may reasonably request. The Borrower shall pay all fees and charges incurred in connection with any such recording.

**Section 17. Payment of Fees.** Notwithstanding any prepayment of the Loan and notwithstanding a redemption in full of the Bonds, throughout the term of this Regulatory Agreement, the Borrower shall continue to pay to the Issuer its administrative fee described below and in the event of default, to the Issuer reasonable compensation for any services rendered by either of them hereunder and reimbursement for all expenses reasonably incurred by either of them in connection therewith.

The Borrower shall pay to the Issuer on the Bond Issuance Date its financing fee in the amount of one quarter of one percent (.25%) of the original principal amount of the Bonds on the Bond Issuance Date. In addition, an annual administrative fee in an amount equal to fifteen one hundredths of one percent (.15%) of the original principal amount of the Bonds shall be paid to the Issuer by the Borrower in advance, commencing on the Bond Issuance Date for the prorated

period from the Bond Issuance Date to and including February 28, 2006, and in equal semiannual installments in advance on each March 1 and September 1 of each year thereafter throughout the term of this Regulatory Agreement. In the event that the Issuer appoints a Program Administrator that is not the Issuer to administer the provisions of this Regulatory Agreement, the fee of such Program Administrator shall be paid from amounts paid to the Issuer as its annual administration fee hereunder, and the Borrower shall only be obligated to pay the fee set forth in this paragraph to the Issuer. The fee of the Issuer referenced in this section shall in no way limit amounts payable by the Borrower under Section 7 hereof, or arising in connection with the Issuer's enforcement of the provisions of this Regulatory Agreement.

In addition to the fees set forth above in the preceding paragraph, the Borrower shall pay to the Issuer the additional program compliance fees and expenses set forth in Exhibit D hereto in reimbursement of the amounts and time expended by the Issuer to insure Borrower's compliance with State statutes and federal regulations and Borrower's obligations under this regulatory Agreement as a result of the Borrower not meeting on a timely basis its reporting requirements set forth herein, if, and to the extent, such fees and expenses become due and payable. The Issuer and the Borrower agree that the amount of damages incurred by the Issuer for Borrower's failure to comply with its obligations and reporting requirements are difficult to assess and that the parties agree that the fees set forth in Exhibit D hereto are the appropriate amounts of liquidated damages that the Issuer may impose for Borrower's failure to timely comply with its obligations and reporting requirements hereunder. The remedies of the Issuer under this Regulatory Agreement are cumulative, and the exercise of one or more of such remedies, including, without limitation, imposition of the fees set forth in Exhibit D, shall not be deemed an election of remedies and shall not preclude the exercise by the Issuer of any one or more of its other legal or equitable remedies.

In the event that the Project is granted a real property tax exemption in any amount, in addition to the annual administration fee set forth in the preceding paragraph the Borrower shall pay annually to the Issuer on December 1 of each year subsequent to receiving such property tax exemption, commencing on the December 1 immediately succeeding the granting of such property tax exemption, an amount equal to twenty percent (20%) of one percent (1%) of the assessed value of the Project as set forth on the County property tax bill on the line entitled "Value and Taxes Subtotal." In the event such property tax exemption is received, the Borrower shall provide to the Issuer no later than November 1 of each year a copy of the County property tax bill with respect to the Project. If such County property tax bill is not provided to the Issuer as set forth in the preceding sentence, the Issuer shall assume a two percent (2%) annual increase in the assessed value of the Project for purposes of calculating the amount due and payable pursuant to this paragraph. The amounts payable to the Issuer representing an addition to the annual administration fee as set forth in this paragraph shall be payable only from Excess Cash Flow (as defined in the Loan Agreement).

Subject to the second paragraph of Section 11 hereof, in the event that the Bonds are redeemed in part or in full prior to the end of the term of this Regulatory Agreement, the Issuer's fee for the remainder of the term of this Regulatory Agreement, at the option of the Issuer, shall be paid by the Borrower at the time of the prepayment of the Bonds and shall be a lump sum amount equal to the present value (based on a discount rate equal to the bond rate as defined by the Issuer at



**Section 23. Third-Party Beneficiary.** The parties to the Regulatory Agreement recognize and agree that the terms of the Regulatory Agreement and the enforcement of those terms are entered into for the benefit of various parties, including CDLAC. CDLAC shall be entitled (but not obligated) to enforce solely the terms of the CDLAC Resolution. In addition, CDLAC is intended to be and shall be a third-party beneficiary of this Regulatory Agreement. Notwithstanding the above, any enforcement of the terms and provisions of the CDLAC Resolution by CDLAC shall be subject to the terms, conditions and limitations otherwise applicable to the enforcement of remedies under this Regulatory Agreement and shall not adversely affect the interests of the owners of the Bonds.

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

HOUSING AUTHORITY OF THE CITY OF  
SACRAMENTO

By: \_\_\_\_\_  
Anne M. Moore  
Executive Director

ATTEST:

By: \_\_\_\_\_  
Joan Roberts  
Clerk of the Sacramento Housing and  
Redevelopment Agency

CREEKSIDE VILLAGE SENIOR  
APARTMENTS, L.P.,  
a California limited partnership

By: USA Creekside, Inc., a California  
corporation, its Administrative General  
Partner

By: \_\_\_\_\_  
Geoffrey C. Brown,  
President

By: Riverside Charitable Corporation, a  
California nonprofit public benefit  
corporation, its Managing General Partner

By: \_\_\_\_\_  
Kenneth S. Robertson,  
Chairman of the Board

STATE OF CALIFORNIA            )  
  ) ss.  
CITY OF \_\_\_\_\_        )

On this \_\_\_ day of \_\_\_\_\_, \_\_\_, before me, the undersigned, a Notary Public in and for said State, personally appeared \_\_\_\_\_ and \_\_\_\_\_, personally known to me or proved to me on the basis of satisfactory evidence to be the persons whose names are subscribed to the foregoing instrument as the \_\_\_\_\_ and \_\_\_\_\_, respectively, of the Housing Authority of the City of Sacramento, and acknowledged to me that the Housing Authority of the City of Sacramento executed it.

WITNESS my hand and official seal.

\_\_\_\_\_  
Notary Public

**EXHIBIT A**  
**LEGAL DESCRIPTION OF LAND**

**EXHIBIT B**  
**FORM OF**  
**INCOME COMPUTATION AND CERTIFICATION**

**NOTE TO APARTMENT OWNER:** This form is designed to assist you in computing Annual Income in accordance with the method set forth in the Department of Housing and Urban Project ("HUD") Regulations (24 CFR 813). You should make certain that this form is at all times up to date with the HUD Regulations.

Re: [Address of Apartment Building]

I/We, the undersigned state that I/we have read and answered fully, frankly and personally each of the following questions for all persons who are to occupy the unit being applied for in the above apartment project. Listed below are the names of all persons who intend to reside in the unit:

\_\_\_\_\_ Monthly  
\_\_\_\_\_ Gross

Names of Members to Head of Household	Social Security Number	Age	Amount of _____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

**Income Computation**

The total anticipated income, calculated in accordance with the provisions of this Certification, of all persons over the age of 18 years listed above for the 12-month period beginning the date that I/we plan to move into a unit is \$ \_\_\_\_\_.

Included in the total anticipated income listed above are:

- (a) all wages and salaries, overtime pay, commissions, fees, tips and bonuses and other compensation for personal services, before payroll deductions;
- (b) the 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),
- (c) interest and dividends (including income from assets excluded below);
- (d) 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, including any lump sum payment for the delayed start of a periodic payment;
- (e) payments in lieu of earnings, such as unemployment and disability compensation, workmen's compensation and severance pay;

- (f) the maximum amount of public assistance available to the above persons other than the amount of any assistance specifically designated for shelter and utilities;
- (g) periodic and determinable allowances, such as alimony and child support payments and regular contributions and gifts received from persons not residing in the dwelling;
- (h) 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
- (i) any earned income tax credit to the extent that it exceeds income tax liability.

Excluded from such anticipated income are:

- (a) casual, sporadic or irregular gifts;
- (b) amounts which are specifically for or in reimbursement of medical expenses;
- (c) lump sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and workmen's compensation), capital gains and settlement for personal or property losses;
- (d) amounts of educational scholarships paid directly to the student or the educational institution, and amounts paid by the government to a veteran for use in meeting the costs of tuition, fees, books and equipment. Any amounts of such scholarships or payments to veterans not used for the above purposes are to be included in income;
- (e) special pay to a household member who is away from home and exposed to hostile fire;
- (f) relocation payments under Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970;
- (g) foster child care payments;
- (h) the value of coupon allotments for the purchase of food pursuant to the Food Stamp Act of 1977;
- (i) payments to volunteers under the Domestic Volunteer Service Act of 1973;
- (j) payments received under the Alaska Native Claims Settlement Act;
- (k) income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes;
- (i) payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program;

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

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

(o) the first \$2,000.00 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the Court of Claims.

Do the persons whose income or contributions are included in item 6 above:

have savings, stocks, bonds, equity in real property or other form of capital investment  
(excluding the values of necessary items of personal property such as furniture and automobiles  
and interests in Indian trust land); or

No \_\_\_\_\_ Yes \_\_\_\_\_

have they disposed of any assets (other than at a foreclosure or Credit Bankruptcy sale) during  
the last two years at less than fair market value?

No \_\_\_\_\_ Yes \_\_\_\_\_

If the answer to (a) or (b) above is yes, does the combined total value of all such assets owned or  
disposed of by all such persons total more than \$5,000?

No \_\_\_\_\_ Yes \_\_\_\_\_

(d) If the answer to (c) above is yes, state:

(1) the amount of income expected to be derived from such assets in the 12-month period  
beginning on the date of initial occupancy in the unit that you propose to rent:

\$ \_\_\_\_\_

(2) the amount of such income, if any, that was included in item 6 above:

\_\_\_\_\_

Are all of the individuals who propose to reside in the unit full-time students\*?

No \_\_\_\_\_ Yes \_\_\_\_\_

(a) \*A full-time student is an individual enrolled as a full-time student during each of 5 calendar  
months during the calendar year in which occupancy of the unit begins at an educational

organization which normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of students in attendance and is not an individual pursuing a full-time course of institutional or farm training under the supervision of an accredited agent of such an educational organization or of a state or political subdivision thereof.

(b) If the answer to 8(a) is yes, is at least 1 of the proposed occupants of the unit a husband and wife entitled to file a joint federal income tax return?

No \_\_\_\_\_ Yes \_\_\_\_\_

9. Neither myself nor any other occupant of the unit I/we propose to rent is the owner of the rental housing project in which the unit is located (hereinafter the "Borrower"), has any family relationship to the Borrower; or owns directly or indirectly any interest in the Borrower. For purposes of this paragraph, indirect ownership by an individual shall mean ownership by a family member, ownership by a corporation, partnership, estate or trust in proportion to the ownership or beneficial interest in such corporation, partnership, estate or trustee held by the individual or a family member; and ownership, direct or indirect, by a partner of the individual.

10. This certificate is made with the knowledge that it will be relied upon by the Borrower to determine maximum income for eligibility to occupy the unit, and I/we declare that all information set forth herein is true, correct and complete and based upon information I/we deem reliable and that the statement of total anticipated income contained in paragraph 6 is reasonable and based upon such investigation as the undersigned deemed necessary.

11. I/we will assist the Borrower in obtaining any information or documents required to verify the statements made herein, including either an income verification from my/our present employer(s) or copies of federal tax returns for the immediately preceding calendar year.

12. I/we acknowledge that I/we have been advised that the making of any misrepresentation or misstatement in this declaration will constitute a material breach of my/our agreement with the Borrower to lease the unit and will entitle the Borrower to prevent or terminate my/our occupancy of the unit by institution of an action for ejection or other appropriate proceedings.

13. Housing Issuer Statistical Information (Optional - will be used for reporting purposes only)

Race (Head of Household)

White \_\_\_\_\_ Black \_\_\_\_\_ Asian \_\_\_\_\_  
Hispanic \_\_\_\_\_ Native American \_\_\_\_\_ Other \_\_\_\_\_

Physical Disability

\_\_\_\_\_ Yes \_\_\_\_\_ No \_\_\_\_\_

I/we declare under penalty of perjury that the foregoing is true and correct.

Executed this \_\_\_\_\_ day of \_\_\_\_\_ in the County of \_\_\_\_\_, California.

Applicant

---

Applicant

---

Signature of all persons over the age of 18 years listed in number 2 above required]

FOR COMPLETION BY APARTMENT OWNER ONLY:

1. Calculation of eligible income:

(a) Enter amount entered for entire household in 6 above:

\$ \_\_\_\_\_

(b) If answer to 7(c) above is yes, enter the total amount entered in 7(d)(1), subtract from that figure the amount entered in 7(d)(2) and enter the remaining balance (\$ \_\_\_\_\_)

(2) Multiply the amount entered in 7(d)(1) times the current passbook savings rate to determine what the total annual earnings on the amount in 7(d) would be if invested in passbook savings (\$ \_\_\_\_\_), subtract from that figure the amount entered in 7(d)(2) and enter the remaining balance (\$ \_\_\_\_\_)

(3) Enter at right the greater of the amount calculated under (1) or (2) above:

\$ \_\_\_\_\_

(4) TOTAL ELIGIBLE INCOME (Line 1.a plus line 1.b(3):

\$ \_\_\_\_\_

(5) The amount entered in 1(c):

(6) Qualifies the applicant(s) as a Very Low-Income Tenant(s).

Does not qualify the applicant(s) as a Very Low-Income Tenant(s).

(6) Number of apartment unit assigned: \_\_\_\_\_ Bedroom Size: \_\_\_\_\_ Rent:  
\$ \_\_\_\_\_

Tenant-Paid Utilities:

\_\_\_\_\_ Water \_\_\_\_\_ Gas \_\_\_\_\_ Electric \_\_\_\_\_  
\_\_\_\_\_ Trash \_\_\_\_\_ Other (list Type) \_\_\_\_\_

(7) Was this apartment unit last occupied for a period of 31 consecutive days by persons whose aggregate anticipated annual income as certified in the above manner upon their initial occupancy of the apartment unit qualified them as Low-Income Tenants?

No \_\_\_\_\_ Yes \_\_\_\_\_

(8) Method used to verify applicant(s) income:

Resolution No. 2005-\_\_\_\_\_ adopted on \_\_\_\_\_ - \_\_\_\_\_ -2005.

- \_\_\_\_\_ Employer income verification.
- \_\_\_\_\_ Social Security Administration verification
- \_\_\_\_\_ Department of Social Services verification
- \_\_\_\_\_ Copies of tax returns.
- \_\_\_\_\_ Other ( \_\_\_\_\_ )

**Manager**

**INCOME VERIFICATION**  
(for employed persons)

The undersigned employee has applied for a rental unit located in a project financed under the Housing of the City of Sacramento Authority Multifamily Housing Program for persons of low income. Every income statement of a prospective tenant must be stringently verified. Please indicate below the employee's current annual income from wages, overtime, bonuses, commissions or any other form of compensation received on a regular basis.

Annual wages \_\_\_\_\_

Overtime \_\_\_\_\_

Bonuses \_\_\_\_\_

Commissions \_\_\_\_\_

Total current income \_\_\_\_\_

I hereby certify that the statements above are true and complete to the best of my knowledge.

Date:

Signature:

Title:

I hereby grant you permission to disclose my income to \_\_\_\_\_ in order that they may determine my income eligibility for rental of an apartment located in their project which has been financed under Housing Authority of the City of Sacramento Multifamily Housing Program.

Date: \_\_\_\_\_

Signature

Please send form to:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**INCOME VERIFICATION**  
(for Social Security recipients)

**TO: SOCIAL SECURITY ADMINISTRATION**

Ladies and Gentlemen:

I have applied for a rental unit located in a project financed under the Housing Authority of the City of Sacramento Multifamily Housing Program for persons of very low income. Every income statement of a prospective tenant must be stringently verified. In connection with my application for a rental unit, I hereby give my consent to release to \_\_\_\_\_ the specific information requested below.

Date: \_\_\_\_\_  
Signature

Social Security No.: \_\_\_\_\_ Name (Print): \_\_\_\_\_  
Address (Print): \_\_\_\_\_

Monthly Benefits Began/Will Begin: \_\_\_\_\_  
Social Security Benefit Amount: \$ \_\_\_\_\_  
Other Benefit(s): \_\_\_\_\_ Amount: \$ \_\_\_\_\_  
Medicare Deduction: \$ \_\_\_\_\_  
Are benefits expected to change? No \_\_\_\_\_ Yes \_\_\_\_\_  
If Yes, please state date and amount  
Date: \_\_\_\_\_ of change: Amount: \$ \_\_\_\_\_

If recipient is not receiving full benefit amount, please indicate reason and date recipient will start receiving full benefit amount:

Reason: \_\_\_\_\_ Date of Resumption: \_\_\_\_\_ Amount: \$ \_\_\_\_\_

Date:

Signature:  
Name (Print):  
Title:

Telephone:

Please send form to:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**INCOME VERIFICATION**  
(for Department Social Services recipients)

**TO: CALIFORNIA DEPARTMENT OF SOCIAL SERVICES**

Ladies and Gentlemen:

I am receiving assistance through your office. I have applied for a rental unit located in a project financed under the Housing Authority of the City of Sacramento Multifamily Housing Program for persons of very low income. Every income statement of a prospective tenant must be stringently verified. In connection with my application for a rental unit, I hereby authorize the Department of Social Services to release to \_\_\_\_\_ the specific information requested below:

Date: \_\_\_\_\_

Signature \_\_\_\_\_

Caseload Number: \_\_\_\_\_ Name (Print): \_\_\_\_\_

Case Number: \_\_\_\_\_ Case Worker \_\_\_\_\_

1. Number of persons included in budget: \_\_\_\_\_

2. Total monthly budget \$ \_\_\_\_\_

(a) Amount of grant \$ \_\_\_\_\_ Date aid last began: \_\_\_\_\_

(b) Other income and source: \_\_\_\_\_

(c) Is other income included in total budget? No \_\_\_\_\_ Yes \_\_\_\_\_

3. Please specify type of aid:  
(TANF, FR, Food Stamps, ANB, MediCal, Etc.)

4. If recipient is not receiving full grant, please indicate reason:  
\_\_\_\_\_  
Overpayment due to client's failure to report other income  
\_\_\_\_\_  
Computation error  
\_\_\_\_\_  
Other \_\_\_\_\_

Date when full grant will resume: \_\_\_\_\_

Date: \_\_\_\_\_

---

Resolution No. 2005-\_\_\_\_\_ adopted on \_\_\_\_ - \_\_\_\_ -2005.

(98)

Case Worker's Signature: \_\_\_\_\_

Telephone: \_\_\_\_\_ District Office: \_\_\_\_\_

Your very early response will be appreciated.

Please return form to:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**INCOME VERIFICATION**  
(for self-employed persons)

I hereby attach copies of my individual federal and state income tax returns for the immediately preceding calendar year and certify that the information shown in such income tax returns is true and complete to the best of my knowledge.

Date: \_\_\_\_\_  
Signature

**EXHIBIT C**  
**FORM OF**  
**COMPLETION CERTIFICATE**

The undersigned hereby certifies that all portions of the Project were substantially completed and available either for occupancy or use by tenants in the Project as of \_\_\_\_\_.

CREEKSIDE VILLAGE SENIOR  
APARTMENTS, L.P., a California limited  
partnership

By: \_\_\_\_\_  
Authorized Representative

The undersigned hereby further certifies that:

(i) the aggregate amount disbursed on the Loan to date is \$ \_\_\_\_\_;

(ii) all amounts disbursed on the Loan have been applied to pay or reimburse the undersigned for the payment of Project Costs and none of the amounts disbursed on the Loan have been applied to pay or reimburse any party for the payment of costs or expenses other than Project Costs; and

(iii) at least ninety-five percent (95%) of the amounts disbursed on the Loan have been applied to pay or reimburse the Borrower for the payment of Qualified Project Costs (as that term is used in the Regulatory Agreement) and less than twenty-five percent (25%) of proceeds of the Bonds, exclusive of amounts therein applied to pay the costs of issuing the Bonds, have been applied to pay or reimburse the Borrower for the cost of acquiring land.

CREEKSIDE VILLAGE SENIOR  
APARTMENTS, L.P., a California limited  
partnership

By: \_\_\_\_\_  
Authorized Representative

## EXHIBIT D

### SCHEDULE OF PROGRAM COMPLIANCE FEES

#### PROPERTY Compliance AND POSSIBLE ACTIONS

**Tenant Eligibility and Affordability Violations**

<b>File Compliance</b>	<b>Possible Actions</b>	<b>Corrective Time Period</b>
Over-income tenants moved-into assisted units	Financial Compliance Fee: \$500 Per Unit	Immediately
Incorrect eligibility documentation	Financial Compliance Fee: Incorrect calculations, incomplete verifications, Borrower not completing documents \$50 00 per file	30-days to submit corrections then an additional \$50 per each day corrections have not been submitted.
Failure to complete annual recertifications	Financial Compliance Fee: Five calendar days past anniversary date: \$250 for each incomplete file	Incorrect calculations, incomplete documentation, 30-days to submit corrections then an additional \$50 per each day corrections have not been submitted.
Failure to maintain tenant eligibility records	Financial Compliance Fee: \$500 for project noncompliance Immediately	If not corrected within 30-calendar days, \$100 per day for each day the project is out of compliance
Flagrant disregard for following the correct tenant and wait list procedures	Financial Compliance Fee: \$500 for project noncompliance Immediately	If not corrected within 30-days \$100 00 per day for each day the project is out of compliance
Incorrect Rents	Letter of correction, owner is to reimburse tenants for amount over-charged. Financial Compliance Fee: \$100 for each unit over-charged.	Immediately
Noncompliant Lease agreement	Financial Compliance Fee: \$100 per file	Immediately
<b>Housing Quality Standards Violations</b>		
<b>Violation</b>	<b>Possible Actions</b>	<b>Corrective Time Period</b>
Verifiable existence of Toxic Mold	Financial Compliance Fee: \$200 00 per unit 30-day to present verifiable documentation that unit is mold free, or documentation demonstrating corrective action If no corrective action, \$75.00 per day for each day no corrective action is taken.	Immediately
Broken pipes and plumbing facilities	Financial Compliance Fee: \$200 per unit.	7 calendar days, or \$75 per each day corrective action is not taken
All smoke detectors not working in the units	Financial Compliance Fee: \$200 per unit	Immediately
Windows with large cracks or missing glass	Financial Compliance Fee: \$200 per unit.	7 calendar days, or \$75 per each day corrective action is not taken
Infestation of roaches or vermin	Financial Compliance Fee: \$200 per unit; Letter from pest control company verifying removal of pests.	7 calendar days, or \$75 per each day corrective action is not taken
Non-working heating facility (October 16th through April 14th)	Financial Compliance Fee: \$500 per unit; \$75 re-inspection fee.	Immediately
Excessive amount of animal urine or feces in the unit	Financial Compliance Fee: \$200 per unit; \$75 re-inspection fee	Immediately

Excessive amount of trash/garbage in the unit	Financial Compliance Fee: \$75 per unit; Letter of correction	14 calendar units or \$75 per each day corrective action is not taken
Hazardous exterior conditions or community blight	Financial Compliance Fee \$500 for hazardous conditions; \$200 for community blight; \$75 re-inspection fee.	7 calendar days, or \$75 per each day corrective action is not taken
Large holes in the walls or ceiling	Letter of correction; Financial Compliance Fee: \$100 per day for each day	Within 30-days

**EXHIBIT E**

**SCOPE OF DEVELOPMENT**

**Creek Village Senior Apartments**

**EXHIBIT F**

**CDLAC RESOLUTION**