

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

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ATTENTION: J. TOGER SWANSON, ESQ.

**REGULATORY AGREEMENT
AND DECLARATION OF RESTRICTIVE COVENANTS**

by and among

CITY OF LOS ANGELES,
as Governmental Lender,

and

U.S. BANK NATIONAL ASSOCIATION,
as Fiscal Agent

and

MARTHA BRYANT VILLAGE II, L.P.,
as Borrower

relating to

\$9,500,000
City of Los Angeles
Multifamily Housing Revenue Note
(Martha Bryant Manor Apartments)
Series 2014J

Dated as of December 1, 2014

TABLE OF CONTENTS

	Page
Section 1.	Definitions and Interpretation 2
Section 2.	Acquisition, Rehabilitation and Equipping of the Project 8
Section 3.	Residential Rental Property 11
Section 4.	Low Income Tenants; Records and Reports 12
Section 5.	Tax-exempt Status of the Note 15
Section 6.	Additional Requirements of the Act 16
Section 7.	Additional Requirements of CDLAC and the Governmental Lender 18
Section 8.	Modification of Covenants 23
Section 9.	Indemnification 24
Section 10.	Consideration 26
Section 11.	Reliance 26
Section 12.	Project in the City 26
Section 13.	Sale or Transfer of the Project; Equity Interests 26
Section 14.	Term 28
Section 15.	Covenants To Run With the Land 29
Section 16.	Burden and Benefit 29
Section 17.	Uniformity; Common Plan 29
Section 18.	Default; Enforcement 30
Section 19.	The Fiscal Agent 31
Section 20.	Recording and Filing 32
Section 21.	Governing Law 32
Section 22.	Amendments 32
Section 23.	Notices 32
Section 24.	Severability 34
Section 25.	Multiple Counterparts 34
Section 26.	Nondiscrimination and Affirmative Action 34
Section 27.	Business Tax Registration Certificate 35
Section 28.	Financial Obligations Personal to Borrower 35
Section 29.	Third-party Beneficiaries 35
Section 30.	Child Support Assignment Orders 35
Section 31.	Americans with Disabilities Act 36
Section 32.	Slavery Disclosure Ordinance 36
EXHIBIT A	DESCRIPTION OF PROJECT SITE
EXHIBIT B	FORM OF CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE
EXHIBIT C	FORM OF INCOME CERTIFICATION
EXHIBIT D	FORM OF ANNUAL TENANT INCOME RECERTIFICATION
EXHIBIT E	FORM OF CERTIFICATE OF CDLAC PROGRAM COMPLIANCE
EXHIBIT F	[RESERVED]
EXHIBIT G	CDLAC RESOLUTION
EXHIBIT H	FORM OF SLAVERY DISCLOSURE ORDINANCE CERTIFICATE

**REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS**

THIS REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS (this "Agreement" or this "Regulatory Agreement") is made and entered into and dated as of December 1, 2014 by and among the **CITY OF LOS ANGELES**, a charter city and municipal corporation in the State of California (together with any successor to its rights, duties and obligations, the "Governmental Lender" or the "City"), **U.S. BANK NATIONAL ASSOCIATION**, a national banking association in its capacity as Fiscal Agent (the "Fiscal Agent") under the Loan and Security Agreement dated as of December 1, 2014 (the "Loan Agreement") by and among the Governmental Lender, Boston Private Bank & Trust Company as Funding Lender, the Borrower and the Fiscal Agent, with an office in Los Angeles, California, and **MARTHA BRYANT VILLAGE II, L.P.**, a California limited partnership (the "Borrower").

WITNESSETH:

WHEREAS, pursuant to Section 248 of the City Charter of the Governmental Lender and Article 6.3 of Chapter 1 of Division 11 of the Los Angeles Administrative Code, as amended (collectively, the "Law"), and in accordance with Chapter 7 of Part 5 of Division 31 (commencing with Section 52075) of the Health and Safety Code of the State of California, as amended (the "Act"), the Governmental Lender is empowered to issue notes, bonds and other evidence of indebtedness to finance the acquisition, rehabilitation, construction and equipping of multifamily rental housing; and

WHEREAS, on May 9, 2014, the Governmental Lender indicated its intent to provide for the issuance of revenue bonds to finance a portion of the acquisition, rehabilitation, construction and equipping of Martha Bryant Manor Apartments, a multifamily residential rental housing project located in the City of Los Angeles at 8300 and 8327 South Hoover Street, Los Angeles, California, on the site more particularly described in Exhibit A hereto (the "Project") and the Governmental Lender's City Council subsequently adopted a resolution (the "Resolution") authorizing the issuance of a note for such purpose; and

WHEREAS, in furtherance of the purposes of the Law, the Act and the Resolution, and as a part of the Governmental Lender's program of financing housing, the Governmental Lender has issued: \$9,500,000 maximum principal amount of its Multifamily Housing Revenue Note (Martha Bryant Manor Apartments) Series 2014J (the "Note") the proceeds of which will be used to fund a loan (the "Loan") to the Borrower to finance the acquisition, rehabilitation, construction and equipping of the Project; and

WHEREAS, in order for interest on the Note to be excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986 (the "Code"), and the income tax regulations (the "Regulations") and rulings with respect to the Code, and in order to comply with the Law, the Act and the policies with respect to the Governmental Lender's housing program, the use and operation of the Project must be restricted in certain respects; and

WHEREAS, the Governmental Lender, the Fiscal Agent and the Borrower have determined to enter into this Regulatory Agreement in order to set forth certain terms and conditions relating to the acquisition, rehabilitation, construction and equipping of the Project and in order to ensure that the Project will be used and operated in accordance with the Code, the Law, the Act and the additional requirements of the Governmental Lender;

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 Governmental Lender, the Fiscal Agent and the Borrower hereby agree as follows:

Section 1. Definitions and Interpretation. Terms not otherwise defined herein shall have the meanings assigned thereto in the Loan Agreement. 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*” means Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California, as the same may be amended from time to time (but only to the extent any such amendments, by their terms or by appropriate election of the Governmental Lender, apply to the Note outstanding as of the effective date of such amendments).

“*Adjusted Income*” means the adjusted income of a person (together with the adjusted income of all persons who intend to reside with such person in one residential unit) calculated pursuant to Section 142(d)(2)(B) of the Code.

“*Affiliated Party*” means a limited or general partner or member of the Borrower, a person whose relationship with the Borrower would result in a disallowance of losses under Section 267 or 707(b) of the Code or a person who, together with the Borrower, is a member 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).

“*Agreement*” or “*Regulatory Agreement*” means this Regulatory Agreement and Declaration of Restrictive Covenants, as it may be amended from time to time.

“*Area*” means the Los Angeles Primary Metropolitan Statistical Area.

“*Authorized Borrower Representative*” means any person who, at any time and from time to time, may be designated as the Borrower’s authorized representative by written certificate furnished to the Governmental Lender and the Fiscal Agent containing the specimen signature of such person and signed on behalf of the Borrower by or on behalf of any authorized general partner of the Borrower if the Borrower is a general or limited partnership, by any authorized managing member of the Borrower if the Borrower is a limited liability company, or by any authorized officer of the Borrower if the Borrower is a corporation, which certificate may designate an alternate or alternates, or in the event that such term shall refer to successors or assigns of the Borrower, any authorized general partner if the successor or the assignee is a general or limited partnership, any authorized managing member if the successor or assignee is a limited liability company or any authorized officer if the successor or the assignee is a

corporation. The Fiscal Agent may conclusively presume that a person designated in a written certificate filed with it as an Authorized Borrower Representative is an Authorized Borrower Representative until such time as the Borrower files with it (with a copy to the Governmental Lender) a written certificate identifying a different person or persons to act in such capacity.

“*Bond Counsel*” means an attorney at law or firm of attorneys of nationally recognized standing in matters pertaining to the validity of, and the Tax-exempt nature of interest on, obligations issued by states and their political subdivisions, selected by the Governmental Lender 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 but shall not include counsel for the Borrower or the Fiscal Agent.

“*Borrower*” means Martha Bryant Village II, L.P., a California limited partnership, and its successors and assigns.

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

“*CDLAC Conditions*” has the meaning set forth in Section 7(d) hereof.

“*Certificate of Continuing Program Compliance*” means the Certificate of Continuing Program Compliance and Statistical Report to be filed by the Borrower with the Governmental Lender and the Fiscal Agent at the times specified in Sections 4(d) and (f) of this Regulatory Agreement, such report to contain the information set forth in and to be in substantially the form attached hereto as Exhibit B or such other form as may from time to time be prescribed by the Governmental Lender.

“*City*” means the City of Los Angeles, a charter city and municipal corporation of the State of California.

“*Closing Date*” or “*Note Closing Date*” means the date upon which the Note is initially funded in an amount equal to at least \$50,001.

“*Code*” means the Internal Revenue Code of 1986; 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.

“*Completion Date*” means the date of the completion of the acquisition, rehabilitation, construction and equipping of the Project, as that date shall be specified in the Rehabilitation Completion Certificate.

“*Costs of Issuance*” means the “Closing Costs” as defined in the Loan Agreement.

“*Fiscal Agent*” means U.S. Bank National Association in its capacity as Fiscal Agent under the Loan Agreement, together with its successors and assigns.

“*Hazardous Materials*” means petroleum and petroleum products and compounds containing them, including gasoline, diesel fuel and oil; explosives; flammable materials; radioactive materials; polychlorinated biphenyls (“PCBs”) and compounds containing them; lead

and lead-based paint; asbestos or asbestos-containing materials in any form that is or could become friable; underground or above-ground storage tanks, whether empty or containing any substance; any substance the presence of which on the Project is prohibited by any federal, state or local authority; any substance that requires special handling and any other material or substance now or in the future that (i) is defined as a “hazardous substance,” “hazardous material,” “hazardous waste,” “toxic substance,” “toxic pollutant,” “contaminant,” or “pollutant” by or within the meaning of any Hazardous Materials Law, or (ii) is regulated in any way by or within the meaning of any Hazardous Materials Law.

“*Hazardous Materials Laws*” means all federal, state, and local laws, ordinances and regulations and standards, rules, policies and other governmental requirements, administrative rulings and court judgments and decrees in effect now or in the future and including all amendments, that relate to Hazardous Materials or the protection of human health or the environment and apply to Borrower or to the Project. Hazardous Materials Laws include, but are not limited to, the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601, et seq., the Resource Conservation and Recovery Act of 1976, 42 U.S.C. Section 6901, et seq., the Toxic Substance Control Act, 15 U.S.C. Section 2601, et seq., the Clean Water Act, 33 U.S.C. Section 1251, et seq., and the Hazardous Materials Transportation Act, 49 U.S.C. Section 5101 et seq., and their state analogs.

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

“*Income Certification*” means, initially, a Verification of Income in the form attached hereto as Exhibit C or in such other form as may from time to time be provided by the Governmental Lender to the Borrower and, with respect to recertifications, the Income Certification attached hereto as Exhibit D or such other form as may, from time to time, be provided by the Governmental Lender to the Borrower.

“*Inducement Date*” means May 9, 2014.

“*Investor Limited Partner*” means [INVESTOR LIMITED PARTNER], a [STATE] [FORM OF BUSINESS], its successors and assigns.

“*Governmental Lender*” means the City of Los Angeles, a charter city and municipal corporation of the State of California.

“*Loan*” means the loan of the sale proceeds of the Note by the Governmental Lender to the Borrower pursuant to the Loan Agreement for the purpose of providing funds for the acquisition, rehabilitation, construction and equipping of the Project.

“*Loan Agreement*” means the Loan and Security Agreement dated as of December 1, 2014 by and among the Governmental Lender, Boston Private Bank & Trust Company as Funding Lender, the Borrower and the Fiscal Agent relating to the issuance of the Note, as amended, modified, supplemented or restated from time to time.

“*Low Income Tenant*” means a tenant whose Adjusted Income does not exceed limits determined in a manner consistent with determinations of lower-income families under Section 8

of the Housing Act, except that the percentage of median gross income that qualifies as lower income shall be [60%] of median gross income for the Area with adjustments for family size. Except as otherwise provided herein, the occupants of a unit in the Project shall not be considered to be Low Income Tenants if all the occupants of a unit are students (as defined in Section 152(f)(2) of the Code) and any one of those students is not (1) a single parent living with his/her children; (2) a student receiving assistance under Title IV of the Social Security Act (Temporary Assistance for Needy Families); (3) a student enrolled in a job training program receiving assistance under the Job Training Partnership Act or under other similar Federal, State, or local laws; (4) a student who was previously under the care and placement responsibility of a foster care program (under part B or E of Title IV of the Social Security Act); or (5) a student who is married and files a joint return. Single parents described in (1) above may not be dependents of another individual and their children may not be dependents of another individual other than their parents. The determination of a tenant's status as a Low Income Tenant shall be made by the Borrower upon initial occupancy of a unit in the Project by such Tenant and annually thereafter and at any time the Borrower has knowledge that the number of occupants in that unit has increased, on the basis of an Income Certification executed by the tenant.

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

"Net Proceeds" means the total proceeds derived from the issuance, sale and delivery of the Note, representing the total purchase price of the Note, including any premium paid as part of the purchase price of the Note, but excluding the accrued interest, if any, on the Note paid by the initial purchaser of the Note.

"Note" means, the Governmental Lender's Multifamily Housing Revenue Note (Martha Bryant Manor Apartments) Series 2014J, authorized, authenticated and delivered under the Loan Agreement, as defined in the recitals hereto.

"Note Documents" means the Loan Agreement, this Regulatory Agreement, the Tax Certificate and any other document now or hereafter executed by the Borrower, Governmental Lender, Fiscal Agent or Noteholder in connection with the Note.

"Noteholder" or *"Owner"* or *"Holder"* means the party identified as the owner of the Note on the registration books maintained by the Fiscal Agent on behalf of the Governmental Lender.

"Project" means the Project Facilities and the Project Site.

"Project Costs" means, to the extent authorized by the Code, the Regulations, the Law and the Act, any and all costs incurred by the Borrower with respect to the acquisition, rehabilitation, construction and equipping of the Project, whether paid or incurred prior to or after the Inducement Date, including, without limitation, costs for site preparation, the planning of housing, related facilities and improvements, the acquisition of property, the removal or demolition of existing structures, the construction or rehabilitation of housing and related facilities and improvements, and all other work in connection therewith, including Qualified Project Costs, and all costs of financing, including, without limitation, the cost of consultant,