

RECORDING REQUESTED BY AND)
WHEN RECORDED MAIL TO:)
)
Fredrick H. Olsen, Esq.)
Ballard Spahr LLP)
201 S. Main St., Suite 800)
Salt Lake City, UT 84111-2221)

=====
This document is recorded for the benefit of the Independent Cities Finance Authority, and the recording is fee exempt under Section 27383 of the Government Code.

**REGULATORY AGREEMENT
AND DECLARATION OF RESTRICTIVE COVENANTS**

by and among the

INDEPENDENT CITIES FINANCE AUTHORITY,
as Authority

And

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

And

VILLA DEL ARROYO MOORPARK LLC,
as Borrower

Dated as of January 1, 2016

Relating to:

\$ _____

Independent Cities Finance Authority
Mobile Home Park Revenue Bonds
(Mooney Grove Mobile Manor) Series 2016A

and

\$ _____

Independent Cities Finance Authority
Mobile Home Park Revenue Bonds
(Mooney Grove Mobile Manor) Series 2016B (Federally Taxable)

=====

TABLE OF CONTENTS

	<u>Page</u>
Section 1. <u>Definitions and Interpretation</u>	2
Section 2. <u>Representations and Warranties of the Borrower</u>	5
Section 3. <u>Residential Rental Property</u>	6
Section 4. <u>Additional Program Requirements</u>	7
Section 5. <u>Qualified Residents</u>	9
Section 6. <u>Reserved</u>	12
Section 7. <u>Tax Status of the Bonds</u>	12
Section 8. <u>Modification of Special Tax Covenants</u>	12
Section 9. <u>Indemnification</u>	13
Section 10. <u>Consideration</u>	14
Section 11. <u>Reliance</u>	14
Section 12. <u>Sale or Transfer of the Project</u>	14
Section 13. <u>Term</u>	15
Section 14. <u>Covenants to Run With the Land</u>	16
Section 15. <u>Burden and Benefit</u>	16
Section 16. <u>Uniformity; Common Plan</u>	16
Section 17. <u>Enforcement</u>	16
Section 18. <u>Recording and Filing</u>	17
Section 19. <u>Payment of Fees</u>	17
Section 20. <u>Governing Law</u>	17
Section 21. <u>Amendments</u>	18
Section 22. <u>Notice</u>	18
Section 23. <u>Severability</u>	18

Section 24.	<u>Multiple Counterparts</u>	18
Section 25.	<u>Trustee Acting Solely in Such Capacity</u>	19
Section 26.	<u>Compliance by Borrower</u>	19
Section 27.	<u>Limited Liability of the Authority</u>	19
EXHIBIT A -	Legal Description.....	A-1
EXHIBIT B -	Income Certification	B-1
EXHIBIT C -	Certification of Continuing Program Compliance.....	C-1

REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS

THIS REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS (the “Regulatory Agreement”), made and entered into as of January 1, 2016, is by and among the Independent Cities Finance Authority, a joint powers authority organized and existing under the laws of the State of California (the “Authority”), U.S. Bank National Association, as trustee (the “Trustee”) under an Indenture of Trust dated as of the date hereof (the “Indenture”) between the Authority and the Trustee, and Villa del Arroyo Moorpark LLC, a California limited liability company, as the owner of the property described in Exhibit A attached hereto (the “Borrower”).

RECITALS:

WHEREAS, the Legislature of the State of California enacted Chapter 8, Part 5 of Division 31 of the California Health and Safety Code (the “Act”) to authorize cities, including joint powers authorities among cities, to issue bonds to finance the acquisition of mobile home parks to provide housing for persons of very low income; and

WHEREAS, the Authority is a constituted authority 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, the Borrower has requested that the Authority issue its Mobile Home Park Revenue Bonds (Mooney Grove Mobile Manor) Series 2016A in the initial principal amount of \$ _____ (the “Series A Bonds”) and its Mobile Home Park Revenue Bonds (Mooney Grove Mobile Manor) Series 2016B (Federally Taxable) in the initial principal amount of \$ _____ (the “Series B Bonds” and, together with the Series A Bonds, the “Bonds”) and loan the proceeds from the sale thereof (the “Loan”) to the Borrower to finance the acquisition and improvement of the Mooney Grove Mobile Manor (the “Project”) located in the City of Visalia, California (the “City”), to fund the Debt Service Reserve Fund, to fund the Restricted Account of the Repair and Replacement Fund and to pay the costs of issuing the Bonds, all under and in accordance with the Constitution and laws of the State of California; and

WHEREAS, the Authority has adopted a resolution (the “Resolution”) authorizing the issuance of revenue bonds in connection with the financing of the Project to be owned by the Borrower; and

WHEREAS, in furtherance of the purposes of the Act and the Resolution, the Authority proposes to issue the Bonds to fund the Loan to the Borrower which, in consideration of the Loan, will cause to be delivered to the Trustee its promissory note in the aggregate principal amount of the Bonds (the “Note”) secured by the Deed of Trust with Absolute Assignment of Leases and Rents, Security Agreement and Fixture Filing pertaining to the Project (the “Mortgage”) recorded in the office of the County Recorder for the County of Tulare; and

WHEREAS, the Authority, the Trustee and the Borrower have entered into a Loan Agreement, dated the date hereof (the "Loan Agreement"), pursuant to which the Authority will make the Loan to the Borrower to finance the Project; and

WHEREAS, the Note will be held by the Trustee in trust for the benefit of the Owners from time to time of the Bonds pursuant to the terms of the Indenture to pay when due the principal of and interest on the Bonds; and

WHEREAS, all things necessary to make the Bonds, when issued as provided in the Indenture, the valid and binding limited obligations of the Authority according to the import thereof, and to constitute the Indenture a valid assignment of the amounts pledged to the payment of the principal of, and premium, if any, and interest on the Bonds have been done and performed, and the creation, execution, and delivery of the Indenture 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 used and operated in accordance with the Code (including Section 501(c)(3) of the Code) and the Act, the Authority, the Trustee and the Borrower have determined to enter into this Regulatory Agreement in order to set forth certain terms and conditions relating to the operation 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 Authority, the Trustee and the Borrower hereby agree as follows:

Section 1. Definitions and Interpretation. In addition to the terms defined in the foregoing recitals, the following terms used in this Regulatory Agreement shall have the respective meanings assigned to them in this Section 1 unless the context in which they are used clearly requires otherwise:

"Adjusted Income" - The anticipated total annual income of the individuals or family who intend to occupy a Space, determined in a manner consistent with determinations of lower income families by the Secretary of Housing and Urban Development under Section 8 of the United States Housing Act of 1937, as amended (or, if such program is terminated, under such program as in effect immediately before such termination). Subsection (g) and (h) of Code section 7872 shall not apply in determining income hereunder.

"Administration Agreement" - The Administration and Oversight Agreement, dated as of January 1, 2016, by and among the Authority, the Borrower and the Oversight Agent.

"Area" - The Visalia-Porterville, CA Metropolitan Statistical Area or such other area as may be designated by HUD in which the Project is located.

"Authority Annual Fee" - An amount equal to ____ of one percent of the outstanding principal amount of the Bonds payable to the Authority 1/12 of such amount monthly, on the 15th day of each month, from the General Account of the Administration Fund, commencing _____ 15, 2016 and ending with the end of the term of this Regulatory Agreement. In addition, the

Borrower agrees to reimburse the Authority up to \$ _____ per year for costs, if any, incurred by the Authority for any audit report relating to the Bonds, such amount to be paid from amounts in the General Account of the Administration Fund promptly upon receipt by the Borrower and the Trustee of an invoice detailing the costs incurred by the Authority.

“Certificate of Continuing Program Compliance” - The certificate with respect to the Project to be filed by the Borrower with the Authority, the Oversight Agent and the Trustee which shall be substantially in the form attached hereto as Exhibit C.

“City” - The City of Visalia, California.

“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 provision or successor provision.

“County” - The County of Tulare.

“Functionally Related and Subordinate” - Facilities for use exclusively by tenants, for example, swimming pools, other recreational facilities, parking areas and other facilities which are reasonably required for the Project, for example, heating and cooling equipment, trash disposal equipment and units for resident managers or maintenance personnel; provided that the same are of a character and size commensurate with the character and size of the Project and, as to size, does not exceed that necessary to service the requirements of the residents of the Project.

“Income Certification” - The Income Certification attached hereto as Exhibit B.

“Low Income Residents” - Individuals or families whose Adjusted Income does not exceed the qualifying limits for low income families (currently 80% or less of the Median Income for the Area), adjusted for actual household size, as established and amended from time to time pursuant to Section 8 for the United States Housing Act of 1937. If all occupants of a Space are or will be full time students during five calendar months of the calendar year at an educational institution (other than a correspondence school) with regular faculty and students, such occupants shall not be considered to be Low Income Residents unless all such students are either (i) married and eligible to file a joint federal income tax return or (ii) single parents and their children and such parents and children are not dependents of another individual or (ii) receiving assistance under Title IV of the Social Security Act (including AFDC/TANF) or the Job Training Partnership Act or under similar Federal, State, or local laws, or were previously under the care and placement responsibility of the State agency responsible for administering a plan under Part B or part E of Title IV of the Social Security Act (foster care assistance). For purposes of determining Low Income Residents the combined Adjusted Income of all occupants of a Space, whether or not legally related, shall be utilized.

“Low Income Spaces” - The Spaces in the Project occupied by Low Income Residents.

“Median Income for the Area” - As of any date, the median gross income for the Area as most recently determined by the Secretary of Housing and Urban Development under Section 8 of the United States Housing Act of 1937, as amended, (or if such program is terminated, under such program as in effect immediately before such termination). Except for any HUD Hold Harmless Impacted Project, as defined in Code section 142(d)(2)(E)(iv), any determination of Median Income for the Area with respect to the Project for any calendar year after 2008 shall not be less than the Median Income for the Area determined with respect to the Project for the calendar year preceding the calendar year for which such determination is made. Special rules for determining the Median Income for the Area for calendar years after 2008 for HUD Hold Harmless Impacted Projects are set forth in Code section 142(d)(2)(E)(iv).

“Oversight Agent” - The Oversight Agent appointed under the Administration Agreement, which shall initially be Wolf & Company Inc.

“Oversight Agent’s Fee” - The administration fee of the Oversight Agent, as set forth in the Administration Agreement.

“Project” means the Mooney Grove Mobile Manor located in the City of Visalia, on the real property more particularly described in Exhibit A hereto.

“Qualified Project Period” - The period beginning on the later of (i) the date of issuance of the Bonds or (ii) the first date on which at least ten percent (10%) of all of the Spaces in the Project are first occupied and ending on the latest of (w) the date which is fifteen (15) years after the later of the date of issuance of the Bonds or the date on which at least fifty percent (50%) of the Spaces in the Project are first occupied, (x) the first day on which no tax-exempt private activity bond issued with respect to the Project is outstanding, (y) the date on which any assistance provided with respect to the Project under Section 8 of the United States Housing Act of 1937 terminates, or (z) the date which is thirty (30) years after the date of issuance of the Bonds; provided such period is subject to extension in accordance with Section 5(i) hereof.

“Qualified Residents” - means Very Low Income Residents and Low Income Residents.

“Qualified Space” - a Very Low Income Space or a Low Income Space.

“Space” - A mobile home space within the Project upon which a mobile home may be placed. The term Space shall also include any unit in any existing building located on the Project site.

“Tax Certificate” - The Tax Certificate and Agreement of the Authority and Borrower, dated as of the Closing Date, with respect to the Bonds.

“Tax-exempt Bonds” - The Series A Bonds.

“Treasury Regulations” - The regulations of the Department of the Treasury, Internal Revenue Service under Section 142(d) of the Code or predecessor Code sections, including, Regulation Section 1.103-8(b).

“Very Low Income Residents” - Individuals or families whose Adjusted Income does not exceed the qualifying limits for very low income families (currently fifty percent (50%) or less of the Median Income for the Area), adjusted for actual household size, as established and amended from time to time pursuant to Section 8 for the United States Housing Act of 1937. If all occupants of a Space are or will be full-time students during five calendar months of the calendar year at an educational institution (other than a correspondence school) with regular faculty and students, such occupants shall not be considered to be Very Low Income Residents unless all such students are either (i) married and eligible to file a joint federal income tax return or (ii) single parents and their children and such parents and children are not dependents of another individual or (ii) receiving assistance under Title IV of the Social Security Act (including AFDC/TANF) or the Job Training Partnership Act or under similar Federal, State, or local laws, or were previously under the care and placement responsibility of the State agency responsible for administering a plan under Part B or part E of Title IV of the Social Security Act (foster care assistance). For purposes of determining Very Low Income Residents the combined Adjusted Income of all occupants of a Space, whether or not legally related, shall be utilized.

“Very Low Income Spaces” - The Spaces in the Project occupied by Very Low Income Residents pursuant to Section 5(a) of this Regulatory Agreement.

Such terms as are not defined herein shall have the meanings assigned to them in the Indenture. 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. Representations and Warranties of the Borrower. The Borrower hereby represents, as of the date hereof, and covenants, warrants and agrees as follows:

(a) The Borrower’s reasonable expectations respecting the use of Bond proceeds are accurately set forth in the Tax Certificate and Agreement executed by the Borrower on the Closing Date. No commercial property for lease (other than the Spaces) is being financed by the Bonds.

(b) The statements made in the various certificates delivered by the Borrower to the Authority or the Trustee are true and correct.

(c) Not more than two percent (2%) of the proceeds of the Tax-exempt Bonds shall be applied to pay Cost of Issuance.

(d) Money on deposit in any fund or account 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 Tax-exempt 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 Tax-exempt Bonds from being “arbitrage bonds” under the Code.

(e) The Borrower 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 Indenture, the Loan Agreement and this Regulatory Agreement.

(f) Borrower covenants and agrees that consistent with the tax exempt purpose of its sole member, pursuant to Section 501(c)(3) of the Code, that not less than forty percent (40%) of the Spaces in the Project (not including any Spaces required to be occupied by Very Low Income Residents under Section 5(a) herein) shall be continuously occupied by Low Income Residents during the Qualified Project Period.

Section 3. Residential Rental Property. The Borrower hereby represents, as of the date hereof, and covenants, warrants and agrees as follows:

(a) The Project is being owned and operated for the purpose of providing qualified residential rental housing, consisting of one mobile home Space for each household, together with facilities which are Functionally Related and Subordinate to such Spaces.

(b) All of the mobile homes in the Project will contain separate facilities for living, sleeping, eating, cooking and sanitation, including a sleeping area, bathing and sanitation facilities and cooking facilities equipped with a cooking range, refrigerator and sink.

(c) All of the Spaces will be available for rental on a continuous basis to members of the general public during the Qualified Project Period, and the Borrower will not give preference to any particular class or group in renting the Spaces in the Project, except to the extent that Spaces are required to be leased or rented to Low Income Residents or Very Low Income Residents.

(d) The Project comprises a single geographically and functionally integrated project for residential rental property, as evidenced by the ownership, management, accounting and operation of the Project.

(e) No part of the Project will at any time be owned or used as a condominium or by a cooperative housing corporation, and the Borrower shall not take any steps toward such conversion without an opinion of Bond Counsel that interest on the Tax-exempt Bonds will not thereby become includable in gross income for federal income tax purposes.

(f) Should involuntary noncompliance with the provisions of this Regulatory Agreement 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 Closing Date which prevents the Authority 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 hereof.

(g) There shall be no discrimination against or segregation of any person or group of persons on account of race, color, religion, sex, marital status, ancestry, national origin, source of income (e.g. AFDC (or its successor program, if any) or SSI) or disability in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Project nor shall the transferee or any person claiming under or through the transferee, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Project.

(h) The Low Income Spaces and Very Low Income Spaces shall be intermingled with, and shall be of comparable quality to, all other Spaces in the Project. Tenants in all Spaces shall have equal access to and enjoyment of all common facilities of the Project.

(i) In the aggregate, no more than two persons per bedroom, plus one person shall occupy any Space in the Project, not including children born after the date of initial occupancy by a household. For example, with respect to a two bedroom mobile home, maximum occupancy shall be five (5) persons (exclusive of post-occupancy children described above).

(j) None of the Spaces in the Project shall at any time be utilized on a transient basis; none of the residents of the Project are residing at the Project for any ancillary purpose unrelated to housing; none of the Spaces in the Project are being leased or rented to a person or person who does not occupy such Space; and neither the Project nor any portion thereof shall be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, nursing home, retirement home, sanitarium, rest home, or by a cooperative housing corporation (as defined in Section 216(b)(1) of the Code).

(k) Substantially all (i.e., not less than ninety-five percent (95%)) of the Project shall consist of proximate structures located on one or more contiguous tracts of land which have similarly constructed Spaces financed pursuant to a common plan together with Functionally Related and Subordinate facilities, all of which shall be owned by the same “person” (as such term is used in the Treasury Regulations) for federal tax purposes.

Section 4. Additional Program Requirements. The following provisions shall apply during the term of this Agreement, irrespective of whether any Bonds are outstanding.

(a) The Borrower shall notify the Authority, and the Oversight Agent of the operations/management company it will employ for the Project no less than thirty (30) days prior to the signing of a contract with any such entity. Qualifications of the firm(s) shall also be provided at that time and the Authority shall have the right to submit comments on the

qualifications of the firm, which shall be considered by Borrower prior to execution of a contract.

(b) The Borrower is responsible for all management functions with respect to the Project including without limitation the selection of tenants, certification and recertification of household size and income, evictions, collection of rents and deposits, maintenance, landscaping, routine and extraordinary repairs, replacement of capital items, and security. The Authority shall have no responsibility over management of the Project. In no instance shall the Borrower delegate or forego its responsibility to operate the Project in the manner set forth in this Agreement and the Loan Agreement, except as expressly provided in Section 4(a) above.

(c) The Authority, through its Authorized Officer, reserves the right to conduct on or about _____ 15 of each year, commencing _____ 15, 2016, an annual (or more frequently, if deemed necessary by the Authority) review of the management practices and financial status of the Project. The purpose of each periodic review will be to enable the Authority to determine if the Project is being operated and managed in accordance with the requirements and standards of this Agreement. The Borrower shall cooperate with the Authority in such reviews, including but not limited to making its books and records regarding the Project available for inspection by the Authority.

(d) The Borrower agrees, for the entire term of this Agreement, to maintain all common area interior and exterior improvements and common buildings on the Project (exclusive of the mobile homes and tenant spaces), including, without limitation, landscaping at the Project, in good condition and repair, including necessary replacements (and, as to landscaping, in a healthy condition) and in accordance with all applicable laws, rules, ordinances, orders and regulations of all federal, state, county, municipal, and other governmental agencies and bodies having or claiming jurisdiction and all their respective departments, bureaus, and officials.

(e) The Authority places prime importance on quality maintenance to ensure that all affordable housing projects that receive financing assistance within the jurisdiction of the Authority are not allowed to deteriorate due to below-average maintenance. Normal wear and tear of the Project will be acceptable to the Authority assuming the Borrower agrees to provide all necessary improvements to assure the Project is maintained in good condition. The Borrower shall make all repairs and replacements necessary to keep the Project in good condition and repair.

(f) In the event that the Borrower breaches any of the covenants contained in this Section 4 and such default continues for a period of ten (10) days after written notice from the Authority, with respect to graffiti, debris, waste material, and general maintenance or thirty (30) days after written notice from the Authority with respect to landscaping and building improvements, then the Authority, in addition to whatever other remedy they may have at law or in equity, shall have the right to enter upon the Project and perform or cause to be performed all such acts and work necessary to cure the default. Pursuant to such right of entry, the Authority shall be permitted (but are not required) to enter upon the Project and perform all acts and work necessary to protect, maintain, and preserve the improvements and

landscaped areas on the Project, and to attach a lien on the Project, or to assess the Project, in the amount of the expenditures arising from such acts and work of protection, maintenance, and preservation by the Authority and/or costs of such cure, including a fifteen percent (15%) administrative charge, which amount shall be promptly paid by the Borrower to the Authority upon written demand.

Section 5. Qualified Residents. Pursuant to the requirements of the Code and the Act, the Borrower hereby represents, as of the date hereof, and warrants, covenants and agrees as follows:

(a) During the Qualified Project Period:

(i) not less than twenty percent (20%) of the Spaces in the Project shall be continuously occupied by Very Low Income Residents. The monthly rent charged for not less than one-half of such Spaces required to be occupied by Very Low Income Residents shall be not greater than as follows:

(A) where a Very Low Income Resident is both the registered and legal owner of the mobile home and is not making mortgage payments for the purchase of that mobile home, the total rental charge for occupancy of the Space (excluding a reasonable allowance for other related housing costs determined at the time of acquisition of the Project by the Borrower and excluding any supplemental rental assistance from the State, the federal government, or any other public agency to the Very Low Income Resident or on behalf of the Space and the mobile home) shall not exceed one-twelfth of 30 percent (30%) of 50 percent (50%) of Median Income for the Area, adjusted for household size in the manner set forth below.

(B) where a Very Low Income Resident is the registered owner of the mobile home and is making mortgage payments for the purchase of that mobile home, the total rental charge for occupancy of the Space (excluding any charges for utilities and storage and excluding any supplemental rental assistance from the State, the federal government, or any other public agency to the Very Low Income Resident or on behalf of the Space and mobile home), shall not exceed one-twelfth of 15 percent (15%) of 50 percent (50%) of Median Income for the Area, as adjusted for household size in the manner set forth below.

(C) where a Very Low Income Resident rents both the mobile home and the Space occupied by the mobile home, the total rental payments paid by the Very Low Income Resident on the mobile home and the Space occupied by the mobile home (excluding any supplemental rental assistance from the State, the federal government, or any other public agency to that Very Low Resident or on behalf of that Space and mobile home) shall not exceed one-twelfth of 30 percent (30%) of 50 percent (50%) of Median Income for the Area adjusted for household size in the manner set forth below.

In adjusting rent for household size, it shall be assumed that one person will occupy a recreational vehicle, two persons will occupy a single-wide mobile home and three persons will occupy a multi-sectional mobile home; or as permitted under Section 52102(a) of the California Health and Safety Code, it shall be assumed that one person will occupy a studio unit, two persons will occupy a one-bedroom unit, three persons will occupy a two-bedroom unit, four persons will occupy a three-bedroom unit, and five persons will occupy a four-bedroom unit.

(b) Reserved.

(c) In the event a recertification of such tenant's income in accordance with Section 5(e) below demonstrates that such tenant no longer qualifies as a Qualified Resident, the Space occupied by such Resident shall continue to be treated as a Qualified Space unless and until any Space in the Project thereafter is occupied by a new tenant other than a Qualified Resident of the applicable category. Moreover, a Space previously occupied by a Qualified Resident and then vacated shall be considered occupied by a Qualified Resident of the applicable category until reoccupied, other than for a temporary period, at which time the character of the Space shall be redetermined. In no event shall such temporary period exceed thirty-one (31) days. Notwithstanding anything herein to the contrary, if at any time the number of Qualified Residents falls below the number required by subparagraph (a) (i) of this Section or Section 2(f), the next available vacant Space shall be rented to a Qualified Resident of the applicable category.

(d) Immediately prior to a Qualified Resident's occupancy of a Qualified Space (or prior to the Closing Date with respect to Spaces previously occupied), the Borrower will obtain and maintain on file an Income Certification form from each Qualified Resident occupying a Qualified Space, dated immediately prior to the initial occupancy of such Qualified Resident in the Project (or prior to the Closing Date in the case of existing Qualified Residents). In addition, the Borrower will provide such further information as may be required in the future by the State of California, and by the Act, as the same may be amended from time to time, as requested by the Authority or the Oversight Agent. The Borrower shall verify that the income provided by an applicant with respect to a Space to be occupied after the Closing Date is accurate by taking one or more of the following steps as a part of the verification process: (1) obtain a federal income tax return for the most recent tax year, (2) obtain a written verification of income and employment from applicant's current employer, such as a current pay stub or W-2 form, (3) 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 reasonably satisfactory to the Oversight Agent or (4) such other information as may be reasonably requested by the Oversight Agent.

Within ten days after the last day of each calendar quarter during the term of this Regulatory Agreement commencing with the quarter ending _____ 30, 2016, the Borrower shall advise the Oversight Agent or in the absence of an Oversight Agent, the Authority, of the status of the occupancy of the Project by delivering to the Oversight Agent a Certificate of Continuing Program Compliance; provided, however, with the prior written approval of the Oversight Agent or the Authority, as the case may be, such Certificate need be filed only semi-annually. Copies of the most recent Income Certifications for Qualified

Residents commencing or continuing occupancy of a Qualified Space shall be made available to the Authority or Oversight Agent upon request.

(e) Annually, the Borrower shall recertify the income of the occupants of such Qualified Spaces by obtaining a completed Income Certification based upon the current income of each occupant of the Space. 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 a Qualified Resident of the applicable category, such household will no longer qualify as a Qualified Resident of the applicable category, and the Borrower either (i) will designate another Qualified Resident and Space in the Project as a Qualified Resident of the applicable category, and a Qualified Space of the applicable category, respectively, or (ii) will rent the next available vacant Space to one or more Qualified Residents of the applicable category.

(f) The Borrower will maintain complete and accurate records pertaining to the Qualified Spaces, and will permit any duly authorized representative of the Authority, the Oversight Agent, the Trustee (who shall have no duty to inspect), the Department of the Treasury or the Internal Revenue Service to inspect during normal business hours and with prior notice the books and records of the Borrower pertaining to the Project, including those records pertaining to the occupancy of the Qualified Spaces.

(g) The Borrower shall 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)(7) of the Code (currently IRS form 8703), and shall provide a copy of such certification to the Oversight Agent.

(h) Each lease or rental agreement pertaining to a Qualified Space occupied after the Closing Date shall contain a provision to the effect that the Borrower has relied on the Income Certification and supporting information supplied by the Qualified Resident in determining qualification for occupancy of the Qualified Space, and that any material misstatement in such certification (whether or not intentional) may be cause for immediate termination of such lease. Each lease or rental agreement will also contain a provision that failure to cooperate with the annual recertification process reasonably instituted by the Borrower pursuant to Section 5(e) above will disqualify the Space as a Qualified Space and provide grounds for termination of the lease. The Borrower agrees to provide to the Oversight Agent, and the Authority, a copy of the form of application and lease to be provided to prospective Qualified Residents and any amendments thereto.

(i) In the event, despite Borrower's exercise of best efforts to comply with the provisions of Section 5 of this Regulatory Agreement, the Borrower shall have been out of compliance with any of the restrictions of Section 5 hereof relative to Qualified Residents, for a period in excess of six months, then at the sole option of the Authority the term of the Regulatory Agreement shall be automatically extended for the period of non-compliance upon written notice to the Borrower, the Trustee and the Oversight Agent from the Authority, such extension to relate to the Qualified Spaces and Qualified Residents as to which such noncompliance relate.

Section 6. Reserved.

Section 7. Tax Status of the Bonds. The Borrower and the Authority 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 Tax-exempt Bonds or the exemption from California personal income tax 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 Authority, the Trustee 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 145 of the Code to the extent necessary to maintain the exclusion from gross income for federal income tax purposes of interest on the Tax-exempt 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 Authority, the Trustee and the Borrower, in order to ensure 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.

The Borrower hereby covenants to include the requirements and restrictions contained in this Regulatory Agreement in any document transferring any interest in the Project (other than leases of Spaces in the Project to individual tenants) 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 8. Modification of Special Tax Covenants. The Borrower, the Trustee and the Authority 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 Authority, the Trustee 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 Tax-exempt 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 Authority, the Trustee 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 Authority (in its sole and absolute discretion), the Trustee and the Borrower and approved by the written opinion of Bond Counsel that such amendment (a) will not affect the exclusion from gross income for federal income tax purposes of interest on the Tax-exempt Bonds, and (b) shall not conflict with any restrictions imposed by the Authority, the Act, the regulations promulgated under the Code or the Code, as applicable.

(c) The Borrower, the Authority and, if applicable, the Trustee shall execute, deliver and, if applicable, file of record any and all documents and instruments, necessary to effectuate the intent of this Section 8, and each of the Borrower and the Authority hereby appoints the Trustee as its true and lawful attorney-in-fact to execute, deliver and, if applicable, file of record on behalf of the Borrower or the Authority, as is applicable, any such document or instrument (in such form as may be approved in writing by Bond Counsel) if either the Borrower or the Authority defaults in the performance of its obligations under this subsection (c); provided, however, that the Trustee shall take no action under this subsection (c) without first notifying the Borrower or the Authority, or both of them, as is applicable, unless directed in writing by the Authority or the Borrower and without first providing the Borrower or the Authority, or both, as is applicable, an opportunity to comply with the requirements of this Section 8.

Section 9. Indemnification. The Borrower shall indemnify, hold harmless and defend, the Authority, the Oversight Agent and the Trustee and the respective officers, members, directors, officials and employees of each of them (the “Indemnified Party”) against all loss, costs, damages, expenses, suits, judgments, actions and liabilities of whatever nature, joint and several (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 (a) the operation, use, occupancy, maintenance, or ownership of the Project (including compliance with laws, ordinances and rules and regulations of public authorities relating thereto); (b) any written statements or representations with respect to the Borrower, the Project or the Bonds made or given to the Authority, the Oversight Agent or the Trustee, or any underwriters or purchasers of any of the Bonds, by the Borrower, or any of its agents or employees, including, but not limited to, statements or representations of facts or financial information; or (c) any actions taken by the Court in joining the Authority as an associate member or holding a public hearing with respect to the financing of the Project by the Authority through the issuance of the Bonds; provided, however, the Borrower shall not be obligated to indemnify the Authority, the Trustee, the Oversight Agent or the Oversight Agent for damages caused by the gross negligence or willful misconduct of the Authority, the Trustee or the Oversight Agent. The Borrower also shall pay and discharge and shall indemnify and hold harmless the Authority, the Oversight Agent and the Trustee from (x) any lien or charge upon payments by the Borrower to the Authority and the Trustee hereunder and (y) any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges in respect of any portion of the Project. If any such claim is asserted, or any such lien or charge upon payments, or any such taxes, assessments, impositions or other charges, are sought to be imposed, the Authority, the Oversight Agent or the Trustee shall give prompt notice to the Borrower, and the Borrower shall assume the investigation defense thereof, including the employment of counsel selected by the Indemnified Party and reasonably acceptable to the Borrower and the payment of all reasonable expenses related thereto, with full power to litigate,

compromise or settle the same, provided that the Authority, the Oversight Agent and the Trustee, as the case may be, shall have the right to review and approve or disapprove any such compromise or settlement, such approval shall not be unreasonably withheld. The Authority shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defeasance thereof, and the Borrower shall pay the costs incurred by the Authority in connection with any such action or proceeding, including the reasonable fees and expenses of such separate counsel, as such costs are incurred by the Authority. The determination by the Authority to retain such separate legal counsel shall be at the sole discretion of the Authority.

The rights of any persons to indemnity hereunder and rights to payment of fees and reimbursement of expenses pursuant to this Regulatory Agreement shall survive the final payment or defeasance of the Bonds and in the case of the Trustee and the Oversight Agent any resignation or removal. The provisions of this Section shall survive the termination of this Regulatory Agreement.

Section 10. Consideration. The Authority has issued the Bonds to provide funds to make the Loan under the Loan Agreement to finance the Project, all for the purpose, among others, of inducing the Borrower to own and operate the Project such that the Project shall contribute to the Authority's efforts to provide affordable housing to Very Low Income Residents and Low Income Residents in the City and to the satisfaction of the City's ongoing housing burden. In consideration of the issuance of the Bonds by the Authority, 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.

Section 11. Reliance. The Authority 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 tax of the interest on the Bonds. In performing their duties and obligations hereunder, the Authority and the Trustee may rely upon statements and certificates of the Borrower and Qualified Residents, and upon audits of the books and records of the Borrower pertaining to the Project. In addition, the Authority and the Trustee 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 Authority or the Trustee 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, the Trustee shall not be required to conduct any investigation into or review of the operations or records of the Borrower and may rely solely upon any notice or certificate delivered to the Trustee by the Borrower, the Authority or the Oversight Agent with respect to the occurrence or absence of a default.

Section 12. 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 written consent of the Authority and upon receipt by the Authority and the Trustee of (i) evidence satisfactory to the Authority that the Borrower's purchaser or transferee has assumed in writing and in full, the Borrower's duties and obligations under this Regulatory Agreement and under the Administration Agreement, (ii) an opinion of counsel for the transferee that the transferee has duly

assumed the obligations of the Borrower under this Regulatory Agreement and the Administration Agreement and that such obligations and this Regulatory Agreement and the Administration Agreement are binding on the transferee, (iii) the Authority receives evidence acceptable to the Authority that either (A) the transferee has experience in the ownership, operation and management of comparable projects without any record of material violations of discrimination restrictions or other state or federal laws or regulations applicable to such projects, or (B) the transferee agrees to retain a property management firm with the experience and record described in subparagraph (A) above, and in either case, at its option, the Authority may cause the Oversight Agent to provide on-site training in program compliance if the Authority determines such training is necessary, (iv) an opinion of Bond Counsel to the effect that such sale will not in and of itself cause interest on the Tax-exempt Bonds to become includable in the gross income of the recipients thereof for federal income tax purposes, and (v) evidence that the Borrower has complied with any applicable provisions of Section 6.2 of the Loan Agreement. It is hereby expressly stipulated and agreed that any sale, transfer or other disposition of the Project in violation of this Section 12 shall be null, void and without effect, shall cause a reversion of title to the Borrower, and shall be ineffective to relieve the Borrower of its obligations under this Regulatory Agreement. Not less than ninety (90) days prior to consummating any sale, transfer or disposition of any interest in the Project, the Borrower shall deliver to the Authority, the Oversight Agent and the Trustee a notice in writing explaining the nature of the proposed transfer. Notwithstanding the foregoing, the Borrower may transfer ownership of the Project to an affiliated entity of the Borrower with prior written notice to the Authority accompanied by (i) an opinion of counsel to the affiliate that it has assumed the obligations of the Borrower under this Regulatory Agreement and the Administration Agreement and (ii) an opinion of Bond Counsel to the effect that such transfer will not in and of itself cause interest on the Tax-exempt Bonds to become included in the gross income of the recipients thereof for federal income tax purposes.

Section 13. Term. This Regulatory Agreement and all and several of the terms hereof shall become effective upon its execution and delivery and shall remain in full force and effect 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 expiration of the Indenture, the Loan Agreement and the Note. 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 Authority, the Trustee 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 interest on the Tax-exempt Bonds, or the exemption from State personal income tax 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) a foreclosure or delivery of a deed in lieu of foreclosure whereby a third party shall take possession of the Project, (b) 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 Authority and the Trustee from enforcing the provisions hereof, or (c) 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. 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.

When all of the Bonds have been paid or deemed paid pursuant to Article XIII of the Indenture, the Trustee shall no longer have any duties or obligations hereunder, and all references to the Trustee shall thereafter be deemed references to the Authority.

Section 14. Covenants to Run With the Land. The Borrower hereby subjects the Project (including the Project site) to the covenants, reservations and restrictions set forth in this Regulatory Agreement. The Authority 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 upon 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 instrument.

Section 15. Burden and Benefit. The Authority 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 Authority 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 Residents and Low Income Residents, the intended beneficiaries of such covenants, reservations and restrictions, and by furthering the public purposes for which the Bonds were issued.

Section 16. Uniformity; Common Plan. The covenants, reservations and restrictions hereof shall apply uniformly to the entire Project in order to establish and carry out a common plan for the use of the Project.

Section 17. 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 Authority or the Trustee to the Borrower (provided, however, that the Authority may at its sole option extend such period if the Borrower provides the Authority 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 Tax-exempt Bonds, and provided further, in the event any default relates to Section 5 hereof and the Borrower is exercising best efforts to comply with such restrictions as determined by the Authority in its sole discretion, then the cure period described above shall be 6 months and the Qualified Project Period shall be extended for a like period under Section 5(i) hereof), then the Trustee, subject to the provisions of Section 9 hereof and to the extent directed in writing by the Authority, subject to the provisions of the Indenture, acting on its own behalf or on behalf of the Authority, shall declare an "Event of Default" to have occurred hereunder, and, at its option, may take any one or more of the following steps:

- (a) 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 Authority or the Trustee hereunder;
- (b) have access to and inspect, examine and make copies of all of the books and records of the Borrower pertaining to the Project; and
- (c) 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.

The Trustee shall have the right, in accordance with this Section 17 and the provisions of the Indenture, without the consent or approval of the Authority, to exercise any or all of the rights or remedies of the Authority hereunder; provided that prior to taking any such act the Trustee shall give the Authority written notice of its intended action. All fees, costs and expenses of the Trustee, the Authority and the Oversight Agent (including, without limitation, reasonable attorneys' fees) reasonably incurred in taking any action pursuant to this Section 17 shall be the sole responsibility of the Borrower; provided the Trustee shall not be obligated to take any action hereunder that results in expenses or liability to the Trustee unless it is compensated and reimbursed for its expenses, including reasonable attorneys' fees, and indemnified to its satisfaction against liability.

After the Indenture has been discharged, or if the Trustee fails to act under this Section 17, the Authority may act in its own behalf to declare an "Event of Default" to have occurred and to take any one or more of the steps specified hereinabove to the same extent and with the same effect as if taken by the Trustee.

Section 18. Recording and Filing. The Borrower shall cause this Regulatory Agreement and all amendments and supplements hereto, to be recorded and filed, prior to the recording of the Deed of Trust and the disbursement of the Loan, in the real property records of the County and in such other places as the Authority or the Trustee may reasonably request (including, but not limited to, in the grantor-grantee index to the name of the Borrower as grantor and to the Authority as grantee). The Borrower shall pay all fees and charges incurred in connection with any such recording.

Section 19. Payment of Fees. The Borrower will pay to the Authority the Authority Annual Fee, including the portion thereof billed currently by the Authority to the Borrower for the Authority's audit fees and expenses, which shall be paid by the Borrower promptly upon receipt of such invoice and to the Oversight Agent, the Oversight Agent's Fee, each when due. Notwithstanding any prepayment of the Loan and notwithstanding a discharge of the Indenture, throughout the term of this Regulatory Agreement, the Borrower shall continue to pay to the Authority the Authority Annual Fee, and to the Oversight Agent, the Oversight Agent's Fee, and, in the event of a default hereunder, to the Authority and the Trustee reasonable compensation for any services rendered by either of them hereunder and reimbursement for all expenses reasonably incurred by either of them in connection with such default.

Section 20. Governing Law. This Regulatory Agreement shall be governed by the laws of the State of California. Except as expressly provided herein and in the Agreement, the Trustee's

rights, duties and obligations hereunder are governed in their entirety by the terms and provisions of the Indenture.

Section 21. Amendments. Except as provided in Section 8(a) hereof, this Regulatory Agreement shall be amended only by a written instrument executed by the parties hereto or their successors in title, and duly recorded in the real property records of the County. The parties hereto acknowledge that, as long as the Bonds are outstanding, the owners of the Bonds are third party beneficiaries to this Regulatory Agreement.

Section 22. Notice. All notices, certificates or other communications shall be in writing and will be sufficiently given and (except for notices to the Trustee, which shall be deemed given only when actually received by the Trustee) shall be deemed given on the date personally delivered or on the second day following the date on which the same have been mailed by certified mail, return receipt requested, postage prepaid, addressed as follows:

Authority: Independent Cities Finance Authority
Post Office Box 6740
Lancaster, California 93539-6740
Attention: Executive Director

Oversight Agent: Wolf & Company Inc.
1100 S. Flower Street, Suite 3300
Los Angeles, California 90015
Attention: Wesley R. Wolf

Trustee: U.S. Bank National Association
633 W. Fifth Street, 24th Floor
Los Angeles, CA 90071
Attention : Corporate Trust Services

Borrower: Villa del Arroyo Moorpark LLC
400 N. Mountain Ave., Suite 205
Upland, CA 91786
Attention: Suzanne Taylor

Any of the foregoing parties may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates, documents or other communications shall be sent.

Section 23. Severability. If any provision of this Regulatory Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions hereof shall not in any way be affected or impaired thereby.

Section 24. Multiple Counterparts. This Regulatory Agreement may be executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

Section 25. Trustee Acting Solely in Such Capacity. In accepting its obligations hereunder, the Trustee acts solely as trustee for the benefit of the Registered Owners, and not in its individual capacity; and the duties, powers, rights and liabilities of the Trustee in acting hereunder shall be subject to the provisions of the Indenture, including, without limitation, Article VIII of the Indenture.

The Trustee shall act as specifically provided herein and no implied duties or obligations shall be read into this Regulatory Agreement against the Trustee. The Trustee is entering into this Regulatory Agreement solely in its capacity as Trustee under the Indenture and not in its individual, corporate or personal capacity and except as specifically provided herein, nothing herein shall be construed as imposing any duties or obligations upon the Trustee beyond those contained in the Indenture.

After the date on which no Bonds remain outstanding as provided in the Indenture, the Trustee shall have no duties or responsibilities under this Regulatory Agreement, and all references herein to the Trustee shall be deemed references to the Authority.

Section 26. Compliance by Borrower. The Trustee shall not be responsible for monitoring or verifying compliance by the Borrower with its obligations under this Regulatory Agreement. The Oversight Agent shall assume such responsibilities under the terms of the Administration Agreement among the Oversight Agent, the Authority and the Borrower.

Section 27. Limited Liability of the Authority. The Authority's liability under this Regulatory Agreement shall be limited as set forth in Section 14.3 of the Indenture.

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

INDEPENDENT CITIES FINANCE
AUTHORITY

By: _____
Deborah J. Smith, Executive Director

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Officer

VILLA DEL ARROYO MOORPARK LLC,
a California limited liability company

By: Augusta Homes, a California nonprofit
public benefit corporation, its sole member

By: _____
Suzanne Taylor, Executive Director

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF _____)

On _____ before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

(Seal)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF _____)

On _____ before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

(Seal)

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)
)
COUNTY OF _____)

On _____ before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature _____

(Seal)

EXHIBIT A

LEGAL DESCRIPTION

The real property is situated in the City of Visalia, County of Tulare, State of California, and is described as follows:

EXHIBIT B

FORM OF INCOME CERTIFICATION

[TO BE UPDATED BY BORROWER]



2012-2013 Resident Profile and Income Certification
- CONFIDENTIAL -



Thank you for completing the required annual Resident Profile and Income Certification. By completing this form, you will help the Park maintain its non-profit status and apply for tax exemptions and other cost reduction programs that help keep rents affordable for residents of your community. Please return your completed form to the park office in a sealed envelope, mail to Augusta Communities at 400 N Mountain Ave #205, Upland, CA 91786, or email to info@augustacommunities.org.

- 1. What is your space number? _____
2. How many bedrooms are in your home? _____
3. What is the size of your home? [] Single-wide [] Double-wide [] Triple-wide
4. How many people live in your home? _____
5. How many people in your home are over the age of 62? _____
6. Is the head of your household over the age of 62? _____
7. How many people in your home are under the age of 18? _____
8. How many people in your home are disabled or handicapped and are between the ages of 18 and 62? _____
9. How many people in your home are over the age of 18 and have been enrolled as a full-time student at an accredited school for 5 out of the past 12 months? _____
10. Do you have any veterans living in your household? [] Yes [] No
11. Do your medical expenses exceed 3% of your annual income? _____
12. How much do you anticipate paying this year for child care for children under the age of 13? \$ _____
13. What is the current mortgage payment, if any, on your home? \$ _____
14. Do you have savings, stocks, bonds, or equity in real property (not including your home) that have a combined total value exceeding \$5,000? [] Yes [] No
15. If you answered "yes" to question 14 above, how much do you expect to earn from the investments during the next 12 months? \$ _____
16. What is the total combined current annual household income* of all members of your household over the age of 18, including any investment earnings listed in question 14? \$ _____
17. Do you own and occupy this house as your full time primary residence? [] Yes [] No

I/We certify that the information provided above is true and correct to the best of my/our knowledge.

Email Address

Phone Number

Head of Household (Print Name Clearly)

Head of Household Signature

Date

Second Head of Household (Print Name Clearly)

Second Head of Household Signature

Date

* Total combined household income includes: Gross Wages/Salary including overtime, Commissions and Fees, Tips and Bonuses, Interest and Dividends, Social Security, Alimony and Child Support, Gifts and Contributions, Military Pay, Income Tax Credits, Disability Payments, Pensions, Unemployment Benefits.

* Total combined household income does not include: Medical Reimbursements, Tuition Scholarships, Combat Pay, Government Relocation Payments, Foster Care Payments, Food Stamps, Job Training Act Payments, Low-Income Home Energy Assistance Payments, lump sum additions to family assets such as Inheritances, Insurance Payments (including payments under health and accident insurance and workmen's compensation), Capital Gains, settlements for Personal or Property Losses, temporary, sporadic or Irregular Gifts.

ATTACHMENT NO. 1

Total Anticipated Income includes the following:

1. all wages and salaries, overtime pay, commissions, fees, tips and bonuses and other compensation for personal services, before payroll deductions;
2. 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 allowances for depreciation of capital assets except for straight line depreciation as provided in Internal Revenue Service regulations); any withdrawal of cash or assets from the operation of a business or profession will be included in income except to the extent the withdrawal is reimbursed of cash or assets invested in the operation by the family;
3. interest and dividends (including income from assets and other net income from real or personal property);
4. 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 or prospective monthly amounts for the delayed start of a periodic payment;
5. payments in lieu of earnings, such as unemployment and disability compensation, workmen's compensation and severance pay;
6. the maximum amount of public assistance available to the above persons other than the amount of any assistance specifically designated for shelter and utilities plus the maximum amount that the public assistance agency could in fact allow for shelter and utilities;
7. periodic and determinable allowances, such as alimony and child support payments and regular contributions and gifts received from organizations or persons not occupying the Space;
8. 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 (or other persons whose dependents are occupying the Space); and
9. any financial assistance, in excess of amounts received for tuition, received under the Higher Education Act of 1965, from private sources, or from an institution of higher education, except if such amounts are received by persons over the age of 23 with dependent children.

Excluded from such anticipated income are:

1. temporary, nonrecurring or sporadic gifts;
2. amounts which are specifically for or in reimbursement of medical expenses for any family member;

3. 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, except as provide in paragraph 5 above;
4. subject to paragraph 9 above, the full amount of student financial assistance paid directly to the student or to the educational institution;
5. special pay to a household member in the Armed Forces who is away from home and exposed to hostile fire;
6. amounts received under training programs funded by HUD;
7. payments received for the care of foster children or foster adults;
8. amounts received by a disabled person that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency;
9. income of a live-in aide, as defined in 24 CFR 5.608;
10. amounts received by a participant in other publicly assisted programs which are specifically for or in reimbursement of out-of-pocket expenses incurred and which are made solely to allow participation in a specific program;
11. reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era;
12. amounts specifically excluded by any other federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply;
13. income from the employment of children (including foster children) under the age of 18 years;
14. adoption assistance payments in excess of \$480 per adopted child;
15. earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of the household or spouse);
16. deferred periodic amounts from supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts;
17. amounts paid by a State agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disable family member at home; and

18. incremental earnings and benefits resulting to any family member from participation in qualifying State or local employment training programs.

Full-Time Student means an individual who during each of five (5) calendar months during the calendar year in which occupancy of the Space begins (i) is enrolled as a full-time student at an educational organization which normally maintains a regular faculty and curriculum and normally has a regularly enrolled body of students in attendance or (ii) 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.

EXHIBIT C

Period Covered _____
[Quarterly]

CERTIFICATION OF CONTINUING PROGRAM COMPLIANCE

The undersigned, Villa del Arroyo Moorpark LLC (the “Borrower”), has read and is thoroughly familiar with the provisions of:

1. The Regulatory Agreement and Declaration of Restrictive Covenants dated as of January 1, 2016 (the “Regulatory Agreement”) among the Borrower, the Independent Cities Finance Authority (the “Authority”) and U.S. Bank National Association, as trustee (the “Trustee”);
2. The Indenture of Trust dated as of January 1, 2016 (the “Indenture”) between the Authority and the Trustee;
3. The Loan Agreement dated as of January 1, 2016 among the Borrower, the Trustee and the Authority; and

As of the date of this Certificate, the following percentages of total Spaces in the Project are (i) occupied by Very Low Income Residents, (ii) occupied by Low Income Residents or (iii) currently vacant and being held available for such occupancy and have been so held continuously since the date a Very Low Income Resident or a Low Income Resident vacated such Space; as indicated:

Total Project Spaces: _____

Number of Spaces Occupied by
Very Low Income Residents: _____ Percent: _____

Held vacant for occupancy continuously since last occupied by Very Low Income
Resident: _____ Percent: _____ Unit Nos: _____

Number of Spaces Occupied by Low Income Residents (not including any Spaces occupied by Very
Low Income Residents): _____ Percent: _____

Held vacant for occupancy continuously since last occupied by Low Income
Resident: _____ Percent: _____ Unit Nos: _____

4. The undersigned hereby certifies that the Borrower is not in default under any of the terms and provisions of the above documents, and no event has occurred which, with the passage of time, would constitute a default thereunder [or if such event has occurred explain below the event and the steps being taken to remedy such event].

VILLA DEL ARROYO MOORPARK LLC,
a California limited liability company

By: Augusta Homes, a California nonprofit
public benefit corporation, its sole member

By: _____
Suzanne Taylor, Executive Director