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REGULATORY AGREEMENT
AND DECLARATION OF RESTRICTIVE COVENANTS

By and Among

CITY OF POWAY

and

U.S. BANK NATIONAL ASSOCIATION
as Trustee

and

POWAY MANUFACTURED HOME COMMUNITIES, LLC

Dated as of June 1, 2003

Relating to

\$10,615,000
CITY OF POWAY
HOUSING REVENUE BONDS, ISSUE OF 2003
(POINSETTIA MOBILE HOME PARK PROJECT)

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**REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS**

THIS REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS (the "Regulatory Agreement"), made and entered into as of June 1, 2003, by and among the City of Poway, a municipal corporation (the "Issuer"), U.S. Bank National Association, a national banking association, as trustee (the "Trustee") under an Indenture of Trust dated as of the date hereof between the Issuer and the Trustee, and Poway Manufactured Home Communities, LLC as the owner of the property described in Exhibit A attached hereto (the "Owner"),

WITNESSETH:

WHEREAS, the Legislature of the State of California enacted Chapter 8, Part 5 of Division 34 of the Health and Safety Code (the "Act") to authorize cities to issue bonds to finance the acquisition of mobile home parks to provide housing for persons of very low income; and

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

WHEREAS, on June 10, 2003, the Issuer adopted a resolution (the "Resolution") authorizing the issuance of revenue bonds in connection with the financing of the Poinsettia Mobilehome Park owned by the Owner located in Poway Redevelopment Project (the "Project"); and

WHEREAS, in furtherance of the purposes of the Act and the Resolution and as a part of the Issuer's plan of financing residential facilities, the Issuer proposes to issue \$10,615,000 aggregate principal amount of its revenue bonds designated "City of Poway, Housing Revenue Bonds, Issue of 2003 (Poinsettia Mobile Home Park Project) (the "Bonds"), the proceeds of which will be loaned to the Owner (the "Loan") which, in consideration of the Loan, will cause to be delivered to the Trustee its promissory note in the principal amount of the Bonds (the "Mortgage Note") secured by a First Deed of Trust, Assignment of Rents and Security Agreement (the "Mortgage") and use the proceeds of the Loan to finance the acquisition of the Project for the public purpose of providing decent, safe and sanitary housing within the community; and

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

WHEREAS, the Mortgage 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, binding, and limited obligations of the Issuer 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

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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 Issuer, the Trustee and the Owner 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 Issuer, the Trustee and the Owner hereby agree as follows:

Section 1. Definitions and Interpretation. 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:

“Adjusted Income” - The adjusted income of all persons who intend to occupy a Space, calculated in the manner determined by the Secretary of the Treasury pursuant to Section 142(d)(2)(B) of the Code.

“Administration Agreement” – The Administration and Oversight Agreement dated as of June 1, 2003 among the City, Rosenow Spevacek Group, Inc. and the Owner or any agreement amending or replacing such agreement.

“Area” – The San Diego, California Primary Metropolitan Statistical Area.

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

“City Administration Fee” - The administration fee of the Issuer payable on the Delivery Date and on each May 15 thereafter, in an amount equal to one-eighth of one percent (0.00125%) of the principal amount of the Bonds.

“County” - The County of San Diego.

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

“Lower Income Residents” - Individuals or families with an Adjusted Income which does not exceed 80 percent of the Median Income for the Area as adjusted for household size based on the following assumptions: two persons will occupy a single-wide mobile home and three persons will occupy a multisectional mobile home.

“Lower Income Spaces” - The Spaces in the Project designated for occupancy by Lower Income Residents pursuant to Section 4(a) of this Regulatory Agreement.

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

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

“Qualified Project Period” - The period as defined in Section 142(d)(2)(A) of the Code; provided, such period shall not be shorter than the period ending 55 years from the execution date of this Regulatory Agreement.

“Qualified Residents” - Residents who are either Lower Income Residents or Very Low Income Residents.

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

“Space” - A mobile home space within the Project upon which a mobile home may be placed.

“Tax Certificate” - The certificate of the Issuer and Owner, dated as of the Delivery Date, with respect to certain project costs delivered to the Issuer by the Owner.

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

<i>Household Size</i>	<i>Adjustment</i>
1	70%
2	80%
3	90%
4	100%
5	108%
6	116%
7	124%
8	132%

“Very Low Income Spaces” - The Spaces in the Project designated for occupancy by Very Low Income Residents pursuant to Section 4(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.

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Section 2. Representations and Warranties of the Owner. The Owner hereby represents, as of the date hereof, and covenants, warrants and agrees as follows:

- (a) The Owner shall operate the Project and be responsive to any reasonable directions or suggestions made by the Issuer to ensure that the Project complies with this Agreement.
- (b) The Owner's reasonable expectations respecting the use of Bond proceeds are accurately set forth in the Tax Certificate.
- (c) The statements made in the various certificates delivered by the Owner to the Issuer or the Trustee are true and correct.
- (d) Not more than 2% of the proceeds of the Bonds shall be applied to pay Costs of Issuance.
- (e) 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 Owner, in a manner which would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, and the Owner specifically agrees that the investment of money in any such fund shall be restricted as may be necessary to prevent the Bonds from being "arbitrage bonds" under the Code.
- (f) The Owner 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 or this Regulatory Agreement.

Section 3. Residential Rental Property. The Owner hereby acknowledges and agrees that the Project will be owned, managed and operated as a "qualified residential rental project" (within the meaning of Section 142(d) of the Code) until the expiration of the Qualified Project Period. To that end, and for the term of this Regulatory Agreement, the Owner 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 residential rental housing, consisting of one mobile home Space for each household, together with related facilities.

(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) Except for those Spaces subject to certain age limitations, all of the Spaces will be available for rental on a continuous basis to members of the general public, and the Owner 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 Qualified 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 Owner shall not take any steps toward such conversion without an opinion of Bond Counsel that interest on the 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 Delivery Date which prevents the Issuer from enforcing the requirements of the Regulations, or condemnation or similar event, the Owner covenants that, within a "reasonable period" determined in accordance with the Regulations, it will either prepay the Mortgage 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 or national origin 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 Owner shall not increase the rent chargeable for the current resident of any Mobilehome Space (both Affordable Mobilehome Spaces and other Mobilehome Spaces), who have entered into written leases for their Mobilehome Spaces, more than the allowable rent increase set forth in those leases.

Section 4. Qualified Residents. Pursuant to the requirements of the Code and the Act, and in particular, to contribute to the satisfaction of the Issuer's unsatisfied housing burden under Section 33413 of the California Health and Safety Code, the Owner hereby represents, as of the date hereof, and warrants, covenants and agrees as follows:

(a) During the Qualified Project Period:

(1) not less than twenty percent (20%) of the Spaces in the Project shall be designated as Very Low Income Spaces and shall be continuously occupied by Very Low Income Residents. The monthly rent charged for all the Very Low Income Spaces shall be as follows:

(A) where a Very Low Income Resident is renting both the mobilehome and the space occupied by the mobilehome owner or 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 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 the mobile home) shall not exceed one-twelfth of 30 percent of 50 percent of Median Income for the Area, adjusted for household size in the manner set forth above under the definition of Very Low Income Resident.

(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 of 50 percent of Median Income for the Area, as adjusted for household size in the manner set forth above under the definition of Very Low Income Resident.

(2) not less than seventy-five percent (75%) of the Spaces in the Project (inclusive of the spaces referred to in Section 4(a)(1) hereof) as required to meet the requirements of Rev. Procedure 96-32 shall be designated as Lower Income Spaces and shall be continuously occupied by Lower Income Residents. The Lower Income Spaces provided for in subparagraph (2) are inclusive of the Very Low Income Spaces hereof.

(b) In the event a recertification of such tenant's income in accordance with Section 4(d) 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. Moreover, a Space previously occupied by a Qualified Resident and then vacated shall be considered occupied by a Qualified Resident 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 Very Low Income Residents falls below the number required by subparagraph (a)(1) of this Section, the next available Space shall be rented to a Very Low Income Resident.

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(c) Immediately prior to a Qualified Resident's occupancy of a Qualified Space (or prior to the Delivery Date with respect to Very Low Income Spaces previously occupied and within ninety (90) days following the Delivery Date with respect to other Qualified Spaces previously occupied), the Owner will use its best efforts to 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 Delivery Date in the case of existing Very Low Income Residents or ninety (90) days following the Delivery Date in the case of other Qualified Residents). In addition, the Owner 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 Issuer or the Oversight Agent. The Owner shall use its best efforts to verify that the income provided by an applicant with respect to a Space to be occupied after the Delivery Date is accurate by taking one or more of the following steps as a part of the verification process: (1) obtain a written verification of income and employment from applicant's current employer, (2) 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 (3) such other information as may be reasonably requested by the Oversight Agent.

Within ten days of the last day of each quarter during the term of this Regulatory Agreement, the Owner shall advise the Oversight Agent 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 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 Issuer or Oversight Agent upon request.

(d) Immediately prior to the first anniversary date of the occupancy of a Qualified Space, and on each anniversary date thereafter, the Owner 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 unit. In the event the recertification demonstrates that such household's income exceeds 140% of the income at which such household would qualify as Qualified Residents, such household will no longer qualify as a Qualified Resident, and the Owner will rent the next available Space to one or more Qualified Residents.

(e) The Owner will maintain complete and accurate records pertaining to the Qualified Spaces, and will permit any duly authorized representative of the Issuer, the Oversight Agent, the Trustee, 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 Owner pertaining to the Project, including those records pertaining to the occupancy of the Qualified Spaces.

(f) Each lease pertaining to a Qualified Space occupied after the Delivery Date shall contain a provision to the effect that the Owner 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) will be cause for immediate termination of such lease. Each lease will also contain a provision that failure to cooperate with the annual recertification process reasonably instituted by the Owner pursuant to Section 4(d) above will disqualify the Space as a Qualified Space and provide grounds for termination of the lease. The Owner agrees to provide to the Oversight

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Agent a copy of the form of application and lease to be provided to prospective Qualified Residents and any amendments thereto.

(g) The Owner will execute and deliver to the Issuer any Administration Agreement applicable to the Project on or before the Delivery Date.

(h) The Owner 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) of the Code, and shall provide a copy of such certification to the Oversight Agent.

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

(a) It will not knowingly take or permit, or omit to take or cause to be taken, as is appropriate, any action that would adversely affect the exclusion from gross income for federal income tax purposes 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 Issuer, the Trustee and the Owner, 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 Bonds; and

(c) It will file of record such documents and take such other steps as are necessary, in the written opinion of Bond Counsel filed with the Issuer, the Trustee and the Owner, 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 Owner hereby covenants to include the requirements and restrictions contained in this Regulatory Agreement in any document transferring any interest in the Project to another person to the end that such transferee has notice of, and is bound by, such restrictions, and to obtain the agreement from any transferee to abide by all requirements and restrictions of this Regulatory Agreement.

Section 6. Modification of Special Tax Covenants. The Owner, the Trustee and the Issuer hereby agree as follows:

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

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shall be deemed to be automatically amended to impose such additional or more restrictive requirements.

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

(c) The Owner, the Issuer 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 6, and each of the Owner and the Issuer 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 Owner or the Issuer, as is applicable, any such document or instrument (in such form as may be approved in writing by Bond Counsel) if either the Owner or the Issuer 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 Owner or the Issuer, or both of them, as is applicable, unless directed in writing by the Issuer or the Owner and without first providing the Owner or the Issuer, or both, as is applicable, an opportunity to comply with the requirements of this Section 6.

Section 7. Indemnification. The Owner shall indemnify, hold harmless and defend the Issuer, the Oversight Agent, the underwriter 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); or (b) any written statements or representations with respect to the Owner, the Project or the Bonds made or given to the Issuer, the underwriter, the Oversight Agent or the Trustee, or any underwriters or purchasers of any of the Bonds, by the Owner, or any of its agents or employees, including, but not limited to, statements or representations of facts or financial information; provided, however, the Owner shall not be obligated to indemnify the Issuer, the Trustee or the Oversight Agent for damages caused by the gross negligence or willful misconduct of the Issuer, the underwriter, the Trustee or the Oversight Agent. The Owner also shall pay and discharge and shall indemnify and hold harmless the Issuer, the underwriter, the Oversight Agent and the Trustee from (x) any lien or charge upon payments by the Owner to the Issuer 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 Issuer or the Trustee shall give prompt notice to the Owner, and the Owner shall have the sole right and duty to assume, and will assume, the defense thereof, including the employment of counsel selected by the indemnified party and the payment of all reasonable expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided, however, that the Issuer and the Trustee shall each have the right to review and approve or disapprove any such

compromise or settlement, and provided further that any such approval shall not be unreasonably withheld.

Section 8. Environmental Precautions; Indemnity. The Owner shall take all necessary precautions to prevent the release into the environment of any Hazardous Materials which are located in, on or under the Project. Such precautions shall include compliance with all Governmental Requirements with respect to Hazardous Materials. In addition, the Owner shall install and utilize such equipment and implement and adhere to such procedures as are consistent with commercially reasonable standards as respects the disclosure, storage, use, removal and disposal of Hazardous Materials. Owner agrees to indemnify, defend and hold Agency, City, Trustee and Oversight Agent harmless from and against any claim, action, suit, proceeding, loss, cost, damage, liability, deficiency, fine, penalty, punitive damage, or expense (including, without limitation, attorneys' fees), resulting from, arising out of, or based upon (i) the presence, release, use, generation, discharge, storage or disposal of any Hazardous Materials on, under, in or about, or the transportation of any such Hazardous Materials to or from, the Project which occurs after the Closing, or (ii) the violation, or alleged violation, of any statute, ordinance, order, rule, regulation, permit, judgment or license relating to the use, generation, release, discharge, storage, disposal or transportation of Hazardous Materials on, under, in or about, to or from, the Project which occurs after the Closing. This indemnity shall include, without limitation, any damage, liability, fine, penalty, cost or expense arising from or out of any claim, action, suit or proceeding for personal injury (including sickness, disease or death), tangible or intangible property damage, compensation for lost wages, business income, profits or other economic loss, damage to the natural resource or the environment, nuisance, contamination, leak, spill, release or other adverse effect on the environment. At the request of the Owner, the Agency, City, Trustee and Oversight Agent shall cooperate with and assist the Owner in its defense of any such claim, action, suit, proceeding, loss, cost, damage, liability, deficiency, fine, penalty, punitive damage, or expense; provided that the Agency, City, Trustee and Oversight Agent shall not be obligated to incur any expense in connection with such cooperation or assistance.

Section 9. Use and Operating Covenants. All uses conducted in the Project, including, without limitation, all activities undertaken by the Owner pursuant to this Agreement, shall conform to all applicable provisions of the City Municipal Code. The Owner hereby agrees that upon and after the Closing, and at all times during the Qualified Project Period, the Project shall be operated as mobilehome parks only, and for no other purposes. Such use shall qualify as a mobilehome park under Sections 15.58 and 17.16 of the City Municipal Code, the Mobilehome Parks Act, Health and Safety Code Section 18200, et seq., and the Mobilehome Park Residency Law, Civil Code Section 798, et seq.

Section 10. Compliance with Laws. Owner shall carry out the operation of the Project in conformity with all applicable laws, including without limitation the Mobilehome Parks Act, Health and Safety Code Section 18200, et seq., the Mobilehome Park Residency Law, Title 25 of the California Code of Regulations, Poway Municipal Code Sections 15.28 and 17.16, all applicable state labor standards, the City zoning and development standards, building, plumbing, mechanical and electrical codes, and all other provisions of the City Municipal Code, and all applicable disabled and handicapped access requirements, including without limitation the Americans With Disabilities Act, 42 U.S.C. Section 12101, et seq., Government Code Section 4450, et seq., Government Code Section 11135, et seq., the Unruh Civil Rights Act, Civil Code Section 51, et seq., and the California Building Standards Code, Health and Safety Code Section 18900, et seq.

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Section 11. Maintenance of Project. Owner shall maintain the Project in conformity with all applicable laws, including without limitation the Mobilehome Parks Act, Health and Safety Code Section 18200, et seq., the Mobilehome Park Residency Law, Title 25 of the California Code of Regulations, the City Municipal Code and the conditions set forth in the Regulatory Agreement, shall keep the Project free from any accumulation of debris or waste materials, and shall maintain the landscaping planted in the Project in a healthy condition. If at any time Owner fails to maintain the Project and such condition is not corrected within five days after written notice from City with respect to graffiti, debris, waste material, and general maintenance, or thirty days after written notice from City with respect to landscaping and building improvements, then City, in addition to whatever remedy it may have at law or at equity, shall have the right to enter 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 upon 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 City and/or costs of such cure, including a fifteen percent (15%) administrative charge, which amount shall be promptly paid by Owner to City upon demand.

Section 12. Senior Park. Owner shall restrict occupancy of all Mobilehome Spaces in the Poinsettia Senior Park so that at least one resident of each Mobilehome Unit is 55 years of age or older, and all other residents of each Mobilehome Unit are 40 years of age or older notwithstanding the requirements of Civil Code Section 798.76 and the Federal Fair Housing Act which may allow some lesser percentage of Mobilehome Spaces to persons who are 55 years of age or older.

Section 13. Management. Owner shall manage or cause the Project to be managed in a prudent and businesslike manner, consistent with other comparable high quality mobilehome parks in San Diego County, California. Owner may contract with a management company or manager to operate and maintain the Project in accordance with the terms of this Agreement (hereinafter "Property Manager" or "Management Company"); provided, however, that the selection and hiring of such management company shall be subject to approval on behalf of the City by the City Manager or the Agency's Executive Director or designee. Approval of a management company or manager by City shall not be unreasonably withheld. Furthermore, the identity of the Property Manager shall not be changed without the prior approval of the City, which approval shall not be unreasonably withheld.

Section 14. Management Plan. Prior to and as a condition of the Closing, the Owner and its Property Manager shall submit for the approval of the City a detailed "Management Plan" which sets forth in detail the duties of the Property Manager, the identity of key personnel involved in managing the Project, the tenant selection process, application and credit report fees, a security system and crime prevention program, a billing system which consolidates all charges for rent, utilities and other services into a single monthly bill, the procedures for the collection of rent, the procedures for monitoring of occupancy levels, the procedures for eviction of residents, procedures for promptly responding to resident inquiries and complaints, the rules and regulations of the Project and manner of enforcement, a standard lease form, a detailed description of services and amenities to be provided to residents of the Project, a plan and budget for the expenditure of funds from the Repair and Replacement Fund and Park Improvement Fund for capital replacements to the fixtures and equipment of the Project, plan for the operation and maintenance of common area facilities of the Project, the method of providing utilities and cable television service, a procedure for crediting to Project residents any utility company rebates, and other matters relevant to the management of the Project. The management of the Project shall be in compliance with the Management Plan which is approved by the Agency. The Owner and Property Manager may from time to time submit proposed

amendments to the Management Plan, which shall also be subject to the prior written approval of the Agency which approval shall not be unreasonably withheld.

Section 15. Gross Mismanagement. In the event of "Gross Mismanagement" (as that term is defined below) of the Project, Agency shall have the authority to require that such Gross Mismanagement cease immediately, and further to require the immediate replacement of the Property Manager if such condition is not corrected after expiration of sixty (60) days from the date of written notice from Agency. For purposes of this Agreement, the term "Gross Mismanagement" shall mean management of the Project in a manner which violates the terms and/or intention of this Agreement to operate a high quality mobilehome park, and shall include, but is not limited to, the following:

- (a) Repeatedly failing to comply with the Management Plan set forth in Section 14 hereof;
- (b) Repeatedly underfunding the prescribed Repair and Replacement Fund and Operating Reserve Fund;
- (c) Repeatedly failing to timely maintain the Project in accordance with the Management Plan and the manner prescribed in Section 11;
- (d) Repeatedly failing to submit timely and/or adequate annual reports as required in Section 4;
- (e) Fraud or embezzlement of Project funds, including without limitation the funds in the Capital Replacement Reserve and Operating Reserve; and
- (f) Repeatedly failing to fully cooperate with the San Diego County Sheriff's Department, or other local law enforcement agencies with jurisdiction over the Development, in maintaining a crime-free environment in the Project.

Notwithstanding the above, Owner shall use its best efforts to correct any defects in management at the earliest feasible time and, if necessary, to replace the Property Manager as provided above.

Section 16. Nondiscrimination Covenants. Owner covenants by and for itself and any successors in interest that there shall be no discrimination against or segregation of any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Project, nor shall the Owner itself or any person claiming under or through it 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 or any portion thereof. The foregoing covenants shall run with the land.

Owner shall refrain from restricting the rental, sale or lease of the Project on the basis of race, color, religion, sex, marital status, ancestry or national origin of any person. All such deeds, leases or contracts shall contain or be subject to substantially the following nondiscrimination or nonsegregation clauses:

- (a) In deeds: "The grantee herein covenants by and for himself or herself, his or her heirs, executors, administrators and assigns, and all persons claiming under or through them, that

there shall be no discrimination against or segregation of, any person or group of persons on account of race, color, creed, religion, sex, marital status, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the land herein conveyed, nor shall the grantee or any person claiming under or through him or her, 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 in the land herein conveyed. The foregoing covenants shall run with the land.”

(b) In leases: “The lessee herein covenants by and for himself or herself, his or her heirs, executors, administrators, and assigns, and all persons claiming under or through him or her, and this lease is made and accepted upon and subject to the following conditions:

“That there shall be no discrimination against or segregation of any person or group of persons, on account of race, color, creed, religion, sex, marital status, national origin, or ancestry in the leasing, subleasing, transferring, use, occupancy, tenure, or enjoyment of the premises herein leased nor shall the lessee himself or herself, or any person claiming under or through him or her, 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, sublessees, subtenants, or vendees in the premises herein leased.”

(c) In contracts: “There shall be no discrimination against or segregation of, any person, or group of persons on account of race, color, creed, religion, sex, marital status, national origin, or ancestry, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the premises, nor shall the transferee himself or herself or any person claiming under or through him or her, 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 premises.”

Section 17. Consideration. The Issuer has issued the Bonds to provide funds to make the Loan to finance the Project, all for the purpose, among others, of inducing the Owner to own and operate the Project such that the Project shall contribute to the satisfaction of the Issuer’s unsatisfied housing burden. In consideration of the issuance of the Bonds by the Issuer, the Owner 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 18. Reliance. The Issuer and the Owner 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 and the exemption from California personal income tax of the interest on the Bonds. In performing their duties and obligations hereunder, the Issuer and the Trustee may rely upon statements and certificates of the Owner and Very Low Income Residents, and upon audits of the books and records of the Owner pertaining to the Project. In addition, the Issuer 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 Issuer or the Trustee hereunder in good faith and in conformity with such opinion. In determining whether any default or lack of compliance by the Owner exists under this Regulatory Agreement, the Trustee shall not be required to conduct any investigation into or review of the operations or records of the Owner and may rely solely upon any notice or certificate delivered to the Trustee by the Owner, the Issuer or the Oversight Agent with respect to the occurrence or absence of a default.

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Section 19. Sale or Transfer of the Project. The Owner intends to hold the Project for its own account, has no current plans to sell, transfer or otherwise dispose of the Project, and hereby covenants and agrees not to sell, transfer or otherwise dispose of the Project, or any portion thereof (other than for individual tenant use as contemplated hereunder), without obtaining the prior consent of the Issuer and upon receipt by the Issuer and the Trustee of (i) reasonable evidence satisfactory to the Issuer and Trustee that the Owner's purchaser or transferee has assumed in writing and in full, the Owner'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 Owner 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 Issuer receives evidence acceptable to the Issuer 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 Issuer may cause the Oversight Agent to provide on-site training in program compliance if the Issuer determines such training is necessary, and (iv) an opinion of Bond Counsel to the effect that such sale will not cause interest on any Bond to become includable in the gross income of the recipients thereof for federal income tax purposes. It is hereby expressly stipulated and agreed that any sale, transfer or other disposition of the Project in violation of this Section 19 shall be null, void and without effect, shall cause a reversion of title to the Owner, and shall be ineffective to relieve the Owner of its obligations under this Regulatory Agreement. Not less than 30 days prior to consummating any sale, transfer or disposition of any interest in the Project, the Owner shall deliver to the Issuer, the Oversight Agent and the Trustee a notice in writing explaining the nature of the proposed transfer.

Section 20. Marketing of Mobilehome Units. In no event shall Owner, Property Manager or the Management Company or any of their agents or employees accept any compensation for the transfer of Mobilehome Units by residents of the Project.

Section 21. Tree Policy. The trees in the Project shall be planted, maintained and removed in accordance with the Tree Policy adopted by the City's Housing Commission on January 16, 2003, as such policy is amended from time to time.

Section 22. Orchid Avenue Spaces. The Agency and the Owner understand and agree that the Agency is currently processing a boundary adjustment to the Poinsettia Senior Mobilehome Park which will remove four Mobilehome Spaces located on the west side of Orchid Avenue and will add four Mobilehome Spaces on Orchid Avenue. As part of the foregoing boundary adjustment the Agency shall, at its expense, extend Orchid Avenue to the south, which will result in the creation of the four new Mobilehome Spaces. The recreation area and pool of the Poinsettia Senior Mobilehome Park shall not be materially impacted by such construction work. The Owner agrees to cooperate with the City and Agency to facilitate such construction work. The Agency shall provide periodic notices to the Owner describing the status of such construction work. The Agency shall pay to the Owner an amount equal to space rent for the four unoccupied Mobilehome Spaces, at the current rate for such spaces, for the period of construction until the four new spaces are completed and in a condition to be leased to new residents.

Section 23. Rights of Access. For purposes of assuring compliance with this Agreement, representatives of Agency shall have the right of access to the Project, without charges or fees,

during normal business hours, to inspect the records of the Project, and to conduct an independent audit or inspection of such records.. Agency representatives shall, except in emergency situations, notify the Owner prior to exercising its rights pursuant to this Section. Owner agrees to maintain records in businesslike manner, and to maintain such records for the term of this Agreement.

Section 24. Taxes and Assessments. Owner shall pay prior to delinquency all ad valorem real estate taxes and assessments on the Project. Owner shall remove or have removed any levy or attachment made on any of the Project or any part thereof which is owned or leased by Owner, or assure the satisfaction thereof within a reasonable time.

Section 25. Liens and Stop Notices. Owner shall not allow to be placed on the Site or the Project or any part thereof any lien or stop notice. If a claim of a lien or stop notice is given or recorded affecting the Project the Owner shall within thirty (30) days of such recording or service or within five (5) days of Agency's demand whichever last occurs:

- (a) pay and discharge the same; or
- (b) affect the release thereof by recording and delivering to Agency a surety bond in sufficient form and amount, or otherwise; or
- (c) provide Agency with indemnification from the Title Company against such lien or other assurance which Agency deems, in its sole discretion, to be satisfactory for the payment of such lien or bonded stop notice and for the full and continuous protection of Agency from the effect of such lien or bonded stop notice.

Section 26. Rent Subsidy Program. The Agency has previously provided a \$100 per month rent credit to residents of the Project whose annual household income is at or below 55% of San Diego County median income, adjusted for household size. The Agency has provided Owner a list of the 38 residents currently obtaining the foregoing rent credit. The Owner shall continue to provide a \$100 per month rent credit to the residents on such list, provided that (a) the resident submits and the Owner verifies income information from such residents which demonstrates that such resident continues to have an annual household income at or below 55% of San Diego County median income, adjusted for household size, and (b) the resident continues to reside in the Mobilehome Space as the resident's primary residence. Owner is not required to offer such a rent credit to any current residents not on such list, or any new residents of the Project, but nothing herein shall prevent the Owner from creating its own rental credit program, subject to Agency approval.

Section 27. Shared Housing Units. The Owner shall rent each of the three mobilehome coaches identified as the "Shared Housing Units" to persons who express their desire to share occupancy of a Shared Housing Unit, subject to compliance with all applicable laws. In the event any of the Shared Housing Units becomes uninhabitable, the Owner shall replace such Shared Housing Unit with a new unit of comparable size and number of bedrooms.

Section 28. 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 Mortgage 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 Issuer, the Trustee and the Owner 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 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 foreclosure or delivery of a deed in lieu of foreclosure whereby a third party shall take possession of the Project or involuntary non-compliance with the provisions of this Regulatory Agreement caused by fire, seizure, requisition, change in a federal law or an action of a federal agency after the date hereof which prevents the Issuer and the Trustee from enforcing the provisions hereof or condemnation or a similar event and 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 Issuer.

Section 29. Covenants to Run With the Land. The Owner hereby subjects the Project (including the Project site) to the covenants, reservations and restrictions set forth in this Regulatory Agreement. The Issuer, the Trustee and the Owner hereby declare their express intent that the covenants, reservations and restrictions set forth herein shall be deemed covenants running with the land and shall pass to and be binding upon the Owner's successors in title to the Project; provided, however, that 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 30. Burden and Benefit. The Issuer, the Trustee and the Owner hereby declare their understanding and intent that the burden of the covenants set forth herein touch and concern the land in that the Owner's legal interest in the Project is rendered less valuable thereby. The Issuer, the Trustee and the Owner 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, the intended beneficiaries of such covenants, reservations and restrictions, and by furthering the public purposes for which the Bonds were issued.

Section 31. Uniformity; Common Plan. The covenants, reservations and restrictions hereof shall apply uniformly to the entire Project in order to establish and carry out a common plan for the use, development and improvement of the Project Site.

Section 32. Enforcement. If the Owner defaults in the performance or observance of any covenant, agreement or obligation of the Owner set forth in this Regulatory Agreement, and if such

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default remains uncured for a period of 60 days after notice thereof shall have been given by the Issuer or the Trustee to the Owner (provided, however, that the Issuer may at its sole option extend such period if the Owner provides the Issuer with an opinion of Bond Counsel to the effect that such extension will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds), then the City or the Trustee, subject to the provisions of Section 7 and Section 40 hereof and acting on its own behalf or on behalf of the City at the written direction of the City, shall declare an "Event of Default" to have occurred hereunder, and, at its option, may take any one or more of the following steps:

- (i) by mandamus or other suit, action or proceeding at law or in equity, require the Owner to perform its obligations and covenants hereunder or enjoin any acts or things which may be unlawful or in violation of the rights of the Issuer or the Trustee hereunder;
- (ii) have access to and inspect, examine and make copies of all of the books and records of the Owner pertaining to the Project; and
- (iii) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Owner hereunder.

In addition to the enforcement remedies set forth above, upon the Owner's default under this Regulatory Agreement, the Issuer shall have the right to lease up to 75% of the Spaces in the Project for a rental of \$1 per Space per year. The Issuer shall sublease such units to Lower Income Residents to the extent necessary to comply with the provisions hereof. Any rent paid under such a sublease shall be paid to the Owner after the Issuer has been reimbursed for any expenses incurred by it in connection with the sublease; provided that, if the Owner is in default under the Loan, such rent shall be used to make payments under the Loan.

The Trustee shall have the right, in accordance with this Section 32 and the provisions of the Indenture, without the consent or approval of the Issuer, to exercise any or all of the rights or remedies of the Issuer hereunder; provided that prior to taking any such act the Trustee shall give the Issuer written notice of its intended action. All fees, costs and expenses of the Trustee, the Issuer and the Oversight Agent (including, without limitation, reasonable attorneys' fees) reasonably incurred in taking any action pursuant to this Section 32 shall be the sole responsibility of the Owner; provided the Trustee shall not be obligated to take any action hereunder that results in expense 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 32, the Issuer 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 33. Recording and Filing. The Owner shall cause this Regulatory Agreement and all amendments and supplements hereto, to be recorded and filed, prior to the recording of the Mortgage and the disbursement of the Loan, in the real property records of the County and in such other places as the Issuer or the Trustee may reasonably request. The Owner shall pay all fees and charges incurred in connection with any such recording.

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Section 34. Payment of Fees. Notwithstanding any prepayment of the Loan and notwithstanding a discharge of the Indenture, throughout the term of this Regulatory Agreement, the Owner shall continue to pay, or cause to be paid, to the Issuer and the Oversight Agent the City Administration Fee and the Oversight Agent's Fee, respectively, and, in the event of a default hereunder, to the Issuer, Oversight Agent and the Trustee reasonable compensation for any services rendered by either of them hereunder and reimbursement for all expenses reasonably incurred by any of them in connection with such default. The Issuer Fee referenced in this section shall in no way limit amounts payable by the Owner under Section 7 hereof, or arising after any default in connection with the Issuer's or the Trustee's enforcement of the provisions of this Regulatory Agreement.

In the event that the Bonds are redeemed in part or in full as a result of a prepayment on the Loan prior to the end of the term of this Regulatory Agreement, the Issuer Fee for the remainder of the term of this Regulatory Agreement, at the option of the Issuer, shall be paid by the Owner at the time of the prepayment of the Loan and shall be a lump sum amount equal to the present value (based on a discount rate equal to the prime rate as defined by the Trustee at the time of prepayment) of the Issuer Fee for the number of years remaining under the Regulatory Agreement.

Section 35. 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 36. Amendments. Except as provided in Section 6(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 37. Notice. All notices, certificates or other communications shall 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:

Issuer: City of Poway
13325 Civic Center Drive
Poway, California 92074-0789
Attn: City Manager

Trustee: U.S. Bank National Association
550 S. Hope Street, Suite 500
Los Angeles, California 90071
Attn: Corporate Trust Department

Owner: Poway Manufactured Home Communities, LLC
c/o Wakeland Housing and Development
625 Broadway, Suite 611
San Diego, California 92101
Attn: Executive Director

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 38. 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 39. 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.

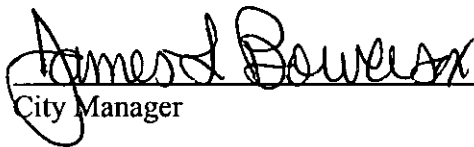
Section 40. Trustee Acting Solely in Such Capacity. In accepting its obligations hereunder, the Trustee acts solely as trustee for the benefit of the Registered Owners, and not in its individual capacity; and the duties, powers, rights and liabilities of the Trustee in acting hereunder shall be subject to the provisions of the Indenture, including, without limitation, Article VIII of the Indenture.

Section 41. Compliance by Owner. The Trustee shall not be responsible for monitoring or verifying compliance by the Owner 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 Issuer and the Owner.

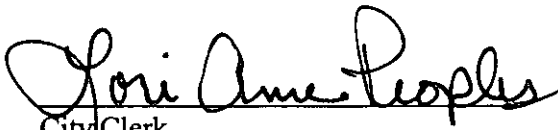
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IN WITNESS WHEREOF, the Issuer, the Trustee and the Owner have executed this Regulatory Agreement by duly authorized representatives, all as of the date first written hereinabove.

CITY OF POWAY

By: 
City Manager

ATTEST:


City Clerk

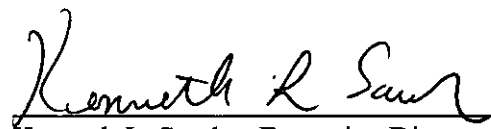
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U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: *Counter-Part*
Authorized Officer

POWAY MANUFACTURED HOME
COMMUNITIES, LLC, a California limited liability
company

By: Wakeland Housing and Development
Corporation, a California nonprofit public
benefit corporation

By: 
Kenneth L. Sauder, Executive Director