

Please Return To:

PACIFICA LAW GROUP LLP
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Attention: Faith Li Pettis, Esq.



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Skagit County Auditor

8/3/2011 Page 1 of 19 11:50AM

REGULATORY AGREEMENT (WASHINGTON WORKS)

for La Venture Apartments Project

49881-3
GUARDIAN NORTHWEST TITLE CO.

Grantor: LA VENTURE WORKFORCE HOUSING LLC

Grantee: WASHINGTON STATE HOUSING FINANCE COMMISSION

Legal Description:

Abbreviated form: Section 17, township 34, Range 4; SE NE

Additional legal on page A-1 of document

Assessor's Property Tax Parcel Account Number(s) P25889, 340417-1-014-0207

Reference number(s) of documents being assigned or released and
related documents: N/A

REGULATORY AGREEMENT

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and is not part of the Regulatory Agreement.)

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TESTIMONIUM

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EXHIBIT A Legal Description



REGULATORY AGREEMENT (WASHINGTON WORKS)
La Venture Apartments Project

THIS REGULATORY AGREEMENT (WASHINGTON WORKS) (the "Regulatory Agreement") is entered into as of July 1, 2011, between the WASHINGTON STATE HOUSING FINANCE COMMISSION (the "Commission"), a public body corporate and politic and the LA VENTURE WORKFORCE HOUSING LLC, a Washington limited liability company (the "Owner").

WITNESSETH:

WHEREAS, the Commission is authorized by the Constitution and the laws of the State of Washington, particularly Laws of 1983, Ch. 161, codified at Chapter 43.180 RCW, as amended (the "Act"), to assist in the financing of multifamily housing projects in Washington; and

WHEREAS, pursuant to Laws of 2010, Ch. 6, codified at Chapter 43.180.160(2) the Commission is authorized by the Washington State Legislature (the "Legislature") to allocate a subsidy in the form of a loan (the "Washington Works Loan") to public agencies and nonprofit organizations, including those materially participating as a managing member or general partner of a partnership, limited liability company or equivalent organization, to finance affordable housing in conjunction with revenue bonds issued by the Commission (the "Washington Works Program"); and

WHEREAS, projects which are eligible for a subsidy must meet certain low-income housing set-aside requirements determined by the Legislature and are furthermore subject to rent restrictions once the initial bond indebtedness is retired; and

WHEREAS, to evidence the Washington Works Loan, the Owner has executed a Loan Agreement secured by a Deed of Trust, Security Agreement and Fixture Filing; and

WHEREAS, pursuant to the Act and in accordance with Code, the Commission will issue its Multifamily Revenue Bond (La Venture Apartments Project), Series 2011A (Washington Works) and its Multifamily Revenue Bond (La Venture Apartments Project), Series 2011B (Washington Works) (together, the "Bond") in the aggregate principal amount of \$3,940,000 for the purpose of acquiring a mortgage loan originated by U.S. Bank National Association (the "Lender"), and evidenced by two promissory notes, to provide long-term financing to the Owner for the acquisition and construction of a residential rental project known as the La Venture Apartments on land described at Exhibit A hereto (the "Real Property") and incorporated herein by this reference (such land, as may be reconfigured as hereinafter described, with all buildings, fixtures, equipment and improvements now or hereafter constructed or installed thereon, with respect to the residential housing, is herein referred to as, the "Project"); and

WHEREAS, the Commission and the Owner intend to restrict the use of the Project in accordance with requirements of the Washington Works Program as provided herein to meet the requirements of the Commission in making the Washington Works Loan;



NOW, THEREFORE, in consideration of the making of the Washington Works Loan by the Commission and the mutual covenants and undertakings set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Owner does hereby impose upon the Project the following covenants, restrictions, charges and easements, which shall run with the land and shall be binding and a burden upon the Project and all portions thereof, and upon any purchaser, grantee, owner or lessee of any portion of the Project and any other person or entity having any right, title or interest therein and upon the respective heirs, executors, administrators, devisees, successors and assigns of any purchaser, grantee, owner or lessee of any portion of the Project and any other person or entity having any right, title or interest therein, for the length of time that this Regulatory Agreement shall be in full force and effect.

Section 1. Definitions. Unless otherwise expressly provided herein or unless the context clearly requires otherwise, capitalized terms not defined herein shall bear the meaning given them in the Financing Agreement.

"Additionally Qualified Residents" means and includes individuals and households earning 50% of median gross income for the area, adjusted for household size, determined in a manner consistent with determinations of lower-income households under Section 8 of the United States Housing Act of 1937, as amended. Occupants of a Unit shall not be considered Additionally Qualified Residents if all residents in the Unit are students (as defined in Section 152(f)(2) of the Code), none of whom file a joint income tax return unless such residents satisfy an exception for students set forth in Section 42(i)(3)(D) of the Code. The method of determining low or moderate income in effect on the date of issue will be determinative for the Bond, even if such method is subsequently changed.

"Available Unit" means a residential unit that is actually occupied and a residential unit that is unoccupied and has been leased at least once after becoming available for occupancy.

"Bond Counsel" means Pacifica Law Group LLP or any attorney or firm of attorneys designated by the Commission and having a nationally recognized standing in the field of public finance law whose opinions are generally accepted by purchasers of tax-exempt obligations.

"Bondowner" means U.S. Bank National Association, and its successors and assigns as registered owner of the Bond.

"Bond" means the Commission's Multifamily Revenue Bond (La Venture Apartments Project), Series 2011A (Washington Works) and Multifamily Revenue Bond (La Venture Apartments Project), Series 2011B (Washington Works).

"Closing Date" means July 29, 2011.

"Code" means the Internal Revenue Code of 1986, as amended.

"Deed of Trust" means the Deed of Trust, Security Agreement and Fixture Filing dated July 29, 2011 and delivered by the Owner as grantor to a trustee for the benefit of the Commission, securing the repayment of the Washington Works Loan with respect to the Project



and the obligations of the Owner to the Commission, together with all riders, as it may be amended, modified, supplemented or restated from time to time.

"Financing Agreement" means the Financing Agreement among the Commission, the Owner, the Lender and U.S. Bank National Association dated of even date herewith with respect to the issuance of the Bond.

"First Occupied" means the date of first occupancy of a Unit by a resident (irrespective of whether such resident is a Project Qualified or Qualified Resident).

"Functionally Related and Subordinate" shall mean and include facilities (other than Units) for use by residents; for example, laundry facilities, parking areas, swimming pools and other recreational facilities; provided, that such facilities are of a character and size commensurate with the character and size of the Project.

"Initial Regulatory Period" and "Total Regulatory Period" mean the respective periods described in Section 5 hereof.

"Loan" means the loan, evidenced by the Promissory Note, and secured by a Construction Deed of Trust, Assignment of Rents and Leases, Security and Fixture Filing, dated July 29, 2011, granted by the Borrower as grantor to the Lender as beneficiary, to provide financing for the Project to be acquired by the Owner, which Loan will be acquired by the Commission with the proceeds of the Bond.

"Owner" means La Venture Workforce Housing LLC, a Washington limited liability company, and its successors or assigns.

"Project" means the residential rental project known as La Venture Apartments, and all buildings, structures, fixtures and other improvements now or hereafter constructed or located upon the real property described in Exhibit A attached hereto.

"Project Qualified Residents" means and includes individuals and households earning 60% or less of median gross income for the area, adjusted for household size, determined in a manner consistent with determinations of lower-income households under Section 8 of the United States Housing Act of 1937, as amended. Occupants of a Unit shall not be considered Project Qualified Residents if all residents in the Unit are students (as defined in Section 152(f)(2) of the Code), none of whom file a joint income tax return unless such residents satisfy an exception for students set forth in Section 42(i)(3)(D) of the Code. The method of determining low or moderate income in effect on the date of issue will be determinative for the Bond, even if such method is subsequently changed.

"Promissory Note" means the promissory notes payable to the Lender in the aggregate principal amount of \$3,940,000, executed by the Owner to evidence the Owner's financial obligation to repay the Loan.

"Qualified Residents" means and includes individuals and households earning 80% or less of median gross income for the area, adjusted for household size, determined in a manner consistent with determinations of lower-income households under Section 8 of the United States



Housing Act of 1937, as amended. Occupants of a Unit shall not be considered Qualified Residents if all residents in the Unit are students (as defined in Section 152(f)(2) of the Code), none of whom file a joint income tax return unless such residents satisfy an exception for students set forth in Section 42(i)(3)(D) of the Code. The method of determining low or moderate income in effect on the date of issue will be determinative for the Bond, even if such method is subsequently changed.

"Qualified Units" means Units that are occupied by or, after initial occupancy by a Project Qualified or Qualified Resident, set aside for Project Qualified or Qualified Residents.

"Regulatory Agreement" or "Agreement" means this Regulatory Agreement, as this Regulatory Agreement may be amended or supplemented from time to time in accordance with its terms.

"Transfer" means any transaction that results in a change in the ownership entity whether the title to the property is transferred by a recordable deed or the interests in the ownership entity are transferred.

"Transferee" means the entity to whom the Project is sold or transferred.

"Treasury Regulations" means the final or temporary regulations of the Department of the Treasury under the Code.

"Units" means the accommodations for residents containing separate and complete facilities for living, sleeping, eating, cooking (equipped with a cooking range, refrigerator and sink) and sanitation comprising the Project that are available for occupancy.

Section 2. [Reserved].

Section 3. Requirements of the Commission. To meet the requirements of the Commission in making the Washington Works Loan, the Owner hereby represents, covenants and agrees as follows:

(a) Reporting. To submit to the Commission, pursuant to Section 6 hereof, the required documentation with respect to each Project Qualified or Qualified Resident residing in the Project provided, that so long as the Regulatory Agreement between the Commission and the Owner (the "Bond Regulatory Agreement") is in full force and effect, the Commission shall waive the reporting requirements contained in Section 6 hereof with respect to Units covered by the terms of such Bond Regulatory Agreement and the Owner shall report to the Commission pursuant to the terms of the Bond Regulatory Agreement with respect to such Units.

(b) Records. To maintain on file, for at least three years after the expiration of the Total Regulatory Period, copies of the original documentation required in Section 6 hereof with respect to each Project Qualified or Qualified Resident.

(c) Inspection of Project and Records. Subject to reasonable notice, to permit any duly authorized representative of the Commission to inspect during regular business hours the Project and the books and records of the Owner pertaining to the incomes of the Project



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Qualified or Qualified Residents who are residing or have resided in the Project and the Project rent roll.

(d) Increases in Income. Project Qualified and Qualified Residents shall continue to be so qualified, notwithstanding any increase in income, until the annual determination of the resident's income reflects that the resident's income exceeds 140% of the applicable median gross income. Once it is determined that a Project Qualified or Qualified Resident's income exceeds 140% of the applicable median gross income, then the next Unit of comparable or smaller size must be rented to a Project Qualified or Qualified Resident, as applicable (and the Unit occupied by the resident whose income has exceeded 140% of the applicable median gross income will continue to be treated as reserved as required by Section 4 hereof until the next Unit is rented to such Project Qualified or Qualified Resident).

Section 4. Income and Rent Restrictions. In order to satisfy the requirements of the Washington Works Program, the Owner hereby represents, covenants and agrees as follows:

(a) Income Restriction – Initial Regulatory Period. Commencing on the Occupancy Date and continuing at all times during the Regulatory Period, to maintain at least:

☐ 20% of the Available Units in the Project, rounded up to the next Unit, for occupancy by Additionally Qualified Residents; *and*

31% of the Available Units in the Project, rounded up to the next Unit, for occupancy by Qualified Residents; or

☒ 40% of the Available Units in the Project, rounded up to the next Unit, for occupancy by Project Qualified Residents; *and*

11% of the Available Units in the Project, rounded up to the next Unit, for occupancy by Qualified Residents.

(b) Income Restriction – After Initial Regulatory Period. Unless otherwise agreed to by the Commission, following the Initial Regulatory Period and continuing until the expiration of the Total Regulatory Period, to maintain at least:

☐ 20% of the Available Units in the Project, rounded up to the next Unit, for occupancy by Additionally Qualified Residents; *and*

80% of the Available Units in the Project, rounded up to the next Unit, for occupancy by Qualified Residents; or

☒ 40% of the Available Units in the Project, rounded up to the next Unit, for occupancy by Project Qualified Residents; *and*

60% of the Available Units in the Project, rounded up to the next Unit, for occupancy by Qualified Residents.



After the Initial Regulatory Period, Units set-aside for rental to Project Qualified or Qualified Residents which were not previously occupied by a Project Qualified or Qualified Resident, respectively, during the Initial Regulatory Period shall be rented to a Project Qualified or Qualified Resident, as appropriate, upon a vacancy and re-rental following the expiration of the Initial Regulatory Period or as otherwise agreed to by the Commission.

(c) *Rent Determination – After Initial Regulatory Period.* Following the Initial Regulatory Period and continuing until the expiration of the Total Regulatory Period, to charge rents for Units in the Project which are sufficient to pay (i) reasonable operation and maintenance expenses, (ii) debt service and minimum coverage on any pre-existing secondary debt for past reasonable capital repairs or new debt needed for new repairs, (iii) repayment of secondary debt incurred at the time of initial Bond Closing Date where the payments were deferred until after the Bond was fully retired and which need to be repaid to meet the low-income housing tax credit partnership or basis requirements, (iv) asset management fees, and (v) reasonable deposits into a reserve account with the intent of providing affordable housing to Project Qualified or Qualified Residents for the remaining Total Regulatory Period, as agreed upon with the Commission (the "Rent Determination"). The Commission's Rent Determination shall be final. The Rent Determination shall be reviewed by the Commission every three years or more frequently, if requested by the Owner. The Owner and Commission may agree to automatic adjustments to the Rent Determination based on a reasonable price index selected at the time of the initial Rent Determination.

The Owner and the Commission shall make the initial Rent Determination within six months after the expiration of the Initial Regulatory Period; provided that if such Rent Determination is not made within six months because of the failure of the Owner to provide the information necessary for the Commission to make a Rent Determination in a timely manner, the Total Regulatory Period shall be extended by the period of time after the Initial Regulatory Period during which no Rent Determination is in place; provided that a failure to reach an agreement on an initial Rent Determination in good faith within twelve months of the expiration of the Initial Regulatory Period shall constitute an Event of Default.

Section 5. Regulatory Periods.

(a) *Initial Regulatory Period.* The "Initial Regulatory Period", during which the requirements of Section 4(a) shall apply, shall commence on the Closing Date and shall continue until the earliest date (i) which is the first date on which the Bond or any bond issued to refund the Bond is no longer Outstanding or (ii) on which any part of the Bond or any bond issued to refund the Bond is prepaid with other amortizing debt; or (iii) which is forty (40) years after the Closing Date.

(b) *Total Regulatory Period.* Except as otherwise provided in Section 4(c) (with respect to an extension of the Total Regulatory Period) and Section 14 (with respect to an earlier termination) of this Regulatory Agreement, this Regulatory Agreement shall continue in full force and effect until 75 years after the Closing Date (such period of time being referred to herein as the "Total Regulatory Period").

The Commission and the Owner expressly agree and understand that, except as otherwise provided in Section 14 of this Regulatory Agreement, the provisions hereof are



intended to survive the retirement of the Bond and the discharge of the Financing Agreement and the Note.

Section 6. Reporting Requirements.

(a) **Submission of Reports.** Except as otherwise provided in Section 3(c), the Owner shall submit copies of the documentation required in this Section 6 to the Commission (i) upon initial occupancy of a Qualified Unit for all Project Qualified or Qualified Residents at the times specified in Section 6(b); (ii) upon each subsequent occupancy of a Qualified Unit, for Project Qualified or Qualified Residents at the times specified in Section 6(b)(ii); and (iii) as often as is required by the Commission.

(b) **Forms.** The Owner agrees to prepare and submit the forms and notifications described herein (all of which forms are available from the Commission and which may be amended by the Commission from time to time, including to electronic form):

☒ (i) to the Commission, on or before the date that is eight months after the Bond Closing (A) a Bond Certificate of Continuing Project Compliance and (B) for each Project Qualified and Qualified Resident residing in the Project:

- (1) an Eligibility Certification,
- (2) a Rental Eligibility Application with Rider, and
- (3) income verification forms.

☒ (ii) to the Commission on or before the 7th day of each January, commencing on January 7, 2012, with respect to the twelve-month period ending December 31 (or such shorter period for the initial report), (i) a Bond Certificate of Continuing Project Compliance, setting forth for such period the information required to be provided in such certification; and (ii) for each Project Qualified and Qualified Resident that has commenced occupancy of a Unit or has completed annual recertification during the prior calendar year:

- (1) an Eligibility Certification,
- (2) a Rental Eligibility Application with Rider, and
- (3) income verification forms.

Section 7. Project Access.

(a) **No Discrimination.** The Owner shall not discriminate in the provision of housing on the basis of race, creed, color, sex, national origin, religion, familial status, marital status, age, disability or source of income, including the receipt of public assistance or housing assistance; provided, that the Owner may take such actions as may be necessary to qualify for or to maintain its qualification for the exemption that relates to housing for older persons under the Fair Housing Amendments Act of 1988 and 24 CFR Part 100, Subpart E.



The Owner shall comply with all applicable federal, state and local laws, rules and regulations now provided or which may be hereafter provided, including but not limited to (i) federal housing policy governing nondiscrimination and accessibility, as determined under the Americans with Disabilities Act, the Fair Housing Amendments Act of 1988, Architectural Barriers Act of 1968; Housing and Community Development Act of 1974; Civil Rights Act of 1964; Civil Rights Act of 1968; Age Discrimination Act of 1975; (ii) to the extent applicable, the Housing and Urban Development Act of 1968; the Uniform Relocation and Real Property Acquisition Act of 1970; and the Stewart B. McKinney Homeless Assistance Act; and (iii) the State Environmental Policy Act; State Workers Compensation Industrial Insurance Act; Washington Fair Housing Laws; and the Washington State Landlord/Tenant Act.

Any failure by the Commission to monitor compliance with the requirements of this Section 7 shall not constitute a waiver of the Owner's obligation to comply with such provisions.

(b) Selection of Residents. When selecting residents for occupancy in Qualified Units, the Owner shall not apply selection criteria to a potential resident that is more burdensome than selection criteria applied to any other resident or potential resident; and the Owner shall take into consideration the rental history of such potential resident as evidence of the ability to pay the applicable rent, so long as: (i) the rental history is of a term of at least one year; and (ii) the history shows that the resident has paid at least the same percentage of his/her income for rent during that period as he/she will be required to pay for the rent of the Qualified Unit for which they are applying. The Owner shall at least annually throughout the Total Regulatory Period notify the local public housing authority and at least two community agencies in the area of the availability of Qualified Units.

(c) Disabled Access. The Owner covenants and agrees that the number of Units in the Project that are or will be constructed to be "handicapped-accessible," as such term is set forth in state building standards and building codes for serving disabled residents, will be consistent with the applicable building code requirements for the Project.

Section 8. Covenants to Run with the Land. The Owner hereby declares its express intent that, during the term of this Agreement, the covenants, restrictions, charges and easements set forth herein, all of which touch and concern the land, shall be deemed covenants running with the land and shall, except as provided in Section 14 of this Regulatory Agreement, pass to and be binding upon the Owner's successors in title, including any purchaser, grantee or lessee of any portion of the Project and any other person or entity having any right, title or interest therein. Except as provided in Section 14 of this Regulatory Agreement, each and every contract, deed or other instrument hereafter executed encumbering or conveying the Project or any portion thereof or interest therein (other than a rental agreement or lease for a Unit) shall either (a) contain an express provision making such conveyance or encumbrance subject to the covenants, restrictions, charges and easements contained herein, or (b) be expressly subordinate in a separate agreement to the covenants, restrictions, charges, and easements contained herein; provided, however, that any such contract, deed or other instrument shall conclusively be held to have been executed, delivered and accepted subject to such covenants, regardless of whether or not such covenants are set forth or incorporated by reference in such contract, deed or other instrument.

Section 9. Sale, Transfer or Conveyance of the Project. Except for a foreclosure, deed in lieu of foreclosure, exercise of power of sale or other similar event, if the Owner sells,



transfers or otherwise disposes of the Project or any portion thereof (other than by leasing or renting for individual resident use as contemplated hereunder) without obtaining the prior written consent of the Commission, an event of default shall occur under the terms of this Regulatory Agreement and the remedies provided for such default in Section 11 herein can be exercised. The Commission's consent shall not be unreasonably withheld or delayed but may be conditioned upon:

(a) reasonable evidence satisfactory to the Commission that the Owner is not then in default hereunder beyond any applicable grace period or cure period;

(b) reasonable evidence satisfactory to the Commission that the Owner has paid or will pay all fees owing under the Loan Agreement;

(c) agreement of the Owner to provide the Transferee with the files, information and data necessary to comply with the reporting requirements of this Regulatory Agreement;

(d) an opinion of counsel for the Transferee, delivered to the Commission, to the effect that the Transferee has assumed in writing and in full all duties and obligations of the Owner under this Agreement and the Loan Agreement first accruing from and after the date of the transfer and that this Agreement and the Loan Agreement constitutes legal, valid and binding obligations of the Transferee, subject to customary exceptions;

(e) a determination by the Commission, with regard to any project of the Transferee financed by the Commission, that

(i) the Transferee is not now in arrears on any payments of fees due and owing to the Commission or in default under a regulatory agreement, beyond any applicable grace period or cure period;

(ii) the Transferee does not have a documented history of repeated instances of noncompliance with nonmonetary provisions of the Regulatory Agreement which are not cured after notice thereof and within the applicable cure period or grace period; and

(iii) the Transferee does not have a documented history of repeated instances of failure to pay fees and expenses due and owing to the Commission which are not paid within a reasonable period after notice thereof.

(f) payment to the Commission of the then applicable administrative fee of the Commission to transfer ownership of the Project on its books and records and ensure compliance with this Section 9.

(g) any other conditions which may be reasonably imposed by the Commission, to assure compliance with federal or state law. Any sale, transfer or other disposition of the Project in violation of this Section 9 shall be ineffective to relieve the Owner or the Project of obligations under this Regulatory Agreement.

Notwithstanding the foregoing, the Commission's consent shall not be required (i) for a sale, transfer or change in the investor member (if any) of the Owner, including the addition, removal or withdrawal of an investor member; (ii) for a foreclosure or a deed in lieu of foreclosure (but shall be required for the subsequent transfer of the Project following foreclosure or a deed in lieu of foreclosure, if the Bond is not retired as set forth in Section 14 hereof); or (iii) for the events specifically excluded from Commission consent described in the Bond Compliance Procedures Manual of the Commission.

Any written consent to a sale or transfer obtained from the Commission shall constitute conclusive evidence that the sale or transfer is not a violation of these transfer provisions. The execution, delivery and/or recordation of any right of first refusal or purchase option by and between Owner and general partner or managing member of Owner (or the sole member or an affiliate of the same) shall not constitute a Transfer under this Regulatory Agreement.

Section 10. Uniformity; Common Plan. The provisions hereof shall apply uniformly to the entire Project to establish and carry out a common plan for the use, development and improvement of the Real Property.

Section 11. Non-compliance; Event of Default; Remedies. The Owner shall exercise reasonable diligence to comply with the requirements of this Agreement and shall correct any such noncompliance within sixty (60) days after such noncompliance is first discovered by the Owner or would have been discovered by the exercise of reasonable diligence, or within 60 days after the Owner receives notice of such noncompliance from the Commission; provided, however, that such period for correction may be extended if the Owner is exercising due diligence to correct the noncompliance.

If the Owner shall fail to observe or perform any covenant, condition or agreement contained herein on its part to be observed or performed and if such noncompliance is not corrected as provided for in this Section 11, then such noncompliance shall be considered an Event of Default and the Commission shall be entitled, individually or collectively, by law or in equity to abate, prevent or enjoin any such violation or attempted violation, to recover monetary damages caused by such violation or attempted violation, to cause the Washington Works Loan to be repaid in full pursuant to the terms of the Loan Agreement, to exercise its rights under the Deed of Trust, or to compel specific performance by the Owner of its obligations under this Agreement, it being recognized that the beneficiaries of the Owner's obligations hereunder cannot be adequately compensated by monetary damages in the event of the Owner's default. No delay in enforcing the provisions hereof as to any breach or violation shall impair, damage or waive the right of any party entitled to enforce the same or obtain relief against or recover for the continuation or repetition of such breach or violation or any similar breach or violation thereof at any later time or times.

Section 12. Enforcement of Terms. The benefits of this Agreement shall inure to, and may be enforced by the Commission and its successors and assigns during the term of this Regulatory Agreement, whether or not the Loan is paid in full and whether or not the Bond is outstanding. Notwithstanding the foregoing, the requirements set forth in this Regulatory Agreement shall cease to apply to the Project if the events specified in Section 14 hereof occur. The parties hereto agree they will execute and deliver any and all documents and instruments necessary to effectuate the provisions of this Section 12.

Section 13. Term, Amendment; Termination. Except as otherwise provided in Section 14 hereof, this Regulatory Agreement shall become effective upon its execution and delivery, and shall remain in full force and effect for the Total Regulatory Period provided herein and shall terminate in its entirety at the end of the Total Regulatory Period, it being expressly agreed and understood that the provisions hereof are intended to survive the retirement of the Bond and discharge of the Financing Agreement and the Promissory Note.

The provisions hereof shall not be amended, revised or terminated (except as provided in Section 14 of this Regulatory Agreement) prior to the expiration of the stated term hereof except by an instrument in writing duly executed by the Commission and the Owner (or its successors in title) and duly recorded.

Section 14. Involuntary Termination. Notwithstanding anything herein to the contrary, the requirements of this Regulatory Agreement shall terminate and be of no further force and effect in the event of involuntary noncompliance with this Agreement caused by fire, seizure, requisition, foreclosure, exercise of power of sale, transfer of title by deed in lieu of foreclosure, other similar involuntary transfer, change in a federal law or an action of a federal agency after the Closing Date which prevents the Commission from enforcing such provisions, or condemnation or a similar event, but only if, within a reasonable period, either the Bond is retired or amounts received as a consequence of such event are used to provide a project which meets the requirements hereof; provided, however, that the preceding provisions of this sentence shall cease to apply and the restrictions contained herein shall be reinstated if, at any time subsequent to the termination of such provisions as a result of the foreclosure or the delivery of a deed in lieu of foreclosure or a similar event, the Owner or any related person (within the meaning of Section 1.103-10(e) of the Treasury Regulations) obtains an ownership interest in the Project for federal income tax purposes. The Owner hereby agrees that, following any foreclosure, transfer of title by deed in lieu of foreclosure or similar event, neither the Owner nor any such related person as described above will obtain an ownership interest in the Project for federal tax purposes. Upon the termination or expiration of this Agreement, the parties hereto agree to execute, deliver and record the 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 or expiration of this Agreement in accordance with its terms. Such release is not subject to satisfaction of any outstanding obligation owed to the Commission.

Section 15. Indemnification. The Owner hereby agrees to pay, indemnify and hold the Commission or any other party authorized hereunder to enforce the terms of this Agreement harmless from any and all costs, expenses and fees, including all reasonable attorneys' fees (except those resulting from the gross negligence or willful misconduct of the indemnified party), which may be incurred by the Commission or any such other party in enforcing or attempting to enforce this Regulatory Agreement following any event of default on the part of the Owner hereunder, whether the same shall be enforced by suit or otherwise; together with all costs, fees and expenses which may be incurred in connection with any amendment to this Regulatory Agreement or otherwise by the Commission at the request of the Owner (including the reasonable fees and expenses of Bond Counsel in connection with any opinion required to be rendered hereunder). This agreement to indemnify is a separate agreement, shall survive any



foreclosure action, attempted transfer or the like, is a personal obligation of the Owner and action may be brought thereon independently of any other remedy provided for herein.

Section 16. No Conflict With Other Documents. The Owner warrants that the Owner has not executed and will not execute, any other agreement with provisions contradictory to, or in opposition to, the provisions hereof, and that in any event the requirements of this Regulatory Agreement are paramount and controlling as to the rights and obligations herein set forth and supersede any other requirements in conflict herewith.

Section 17. Severability. The invalidity of any clause, part or provision of this Regulatory Agreement shall not affect the validity of the remaining portions thereof.

Section 18. Notices. All notices to be given pursuant to this Regulatory Agreement shall be in writing and shall be deemed given when mailed by certified or registered mail, return receipt requested, to the parties hereto at the addresses set forth below, or to such other place as a party may from time to time designate in writing:

Owner:	La Venture Workforce Housing LLC c/o Catholic Housing Services of Western Washington 100 23 rd Avenue Seattle, WA 98144-2302
Commission:	Washington State Housing Finance Commission 1000 Second Avenue, Suite 2700 Seattle, Washington 98104-1046 Attention: Director, Compliance Bond #-518; La Venture

Section 19. Governing Law. This Regulatory Agreement shall be governed by the laws of the State of Washington.

Section 20. Counterparts. This Agreement may be executed in counterparts and each such counterpart shall for all purposes be deemed to be an original and together shall constitute but one and the same instrument.



IN WITNESS WHEREOF, the parties have caused this Regulatory Agreement to be signed by their respective, duly authorized representatives, as of the day and year first written above.

LA VENTURE WORKFORCE HOUSING LLC,
a Washington limited liability company

By: La Venture Holdings LLC
Its: Managing Member

By: Archdiocesan Housing Authority
d/b/a/ Catholic Housing Services of Western
Washington
Its: Sole Member and Manager

By: John R. Hickman
John R. Hickman, Vice President

WASHINGTON STATE HOUSING FINANCE
COMMISSION

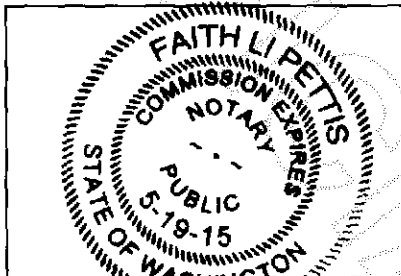
By: Kim Herman
Kim Herman, Executive Director



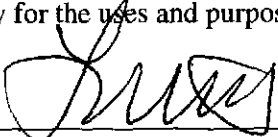
STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that JOHN R. HICKMAN is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the Vice President of Archdiocesan Housing Authority, the sole member and manager of La Venture Holdings LLC, the Managing Member of LA VENTURE WORKFORCE HOUSING LLC, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: July 28, 2011.



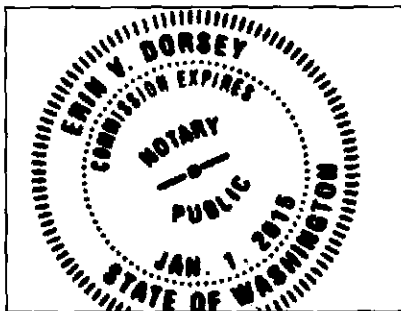
(Use this space for notary stamp/seal)


Notary Public
Print Name Faith Li Pettis
My commission expires 5/19/2015

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that KIM HERMAN is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the Executive Director of the WASHINGTON STATE HOUSING FINANCE COMMISSION, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: July 28, 2011.



(Use this space for notary stamp/seal)

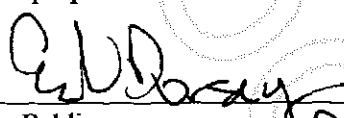

Notary Public
Print Name Erin V. Dorsey
My commission expires 1/1/2015



EXHIBIT A

Legal Description

The land referred to herein is situated in the State of Washington, County of Skagit, and is described as follows:

Parcel "A":

The South 1,122.5 feet of the East 1/2 of the Southeast 1/4 of the Northeast 1/4 of Section 17, Township 34 North, Range 4 East, W.M., EXCEPT the South 550 feet thereof, EXCEPT the East 214 feet thereof, AND EXCEPT the North 15.33 feet of the South 565.33 feet of the West 333 feet of the East 1/2 of the Southeast 1/4 of the Northeast 1/4 of said Section 17, ALSO EXCEPT Tract "A" of Survey recorded August 4, 1997 under Auditor's File No. 9708040071 in Volume 19 of Surveys, page 153, records of Skagit County, Washington.

Parcel "B":

The South 1,122.5 feet of the East 15 feet of the West 1/2 of the Southeast 1/4 of the Northeast 1/4 of Section 17, Township 34 North, Range 4 East, W.M., EXCEPT the South 565.33 feet thereof.

Parcel "C":

A non-exclusive easement for ingress, egress, drainage and utilities over and across the West 30 feet of the following described tract:

The North 285.33 feet of the South 565.33 feet of the West 333 feet of the East 1/2 of the Southeast 1/4 of the Northeast 1/4 of Section 17, Township 34 North, Range 4 East, W.M., TOGETHER WITH the North 285.33 feet of the South 565.33 feet of the East 15 feet of the West 1/2 of the Southeast 1/4 of the Northeast 1/4 of Section 17, Township 34 North, Range 4 East, W.M.

Parcel "D":

A non-exclusive easement for ingress, egress, drainage and utilities over and across the West 30 feet of the following described tract:

The East 98.5 feet of the West 143.5 feet of the North 250 feet of the South 280 feet of the East 1/2 of the Southeast 1/4 of the Northeast 1/4 of Section 17, Township 34 North, Range 4 East, W.M., TOGETHER WITH the West 45 feet of the North 250 feet of the



South 280 feet of the East 1/2 of the Southeast 1/4 of the Northeast 1/4 of Section 17, Township 34 North, Range 4 East, W.M., TOGETHER WITH the East 15 feet of the North 250 feet of the South 280 feet of the West 1/2 of the Southeast 1/4 of the Northeast 1/4 of Section 17, Township 34 North, Range 4 East, W.M.

Parcel "F":

A non-exclusive easement for ingress, egress and utilities over and across the West 354.56 feet of the East 568.56 feet of the North 25 feet of the South 1,147.5 feet of the East 1/2 of the Southeast 1/4 of the Northeast 1/4 of said Section 17.

Parcel "G":

A non-exclusive easement for ingress, egress and utilities over and across the following described tract:

Beginning at the Southwest corner of the West 184 feet of the East 214 feet of the North 60 feet of the South 1,182.5 feet of the Southeast 1/4 of the Northeast 1/4 of said Section 17; thence South 87 degrees 55'03" East, 184.03 feet to the Southeast corner of said West 184 feet of the East 214 feet of the North 60 feet of the South 1,182.5 feet; thence North 1 degree 01'55" East, 60.01 feet along the East line thereof to the Northeast corner thereof; thence North 87 degrees 55'03" West 90.14 feet along the North line of said South 1,182.5 feet to a point of curvature; thence along the arc of said curve concave to the Southeast having a radius of 130.00 feet, through a central angle of 32 degrees 03'12", an arc distance of 72.73 feet to a point of tangency; thence South 60 degrees 01'45" West, 0.34 feet to the North line of the South 1,162.5 feet of said subdivision; thence North 87 degrees 55'03" West, 24.24 feet along said North line to the West line of said East 214 feet to the North 1,182.5 feet of said subdivision; thence South 1 degree 01'55" West, 40.01 feet along said West line to the point of beginning.

Parcel "H":

A non-exclusive easement for ingress, egress and utilities over and across the following described tract:

Beginning at the Northwest corner of said West 184 feet of the East 214 feet of the South 1,122.5 feet of the Southeast 1/4 of the Northeast 1/4 of said Section 17; thence South 87 degrees 55'03" East, 92.79 feet along the North line of said South 1,122.5 feet to a cusp; thence along the arc of a curve concave to the Southeast having a radius of 70.00 feet and an initial tangent bearing of North 87 degrees 55'03" West, through a central angle of 32 degrees 03'12", an arc distance of 39.16 feet to a point of tangency; thence South 60 degrees 01'45" West, 28.62 feet to a point of curvature; thence along the arc of a curve concave to the Northwest having a radius of 130.00 feet; through a central angle of 14 degrees 54'00", an arc distance of 33.81 feet to the West line of said East 214 feet of the



South 1,122.5 feet to the Southeast 1/4 of the Northeast 1/4 of said Section 17; thence North 1 degree 01'55" East, 39.90 feet along said West line to the point of beginning.

Parcel "T":

A non-exclusive easement for ingress, egress and utilities over and across the following described tract, as reserved by document recorded as Auditor's File No. 9510100091: Commencing at the Southeast corner of the Northeast 1/4 of Section 17, Township 34 North, Range 4 East, W.M.; thence North 01 degree 01'55" East along the East line of said subdivision a distance of 843.99 feet; thence North 87 degrees 55'04" West parallel to the South line of said subdivision to a point on a line parallel with and 214.00 feet distant, as measured perpendicularly from said East line of said subdivision, said point being the true point of beginning; thence North 87 degrees 55'04" West, a distance of 30.01 feet; thence South 01 degrees 01'55" West, a distance of 71.60 feet to the beginning of a tangent curve of 95.00 foot radius concave Northeasterly; thence Southeasterly through a central angle of 46 degrees 49'35" for a distance of 77.64 feet, to a point on the West line of Lot 2 of Mount Vernon Short Plat 4-87, as filed in Volume 8, page 8 of Short Plats, under Auditor's File No. 8712210075, records of Skagit County, Washington; thence North 01 degree 01'55" East along the West line of said Lot 2 and the Northerly projection thereof, a distance of 140.33 feet to the true point of beginning.

Parcel "K":

A non-exclusive easement established by document recorded under Auditor's File No. 9510100090 for ingress, egress and utilities over and across the South 30 feet of Lot 2 of Mount Vernon Short Plat No. MV-4-87, approved December 17, 1987 and recorded December 21, 1987, as Auditor's File No. 8712210075, in Book 8 of Short Plats, page 8, records of Skagit County, being a portion of the East 1/2 of the Southeast 1/4 of the Northeast 1/4 of Section 17, Township 34 North, Range 4 East, W.M.;

TOGETHER WITH a non-exclusive easement for ingress, egress and utilities over and across both the South 15 feet of Lot 1 of said Short Plat, and the North 15 feet of the South 45 feet of Lot 2 of said Short Plat.

