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201209200075

Skagit County Auditor

9/20/2012 Page 1 of 22 2:26PM

REGULATORY AGREEMENT

CHICAGO TITLE

620012595

for the Woodgate Apartments Project

Grantor: APD HOUSING PARTNERS 16, LP

Grantee: WASHINGTON STATE HOUSING FINANCE COMMISSION

Legal Description:

Abbreviated form: Lot 2, Burlington Short Plat BU-~~6-78~~¹⁸⁻²; being a ptn. of Lot 50,
Burlington Acreage

Additional legal on page A-1 of document

Assessor's Tax Parcel ID No(s): 3867-000-050-~~01904~~¹⁹⁰⁴

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
SIGNATURES

EXHIBIT A Legal Description



REGULATORY AGREEMENT

Woodgate Apartments Project

THIS REGULATORY AGREEMENT (the "Regulatory Agreement") is entered into as of September 1, 2012, between the WASHINGTON STATE HOUSING FINANCE COMMISSION (the "Commission"), a public body corporate and politic and APD HOUSING PARTNERS 16, LP, a Washington limited partnership (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, Section 142 of the Internal Revenue Code of 1986, as amended (the "Code"), provides that the interest on obligations issued by or on behalf of a state or a political subdivision thereof that are used to provide qualified residential rental projects is exempt from federal income taxation if certain conditions specified in the Code are met; and

WHEREAS, the Commission will issue its Multifamily Housing Revenue Bonds (Christenson Portfolio Projects), Series 2012 (the "Bonds") in the principal amount of not to exceed \$8,959,428, to acquire GNMA securities with respect to five mortgage loans (together, the "Mortgage Loans") to be made by Bonneville Mortgage Company (the "Mortgage Lender") to the Owner pursuant to the terms of Term Loan Agreements between the Mortgage Lender and Owner and the Mortgage Loan Origination and Financing Agreement (the "Financing Agreement") dated as of September 1, 2012 among the Commission, the Owner, the Mortgage Lender and U.S. Bank National Association (the "Trustee"); and

WHEREAS, the Mortgage Loans are secured in part by a lien on a multifamily housing facility of the Owner located on land described at Exhibit A hereto and incorporated herein by this reference (such land, with all buildings, fixtures, equipment and improvements now or hereafter constructed or installed thereon, is herein referred to as, the "Project") and are further secured by liens on four other multifamily housing facilities of the Owner; and

WHEREAS, the Commission and the Owner intend to restrict the use of the Project in accordance with requirements of the Code as provided herein to preserve the exclusion from gross income of interest on the Bonds for federal income tax purposes and meet the requirements of the Commission in issuing the Bonds; and

NOW, THEREFORE, in consideration of the issuance of the Bonds 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



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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 Bonds, 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 Closing” means September 20, 2012.

“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 municipal finance law whose opinions are generally accepted by purchasers of tax-exempt obligations.

“Bond Documents” has the meaning given that term in the Indenture.

“Bondowner” means Bonneville Mortgage Company, and its successors and assigns as registered owner of the Bonds.

“Bonds” means the Commission’s Multifamily Housing Revenue Bonds (Christenson Portfolio Projects), Series 2012.

“Code” means the Internal Revenue Code of 1986, as amended, together with corresponding and applicable final and temporary or proposed regulations and revenue rulings issued or amended with respect thereto by the Department of the Treasury or the IRS of the United States. All references herein to sections, paragraphs or other subdivisions of the Code or the regulations promulgated thereunder shall be deemed to be references to correlative provisions of any successor code or regulations promulgated thereunder.

“Deed of Trust” or “Mortgage” means the Deed of Trust, Assignment of Rents and Leases, Security Agreement and Fixture Filing, dated as of September 20, 2012 and delivered by the Owner as grantor to a trustee for the benefit of the Lender, securing the repayment of the Mortgage Notes with respect to the Project and the obligations of the Owner to the Lender,



together with all riders, as it may be amended, modified, supplemented or restated from time to time.

“Financing Agreement” means the Mortgage Loan Origination and Financing Agreement, dated as of September 1, 2012, among the Commission, the Trustee, Bonneville Mortgage Company and the Owner, relating to the Bonds and the Mortgage Loans, as amended, modified, supplemented or restated from time to time.

“First Occupied” means the date of first occupancy of a Unit by a resident (irrespective of whether such resident is a Project 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.

“Indenture” means the Trust Indenture dated as of September 1, 2012 between the Trustee and the Commission pursuant to which the Bonds are issued, as amended, modified, supplemented or restated from time to time.

“IRS” means the Internal Revenue Service.

“Loans” or “Mortgage Loans” means the five nonrecourse loans, evidenced by the Mortgage Notes and secured by the Deed of Trust, to provide financing for the Project and the other four related multifamily housing projects of the Owner.

“Loan Closing,” when used with respect to the Loans, means the funding of the Mortgage Notes by the Mortgage Lender.

“Mortgage Lender” means Bonneville Mortgage Company, its successors and assigns.

“Mortgage Loan Documents” or “Loan Documents” means the Mortgage Notes, the Mortgage and all other documents evidencing, securing or otherwise relating to the Mortgage Loans, including all amendments, supplements and restatements.

“Mortgage Notes” or “Notes” means the six promissory notes, each dated September 20, 2012, executed by the Owner in favor of the Mortgage Lender, as it may be amended, supplemented or restated from time to time or any mortgage note executed in substitution therefor in accordance with the Bond Documents, as such substitute note may be amended, supplemented or restated from time to time.

“Occupancy Date” means the date on which at least 10% of the Units in the Project are First Occupied.

“Owner” means APD Housing Partners 16, LP, a Washington limited partnership, its successors or assigns.



“Project” means the residential rental project known as Woodgate 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% 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 Bonds, even if such method is subsequently changed.

“Qualified Units” means Units that are occupied by or, after initial occupancy by an Project Qualified Resident, set aside for Project 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.

“Regulatory Period” means the period described in Section 5 hereof.

“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.

“Trustee” means U.S. Bank National Association, its successors and assigns.

“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. Federal Tax Law Requirements. The Commission and the Owner hereby agree that the Project is to be developed, owned, managed and operated as a “qualified residential rental project” as such phrase is used in Section 142(d) of the Code at all times during the Regulatory Period. To that end, the Owner hereby represents, covenants and agrees as follows:



(a) Qualified Residential Rental Project.

(1) that the Project is being acquired, constructed and equipped for the purpose of providing residential rental accommodations containing Units and facilities Functionally Related and Subordinate to such Units, as described in Section 142(d) of the Code;

(2) that all of the Units in the Project shall contain complete and separate facilities for living, sleeping, eating, cooking (equipped with a cooking range, refrigerator and sink) and sanitation for single person or a household or shall qualify as a single-resident occupancy unit as provided in Section 142(d)((2)(D);

(3) that none of the Units in the Project shall be leased or rented on a transient basis or for a period of less than 30 days; used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, sanitarium, nursing or rest home, trailer park or court, or by a cooperative housing corporation (as defined in Section 216(b)(1) of the Code);

(4) that once available for occupancy, each Unit in the Project shall be rented or available for rental on a continuous basis for the term of the Regulatory Agreement to members of the general public in compliance with applicable Treasury Regulations, this Agreement and applicable state and federal laws;

(5) that no Unit in the Project shall be occupied by the Owner; provided, that if the Project contains five or more Units, this provision shall not be construed to prohibit occupancy of not more than one Unit by the Owner;

(6) that the Owner shall not take any steps in connection with a conversion of the Project to condominium ownership during the Regulatory Period, provided however that the creation of the Condominium on the Real Property shall not be a violation of this provision; and

(7) that the Project shall consist of proximate buildings or structures located on a single "tract" of land which have similarly constructed Units financed pursuant to a "common plan" together with Functionally Related and Subordinate facilities all of which shall be owned by the Owner for federal tax purposes; provided that the condominium structure of the Project shall not be a violation of this provision.

(b) Similar Units. That the Qualified Units have substantially the same equipment and amenities (not including luxury amenities such as fireplaces) as the other Units in the Project.

(c) Size and Location. That the Qualified Units are of substantially the same size as other Units in the Project and are not geographically segregated.

(d) Designated Units. If at any time during the Regulatory Period the Owner is unable to rent or lease the Qualified Units to Project Qualified Residents, to hold such unrented Qualified Units vacant and to offer them for occupancy by Project Qualified Residents as necessary to meet the requirements of Section 4(a) and (b).



(e) Annual Income Determination. To make a determination at least annually as to whether the income of residents of the Qualified Units continues to qualify such residents as Project Qualified Residents. Project 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 Resident's income exceeds 140% of the applicable median gross income, then the next vacant Unit of comparable or smaller size must be rented to a Project Qualified Resident (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(a) and (b) hereof until the next vacant Unit is rented to such Project Qualified Resident). Such determination shall be made on the forms identified in Section 6(b), as such forms may be amended by the Commission, and are subject to independent investigation and verification by the Commission.

(f) Tax-Exempt Status of the Bonds. To not (i) take any action, (ii) fail to take any action or (iii) make any use of the Project or the proceeds of the Bonds, which would cause the interest on the Bonds to be or become includable in the gross income of the Bondowner. Without limiting the generality of the foregoing, the Owner further covenants and agrees that it will take such action or actions (including, without limitation, consenting and agreeing to amendments to this Regulatory Agreement or any of the other documents as may be necessary, in the opinion of Bond Counsel) so that the Owner, all subsequent owners of the Project and the Project comply fully and continuously with Section 142 of the Code, as amended and applicable to the Bonds from time to time, and all applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the Department of the Treasury or the Internal Revenue Service pertaining to obligations issued under Section 142 of the Code, including, without limitation, the Treasury Regulations.

(g) Recording. This Regulatory Agreement shall be duly recorded at or before Bond Closing and all amendments shall be duly recorded in the office of the County Auditor of the county in which the Project is located in the position set forth in the Priority and Subordination Agreement as an encumbrance upon the Project. The Owner covenants, agrees and acknowledges that the Commission, the Mortgage Lender and the Bondowner are the beneficiaries of this Agreement, that the Commission has relied on this Regulatory Agreement in determining to issue and sell the Bonds, and that the Bondowner has relied on this Regulatory Agreement in determining to purchase or otherwise become the registered owner of the Bonds.

Section 3. Additional Requirements of the Commission. To meet the requirements of the Commission in issuing the Bonds, the Owner hereby represents, covenants and agrees as follows:

(a) Unit Mix. Qualified Units shall be in a range of sizes comparable to those Units which are available to other residents. To the extent practicable, the bedroom mix (ratios of one and two bedroom Units, as applicable), of such Qualified Units will be in the same proportion as the bedroom mix for the entire Project and the Qualified Units will be distributed throughout the Project.

(b) Deed of Trust. The Deed of Trust shall contain language expressing the intention of the Owner as grantor and the Bank as beneficiary that such Deed of Trust is and shall



be at all times subordinate to this Regulatory Agreement regardless of the order of recording of either document.

(c) Reporting. To submit to the Commission, pursuant to Section 6 hereof, the required documentation with respect to each Project Qualified Resident residing in the Project; provided, that so long as a Regulatory Agreement (Extended Use Agreement) between the Commission and the Owner (the "Tax Credit Regulatory Agreement"), if any, is in full force and effect, the Commission shall waive the reporting requirements contained in Section 6 hereof for the Qualified Units subject to the reporting requirements of the Tax Credit Regulatory Agreement, and the Owner shall report to the Commission pursuant to the terms of the Tax Credit Regulatory Agreement with respect to such units.

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

(e) Inspection of Project and Records. Subject to reasonable notice, to permit any duly authorized representative of the Commission or the Internal Revenue Service (the "IRS") to inspect during regular business hours the Project and the books and records of the Owner pertaining to the incomes of the Project Qualified Residents who are residing or have resided in the Project and the Project rent roll.

Section 4. Set Aside Requirements. In order to satisfy the requirements of the Code and the Commission in issuing the Bonds, the Owner hereby represents, covenants and agrees as follows:

(a) Federal Tax Law Requirements. Commencing on the date of Bond Closing 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; *or*
- ☒ 40% of the Available Units in the Project, rounded up to the next Unit, for occupancy by Project Qualified Residents;

provided; that if within sixty days of the later of (1) the date of Bond Closing or (2) the acquisition of the Project, more than 90% of the Units in the Project are not available for occupancy, the Owner shall provide immediate written notice to the Commission and shall commence compliance with the requirements in this Section 4(a) on the Occupancy Date.

(b) State Law Requirements. None

(c) Compliance Monitoring Requirements. For purposes of monitoring compliance with this Regulatory Agreement, and taking into account the rounding necessary to achieve the requirements of Sections 4(a) hereof, the Project will be in compliance if the following set-asides are met at the times described above in Sections 4(a):

- ☒ 16 Units for occupancy by Project Qualified Residents; and



Only Qualified Units may be counted towards the low income set-aside requirements.

Section 5. Regulatory Period. Except as otherwise provided in Section 14 of this Regulatory Agreement, this Regulatory Agreement shall continue in full force and effect until the latest of the date (i) which is 20 years after the date of Bond Closing, (ii) which is the first date on which the Bonds or any bonds under Section 142(d) of the Code issued to refund the Bonds are no longer outstanding or (iii) on which any assistance provided with respect to the Project under Section 8 of the United States Housing Act of 1937, as amended, terminates.

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 Bonds and the discharge of the Financing Agreement and the Notes.

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 Residents at the times specified in Section 6(b); (ii) upon each subsequent occupancy of a Qualified Unit, for Project Qualified Residents at the times specified in Section 2(e); and (iii) as often as necessary to comply with the requirements of Section 142 of the Code or as often as 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):

☒ (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 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, 2013, 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 Resident that has commenced occupancy of a Unit or has completed annual recertification in such twelve month period:

- (1) an Eligibility Certification,
- (2) a Rental Eligibility Application with Rider, and



(3) income verification forms.

☒ (iii) to the Commission each January 7, the Affirmative Marketing Report.

☒ (iv) to the IRS on or prior to March 31 of each year or as otherwise required by the IRS, Form 8703, with a copy thereof to the Commission no later than April 15 of each year.

Notwithstanding the foregoing, if within sixty days of the later of (1) the date of Bond Closing or (2) the acquisition of the Project, more than 90% of the Units in the Project are not available for occupancy, following the notice to the Commission required by Section 4(a), the Owner shall provide compliance reports to the Commission at the times and in the forms required by the Commission.

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 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. 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 Financing 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) if required by the Commission, an opinion of counsel for the Transferee, delivered to the Commission and the Trustee, 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 Financing Agreement first accruing from and after the date of the transfer and that this Agreement and the Financing Agreement constitute 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;

(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;

(iv) either (a) the purchaser or assignee has at least three years' experience in the ownership, operation and management of similar size rental housing projects, and at least one year's experience in the ownership, operation and management of rental housing projects containing below-market-rate units, without any record of material violations of discrimination restrictions or other state or federal laws or regulations or local government requirements applicable to such projects, or (b) the purchaser or assignee agrees to retain a property management firm with the experience and record described in subclause (a) above, or (c) the transferring Owner or its management company will continue to manage the Project for at least one year following such transfer and during such period will provide training to the transferee and its manager in the responsibilities relating to the Qualified Units; and

(v) the person or entity that is to acquire the Project does not have pending against it, and does not have a history of, material building code violations or material complaints concerning the maintenance, upkeep, operation, and regulatory agreement compliance of any of its projects as identified by any local, state or federal regulatory agencies.

(f) payment to the Commission of the then applicable administrative fee of the Commission (as set forth in the Commission's Tax Credit Compliance Procedures Manual) to transfer ownership of the Project on its books and records and ensure compliance with this Section 9;

(g) an opinion of Bond Counsel, if required, that such Transfer will not cause the interest on the Bonds to lose its exclusion from gross income for purposes of federal income taxation and payment of any reasonable fee incurred in connection with the issuance of such opinion; and

(h) 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 limited partners of the Owner or the replacement of the general partner of Owner with either Alliant ALP 65, LLC, a Florida limited liability company, Alliant Real Estate Investments, LLC, a Florida limited liability company, or a wholly-owned subsidiary thereof, in accordance with the terms and provisions of the Owner's amended and restated agreement of limited partnership, as amended; (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); 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; Defaults; 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 and upon receipt of an opinion of Bond Counsel that such extension would not cause the interest on the Bonds to be includable in gross income for the purpose of federal income taxation pursuant to Section 103 of the Code. The Commission hereby further agrees that the limited partners of Owner shall have the same opportunity to cure such noncompliance on the same terms provided to the Owner hereunder and hereby agrees that any cure of any default made or tendered by Borrower's limited partners shall be deemed a cure by Owner and shall be accepted or rejected on the same basis as if made or tendered by the Owner.

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 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 Loans are paid in full and whether or not the Bonds are 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.

Violations of the provisions of this Agreement shall be enforceable exclusively against the Owner. The Commission, its successors, designees and assigns, assume no direct or indirect obligation to any former, present or prospective resident for violations of this Agreement. This Agreement is not intended, and shall not be construed, to create a duty or obligation of the Commission to enforce any term or provision of this Agreement on behalf of, at the request of, or for the benefit of, any former, present or prospective resident.

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 Regulatory Period provided herein and shall terminate in its entirety at the end of the Regulatory Period, it being expressly agreed and understood that the provisions hereof are intended to survive the retirement of the Bonds and discharge of the Financing Agreement and the Mortgage Notes. When all the Bonds have been paid or deemed paid pursuant to Article XII of the Indenture, the Trustee will no longer have any duties hereunder and all references to the Trustee will thereafter be deemed references to the Commission.

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 Regulatory Period hereof except by an instrument in writing duly executed by the Commission and the Owner (or its successors in title) and duly recorded. The Commission's consent to any such amendment, revision or termination, other than termination pursuant to Section 14 of this Regulatory Agreement (in each case, whether or not the Bonds shall then be outstanding), shall be given only upon receipt of an opinion of Bond Counsel that such amendment, revision or termination will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds. An opinion of Bond Counsel approving the modification of any of the terms of this Regulatory Agreement as herein required shall become applicable upon the delivery of such opinion to the Commission, and the recording of the instrument evidencing the modification in the office of public records in the County where the Project is located.

Notwithstanding any other provisions hereof, this Regulatory Agreement shall be amended to conform to any more restrictive requirements of any amendments to the Code, amended Treasury Regulations (proposed or final), which in the opinion of Bond Counsel, are necessary and desirable to preserve the exclusion from gross income of interest on the Bonds for federal income tax purposes, or any legislative enactment or final decision by a court of competent jurisdiction, affecting the exclusion from gross income of the interest on the Bonds for federal income tax purposes when, but only to the extent that the same becomes applicable. The



Commission and the Owner and any transferee of the Owner agree to any such amendments as may be required to comply with any such amendments or decisions.

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 Bond Closing which prevents the Commission from enforcing such provisions, or condemnation or a similar event, but only if, within a reasonable period, either the Bonds are 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:



201209200075

Skagit County Auditor

Owner:

APD Housing Partners 16, LP
c/o APD Housing Management 16, LLC
1700 Seventh Avenue
Suite 2000
Seattle, Washington 98101
Attention: Stephen R. Whyte
Fax: 206.621.7420
stephen.whyte@vitusgroup.com

And to:

APD Housing Partners 16, LP
c/o AOF/Pacific Affordable Housing Corp.
7777 Center Avenue, Suite 240
Huntington Beach, California 92647
Attention: Raman Nayar
Fax: 714.891.2098
ray.nayar@aofpacific.com

With a copy to:

Alliant Tax Credit Fund 65, Ltd.
c/o Alliant Capital, Ltd.
340 Royal Poinciana Way, Suite 305
Palm Beach, Florida 33480
Attn: Brian Goldberg
Fax: (561) 833-3694

With a copy to:

Alliant ALP 65, LLC
c/o Alliant Asset Management Co., LLC
21600 Oxnard Street, Suite 1200
Woodland Hills, California 91367
Attn: Anthony G. Palaigos, Esq.
Fax: (818) 668-2828

With a copy to:

VLP Law Group LLP
548 Market Street
San Francisco, California 94104
Attention: Byron A. Rodriguez
Fax: 415.685.4866
brodriguez@vlplawgroup.com

Commission:

Washington State Housing Finance Commission
1000 Second Avenue, Suite 2700
Seattle, Washington 98104-1046
Attention: Director, Compliance
Bond #465; Christenson Portfolio

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



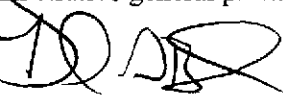
Section 20. Counterparts. This Agreement may be executed in counterparts and each such counterpart shall for all purposes be deemed to be an original and together shall constitute but one and the same instrument.

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.

APD HOUSING PARTNERS 16, LP, a Washington limited partnership

By: APD Housing Management 16, LLC, a Washington limited liability company, its administrative general partner

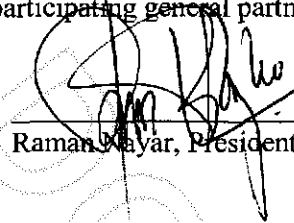
By



David A. Beacham, Authorized Signatory

By: AOF/Pacific Affordable Housing Corp., a California nonprofit public benefit corporation its participating general partner


By



Raman Mayar, President

WASHINGTON STATE HOUSING FINANCE COMMISSION

By:



Paul R. Edwards, Deputy Director



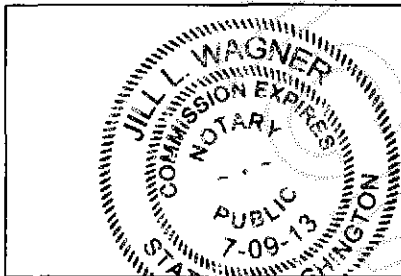
201209200075

Skagit County Auditor

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that David A. Beacham 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 Authorized Signatory of APD Housing Management 16, LLC, the administrative general partner of APD HOUSING PARTNERS 16, LP, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: September 17, 2012.



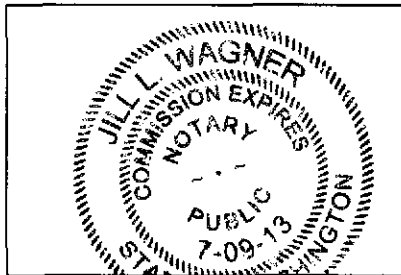
(Use this space for Notarial stamp/seal)

Jill L. Wagner
Notary Public
Print Name Jill L. Wagner
My commission expires 7-09-13

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that Raman Nayar 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 President of AOF/Pacific Affordable Housing Corp, a participating general partner of APD HOUSING PARTNERS 16, LP, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: September 17, 2012.



(Use this space for Notarial stamp/seal)

Jill L. Wagner
Notary Public
Print Name Jill L. Wagner
My commission expires 7-09-13

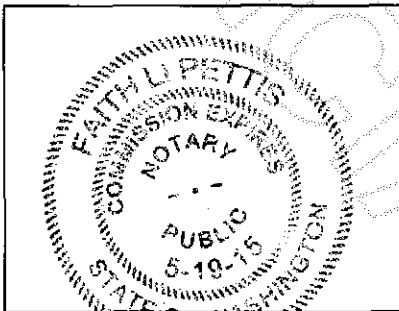


201209200075

Skagit County Auditor

I certify that I know or have satisfactory evidence that PAUL R. EDWARDS 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 Deputy 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.

John



(Use this space for notarial stamp/seal)

Print Name_

My commission expires _____

Abstract

201209200075

Skagit County Auditor

EXHIBIT A

Legal Description

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

Tract 2, Burlington Short Plat No. 7 8-2, located in Volume 3 of Short Plats, page 26, under Auditor's File No. 888920, records of Skagit County, Washington, Section 31, Township 35 North, Range 4 East of the Willamette Meridian and recorded in.

(Being a portion of Lot 50, Plat of Burlington Acreage property, according to the Plat thereof recorded in Volume 1 of Plats, page 49, records of Skagit County, Washington.)

Situated in Skagit County, Washington

