

Please return to:  
PACIFICA LAW GROUP LLP  
1191 Second Avenue, Suite 2000  
Seattle, WA 98101  
Attention: Faith Li Pettis, Esq.

REGULATORY AGREEMENT  
(ANACORTES MANOR APARTMENTS)

**CHICAGO TITLE  
620053579**

Grantor: ANACORTES MANOR LLC (BORROWER)

Grantee: WASHINGTON STATE HOUSING FINANCE COMMISSION

Legal Description

Abbreviated form: That portion of the East 1/2 of the Southeast 1/4 of Section 24, Township  
35 North, Range 1 East, W.M

Additional legal on Exhibit A of document

Assessor's Property Tax Parcel Account Numbers: P31918 / 350124-0-140-0001

Reference number(s) of documents being assigned or released and related documents: \_\_\_\_\_

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**  
**Anacortes Manor Apartments**

THIS REGULATORY AGREEMENT (the “Regulatory Agreement” or “Agreement”) is entered into as of February 1, 2024, between the WASHINGTON STATE HOUSING FINANCE COMMISSION (the “Commission”), a public body corporate and politic and ANACORTES MANOR LLC, a Washington limited liability company (the “Borrower”).

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 which 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 Borrower has applied to the Commission to issue its revenue note designated as the Multifamily Revenue Note (Anacortes Manor Portfolio Projects), Series 2024 (the “Note”) and to use the proceeds from the sale thereof to acquire a loan (the “Borrower Loan”) made to the Borrower by the Mortgage Lender (as defined below) in part for the acquisition, rehabilitation and equipping of a 35-unit multifamily residential project located in the City of Skagit, Skagit County, Washington, known or to be known as Anacortes Manor Apartments, 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

WHEREAS, in order to provide such financing, the Commission, U.S. Bank Trust Company, National Association (the “Fiscal Agent”) and Citibank, N.A. (in such capacity, the “Funding Lender”) have executed a Funding Loan Agreement (the “Funding Loan Agreement”) dated as of February 1, 2024, pursuant to which the Funding Lender will make a loan to the Commission (the “Funding Loan”), and the Commission will issue the Note in favor of the Funding Lender; and

WHEREAS, the Commission, the Fiscal Agent, Citibank, N.A. (in such capacity, the “Mortgage Lender”) and the Borrower have executed a Borrower Loan Agreement (the “Borrower Loan Agreement”) dated as of February 1, 2024, pursuant to which the Commission will acquire the Borrower Loan made to the Borrower, evidenced by a note (the “Borrower Note”) in favor of the Mortgage Lender; and

WHEREAS, the Commission and the Borrower intend to restrict the use of the Project in accordance with requirements of the Code as provided herein to preserve the exemption from federal income taxation of interest on the Note; and

WHEREAS, in addition to restricting the Project in order to meet the requirements of the Code, the Commission and the Borrower intend to restrict the use of the Project as provided herein to satisfy the purposes of the Commission in issuing the Note; and

NOW, THEREFORE, in consideration of the issuance of the Note 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 Borrower 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, the terms defined above shall have the meanings set forth above and the following terms shall have the respective meanings set forth below for the purposes hereof. Capitalized terms not defined herein shall bear the meaning given them in the Funding Loan Agreement.

“Additionally Qualified Residents” means and includes individuals and households earning up to 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 Note, 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, provided that (a) in the case of an acquisition of an existing residential rental project, a Dwelling Unit that is unoccupied on the later of (i) the date the project is acquired or (ii) the earliest issue date of bonds issued to finance the acquisition of the project, under Section 142(d) of the Code, is not an “Available Unit” and does not become an “Available Unit” until it has been leased for the first time after such date, and (b) a Dwelling Unit that is not available for occupancy due to renovations is not an “Available Unit” and does not become an “Available Unit” until it has been leased for the first time after the renovations are completed.

“Borrower” means Anacortes Manor LLC, a Washington limited liability company, its successors and assigns.

“Borrower Loan” means the nonrecourse loan evidenced by the Borrower Note to provide financing for the Project.

“Borrower Loan Agreement” means the Borrower Loan Agreement, of even date herewith among the Commission, the Mortgage Lender, the Fiscal Agent and the Borrower, relating to the Borrower Note and the Borrower Loan, as amended, modified, supplemented or restated from time to time.

“Borrower Note” means the Multifamily Note (Tax Exempt) in the original principal amount of \$12,775,000 of the Borrower in favor of the Mortgage Lender, which has been assigned to the Commission and further assigned to the Funding Lender.

“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” means the Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing (Tax Exempt), together with all riders and addenda thereto, relating to the Project and made in favor of the Mortgage Lender and assigned to the Commission and further assigned to the Funding Lender.

“Equity Investor” means Alliant Credit Facility IV, LLC, a California limited liability company, its successors and assigns.

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

“Fiscal Agent” means U.S. Bank Trust Company, National Association, a national banking association, and its successors and assigns.

“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 and other facilities which are reasonably required for the Project (including heating and cooling equipment, trash disposal equipment and Units for resident managers or maintenance personnel); provided, that such facilities are of a character and size commensurate with the character and size of the Project.

“Funding Lender” means Citibank, N.A., a national banking association, and any subsequent holder of the Note.

“Funding Loan” means the nonrecourse loan evidenced by the Note to provide financing for the Project.

“Funding Loan Agreement” means the Funding Loan Agreement, of even date herewith among the Commission, the Fiscal Agent and the Funding Lender, relating to the Note and the Funding Loan, as amended, modified, supplemented or restated from time to time.

“Immediate Family” means with respect to any Person who is an individual, such Person’s spouse, parents, parents in law, descendants, nephews, nieces, brothers, sisters, brothers in law, and sisters in law.

“IRS” means the Internal Revenue Service.

“Loan Closing,” when used with respect to the Funding Loan and the Borrower Loan, means the issuance of the Note by the Commission, the execution of the Borrower Note by the Borrower and the acquisition of the Borrower Note by the Commission.

“Loan Documents” means the Note, the Borrower Note and all other documents evidencing, securing or otherwise relating to the Funding Loan and the Borrower Loan, including all amendments, supplements and restatements.

“Mortgage Lender” means Citibank, N.A., a national banking association, its successors and assigns.

“Note” means the Multifamily Revenue Note (Anacortes Manor Portfolio Projects), Series 2024 in the original principal amount of \$12,775,000 of the Commission.

“Note Closing” means February 15, 2024.

“Note Counsel” means Pacifica Law Group LLP or an attorney at law or a firm of attorneys at law selected by the Commission of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on obligations issued by states and their political subdivisions duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia.

“Noteowner” means any owner of the Note.

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

“Person” means an individual, a corporation, a partnership, an association, a joint stock company, a joint venture, a trust, an unincorporated association, a limited liability company or a government or any agency or political subdivision thereof, or any other organization or entity (whether governmental or private).

“Project” means the real property described in Exhibit A attached hereto and all buildings, structures, fixtures, equipment and other improvements now or hereafter constructed or located upon thereon.

“Project Qualified Residents” means and includes individuals and households earning up to 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 Note, even if such method is subsequently changed.

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

“Regulatory Agreement” or “Agreement” means this Regulatory Agreement.

“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.

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

Section 2. Federal Tax Law Requirements. For purposes of satisfying the requirements of the Code, the Borrower represents, warrants and covenants as follows:

(a) Qualified Residential Rental Project. The Commission and the Borrower 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 Borrower hereby represents, covenants and agrees as follows:

(1) that the Project shall be rehabilitated 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 or microwave oven, 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 this 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 Borrower; 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 Borrower;

(6) that the Borrower shall not take any steps in connection with a conversion of the Project to condominium ownership during the Regulatory Period; 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 Borrower for federal tax purposes.

(b) Similar Units. That the Qualified Units shall 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 shall be of substantially the same size as other Units in the Project.

(d) Designated Units. If at any time during the Regulatory Period the Borrower 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 to meet the requirements of Section 4(a) and (b).

(e) Annual Income Determination. To make a determination at least annually of 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 available 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) hereof until the next Unit is rented to a 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 Note. 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 Note or the Borrower Note, which would cause the interest on the Note to be or become includable in the gross income of the Noteowner. Without limiting the generality of the foregoing, the Borrower 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 Note Counsel) so that the Borrower, all subsequent owners of the Project and the Project comply fully and continuously with Section 142(d) of the Code, as amended and applicable to the Note 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 IRS pertaining to obligations issued under Section 142(d) of the Code, including, without limitation, the Treasury Regulations.

(g) Recording. This Regulatory Agreement shall be duly recorded at or before Note 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 first position as an encumbrance upon the Project. The Borrower covenants, agrees and acknowledges that the Commission and the Noteowner(s) are the beneficiaries of this Agreement, that the Commission has relied on this Regulatory Agreement in determining to issue and deliver the Note, and that the Noteowner(s) has relied on this Regulatory Agreement in determining to purchase or otherwise become the registered owner(s) of the Note; provided that this acknowledgement is not intended to grant to Noteowner(s) the right to enforce the terms of this Regulatory Agreement.

Section 3. Additional Requirements of the Commission. In order to satisfy the requirement of the Commission in issuing the Note, the Borrower 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-bedroom Units, as applicable), of such Qualified Units will be in the same proportion as the bedroom mix for the entire Project.

(b) 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 the Regulatory Agreement (Extended Use Agreement) between the Commission and the Borrower (the "Tax Credit Regulatory Agreement") is in full force and effect with respect to the Project, 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 Borrower shall report to the Commission pursuant to the terms of the Tax Credit Regulatory Agreement with respect to such units.

(c) 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.

(d) Inspection of Records. To permit any duly authorized representative of the Commission, the Funding Lender or the IRS to inspect during regular business hours, upon reasonable notice, the books and records of the Borrower pertaining to the incomes of the Project Qualified Residents who are residing or have resided in the Project including the records pertaining to the Units set-aside pursuant to Section 4(a) hereof. The Borrower is obligated to obtain and maintain on file, permit access to and submit to the Commission only that documentation with respect to Project Qualified Residents necessary to ensure compliance with Sections 3(a) and 4(a) hereof.

(e) Deed of Trust. The Deed of Trust shall contain language expressing the intention of the Borrower as grantor 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.

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

(a) Federal Tax Law Requirements. Commencing on the date that is twelve months after the Note 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 Note Closing or (2) the acquisition of the Project, more than 90% of the Units in the Project are not available for occupancy, the Borrower 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) and (b) hereof, the Project will be in compliance if the following set-asides are met at the times described above in Sections 4(a) and (b):

- 14 Units in the Project for occupancy by Project Qualified Residents.

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 15 years after the date of Note Closing, (ii) which is the first date on which the Note or any note under Section 142(d) of the Code issued to refund the Note is 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 Borrower expressly agree and understand that the provisions hereof are intended to survive the retirement of the Note and the discharge of the Funding Loan Agreement.

Section 6. Reporting Requirements.

(a) Submission of Reports. The Borrower shall submit copies of such documentation 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 all 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(d) of the Code.

(b) Forms. The Borrower 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 Note 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, 2025, with respect to the twelve-month period ending December 31 (or a 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 Note 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 Borrower 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 Borrower 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 Borrower 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 Borrower 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 of the Commission to enforce the requirements of this Section 7(a) shall not constitute a waiver of the Borrower's obligations to comply with such requirements.

(b) Selection of Residents. When selecting residents for occupancy in Qualified Units, the Borrower 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 Borrower 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 Borrower 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 Borrower 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 Borrower 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 Borrower'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 contain an express provision making such conveyance subject 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 Borrower 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 or upon transfer of title upon foreclosure of a deed

of trust or deed in lieu of foreclosure; provided, that, to the extent that this Agreement has not been terminated pursuant to Section 14, any subsequent Transfer following foreclosure or deed in lieu of foreclosure shall be in accordance with the requirements of this Section 9) 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 but may be conditioned upon:

(a) reasonable evidence satisfactory to the Commission that the Borrower is not then in default hereunder beyond any applicable grace period or cure period or that such default will be cured within a reasonable period of time following such Transfer;

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

(c) agreement of the Borrower 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 Fiscal Agent, to the effect that the Transferee has assumed in writing and in full all duties and obligations of the Borrower under this Agreement, the Borrower Loan Agreement and the Funding Loan Agreement and that this Agreement, the Borrower Loan Agreement and the Funding Loan Agreement constitute a legal, valid and binding obligations of the Transferee;

(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 this 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 due and owing to the Commission or the Fiscal Agent 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 Borrower 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 Note Counsel that such Transfer will not cause the interest on the Note to lose its exemption from federal income taxation; and

(h) any other conditions which may be reasonably imposed by the Commission or the Fiscal Agent, 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 Borrower or the Project of obligations under this Regulatory Agreement.

Notwithstanding the foregoing, the Commission's consent shall not be required, although notice shall still be required, (i) for the events specifically excluded from Commission consent described in the Bond Compliance Procedures Manual of the Commission, and (ii) for the removal of a managing member of the Borrower and replacement with the Equity Investor or an affiliate of the Equity Investor.

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 the transfer provision.

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 Project site.

Section 11. Noncompliance; Defaults; Remedies. The Borrower shall exercise reasonable diligence to comply with the requirements of this Agreement and the Borrower shall correct (and the Equity Investor or Special Member shall have the right, but not the obligation, to correct) any such noncompliance within sixty (60) days after such noncompliance is first discovered by the Borrower or would have been discovered by the exercise of reasonable diligence, or within 60 days after the Borrower receives notice of such noncompliance from the Commission, a copy of which notice shall be given to the Equity Investor; provided, however, that such period for correction may be extended if the Borrower or the Equity Investor of the Borrower is exercising due diligence to correct the noncompliance and upon receipt of an opinion of Note Counsel that such extension would not cause the interest on the Note to be includable in gross income for the purpose of federal income taxation pursuant to Section 103 of the Code.

If the Borrower 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 to bring an action at 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 Borrower of its obligations under this Agreement, it being recognized that the beneficiaries of the Borrower's obligations hereunder cannot be adequately compensated by monetary damages in the event of the Borrower'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 Funding Loan or Borrower Loan is paid in full and whether or not the Note is outstanding. Notwithstanding the foregoing, the requirements set forth in this Regulatory Agreement shall cease to apply to the Project if any of the events specified in Section 14 hereof occurs. 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 Borrower or its Transferee (as approved pursuant to Section 9 hereof) and only by the Commission and/or the Fiscal Agent. No Noteowner shall have the right to enforce this Regulatory Agreement. 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. 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 may survive the retirement of the Note and discharge of the Funding Loan Agreement and the Note. When the Note has been paid or deemed paid pursuant to the Funding Loan Agreement, the Fiscal Agent will no longer have any duties hereunder and all references to the Fiscal Agent 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 except by an instrument in writing duly executed by the Commission and the Borrower (or their 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 (whether or not the Note shall then be outstanding), shall be given only upon receipt of an opinion of Note 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 Note. An opinion of Note Counsel approving the modification of any of the terms of this Regulatory Agreement as herein provided 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 requirement of any amendments to the Code, or amended Treasury Regulations (proposed or final), which in the opinion of Note Counsel, is necessary and desirable to preserve the tax-exemption of interest on the Note, or any legislative enactment or final decision by a court of competent jurisdiction, affecting the tax-exempt status of the interest on the Note when the same becomes applicable. The Commission, the Borrower and any Transferee of the Borrower 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, transfer of title by deed in lieu of foreclosure, change in a federal law or an action of a federal agency after the Note Closing which prevents the Commission and its assigns from enforcing such provisions, or condemnation or a similar event, but only if, within a reasonable period, either the Note 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 Borrower 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 Borrower hereby agrees that, following any foreclosure, transfer of title by deed in lieu of foreclosure or similar event, neither the Borrower nor any such related person as described above will obtain an ownership interest in the Project for federal tax purposes. Upon the termination 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 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 Borrower hereby agrees to pay, indemnify and hold the Commission or any other party authorized to enforce the terms of this Agreement harmless from any and all costs, expenses and fees, including all reasonable attorneys' fees which may be incurred by the Commission or any other party in enforcing or attempting to enforce this Regulatory Agreement following any event of default on the part of the Borrower hereunder or their successors, 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 or the Fiscal Agent at the request of the Borrower (including the reasonable fees and expenses of Note Counsel in connection with any opinion 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 Borrower and action may be brought thereon independently of any other remedy provided for herein. Notwithstanding the foregoing, the Borrower agrees to pay, indemnify and hold harmless (i) the Fiscal Agent only to the extent that the costs, expenses and fees did not arise from the Fiscal Agent's negligence or willful

misconduct, and (ii) the Commission only to the extent that the costs, expenses and fees did not arise from the Commission's gross negligence or willful misconduct.

Section 16. No Conflict with Other Documents. The Borrower warrants that it 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:

Borrower: Anacortes Manor LLC  
c/o Evergreen Development Solutions LLC  
10700 NE 4<sup>th</sup> Street, Suite 2916  
Bellevue, WA 98004

With a copy to: Stoel Rives LLP  
600 University Street, Suite 3600  
Seattle, Washington 98101  
Attention: Kate Mathews  
Email: kate.mathews@stoel.com

And to: Hearthstone WA Properties V, LLC  
c/o Hearthstone Housing Foundation  
1401 Dove Street, Suite 620  
Newport Beach, CA 92660  
Attention: Coco Vasquez  
Facsimile : (949) 553-9448  
Telephone: (949) 553-9447  
Email: coco@hearthstonehousing.org

With a copy to: Rodriguez Wright, LLP  
Attention: Henry Har  
Email: hhar@rodriguezwright.com

Equity Investor: Alliant Credit Facility IV, LLC  
c/o Alliant Capital, Ltd.  
26050 Mureau Road, Suite 200  
Calabasas, California 91302  
Attention: General Counsel  
Telephone: (818) 668-6800  
Telecopy: (818) 668-2828

With a copy to: Nixon Peabody  
799 9<sup>th</sup> Street, Suite 1200  
Washington, DC 20001  
Attention: Sumeet Sharma

Commission: Washington State Housing Finance Commission  
1000 Second Avenue, Suite 2700  
Seattle, Washington 98104-1046  
Attention: Director, Asset Management and Compliance  
Bond #: 1012, Anacortes Manor Portfolio

Promptly upon determining that a violation of this Regulatory Agreement has occurred, the Commission or the Fiscal Agent shall, by notice in writing to the Borrower and the Equity Investor inform the Borrower and the Equity Investor that such violation has occurred, the nature of the violation and to the extent the Commission or the Fiscal Agent has knowledge thereof that the violation has been cured or has not been cured, but is curable within a reasonable period of time, or is incurable; notwithstanding the occurrence of such violation, neither the Commission nor the Fiscal Agent shall have, and each of them acknowledge that they shall not have, any right to cause or direct acceleration of the Funding Loan or the Borrower Loan, to enforce the Note or the Borrower Note. Copies of all other notices provided under this Regulatory Agreement shall be provided to the Servicer at the time the notice is given.


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.

[Remainder of this page intentionally blank.]

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

**WASHINGTON STATE HOUSING  
FINANCE COMMISSION**

By:   
Steve Walker, Executive Director

**ANACORTES MANOR LLC**, a Washington limited liability company

By: **Anacortes Manor Manager LLC**, a Washington limited liability company, its Evergreen Managing Member

By: \_\_\_\_\_  
Larry Blake, Manager

By: **Hearthstone WA Properties V, LLC**, a Washington limited liability company, its Administrative Managing Member

By: **Hearthstone Housing Foundation**, a California nonprofit public benefit corporation, its Sole Member and Manager

By: \_\_\_\_\_  
Socorro Vasquez, Executive Director

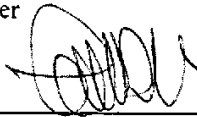
IN WITNESS WHEREOF, the parties have caused this Agreement to be signed by their respective, duly authorized representatives, as of the day and year first written above.

**WASHINGTON STATE HOUSING  
FINANCE COMMISSION**

By: \_\_\_\_\_  
Steve Walker, Executive Director

**ANACORTES MANOR LLC**, a Washington limited liability company

By: Anacortes Manor Manager LLC, a Washington limited liability company, its Evergreen Managing Member

By: \_\_\_\_\_  
  
Larry Blake, Manager

By: Hearthstone WA Properties V, LLC, a Washington limited liability company, its Administrative Managing Member

By: Hearthstone Housing Foundation, a California nonprofit public benefit corporation, its Sole Member and Manager

By: \_\_\_\_\_  
Socorro Vasquez, Executive Director

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

**WASHINGTON STATE HOUSING  
FINANCE COMMISSION**

By: \_\_\_\_\_  
Steve Walker, Executive Director

**ANACORTES MANOR LLC**, a Washington limited liability company

By: Anacortes Manor Manager LLC, a Washington limited liability company, its Evergreen Managing Member

By: \_\_\_\_\_  
Larry Blake, Manager

By: Hearthstone WA Properties V, LLC, a Washington limited liability company, its Administrative Managing Member

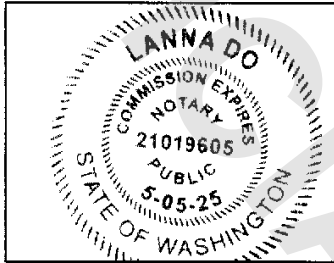
By: Hearthstone Housing Foundation, a California nonprofit public benefit corporation, its Sole Member and Manager

By: \_\_\_\_\_  
Socorro Vasquez, Executive Director

STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF KING )

I certify that I know or have satisfactory evidence that STEVE WALKER 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: January 17, 2024.



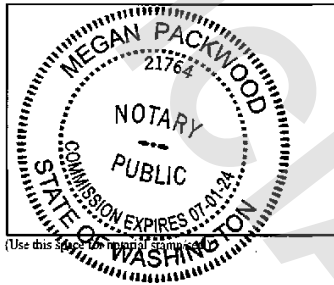
*Lannda Do*  
\_\_\_\_\_  
Notary Public  
Print Name Lannda Do  
My commission expires 5-05-25

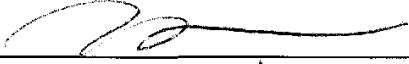
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STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF KING )

I certify that I know or have satisfactory evidence that LARRY BLAKE 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 Manager of Anacortes Manor Manager LLC, the Evergreen Managing Member of ANACORTES MANOR LLC, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: January 18, 2024.

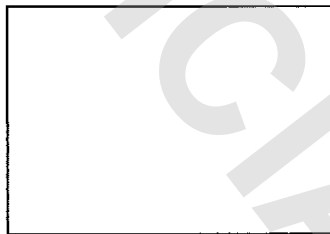


  
\_\_\_\_\_  
Notary Public  
Print Name M Packwood  
My commission expires 7/1/2024

STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF KING )

I certify that I know or have satisfactory evidence that SOCORRO VASQUEZ is the person who appeared before me, and said person acknowledged that she signed this instrument, on oath stated that she was authorized to execute the instrument and acknowledged it as Executive Director of Hearthstone Housing Foundation, the sole member and manager of Hearthstone WA Properties V, LLC, the Administrative Managing Member of ANACORTES MANOR LLC, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: \_\_\_\_\_, 2024.



(Use this space for notarial stamp/seal)

\_\_\_\_\_  
Notary Public  
Print Name \_\_\_\_\_  
My commission expires \_\_\_\_\_

See Attached

## ACKNOWLEDGEMENT

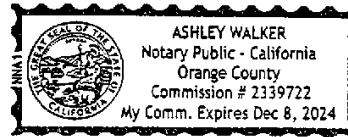
A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

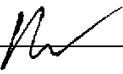
State of California  
County of Orange

On 1/18/2024 before me, Ashley Walker, Notary Public personally appeared Socorro Vasquez, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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

WITNESS my hand and official seal.



Signature 

(Seal)

**EXHIBIT A****Legal Description**

All that certain real property in the County of Skagit, State of Washington, described as follows:

**PARCEL A:**

That portion of the East 1/2 of the Southeast ¼ of Section 24, Township 35 North, Range 1 East, W.M., described as follows:

BEGINNING at the East quarter corner of Section 24, Township 35 North, Range 1 East W.M.; thence South 0° 59' 30" East along the East Line of said Section, 664.81 feet to the South line of the North 1/2 of the Southeast 1/4 of said Section; thence South 89° 47' 52" West along the South line of said North 1/2 of the Southeast 1/4, 226.14 feet to the true point of beginning of this description; thence continue South 89° 47' 52" West to the East line of "N" Avenue produced South; thence North along the East line of "N" Avenue to the South line of 22nd Street; thence West along the South line of 22nd Street to the West line of "N" Avenue produced South; thence South along the West line of "N" Avenue and the East line of those two certain Tracts conveyed to the City of Anacortes by Deeds recorded under Auditor's File Nos. 550990 and 598656, a distance of 512 feet, more or less, to the North line of 24th Street, produced West; thence East along the North Line of 24th Street, produced to a point that bears South 0° 01' 00" East from the true point of beginning; thence North 0° 01' 00" West, 478.31 feet to the true point of beginning, excepting therefrom the following described Tracts:

(a) BEGINNING at the intersection of the South line of 22nd Street Produced with the West line of "N" Avenue produced; thence South along the West line of "N" Avenue produced, the same being the East line of that certain tract conveyed to the State of Washington (Military Department) by deed recorded December 1, 1960, under Auditor's File No. 601489, a distance of 312 feet, more or less, to a point 200 feet North of the North line of 24th Street produced; thence East parallel to the South line of 22nd Street produced 50 feet; thence North parallel to the West Line of "N" Avenue produced 312 feet, more or less, to the South line of 22nd Street produced; thence West along the South Line of 22nd Street produced 50 feet, more or less, to the point of beginning.

(b) BEGINNING at the East quarter corner of Section 24, Township 35 North, Range 1 East W.M.; thence South 0° 59' 30" East along the East line of said Section, 664.81 feet to the South line of the North 1/2 of the Southeast 1/4 of said Section; thence South 89° 47' 52" West along the South line of said North of the North 1/2 of the Southeast 1/4, 226.14 feet to the true point of beginning of this description; thence continue South 89° 47' 52" West to the East line of "N" Avenue produced South; thence

South along the East line of "N" Avenue produced 22 feet; thence North 89° 47' 52" East to a point that bears South 0° 01' 00" East from the true point of beginning; thence North 0° 01' 00" West, 22 feet, more or Less, to the true point of beginning.

PARCEL B:

A non-exclusive easement for travel purposes as described in and created by Warranty Deed dated September 7, 1962, recorded October 18, 1962, under Auditor's File No. 627651, records of Skagit County, Washington, upon and subject to the provisions therein, EXCEPT any portion thereof lying within Parcel A.

Situate in the County of Skagit, State of Washington.