

VOL: 2001 PAGE: 14206
RECORDED DOCUMENT

STATE OF OREGON
COUNTY OF DESCHUTES



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Printed: 03/29/2001 12:14:58

DO NOT REMOVE THIS CERTIFICATE

(This certificate constitutes a part of the original instrument in accordance with ORS 205.180(2). Removal of this certificate may invalidate this certificate and affect the admissibility of the original instrument into evidence in any legal proceeding.)

I hereby certify that the attached instrument was received
and duly recorded in Deschutes County records:

DATE AND TIME: Mar. 29, 2001; 12:02 p.m.

RECEIPT NO: 33708

DOCUMENT TYPE: Declaration of Restrictive
 Covenants

FEE PAID: \$106.00

NUMBER OF PAGES: 16

A handwritten signature in black ink, reading "Mary Sue Penhollow". The signature is fluid and cursive.

MARY SUE PENHOLLOW
DESCHUTES COUNTY CLERK

27033 106-

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Oregon Housing & Community
Services Department
Attn: Housing Finance Section
Post Office Box 14508
Salem, Oregon 97309-0409

2001.14206-1

**OREGON HOUSING AND COMMUNITY SERVICES DEPARTMENT
STATE OF OREGON**

**REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS
AND EQUITABLE SERVITUDE**

THIS REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS AND EQUITABLE SERVITUDE (the "Regulatory Agreement") is made and entered into this 13th day of March, 2001, by and between The Bluffs LIH Limited Partnership, an Oregon for-profit limited partnership, having its principal office as 2164 S. W. Park Place, Portland, Oregon 97205-1125 (hereinafter referred to as the "Borrower"), and the State of Oregon, acting by and through the Oregon Housing and Community Services Department, having its principal office at 1600 State Street, Salem, Oregon 97301-4246 (hereinafter referred to as "the Department").

RECITALS

- A. The Borrower will construct or has constructed a multifamily housing project (the Project") to be located or located within the State to be occupied by lower income families or persons, pursuant to the provisions of ORS 456.515 to 456.720 (the "Act").
- B. Pursuant to the Act, the Department has issued on September 28, 1999, its Multifamily Housing Revenue Bonds, 1999 Series B, (the "Bonds") in the aggregate principal amount of \$34,920,000.00 and loaned a portion of the proceeds of the Bonds to the Borrower.

**REGULATORY AGREEMENT
MULTIFAMILY PROGRAM**

THE BLUFFS APARTMENTS, Redmond, Oregon

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- C. The Internal Revenue Code of 1986, as amended (the "Code"), and the Act prescribe that the financing, use and operation of the Project be restricted in certain aspects.

AGREEMENT

In consideration of the above premises and of the mutual covenants and undertakings set forth herein, and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows in order to ensure that the Project will be financed, used and operated in accordance with the Code and the Act:

Section 1. Definitions. Capitalized terms not defined in this Regulatory Agreement shall have the meanings defined for such terms in other Loan Documents. Unless the context clearly requires otherwise, the following terms shall have the meanings set forth below:

Borrower. The term "Borrower" means the Borrower identified in the first paragraph of this Regulatory Agreement, its successors and assigns, and any owner of the Project during the Qualified Project Period.

Code. The term "Code" means the Internal Revenue Code of 1986, as amended, as it was in effect on September 28, 1999, including any applicable amendments thereafter, and the regulations promulgated thereunder.

Loan Documents. The term "Loan Documents" means the Loan Agreement, the Trust Deed, the Trust Deed Note or Note, this Regulatory Agreement, the Commitment Letter, the Borrower Tax Certificate and any other documents associated with the loan of Bond Proceeds to the Borrower for the Project.

Low or Moderate Income Persons. The term "Low or Moderate Income Persons" means persons or families whose income is sixty percent (60%) or less of area median gross income and who otherwise qualify as lower income families or persons under the Act. Income of persons or families, and area median gross income shall be adjusted for family size and shall be determined by the Secretary of the Treasury of the United States in a manner consistent with the determinations of lower income families under Section 8 of the United States Housing Act of 1937, as amended (or if such program is terminated, under such program as in effect immediately before such termination). Notwithstanding the foregoing, the occupants of a unit shall not be considered to be of low or moderate income if all of the occupants are students, no one of whom is entitled to file a joint return under Section 6013 of the Code. The method of determining low or moderate income shall be the method which was in

effect on the Closing Date of the Bonds will be determinative for the Bonds even if the method is subsequently changed. If programs under Section 8(f) of the Housing Act of 1937, as amended, are terminated prior to the Closing Date of the Bonds, the applicable method is the one in effect immediately prior to the date of termination.

Qualified Project Period. The term "Qualified Project Period" means the period beginning on the later of (a) the first day on which at least ten percent (10%) of the residential units in the Project are first occupied, or (b) the date the proceeds of the Bonds are applied to the Project and ending on the latest of: (i) that date which is fifteen (15) years after the date on which at least fifty percent (50%) of the residential units in the Project are first occupied; or, if later, that date which is fifteen (15) years after the date the proceeds of the Bonds are applied to the Project) (ii) the first day on which no Bonds issued with respect to the Project are outstanding; or (iii) the date on which any assistance provided with respect to the Project under Section 8 of the United States Housing Act of 1937 terminates.

Section 2. Residential Rental Project. The Department and the Borrower hereby declare their understanding and intent, and the Borrower hereby agrees with the Department, that the Project shall be a multi-family housing project under the Act and the Department's rules, and either the first use of the Project was made pursuant to the Loan within the meaning of Section 145(d)(2)(A) of the Code and Section 3 hereof if the Borrower is a "qualified 501(c)(3) entity" or the Project shall be constructed, owned, managed and operated, during the Qualified Project Period, as a "qualified residential rental project" as such phrase is defined in Section 142(d) of the Code and in accordance with Sections 4 and 5 hereof.

Section 3. New Construction Exception for 501(c)(3) Borrowers. If the first use of any residential rental property for family units described in Section 2 hereof was made pursuant to the Loan, and the Borrower is a "qualified 501(c)(3) entity", the Borrower covenants and agrees that:

(a) Any building financed with the Loan is new construction and any equipment or material financed with the Loan is new equipment or material; and

(b) If the construction, acquisition and equipping of the Project was not initially financed with the proceeds of the Loan, the first use of the Project was pursuant to a taxable financing and the Borrower reasonably expected (at the time of such taxable financing) that the taxable financing would be replaced by tax-exempt financing and such taxable financing was replaced by the Loan within a reasonable period after the taxable financing was provided as contemplated by Section 145(d)(3) of the Code.

Section 4. Qualified Residential Rental Project. If the Project or Borrower does not meet the requirements of Section 145(d)(2)(A) of the Code and Section 3 hereof, the Borrower hereby represents, covenants, warrants and agrees that:

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(a) The Project shall consist of one or more proximate buildings or structures, together with any functionally related and subordinate facilities, containing one or more similarly constructed residential units which are used other than on a transient basis, all of which are owned for federal tax purposes by the same person. Functionally related and subordinate facilities include facilities sized for use by tenants, such as swimming pools and other recreational facilities, parking areas and other facilities which are reasonably required for tenants in the qualified residential rental project, including heating and cooling equipment, trash disposal equipment and units for resident managers or maintenance personnel. The basic test for functionally related and subordinate facilities is that the facilities must be of character and size commensurate with the size and character of the Project.

(b) Once each residential unit in the Project is available for occupancy, such unit shall be rented or available for rental on a continuous basis to members of the general public for the Qualified Project Period; provided however, that a reasonable number of residential units may be occupied by a resident manager or maintenance person.

(c) All of the residential units in the Project shall be similarly constructed and shall contain separate and complete facilities for living, sleeping, eating, cooking, and sanitation for a single person or a family, including a sleeping area, bathing and sanitation facilities, and cooking facilities equipped with a range and a conventional oven or a microwave oven (as approved by the Department), refrigerator and sink.

(d) None of the residential units in the Project shall at any time be utilized on a transient basis; and neither the Project nor any portion thereof shall ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, nursing home, sanitarium, retirement home, rest home, or other facility treated as a health care facility which provides continual or frequent nursing, medical or psychiatric services, or trailer park or court for use on a transient basis.

(e) At least forty percent (40%), or such greater percentage as specified in Section 5, of residential units in the Project, shall be leased or rented on a continuous basis during the Qualified Project Period to Low or Moderate Income Persons, as provided herein. Residential units in the Project also shall be leased in accordance with applicable provisions of the Act. For this purpose, a vacant residential unit shall be deemed occupied by the last tenant thereof until leased to a new tenant. Borrower has elected to rent 100% of all units to Low or Moderate Income Persons.

(f) No preference will be given to any particular class or group in renting the residential units in the Project, except to the extent that residential units are required to be leased or rented to qualified Occupants in accordance with the Loan Documents.

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(g) Low and Moderate Income Persons residing in the Project shall have equal access and enjoyment to all common facilities of the Project.

(h) Low-income persons who are holders of certificates for federal housing assistance payments for existing housing pursuant to Section 8 of the United States Housing Act of 1937 or a successor federal program, shall be accepted as tenants on the same basis as all other prospective tenants; and the Borrower shall not apply tenant selection criteria to such Section 8 certificate holders which are more burdensome than the criteria applied to any other prospective tenants.

(i) The Project consists of a parcel or parcels of real property that are contiguous except for the interposition of a road, street or stream, and all of the buildings and structures in the Project comprise a single geographically and functionally integrated project for residential rental property, as evidenced by the ownership, management, accounting and operation of the Project.

(j) Within thirty (30) days after the date on which ten percent (10%) of the residential units in the Project are first occupied (or, if later, the date the proceeds of the Bonds are applied to the Project), the Borrower shall prepare and provide to the Department a certificate identifying such date.

(k) Within thirty (30) days after the date on which fifty percent (50%) of the residential units in the Project are first occupied (or, if later, the date the proceeds of the Bonds are applied to the Project), the Borrower shall prepare and provide to the Department a certificate identifying such date.

(l) No part of the Project shall at any time be owned or used by a cooperative housing corporation.

(m) Residential units in the Project shall not be converted to condominium ownership, or to any use other than a residential rental unit, during the Qualified Project Period.

The provisions of this Section, if applicable, shall remain in effect during the Qualified Project Period; provided, however, that after repayment in full of the Loan, the Borrower may, with the written consent of the Department, be discharged from its obligations under this Section to the extent that the same are assumed by any successor in interest to the Borrower.

Section 5. Low or Moderate Income Persons. If Section 145(d)(2)(A) and Section 3 hereof do not apply, to the end of satisfying the requirements of Section 142(d) of the Code during the Qualified Project Period, the Borrower agrees that:

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(a) Throughout the Qualified Project Period, (i) during the initial rent-up phase of the Project, at least forty percent (40%) of the completed and occupied residential units in the Project shall be occupied by Low or Moderate Income Persons, and (ii) after initial rental occupancy of residential units by Low or Moderate Income Persons, at least forty percent (40%) of the completed residential units in the Project shall be occupied by Low or Moderate Income Persons, and at all times shall be rented to and occupied (or held vacant and available for rent if previously rented to and occupied by a Low or Moderate Income Person) by Low or Moderate Income Persons as required by Section 142(d) of the Code. If a unit previously was rented to a Low or Moderate Income Person and was counted as part of the 40% unit set-aside test, and if that unit is vacated, it shall continue to be considered occupied by a Low or Moderate Income Person until a new tenant occupies said unit, at which time the status of said unit will be redetermined. Borrower has elected to rent 100% of units to Low or Moderate Income Persons.

(b) The Borrower shall determine whether a prospective resident of a unit is a Low or Moderate Income Person prior to occupancy and shall verify the resident's continued status as a Low or Moderate Income Person at least annually on the basis of the current income of the resident in a manner consistent with Department directives.

(c) If a resident was a Low or Moderate Income Person on commencement of their occupancy of a unit (or as of any prior determination under the preceding paragraph), the resident shall be treated as continuing to be a Low or Moderate Income Person so long as the income of the resident does not exceed 140 percent (140%) of the applicable income limit. Notwithstanding the foregoing, the disqualified tenant (*i.e.*, one whose income exceeds 140% of the applicable income limit) shall continue to qualify as a Low or Moderate Income person, provided that the next occupant of a vacant residential unit of comparable or smaller size as the unit with the disqualified tenant is a Low or Moderate Income Person, after which the unit with the disqualified tenant will no longer qualify as being occupied by a Low or Moderate Income Person.

(d) Throughout the Qualified Project Period, the Borrower shall obtain and maintain on file from each Low or Moderate Income Person residing in the Project a certification of tenant eligibility and income verification in a form and manner required by the Department. Such files shall be maintained by the Borrower for at least three years after the end of the Qualified Project Period.

(e) Throughout the Qualified Project Period, the Borrower shall permit any duly authorized representative of the Department to inspect the books and records of the Borrower pertaining to the incomes of Low or Moderate Income Persons residing in the Project.

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(f) Throughout the Qualified Project Period, the Borrower shall obtain and maintain on file from each Low or Moderate Income Person residing in the Project a copy of such Low or Moderate Income Person's most recent federal income tax return or (if a Low or Moderate Income Person certifies in writing that such person did not retain a copy of such tax return) other satisfactory evidence of income for such year such as wage statements or employer records, or, such other evidence of income as may be approved by the Department in writing.

(g) The Borrower shall prepare and submit to the Department annually during the Qualified Project Period a certification of continuing program compliance, in the form required by the Department, which certification shall be executed by the Borrower, shall set forth such information as the Department may require, including the percentage of the residential units of the Project which were occupied by Low or Moderate Income persons at all times during the period since the filing of the last certification of continuing program compliance and shall have attached to the Department's copy of the certification of continuing program compliance the certifications of tenant eligibility and income verification and tax returns received from Low or Moderate Income Persons occupying units in the Project which have not previously been furnished to the Department.

(h) Throughout the Qualified Project Period, the Borrower shall prepare and file with the Department an annual certification, in a format approved by the Department, that the Project continues to meet the requirements of this Regulatory Agreement and Section 142(d) of the Code.

(i) Throughout the Qualified Project Period, the Borrower shall assure that each lease used by the Borrower in renting any residential units in the Project to Low or Moderate Income Persons provides for termination of the lease and consent by such person to immediate eviction for failure to qualify as a Low or Moderate Income Person, as a result of any material misrepresentation made by such person with respect to such person's income and income verification.

(j) The Borrower shall cause the certification required by Section 142(d)(7) to be submitted to the Secretary of Treasury of the United States (at such time and in such manner as the Secretary shall prescribe) an annual certification as to whether the Project continues to meet the requirements of Section 142(d) of the Code. Failure to comply with this certification requirement shall subject the Borrower and any operator of the Project to penalty, as provided in Section 6652(j) of the Code or other relevant Sections. Form 8703 must be submitted to the IRS by March 31 after the close of the calendar year for which an election under Section 142(d) of the Code was made and must be filed annually during the Qualified Project Period.

(k) The Borrower hereby expressly agrees to comply with all applicable regulations which are promulgated under Section 142(d) of the Code. The Borrower acknowledges that regulations have not been promulgated under Section 142(d) of the Code, that the Secretary of Treasury of the United States may promulgate regulations under Section 142(d) of the Code which will be retroactive in effect, and that the Borrower, and any owner of the Project during the Qualified Project Period will be obligated to comply with the requirements of such regulations.

(l) In addition to the foregoing covenants regarding occupancy by Low or Moderate Income persons, the Borrower understands and hereby expressly agrees that all units in the Project will be rented to Lower Income Families or Persons in a manner consistent with the Act. "Lower Income Families or Persons" means the elderly and families and persons residing in the State of Oregon, who cannot obtain in the open market decent, safe and sanitary housing, including the costs of utilities and taxes, for twenty-five percent (25%) of the gross income of such families or persons as provided in the Act, under rules adopted by the Department. The term also may include other families or persons where the assistance provided is determined by the Department to be incidental to the accomplishment of the Department's programs for lower income families or persons. The maximum income limit applicable to such Lower Income Families or Persons shall be one hundred percent (100%) of median family income, provided up to 20% of the units in the Project may be rented to Lower Income Families or persons whose income does not exceed one hundred twenty percent (120%) of median family income, as determined by the Department.

Section 6. Compliance With Environmental Laws; Project Safety. The Borrower hereby expressly agrees and covenants to comply fully with Section 1.06 of the Trust Deed, and with provisions of the other Loan Documents relating to compliance with all Environmental Laws and the maintenance of the Property and Improvements in a safe and healthful condition.

Section 7. Compliance With Risk Sharing Program. The Borrower hereby expressly agrees and covenants to comply with the requirements of Section 542(c) of the Housing and Community Development Act of 1992 and regulations promulgated by the U.S. Department of Housing and Urban Development ("HUD") and set forth at 24 CFR Part 266 (the "Risk Sharing Program"), in effect on the date of FHA insurance endorsement for so long as the FHA Commissioner insures the loan or mortgage.

Section 8. Indemnification of the Department. The Borrower shall save, indemnify and hold harmless, the State of Oregon and the Department as well as the U.S. Government and HUD, their officers, agents, employees, members, successors and assigns, together with Bond owners, from any and all claims, suits or actions of whatsoever nature resulting from or arising out of the activities of the Borrower or its subcontractors, agents, or employees (the "Borrower") in connection with this

Project or arising from an allegation that the Borrower breached any of its agreements hereunder, and any damages resulting from a breach hereunder.

- Section 9. Reliance. In performing its duties and obligations hereunder, the Department may rely upon statements and certificates of the Borrower and Low or Moderate Income Persons believed to be genuine and to have been executed by the proper person or persons, and upon audits of the books and records of the Borrower pertaining to occupancy of the Project. In addition, the Department may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Department hereunder in good faith and in conformity with the opinion of such counsel.
- Section 10. Sale or Transfer of Project. The Borrower hereby covenants and agrees not to sell, transfer or otherwise dispose of the Project or any interest therein (other than the making of leases for the units to members of the general public as allowed in the Loan Documents) without obtaining the prior written consent of the Department, as provided in the Loan Agreement, Trust Deed and other Loan Documents. Any sale, transfer or other disposition of the Project in violation of this Section shall be ineffective and shall not relieve the Borrower of its obligations under this Regulatory Agreement or otherwise.
- Section 11. Involuntary Substantial Loss or Substantial Destruction. Upon evidence satisfactory to the Department that compliance with the provisions of this Regulatory Agreement is no longer possible due to the involuntary loss or substantial destruction of the Project, as a result of unforeseen events which prevent compliance hereunder (e.g., a fire, seizure, requisition, changes in a federal law or an action of a federal agency or condemnation) or due to a foreclosure of the lien of the deed of trust executed in connection with the Loan or delivery of a deed in lieu of foreclosure whereby a party other than the Borrower or a Related Person shall take possession of the Project, the Department will waive the restrictions in this Agreement if (i) all Bonds allocable to the Project are redeemed within a reasonable period and (ii) the Department obtains an opinion from its Bond Counsel stating that noncompliance with the provisions hereof as a result of such involuntary loss or substantial destruction resulting from unforeseen event will not adversely affect the exemption from federal income taxation or state personal income taxation of the interest on the Bonds. Notwithstanding the foregoing, the provisions of this Regulatory Agreement and the terms and provisions hereof shall remain in force and effect as though the provisions hereof had never ceased to apply to the Project (i) if, after a foreclosure or the delivery of a deed in lieu of foreclosure, the Borrower or a Related Person shall acquire an ownership interest (for federal income tax purposes) in the Project subsequent to such event or (ii) if the recipient of title by foreclosure or a deed in lieu of foreclosure does not prepay the Loan in full. For purposes of this Section, "Related Person" means a person related to another person such that (a) the relationship between such persons would result in a disallowance of losses under

Section 267 or 707(b) the Code or (b) such persons are members of the same controlled group of corporations (as defined in Section 1563(a) of the Code, except that "more than fifty percent (50%)" shall be substituted for "at least eighty percent (80%)" each place it appears therein).

- Section 12. Covenants to Run With the Real Property and to Constitute an Equitable Servitude. The Borrower hereby subjects the Project, including the real property described in Exhibit "A" hereto, to the covenants, reservations and restrictions set forth in this Regulatory Agreement. The Department and the Borrower hereby declare their specific intent that the covenants, reservations and restrictions set forth herein shall be deemed covenants running with the real property as well as constituting an equitable servitude with respect to the real property in favor of the Department and shall pass to and be binding upon the Borrower's successors in title to the Project; provided, however, that on the termination of this Regulatory Agreement said covenants, reservations and restrictions shall expire. Each and every contract, deed or other instrument executed together with this Regulatory Agreement or hereafter covering or conveying the Project or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, as well as the equitable servitude regarding same, regardless of whether such covenants, reservations, restrictions or equitable servitude are set forth in such contract, deed or other instruments.
- Section 13. Burden and Benefit. The Department and the Borrower hereby declare their understanding and intent that the burden of the covenants and equitable servitude set forth herein touch and concern the real property in that the Borrower's legal interest in the Project is rendered less valuable hereby. The Department and Borrower hereby further declare their understanding and intent that the benefit of such covenants and equitable servitude touch and concern the real property by enhancing and increasing the enjoyment and use of the Project by Low or Moderate Income Persons, the intended beneficiaries of such covenants, reservations and restrictions, and by furthering the public purpose for which the Bonds were issued.
- Section 14. Uniformity; Common Plan. The covenants, reservations and restrictions hereof shall apply uniformly to the entire Project in order to establish and carry out a common plan for the use, development and improvement of the land on which it is, or is to be constructed.
- Section 15. Term. This Regulatory Agreement shall become effective upon its execution and delivery. Except as provided in the immediately following paragraph and as otherwise provided in Section 11 hereof, this Regulatory Agreement shall remain in full force and effect for the Qualified Project Period, if applicable, without regard to whether or not the documents executed in connection with the Loan have expired or, if not applicable, until no Bonds remain outstanding. The Qualified Project Period is

not expected to end before April 15, 2031, which is not less than 15 years after the date of issuance of the Bonds.

Notwithstanding any other provisions of this Regulatory Agreement, this entire agreement, or any of the provisions or Sections hereof, may be terminated upon written agreement of the Department, HUD, and the Borrower, recorded in the real property records of the county in which the Project is located, if there shall have been received an opinion of nationally recognized bond counsel, satisfactory to the Department, that such termination will not adversely affect the exemption from federal taxation of the interest on the Bonds.

Section 16. Events of Default; Enforcement. If the Project is not constructed and operated as required by this Regulatory Agreement, or if the Borrower defaults in the performance or observance of any covenant, agreement or obligation of the Borrower set forth in this Regulatory Agreement or the other Loan Documents, then the Department may, and in the case of a default affecting the federal or state income taxation of interest on the Bonds, shall declare that an Event of Default has occurred hereunder and may exercise any or all remedies provided in Section 6.02 of the Trust Deed, or in the other Loan Documents, including but not limited to any one or more of the following steps, at its option:

(a) By mandamus or other suit, action or proceeding at law or in equity, require the Borrower to perform its obligations and covenants hereunder, or enjoin any acts or things which may be unlawful or in violation of the rights of the Department hereunder;

(b) Have access to and inspect, examine and make copies of all of the books and records of the Borrower pertaining to the Project;

(c) Take whatever other action at law or in equity may appear necessary or desirable to enforce the obligations, covenants, equitable servitude and agreements of the Borrower hereunder;

(d) Declare a default under the Loan Documents, accelerate the amount due thereunder, and proceed with foreclosure and the exercise of all other rights and remedies under the Loan; or

(e) If the Event of Default is a breach of the Borrower's covenants set forth in Section 4(e) hereof and such Event of Default continues for a period of seven (7) days, the Department may require the Borrower to lease to the Department (and the Borrower hereby grants to the Department an option to lease), such units in the Project which units may be specifically designated by the Department as will enable compliance with Section 4(e) hereof when sublet to Low or Moderate Income Persons, which lease by the Borrower to the Department shall be at a total

rent of One Dollar (\$1.00) per year, per unit, for the remainder of the Qualified Project Period.

Notwithstanding any provision to the contrary contained herein, the Department shall have the right to enforce this Regulatory Agreement and require curing of defaults in such shorter periods than specified above as it may reasonably deem necessary to insure compliance with Section 142(d) and Section 145(d) of the Code and the Regulations promulgated thereunder.

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 to obtain relief against or recover for the continuation or repetition of such breach or violation thereof at any later time or times.

The selection of one or more remedies by the Department under the Loan Documents shall not constitute a waiver of any other remedies available to the Department.

Section 17. Governing Law. This Regulatory Agreement shall be governed enforced and interpreted by the laws of the State of Oregon. Any litigation with respect to this Agreement shall be brought in the Circuit Court of the State of Oregon for the County of Marion, or if necessary, in the United States District Court for the District of Oregon; except for any foreclosure or other action with respect to the Premises, which shall be brought in the Circuit Court of the State of Oregon for the County of Deschutes.

Section 18. Amendments. Except as provided in the next succeeding paragraph, this Regulatory Agreement shall be amended only by a written instrument executed by the parties hereto and only upon an opinion of Bond Counsel that such amendment or revision will not adversely affect the exemption from federal income taxation or state personal income taxation of interest on the Bonds (unless the Department's rights in this Agreement have been assigned to a Credit Facility in a manner consistent with the Loan Documents) and only if the amendment will not adversely affect the requirements of the Risk Sharing Program while FHA insurance is in effect.

Section 19. Severability. If any one or more of the provisions of this Regulatory Agreement shall be declared by any court of competent jurisdiction to be contrary to law, then such provisions shall be deemed separable from, and shall in no way affect the validity of, any of the other provisions of this Regulatory Agreement.

Section 20. Cross Default. An Event of Default hereunder also shall constitute an Event of Default under the Loan Documents. An Event of Default under the other Loan Documents shall constitute an Event of Default hereunder.

- Section 21. Recording and Filing. The Borrower shall cause this Regulatory Agreement and all amendments and supplements hereto to be recorded and filed in the real property records in the office of the County Recorder of the county (or counties) in which the Project is located and in such manner and in such place as the Department may reasonably request, and shall pay all fees and charges incurred in connection therewith. Upon the latest to occur of the termination of this Agreement or the expiration of the Qualified Project Period, if applicable, the Department shall cooperate with the Borrower, at the sole expense of the Borrower, in the recording, of such instrument or instruments of release or termination with respect to this Agreement as the Borrower may reasonably request; provided, however, that this provision shall not be implemented unless the Department receives an opinion of Bond Counsel, satisfactory to the Department, to the effect that such instrument or instruments may be executed and recorded without in and of themselves having an adverse effect upon the exclusion of Bond interest from gross income under Federal income tax laws.
- Section 22. Confirmation of Loan Agreement Tax Covenants. Borrower hereby specifically covenants to comply with all tax covenants set forth in the Loan Agreement, Construction Agreement, Trust Deed, Borrower Tax Certificate and other Loan Documents which covenants are incorporated herein as if fully set forth herein.
- Section 23. Notice. Notice required under this Regulatory Agreement shall be in writing, mailed, faxed or delivered in a manner consistent with that required in the Trust Deed.
- Section 24. Expenses and Attorney Fees. The prevailing party in any dispute arising from this Regulatory Agreement shall be entitled to recover from the other its reasonable attorney's fees and costs incurred preliminary to and at trial, on appeal and in bankruptcy and arbitration proceedings.
- Section 25. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which shall constitute one and the same instrument, and, in making proof of this Agreement, it shall not be necessary to produce or account for more than one such counterpart.

STATUTORY NOTICE: UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY THE LENDER AFTER OCTOBER 3, 1989, CONCERNING LOANS AND OTHER CREDIT EXTENSIONS, WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE BORROWER'S RESIDENCE MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY THE LENDER TO BE ENFORCEABLE.

2001.14206.14

IN WITNESS WHEREOF, the Department and the Borrower have caused this Agreement to be signed, acknowledged and attested on their behalf by duly authorized representatives, all as of the date first written hereinabove.

HOUSING AND COMMUNITY SERVICES DEPARTMENT
STATE OF OREGON

By: John L. Wahrgren, Jr.
John L. Wahrgren, Jr., Manager
Housing Finance Section

STATE OF OREGON)
): ss
County of Marion)

The foregoing instrument was acknowledged before me this 12th day of March, 2001, by John L. Wahrgren, Jr., Manager, Housing Finance Section, of the Oregon Housing and Community Services Department, on behalf of the Department.



Craig E. Tillotson
NOTARY PUBLIC FOR OREGON
My Commission Expires: 6-9-2001

REGULATORY AGREEMENT
MULTIFAMILY PROGRAM
THE BLUFFS APARTMENTS, Redmond, Oregon

2001.14206.15

BORROWER: The Bluffs LIH Limited Partnership,
an Oregon for-profit limited partnership.

By: GSL The Bluffs Investors, LLC,
an Oregon for-profit limited liability company,

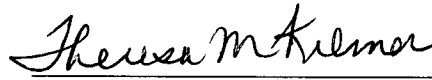
Its General Partner.

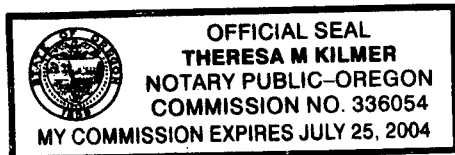

Name: _____, Member

STATE OF OREGON)
): ss
County of Multnomah)

On the 13th day of March, 2001, before me, the undersigned Notary Public, in and for the county and state aforesaid, personally appeared the within named Walter O. Grodahl and being first duly sworn, did say that he is a signing member of GSL The Bluffs Investors, LLC, the General Partner of The Bluffs LIH Limited Partnership, an Oregon limited partnership, and that he executed the foregoing Loan Agreement on behalf of said partnership.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year last above written.


NOTARY PUBLIC FOR OREGON
My Commission Expires: 7/25/04



REGULATORY AGREEMENT
MULTIFAMILY PROGRAM
THE BLUFFS APARTMENTS, Redmond, Oregon

2001.14206.16

EXHIBIT A

PARCEL I: A parcel of land situate in a portion of Lot Three (3) of DOBSON-SLOCUM SUBDIVISION, Deschutes County, Oregon, more particularly described as follows:

Commencing at the Southwest corner of said Lot 3 of DOBSON-SLOCUM SUBDIVISION, the initial point; thence North 00°01'00" East along the Westerly line of said Lot 3, 319.75 feet to the Northwest corner of said Lot 3; thence North 89°34'25" East along the Northerly line of said Lot 3, 126.75 feet to the true point of beginning, marked by a 1/2" pin; thence North 89°34'25" East along the Northerly line of said Lot 3, 355.65 feet to a 1/2" pipe marking a point which is 140.00 feet Westerly of the Northeast corner of said Lot 3 marked by a 1/2" pin; thence South 00°06'32" East parallel to the Easterly line of said Lot 3, 163.16 feet; thence North 89°34'25" East, 140.00 feet to a 1/2" pipe marking a point which is 163.16 feet Southerly of the Northeast corner of said Lot 3 as measured along the Easterly line of said Lot 3; thence South 00°06'32" East along the Easterly line of said Lot 3, 156.63 feet to the Southeast corner of said Lot 3, thence South 89°34'40" West along the Southerly line of said Lot 3, 383.60 feet to a point which is 239.50 feet Easterly of the Southwest corner of said Lot 3; thence North 00°01'00" East parallel to the Westerly line of said Lot 3, 126.60 feet; thence South 89°34'40" West parallel to the Southerly line of said Lot 3, 112.75 feet; thence North 00°01'00" East parallel to the Westerly line of said Lot 3, 193.16 feet to the point of beginning.

EXCEPTING THEREFROM that portion conveyed to the Public by Deed recorded April 28, 1978, in book 272, Page 597, Deed Records.

PARCEL II: A parcel of land situate in Lot Three (3) of DOBSON-SLOCUM ACREAGE, Deschutes County, Oregon, more particularly described as follows:

Commencing at the Southwest corner of Lot 3, DOBSON-SLOCUM ACREAGE, the initial point; thence North 00°01'00" East, along the Westerly line of said Lot 3, 126.60 feet to the true point of beginning; thence North 00°01'00" East along the Westerly line of said Lot 3, 193.15 feet to the Northwest corner of said Lot 3; thence North 89°34'25" East along the Northerly line of said Lot 3, 126.75 feet to a 1/2" pin; thence South 00°01'00" West, 193.16 feet; thence South 89°34'40" West parallel to the Southerly line of said Lot 3, 126.75 feet to the point of beginning.

REGULATORY AGREEMENT
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