

RECORDING REQUESTED BY:

County of Nevada

WHEN RECORDED MAIL TO:

County of Nevada

950 Maidu Avenue, Suite 120

Nevada City, CA 95959

COUNTY OF NEVADA
HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME)

SENIOR REGULATORY AGREEMENT

LOAN NUMBER 23-HOME-16301

(Senior HOME Restrictions)

This Senior Regulatory Agreement (the "Agreement") dated May 19, 2026, for reference purposes only, is made and entered into by and between Penn Valley Pacific Associates II, a California Limited Partnership (the "Borrower"), and the County of Nevada, a political subdivision of the State of California (the "County").

RECITALS:

- A. Borrower has applied to the County for a loan (the "HOME Loan") for the development of a Rental Housing Development located 10528 Broken Oak Ct, Penn Valley, California, consisting of a total of [31] rental units (the "Development"), of which [31] HOME Assisted Units are to be occupied by Low-Income Families as provided in this Agreement. The Development includes the real property described in Exhibit A hereto (the "Property"). The County has conditionally agreed to provide the HOME Loan under 24 C.F.R. Part 92, as amended, Health and Safety Code § 50676, HOME Investment Partnerships Program ("HOME") Allocation Plan and Substantial Amendment to the AP and Consolidated Plan, and the Uniform Multifamily Regulations at 25 C.C.R. § 8300 et seq., (collectively referred to as the "HOME Regulations"). The obligations imposed on the Borrower by this Agreement, the HOME Regulations, and the County's policies and procedures are collectively referred to herein as the "Program Requirements."

Borrower and the County have entered into a Loan Agreement, dated May 19, 2026, regarding the Development and governing the terms of the HOME Loan (the "Loan Agreement").

Also as required by the County and in addition to the Loan Agreement, Borrower has executed or will execute each of the following documents in form approved by the County:

1. A promissory note evidencing the HOME Loan specifying, inter alia, the principal amount thereof, the interest accruing thereon and the terms of repayment thereof (the "Note").
 2. A deed of trust, securing the Note and naming the County as beneficiary and the Borrower as trustor and recorded or to be recorded against Borrower's leasehold interest in the Property (the "Deed of Trust"). The Deed of Trust must have such priority and be subject only to such matters of record as may be approved in writing by the Department.
 3. The County's customary regulatory agreement regulating and restricting the occupancy, rents, operation, ownership and management of the Development and Property in compliance with Program Requirements, in favor of the County, dated on or about even date herewith, to be recorded against the Property and the Borrower's respective interests therein (the "Junior Regulatory Agreement"). This Agreement and the Junior Regulatory Agreement shall sometimes be collectively referred to herein as the "County Regulatory Agreement."
 4. Such other documents and instruments as the County may reasonably require.
- D. The Note, the Deed of Trust, the Junior Regulatory Agreement and this Agreement, , and such other documents and instruments as are reasonably required by the County, are collectively referred to herein as the "Loan Documents."

Note: Only the terms of the Loan Agreement that set forth the applicable income and rent restrictions, and Federal monitoring and reporting requirements, including any definitions and special conditions appurtenant to such restrictions, are incorporated into this Agreement, except to the extent conflicting with the provisions hereof, notwithstanding that the term of the Loan Agreement may be less than the term of the County Regulatory Agreement. All other terms in the Loan Agreement, including, without limitation, any restrictions on transfer, are specifically excluded from this Agreement and the foregoing definition of Loan

Documents.

- E. As further consideration for the HOME Loan and in furtherance of the purposes of the Program, Borrower has agreed to enter into this Agreement. The purpose of this Agreement is to regulate and restrict the occupancy, rents, operation, ownership and management of the Development in compliance with the Program Requirements.

NOW, THEREFORE, the parties hereto agree as follows:

1. Recitals. The foregoing recitals are true and correct and are hereby made a part of this Agreement by this reference.
2. Property. Developer is the owner in fee of the Property and all improvements now and hereafter located thereon.
3. Definitions. Unless the context requires otherwise, or the terms are defined herein, the terms used in this Agreement shall be governed by the definitions set forth in the Junior Regulatory Agreement, and by the Program statutes, and the definitions included in the applicable Program Requirements.
 - a. "Low-Income Family" means a family whose annual incomes do not exceed 80 percent of the median income for the area, as determined by HUD, with adjustments for smaller and larger families, except that HUD may establish income ceilings higher or lower than 80 percent of the median for the area on the basis of HUD findings that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes. An individual does not qualify as a Low-Income Family if the individual is a student who is not eligible to receive Section 8 assistance under 24 CFR 5.612. "Family" has the same meaning as given that term in 24 C.F.R. § 5.403
 - b. "Fiscal Integrity" means that the total of Operating Income plus funds released pursuant to this Agreement from the operating reserve account is sufficient to (1) pay all current Operating Expenses, (2) pay all current approved debt service, (3) fully fund all reserves, and (4) pay other extraordinary costs permitted by this Agreement. The ability to pay any or all of the annual permitted distribution must not be considered in determining Fiscal Integrity.
 - c. "Fiscal Year" means the annual period commencing on January 1 and concluding on December 31 each year.
 - d. "HOME Assisted Unit" is an Assisted Unit under 25 C.C.R. § 8301(a) and 24

C.F.R. § 92, as amended, that is funded by the HOME Loan.

- e. "HOME Rent" means Rent and utilities that do not exceed the applicable amounts calculated annually by HUD under 24 C.F.R. § 92, as amended, for Low-Income Families. If a HOME Assisted Unit receives Federal or State project-based rental subsidy, and the tenant pays as a contribution toward Rent not more than 30 percent of the tenant's adjusted income, the maximum HOME Rent is the Rent allowable under the Federal or State project-based rental subsidy program. If a tenant is to pay utilities, HOME Rent must be reduced by the County-approved monthly utility allowance.
 - f. "Rent" means all charges, other than deposits, paid by the tenant for the use and occupancy of a Unit in this Development. Rent must be reduced by any federal or state government project-based rental assistance paid on behalf of the tenant.
4. Compliance with Program Requirements. The Borrower agrees that at all times its actions regarding the Development and the use of funds provided under the Loan Agreement must be in conformity with all Program Requirements. The Borrower acknowledges that it is familiar with the Program Requirements and has access to professional advice to the extent necessary to enable the Borrower to fully comply with the Program Requirements.
5. Term of Agreement. This Agreement will commence upon the date of its recordation (the "Commencement Date"), and remain in full force and effect and will apply to the Development through and including the date which is fifty-five (55) years from the date of Project completion as "project completion" is defined at 24 C.F.R. §92.2 no later than fifty-eight (58) years from its recordation regardless of any payoff of the HOME Loan or sale, assignment, transfer, or conveyance of the Development, unless terminated earlier by the County pursuant to the terms of this Agreement or extended by the mutual consent of the parties. Additionally, if the HOME Loan is not fully repaid 58 years from the Commencement Date, this Agreement will remain in full force and effect until the HOME Loan is fully repaid.

This Agreement consists of the Federal period of affordability (the "Federal Period") and the State period of affordability (the "State Period") which will run concurrently from the date this Agreement is recorded. The Federal Period is a term of thirty-three (33) years and one hundred and twenty (120) calendar days, and the State Period is a term of fifty-five (55) years from the date of Project completion as "project completion" is defined at 24 C.F.R. §92.2 no later than fifty-eight (58) years regardless of any payoff of the HOME Loan or sale, assignment, transfer, or conveyance of the Development unless terminated earlier by the County pursuant to the terms of this Agreement or extended by the mutual consent

of the parties. Additionally, if the HOME Loan is not fully repaid within the State Period, the State Period will continue until the HOME Loan is fully repaid.

6. Assisted Units, Restricted Units, or Supportive Housing Units.

- a. Borrower must provide within the Development, the HOME Assisted Units set forth in Unit Mix Chart in Exhibit B.
- b. Borrower must provide within the Development, the Supportive Housing Units set forth in Exhibit B.
- c. Restricted Units must not differ substantially in size or amenity level from non-Restricted Units within the Development with the same number of bedrooms, and Restricted Units must not be segregated from non-Restricted Units.
- d. Within the limits of subparagraph b. of this paragraph, and subject to the requirements of subparagraph a. of this paragraph, Borrower may change the designation of a particular Unit from Assisted Unit to non-Assisted Unit, and vice versa, and Restricted Unit to non-Restricted Unit, and vice versa, over time if:
 - i. The Units are floating Units;
 - ii. It is consistent with subparagraph a. of this paragraph; and
 - iii. It is consistent with subparagraph b. of this paragraph.
- e. Borrower must comply with all the requirements for any Supportive Housing Units set forth in Exhibit B.

7. Tenant Selection Standards.

- a. Borrower must rent HOME Assisted Units to only Low-Income Families in accordance with this Agreement and the Tenant Selection Plan. Borrower must ensure that all HOME Assisted Units are occupied by only Low-Income Families in accordance with this Agreement and the Tenant Selection Plan.
- b. The Tenant Selection Plan must be developed by the Borrower in accordance with 24 C.F.R. § 92, as amended, and approved by, and on file with, the County prior to the start of “lease-up” of the property. The Tenant Selection Plan may be periodically altered, and such alteration must be submitted to and approved by the County prior to use.
- c. The Tenant Selection Plan must include:
 - (1) Criteria that will limit the HOME Assisted Units to Low-Income Families and the Target Population in Exhibit B;
 - (2) Reasonable criteria for selection or rejection of tenant applications which must not discriminate or be in violation of any federal, state, or local law governing discrimination, or any other arbitrary factor, and are reasonably related to the applicants' ability to perform the obligations of

- the lease (i.e., to pay the rent, not to damage the housing; not to interfere with the rights and quiet enjoyment of other tenants, and such other reasonable obligations of the lease including house rules);
- (3) The actions to be taken by Borrower to affirmatively market all Units in a manner that ensures equal access in accordance with 24 C.F.R § 92, as amended, to all persons in any category protected by federal, state, or local laws governing discrimination, and without regard to any arbitrary factor;
 - (4) A prohibition on excluding applicants with a voucher under the Section 8 Tenant-Based Assistance: Housing Choice Voucher program (24 C.F.R. Part 982) or an applicant participating in a HOME tenant-based rental assistance program (24 C.F.R. Part 92) because of the status of the prospective tenant as a holder of such voucher or comparable HOME tenant-based assistance document;
 - (5) A detailed description of how the Borrower's tenant selections will comply with the VAWA requirements prescribed in 24 C.F.R. §92, as amended;
 - (6) A prohibition of local residency preferences, except where accompanied by an equal preference for employment in the local area and applied to areas not smaller than municipal jurisdictions or recognized communities within unincorporated areas;
 - (7) Tenant selection procedures that include the following components, and that are available to prospective tenants upon request:
 - (A) Selection of tenants from a written waiting list in the chronological order of their applications, insofar as practicable;
 - (B) Notification to tenant applicants of eligibility for residency and, based on turnover history for HOME Assisted Units in the Development, the approximate date when an HOME Assisted Unit may be available;
 - (C) Prompt notification to tenant applicants who are found ineligible to occupy an HOME Assisted Unit of their ineligibility and the reason for the ineligibility, and of their right to appeal this determination;
 - (D) Maintenance of a waiting list of applicant households eligible to occupy HOME Assisted Units, Assisted Units, and non-assisted units designated for various tenant income levels, which must be made available to prospective tenants upon request;
 - (E) Procedures for obtaining information regarding prospective tenants' incomes as necessary to certify that such income does not exceed the income limit limitations; and
 - (F) Targeting specific Special Needs Populations identified in Exhibit B.

d. Borrower must rent vacant Units to households with no less than the number

of people specified in the following schedule:

Unit Size	Minimum Number of Persons in Household
SRO	1
0-BR	1
1-BR	1
2-BR	2
3-BR	4
4-BR	6
5-BR	8

Borrower may assign tenant households to units of sizes other than those indicated as appropriate in the table above if the Borrower reasonably determines that special circumstances warrant such an assignment, and the reasons are documented in the tenant's file and there is no violation of any occupancy law or fire law. The Borrower's determination is subject to approval by the County. Through the Tenant Selection Plan, Borrower may receive advance County approval of categorical exceptions to the above schedule. Residential occupancy limits must comply with applicable laws.

8. Non-Discrimination. Borrower must not discriminate against any tenant or prospective tenant on the basis of any class or status prohibited by Government Code § 12920 including: race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, marital status, national origin, ancestry, familial status, source of income, disability, genetic information, or any other arbitrary factor in violation of any state, federal or local law governing discrimination in rental housing. The restriction of housing to elderly and Special Needs Populations is permitted where the housing is intended to benefit those targeted groups in compliance with applicable law, and only with prior approval of the selection criteria by the County. Such Special Needs Populations are detailed in Exhibit B.
9. Rental Agreement and Occupancy Procedures.
 - a. Each Low-Income Family selected to occupy a HOME Assisted Unit in the Development must enter into a written rental or occupancy agreement (i.e. a lease) with the Borrower, a template of which is subject to approval by the County prior to the start of lease-up.
 - b. All rental or occupancy agreements must include:
 - (1) A term of not less than one year, unless by mutual agreement of the tenant and the Borrower;
 - (2) Provisions requiring good cause for termination of tenancy;

- (3) A provision requiring that the facts constituting the grounds for any eviction be set forth in the notice provided to the tenant pursuant to state law;
 - (4) Notice of grievance procedures for hearing complaints of tenants and appeal of management action;
 - (5) A requirement that the tenant annually recertify household income and size; and
 - (6) A lease addendum setting forth the requirements and disclosures of the federal Violence Against Women Act of 2013 (VAWA), as subsequently amended and reauthorized.
- c. The Borrower must not terminate the tenancy or refuse to renew the lease of a tenant of a HOME Assisted Unit except for serious or repeated violation of the terms and conditions of the lease; for violation of applicable federal, state, or local law; or for other good cause.
 - d. To terminate or refuse to renew tenancy, the Borrower must serve written notice upon the tenant specifying the grounds for the action at least 30 days before the termination of the tenancy.
 - e. One or more of the following constitutes "good cause":
 - (1) Failure by the tenant to maintain applicable eligibility requirements under the Program or other eligibility requirements as approved by the County;
 - (2) Material noncompliance by the tenant with the lease, including one or more substantial violations of the lease or repeated minor violations of the lease which:
 - (a) Adversely affect the health and safety of any person or the right of any tenant to the quiet enjoyment of the leased premises and related Project facilities;
 - (b) Substantially interfere with the management, maintenance, or operation of the Development; or
 - (c) Result from the failure or refusal to pay, in a timely fashion, Rent or other permitted charges when due. Failure or refusal to pay in a timely fashion is a minor violation if payment is made during the 3 day pay or quit notice period;
 - (3) Material failure by the tenant to carry out obligations under federal, state,

or local law;

(4) Subletting by the tenant of all or any portion of the HOME Assisted Unit;
or

(5) Any other action or conduct of the tenant constituting significant problems which can be reasonably resolved only by eviction of the tenant, provided that the Borrower has previously notified the tenant that the conduct or action in question would be considered cause for eviction. Examples of action or conduct in this category include the refusal of a tenant, after written notice, to accept reasonable rules or any reasonable changes in the Lease or the refusal to recertify income or household size.

f. A rental or occupancy agreement may not contain any of the following provisions:

(1) Agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of the Borrower or Borrower's agent in a lawsuit brought in connection with the rental or occupancy agreement;

(2) Agreement by the tenant that the Borrower may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. This prohibition, however, does not apply to an agreement by the tenant concerning disposition of personal property remaining in the housing unit after the tenant has moved out of the unit. The Borrower may dispose of this personal property in accordance with state law;

(3) Agreement by the tenant not to hold the Borrower or Borrower's agents legally responsible for any action or failure to act, whether intentional or negligent;

(4) Agreement of the tenant that the Borrower or Borrower's agent may institute a lawsuit without notice to the tenant;

(5) Agreement by the tenant that the Borrower or Borrower's agent may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties;

(6) Agreement by the tenant to waive any right to a trial by jury;

(7) Agreement by the tenant to waive tenant's right to appeal, or to

otherwise challenge in court, a court decision in connection with the rental or occupancy agreement; and

(8) Agreement by the tenant to pay attorneys' fees or other legal costs even if the tenant wins in a court proceeding by the owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.

(9) Agreement by the tenant to accept Supportive Services that are offered.

g. The Borrower must establish reasonable rules of conduct and occupancy. Such rules must be consistent with state law and the HOME Regulations, including without limitation, the pet ownership requirements of the Pet Friendly Housing Act of 2017 (Health & Safety Code § 50466). Said rules must be in writing and must be given to each tenant upon occupancy. Any change must become effective no fewer than 30 days after giving written notice thereof to each household.

h. The Borrower must adopt an appeal and grievance procedure to resolve grievances filed by tenants and appeals of actions taken by Borrower with respect to tenants' occupancy in the Development, and prospective tenants' applications for occupancy. The Borrower's appeal and grievance procedure must be subject to County approval and, at a minimum, must include the following:

(1) A requirement for delivery to each tenant and applicant of a written copy of the appeal and grievance procedure;

(2) Procedures for informal dispute resolution;

(3) A right to a hearing before an impartial body, which must consist of one or more persons with the power to render a final decision on the appeal or grievance; and

(4) Procedures for the conduct of an appeal or grievance hearing and the appointment of an impartial hearing body.

10. Rent.

a. HOME Assisted Units.

(1) For the Initial Operating Year, Borrower must charge Rent for the HOME Assisted Units in the Development in accordance with the Unit Mix Chart in Exhibit B.

(2) After the Initial Operating Year, Borrower may adjust the Rent for HOME

Assisted Units no more than every twelve (12) months as long as the adjustment does not exceed the applicable HOME Rent Limit. Prior to any adjustments, however, the Borrower must obtain the County's review and written approval of the adjustment.

(3) Borrower may adjust Rent for HOME Assisted Units subsidized under Section 8 of the Housing Act of 1937 or any comparable federal or state project-based rental assistance program as required by the respective rental assistance program, for as long as the HOME Assisted Units continue to receive the project-based rental assistance.

(4) Any household certified as a Low-Income Family upon initial occupancy, but whose income at the time of annual recertification increased above that of a Low-Income Family, must pay Rent as follows:

(A) If the household's income qualifies for another Restricted Unit in the Development, then the household must occupy this Restricted Unit by moving to it, or by redesignation if the Units are floating, and pay Rent applicable to the Restricted Unit;

(B) If the household's income does not qualify for another Restricted Unit in the Development, then the household must occupy any available non-Restricted Unit by moving to it, or by redesignation if the Units are floating, and pay Rent applicable to the non-Restricted Unit. If there are no available non-Restricted Units for the household to occupy, then the Borrower must immediately submit a plan to the County that describes the actions the Borrower will take to correct the noncompliance and ensure all vacancies for the Project are filled in accordance with 24 C.F.R. § 92, as amended. In addition, this plan must also describe any adjustments to the Rent. The Borrower must execute this plan upon the County's written approval; or

(C) As required by any low-income tax credit rules under section 42 of the Internal Revenue Code if applicable.

(5) If at the time of recertification, a tenant's household size has changed and no longer meets the occupancy standards under this Agreement, or the Tenant Selection Plan, the Borrower may require the tenant household to move to the next available appropriately sized Unit and pay Rent applicable to that Families income.

b. Non-HOME Assisted Units and Commercial Space.

(1) For the Initial Operating Year, Borrower must charge Rent for the non-

HOME Assisted Units in the Development in accordance with the Unit Mix Chart in Exhibit B hereto.

- (2) After the Initial Operating Year, Borrower may increase Rent for non-HOME Assisted Units according to any laws or agreements applicable to those Units.
 - (3) Borrower must establish and implement a rent structure and operations budget for non-Assisted Units and any Commercial Space, which ensures the Fiscal Integrity of the Development. Borrower must estimate all income and expenses attributable to the non-HOME Assisted Units and any Commercial Space or commercial use, in the annual operating budget and Schedule of Rental Income described in this Agreement and must report all income and expenses attributable to non-HOME Assisted Units and Commercial Space as project revenue in the annual report described in this Agreement.
- c. Units in the Development covered by project-based rental assistance, if any, are described in Exhibit C. For such Units:
- (1) Borrower must in good faith apply for and accept all available renewals of project-based rental assistance; and
 - (2) If the project-based rental assistance is terminated, Rents for Units previously covered by this assistance may be increased above the levels shown in the schedule published by the County for the applicable Unit size and income limit, but only to the minimum extent required for project feasibility, as determined by the County. However, Rent must not in any event be increased to an amount more than thirty percent (30%) of fifty percent (50%) of area median income, adjusted by bedroom number in accordance with the requirements of any low-income housing tax credits.

11. Certification of Tenant Income and Household Size.

- a. The income and household size of all Families occupying HOME Assisted Units must be certified by the Borrower prior to occupancy and recertified annually thereafter in a manner approved by the County in the Development's Management Plan and in accordance with Program Requirements, low-income housing tax credits, and mortgage revenue bonds, as applicable, if they do not conflict with subparagraphs b. through e. of this paragraph.
- b. For the initial certification, the Borrower must determine a Family's Annual Income by examining at least 2 months of source documents evidencing

annual income (e.g., wage statement, interest statement, unemployment compensation statement).

c. For any recertifications, the Borrower must determine a Family's Annual Income by one of the following:

(1) Examining at least 2 months of source documents evidencing annual income (e.g., wage statement, interest statement, unemployment compensation statement) for the family;

(2) Obtaining from the Family a written statement of the amount of the Family's Annual Income and Family size, along with a certification that the information is complete and accurate. The certification must state that the Family will provide source documents upon request; or

(3) Obtaining a written statement from the administrator of a government program under which the Family receives benefits, and which examines each year the Annual Income of the Family. The statement must indicate the tenant's Family size and state the amount of the Family's Annual Income; or alternatively, the statement must indicate the current dollar limit for extremely low-income families for the Family size of the tenant and state that the tenant's Annual Income does not exceed this limit.

d. Upon recertification, if the Borrower elects to determine a Family's Annual Income under subparagraph c.(2) or c.(3) of this paragraph, then the Borrower must examine the source documentation of the income of each tenant every 6th year of the State Affordability Period, except that, for HOME Units that receive project-based assistance, the Borrower must determine the tenant's Annual Income in accordance with the project-based assistance rules. Otherwise, the Borrower is not required to examine the income of tenants under subparagraph c. (3) of this paragraph, unless there is evidence that the tenant's written statement failed to completely and accurately state information about the Family's size or income.

e. "Annual Income" means the same as it is defined by 24 C.F.R. § 5.609.

12. Maintenance and Management.

a. Borrower is responsible for all maintenance, repair, and management functions for the Development, including without limitation, the following: selection of tenants; recertification of income and household size; evictions; collection of Rent, routine and extraordinary repairs and replacement of capital items. Borrower must maintain the entire Development, to include but not limited to all Units and common areas, in a safe and sanitary manner in

accordance with federal, state, and local health, building, and housing codes, HUD physical inspection procedures (Uniform Physical Condition Standards) prescribed by 24 C.F.R. § 5.05, and HUD housing quality standards pursuant to 24 CFR Section 882.109, and the Management Plan.

- b. The Management Plan must be developed by the Borrower and approved by, and on file with, the County. The Management Plan must detail how the Borrower will comply with the management and maintenance requirements of this Agreement. The Management Plan may be periodically altered, and such alteration must be submitted to and approved by the County prior to use. County will approve within 90 days of submission of a complete plan.
- c. Borrower may, with the prior written approval of the County, contract with a management agent for the performance of the services or duties required by this Agreement. However, such an arrangement does not relieve the Borrower of responsibility for proper performance of these duties. Such contract must be subject to prior written approval by the County and must contain a provision allowing the Borrower to terminate the contract without penalty upon no more than thirty (30) days' notice. Upon a determination by the County, and notice to the Borrower thereof that the contractor and the management agent have failed to operate the Development in accordance with this Agreement, the Borrower must exercise such right of termination forthwith and must make immediate arrangements for continuing performance of the requirements of this Agreement, which must be subject to approval by the County and the lender holding the most senior deed of trust encumbering the Property ("Senior Lender"), for continuing performance of the requirements of this Agreement.
- d. Borrower may operate the Development itself only with prior written approval of the County. Upon a determination by the County, and notice to the Borrower thereof, that the Borrower has failed to operate the Development in accordance with this Agreement, the County may require the Borrower to contract with a management agent in collaboration with the Senior Lender to operate the Development, or to make such other arrangements as the County deems necessary to ensure performance of the requirements of this Agreement. Failure to implement such directive from the County in a timely manner may result in a notice of breach, violation or default from the County, or other remedies as noted in this Agreement.
- e. Borrower must operate, maintain, and repair both Restricted and non-Restricted Units equally without regard to their designation as Restricted Units or non-Restricted Units.

13. Hazard and Liability Insurance and Condemnation.

County Senior Regulatory Agreement
Preparation Date: 3/31/2026
Development: Lone Oaks Senior Apartments II
Assessor's Identification Number: 051-151-065
Contract No.: 23-HOME-16301

- a. The County must be named on applicable insurance policies covering all sites of the Development. The County must receive evidence of insurance coverage that satisfies Section 8303(b)(5) of the Regulations, as determined by the County in its reasonable discretion.
14. Annual Report and Audit. The Borrower must file with the County an annual report no later than 90 days after the end of each fiscal year for the Development. The report must contain a certification by the Borrower as to such information as the County may then require, including, but not limited to, the following:
- a. As part of the annual report, the Borrower must submit an audit of the Development prepared and certified by an independent certified public accountant in accordance with County audit requirements, as specified in the most current edition of the Department's audit handbook, titled "Audited Financial Statements for Multifamily Rental Housing," published October 18, 2023, and as periodically updated.
 - b. The report must also include other relevant information as required by the County.
 - c. The substantial physical defects in the Project, including a description of any major repair or maintenance work undertaken or needed in the previous and current fiscal years. Such statement must describe what steps the Borrower has taken to maintain the Project in a safe and sanitary condition in accordance with applicable housing and building codes.
 - d. The occupancy of the Development indicating:
 - (1) the certified income of each current household by the Borrower; and
 - (2) the current Rent charged each household and whether these Rents include utilities and/or utility allowances (and the method of how such utility allowances are calculated).
 - e. General management performance, including tenant relations and other relevant information.
 - f. A summary of the information received from the recertification of tenants' incomes.
 - g. Evidence of a currently paid hazard and flood insurance policy.
 - h. Evidence of a currently paid liability insurance policy, naming the County as an additional loss payee.

- i. Other information reasonably required by the County and HUD, and as may be required on County forms.

15. County Review and Inspections.

- a. At any time, the County or its designee may enter and inspect the physical premises and inspect all accounting records pertaining to the construction, development, or operation of the entire Development. Upon request by the County, the Borrower shall notify occupants of upcoming inspections of their Units in accordance with state law.
- b. In accordance with 25 C.C.R. § 8314(g), if the Borrower is paying Supportive Services Costs as Operating Expenses, the County will require the Borrower to maintain records of group activities, individualized services, and referrals at an onsite location, and to make such records available for County inspection.
- c. Monitoring site-visit Inspections shall comply with 24 CFR Part 92, as amended, and including property standards.

16. Annual Operating Budget, and Schedule of Rental Income.

- a. No later than 60 days prior to the beginning of each fiscal year of the Development, the Borrower must submit to the County a proposed annual operating budget and a Schedule of Rental Income (SRI) on forms provided by the County. The proposed annual operating budget will set forth the Borrower's estimate of the Development's income, operating expenses and debt service for the upcoming year, reserves, and a year-to-date operating statement. The Schedule of Rental Income will set forth the then-current Rent roll identifying each tenant household (either by unit number or other method of household identification, as determined by the County), their household size, income, current Rent, and proposed Rent adjustments, including utility allowances, if applicable. The Schedule of Rental Income will provide estimated income for Assisted Units, Non-Assisted Units and commercial space and activities. Annual operating budgets and Rent adjustments are subject to approval by the County.

Borrower must operate the Development in accordance with the approved annual budget and SRI.

- b. Borrower must operate the Development in accordance with the First-Year Operating Budget and Schedule of Rental Income approved by and on file with the County. Such budget and Schedule of Rental Income, collectively, must show all anticipated income, debt service and expenses for management, operations, reserves, and maintenance for the first fiscal year or portion thereof following initial occupancy.

17. Accounting Records. In a manner subject to Department approval, Borrower must maintain an accrual or modified accrual basis general ledger accounting system that is posted monthly and that accurately and fully shows all assets, liabilities, income, and expenses of the Development. All records and books relating to this system must be retained for not less than seven (7) years and in such a manner as to ensure that the records are reasonably protected from destruction or tampering. All records are subject to inspection and audit by the County or its representative.

18. Violation of Regulatory Agreement by Borrower.

a. In the event of the Borrower's breach, violation, or default in the performance of any covenant, agreement or obligation of the Borrower set forth in this Agreement, the County must give the Borrower written notice in the manner specified in this Agreement, specifying the nature of the violation, breach or default and the action needed to cure. If the default, breach, or violation is not cured to the reasonable satisfaction of the County within the time period specified in the notice, which will not be less than the applicable time to cure as stated in this Agreement, the County may declare a default hereunder and may take any one or more of the following actions:

(1) Apply to any court, state or federal, for specific performance of this Agreement. It is agreed by the Borrower that the injury to the County arising from a default under any of the terms of this Agreement would be irreparable and that the amount of compensation, which would provide adequate relief to the County, in light of the purposes and requirements of the Program, would be impossible to ascertain.

b. If a breach, violation, or default involves charging tenants Rent or other charges in excess of those permitted under this Agreement, the County may demand the return of such excess Rents or other charges to the affected households. If legal action is necessary to enforce the provisions of this Agreement, the County may seek the return of such overcharges to the affected households.

c. The remedies of the County hereunder and under the other HOME Loan Documents are cumulative, and the exercise of one or more of such remedies will not be deemed an election of remedies and will not preclude the exercise by the County of Nevada any one or more of its other remedies.

d. The tenants of the HOME Assisted Units are third party beneficiaries of this Agreement, all shall have such rights and remedies to enforce the HOME Program Requirements.

19. Time to Cure.

If a breach, violation or default occurs with respect to the covenants set forth in this Agreement, prior to exercising the exclusive remedy described in paragraph 14 thereunder, the County shall give Borrower written notice of such default. If the default is reasonably capable of being cured within thirty (30) days, Borrower shall have such period to effect a cure prior to exercise of the County's remedy. If the default is such that it is not reasonably capable of being cured within such 30-day period and if Borrower (a) initiates corrective action within said period, and (b) diligently, continually, and in good faith works to effect a cure as soon as possible, then Borrower shall have such additional time, not to exceed an additional 180 days to cure the default prior to exercise of the remedy by the County. If Borrower or its successor in interest is a limited partnership, and Borrower fails to take corrective action or to cure the default within such a specified time, the County shall give Borrower written notice thereof, whereupon the limited partner may remove and replace the general partner with a substitute general partner who shall effect a cure within a reasonable time thereafter in accordance with the foregoing provisions.

20. Controlling Agreement.

- a. Borrower specifically agrees and acknowledges that, notwithstanding any internal accounting procedures or provision pertaining to the use of receipts, payments, reserves, and distributions contained in its partnership or other organizational documents or agreements, the Program Requirements control as to the use of the funds provided under the Loan Agreement and all Operating Income from the Development.
- b. In the event of any inconsistencies or conflicts between the terms of this Agreement and the terms of the other HOME Loan Documents, the terms of this Agreement control.

21. Assignment of County Rights. The County retains the right at its sole discretion to assign all or part of its rights under this Agreement to another governmental entity or agency for the purpose of ensuring compliance and enforcement of Borrower's duties and obligations hereunder. In addition, the County may designate an agent to act on its behalf in monitoring compliance and enforcing the provisions hereof.

22. Amendment. This Agreement must not be altered or amended except in writing, executed between or among all the parties.

23. Partial Invalidity. If any provisions of this Agreement are invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof will not in any way be affected or impaired thereby.

24. Binding on Successors. This Agreement binds, and the benefits hereof inure to, the respective parties hereto, their legal representatives, executors, administrators, transfers, successors in interest and assigns, provided, however, that the Borrower may not assign this Agreement or any of its obligations hereunder, voluntarily or by operation of law, without the prior written approval of the County. The term "Borrower" as used herein includes and applies to any person or entity succeeding to the legal, equitable, proprietary, or possessory interest of Borrower in the Development.
25. Recording Agreement. This Agreement, and all amendments hereto, must be executed by each of the parties. This Agreement, or, where approved by the County in writing, a memorandum thereof, must be recorded against the Property in the official records of the county in which the Development is situated, superior to the lien of the Deed of Trust.
26. Indemnification and Waiver.
- a. The following paragraph does not apply to any successor in interest to the Property that succeeds to the Borrower as a result of foreclosure upon a loan to Borrower: Borrower agrees to indemnify the County and its agents, employees and officers against, and holds the County and its agents, employees and officers harmless from, any losses, damages, liabilities, claims, actions, judgments, court costs and legal or other expenses (including attorneys' fees) of every name, kind and description, which the County may incur as a direct or indirect consequence of: (1) the making of the HOME Loan to the Borrower; (2) Borrower's failure to perform any obligations as and when required by this Agreement or any of the other HOME Loan Documents; (3) any failure at any time of any of Borrower's representations or warranties to be materially true and correct; (4) any act or omission by Borrower, any contractor, subcontractor, material supplier, engineer, architect or other person or entity with respect to the Property or the construction, management, maintenance or operation of the Development; or (5) the presence of any recognized environmental conditions at the Development or on the Property. Borrower (but not any successor to Borrower in the ownership of the Property) must pay immediately upon the County's demand any amounts owing under this indemnity together with interest from the date the indebtedness arises until paid at the rate of ten percent (10%) per annum. Borrower's duty to indemnify and save harmless includes the duties to defend as set forth in section 2778 of the Civil Code. Borrower (but not any successor to Borrower in the ownership of the Property) must indemnify and hold harmless the County and its agents, officers and employees as set forth herein regardless of the existence or degree of fault or negligence whether active or passive, primary or secondary on the part of the County, the Borrower or their respective

agents, officers, employees, contractors or subcontractor; provided, however, that Borrower's duty to indemnify and hold harmless hereunder will not extend to liability arising from the gross negligence or willful misconduct of the County. Borrower's duty to indemnify the County will survive the term of this Agreement, the release and cancellation of the Note, and the reconveyance or partial reconveyance of the Deed of Trust. In the event the United States Department of Housing and Urban Development ("HUD") acquires title to the Development, this indemnification provision will not apply to HUD or released party.

- b. The Borrower waives and releases all rights to any types of express or implied indemnity against the County or its agents, officers, or employees.
- c. The Borrower expressly waives the protections of section 1542 of the Civil Code in relation to subparagraphs a. and b. of this paragraph. Said section 1542 provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

- 27. Waiver. No waiver by the County of Nevada any breach of or default under this Agreement will be deemed to be a waiver of any other or subsequent breach thereof or default hereunder.
- 28. Captions. The captions used in this Agreement are inserted only as a matter of convenience and for reference and in no way define, limit, or describe the scope or the intent of this Agreement.
- 29. Governing Law. This Agreement will be construed in accordance with and governed by the laws of the State of California. All code references herein refer to the California Codes, unless specifically indicated otherwise.
- 30. Notice. Except for any notice required under applicable law to be given in another manner, any notices, demands or communications between the parties hereto will be sufficiently given if, and will not be deemed given unless, dispatched by certified mail, postage prepaid, return receipt requested or delivered by express delivery service with delivery receipt, to the address of the respective party as set forth below, or to such other address as the respective party may have designated by written notice given to the other party in the manner provided herein. Such written notices, demands and communications will be effective on the date shown on the delivery receipt as the date delivered, the date on which delivery was refused, or the date on which delivery was attempted.

31. Special Conditions. The Borrower agrees to comply with the special conditions, if any, as set forth in Exhibit C, which is made a part hereof. In the event of any inconsistencies between the terms set forth in the Exhibit C Special Conditions of this Agreement and the terms of this Agreement, the terms of the Special Conditions shall prevail.
32. Attorneys' Fees. The prevailing party in any action to enforce this Agreement, including the residents of Assisted Units, are entitled to reasonable attorneys' fees as determined by the trier of fact in that forum.
33. County's Approval, Etc. Whenever this Agreement or any of the other Loan Documents requires the approval, consent, or other determination by the County, the County shall act reasonably and in good faith unless any such approval or consent is expressly stated as being in the County's sole discretion.
34. Compliance with IRC Section 42(h)(6)(E)(ii). In the event a regulatory agreement required by the California Tax Credit Allocation Committee ("TCAC") is recorded against the Property as a condition of the award of federal tax credits, the County agrees to comply with the provisions set forth in Internal Revenue Code ("IRC") Section 42(h)(6)(E)(ii). As of the date of this Agreement, IRC Section 42(h)(6)(E)(ii) does not permit the eviction or termination of tenancy (other than for good cause) of an existing tenant of any low-income unit or any increase in the gross rent with respect to such unit not otherwise permitted under Section 42 for a period of three (3) years after the date the building is acquired by foreclosure or instrument in lieu of foreclosure.
35. Incorporation. The following Exhibits, all attached hereto, are hereby incorporated into this Agreement:

Exhibit A: Legal Description;

Exhibit B: Unit Designations, Rent Schedule, Supportive Services Requirements, and Additional Reporting; and

Exhibit C: Special Conditions

[Signatures of the Borrower and the Department follow on next page of these Affordability Restrictions. The remainder of this page is intentionally left blank.]

BORROWER:

PENN VALLEY PACIFIC ASSOCIATES II, A CALIFORNIA LIMITED PARTNERSHIP

By: **TPC HOLDINGS IX, LLC,**
an Idaho limited liability company
Its: Administrative General Partner

By: Pacific West Communities, Inc.,
an Idaho corporation
Its: Manager

By: _____
Caleb Roope, President and CEO

By: **LONE OAK II-BBP, LLC,**
a California limited liability company
Its: Managing General Partner

By: Building Better Partnerships, Inc.,
a California Nonprofit Public Benefit Corporation
Its: Manager

By: _____
Gustavo Becerra, President

Address for Notice:

**Penn Valley Pacific Associates II
c/o Pacific West Communities, Inc.
430 E. State Street, Suite 100,
Eagle, ID 83616**

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 the document.

STATE OF _____)

: ss.

COUNTY OF _____)

On the ____ day of _____, 2026, before me, the undersigned Notary Public, personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that s/he executed the same.

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

Notary Public for California

Residing at _____

Commission Expires: _____

(SEAL)

COUNTY:

County of NEVADA

HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME)

The County of Nevada
950 Maidu Avenue,
Nevada City, CA 95959

By: _____

Ryan Gruver, Health and Human Services Agency Director

[All signatures must be acknowledged.]

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 the document.

STATE OF _____)

: ss.

COUNTY OF _____)

On the ____ day of _____, 2026, before me, the undersigned Notary Public, personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that s/he executed the same.

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

Notary Public for California

Residing at _____

Commission Expires: _____

(SEAL)

EXHIBIT A TO SENIOR REGULATORY AGREEMENT
EXHIBIT A: Legal Description of the Land

Real property in Penn Valley, County of Nevada, State of California, described as follows:

PARCEL 1, AS SHOWN ON THE PARCEL MAP FILED FOR RECORD JULY 18, 2018 IN VOL. 21
OF PARCEL MAPS PAGE 55 OF NEVADA COUNTY RECORDS.

APN: 051-151-065-000

EXHIBIT B TO SENIOR REGULATORY AGREEMENT

Unit Designations, Rent Schedule, Supportive Services Requirements, and
Additional reporting

I. UNIT DESIGNATIONS AND RENT SCHEDULE

Borrower must comply with rent provisions of all regulatory agreements regulating the Property.

The Initial Operating Year ends at the end of the initial Fiscal Year, which is: June 30, 2027.

- A. Limit on Unit Rents and Tenant Incomes: Throughout the term of this Agreement, unit rents and tenant incomes for Assisted Units shall not exceed the lesser of:
- a. the low HOME rent published by HUD (for 30% ami designated units) or the high HOME rent (for all other units) for the unit size or the applicable rent from the Multifamily Housing Program rent chart, or its successors, for the applicable percentage of area median income specified for each unit size outlined below; and
 - b. the very-low-income household income limit published by HUD or the applicable income limit from the Multifamily Housing Program income chart, or its successors, for the applicable percentage of area median income specified for each unit size outlined below.

Unit Mix Chart:

No. of Bedrooms	HOME Assisted Units	Restricted Units	Non-Restricted Units	Total Units	Gross Rent	Utility Allowance	Net Rent (gross – util. allw.)	Annual Net Rent	Income Limit	
1	6	6	0	6	\$640	\$171	\$469	\$33,768	30%	AMI
1	9	9	0	9	\$640	\$39	\$601	\$64,908	30%	AMI
1	10	10	0	10	\$1,280	\$39	\$1,241	\$148,920	60%	AMI
2	1	1	0	1	\$768	\$234	\$534	53,604	30%	AMI
2	3	3	0	3	\$1,536	\$47	\$1,489	\$52,776	60%	AMI
2	2	2	0	2	\$1,536	\$234	\$1,302	\$31,248	60%	AMI
MGR 1	0	0	0	0		\$-	\$-	\$-	Manager	
TOTAL	31	31	0	31				\$338,856		

EXHIBIT C TO SENIOR REGULATORY AGREEMENT

Special Conditions

In the event of any inconsistencies or conflicts between these Special Conditions and the terms of this Agreement, or any of the other HOME Loan Documents, the terms of these Special Conditions control.

1. Not Applicable