

RECORDING REQUESTED BY:

County of Nevada

WHEN RECORDED MAIL TO:

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

**COUNTY OF NEVADA
HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME)**

**JUNIOR REGULATORY AGREEMENT
LOAN NUMBER 23-HOME-16301**

This Junior 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 "Department").

RECITALS:

- A. Borrower has applied to the County for a loan (the "HOME Loan") for the development of a Rental Housing Development located at 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 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."
- B. Borrower and the County have entered into that Loan Agreement dated May 19 2026, regarding the Development and governing the terms of the HOME Loan (the "Loan Agreement").
- C. 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").

County Junior 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

2. A deed of trust, assignment of rents, security agreement, and fixture filing securing the Note and naming the County as beneficiary and the Borrower as trustor and recorded or to be recorded against the 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 County.
 3. Such other documents and instruments as the County may reasonably require.
- D. The Loan Agreement, the Note, the Deed of Trust, this Agreement, and such other documents and instruments as are reasonably required by the County are collectively referred to herein as the "HOME 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 provided for in this Agreement, the capitalized terms used in this Agreement have the same meaning as they are defined in the HOME Regulations. For the purposes of this Agreement the following additional definitions apply:
 - a. "Low-income families" means families 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.
 - 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. "Net Cash Flow" means all annual Operating Income of the Development less the amounts paid therefrom as allowed in this Agreement.
 - e. "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.
 - f. "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 an HOME Assisted Unit receives Federal or State project-based rental subsidy, and the tenant pays as a contribution toward Rent not more than 80 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.
 - g. "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.
 - h. "Sponsor" means Pacific West Communities, an Idaho Corporation.
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 within fifty-five (55) years from the date of Project completion as "project completion" is defined at 24 C.F.R. §92.2 and no later than 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 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 a HOME Assisted Unit may be available;
 - (C) Prompt notification to tenant applicants who are found ineligible to occupy a 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;

(F) Procedures for obtaining statistical information for identifying the status of tenants as either elderly or veteran; and

(G) 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 families 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 an 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 families upon initial occupancy, but whose income at the time of annual recertification increased above that of a Low-income families, 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.
- (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-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-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.
- d. Notwithstanding the requirements of this paragraph, the Borrower must comply with the most restrictive area medium income (“AMI”) requirements that are imposed on the Project’s Units by other sources of funding the Project receives (e.g., if an HOME Assisted Unit is also receiving funds from a local government loan that also restricts occupancy of the HOME Assisted Unit to people whose income is 20% of the AMI, then the HOME Assisted Unit may only be occupied by people whose income is 20% of the AMI even though Exhibit B of this Agreement restricts occupancy of HOME Assisted Units to people whose income is 30% AMI).

11. Security Deposits.

- a. Security deposits must be required of tenants only in accordance with State law and this Agreement.
- b. Any security deposits collected by the Borrower or Borrower's agent must be kept separate and apart from all other funds of the Development in a trust account with a depository insured by the Federal Deposit Insurance Corporation (F.D.I.C.), or other comparable federal deposit insurance program, and must be held and disbursed in accordance with State law. The balance of such account must at all times equal or exceed the aggregate of all outstanding obligations under said account, plus accrued interest thereon.

12. 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 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.
- f. The Borrower must comply with the most restrictive tenant eligibility and occupancy standards that are imposed by other sources of funding the Project receives (e.g., if an HOME Assisted Unit is also receiving funds from a local government loan that also restricts occupancy of the HOME Assisted Unit to people whose income is 20% of the Area Medium Income, then the HOME Assisted Unit may only be occupied by people whose income is 20% of the Area Medium Income even though Exhibit B of this Agreement restricts occupancy of HOME Assisted Units to people whose income is 30% of the Area Medium Income).

13. 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.
- 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 materially failed to operate the Development in accordance with this Agreement, the Borrower must exercise such right of termination forthwith and must make immediate arrangements, which must be subject to County approval, for continuing performance of the requirements of this Agreement.
- d. Borrower may manage 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.

14. Hazard and Liability Insurance and Condemnation.

- a. The Borrower must always keep the Development insured against loss by fire and such other hazards, casualties, liabilities, and contingencies, and in such amounts and for such periods as required by the County. All insurance policies and renewals thereof must be issued by a carrier and in form acceptable to the County.
- b. In the event of any fire or other casualty to the Development or eminent domain proceedings resulting in condemnation of the Development or any part thereof, Borrower has the right to rebuild the Development, and to use all available insurance

or condemnation proceeds therefore, provided that, as determined by the County in its sole discretion, (a) such proceeds are sufficient to keep the HOME Loan in balance and rebuild the Development in a manner that provides adequate security to the County for repayment of the HOME Loan or if such proceeds are insufficient, then Borrower shall have funded any deficiency, (b) the County has the right to approve plans and specifications for any major rebuilding and the right to approve disbursements of insurance or condemnation proceeds for rebuilding under a construction escrow or similar arrangement, and (c) no material breach or default then exists under the HOME Loan Documents. If the casualty or condemnation affects only part of the Development and total rebuilding is infeasible, then proceeds may be used for partial rebuilding and partial repayment of the HOME Loan in a manner that provides adequate security to the County for repayment of the remaining balance of the HOME Loan.

- c. 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.

15. 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 Department 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 specifically identify the number of Units rented to the elderly. The report must also specifically identify the number of Units rented to military veterans. 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.

16. 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 addition to the annual audit required by this Agreement, and at the County's request, the Borrower shall provide, at Borrower's expense, an audit of the Development certified by an independent certified public accountant. The County may also perform or cause to be performed audits of any phase of the Borrower's activities related to the Development.
- c. 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.
- d. The County may request any other information that it deems necessary to monitor compliance with the Program Requirements and the requirements set forth in this Agreement and the Loan Agreement. The Borrower shall promptly provide such information.
- e. Monitoring site-visit Inspections shall comply with 24 CFR Part 92, as amended, (new construction, rehabilitation, and ongoing), and including property standards.

17. Annual Operating Budget, Schedule of Rental Income, Annual Report, and Annual Audit.

- 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.
- c. Borrower must file an annual report with the County no later than ninety (90) days after the end of each Fiscal Year for the Development. The report must be in such form and contain such information as required by the County.

- (1) As part of the annual report, the Borrower must submit an audit of the Development prepared by an independent certified public accountant in accordance with Department audit requirements, as specified in the Department's Audit Handbook, titled "Audited Financial Statements for Multifamily Rental Housing", published October 18, 2023, as periodically updated.

- (2) The report must specifically identify the number of Units rented to the elderly. The report must also specifically identify the number of Units rented to military veterans.

18. Required Reserves. Borrower must establish, fund, and maintain reserve accounts for the term of this Agreement as listed below. All such accounts must be in the name of the Borrower, earn interest, and, unless otherwise approved in writing by the County, be insured by an agency of the federal government or other comparable federal insurance program. All interest earned on a reserve account must become a part of the account. Withdrawals from the reserve accounts require prior written approval of the County. Should the County fail to act on a request for a withdrawal from a reserve account within thirty (30) days of documented receipt of the request, that request will be deemed approved.

- a. Replacement Reserve Account. **Construction Loan:** Commencing no later than the date that the project is complete, Borrower must establish a segregated replacement reserve account. Borrower must make annual deposits from Operating Income to the replacement reserve account in the amount set forth in Exhibit C, unless the County determines, in its sole discretion, that more frequent deposits are required.

Borrower must also deposit any Development funds designated for replacement reserves into this account, including those identified in Exhibit C. The amount of the minimum annual deposit may be adjusted, as determined by the County, in its sole discretion, based on the results of reserve studies, performed by an independent third party at the Borrower's expense as requested by the County or as based on other reliable indicators of the need for reserve funds over time. In no event will this reserve be used to fund limited partner exit costs.

- b. Operating Reserve Account. Borrower must establish an operating reserve account or sub-account within the Development's general operating account no later than project completion. Borrower must fund the operating reserve account with an initial deposit in an amount as specified in Exhibit C. Borrower must fully replace any withdrawals from the operating reserve account using available cash flow prior to use of any cash flow to pay deferred Developer Fee, partnership management or similar fees, Supportive Services Costs (when not paid as part of operating costs), or Distributions, as set forth in Borrower's Partnership Agreement. In no event will the Operating Reserve be used to fund limited partner exit costs, except for amounts in excess of the balance required by the County.
 - c. COSR, if applicable, is a reserve held by the Borrower within an account, to cover shortfalls in Unit income available for payment of approved Operating Expenses by the Department attributable to COSR-HOME Assisted Units pursuant to the requirements of the COSRA, and the terms of the HOME Loan Documents. Borrower acknowledges and agrees that it has no ownership interest in any COSR funds. The COSR is for the benefit of the eligible residents of the COSR-HOME Assisted Units, and Borrower has no right or claim to COSR proceeds.
 - d. Other Reserve Accounts. Borrower certifies that Exhibit C hereto contains a complete listing of all reserve accounts established or to be established for the Development. All withdrawals from these accounts require prior written County approval, except as specifically noted in Exhibit C.
19. Accounting Records. In a manner subject to County 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.

20. Use of Income from Operations.

- a. The Borrower, or Borrower's management agent, must promptly deposit all Operating Income in a segregated account established in the Borrower's name exclusively for the Development and insured by an agency of the federal government or other comparable federal insurance program.

- b. Withdrawals from the account must be made only in accordance with the provisions of this Agreement, and the approved annual operating budget, and must be disbursed, applied, or reserved and set aside for payment when due, in the following priority, to the extent available:
- (1) Salaries, wages, and any other compensation due and payable to the employees or agents of the Borrower employed on site in connection with the maintenance, administration, or operation of the Development, along with all withholding taxes, insurance premiums, Social Security payments and other payroll taxes or payments required in connection with such employees;
 - (2) All charges incurred in the operation of the Development in connection with utilities, real estate taxes and assessments, and liability, fire, and other hazard insurance premiums;
 - (3) Regularly scheduled non-contingent payments of interest, principal, impounds, fees and charges, if any, required on loans, including the HOME Loan, which are secured by liens on the Property, which have been approved by the County, payments on which are to be made prior to the determination of Net Cash Flow, as specified in Exhibit C, hereto;
 - (4) All other incurred Operating Expenses, including the fee of the managing agent, County-approved Supportive Services Costs as may be specified in Exhibit C (unless restricted by non-County public agency lenders, in which case Supportive Services Costs shall be paid as noted in (8) below), and any extraordinary expenses, in accordance with the approved annual operating budget of the Development or as otherwise approved in advance by the County;
 - (5) Deposits to required reserve accounts;
 - (6) Deferred Developer Fee;
 - (7) Asset management, partnership management and similar fees, including fees paid to investors in an amount not to exceed per year the sum of:
 - a. \$30,000, plus
 - b. Unpaid asset management, partnership management and similar fees accrued for a period not to exceed three project fiscal years following the year during which they are earned, up to the difference between the limit for the year and the amount paid for that year;
 - (8) Supportive Services Costs that these regulations would allow to be paid as operating costs, but that other funding sources do not; and
 - (9) Distributions, in accordance with this Agreement.
- c. The withdrawals permitted under subparagraphs (b) (6) through (9) of this paragraph

are also subject to the restrictions of paragraph 18 of this Agreement.

- d. The Borrower may depart from the foregoing priorities of payment only upon the express written approval of the County. Net Cash Flow must be distributed in accordance with paragraph 22 of this Agreement.

21. Distributions.

- a. Borrower is limited to annual Distributions equal to fifty percent (50%) of the annual Operating Income remaining after payment of the items allowed in clauses (1) through (8) of subparagraph b. of paragraph 20 of this Agreement. If the Development generates insufficient cash flow to permit payment of Distributions in a particular year, Distributions in future years will not be accrued, or increased to cover the lack of Distributions in prior years.
- b. Borrower may deposit all or a portion of the amount permitted for Distributions into a Development account for distribution in subsequent years. Such future distributions must not reduce the otherwise permitted Distributions in those subsequent years.
- c. Distributions are permitted for a particular Fiscal Year, including Distributions from an accumulated Distributions account, only after the Borrower submits a complete annual report, including audit/CPA-certified financial statement and operating budget and the County determines that the report and budget demonstrate compliance with all Program Requirements.
- d. No Distributions, deferred Developer Fee, asset management fees, partnership management fee and similar fees must be made in the following circumstances:
 - (1) When written notice of default has been issued by any entity, including the County, with an equitable or beneficial interest in the Development;
 - (2) When the County determines that the Borrower or Borrower's management agent has failed to comply with the County's written notice of any reasonable requirement for proper maintenance or operation of the Development;
 - (3) If all currently required debt service, including mandatory payments on the HOME Loan, and Operating Expenses have not been paid; or
 - (4) If the replacement reserve account, operating reserve account or any other required reserve account is not fully funded pursuant to this Agreement. In situations described in this subparagraph 21(d)(4), the County reserves the authority to require any Project positive cash flow to be deposited into a specified reserve account under paragraph 18.

22. Use of Net Cash Flow.

Net Cash Flow must be applied to payment of interest, principal, impound fees and charges, if any, on loans which are secured by liens on the Property, including the HOME Loan, which have been approved by the County and which are to be paid from Net Cash

Flow in the amounts, proportion and in accordance with the terms specified in Exhibit C hereto.

23. Restrictions on Sale, Encumbrance, and Other Acts.

a. Except with the County's prior written approval, Borrower must not:

- (1) Make any sale, encumbrance, hypothecation, assignment, refinancing, pledge, conveyance, or transfer in any other form of the Property or Development or of any of its interest in either of them;
- (2) Substantially add to, remodel, remove, reconstruct, or demolish any part of the Development;
- (3) Permit the use of the Development for any purpose other than that permitted by this Agreement;
- (4) Incur any liability or obligation in connection with the Property or Development, other than for current Operating Expenses, nor incur any liability, charge, assessment, or obligation whatsoever that is secured in whole or in part by any interest in or lien or encumbrance on the Property provided that the County may permit refinancing or additional financing secured by the Property to the extent necessary to maintain or improve the Development's Fiscal Integrity, or to maintain affordable Rents;
- (5) Enter into any contract relating to rehabilitating or managing the Development;
- (6) Enter into any lease for more than a single rental Unit, a ground lease of the Property or any interest therein, except for the rental of Commercial Space in the Development; or
- (7) If the Borrower or its successor in interest is a limited partnership, discharge or replace any general partner or amend, modify, or add to its partnership agreement, or amend, modify, or add to the organizational documents of the general partner; except that it may transfer limited partner interests without such approval if such transfer does not involve a sale of the limited partner interests. The withdrawal, removal, and/or replacement of a general partner of the partnership pursuant to the terms of the partnership agreement will not constitute a default under any of the HOME Loan Documents, and any such actions will not accelerate the maturity of the HOME Loan, provided that any required substitute general partner is reasonably acceptable to the County, is selected with reasonable promptness, and receives the County's prior written approval.

b. The County may approve a sale, transfer or conveyance of the Property or Development provided all of the following conditions are met (and may approve a refinance if conditions 1, 4 and 5 are met):

- (1) The transferor Borrower (or Borrower, as applicable) is in compliance with this Agreement, or the sale, transfer, conveyance or refinance will result in the cure of any existing violations of this Agreement.
 - (2) The transferee Borrower agrees to assume all obligations of the transferor Borrower pursuant to the Program Requirements.
 - (3) The transferee Borrower demonstrates to the County's satisfaction that it has the ability to own and operate the Development in full compliance with this Agreement and the Program Requirements.
 - (4) Any terms of the sale, transfer, conveyance, or refinance must not jeopardize the County's security or the transferee Borrower's (or Borrower's, as applicable) ability to comply with all Program Requirements.
 - (5) The County will not approve any cash payment to the selling party, or to any party related to or affiliated with the selling party in excess of amounts permitted by HCD. The Sponsor may not cash out its equity. Deferred developer fee, and seller carry back loans, cannot be cashed out from the proceeds of a sale, transfer, conveyance, or refinance.
- c. The County may grant its approval for a sale, transfer, conveyance or refinance of the Property or Development subject to such terms and conditions as may be necessary to preserve or establish the Fiscal Integrity of the Development or to ensure compliance with the Program Requirements. Such conditions may include, but are not limited to, the deposit of sales proceeds, or a portion thereof, to maintain required reserves or to offset negative cash flow.
 - d. If Borrower or its successor in interest is a limited partnership, the execution and delivery of the purchase option and right of first refusal agreement and or a put option described in the partnership agreement will not constitute a default under the HOME Loan Documents or accelerate the maturity of the HOME Loan thereunder, provided that such purchase option and right of first refusal agreement is and remains subordinate to the documents securing the HOME Loan. The consent of the County to, (a) the exercise of said put option or purchase option and right of first refusal agreement by the Sponsor identified therein or by the nonprofit managing partner of the Borrower, and to (b) the assumption without penalty of HOME Loan obligations by the Sponsor and the release of Borrower from such obligations, must not be unreasonably withheld but may be conditioned upon the execution of an operating guaranty from the Borrower in form provided by the County. Subject to any such consent requirement, the exercise of rights under such agreement will not constitute a default under the HOME Loan Documents or accelerate maturity of the HOME Loan.
 - e. If Borrower or its successor in interest is a limited partnership and the put option or purchase option and right of first refusal agreement described in the partnership agreement is not exercised and the Development is sold subject to low-income housing use restrictions contained in this Agreement, the requisite consent of the County to said sale, and to the assumption without penalty of HOME Loan

obligations by the purchaser and the release of Borrower from such obligations, will not be unreasonably withheld, but may be conditioned upon, among other requirements, the execution of an operating guaranty from the Borrower in form provided by the County.

- f. The Borrower agrees that if it is organized as a partnership or other legal entity, Borrower will not dissolve the partnership or other legal entity prior to the expiration of the term of this Agreement, without the prior written approval of the County.

24. Use of Syndication Proceeds. Unless otherwise approved by the County in writing, Borrower must allocate, distribute, and pay all net syndication proceeds, if any. Borrower must notify the County of Nevada the receipt of any net syndication proceeds received during the term of this Agreement and the disposition of said proceeds. The County may approve, in writing, future syndications of the Development, if the County determines that such syndication is in the best interest of the Development and such syndication meets all federal requirements. All syndication proceeds not identified in this Agreement must be distributed only as approved in writing by the County.

25. 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 including, but not limited to, Borrower's covenant to perform its obligations under the HOME Loan Documents, 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 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) Collect all Rents and income in connection with the operation of the Development and use the same and the reserve funds for the operation and maintenance of the Development.
- (2) Take possession of the Development and bring any action necessary to enforce any rights of the Borrower growing out of the operation of the Development and operate the Development in accordance with the terms of this Agreement until such time as the County, in its sole discretion, may determine that the Borrower is again in a position to operate the Development in accordance with the terms of this Agreement.
- (3) Apply to any court, state or federal, for specific performance of this Agreement or for the appointment of a receiver to take over and operate the Development in accordance with the terms of this Agreement, or for such other relief as may be appropriate. 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 Department, in light of the purposes and requirements of the Program,

would be impossible to ascertain.

- (4) Accelerate all amounts, including outstanding principal and interest, due under the terms of the HOME Loan Documents and demand immediate repayment thereof. Upon a failure to repay such accelerated amount in full, the Note provides that the County may proceed with a foreclosure or sale under the power of sale in accordance with the provisions of the Deed of Trust and state law regarding foreclosures.
 - (5) Seek such other appropriate remedies as may be available under the law.
- 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.

26. Time to Cure.

- a. If a monetary event of default occurs under the terms of any of the HOME Loan Documents, prior to exercising any remedies thereunder the County shall give Borrower written notice of such default. Borrower will have a period of fifteen (15) days after such notice is given within which to cure the default prior to exercise of remedies by the Department under the HOME Loan Documents, or such longer period of time as may be specified in the HOME Loan Documents.
- b. If a non-monetary event of default occurs under the terms of any of the HOME Loan Documents, prior to exercising any remedies thereunder, the County shall give Borrower written notice of such default. If the default is reasonably capable of being cured within thirty (30) days, as determined by the County in its sole discretion, Borrower will have such period to effect a cure prior to exercise of remedies by the County under the HOME Loan Documents, or such longer period of time as may be specified in the HOME Loan Documents. If the default is such that it is not reasonably capable of being cured within thirty (30) days, as determined by the County in its sole discretion, or such longer period if so specified, 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 as is determined by the County, in its sole discretion, to be reasonably necessary to cure the default prior to exercise of any remedies by the

County. If Borrower or its successor in interest is a limited partnership, if 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 will effect a cure within a reasonable time thereafter in accordance with the foregoing provisions. In no event will the County be precluded from exercising remedies if its security becomes or is about to become materially jeopardized by any failure to cure a default or the default is not cured within ninety (90) days after the first notice of default is given, or such longer period of time as may be specified in the HOME Loan Documents.

27. Property Tax Exemption. To the extent the property tax exemption provisions of section 214 of the Revenue and Taxation Code are applicable to the Borrower and the Development, Borrower must take all actions necessary to qualify the Development for the maximum exemption from property taxes available pursuant to said section 214 of the Revenue and Taxation Code. Such actions may include, but are not limited to the following:

- a. Modify, add to, or delete from the articles of incorporation, bylaws, or other organizational documents of Borrower or of the managing general partner of Borrower;
- b. Apply for nonprofit, tax-exempt status to the appropriate state or federal agency;
- c. Provide the certifications and assurances required by section 214 of the Revenue and Taxation Code; and
- d. Comply with the procedures and requirements imposed by local government agencies as a condition of receiving the property tax exemption.

28. 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.

29. Assignment of County Rights. The County retains the right at its sole discretion to assign all or part of its rights under this Agreement 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.

30. Amendment. This Agreement must not be altered or amended except in writing, executed between or among all the parties.
31. Partial Invalidity. If any provision 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.
32. 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.
33. 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.
34. Indemnification and Waiver.
 - a. Borrower agrees to indemnify the County and/or Department and its agents, employees and officers against, and holds the County and/or Department 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 and/or Department 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 must pay immediately upon the County and/or Department'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 must indemnify and hold harmless the County and/or Department 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 and/or Department, 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 and/or Department. Borrower's duty to indemnify the County and/or Department 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.

- b. The Borrower waives and releases all rights to any types of express or implied indemnity against the County and/or Department 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.**
35. 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.
36. 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.
37. 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.
38. 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.
39. 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.

40. Compliance with IRC Section 42(h)(6)(E)(ii). In the event a regulatory agreement required by 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.
41. Incorporation. The following Exhibits, all attached hereto, are hereby incorporated into this Agreement:
- Exhibit A: Legal Description;
- Exhibit B: Unit Designations, Rent Schedule, and Supportive Services Requirements (if any); and
- Exhibit C: Special Conditions
42. Cross Default. Any breach or default under any of the other County of Nevada HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) program loans provided by the County to the Development, or the County's loan and/or grant documentation related thereto, shall constitute a default under this Agreement and the other Loan Documents; and a default under this Agreement or the other Loan Documents shall constitute a default under the County's County of Nevada HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME) program loan and/or grant documents.

[Signatures Commence On Following Page]

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
Attn: Caleb Roope

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)

Nevada County

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 JUNIOR REGULATORY AGREEMENT

LEGAL DESCRIPTION

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 JUNIOR REGULATORY AGREEMENT

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

I. UNIT DESIGNATIONS AND RENT SCHEDULE

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

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

C. 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 JUNIOR 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.

Required Reserves.

Replacement Reserves.

Annual Deposit Amount:¹ \$ 15,500
 based on .006 times construction costs per 25 C.C.R. § 8309(b)(1):
\$ _____
 based on \$500 times number of units
 based on a physical needs assessment
 based on a direct federal loan or grant program: _____
 based on CalHFA requirements
Initial Capitalization Amount: \$ 40,000
Withdrawals Require Prior Department Approval: Yes

Operating Reserve.

| | |
|--------------------------------------------|-----------------------|
| Deposit Amount: | \$ <u>0</u> per month |
| Initial Capitalization Amount: | \$ <u>91,575</u> |
| Date of Deposit: | At Project completion |
| Withdrawals Require Prior County Approval? | Yes |

¹ The first annual deposit amount shall be prorated from the close of escrow to the end of the Fiscal Year.

[Remainder of this page is intentionally left blank.]

Mandatory Loan Payments or Monitoring Fees to be made Prior to Determination of Net Cash Flow.

| | |
|--------------------------------------------------------------------|---------------------------------------------------------|
| Lender: | County of NEVADA (HOME Investment Partnerships Program) |
| Initial Principal Amount: | 638 |
| Payment Amount (including future adjustments, caps, and balloons): | 50% of Surplus Cash (no mandatory payments) |
| Term to Maturity: | 55 years from date of project completion |
| Lien Position: | 2nd |
| Interest Rate: | 3% |

| | |
|--------------------------------------------------------------------|--------------------|
| Lender: | Banc of California |
| Initial Principal Amount: | \$1,900,000 |
| Payment Amount (including future adjustments, caps, and balloons): | \$133,488 |
| Term to Maturity: | |
| Lien Position: | 1st |
| Interest Rate: | 6.5% |

Deferred Developer Fee. The County approved deferred Developer Fee from paragraph 20.b(6) (also known as Priority Deferred Developer Fee) is \$0. The County approved Deferred Developer Fee payable from Distributions (see paragraph 20.b(9)) is \$0.

The Developer Fee will be adjusted for 9% tax credit projects (new construction) and 4% tax credit projects to reflect any change approved by the County at placed-in-service date. Excess Developer Fee determined at placed-in-service date must be refunded to the County in an amount pro rata with the other funding sources within 6 months of the placed-in-service date. Increases at placed-in-service date to the Developer Fee will result in an upward adjustment to the deferred Developer Fee payable in accordance with 25 C.C.R. § 8314 (a)(1)(A) and decreases will result in a downward adjustment to the deferred Developer Fee payable in accordance with 8314 (a)(1)(A). If a reduction in Developer Fee results in a credit to the County owing to over-payment of Developer Fee from Operating Cash Flow, the deficit must be paid to the County from Distributions paid to Sponsor in accordance with this Agreement.

Limited Partner Cure Rights. Notwithstanding anything to the contrary herein, the County hereby agrees that any cure of any default offered by the limited partners of the Borrower may be accepted or rejected on the same basis as if cure was offered by the Borrower. Copies of all notices of default sent hereunder may be sent to the limited partners of the Borrower at the following address:

PNC Bank, National Association
c/o PNC Real Estate

121 S.W. Morrison Street, Suite 1300
Portland, OR 97204-3143
Attn: Asset Management

and Borrower's limited partner's counsel:

Kutak Rock
1650 Farnam Street
Omaha, NE 68102
Attn: Shane Deaver

With a copy to Borrower's Counsel:

SMF Legal, PLLC
430 E. State Street, Suite 140
Eagle, ID 83616

The County's failure to provide a duplicate copy will not be a breach by the County, nor will it impair the County's foreclosure or other remedies in any way.

[Insert additional project specific Special Conditions.]

Enumeration of Remedies. The failure to describe or enumerate all County remedies for any defaults does not limit the County's use of any remedies at its disposal.

Compliance with County Requirements. The Borrower acknowledges that all partners of the Borrower, including the limited partners, have been provided copies of the HOME Loan Documents and that the Borrower is authorized pursuant to the First Amended and Restated Agreement of Limited Partnership of CIC Nevada, LP to execute, and comply with the obligations imposed by, the HOME Loan Documents. The Borrower acknowledges and agrees that it is obligated to comply with the terms and conditions of the HOME Loan Documents.

Failure of the General Partner to obtain consent as specified within the LPA to perform any act required by the HOME Loan Documents does not excuse or relieve the Borrower from its obligations under the HOME Loan Documents. Nothing in the LPA or this paragraph limits the County's remedies including declaring a default under any of the HOME Loan Documents.

Definitions. Definitions of terms in any non-County Project or loan document, any amendment, modification, or restatement of any such document, are not binding on the

County including, but not limited to, definitions of “Cash Flow”, “Net Cash Flow”, “Surplus Cash”, “Surplus Cash Flow”, “Surplus Cash Distribution”, “Excess Cash”, “Project Expenses”, “Operating Revenue”, “Residual Receipt” and “Annual Operating Expenses.”

Uses of Cash Flow. Neither the LPA’s designation, nor any other designation, of the use of cash flow, in any non-County Project or loan document, or any amendment, modification or restatement of any such document, is any way binding on the County. Borrower must comply with 25 C.C.R. § 8314 and all other provisions of the UMR’s and this Agreement concerning project income and expenses notwithstanding any contrary requirement by any other party, including any partnership agreements regarding accrual of any asset management or like fees.

Limited Partner Exit. No Development funds, including replacement reserves, nor any operating reserves except in accordance with 25 C.C.R. § 8308(g), may be used to fund the purchase of or to acquire a limited partner share, or any other fees or expenses related to a transaction to purchase or acquire a limited partner share or limited partner exit.

Continuity of Reserves. All reserves must remain with the Development for uses approved by the County during the term of the Regulatory Agreement notwithstanding the sale or transfer of the Development, the exercise of an option to purchase or right of first refusal under the LPA, or the dissolution of the Borrower organization. Reserves may not be used to pay any transfer taxes, ground lease payments, repayment of debts to the limited partner, or limited partner buyout costs, except that operating reserves may be used in accordance with 25 C.C.R. § 8308(g).

Precedence of HOME Loan Documents Governing Use of Operating Income: In addition to the other terms of this Agreement, the Borrower hereby agrees and acknowledges that, notwithstanding any internal accounting procedures or provision pertaining to the use of receipts, payments, reserves and distributions contained in its agreement of partnership or other organizational document, the terms of this Agreement control the use of the funds provided by the HOME Loan and all Operating Income from the Development.