

**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION**

REGULATORY AGREEMENT

AGREEMENT dated this 20th day of December, 1972, by and between EASTERN GARDENS COOPERATIVE, INC. (hereinafter called the Mortgagor), whose address is 3045 Eastern Ave, Sacramento, California, party of the first part, and RICHARD D. CHAMBERLIN, Housing Commissioner (hereinafter called the Commissioner), acting pursuant to authority granted him by the National Housing Act, as amended, (hereinafter referred to as the Act), party of the second part.

WHEREAS, the Mortgagor is the owner of certain premises upon which is to be erected, or has been erected, a cooperative housing project, designed as FHA Project No. 136----and has requested ADVANCE MORTGAGE CORPORATION 35167-COOP-NP (hereinafter referred to as the Mortgagee to lend the sum of ONE MILLION SIX HUNDRED THOUSAND SIX HUNDRED -----Dollars (\$1,600,600.00) to be secured by a certain Note and Mortgage (hereinafter referred to as the Mortgage); and

WHEREAS, the premises encumbered (or to be encumbered) by the above referred to mortgage are located in Sacramento, County of Sacramento and State of California, and are more particularly described in Exhibit "A" attached hereto, and made a part hereof; and

WHEREAS, the Mortgagor and Mortgagee have requested the Commissioner to endorse said Note for mortgage insurance pursuant to (Section 221) of Title II of the Act; and

WHEREAS, the Mortgagee is unwilling to lend said sum to the Mortgagor without a Contract of Mortgage Insurance evidenced by such endorsement, and the Commissioner is unwilling to endorse the Note for mortgage insurance unless and until the Mortgagor shall, by entering into the covenants and agreements set forth below, consent to be regulated and restricted by the Commissioner as provided in the Act:

NOW, THEREFORE, in consideration of the sum of One Dollar (\$1.00) in hand paid, and other good and valuable considerations by each party to the other, the receipt of which is hereby acknowledged, and in order to induce the Commissioner to endorse for mortgage insurance of the Note secured by said Mortgage, and in order that the Mortgagor may be regulated and restricted by the Commissioner as provided for in said (Section 213) (Section 221) and the applicable Rules, the parties hereto agree as follow: that as long as the Contract of Mortgage Insurance continues in effect, and during such further period of time as the Commissioner shall be the owner, holder, or reinsurer of the mortgage, or during any time the Commissioner is obligated to insure a mortgage on the mortgaged property:

1. The Mortgagor shall promptly make all payments due under the note and mortgage.
2. The Mortgagor shall establish and maintain a reserve fund for replacements by the allocation to such reserve fund in a separate account with the Mortgagee or in a safe and responsible depository designated by the Mortgagee, commencing on the date of the first payment towards amortization of the principal of the Mortgage insured by the Commissioner, of an amount equal to \$482.92**, and a like amount monthly thereafter. Such fund may be in the form of a cash deposit or invested in obligations of, or fully guaranteed as to principle by the United States of America, and shall at all times be under the control of the Mortgagee. Such fund is for the purpose of effecting replacements of structural elements and mechanical equipment of the project and for such other purposes as may be agreed to in writing by the Commissioner. Disbursements from such fund may be made only after receiving the consent in writing of the Commissioner.

3. Commencing with occupancy, the Mortgagor shall establish and maintain a general operating reserve by allocation and payment thereto monthly of a sum equivalent to not less than 3 percent of the monthly amount otherwise chargeable to the members pursuant to their occupancy agreements. Upon accrual in said General Operating Reserve Account, of an amount equal to 15 percent of the current annual amount otherwise chargeable to the members pursuant to their Occupancy Agreements, the rate of such monthly allocations may, by appropriate action of the mortgagor, be reduced from 3 percent to 2 percent provided, however, that in the event withdrawals from such account reduce it below said 15 percent accrual, the rate of such monthly deposits shall immediately be restored to 3 percent; at any time thereafter upon accrual in said General Operative Reserve Account of an amount equal to 25 percent of the current annual amount otherwise chargeable to the members pursuant to their Occupancy Agreement, such monthly deposits may, by appropriate action of the mortgagor, be discontinued and no further deposits need be made into such General Operating Reserve Account so long as said 25 percent level is maintained and provided, further, that upon any reduction of such reserve below said 25 percent level, monthly deposits shall forthwith be made at the 3 percent rate until the 25 percent level is restored. (This reserve shall remain in a special account and may be in the form of a cash deposit or invested in obligations of, or fully guaranteed as to principle by, the United States of America, and shall at all times be under the control of the Mortgagor. This cumulative reserve is intended to provide a measure of financial stability during periods of special stress and may be used to meet deficiencies from time to time as a result of delinquent payments by individual cooperators, to provide funds for the re-purchase of stock of withdrawing members, and other contingencies. Disbursements totaling in excess of 20 percent of the total balance in the reserve as of the close of the preceding annual period may not be made during any annual period without the consent of the Commissioner. Reimbursement shall be made to the account payment of delinquencies or sale of stock for which funds were withdrawn from the reserve).
4. The Mortgagor shall establish and collect monthly carrying charges pursuant to the condition set forth hereinafter. Monthly carrying charges charged to members during the initial occupancy period shall be made by the mortgagor in accordance with a schedule of charges filed and approved in writing by the Commissioner prior to the opening of the project for occupancy. Such charges shall be in an account sufficient to meet the FHA estimate of cooperative management expenses, operating expenses and maintenance expense, debt services, taxes, special assessments and ground rents, if any, reserves, and all other expenses of the Mortgagor. Subsequent to the initial occupancy period, charges made by the Mortgagor for its accommodations shall be in accordance with a schedule of charges filed with and approved in writing by the Commissioner and shall be in amounts sufficient to meet the Mortgagor's estimate of expenses set forth in an operating budget which shall be prepared and submitted to the FHA 60 days prior to the beginning of each fiscal year. The operating budget shall set forth the anticipated income of the project and a sufficiently detailed estimate of expenses which will include separate estimates for administration expenses, operating expenses, maintenance expense, utilities, hazard insurance, taxes and assessments, ground rent, interest and amortization, mortgage insurance premium, replacement reserve and operating reserve. The Mortgagor shall not permit occupancy of its accommodations except in accordance with a schedule of charges approved by the Commissioner and such schedule shall not be changed except with the written approval of the Commissioner; nor shall occupancy be permitted by the Mortgagor except upon the execution of an occupancy agreement in a form approved by the Commissioner. The property of the Mortgagor shall not be rented as an entirety. Commercial accommodations and non-dwelling facilities, if any, shall be rented only according to a schedule of charges fixed by the directors and approved in writing by the Commissioner, and the form of lease shall be subject to the written approval of the Commissioner. Mortgagor shall provide for management of the project in a manner satisfactory to the Commissioner.

Any management contract entered into by the mortgagor involving the project shall contain a provision that it shall be subject to termination, without penalty and with or without cause, upon written request by the Commissioner addressed to the mortgagor and the management agent. Upon receipt of such request the mortgagor shall immediately terminate the contract within a period of not more than thirty (30) days and shall make arrangements satisfactory to the Commissioner for continuing proper management of the project.

5. The Mortgagor shall not without prior approval of the Commissioner, given in writing,
 - a) sell, assign, transfer, dispose of or encumber any real or personal property, except as specifically permitted by the terms of the Mortgage;
 - b) remodel, reconstruct, demolish or subtract from the premises constituting the project and subject to the Mortgage;
 - c) permit the occupancy of any of the dwelling accommodations of the Corporation except at the charges fixed by the schedule of charges provided herein;
 - d) permit occupancy of any of the dwelling accommodations of the Corporation except by members of the Corporation;
 - e) consolidate or merge the Corporation into or with any other Corporation; go into voluntary liquidation; carry into effect any plan of reorganization of the Corporation; effect any changes whatsoever in its capital structure; alter or amend its Certificate of Incorporation; or amend its by-laws;
 - f) fail to establish and maintain the Fund for Replacements and general operating reserve is set forth herein;
 - g) incur liabilities (direct or contingent) which will at any time exceed in the aggregate \$16,600.00, except the indebtedness secured by the Mortgage or necessarily incidental to the execution and delivery thereof;
 - h) enter into any contract or contracts for supervisory or managerial services;
 - i) invest any funds of the Corporation in any property, real, personal or mixed, except obligations of, or fully guaranteed as to principal by, the United States of America;
 - j) encumber or dispose of in any manner whatsoever any funds derived from the proceeds of its insured Mortgage in excess of sums required to pay the applicable statutory percentage of the actual cost of legitimate obligations incurred in the construction of the physical improvements on the mortgaged property and for which mortgage funds were made available, nor fail to apply such excess funds to the reduction of the principle due under the insured Mortgage;
6. During the period between initial and final endorsement for mortgage insurance by the Federal Housing Administration, no compensation or fee shall be paid nor obligation therefore incurred by the Mortgagor except with the prior written approval of the Commissioner. Thereafter, no compensation or fee shall be paid by the Mortgagor except for necessary services and except as such rate as is fair and reasonable in the locality for similar services, nor except with the prior written approval of the Commissioner, shall any compensation, be paid by the Mortgagor to its officers, directors or stockholders, or to any person, or corporation, for supervisory or managerial services; nor shall any compensation be paid by the Corporation to any employee in excess of \$5,000 per annum, except with such prior written approval. No officer, director, stockholder, agent or employee of the Mortgagor shall in any manner become indebted to the Mortgagor, except on account of approved occupancy charges.
7. The Mortgagor shall maintain its project, the grounds, buildings and equipment appurtenant thereto, in good repair and in such condition as will preserve the health and safety of its occupants.

8. The Mortgagor, its property, equipment, buildings, plans, office, apparatus, devices, books, contracts, records, documents and papers shall be subject to inspection and examination by the Commissioner or his duly authorized agent at all reasonable times.
9. The books and accounts of the Mortgagor shall be kept in accordance with the Uniform System of Accounting prescribed by the Commissioner. The Mortgagor shall file with the Commissioner and the Mortgagee the following reports verified by the signature of such officers of the Mortgagor as may be designated and in such form as may be prescribed by the Commissioner:
 - a) Monthly or quarterly operating reports, when required by the Commissioner;
 - b) Semi-annual financial statement within sixty days after the semi-annual period when required by the Commissioner;
 - c) annual reports prepared by a certified public accountant or other person acceptable to the Commissioner, within sixty days after the end of each fiscal year;
 - d) specific answers to questions upon which information is desired from time to time relative to the operation and condition of the property and the status of the Mortgage;
 - e) copies of minutes of all stockholders' meetings certified to by the secretary of the Mortgagor within thirty days after such meetings, and when required by the Commissioner, copies of minutes of directors' meetings.
10. The Mortgagor shall not execute or file for record any instrument which imposes a restriction upon the sale, leasing or occupancy of the property subject to the insured mortgage, or any part thereof, on the basis of race, color or creed.
11. No litigation seeking the recovery of a sum in excess of \$3,000 nor any action for specific performance or other equitable relief shall be instituted nor shall any claim for a sum in excess of \$3,000 be settled or compromised by the Mortgagor unless prior written consent thereto has been obtained from the Commissioner. Such consent may be subject to such terms conditions as the Commissioner may prescribe.
12. The Mortgagor agrees to observe and perform each and every one of the covenants, and provisions required to be observed and performed under pursuant to the terms of the Mortgage, or of the Building Loan Agreement referred to in said Mortgage, or of the Construction Contract for the construction of the project, or of any rent supplement contract executed by the Mortgagor and the Commissioner or of any modifications thereof. Any rent supplement contract executed by the Mortgagor and the Commissioner is incorporated in and made a part thereof.
13. The Mortgagor agrees that any membership shall be sold by the Mortgagor or by a member only in the manner and for the amount as provided in the By-Laws, and that to this end a sale by a member shall be supported by a certification by the seller and the purchaser as to the amount of the sales price not in excess of that permitted by the By-Laws.
14. The Mortgagor agrees that, if during the term of any Occupancy Agreement, lease, or rental agreement, the total current family income exceeds a maximum of occupancy, which may from time to time be established by the Commissioner, it will at its option either (a) Cause the over-income family to vacate in favor of a family whose income does not exceed the prevailing established maximum; or (b) Collect additional monthly carrying charges from the over-income family commensurate with the increased family income, pursuant to a plan previously developed by the cooperative and approved by FHA for the collection and use of such overages.

15. The Mortgagor covenants that occupancy of rent supplement units shall be permitted only upon the execution of an Occupancy Agreement in the form prescribed by the Commissioner. Mortgagor agrees that occupancy of units not involving rent supplement payments by members, or subleasing or renting of such units in the project (where approved by the Commissioner) shall be permitted only upon the execution of an Occupancy Agreement in the case of a member and a lease or rental agreement in the case of a non-member which must contain provisions, among others, that the member-occupant or non-member lease:
 - a) certifies the accuracy of the statements made in the application and income survey;
 - b) agrees that the family income, family composition and other eligibility requirements shall be deemed substantial and material requirements of his initial and continuing occupancy or tenancy; that he will comply promptly with all requests for information and certification with respect thereto from the Mortgagor or the Commissioner, and that his failure or refusal to comply with a request for information and certification with respect thereto shall be deemed a violation of a substantial requirement of his occupancy or tenancy;
 - c) agrees that if the total current family income limitations for occupancy or tenancy which may be established from time to time by the Commissioner are exceeded, upon receiving a thirty (30) day notice in writing from the Mortgagor, he will either (a) quit and deliver up possession of the premises, or (b) pay such additional monthly carrying charges as have been agreed upon pursuant to a plan previously developed by the Mortgagor and approved by FHA for the collection and use of such additional carrying charges.

16. The Mortgagor agrees that no person has been approved or shall be approved for membership or tenancy without the following conditions having been met at the time of each approval;
 - a) The person is a member of a low or moderate income family as defined by the Commissioner, and certifies that the membership or tenancy is for the purpose of providing housing for such family in the project;
 - b) The total current income of such person's family shall not exceed the limits established by the Commissioner then in effect, and such person has certified to the Mortgagor the total current family income; and
 - c) The Mortgagor has extended a preference or priority of occupancy to persons whose families qualify as low or moderate income families as defined by the Commissioner and whose families have certificates of eligibility as displaced families; and persons from such preferred or priority families have been given priority in initial occupancy in the project and in their placement on a waiting list maintained by the Mortgagor.

17. The Mortgagor agrees to pursue diligently to completion the termination of membership, the eviction and removal of members or tenants who no longer meet the family composition and occupancy per unit limitations which may be established from time to time by the Commissioner for §221(d)(3) below market interest projects and for units receiving the benefits of rent supplements.

18. The Mortgagor agrees to pursue diligently to completion the termination of membership, the eviction and removal of members or tenants who no longer meet the income limitations for occupancy which may be established from time to time by the Commissioner, or at the Mortgagor's option, to collect additional monthly carrying charges from said over-income members or tenants pursuant to a plan previously developed by the Mortgagor and approved by FHA for the collection and use of such additional carrying charges.

19. The Mortgagor agrees to adhere to the priorities and preferences for membership and occupancy by families displaced from and urban renewal area or as a result of governmental action as provided in the Bylaws.

20. The Mortgagor shall not file any petition in bankruptcy, or for a receiver, or in insolvency, or for reorganization or composition, or make any assignment for the benefit of creditors or to a trustee for creditors, or permit an adjudication in bankruptcy, or the taking possession of the mortgaged property or any part thereof by a receiver, or the seizure and sale of the mortgaged property or any part thereof under judicial process or pursuant to any power of sale.
21. Mortgagor agrees that there shall be full compliance with the provisions of (1) any laws prohibiting discrimination in housing on the basis of race, color, creed or national origin, and (2) with the Regulations of the Federal Housing Administration providing for nondiscrimination and equal opportunity in housing. It is understood and agreed that failure or refusal to comply with any such provision shall be a proper basis for the Commissioner to take any corrective action he may deem necessary including, but not limited to, the rejection of future applications for FHA mortgage insurance and the refusal to enter into future contracts of any kind with which the Mortgagor is identified, and further, if the Mortgagor is a corporation or any other type of business association or organization which may fail or refuse to comply with the aforementioned provisions, the Commissioner shall have a similar right of corrective action (1) with respect to any individuals who are officers, directors, trustees, managers, partners, associates, or stockholders of the Mortgagor, and (2) with respect to any corporation or any other type of business association or organization with which the officers, directors, trustees, managers, partners, associates or stockholders of the Mortgagor may be identified.
22. As security for the payment due under the Agreement for the Reserve Fund for Replacements, and to secure the Commissioner because of his liability under the endorsement of the Note for insurance, and as security for the other obligations under this Agreement, the Mortgagor assigns, pledges and mortgages to the Commissioner its rights to the rents, profits, income and charges of whatever sort which it may receive or be entitled to receive from the operation of the mortgaged property, subject, however, to any assignment of rents in the insured mortgage referred to herein: Provided, however, that permission is granted to the Mortgagor to collect and retain under the provisions of this Agreement the rent, profits, income and charges, during any such period or periods of time for which the Commissioner has not declared a default. Upon declaration by the Commissioner of a default, the said permission is terminated and shall not be deemed to be reinstated until the Commissioner has declared the default to be cured.
23. Upon a violation of any of the above provisions of this Agreement by the Mortgagor, the Commissioner may give written notice, thereof, to the Mortgagor, by registered or certified mail, addressed to the addressees stated in this Agreement. If such violation is not corrected to the satisfaction of the Commissioner within 15 days after the date such notice is mailed, or within such additional period of time as is set forth in the notice, or where the Mortgagor proceeds immediately and diligently, within such further time as the Commissioner determines is necessary to correct the violation, without further notice the Commissioner may declare a default under this Agreement and upon such default the Commissioner may:
- a) (i) If the Commissioner holds the note – declare the whole of said indebtedness immediately due and payable and then proceed with the foreclosure of the mortgage;
 - (ii) If said note is not held by the Commissioner – notify the holder of the note of such default, and the holder, with the prior written consent of the Commissioner, may declare the whole indebtedness due, and thereupon proceed with foreclosure of the mortgage, or assign the note and mortgage to the Commissioner as provided in the Regulations;

- b) Collect all rents and charges in connection with the operation of the project and use such collections to pay the Mortgagor's obligations under this Agreement and under the note and mortgage and the necessary expenses of preserving the property and operating the project;
- c) Take possession of the mortgaged property, bring any action necessary to enforce any rights of the Mortgagor of the project, and any rights of the Commissioner, arising by reason of the Agreement, and operate the project in accordance with the terms of this Agreement until such time as the Commissioner in his discretion determines that the Mortgagor is again in a position to operate the project in accordance with the terms of this agreement and in compliance with the requirements of the note and mortgage;
- d) Apply to any court, State or Federal, for specific performance of this Agreement, for an injunction against any violation of the Agreement, for the appointment of a receiver to take over and operate the project in accordance with the terms of the Agreement, or for such other relief as may be appropriate, since the injury to the Commissioner arising from a default under any of the terms of this Agreement would be irreparable and the amount of damage would be difficult to ascertain.

24. This regulatory agreement and its covenants and agreements herein set out shall be of no effect as to any property released from the blanket mortgage of the Mortgagor, pursuant to Section 213(d) of the National Housing Act.

25. As used in this Agreement the term:

- a) "Mortgage" shall include "Deed of Trust";
- b) "Note" shall include "Bond";
- c) "Mortgagor" shall include "Grantor" under any Deed of Trust;
- d) "Mortgagee" shall include the "Beneficiary" under Mortgage or Deed of Trust however designated;
- e) "Default" means a default declared by the Commissioner when a violation of this Agreement is not corrected to his satisfaction within the time allowed by this Agreement or such further time as may be allowed by the Commissioner after written notice;
- f) "Stock" shall include membership certificates or other forms designating member ownership;
- g) "Family" means:
 - (1) not less than two persons related by blood, marriage or operation of law who occupy the same unit; or,
 - (2) a handicapped person who has a physical impairment which is expected to be a long continued and indefinite duration which impedes his ability to live independently and is of such a nature that his ability to live independently could be improved by more suitable housing conditions; or,
 - (3) a single person 62 years of age or older; or,
 - (4) as to rent supplement units in the project any single person qualifying to receive the benefits of rent supplement; or,
 - (5) any single person who is not (a) 62 years of age or older, nor (b) handicapped as defined above, nor (c) receiving the benefits of rent supplement; provided, however, that not more than 10 per centum of the dwelling units in the project shall be occupied by such single persons.
- h) "Total current family income" means all gross income, before taxes and other deductions, received by all members of the family, except a dependent child or children, as the latter is defines by the Internal Revenue Service.

26. This instrument shall bind, and the benefits shall inure to, the respective parties hereto, their legal representatives, executors, administrators, successors in office or interest, and assigns.

- 27. The invalidity of any clause, part or provision of this agreement shall not affect the validity of the remaining portions thereof;
- 28. The Mortgagor agrees and assumes the obligation to have this agreement recorded in the appropriate land records in the jurisdiction in which the real property herein described is situated; and in the event of failure to do so, it is agreed that the Commissioner may have the same recorded at the expense of the Mortgagor.
- 29. It is specifically agreed between the parties hereto that the breach of any of the terms of this Agreement by the Mortgagor will substantially damage and injure the Commissioner in the proper performance of this duties under the provisions of the Act, and will impede and injure the proper operations intended under such Act; that such damage will be irrespective of and in addition to any damage to the security of the mortgaged premises or to any financial damage the Commissioner may suffer as insurer; that, except for the agreement herein contained, the Commissioner would not issue and would not be authorized to issue his Contract of Mortgage Insurance, and that the Mortgagee would not lend the sum above-mentioned on the security of the said Mortgage unless the same were insured by the Commissioner.

IN WITNESS WHEREOF the parties hereto have duly executed this agreement the day and year first above written:

WITNESS:

EASTERN GARDENS COOPERATIVE, INCORP.

 (SEAL)
 Clark Harsfield
 President

Sacramento
 February 7, 1973 before me, the undersigned, a Notary Public in and to
 Archie McCalla
 personally appeared.

I am to be the person whose name is
 he executed the same.
 Signature *Carol L. Sybrant*

CAROL L. SYBRANT
 NOTARY PUBLIC - CALIFORNIA
 SACRAMENTO COUNTY
 My Commission Expires Dec. 1, 1976

County of Sacramento
 On this 7th day of February
 A Notary Public, State of California, do hereby certify that
 Clark Harsfield
 is and that executed the within instrument, and also known to me to be the person who
 executed the within instrument on behalf of the corporation therein named, and acknowledged
 to me that such corporation executed the same.

IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal in the
 County of Sacramento the day and
 year in this certificate first above written.


 Ian M. Stoddart

Creditor's Form No. 28 (Acknowledgment Certificate)
 R. C. No. 1190-1196 (1)
 (Change 11/1/71)