Wake County,NC 77
Laura M Riddick, Register Of Deeds
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Prepared by and Return to:
Hunton & Williams (MNKR)
Post Office Box 109
Raleigh, North Carolina 27601

HOUSING AUTHORITY OF THE COUNTY OF WAKE

as the Issuer

and

LP WAKE FOREST LIMITED PARTNERSHIP

as the Borrower

and

FIRST-CITIZENS BANK & TRUST COMPANY

as the Trustee

REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS

Dated as of

December 1, 2001

Relating to

$11,000,000
Housing Authority of the County of Wake
Multifamily Housing Revenue Bonds
(Lakeview at Pemberly Apartments) Series 2001

REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS

THIS REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS, as amended, modified or supplemented from time to time (the "Regulatory Agreement") is made as of December 1, 2001, by LP WAKE FOREST LIMITED PARTNERSHIP, a North Carolina limited partnership (the "Borrower"), for the benefit of the HOUSING AUTHORITY OF THE COUNTY OF WAKE (the "Issuer") and FIRST-CITIZENS BANK & TRUST COMPANY, as Trustee (the "Trustee"), under the Indenture referred to below:

Section 1. Definitions. Words and terms defined in the Indenture shall have the same meanings herein unless a different meaning clearly appears in the context or unless such word or term is specifically defined herein. The following words and terms as used herein shall have the following meanings unless a different meaning clearly appears in the context:

"Annual Income" of an individual occupying a Unit shall mean anticipated total annual income from all sources of such individual, and "Annual Income" of a household occupying a Unit shall mean anticipated total annual income from all sources of the household head (even if temporarily absent), and each additional member of the household who is not a minor, of such household, in each case determined in accordance with Attachment I attached hereto.

"Applicable Income Limit" shall mean, as of any date as of which determined, 60% or less of area median gross income as most recently determined pursuant to Section 142(d)(2)(B) of the Code.

"Bond Counsel" shall mean an attorney or firm of attorneys nationally recognized on the subject of tax-exempt bonds.

"Bonds" shall mean the Bonds, as defined in, and authorized to be issued pursuant to, the Indenture.

"Code" shall mean the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code herein shall be deemed to include the United States Treasury Regulations in effect or proposed from time to time with respect thereto and applicable to the Bonds or the use of the proceeds thereof.

"Commercial Facilities" shall mean facilities (if any) included as part of the Project other than (i) the residential units, (ii) any facilities approved by the Issuer that are treated as "functionally related and subordinate" to such residential units under the Code and which are intended and available for use solely by residential tenants in the Project, and (iii) the portion of any facilities related to both the residential units and the other facilities of the Project which is treated as being allocable to the residential units under Section 142(d) of the Code.

"Financing Agreement" shall mean the Loan Agreement of even date herewith among the Issuer and the Borrower, including any amendments thereto.

"Indenture" shall mean the Trust Indenture of even date herewith between the Issuer and the Trustee, including any amendments or supplements thereto.

"Land" shall mean the real property described in Exhibit A hereto.

"Lower-Income Tenant" shall mean an individual or household occupying a Unit whose Annual Income does not exceed the Applicable Income Limit, adjusted for household size as provided in Section 142(d)(2)(B) of the Code. For this purpose, the occupants of a Unit shall not be considered Lower-Income Tenants if all of such occupants are students (as defined in Section 151(e)(4) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code. The income of individuals and area median gross income shall be determined in a manner consistent with determinations of lower-income families and area median gross income under Section 8 of the United States Housing Act of 1937 (or, if such program is terminated, under such program as in effect immediately before such termination). Section 7872(g) of the Code shall not apply in determining the income of individuals under this definition.

"Lower-Income Units" shall mean Units rented to Lower-Income Tenants.

"Project" shall mean the multifamily housing project currently known as Lakeview at Pemberly Apartments which consists of 88 rental units located in the County of Wake, North Carolina, on the land described in Exhibit A and owned by the Borrower.

"Qualified Project Period" shall mean, with respect to the Project, a period beginning on the date of issuance of the Bonds and ending on the latest of (a) the date which is 15 years after the date on which at least 50% of the Units of such Project are first occupied, (b) the date on which no tax-exempt private activity bond with respect to such Project is outstanding or (c) the date on which any assistance with respect to such Project under Section 8 of the United States Housing Act of 1937 terminates.

"Recreational Facilities" shall mean the recreational and exercise facilities shown on the Plans and Specifications and functionally related and subordinate to the residential units in the Project.

"Regulatory Agreement" shall mean this Regulatory Agreement and Declaration of Restrictive Covenants, as amended, modified or supplemented from time to time.

"Unit" shall mean a "unit", as defined in 26 C.F.R. § 1.103-(b)(8), comprising a portion of the Project rented or held available for rental to tenants.

Unless the context clearly requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include relative words of the plural number and vice versa. All the terms and provisions hereof shall be construed to effectuate the purposes set forth herein and to sustain the validity hereof. The titles and headings of the sections hereof have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this instrument or any provision hereof or in ascertaining intent, if any question of intent should arise.

Section 2. Residential Rental Property. The Borrower shall own, manage and operate the Project continuously as a "qualified residential rental project" meeting the requirements of Section 142(d) of the Code. The Issuer and the Borrower hereby elect to use the 40-60 test described in Section 142(d)(1)(B) of the Code. At all times during the Qualified Project Period:

(a) the Borrower shall own, manage and operate the Project on a continuous basis as a residential rental project comprising several proximate and interrelated buildings or structures each of which contain at least one Unit and substantially all of which contain Units or facilities functionally related and subordinate thereto meeting the requirements of Sections 142(a)(7) and 142(d) of the Code;

(b) Units shall consist of similarly constructed Units each of which contains complete facilities for living, sleeping, eating, cooking and sanitation separate and distinct from other Units, including cooking facilities equipped with a cooking range, refrigerator and sink;

(c) none of the Units shall at any time be used on a transient basis; none of the Units shall be rented for a period of less than 31 days; and the Project or any portion thereof shall not be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, nursing home, sanitarium, rest home or trailer park or court for use on a transient basis;

(d) except for Units occupied by resident managers or maintenance personnel, the Units shall be rented or available for rental on a continuous basis to persons who are members of the general public, and the Borrower shall not give preference in renting Units to any particular class or group of persons, other than Lower-Income Tenants as provided in Section 4 hereof;

(e) the Project shall be located on a single tract of land within the meaning of 26 C.F.R. § 1.103-8(b)(4)(ii)(b), and all of the improvements thereon shall comprise a single geographically and functionally integrated project for residential rental property, as evidenced by the ownership, management, financing and operation of such Project; and

(f) any building which contains fewer than five Units shall not have a Unit occupied by the Borrower or a related person (as defined in Section 147(a) of the Code).

Section 3. Rental Requirement. The Borrower shall rent or hold available for rental each of the Units of the Project (except for Units occupied by resident managers or maintenance or security personnel) on a continuous basis during the Qualified Project Period.

Section 4. Lower-Income Tenants. For the purpose of satisfying the low and moderate income occupancy requirements of Section 142(d) of the Code, the Borrower shall, at all times during the Qualified Project Period:

(a) rent on a continuous basis to Lower-Income Tenants at least 40% of the Units; provided, however, that, as provided in Section 142(d)(3)(B) of the Code, any Unit occupied by a Lower-Income Tenant at the commencement of occupancy shall continue to be treated as if occupied by a Lower-Income Tenant during tenancy of such Unit by such Lower-Income Tenant even though such Lower-Income Tenant may subsequently cease to be a Lower-Income Tenant, so long as the Annual Income of such Lower-Income Tenant as of the most recent certification pursuant to subsection (b) below does not exceed 140% of the Applicable Income Limit as of such certification. In the event that the Annual Income of a Lower-Income Tenant shall exceed 140% of such Applicable Income Limit, if (treating such tenant as if it were not a Lower-Income Tenant) less than 40% of the Units are occupied by Lower-Income Tenants, the Borrower shall rent the next available Unit in such Project of comparable or smaller size to a Lower-Income Tenant (provided, however, that any Unit in such Project of a larger size may be rented to a tenant who is not a Lower-Income Tenant if such Unit was previously occupied by such a tenant) and, upon renting such Unit to such Lower-Income Tenant, the Borrower shall make a new certification pursuant to subsection (b). In addition, any Unit vacated by a Lower-Income Tenant shall be treated as being occupied by such vacating Lower-Income Tenant until reoccupied by another tenant (other than occupancy for 31 days or less) at which time the character of the Unit shall be redetermined, provided that reasonable attempts are made to rent the Unit and no other Units of comparable or smaller size in that Project are rented to a tenant who is not a Lower-Income Tenant before such Unit is rented.

(b) obtain from each Lower-Income Tenant who occupies Units set aside for occupancy by Lower-Income Tenants pursuant to subsection (a) above, prior to the issuance of the Bonds and thereafter, upon or prior to such Tenant's initial occupancy in a Project, and not less than 60 days prior to the anniversary date of each such Lower-Income Tenant's occupancy, and maintain on file, copies of: (i) the Federal income tax return of such Lower-Income Tenant for the taxable year immediately preceding such occupancy or anniversary, or such other third party income verification as may substantiate such Lower-Income Tenant's sources of income during the year preceding such occupancy or anniversary, and (ii) an annual income certification (substantially in the form of Attachment I hereto or such other form as may be approved by Bond Counsel) evidencing compliance with Section 142(d) of the Code, as the same may be from time to time amended, and an income verification therefor from such Lower-Income Tenant's employer or other source of income;

(c) permit any duly authorized representative of the Issuer, the Trustee or the owners of the Bonds to inspect during the Borrower's business hours the books and records of the Borrower pertaining to the income of Lower-Income Tenants residing in the Project (including each occupant treated as a Lower-Income Tenant in accordance with subsection (a) above); and

(d) use forms of lease for rental of Lower-Income Units and provide the Issuer with a copy of each such form, which shall contain specific provisions requiring that (i) the minimum rental period for each Lower-Income Unit shall be at least one year, (ii) such Unit shall not be subleased, except where the Borrower approves the subtenant as an eligible tenant in accordance with this Section 4 or when the failure of the subtenant to qualify as a Lower-Income Tenant will not result in noncompliance with this Section 4, (iii) the lease shall terminate and the Borrower shall have the right to evict the tenant for any substantial violation of the terms and conditions of the tenant's tenancy, including, but not limited to: (A) any false or misleading statement in information supplied by the tenant to evidence the tenant's status as a Lower-Income Tenant or in such other certifications as may be required to implement the provisions hereof or (B) any failure or refusal to provide information required to recertify the Lower-Income Tenant's annual income not less than 60 days prior to each anniversary of such Lower-Income Tenant's occupancy, and (iv) the Lower-Income Tenant shall give the Issuer and the Trustee a power of attorney to enforce the covenants contained in this Regulatory Agreement for and on behalf of such Lower-Income Tenants.

Section 5. Status of Bonds. Except actions prohibited (or required) pursuant to Section 8 of the U.S. Housing Act of 1937, if applicable, and the regulations thereunder, the Borrower shall not take or permit any action that would adversely affect the exclusion from gross income for Federal income tax purposes of interest on the Bonds and, if it should take or permit any such action, the Borrower shall take all lawful action necessary to rescind such action promptly upon obtaining knowledge thereof. Except actions prohibited (or required) pursuant to Section 8 of the U.S. Housing Act of 1937, if applicable, and the regulations thereunder, the Borrower shall take and shall refrain from taking any action as may be necessary, in the opinion of Bond Counsel, to comply fully with all applicable rules, rulings, policies, procedures, regulations or other official statements proposed or promulgated by the Department of Treasury or the Internal Revenue Service pertaining to obligations issued under Section 142(a)(7) of the Code or any successors thereto. The Borrower hereby further certifies and covenants as follows:

(a) Commercial Facilities.

(i) The Project has been designed and will be constructed and operated to include only such Commercial Facilities, if any, as are specifically shown in the Plans and Specifications.

(ii) If the Project includes a rental or management office, such office shall be used exclusively for the rental or management of the residential units in the Project, and if the Issuer approves the occupancy of any residential units by a resident manager or other necessary employee, none of such resident Project personnel shall be responsible for or involved with the occupancy, rental or maintenance of any Commercial Facilities, unless the Borrower elects to treat such office and residential units as part of the Commercial Facilities for purposes of this Section 5(a).

(b) Recreation Facilities. The Recreation Facilities are intended and shall be available for use solely by tenants of the Project and their guests. Such use may be included in the rent charged to each tenant or additional fees or charges may be assessed, provided that such additional fees or charges are affordable for the Low or Moderate Income Persons or Families.

(c) Acquisition of the Project.

(i) On or prior to the date hereof, the Borrower will execute and deliver to the Issuer the Non-Arbitrage Certificate with respect to the Project. The Borrower hereby covenants that no disbursement under the Loan will be made for:

(A) costs of issuance of the Bonds in excess of 2% of the Bonds;

(B) nonissuance "bad costs" identified in the Non-Arbitrage Certificate executed with respect to the Project in an amount exceeding five percent (5%) of the total costs taken into account as shown in the Non-Arbitrage Certificate;

(C) the acquisition of a building (and any equipment therein as of the date of acquisition), the first use of which was not pursuant to such acquisition within the meaning of Section 147(d)(1) of the Code, unless the Borrower has expended within two years of the later of the date the building was acquired or the Bonds were issued from proceeds of the Loan or other available sources, an amount equal to at least fifteen percent (15%) of "the portion of the cost of acquiring such building (and equipment) financed with the net proceeds" of the Bonds for "rehabilitation expenditures" within the meaning of Section 147(d) of the Code with respect to such building and equipment;

(D) the acquisition of land (or an interest therein) in an amount equaling or exceeding twenty-five percent (25%) of the net proceeds of the Bonds, as shown on Schedule IV to the Non-Arbitrage Certificate;

(E) any cost of the Project which would cause the "average reasonably expected economic life" (as determined in the manner, and as of the time provided, by Section 147(b) of the Code) of the Project to be less than one day more than eighty-three and one-third percent (83-1/3%) of the "average maturity" of the Bonds within the meaning of Section 147(b) of the Code;

(F) the cost of any portion of the Project constituting a "health club facility" for general public use, a "facility primarily used for gambling" or a "store the principal business of which is the sale of alcoholic beverages for consumption off premises" within the meaning of Section 147(e) of the Code; or

(G) the cost of land, or an interest therein, to be used for "farming purposes" within the meaning of Section 147(c) of the Code.

(ii) The Borrower hereby represents that the Issuer agreed in writing to finance the Loan prior to "commencement" of the "acquisition", "construction", or "reconstruction" of the Project (within the meanings of such quoted terms in Treasury Regulations Section 1.103-8(a)(5)).

Section 6. Reports; Certifications. The Borrower shall file with the Department of the Treasury the annual certifications required by Section 142(d)(7) of the Code at the times and in the manner therein prescribed and shall simultaneously furnish copies of such certifications to the Issuer and the Trustee. During the Qualified Project Period for the Project, on or before the fifteenth (15^{th}) day of each calendar quarter, the Borrower shall file with the Issuer a report in writing (substantially in the form of Attachment II) for the Project which shall contain the following:

(a) the number of Lower-Income Units;

(b) the number of Units rented and the number of Units held available for rental other than as Lower-Income Units;

(c) the percentage that the number of Lower-Income Units constitutes of the total number of Units;

(d) a certificate of the Borrower that the information contained in the report is true, accurate and correct as of the date thereof; and

(e) a certificate of the Borrower that the Borrower is not in default under any covenant or agreement contained in this Regulatory Agreement.

Section 7. Compliance; Involuntary Non-Compliance.

(a) The Borrower covenants to inform the Issuer and the Trustee by written notice of any violation of the Borrower's covenants in this Regulatory Agreement within 14 days of the Borrower's discovery of such breach. The Borrower shall take all actions to cure any default under the provisions set forth in Section 4 as soon as practicable and, in any event, within sixty (60) days of becoming aware of such default. The Issuer shall receive any reports submitted by the Borrower pursuant to Section 6 and notify the Borrower and the Trustee of the breach of any such covenant of which it becomes aware based upon information contained in any such report or otherwise. In the event of the breach of any such covenant that continues to exist uncorrected for a period of 30 days after notice to the Borrower, the Trustee, on behalf of the Issuer, (i) shall take all action necessary to cause the Borrower to cure such breach, including, if necessary, enforcement of such covenant if a failure by the Borrower to comply with such covenant would adversely affect the exclusion from gross income for Federal income tax purposes of interest on the Bonds, and (ii) may take any other action necessary or desirable to cause the Borrower to cure such breach. If at any time there are no Bonds outstanding under the Indenture, or if for any reason the Trustee fails to take any action reasonably requested by the Issuer, the Issuer may itself take any and all action which it may deem necessary or desirable to cure any breach hereunder.

(b) The covenants contained in this Regulatory Agreement shall cease to apply to the Project in the event of involuntary non-compliance caused by fire, seizure, requisition, foreclosure, transfer of title by deed in lieu of foreclosure, change in Federal law or an action of a Federal agency after the date of issue of the Bonds which prevents the Issuer from enforcing such covenants, condemnation, or any other event which, in the opinion of the Trustee, is similar to the foregoing, but only if within a reasonable time after such event (including a reasonable period to resell such non-complying Project by a foreclosing lender which acquires the same, or whose controlled purchaser acquires the same, at foreclosure) (i) the Bonds will be no longer outstanding or (ii) the proceeds received as a result of any such event are used to provide a project which meets the requirements of Section 142(d) of the Code.

(c) Subsection (b) hereof shall not apply if, in the event of foreclosure or transfer of title by deed in lieu of foreclosure or similar event, the Borrower or a related person (as defined in 26 C.F.R. § 1.103-10(e)) subsequently obtains an ownership interest for tax purposes in such Project during the Qualified Project Period.

Section 8. Covenants Run with the Land; Term. The covenants, reservations, agreements and restrictions set forth herein shall be deemed covenants running with the Land and shall be an encumbrance on the Land and shall, without regard to technical classification or designation, be binding upon and enforceable against the Borrower and all successors in title to the Land, except as provided in Section 7. The Borrower covenants and agrees that during the Qualified Project Period for the Project, the Borrower will cause or require that any subsequent transferee, purchaser, grantee, owner or lessee (excluding, however, transferees under Section 7(b) and lessees occupying Units for residential purposes) of the Project or the Land or any part thereof, shall accept, observe and assume all of the covenants of the Borrower in this Regulatory Agreement, including its covenants in this Section 8. Except as provided in Section 7(b), every contract, deed or other instrument hereafter executed covering or conveying the Land or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, regardless of whether such covenants are set forth in such contract, deed or other instrument. Except as provided in Sections 4 or 18 or unless sooner terminated in accordance with Section 7, such covenants shall continue in full force and effect during the Qualified Project Period, it being expressly agreed and understood that the provisions hereof are intended to survive the termination of the Financing Agreement and the repayment of the loan to the Borrower made pursuant thereto, if such termination and repayment occurs prior to the expiration of the Qualified Project Period for the Project.

Section 9. Uniform, Common Plan. The provisions hereof shall apply uniformly to the entirety of the Project in order to establish and carry out a common plan for the use, development and improvement of that portion of the Land upon which the Project is located.

Section 10. Burden and Benefit. The burden of the covenants set forth herein touches and concerns the Land in that such covenants limit the use and development of the Land, and thereby render the Land less valuable. The benefit of such covenants touches and concerns the Land in that such covenants make the Project available for use and occupancy by Lower-Income Tenants, therefore furthering the public purpose sought to be advanced by the Issuer and further satisfying the Federal policies evidenced by the conditions for use of the Project required under Section 142(d) of the Code in order that interest on the Bonds may be excluded from gross income for Federal income tax purposes.

Section 11. Remedies; Enforceability. In the event of a breach or attempted breach of any of the provisions hereof, the Issuer or the Trustee, upon receipt of actual notice of such breach or attempted breach, and upon receipt of indemnity satisfactory to the Trustee, as required by the Indenture, acting on behalf of the owners of the Bonds or on behalf of the Issuer in its own right, may institute and prosecute any proceeding at law or in equity to enforce the provisions hereof or to abate, prevent or enjoin any such breach or attempted breach, or to enforce compliance or to recover monetary damages caused by such breach or attempted breach. No delay in enforcing the provisions hereof as to any breach or attempted breach shall impair, damage or waive the right of any party entitled to enforce the same or to obtain relief against or recover for the continuation or repetition of such breach or any similar breach thereof at any later time or times.

Section 12. Information Provided to Trustee. The Borrower and the Issuer shall, at the request of the Trustee, provide the Trustee with copies of all reports and communications given to the Issuer hereunder, including the reports required by Section 4 hereof; provided, however, the Trustee shall have no duty or obligation to interpret such reports and communications. Furthermore, in the event the Issuer notifies the Trustee of any violation of any covenant contained herein as required by Section 7, the Issuer shall provide to the Trustee copies of any reports indicating such violation.

Section 13. Consideration. The Issuer has determined to issue the Bonds to obtain funds to carry out the financing of the Project for the purpose, among others, of inducing the Borrower to operate the Project in the County of

Wake, North Carolina, as a "qualified residential rental project" within the meaning of Section 142(d) of the Code. In consideration of the adoption and implementation of the financing of the Project and the issuance of the Bonds by the Issuer, the Borrower has accepted the terms and provisions hereof.

Section 14. Occupancy Notification; Income Records; Additional Information. At the time of issuance of the Bonds and concurrently with each quarterly report provided to the Issuer and the Trustee pursuant to Section 6 hereof, the Borrower shall provide the Issuer with copies of the income tax returns or current income verifications and income certifications of Lower-Income Tenants (or persons treated as Lower-Income Tenants under Section 4(a)) required by Section 4(b) hereof which have been obtained by the Borrower subsequent to filing the report for the immediately preceding calendar quarter. In addition to the information provided for in Section 4(b) hereof, the Borrower shall submit any other information, documents or certifications requested by the Issuer or the Trustee which are reasonably necessary to substantiate the Borrower's continuing compliance with the provisions hereof and Section 142(d) of the Code.

Section 15. Governing Law. This instrument shall be governed by the laws of the State of North Carolina; provided, however, that with regard to any interpretation of the Code, Federal law shall apply.

Section 16. Notice. Any notice required to be given hereunder shall be given as provided in the Indenture.

Section 17. Severability. If any provision hereof shall be held invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions shall not in any way be affected or impaired.

Section 18. Release, Modification or Amendment of Regulatory Agreement. Following the issuance of the Bonds, this Regulatory Agreement may be released, modified or amended in whole or in part only as provided under the Indenture. Any such release, modification or amendment shall be executed by the Issuer, the Borrower and the Trustee and shall be recorded at the expense of the Borrower in the Office of the Register of Deeds of the County of Wake, North Carolina.

Section 19. Non-Recourse.

(a) Anything contained in any provision of the Loan Agreement, this Regulatory Agreement or the Note notwithstanding, in the event of any proceeding to enforce the provisions of the Note, the Loan Agreement or this Regulatory Agreement, neither the Issuer, nor the Trustee or other holder of the Note (collectively, the "Noteholder"), nor any Bondholder, shall be entitled to take any action to procure any personal money judgment or any deficiency decree against the Borrower or any partner of the Borrower or its or their heirs, personal representatives, successors and assigns, it being understood and agreed that recourse hereon and under this Regulatory Agreement and the Note shall be limited to the assets of the Borrower and the security from time to time provided with respect to the Note and the Loan Agreement; provided, however, nothing herein contained shall limit or be construed to limit or impair the enforcement against the Project or any other additional security as may from time to time be given to the beneficiary hereof as security for the performance of the Loan Agreement, this Regulatory Agreement, the Note, or any other instrument now or hereafter securing the Note or the Loan Agreement, or the rights and remedies of the Trustee or the beneficiary, its successors and assigns, under the Loan Agreement, this Regulatory Agreement or the Note or any other instruments. Notwithstanding the foregoing, the provisions of this Section shall be null and void and have no force and effect to the extent of any loss suffered by the Issuer, the Trustee or any Bondholder as a result of the Borrower's: (a) committing any act of fraud; (b) misapplication of any condemnation award or casualty insurance proceeds; (c) failure to apply the revenues of the Project in the manner and for the purposes provided in the Bond Documents, whether before or after an Event of Default; or (d) violation of any environmental laws. Nothing herein shall be deemed to prohibit the naming of the Borrower in an action to realize upon the remedies provided herein either at law or in equity, subject to the foregoing limitation against a personal money judgment or deficiency decree against the Borrower, the partners of the Borrower or their heirs, personal representatives, successors and assigns or to prohibit the naming of any person in an action to realize upon the remedies provided in any guaranty given in favor of the Trustee.

(b) The Issuer and the Trustee hereby acknowledge and agree that no limited partner of the Borrower nor any owner, officer, director, shareholder, manager, member, trustee, beneficiary or general or limited partner of such limited partner of the Borrower shall have any personal liability hereunder.

IN WITNESS WHEREOF, the Borrower has caused this Regulatory Agreement to be executed by its duly authorized officer all as of December 1, 2001.

BORROWER:

LP WAKE FOREST LIMITED PARTNERSHIP,
a North Carolina limited partnership

By: Regency Investment Associates, Inc., a North Carolina corporation, its Managing General Partner

By: ______________________
Lou R. Oberle, Vice President

STATE OF NORTH CAROLINA
COUNTY OF WAKE

I, Sherry M. Dean, a Notary Public of the County and State aforesaid, certify that Lou R. Oberle came before me this day and acknowledged that he is the Vice President of Regency Investment Associates, Inc., a North Carolina corporation, the Managing General Partner of LP WAKE FOREST LIMITED PARTNERSHIP, a North Carolina limited partnership, and that he, as Vice President, being duly authorized to do so, executed the foregoing on behalf of the corporation as the Managing General Partner of the limited partnership.

Witness my hand and official stamp or seal, this 14th day of December, 2001.

My commission expires: 10-14-2003

Sherry M. Dean
Notary Public

SHERRY M. DEAN
NOTARY
PUBLIC
WAKE COUNTY, N.C.
(NOTARIAL SEAL)

RALEIGH 164475v1

(SEAL)

(Issuer's Signature Page to the Regulatory Agreement/Restrictive Covenants)

ISSUER:

HOUSING AUTHORITY OF THE COUNTY OF WAKE

ATTEST:

By: Blanche McWhorter
______________, Secretary

By: Thomas A. Mitchell
______________, Chairman

STATE OF NORTH CAROLINA
COUNTY OF WAKE

I, Sherry M. Dean, a Notary Public of the County and State aforesaid, certify that Blanche McWhorter came before me this day and acknowledged that she is the Secretary of the HOUSING AUTHORITY OF THE COUNTY OF WAKE, a Housing Authority, and that by authority duly given and as an act of the Housing Authority, the foregoing instrument was signed in its name by its Chairman, sealed with its corporate seal and attested by him as its Secretary.

Witness my hand and official stamp or seal, this 11th day of December, 2001.

My commission Expires: 10-14-2003

Sherry M. Dean
Notary Public

(NOTARIAL SEAL)

SHERRY M. DEAN NOTARY PUBLIC WAKE COUNTY, N.C.

RALEIGH 164475v1

(Trustee's Signature Page to the Regulatory Agreement/Restrictive Covenants)

(SEAL)

TRUSTEE:

FIRST-CITIZENS BANK & TRUST COMPANY,
as Trustee

ATTEST:

By: [signature]
Name: Willard A. Simms
Title: Asst Secretary

By: [signature]
Name: David J. Klimczak
Title: Vice President

STATE OF NORTH CAROLINA
COUNTY OF WAKE

I, Donna Moos, a Notary Public of the County and State aforesaid, certify that Willard A. Simms came before me this day and acknowledged that he/she is the Assistant Secretary of FIRST-CITIZENS BANK & TRUST COMPANY, a North Carolina banking corporation, and that by authority duly given and as an act of the bank the foregoing instrument was signed in its name by its Vice President, sealed with its corporate seal and attested by him/her as its Assistant Secretary.

Witness my hand and official stamp or seal, this 12th day of December, 2001.

My Commission Expires 1-12-2005
My commission expires:

Donna Moos
Notary Public

(NOTARIAL SEAL)

DONNA MOOS
NOTARY
PUBLIC

RALEIGH 164475v1

EXHIBIT A

All that certain piece, parcel or tract of Land, situate, lying and being in the Town of Wake Forest, County of Wake, State of North Carolina, Being known as "Tract B–Pemberly Subdivision," according to a plat recorded in Book of Maps 2001, Page 1126 and containing 19.420 acres according to an "ALTA/ASCAM Land Title Survey prepared for LP Wake Forest Limited Partnership, Forbes Avenue, Wake County, Wake Forest, North Carolina (Lakeview at Pemberly)" dated Nov. 1, 2001, Last Revised Nov. 27, 2001, by Site Design, Inc. with the following metes and bounds to wit:

Commencing at a N.C.G.S. Monument known as "Forestville," said monument having the following coordinates: N=805135.0098 and E=2142566.0105; thence running South 78 degrees 56 minutes 11 seconds West 3901.98 feet to an old 3/4" open top iron pin located on the line of Doris C. Forbes Property, now or formerly and at the joint corner of "Tract A-Pemberly Subdivision" Modern Continental Enterprises Inc. Property, now or formerly; thence turning and running along the line of Tract A-Pemberly Subdivision South 13 degrees 52 minutes 12 seconds West 161.05 feet to an old 3/4" open top iron pin; thence South 07 degrees 22 minutes 20 seconds West 50.35 feet to an old 3/4" open top iron pin; thence South 00 degrees 40 minutes 56 seconds West 159.89 feet to an old 3/4" open top iron pin; thence South 13 degrees 46 minutes 41 seconds West 113.41 feet to an old 3/4" open top iron pin; thence South 00 degrees 36 minutes 40 seconds West 650.92 feet to an old 3/4" open top iron pin located on the line of Wake County Board of Education Property, now or formerly; thence turning and running along the line of said Wake County Board of Education Property South 89 degrees 42 minutes 55 seconds West 325.24 feet to an old concrete monument at the joint corner of 401 Inc. Property now or formerly; thence running along the line of said 401 Inc. Property South 89 degrees 45 minutes 28 seconds West 381.18 Feet to an old 1" open top iron pin on the line of Angela Caveness Weisskopf Property, now or formerly; thence turning and funning along the line of said Weisskopf Property North 01 degrees 58 minutes 59 seconds West 1142.41 feet to an old axle at the joint corner of Doris C. Forbes Property, now of formerly; thence turning and running along the line of said Forbes Property South 89 degrees 13 minutes 01 seconds East 826.95 feet to the Point of Beginning.

ATTACHMENT I TO
DECLARATION OF RESTRICTIVE COVENANTS
LAKEVIEW AT PEMBERLY APARTMENTS

Tenant Income Certification

1. I/We, state that I/we and the persons listed below will be or are the occupants of unit No. __________ in Lakeview at Pemberly Apartments.

Name of Members of the Household	Relationship	Age	Social Security Number	Income Tax Return Filed for preceding Taxable Year (Yes or No)
____________	_______	____	_______	__________
____________	_______	____	_______	__________
____________	_______	____	_______	__________
____________	_______	____	_______	__________
____________	_______	____	_______	__________
____________	_______	____	_______	__________

*Includes household head (even if temporarily absent) and each additional member of the household.

2. (a) The anticipated income of all the above persons during the 12-month period beginning on the date of this certification is listed below. Such amount includes all anticipated income including (without limitation) wages, salaries, investment income, social security benefits, alimony and child support, unemployment compensation and welfare benefits (but not the value of food stamps).

Name of Member of the Household	Amount	Source	Name and Address of Place of Employment
		$	
		$	
		$	
		$	
		$	
TOTAL	$_____	$	

The total anticipated income of the household head, spouse and all others listed above is $__________.

3. If any of the persons described above in paragraph 1 has any value of equity in real property, savings, stocks, bonds or other forms of capital investment, provide the following information:

(a) the name of the assets and the total estimated market value of all such assets of all of such persons: $________________________;

(b) the amount of income expected to be derived from such assets in the 12-month period commencing on the date of this certification: $________, and

(c) the amount of such income which is included in item 2(b): $________.

4. (a) Will all of the persons listed above be or have been full-time students during five calendar months of this year at an educational institution (other than a correspondence school) with regular faculty and students?

Yes ____________ No ______________

(b) If yes, is any such person (other than nonresident aliens) married and eligible to file a joint federal income tax return?

Yes ___________ No ______________

I/We acknowledge that all of the above information is relevant to the status under federal income tax law of the interest on the obligations that have been issued to finance the acquisition of the housing development. I/We consent to the disclosure of such information to the issuer of such obligations, the bond trustee for such obligations, any agent acting on their behalf, and any authorized agent of the United States Treasury Department or Internal Revenue Service. I/We understand that if the information reported in this certificate is discovered to be in any way materially false or misleading, it shall be viewed as a default and may result in termination of the lease and eviction of all occupants of the unit. I/We also agree to provide any further information required to validate this Certification and agree to update the Certification, if required, at least sixty days prior to the anniversary of any lease renewal.

The undersigned, being first duly sworn, hereby acknowledge(s) that (s)he/they has/have read and answered each of the questions fully and truthfully.

Signed:

____
Applicant/Occupant

____
Applicant/Occupant

STATE OF NORTH CAROLINA

__________ OF ___________, to-wit:

The foregoing Certification was acknowledged before me in the County of ___________, North Carolina, this ___ day of _____________, 20__, by ____________________.

My commission expires: _____________________, 20___

____
Notary Public

STATE OF NORTH CAROLINA

__________ OF ___________, to-wit:

The foregoing Certification was acknowledged before me in the County of ___________, North Carolina, this ___ day of _____________, 20__, by ____________________.

My commission expires: _____________________, 20___

____
Notary Public

FOR COMPLETION BY PROJECT OWNER ONLY:

Calculation of Annual Income*:

(A)	household in 2(b) above:	Amount entered for entire $_________
(B)	If the amount entered in 3(a) above exceeds $5,000, SUBTRACT the amount entered in 3(c):	$_________
(C)	TOTAL INCOME	$_________
(D)	If the amount entered in 3(a) above exceeds $5,000 enter the greater of (i) the amount entered in 3(b) or (ii) a percentage of the amount entered in 3(a) based on the current passbook savings rate (as determined in accordance with 24 C.F.R. 813.106(b)(3)):	$_________
(E)	(Line (C) + Line (D)):	TOTAL ANNUAL INCOME $_________

Based on the amount entered in (e) above, the tenant(s) [is/are] [is/are not] Lower-Income Tenants, as defined in this Regulatory Agreement, dated as of December 1, 2001, and recorded in the Office of the Register of Deeds of Raleigh, North Carolina.

Number of apartment unit assigned: __________________

LP WAKE FOREST LIMITED PARTNERSHIP,
a North Carolina limited partnership

By: Regency Investment Associates, Inc.
Managing General Partner

By: ______________________________
Vice-President

*Reference shall be made to Title 24, Part 813 of the Code of Federal Regulations for determination of income inclusions and exclusions.

ATTACHMENT II TO
DECLARATION OF RESTRICTIVE COVENANTS

Quarterly Report

First-Citizens Bank & Trust Company, as Trustee
Corporate Trust Department
100 East Tryon Road
Mail Code DAC61
Raleigh, North Carolina 27603

RE: Lakeview at Pemberly Apartments

Pursuant to Section 6 of the Regulatory Agreement and Declaration of Restrictive Covenants, dated as of December 1, 2001, executed, delivered and recorded by the Borrower, for the benefit of the Housing Authority of the County of Wake and First-Citizens Bank & Trust Company, as Trustee, the undersigned authorized representative of the Borrower, hereby certifies with respect to the operation and management of the Project referred to above (using the terms herein as defined in such Regulatory Agreement), that as of the date shown below:

1. The total number of Units rented or held available for rental is ______.

2. The number of Lower-Income Units is ______.

3. The percentage that the number of Lower-Income Units constitutes of the total number of Units is ______.

4. The information contained in this report is true, accurate and correct as of the date hereof.

5. As of the date hereof, the Borrower is not in default under any covenant or agreement contained in the Regulatory Agreement and Declaration of Restrictive Covenants.

IN WITNESS WHEREOF, the undersigned has signed this Report this _____ day of ___________, ____.

LP WAKE FOREST LIMITED PARTNERSHIP,
a North Carolina limited partnership

By: Regency Investment Associates, Inc.
Managing General Partner

By: ______________________________
Vice-President

ATTEST:

By: ______________________________
____________________, Secretary

(Issuer's copy to be accompanied by income tax returns, current income verifications and income certifications as required by Section 14 of this Regulatory Agreement and Declaration of Restrictive Covenants.)

Laura M Riddick
Register of Deeds
Wake County, NC

Book : 009207 Page : 02270 - 02287

Yellow probate sheet is a vital part of your recorded document.
Please retain with original document and submit for rerecording.

WAKE COUNTY NORTH CAROLINA

Wake County Register of Deeds
Laura M. Riddick
Register of Deeds

North Carolina - Wake County

The foregoing certificates of

Sherry M Dean
Donna Moss

Notary(ies) Public is (are) certified to be correct. This instrument and this certificate are duly registered at the date and time and in the book and page shown on the first page hereof.

Laura M. Riddick, Register of Deeds

By: [signature]
~~Assistant~~/Deputy Register of Deeds

This Customer Group
2 # of Time Stamps Needed

This Document
New Time Stamp
18 # of Pages