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FIDELITY NATIONAL TITLE

REGULATORY AND LAND USE RESTRICTION AGREEMENT

Among

AUSTIN HOUSING FINANCE CORPORATION,
as Issuer,

WELLS FARGO BANK TEXAS, N.A.,
as Trustee,

and

PLEASANT VALLEY VILLAS HOUSING, L.P.
(a Texas limited partnership),
as Owner

Dated as of August 1, 2002

Relating to

$15,000,000
Austin Housing Finance Corporation
Multifamily Housing Mortgage Revenue Bonds
(Pleasant Valley Villas)
Series 2002

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REGULATORY AND LAND USE RESTRICTION AGREEMENT

THIS REGULATORY AND LAND USE RESTRICTION AGREEMENT (this "Agreement" or this "Regulatory Agreement") dated as of August 1, 2002 is among the AUSTIN HOUSING FINANCE CORPORATION, a nonprofit housing finance corporation (together with its successors and assigns, the "Issuer"), WELLS FARGO BANK TEXAS, N.A.., a national banking association organized and existing under the laws of the United States of America, as trustee (together with any successor or trustee under the Indenture (as defined below), and their respective successors and assigns, the "Trustee") under the hereinafter-defined Indenture, and Pleasant Valley Villas Housing, L.P., a Texas limited partnership (together with its permitted successors and assigns, the "Owner"),

W I T N E S S E T H:

WHEREAS, pursuant to the Act (as hereinafter defined), the Issuer is authorized to issue one or more series of its revenue bonds and to loan the proceeds thereof to finance the acquisition, construction and equipping of residential rental housing for persons of low and moderate income; and

WHEREAS, the Owner has requested the assistance of the Issuer in financing a multifamily residential rental housing project located on the real property described in Exhibit A hereto (the "Project Site") and described in Exhibit B hereto (the "Project Facilities" and, together with the Project Site, the "Project"), and, as a condition to such financial assistance, the Owner has agreed to enter into this Regulatory Agreement, setting forth certain restrictions with respect to the Project; and

WHEREAS, the Issuer has determined to assist in the financing of the Project by issuing Austin Housing Finance Corporation Multifamily Housing Mortgage Revenue Bonds (Pleasant Valley Villas) Series 2002 in the aggregate principal amount of $15,000,000 (the "Bonds"), and making a mortgage loan to the Owner of such principal amount, upon the terms and conditions set forth in the Loan Agreement (as hereinafter defined);

WHEREAS, in order for interest on the Bonds to be excluded from gross income for Federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations (including temporary and proposed regulations) and rulings with respect to the Code, and in order to comply with the requirements of the Act, relating to the Bonds, the use and operation of the Project must be restricted in certain respects; and

WHEREAS, the Issuer, the Trustee and the Owner have determined to enter into this Regulatory Agreement in order to set forth certain terms and conditions relating to the acquisition, construction, equipping and operation of the Project and in order to ensure that the Project will be acquired, constructed, equipped, used and operated in accordance with the Code and the Act.

NOW, THEREFORE, in consideration of the premises and the mutual representations, covenants and undertakings set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Issuer, the Trustee and the Owner hereby agree as follows:

Section 1. Definitions and Interpretation. In addition to terms defined above, capitalized terms shall have the respective meanings assigned to them in this Section 1 or the Indenture unless the context in which they are used clearly requires otherwise:

"Act" means the Texas Housing Finance Corporations Act, Chapter 394, Texas Local Government Code, as amended.

"Affiliated Party" means a partner of the Owner, a person whose relationship with the Owner would result in a disallowance of losses under section 267 or 707(b) of the Code or a person who, together with the Owner, is a member of the same controlled group of corporations (as defined in section 1563(a) of the Code, except that "more than 50 percent" shall be substituted for "at least 80 percent" each place it appears therein).

"Affordable Rents" means rent paid by a tenant of a residential unit in a multi-family residential development such that the gross monthly rent of the residential unit, after deduction of the monthly value of any in-kind services (including, without limitation, utilities) provided to a tenant, does not exceed HUD's maximum affordable rents for families with incomes at or below 50% of median family income. This determination shall be made in accordance with procedures established by the Issuer and (a) at the time of initial occupancy of the residential unit and (b) at the time of each increase of the gross monthly rent with respect to such residential unit.

"Agreement" or "Regulatory Agreement" means this Regulatory and Land Use Restriction Agreement, as it may be amended from time to time.

"Anticipated Annual Income" means the anticipated annual income of a person (together with the anticipated annual income of all persons who intend to reside with such person in one Unit), as determined in accordance with Section 1.167(k)-3(b)(3) of the Regulations or with such other Regulations as may be imposed pursuant to section 142(d) of the Code.

"Compliance Monitoring Report" means the certified residential rental housing program compliance report to be filed by the Owner with the Issuer, the Trustee and the Majority Owner pursuant to Section 4(b)(iv) hereof and the Loan Agreement with respect to the Project, in substantially the form attached hereto as Exhibit D, or in such other form as the Issuer may reasonably prescribe.

"Computation Date" means each Installment Computation Date and the Final Computation Date.

"Eligible Tenants" means persons of low and moderate income whose adjusted gross income, together with the adjusted gross income of all persons who intend to reside with those persons in one dwelling unit, did not for the preceding tax year exceed the maximum amount constituting moderate income under the Issuer's rules, resolutions relating to the issuance of bonds, or financing documents relating to the issuance of bonds, which as of the date hereof, is 80% of median family income.

"Favorable Opinion of Bond Counsel" means an opinion of Bond Counsel, addressed to the Issuer, the Trustee and the Majority Owner, to the effect that the action to be taken will not adversely affect the excludability of interest on the Bonds from gross income for federal tax purposes

"Final Computation Date" means the date the last Bond is discharged.

"Gross Proceeds" means any Proceeds and any Replacement Proceeds.

"Indenture" means the Trust Indenture of even date herewith by and between the Issuer and the Trustee, relating to the issuance of the Bonds, and any indenture supplemental thereto.

"Inducement Date" means October 11, 2001.

"Installment Computation Date" means the last day of each Rebate Year commencing December 31, 2002, and the date on which the final payment in full of all Outstanding Bonds is made.

"Investment" has the meaning set forth in section 1.148-1(b) of the Regulations.

"Investment Proceeds" means any amounts actually or constructively received from investing Proceeds.

"Issue Price" means "issue price" as defined in sections 1273 and 1274 of the Code, unless otherwise provided in Sections 1.148-0 through 1.148-11 of the Regulations and, generally, is the aggregate initial offering price to the public (excluding bond houses, brokers and other intermediaries acting in the capacity of wholesalers or underwriters) at which a substantial amount of each maturity of Bonds is sold.

"Loan" means the loan to be made to the Owner pursuant to the Promissory Note, the Mortgage and the Loan Agreement.

"Loan Agreement" means the Loan Agreement of even date herewith among the Issuer, the Trustee and the Owner, as it may be amended, modified, supplemented or restated from time to time to the extent permitted by the Indenture.

"Low-Income Tenants" means persons whose aggregate Anticipated Annual Income does not exceed 60% of the Median Gross Income for the Area. For purposes of this definition, the occupants of a Unit shall not be deemed to be Low-Income Tenants if all the occupants of such Unit at any time are "students", as defined in section 151(c)(4) of the Code, no one of whom is entitled to file a joint return under section 6013 of the Code.

"Low-Income Unit" means a Unit which is included as a Unit satisfying the requirements of the Set Aside.

"Median Gross Income for the Area" means, with respect to the Project, the median income for the households in the area which includes the standard metropolitan statistical area in which the Project is located, as determined from time to time by the Secretary of Housing and Urban Development, under Section 8 of the United States Housing Act of 1937, as amended (or if such program is terminated, median income determined under the program in effect immediately before such termination), in each case as adjusted for family size.

"Net Proceeds of the Bonds" means any Net Sale Proceeds, Investment Proceeds and Transferred Proceeds of the Bonds.

"Net Sale Proceeds" means the Sale Proceeds less any Sale Proceeds deposited into a Reasonably Required Reserve or Replacement Fund.

"Nonpurpose Investments" means any "investment property," within the meaning of section 148(b) of the Code, acquired with the Gross Proceeds of the Bonds.

"Owner Representative" means any Person who at the time and from time to time may be designated as such, by written certificate furnished to the Issuer and the Trustee containing the specimen signature of such Person and signed on behalf of the Owner by the General Partner, which certificate may designate an alternate or alternates.

"Person" means any individual, entity, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Proceeds" means any Sale Proceeds, Investment Proceeds and Transferred Proceeds of the Bonds.

"Project" means the Project Facilities and the Project Site.

"Project Costs" means, to the extent authorized by the Act, any and all costs incurred by the Owner with respect to the acquisition, construction, rehabilitation and equipping, as the case may be, of the Project, whether paid or incurred prior to or after the date of this Regulatory Agreement, including, without limitation, costs for site preparation, the planning of housing and improvements, the removal or demolition of existing structures, and all other work in connection therewith, and all costs of financing, including, without limitation, the cost of consultant, accounting and legal services, other expenses necessary or incident to determining the feasibility of the Project, contractor's and Owner's overhead and supervisor's fees and costs directly allocable to the Project, administrative and other expenses necessary or incident to the Project and the financing thereof.

"Project Facilities" means the multifamily housing set forth in Exhibit B hereto.

"Project Site" means the parcel or parcels of real property described in Exhibit A, which is attached hereto and by this reference incorporated herein, and all rights and appurtenances appertaining thereunto.

"Promissory Note" means the Promissory Note executed by the Borrower in favor of the Issuer and assigned to the Trustee, evidencing the Loan.

"Qualified Project Costs" means the Project Costs incurred no earlier than 60 days prior to the Inducement Date (or which are qualifying preliminary expenditures) and no earlier than three years prior to the date reimbursed with Proceeds, but in no event shall such costs have been incurred with respect to a portion of the Project that is placed in service, within the meaning of Section 1.150-2 of the Regulations, earlier than 18 months prior to the date the related costs are reimbursed with Proceeds; provided that such costs are chargeable to a capital account with respect to the Project for Federal income tax and financial accounting purposes, or would be so chargeable either with a proper election by the Owner or but for the proper election by the Owner to deduct those amounts; provided, however, that, if any portion of the Project is being constructed by the Owner or an Affiliated Party (whether as a general contractor or a subcontractor), "Qualified Project Costs" shall include only (a) the actual out-of-pocket costs incurred by the Owner or such Affiliated Party in constructing the Project (or any portion thereof), (b) any reasonable fees for supervisory services actually rendered by the Owner or such Affiliated Party (but excluding any profit component) and (c) any overhead expenses incurred by the Owner or such Affiliated Party which are directly attributable to the work performed on the Project and shall not include, for example, intercompany profits resulting from members of an affiliated group (within the meaning of section 1504 of the Code) participating in the construction of the

Project or payments received by such Affiliated Party due to early completion of the Project (or any portion thereof). Qualified Project Costs do not include Costs of Issuance.

"Qualified Project Period" means, with respect to the Project, the period beginning on the first day on which ten percent (10%) of the Units are occupied and ending on the later of (i) the date which is 20 years after the date on which fifty percent (50%) of the Units in the Project are occupied, or (ii) the first date on which no tax-exempt private activity bond issued with respect to the Project is outstanding.

"Reasonably Required Reserve or Replacement Fund" means any fund described in section 148(d) of the Code, provided that the amount thereof allocable to the Bonds invested at a Yield materially higher than the Yield on the Bonds does not exceed 10% of the proceeds of the Bonds, within the meaning of section 148(d) of the Code.

"Rebate Amount" has the meaning ascribed in Section 1.148-3(b) of the Regulations and generally means the excess as of any date of the future value of all receipts on Nonpurpose Investments over the future value of all payments on Nonpurpose Investments all as determined in accordance with section 1.148-3 of the Regulations. In the case of any Temporary Period Issue, the "Rebate Amount" as of any Computation Date shall be limited to the "Rebate Amount" attributable to any Reasonably Required Reserve or Replacement Fund.

"Regulations" means the applicable proposed, temporary or final Income Tax Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

"Replacement Proceeds" has the meaning set forth in Section 1.148-1(c) of the Regulations.

"Sale Proceeds" means any amounts actually or constructively received from the sale (or other disposition) of any Bond, including amounts used to pay underwriters' discount or compensation and accrued interest other than pre-issuance accrued interest. Sale Proceeds also include amounts derived from the sale of a right that is associated with any Bond and that is described in Section 1.148-4 of the Regulations.

"Set Aside" has the meaning assigned to such term in Section 2(i) hereof.

"Stated Maturity," when used with respect to the Loan or the Bonds or any installment of interest thereon, means any date specified in the Loan Agreement or the Bonds as a fixed date on which the principal of the Loan or the Bonds or a portion thereof or such installment of interest is due and payable.

"Tax Letter of Representation" means the Owner's Tax Letter of Representation, dated the Closing Date and executed by the Owner.

"Temporary Period Issue" means any issue of Bonds that meets either the six month exception or the 18-month exception set forth in section 1.148-7 of the Regulations.

"Tenant Income Certification" means a certification as to income and other matters executed by the household members of each tenant in the Project, in substantially the form of Exhibit C attached hereto, or in such other form as reasonably may be required by the Issuer all in satisfaction of the requirements of Regulations Section 1.167(k)-3(b)(3) and other regulations of the Issuer and as described in Section 4(b)(ii), including the Tenant Income Certification Form as set forth in Exhibit C .

"Transferred Proceeds" means, with respect to any portion of the Bonds that is a refunding issue, proceeds that have ceased to be proceeds of a refunded issue and are transferred proceeds of the refunding issue by reason of Section 1.148-9 of the Regulations.

"Unit" means a residential accommodation containing separate and complete facilities for living, sleeping, eating, cooking and sanitation located within the Project.

"Yield" means yield as determined in accordance with section 148(h) of the Code, and generally, is the yield which when used in computing the present worth of all payments of principal and interest to be paid on an obligation produces an amount equal to the Issue Price of such obligation.

Unless the context clearly requires otherwise, as used in this Regulatory Agreement, words of the masculine, feminine or neuter gender shall be construed to include each other gender, and words of the singular number shall be construed to include the plural number, and vice versa. This Regulatory Agreement and all the terms and provisions hereof shall be construed to effectuate the purposes set forth herein and to sustain the validity hereof.

The defined terms used in the preamble and recitals of this Regulatory Agreement have been included for convenience of reference only, and the meaning, construction and interpretation of all defined terms shall be determined by reference to this Section 1, notwithstanding any contrary definition in the preamble or recitals hereof. The titles and headings of the sections of this Regulatory Agreement 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 or be considered or given any effect in construing this Regulatory Agreement or any provisions hereof or in ascertaining intent, if any question of intent shall arise.

Section 1A. Acquisition, Construction and Equipping of the Project. The Owner hereby represents, as of the date hereof, covenants and agrees as follows:

(a) The Owner has incurred, or will incur within six months after the Closing Date, a substantial binding obligation to commence the development of the Project, pursuant to which the Owner is or will be obligated to expend at least 5 percent of the Sale Proceeds of the Bonds.

(b) The Owner's reasonable expectations respecting the total cost of the acquisition, construction and equipping of the Project are accurately set forth in the Tax Letter of Representation.

(c) The Owner has commenced or will commence the acquisition, construction and equipping of the Project and will proceed with due diligence to complete the same.

(d) The Owner reasonably expects to expend not less than 85 percent of the Sale Proceeds of the Bonds for Project Costs prior to the date that is three years after the Closing Date.

(e) The statements made in the various certificates delivered by the Owner to the Issuer and/or the Trustee are true and correct in all material respects.

(f) The Owner will submit, or cause to be submitted, to the Trustee, on or before the date of each disbursement of Proceeds of the Bonds from the Construction Fund, if any, held by the Trustee under the Indenture, a requisition in substantially the form required by the Facility Agreement, duly executed by an Owner Representative and certifying that the full amount of such disbursement will be applied to pay or to reimburse the Owner for the payment of Project Costs and that, after taking into account the proposed disbursement, the aggregate disbursements from the Loan Account of the Construction Fund will have been applied to pay or to reimburse the Owner for the payment of Qualified Project Costs in an amount equal to 95 percent or more of the aggregate disbursements from such fund.

(g) On the date on which the Project achieves Completion, the Owner will submit to the Issuer, the Trustee and the Majority Owner a duly executed and completed certificate certifying as to the Project's completion.

(h) The Owner (and any Affiliated Party) will not take or omit to take, as is applicable, any action if such action or omission would in any way cause the Proceeds of the Bonds to be applied in a manner contrary to the requirements of the Indenture, the Loan Agreement or this Regulatory Agreement. The Owner acknowledges that such requirements have been designed for the purpose of ensuring compliance with the provisions of the Act or the Code applicable to the Owner and the Project.

Section 2. Tax-Exempt Status of the Bonds. The Owner shall not take any action or omit to take any action which, if taken or omitted, respectively, would adversely affect the excludability of interest on the Bonds from the gross income of the holders of the Bonds, as defined in section 61 of the Code, for Federal income tax purposes. With the intent not to limit the generality of the foregoing, the Owner covenants and agrees that prior to the final maturity of the Bonds, unless it has received and filed with the Issuer, the Majority Owner and Trustee a favorable opinion of Bond Counsel to the effect that failure to comply with any such covenant or agreement, in whole or in part, will not adversely affect the exclusion from gross income for Federal income tax purposes of interest paid or payable on the Bonds except for Bonds held by a "substantial user" or "related person" thereto:

(a) The Owner's use of the Net Proceeds of the Bonds shall at all times satisfy the following requirements:

(i) At least 95 percent of the Net Proceeds of the Bonds actually expended shall be used to pay Qualified Project Costs that are costs of a "qualified residential rental project" (within the meaning of sections 142(a)(7) and 142(d) of the Code) and property that is "functionally related and subordinate" thereto (within the meaning of Sections 1.103-8(a)(3) and 1.103-8(b)(4)(iii) of the Regulations), all of which costs shall be properly chargeable to the Project's capital account or would be so chargeable either with a proper election by the Owner or but for a proper election by the Owner to deduct such amounts.

(ii) Less than 25 percent of the Net Proceeds of the Bonds actually expended will be used, directly or indirectly, for the acquisition of land or an interest therein. Notwithstanding the immediately preceding sentence no portion of the Net Proceeds of the Bonds will be used, directly or indirectly, for the acquisition of land or an interest therein to be used for farming purposes.

(iii) No portion of the Net Proceeds of the Bonds will be used for the acquisition of any existing property or an interest therein unless (i) the first use of such property is pursuant to such acquisition or (ii) the rehabilitation expenditures with respect to any building and the equipment therefor equal or exceed 15 percent of the cost of acquiring such building financed with the proceeds of the Bonds (with respect to structures other than buildings, this clause shall be applied by substituting 100 percent for 15 percent). For purposes of the preceding sentence, the term "rehabilitation expenditures" shall have the meaning set forth in section 147(d)(3) of the Code.

(iv) The Owner covenants and agrees that the Costs of Issuance financed with the proceeds of the Bonds shall not exceed 2 percent of the Sale Proceeds.

(v) The Owner shall not use or permit the use of any Net Proceeds of the Bonds or any income from the investment thereof to provide any airplane, skybox, or other private luxury box, any facility primarily used for gambling, or any store the principal business of which is the sale of alcoholic beverages for consumption off premises.

(b) The Owner shall not take any action or omit to take any action with respect to the Gross Proceeds of the Bonds which, if taken or omitted, respectively, would cause any Bond to be classified as an "arbitrage bond" within the meaning of section 148 of the Code.

(c) Except as provided in the Indenture, the Loan Documents and the Facility Documents, the Owner shall not pledge or otherwise encumber, or permit the pledge or encumbrance of, any money, investment, or investment property as security for payment of any amounts due under the Loan Agreement relating to the Bonds, shall not establish any segregated reserve or similar fund for such purpose and shall not prepay any such amounts in advance of the redemption date of an equal principal amount of Bonds, unless prior to taking any action described in this subsection (c), the Owner has obtained and delivered to the Trustee and the Majority Owner a Favorable Opinion of Bond Counsel.

(d) The Owner shall not, at any time prior to the final maturity of the Bonds, direct or permit the Trustee to invest Gross Proceeds of the Bonds in any Investment (or to use Gross Proceeds to replace money so invested), if as a result of such investment the Yield of all Investments acquired with Gross Proceeds (or with money replaced thereby) on or prior to the date of such investment exceeds the Yield of the Bonds to Stated Maturity, except as permitted by section 148 of the Code or as provided in the No-Arbitrage Certificate dated the Closing Date delivered by the Issuer with respect to the Bonds.

(e) Except to the extent permitted by section 149(b) of the Code, neither the Issuer nor the Owner shall take or omit to take any action which would cause the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

(f) (i) Unless the Owner delivers a Favorable Opinion of Bond Counsel that the Owner needs to comply with this subsection, the Owner shall cause to be delivered, to the Trustee (with a copy to the Majority Owner), within 25 days after each Computation Date:

(A) a statement of the Rebate Amount as of such Computation Date; and

(B) (1) if such Computation Date is an Installment Computation Date, an amount that, together with any amount then held for the credit of the Rebate Fund, is equal to at least 90% of the Rebate Amount as of such Installment Computation Date, less any "previous rebate payments" made to the United States (as that term is used in the Regulations), or (2) if such Computation Date is the Final Computation Date, an amount that, together with any amount then held for the credit of the Rebate Fund, is equal to the Rebate Amount as of such Final Computation Date, less any "previous rebate payments" made to the United States (as that term is used in the Regulations); and

(C) an Internal Revenue Service Form 8038-T properly signed and completed as of such Computation Date.

The foregoing notwithstanding, the Owner shall not be required to deliver the foregoing to the Trustee if the Owner certifies that the Bonds are excepted from the requirements of section 148(f) of the Code.

(ii) If the Owner shall discover or be notified as of any date:

(A) that any amount required to be paid to the United States pursuant to this Section and Section 6.09 of the Indenture has not been paid as required; or

(B) that any payment paid to the United States pursuant to this Section and Section 6.09 of the Indenture shall have failed to satisfy any requirement of the Regulations (whether or not such failure shall be due to any default by the Owner or the Trustee),

the Owner shall

(X) deliver to the Trustee (for deposit to the Rebate Fund) and cause the Trustee to pay to the United States from the Rebate Fund (I) the Rebate Amount that the Owner failed to pay, plus any interest, specified in the Regulations, if such correction payment is delivered to and received by the Trustee within 175 days after such discovery or notice, or (II) if such correction payment is not delivered to and received by the Trustee within 175 day after such discovery or notice, the amount determined in accordance with

clause (I) of this subparagraph (X) plus the 50 percent penalty required by the Regulations; and

(Y) deliver to the Trustee an Internal Revenue Service Form 8038-T properly signed and completed as of such date.

(iii) The Owner shall retain all of its accounting records relating to the funds established under the Indenture and all calculations made in preparing the statements described in this Section for at least six years after the date the last Bond is discharged.

(iv) The Owner agrees to pay all of the fees and expenses of the Rebate Analyst, which may be Bond Counsel, a certified public accountant and any other necessary consultant employed by the Owner or the Trustee in connection with computing the Rebate Amount.

(g) The Owner covenants and agrees that not more than 50 percent of the Proceeds of the Bonds will be invested in Nonpurpose Investments having a substantially guaranteed Yield for four years or more within the meaning of section 149(f)(3)(A)(ii) of the Code, and the Owner reasonably expects that at least 85 percent of the spendable Proceeds of the Bonds will be used to carry out the governmental purposes of such issue of Bonds within the three-year period beginning on the Closing Date.

(h) The Owner hereby covenants and agrees that the Project will be operated as a "qualified residential rental project" within the meaning of section 142(d) of the Code, on a continuous basis during the longer of the Qualified Project Period or the period during which any Bond remains outstanding, to the end that the interest on the Bonds shall be excluded from gross income for Federal income tax purposes. In particular, the Owner covenants and agrees, and will cause the Manager to covenant and agree for the longer of the Qualified Project Period or the period during which any Bonds remain outstanding, as follows:

(i) The Project qualifies as residential rental property and will be owned, managed and operated at all times during the term specified above as a qualified residential rental project comprised of residential dwelling units and facilities functionally related and subordinate thereto, in accordance with section 142(d) of the Code;

(ii) The Project will consist of one building or structure or several proximate and interrelated buildings or structures, each of which will be a discrete edifice or other man-made construction consisting of an independent foundation, outer walls and a roof, and all of which (A) will be located on a single tract of land or two or more parcels of land that are contiguous (i.e., their boundaries meet at one or more points) except for the interposition of a road, street, stream or similar property, (B) are owned by the same Person for Federal tax purposes, and (C) were financed pursuant to a common plan;

(iii) Substantially all of the Project will consist of similarly constructed Units together with functionally related and subordinate facilities for use by Project tenants, such as swimming pools, other recreational facilities, parking areas, heating and cooling equipment, trash disposal equipment, units for resident managers, security personnel or maintenance personnel and other facilities that are reasonably required for the Project;

(iv) Each Unit in the Project will contain complete facilities for living, sleeping, eating, cooking and sanitation, e.g., a living area, a sleeping area, bathing and sanitation facilities, and cooking facilities equipped with a cooking range, refrigerator and sink, all of which will be separate and distinct from other Units;

(v) Each Unit in the Project will be rented or available for rental on a continuous basis to members of the general public at all times during the term specified above (unless occupied by or reserved for a resident manager, security personnel or maintenance personnel) and that the Owner will not give preference in renting Project Units to any particular class or group of persons, other than Low-Income Tenants as provided herein;

(vi) At no time during the term specified above will any Unit in any building or structure in the Project which contains fewer than five Units be occupied by the Owner;

(vii) At no time during the term specified above will any of the Units in the Project be utilized on a transient basis by being leased or rented for a period of less than thirty days or by being used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, sanitarium, nursing home, rest home, trailer park or trailer court;

(viii) The land and the facilities will be functionally related and subordinate to the Units comprising the Project and will be of size and character which is commensurate with the size and number of such Units; and

(ix) All of the Units in the Project will be available for rental on a continuous basis by Low Income Tenants during the Qualified Project Period.

(i) The Owner hereby represents, covenants and agrees, continuously during the Qualified Project Period, as follows:

(i) All of the Units (except for manager, security personnel and maintenance units that are reasonably required for the Project) (the "Set Aside") within the Project (and any other building which is comprised of similarly constructed Units, will be owned by the Owner for Federal income tax purposes, will be located on the same or contiguous tract that is not separated from the Project except by a road, street, stream, or similar property, and is financed by the Bonds) that are available for occupancy, including expiration or lawful termination of an existing lease, shall be occupied or held vacant and available for occupancy at all times by Low-Income Tenants at Affordable Rents. For the purposes of this subparagraph (i), a vacant Unit which was most recently occupied by a Low-Income Tenant is treated as rented and occupied by a Low-Income Tenant until reoccupied, at which time the character of such Unit shall be redetermined.

(ii) The Owner shall maintain complete and accurate records pertaining to Low-Income Tenants and file all documents as required by section 142(d) of the Code and this Agreement, including Tenant Income Certifications attached as Exhibit C hereto.

(iii) No tenant qualifying as a Low-Income Tenant shall be denied continued occupancy of a Unit in the Project because, after admission, such tenant's Anticipated Annual Income increases to exceed the qualifying limit for Low-Income Tenants; provided, however,

that, should a Low-Income Tenant's Anticipated Annual Income, as of the most recent determination thereof, exceed 140% of the then applicable income limit for a Low-Income Tenant of the same family size and such Low-Income Tenant constitutes a portion of this Section, the next available Unit of comparable or smaller size must be rented to (or held vacant and available for immediate occupancy by) a Low-Income Tenant and such new Low-Income Tenant will then constitute a portion of the Set Aside requirement of paragraph (i) of this Section; and provided, further, that, until such next available Unit is rented to a tenant who is a Low-Income Tenant, the former Low-Income Tenant who has ceased to qualify as such shall be deemed to continue to be a Low-Income Tenant for purposes of the requirement of subparagraph (i) of this Section 2(i).

The parties hereto recognize that the requirements stated in Section 2(h) shall continue in effect until the termination of the Qualified Project Period or until no Bonds remain outstanding, whichever occurs later, and the requirements in this Section 2(i) shall continue in effect until the termination of the Qualified Project Period.

(j) The Owner further covenants and agrees to prepare and submit to the Trustee and the Majority Owner, no more than 60 days prior to the last day of the Qualified Project Period a certificate setting forth the date on which the Qualified Project Period will end, which certificate shall be in recordable form. The Issuer need not affirmatively consent to the termination of the covenants.

(k) Anything in this Agreement to the contrary notwithstanding, it is expressly understood and agreed by the parties hereto that the Issuer and the Trustee may rely conclusively on the truth and accuracy of any certificate, opinion, notice, representation or instrument made or provided by the Owner in order to establish the existence of any fact or statement of affairs solely within the knowledge of the Owner, and which is required to be noticed, represented or certified by the Owner hereunder or in connection with any filings, representations or certifications required to be made by the Owner in connection with the issuance and delivery of the Bonds.

(l) The Owner shall provide to the Trustee and the Majority Owner a certificate certifying (i) within 90 days thereof, the date on which ten percent (10%) of the Units are occupied; and (ii) within 90 days thereof, the date on which fifty percent (50%) of the Units are occupied.

Section 3. Modification of Tax Covenants. Subsequent to the issuance of the Bonds and prior to their payment in full (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), this Agreement may not be amended, changed, modified, altered or terminated except as permitted in Section 19 and by the Indenture. Anything contained in this Agreement or the Indenture to the contrary notwithstanding, the Issuer, the Trustee and the Owner hereby agree upon the written request of one of the parties hereto, to amend this Agreement and, if appropriate, the Indenture and the Loan Agreement, to the extent required, in the opinion of Bond Counsel, in order for interest on the Bonds, except for Bonds held by a "substantial user" or "related person" thereto, to remain excludable from gross income for Federal income tax purposes. The party requesting such amendment shall notify the other parties to this Agreement and the Majority Owner in writing of the proposed amendment and send a copy of such requested amendment to Bond Counsel and the Majority Owner. After review of such proposed amendment, Bond Counsel shall render to the Trustee, the Issuer, and the Majority Owner an opinion to the effect that such amendments are necessary and sufficient in order to enable compliance with the provisions of the Code such that the interest on the Bonds will remain excludable from gross income for purposes of Federal income taxation. The Owner shall pay all necessary fees and expenses incurred with respect to such amendment,

including necessary attorney's fees and expenses incurred by Bond Counsel in rendering such opinion. The Owner, the Issuer and, where applicable, the Trustee pursuant to written instructions from the Issuer, shall execute, deliver and, if applicable, the Owner shall file of record, any and all documents and instruments, including without limitation, an amendment to this Regulatory Agreement, necessary to effectuate the intent of this Section, and the Owner and the Issuer hereby appoint the Trustee as their true and lawful attorney-in-fact to execute, deliver and, if applicable, file of record on behalf of the Owner or the Issuer, as is applicable, any such document or instrument (in such form as may be approved by and upon instruction of Bond Counsel) if either the Owner or the Issuer defaults in the performance of its obligation under this Section; provided, however, that the Trustee shall take no action under this Section without first notifying the Owner or the Issuer, as is applicable, in writing of its intention to take such action and providing the Owner or the Issuer, as is applicable, ten (10) business days after such notice to comply with the requirements of this Section. The Owner shall provide the Majority Owner with a copy of any amendment executed in accordance with this Section 3 promptly upon execution and delivery thereof.

Section 4. Residential Development. The Issuer and the Owner hereby recognize and declare their understanding and intent that the Project is to be owned, managed and operated as a "residential development," as such term is defined in Section 394.003(13) of the Act, and in compliance with applicable restrictions and limitations as provided in the Act and the rules of the Issuer, until the expiration of the Qualified Project Period or for as long as any portion of the Bonds remains outstanding and unpaid, whichever is longer.

(a) [Reserved]

(b) The Owner hereby represents, covenants and agrees as follows:

(i) To assure that all of the occupied Units in the Project are occupied at all times by Low Income Tenants;

(ii) To obtain a Tenant Income Certification from each tenant in the Project not later than the date of such tenant's initial occupancy of a Unit in the Project and to maintain a file of all such Tenant Income Certifications, together with all supporting documentation, for a period of not less than three years following the end of the Qualified Project Period;

(iii) To obtain from each tenant in the Project, at the time of execution of the lease pertaining to the Unit occupied by such tenant, a written certification, acknowledgment and acceptance that (A) such lease is subordinate to the Mortgage and this Regulatory Agreement, (B) all statements made in the Tenant Income Certification submitted by such tenant are accurate, (C) the family income and eligibility requirements of this Agreement and the Loan Agreement are substantial and material obligations of tenancy in the Project, (D) such tenant will comply promptly with all requests for information with respect to such requirements from the Owner, the Trustee and the Issuer, and (E) failure to provide accurate information in the Tenant Income Certification or refusal to comply with a request for information with respect thereto will constitute a violation of a substantial obligation of the tenancy of such tenant in the Project;

(iv) To cause to be prepared and submitted to the Issuer, the Trustee and the Majority Owner on the first day of the Qualified Project Period, and thereafter by the tenth calendar day of each March, June, September, and December, or a quarterly schedule as determined by the Issuer, a certified Compliance Monitoring Report and Occupancy Summary in a form attached hereto as Exhibit D or at the reasonable request of the Issuer in such other form provided by the Issuer from time to time;

(v) To the extent legally permissible to permit any duly authorized representative of the Issuer, the Trustee (without any obligation to do so) or the Majority Owner to inspect the books and records of the Owner pertaining to the Project or the incomes of Project tenants, including but not limited to tenant files, during regular business hours and to make copies therefrom if so desired and file such reports as are necessary to meet the Issuer's requirements; and

(vi) The Owner will obtain a Tenant Income Certification from each tenant at least annually after the tenant's initial occupancy or as otherwise directed by the Issuer in writing.

Section 5. [Reserved]

Section 6. Consideration. The Issuer has issued the Bonds to provide funds to make the Loan to finance the Project, all for the purpose, among others, of inducing the Owner to acquire, construct, equip and operate the Project. In consideration of the issuance of the Bonds by the Issuer, the Owner has entered into this Regulatory Agreement and has agreed to restrict the uses to which this Project can be put on the terms and conditions set forth herein.

Section 7. Reliance. The Issuer, the Trustee and the Owner hereby recognize and agree that the representations and covenants set forth herein may be relied upon by all persons interested in the legality and validity of the Bonds, and in the excludability from gross income for purposes of Federal income taxation of the interest on the Bonds. In performing their duties and obligations hereunder, the Issuer and the Trustee may rely upon statements and certificates of the Low-Income Tenants and the Owner and upon audits of the books and records of the Owner pertaining to the Project. In addition, the Issuer, the Owner and the Trustee may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Issuer, the Owner or the Trustee hereunder in good faith and in conformity with such opinion. In determining whether any default by the Owner exists under this Regulatory Agreement, the Trustee shall not be required to conduct any investigation into or review of the operations or records of the Owner and may rely on any written report, notice or certificate delivered to the Trustee by any Person retained to review the Owner's compliance with this Regulatory Agreement or by the Owner or the Issuer with respect to the occurrence or absence of a default unless it has actual knowledge that the report, notice or certificate is erroneous or misleading.

Section 8. Project in Austin, Texas. The Owner hereby represents that the Project is located entirely within Austin, Texas.

Section 9. Sale or Transfer of the Project. The Owner covenants and agrees not to sell, transfer or otherwise dispose of the Project prior to the expiration of the Qualified Project Period or the date on which the Bonds have been paid in full, whichever is later, without (i) complying with any applicable provisions of the Loan Documents and (ii) obtaining the prior written consent of the Issuer. Such consent of the Issuer shall not be unreasonably withheld or delayed and shall be given if all conditions to the sale set forth in this

Regulatory Agreement are met or are waived in writing by the Issuer, inlcuding (1) there is delivered to the Trustee and the Issuer a written Opinion of Counsel satisfactory to the Trustee and the Issuer, addressed to the Trustee and the Issuer, concluding that the transferee has duly assumed all of the rights and obligations of the Owner under the Loan Documents and this Regulatory Agreement and that each of the documents executed by the transferee in connection therewith has been duly authorized, executed and delivered by the transferee and is a valid and enforceable obligation of the transferee, subject to customary qualifications, (2) the Issuer receives a favorable opinion of Bond Counsel, which opinion shall be furnished at the expense of the Owner or the transferee, regarding such sale, transfer or disposition, (3) the proposed purchaser or assignee executes any document reasonably requested by the Issuer with respect to assuming the obligations of the Owner under this Agreement and the Loan Agreement, and (4) the Issuer shall not have any reason to believe that the purchaser or assignee is incapable, financially or otherwise, of complying with, or may be unwilling to comply with, the terms of all agreements and instruments binding on such proposed purchaser or assignee relating to the Project, including but not limited to the Loan Agreement, the Mortgage and this Agreement. The Owner hereby expressly stipulates and agrees that any sale, transfer or other disposition of the Project in violation of this subsection shall be ineffective to relieve the Owner of its obligations under this Agreement. Upon any sale, transfer or other disposition of the Project in compliance with this Agreement, the Owner so selling, transferring or otherwise disposing of the Project shall have no further liability for obligations under the Loan Agreement arising after the date of such disposition. The foregoing notwithstanding, the duties and obligations of the Owner as set forth in the Loan Documents with respect to matters arising prior to the date of such sale, transfer or other disposition shall not terminate upon the sale, transfer or other disposition of the Project. The foregoing restrictions on transfer shall not apply to foreclosures, deeds in lieu of foreclosure, transfer by exercise of the power of sale or other similar transfer.

Section 10. Term. This Regulatory Agreement and all and each of the provisions hereof shall become effective upon its execution and delivery, shall remain in full force and effect for the periods provided herein and, except as otherwise provided in this Section, shall terminate in its entirety at the end of the Qualified Project Period, it being expressly agreed and understood that the provisions hereof are intended to survive the retirement of the Bonds, discharge of the Loan, termination of the Loan Agreement and defeasance or termination of the Indenture.

The terms of this Regulatory Agreement to the contrary notwithstanding, the requirements set forth herein shall terminate, without the requirement of any consent by the Issuer and the Trustee, and be of no further force and effect in the event of involuntary noncompliance with the provisions of this Regulatory Agreement caused by fire, seizure, requisition, change in a federal law or an action of a federal agency after the Closing Date which prevents the Issuer or the Trustee from enforcing the provisions hereof, or foreclosure or transfer of title by deed in lieu of foreclosure or exercise of the power of sale, condemnation or a similar event, but only if, within a reasonable period thereafter, either the Bonds are retired in full or amounts received as a consequence of such event are used to provide a qualified residential rental project which meets the requirements of the Code set forth in Sections 1A through 4 of this Regulatory Agreement and the Act. The provisions of the preceding sentence shall cease to apply and the requirements referred to therein shall be reinstated if, at any time during the Qualified Project Period after the termination of such requirements as a result of involuntary noncompliance due to foreclosure, transfer of title by deed in lieu of foreclosure or exercise of power of sale or similar event, the Owner or any related person (within the meaning of Section 1.103-10(e) of the Regulations) obtains an ownership interest in the Project for tax purposes. The Issuer shall not be required to consent to termination of this Regulatory Agreement for any reason other than those specified above.

Upon the termination of the terms of this Regulatory Agreement, the parties hereto agree to execute, deliver and record appropriate instruments of release and discharge of the terms hereof; provided, however, that the execution and delivery of such instruments shall not be necessary or a prerequisite to the termination of this Agreement in accordance with its terms. All costs, including fees and expenses of the Issuer and the Trustee, incurred in connection with the termination of this Regulatory Agreement shall be paid by the Owner and its successors in interest.

Section 11. Covenants To Run With the Land. The Owner hereby subjects the Project (including the Project Site) to the covenants, reservations and restrictions set forth in this Regulatory Agreement. The Issuer, the Trustee and the Owner hereby declare their express intent that the covenants, reservations and restrictions set forth herein shall be deemed covenants running with the land and shall pass to and be binding upon the Owner's successors in title to the Project; provided, however, that upon the termination of this Agreement said covenants, reservations and restrictions shall expire. Each and every contract, deed or other instrument hereafter executed covering or conveying the Project or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instruments.

No breach of any of the provisions of this Regulatory Agreement shall impair, defeat or render invalid the lien of any mortgage, deed of trust or like encumbrance made in good faith and for value encumbering the Project or any portion thereof.

Section 12. Burden and Benefit. The Issuer, the Trustee and the Owner hereby declare their understanding and intent that the burden of the covenants set forth herein touch and concern the land in that the Owner's legal interest in the Project is rendered less valuable thereby. The Issuer, the Trustee and the Owner hereby further declare their understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Project by Low-Income Tenants, the intended beneficiaries of such covenants, reservations and restrictions, and by furthering the public purposes for which the Bonds were issued.

Section 13. Uniformity; Common Plan. The covenants, reservations and restrictions hereof shall apply uniformly to the entire Project in order to establish and carry out a common plan for the use, development and improvement of the Project Site.

Section 14. Default; Enforcement. If the Owner defaults in the performance or observance of any covenant, agreement or obligation of the Owner set forth in this Regulatory Agreement, and if such default remains uncured for a period of 60 days after written notice thereof shall have been given by the Issuer or the Trustee to the Owner in accordance with the Indenture, then the Trustee, acting on its own behalf or on behalf of the Issuer, provided a Responsible Officer of the Trustee actually knows of such default and subject to the provisions of the Intercreditor Agreement, shall declare an "Event of Default" to have occurred hereunder; provided, further, however, that, if the default stated in the notice is of such a nature that it cannot be corrected within 60 days, such default shall not constitute an Event of Default hereunder so long as (i) the Owner institutes corrective action within said 60 days and diligently pursues such action until the default is corrected and (ii) in the opinion of Bond Counsel, the failure to cure said default within 60 days will not adversely affect the tax-exempt status of interest on the Bonds.

Following the declaration of an Event of Default hereunder, the Trustee, acting at the direction of the Majority Owner and subject to being indemnified to its satisfaction with respect to the costs and expenses of

any proceeding, or the Issuer, subject to the provisions of the Intercreditor Agreement, may, at its option, take any one or more of the following steps:

(i) by mandamus or other suit, action or proceeding for specific performance, including injunctive relief, require the Owner to perform its obligations and covenants hereunder or enjoin any acts or things which may be unlawful or in violation of the rights of the Issuer or the Trustee hereunder;

(ii) have access to and inspect, examine and make copies of all of the books and records of the Owner pertaining to the Project; and

(iii) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Owner hereunder.

The Owner hereby agrees that specific enforcement of the Owner's agreements contained herein is the only means by which the Issuer and the Trustee may obtain the benefits of such agreements made by the Owner herein, and the Owner therefore agrees to the imposition of the remedy of specific performance against it in the case of any Event of Default by the Owner hereunder.

All rights and remedies herein given or granted to the Issuer and the Trustee (i) are subject to the provisions of the Intercreditor Agreement and (ii) are cumulative, nonexclusive and in addition to any and all rights and remedies that the Issuer and the Trustee may have or may be given by reason of any law, statute, ordinance, document or otherwise. Notwithstanding the availability of the remedy of specific performance provided for in this Section, promptly upon determining that a violation of this Regulatory Agreement has occurred, the Issuer shall to the extent that it has actual knowledge thereof, give written notice to the Trustee and the Majority Owner that a violation of this Regulatory Agreement has occurred.

Section 15. The Trustee. The Trustee shall act as specifically provided herein and in the Indenture and, with respect to the declaration of an Event of Default or the exercise of remedies hereunder, only upon the direction of the Majority Owner. Subject to the right of the Trustee to be indemnified as provided in the Indenture, the Trustee shall act as the agent of and on behalf of the Issuer when requested in writing by the Issuer to do so, and any act required to be performed by the Issuer as herein provided shall be deemed taken if such act is performed by the Trustee. The Trustee is entering into this Regulatory Agreement solely in its capacity as Trustee under the Indenture, and the duties, powers, rights and obligations of the Trustee in acting hereunder shall be subject to the provisions of the Indenture, including, without limitation, the provisions of Article X thereof, which are incorporated by reference herein. The incorporated provisions of the Indenture are intended to survive the retirement of the Bonds, discharge of the Loan, termination of the Loan Agreement and defeasance or termination of the Indenture.

Section 16. Recording and Filing. The Owner shall cause this Regulatory Agreement, and all amendments and supplements hereto and thereto, to be recorded and filed in the real property records of Travis County and in such other places as the Issuer or the Trustee may reasonably request. The Owner shall pay all fees and charges incurred in connection with any such recording. This Agreement is subject to and subordinate to all matters of record as of the date hereof.

Section 17. Reimbursement of Expenses. Notwithstanding any prepayment of the Loan and notwithstanding a discharge of the Indenture, throughout the term of this Regulatory Agreement, the Owner shall continue to pay to the Issuer and the Trustee reimbursement for all fees and expenses actually incurred thereby required to be paid to the Issuer and the Trustee by the Owner pursuant to the Loan Agreement.

Section 18. Governing Law. This Regulatory Agreement shall be governed by the laws of the State (other than in respect of conflicts of laws). The Trustee's rights, duties, powers and obligations hereunder are governed in their entirety by the terms and provisions of this Agreement and the Indenture.

Section 19. Amendments. Subject to the provisions of Section 3 hereof, this Regulatory Agreement shall be amended only by a written instrument executed by the parties hereto, or their successors in title, with the prior written consent of the Majority Owner and duly recorded in the real property records of Travis County, and only upon receipt by the Issuer, the Trustee and the Majority Owner of a Favorable Opinion of Bond Counsel regarding such amendment.

Section 20. Notices. Any notice required to be given hereunder to the Issuer, the Trustee, the Owner or the Majority Owner shall be given in the manner and to the address as set forth in the Indenture.

Section 21. Severability. If any provision of this Regulatory Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions hereof shall not in any way be affected or impaired thereby.

Section 22. Multiple Counterparts. This Regulatory Agreement may be simultaneously executed in multiple counterparts, all of which shall constitute one and the same instrument, and each of which shall be deemed to be an original.

Section 23. Authorization to Act for Issuer. To the extent allowed by law, the Issuer hereby authorizes the Owner to take on behalf of the Issuer all actions required or permitted to be taken by it hereunder, or under the Indenture and the Loan Agreement and to make on behalf of the Issuer all elections and determinations required or permitted to be made by the Issuer hereunder or under the Indenture and the Loan Agreement. In addition, the Issuer hereby authorizes the Owner to exercise, on behalf of the Issuer, any election with respect to the Bonds pursuant to the Code or the Regulations, and the Issuer will cooperate with the Owner and execute any form of statement required by the Code or the Regulations to perfect any such election.

Section 24. Liability of Owner. The liability of the Owner and its General Partner under this Regulatory Agreement is limited to the extent provided in Section 3.2 of the Loan Agreement.

[EXECUTION PAGES FOLLOW]

IN WITNESS WHEREOF, the Issuer, the Trustee and the Owner have executed this Regulatory Agreement by duly authorized representatives, all as of the date first above written.

AUSTIN HOUSING FINANCE CORPORATION

By: Gustavo L. Garcia
Name: Gustavo L. Garcia
Title: President

Attest:

Shirley A. Brown
Name: Shirley A. Brown
Title: Assistant Secretary

(SEAL)

WELLS FARGO BANK TEXAS, N.A., as Trustee

By: Mary Jane Wanson
Authorized Signatory

PLEASANT VALLEY VILLAS HOUSING, L.P.

By: Pleasant Valley Villas Development, L.L.C.,
its General Partner

By: _____
Brian Potashnik, President

ACKNOWLEDGMENT

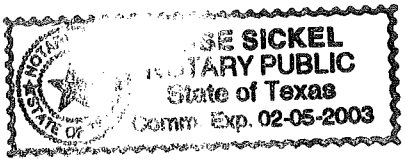
STATE OF TEXAS §
§
COUNTY OF TRAVIS §

This instrument was acknowledged before me on August 2nd, 2002, by Gustavo L. Garcia, the President of the Austin Housing Finance Corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

Rose Sickel
Notary Public Signature

My Commission expires: 2/5/03



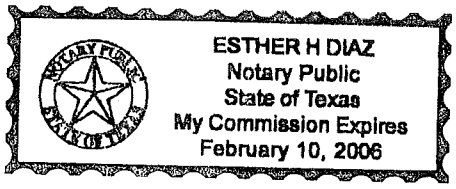
(Personalized Seal)

ACKNOWLEDGMENT

STATE OF TEXAS §
§
COUNTY OF HARRIS §

This instrument was acknowledged before me on August 7, 2002, by Mary Jane Henson, authorized signatory of Wells Fargo Bank Texas, N.A.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.



Esther H. Diaz
Notary Public Signature

My Commission expires: Feb. 10, 2006

(Personalized Seal)

ACKNOWLEDGMENT

STATE OF TEXAS §
§
COUNTY OF TRAVIS §

This instrument was acknowledged before me on August 29, 2002, by Brian Potashnik, the President of Pleasant Valley Villas Development, LLC, the General Partner of Pleasant Valley Villas Housing, L.P.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

Berwyn G. Butler
Notary Public Signature

My Commission expires: 11/8/03

BERWYN G. BUTLER
MY COMMISSION EXPIRES
November 8, 2003

(Personalized Seal)

Exhibit A

TRACT 1

BEING a 27.095 acre tract of land situated in the Santiago Del Valle Grant, Abstract No. 24, in the City of Austin, Travis County, Texas, and being all of that certain tract called Tract 1 as conveyed to T.L. Weathers by deed recorded in Volume 7561, Page 790 of the Deed records of said Travis County, said 27.085 acre tract being more particularly described by metes and bounds as follows:

BEGINNING at a 1/2 inch iron rod found for the common corner of the northeast corner of Lot 1, Block "G" of Burleson Road Heights, a subdivision record in Book 6, Page 52 and the southeast corner of Lot 1 of the Douglas Landing Subdivision as recorded in Book 102, Page 188 of the Plat Records of said Travis County;

THENCE, N 27 degrees 27 minutes 19 seconds E, a distance of 289.89 feet to an iron pipe found for the northwest corner of the herein described tract and the southwest corner of Lot 1, Willow Bend II, a subdivision recorded in Volume 83, Page 184B of said Plat Records;

THENCE, along the southwesterly line of said Willow Bend II and the northeasterly line of the herein described tract, the following six (6) calls;

1) S 52 degrees 47 minutes 03 seconds E, a distance of 18.56 feet to an iron rod found;
2) S 82 degrees 02 minutes 46 seconds E, a distance of 218.44 feet to an iron pipe found;
3) N 75 degrees 10 minutes 51 seconds E, a distance of 77.69 feet to an iron pipe found;
4) S 76 degrees 19 minutes 24 seconds E, a distance of 78.03 feet to an iron pipe found;
5) S 26 degrees 24 minutes 19 seconds E, a distance of 128.37 feet to an iron pipe found;
6) S 67 degrees 12 minutes 40 seconds E, a distance of 30.52 feet to an iron pipe found for the southeast corner of said Willow Bend II and the herein described tract, said pipe also being in the westerly right-of-way line of Pleasant Valley Road (120 feet wide);

THENCE, S 27 degrees 29 minutes 17 seconds W, along said westerly right-of-way line, a distance of 2393.27 feet to an iron rod found for the southeast corner of the herein described tract, said iron rod also being in the northeasterly line of that certain tract conveyed to the City of Austin, Texas, by deed recorded in Volume 12502, Page 1487 of the Real property Records of said Travis County;

THENCE, N 64 degrees 22 minutes 23 seconds W, along said City of Austin tract, a distance of 405.12 feet to a iron rod found for the northwest corner of said City of Austin tract and the northeast corner of Lot 2, Polvado Subdivision No. 3, a subdivision recorded in Volume 83, Page 70A of the Plat Records of said County;

THENCE, N 66 degrees 43 minutes 56 seconds W, along the northeast line of said

Lot 2, a distance of 84.55 feet to a 60d nail found for the southwest corner of the herein described tract and the southeast corner of Lot 16, Block "H" of said Burleson Road Heights;

THENCE, along the easterly line of said Burleson Road Heights, the following seven (7) calls;

1) N 27 degrees 23 minutes 55 seconds E, a distance of 505.94 feet to an iron rod found;
2) N 27 degrees 21 minutes 55 seconds E, a distance of 224.90 feet to an iron rod found;
3) N 27 degrees 23 minutes 55 seconds E, a distance of 149.68 feet to an iron rod found;
4) N 27 degrees 14 minutes 55 seconds E, a distance of 224.82 feet to an iron pipe found;
5) N 27 degrees 39 minutes 10 seconds E, a distance of 374.57 feet to an iron rod found;
6) N 27 degrees 24 minutes 18 seconds E, a distance of 500.22 feet to an iron rod found;
7) N 27 degrees 28 minutes 32 seconds E, a distance of 74.88 feet to the POINT OF BEGINNING and containing 27.095 acres of land, more or less.

TRACT 2

BEING a 14.016 acre tract of land situated in the Santiago Del Valle Grant, Abstract No. 24, in the City of Austin, Travis County, Texas, and being all of that certain tract called Tract 2 as conveyed to T.L. Weathers by deed recorded in Volume 7561, Page 790 of the Deed Records of said Travis County, said 14.016 acre tract being more particularly described by metes and bounds as follows:

BEGINNING at a iron rod found for the southwest corner of Lot 1 of Chevy Chase South, Phase Five-A, a subdivision recorded in Volume 84, Page 119B of the Plat Records of said Travis County;

THENCE, S 61 degrees 14 minutes 02 seconds E, a distance of 19.69 feet to a 60d nail in a 10" diameter elm tree found for the northwest corner of that certain tract conveyed to James H. Crockett, et. al. by deed recorded in Volume 11530, Page 695 of the Real Property Records of said County, said nail also being in the southwesterly line of said Lot 1;

THENCE, along the northwesterly line of said Crockett trace and the southeasterly line of the herein described tract, the following ten (10) calls;

1) S 30 degrees 24 minutes 48 seconds W, a distance of 103.15 feet to an iron rod found;
2) S 27 degrees 50 minutes 39 seconds W, a distance of 87.02 feet to an iron rod found;
3) S 27 degrees 52 minutes 27 seconds W, a distance of 103.53 feet to an iron rod found;

4) S 28 degrees 10 minutes 03 seconds W, a distance of 251.80 feet to an iron rod found;
5) S 28 degrees 01 minutes 48 seconds W, a distance of 339.95 feet to an iron rod found;
6) S 27 degrees 25 minutes 47 seconds W, a distance of 208.43 feet to an iron rod found;
7) S 26 degrees 54 minutes 41 seconds W, a distance of 90.12 feet to an iron rod found;
8) S 29 degrees 16 minutes 45 seconds W, a distance of 112.14 feet to an iron rod found;
9) S 35 degrees 56 minutes 40 seconds W, a distance of 25.08 feet to an iron rod found;
10) S 03 degrees 07 minutes 41 seconds W, a distance of 22.30 feet to an iron rod found for the southwest corner of said Crockett tract and the southeast corner of the herein described tract, said rod also being in the northeasterly line of that certain tract of land conveyed to Reverend John McCarthy by deed recorded in Volume 10129, Page 33 of the said Real Property Records;

THENCE, N 66 degrees 15 minutes 16 seconds W, along said northeasterly line of said McCarthy tract, a distance of 149.69 feet to an iron rod found;

THENCE, N 65 degrees 17 minutes 00 seconds W, continuing along the aforesaid northeasterly line, at a distance of 40.41 feet passing the northeast corner of that certain tract conveyed to the City of Austin, Texas, by deed recorded in Volume 12502, Page 1487 of the Real Property Records of said County and continuing in all a total distance of 62.11 feet to an iron rod found;

THENCE, N 64 degrees 15 minutes 22 seconds W, along said City of Austin tract, a distance of 29.21 feet to an iron rod found for the southwest corner of the herein described tract, said rod also being in the easterly right-of-way line of Pleasant Valley road (120 feet width);

THENCE, N 27 degrees 29 minutes 17 seconds E, along said right-of-way line, a distance of 2602.28 feet to an iron rod set for the point of curvature of a curve to the right;

THENCE, in an easterly direction, with said curve to the right, having a central angle of 89 degrees 59 minutes 58 seconds and a radius of 15.00 feet, chord bearing N 72 degrees 23 minutes 29 seconds E and chord distance of 21.18 feet to an iron rod set for the point of tangency, said point also being in the southwesterly right-of-way line of East Oltorf Street (90 feet width);

THENCE, S 62 degrees 42 minutes 19 seconds E, along said southwesterly right-of-way line, a distance of 216.32 feet to a point for the northwest corner of the aforesaid Lot 1 and the northeast corner of the therein described tract;

THENCE, along the northwesterly line of said Lot 1, the following six (6) calls;

1) S 28 degrees 28 minutes 42 seconds W, a distance of 436.02 feet to an iron rod found;

2) S 26 degrees 57 minutes 46 seconds W, a distance of 200.01 feet to an iron rod found;
3) S 27 degrees 36 minutes 43 seconds W, a distance of 393.01 feet to an iron rod found;
4) S 22 degrees 36 minutes 02 seconds W, a distance of 29.71 feet to a 60d nail in a 10" diameter elm tree found;
5) S 25 degrees 29 minutes 34 seconds W, a distance of 145.20 feet to a iron rod found;
6) S 29 degrees 14 minutes 33 seconds W, a distance of 59.22 feet to the POINT OF BEGINNING and containing 14.016 acres of land, more or less.

EXHIBIT B

PROJECT AND OWNER

Owner:	Pleasant Valley Villas Housing, L.P.
Project:	Pleasant Valley Villas
Units:	280

EXHIBIT C

TENANT INCOME CERTIFICATION

$15,000,000
Austin Housing Finance Corporation
Multifamily Housing Mortgage Revenue Bonds
(PLEASANT VALLEY VILLAS) Series 2002

VERIFICATION OF INCOME

RE: _____

Apartment Number: _____ Building Number: _____ Square footage: _____

Number of Bedrooms: _____ Initial Monthly Rent: $_____

I/We, the undersigned, being first duly sworn, state that I/we have read and answered fully and truthfully each of the following questions for all persons who are to occupy the unit in the above apartment development for which application is made, all of whom are listed below:

1. Name of Members of the Household	2. Relationship to Head of Household	3. Age	4. Social Security Number	5. Place of Employment
	Head			
	Spouse			

6. The anticipated income of all the above persons during the 12-month period beginning on the later of the date on which (a) the above persons first occupy the apartment or sign a lease with respect to the apartment or (b) such annual period commencing on the anniversary date of such date

of first occupancy or the signing of a lease, including income described in (a) below, but excluding all income described in (b) below, is $_____.

(a) The amount set forth above includes all of the following income (unless such income is described in (b) below):

(i) all wages and salaries, overtime pay, commissions, fees, tips and bonuses and other compensation for personal services, before payroll deductions;

(ii) net annual income from the operation of a business or profession or from the rental of real or personal property (without deducting expenditures for business expansion or amortization or capital indebtedness). (An allowance for depreciation of assets used in a business or profession may be deducted, based on straight-line depreciation, as provided in Internal Revenue Service regulations. Include any withdrawal of cash or assets from the operation of a business or profession, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the above persons);

(iii) interest and dividends (include all income from assets as set forth in item 7(b) below and include any withdrawal of cash or assets from an investment, except to the extent the withdrawal is reimbursement of cash or assets invested by the above persons);

(iv) the full amount of periodic payments received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts, including a lump-sum payment for the delayed start of a periodic payment;

(v) payments in lieu of earnings, such as unemployment and disability compensation, workers' compensation and severance pay;

(vi) any welfare assistance: if the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, include as income (a) the amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities, plus (b) the maximum amount that the welfare assistance agency could in fact allow the above persons for shelter and utilities. (If the welfare assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under clause (b) shall be the amount resulting from one application of the percentage);

(vii) periodic and determinable allowances, such as alimony and child support payments and regular contributions and gifts received from persons not residing in the dwelling;

(viii) all regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is the head of the household, spouse or other household member whose dependents are residing in the unit; and

(ix) any earned income tax credit to the extent it exceeds income tax liability.

(b) The following income is excluded from the amount set forth above:

(i) Income from employment of children (including foster children) under the age of 18 years;

(ii) Payment received for the care of foster children;

(iii) Lump-sum additions to household assets, such as inheritances, insurance payments (including payments under health and accident insurance and workers' compensation), capital gains and settlement for personal or property losses;

(iv) Amounts received by the household that are specifically for, or in reimbursement of, the cost of medical expenses for any household member;

(v) Income of a live-in aide;

(vi) Amounts of education scholarships paid directly to the student or to the educational institution, and amounts paid by the government to a veteran, for use in meeting the costs of tuition, fees, books, equipment, materials, supplies, transportation and miscellaneous personal expenses of the student. Any amount of such scholarship or payment to a veteran not used for the above purposes that is available for subsistence is to be included in income;

(vii) The special pay to a household member serving in the Armed Forces who is exposed to hostile fire;

(viii) (a) Amounts received under training programs funded by Housing and Urban Development ("HUD");

(b) Amounts received by a disabled person that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency ("PASS");

(c) Amounts received by a participant in other publicly assisted programs which are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing,

transportation, child care, etc.) and which are made solely to allow participation in a specific program;

(ix) Temporary, nonrecurring or sporadic income (including gifts); or

(x) Amounts specifically excluded by any other federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under the United States Housing Act of 1937.

7. If any of the persons described in column 1 above (or any person whose income or contributions were included in item 6) has any savings, stocks, bonds, equity in real property or other form of capital investment (excluding interests in Indian trust lands, but including the value of any assets disposed of for less than fair market value (including a disposition in trust, but not in a foreclosure or bankruptcy sale) during the previous two years), provide:

(a) the total value of all such assets owned by all such persons:

$_____; and

(b) the amount of income expected to be derived from such assets in the 12-month period commencing this date: $_____.

8. (a) Will all of the persons listed in column 1 above be or have they been full-time students during five calendar months of this calendar year at an educational institution (other than a correspondence school) with regular faculty and students?

Yes ___ No ___

(b) (Complete only if the answer to Question 8(a) is "Yes.") Is any such person (other than nonresident aliens) married and eligible to file a joint federal income tax return?

Yes ___ No ___

We acknowledge that all of the above information is relevant to the status under federal income tax law of the interest on bonds issued to finance construction of the apartment building for which application is being made. We consent to the disclosure of such information to the issuer of such bonds, the holders of such bonds, any trustee acting on their behalf and any authorized agent of the Treasury Department or Internal Revenue Service.

Date:_____ _____

Head of Household

_____

Spouse

STATE OF TEXAS §
§
COUNTY OF DALLAS §

Subscribed, sworn to and acknowledged before me this _____ day of _____.

_____
Notary Public of the State of Texas

(Notary Seal)

NOTE TO PROJECT OWNER: A vacant unit previously occupied by individuals or a family of very low income may be treated as occupied by individuals or a family of very low income until reoccupied (other than for a period of 31 consecutive days or less), at which time the character of the unit shall be redetermined.

FOR COMPLETION BY PROJECT OWNER ONLY:

I. Calculation of eligible income:

(A) Enter amount entered for entire household in 6 above: $_____

(B) If the amount entered in 7(a) above is greater than $5,000, enter:

(i) the product of the amount entered in 7(a) above multiplied by the current passbook savings rate as determined by HUD: $_____

(ii) the amount entered in 7(b) above: $_____

(iii) line (i) minus line (ii) (if less than $0, enter $0): $_____

(C) TOTAL ELIGIBLE INCOME (line I(A) plus line I(B)(iii)): $_____

II. Qualification as individuals or a family of low income:

(A) Is the amount entered in line 1(c) less than 60% of Median Income for the Area* with adjustments for smaller and larger families?

Yes ___ No ___

(B) (i) If line II(A) is "No," then the household does not qualify as individuals or a family of low income; skip to item III.

(ii) If line II(A) above is "Yes" and 8(a) above is "No," then the household qualifies as individuals or a family of low income; skip to item III.

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* "Median income for the Area" means the area median gross income as determined by the Secretary of the Treasury 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, including adjustments for family size or, if programs under Section 8 are terminated, area median gross income determined under the method in effect immediately before such termination.

(iii) If line II(A) above is "Yes" and 8(b) above is "Yes," then the household qualifies as individuals or a family of low income; skip to item III;

(iv) If neither (ii) nor (iii) is applicable, then the household does not qualify as individuals or a family of low income.

III. (Check one)

The household does not qualify as individuals or a family of low income. ____

The household qualifies as individuals or a family of low income. ___

IV. Number of apartment unit assigned: ___
(enter here and on page 1)

V. Method used to verify applicant's income:

____ Employer income verification

____ Copies of tax returns

____ Other (_____)

Date:_____

PLEASANT VALLEY VILLAS HOUSING, L.P.

By: Pleasant Valley Villas Development, L.L.C.,
its General Partner

By: _____
Brian Potashnik, President

EXHIBIT D

COMPLIANCE MONITORING REPORT

TO: Austin Housing Finance Corporation
Wells Fargo Bank Texas, N.A.
Charter MAC Equity Issuer Trust

Re: $15,000,000 Austin Housing Finance Corporation Multifamily Housing Mortgage Revenue Bonds (Pleasant Valley Villas) Series 2002

Pleasant Valley Villas Housing, L.P. (the "Owner"), hereby represents and warrants that:

1. A review of the activities of the Owner during the period of _____ through _____ and of then Owner's performance under the Loan Agreement has been made under the supervision of the undersigned.

2. The Owner owns Pleasant Valley Villas (the "Project").

3. The Project was financed, in substantial part, as a result of the indirect loan of the proceeds of the Bonds.

4. The undersigned and the Owner have read and are thoroughly familiar with the provisions of (1) the Regulatory and Land Use Restriction Agreement (the "Regulatory Agreement"), dated as of August 1, 2002, among the Owner, Austin Housing Finance Corporation (the "Issuer") and Wells Fargo Bank Texas, N.A., as Trustee (the "Trustee"); and (2) the Loan Agreement, dated as of August 1, 2002, among the Owner, the Trustee and the Issuer (the "Loan Agreement"). The Regulatory Agreement was executed, delivered, and recorded against the Project in connection with the issuance of the Bonds. Hereinafter, unless otherwise expressly provided herein or unless the context requires otherwise, the capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Regulatory Agreement.

5. The Project's Qualified Project Period commenced on _____, _____, and will end on the latest of (a) the date which is twenty years after the date on which 50% of the units in the project are occupied (b) the first date on which no Tax-exempt private activity bond (as that phrase is used in Section 142(d)(2) of the Code) issued with respect to the Project is outstanding, or (c) the date on which any assistance was provided with respect to the Project under Section 8 of the United States Housing Act of 1937 terminates.

6. Commencing on the Closing Date and continuing throughout the remainder of the Qualified Project Period no less than all of the total number of completed units of the Project (280 units upon completion) shall at all times be rented to and occupied by Low Income Tenants.

7. As of the date of this Certificate, the following percentages of completed residential units in the Project (i) are occupied by Low Income Tenants or (ii) are currently vacant and being held available for such occupancy and have been so held continuously since the date a Low Income Tenant vacated such unit, as indicated:

Occupied by Low Income Tenants: ____ percent

Held vacant for occupancy continuously since last occupied by Low Income Tenant: ____ percent

8. At no time since the date of filing of the last Continuing Program Compliance Certificate has less than all of the units in the Project been occupied by or, if vacant, been last occupied by Low Income Tenants.

9. To the best knowledge of the undersigned, after due inquiry, all Units were rented or available for rental on a continuous basis during the immediately preceding year to members of the general public, and the Owner is not now and has not been in default under the terms of the above-referenced Regulatory Agreement and, to the best knowledge of the undersigned, no Determination of Taxability has occurred with respect to the Bonds.

10. (If the Owner is in default under the terms of the Regulatory Agreement or the Owner has actual knowledge of a Determination of Taxability with respect to the Bonds, such knowledge should be detailed here:

_____
_____)

11. The Owner has not transferred any interest in the Project since the date of submission of the Continuing Program Compliance Certificate last submitted to the Trustee and the Issuer with respect to the Project. (If the Owner has transferred any interest in the Project, such transfer should be detailed here:

_____
_____)

Attached is a separate sheet (the "Occupancy Summary") listing, among other items, the percentage of units which are occupied by Low Income Tenants and which became Low Income Units since the filing of the last Continuing Program Compliance Certificate. The information contained thereon is, to the best knowledge of the Owner (based upon information supplied by tenants of the Project), true and accurate.

PLEASANT VALLEY VILLAS HOUSING, L.P.

By: Pleasant Valley Villas Development, L.L.C.,
its General Partner

By: _____
Brian Potashnik, President

OCCUPANCY SUMMARY
AS OF _____

$_____

Austin Housing Finance Corporation
Multifamily Housing Mortgage Revenue Bonds
(Pleasant Valley Villas)
Series 2002

PROJECT NAME: Pleasant Valley Villas Apartments
PROJECT LOCATION: Austin, Texas

I.D.#: Page __ of __

TOTAL NO. UNITS: ___ REQ'D NO. LOW INCOME UNITS: ___

TOTAL UNITS OCCUPIED:
TOTAL LOW INCOME OCCUPIED:
(PERCENTAGE: %)

PREPARED AND SUBMITTED BY:

Pleasant Valley Villas Housing, L.P., a Texas limited partnership

By: _____
Authorized Representative
Phone:_____

Date:_____

Number of Low Income Tenants commencing occupancy this month/quarter: ___

Number of Low Income Tenants whose Adjusted Income exceeded 140% of the applicable income limit for a Low Income Tenant of the same family size this month/quarter: ___

Number of Low Income Tenants terminating occupancy this month/quarter: ___

For Period _____ through _____

FILED AND RECORDED

OFFICIAL PUBLIC RECORDS

09-03-2002 04:33 PM 2002163685
EVANSK $95.00
DANA DEBEAUVOIR ,COUNTY CLERK
TRAVIS COUNTY, TEXAS