

Name: Longwood Place at Reading
MHFA No.: 93-007-R

**MASSACHUSETTS HOUSING FINANCE AGENCY
LAND USE RESTRICTION AGREEMENT**

DATE: December 12, 1995

OWNER: Reading Senior Living Associates Limited Partnership

ADDRESS: c/o William Casper
Longwood Senior Living, Inc.
One Washington Street, Suite 404
Wellesley, MA 02181

PROJECT NAME: Longwood Place at Reading

PROJECT ADDRESS: 75 Pearl Street
Reading, MA

REGISTRY of DEEDS: Middlesex South District Registry of Deeds

**NUMBER OF UNITS OCCUPIED BY FAMILIES
OR INDIVIDUALS OF LOW OR MODERATE INCOME:** 18

This Land Use Restriction Agreement (this "Agreement") is entered into as of the date first above written, by and between OWNER and MASSACHUSETTS HOUSING FINANCE AGENCY ("ISSUER"), a corporate governmental agency, constituting a public benefit corporation organized and operated under the provisions of Chapter 708 of the Acts of 1966 of the Commonwealth of Massachusetts, as amended, found in Massachusetts General Laws Annotated, Chapter 23A Appendix (West Ed.), the "ENABLING ACT").

WITNESSETH:

WHEREAS, Owner holds or will hold legal title to certain real property upon which is to be developed or rehabilitated (the "Project"), located at Project Address above, more fully described in Exhibit "A" attached hereto and made a part hereof; and

WHEREAS, the Project will be financed by a mortgage of even date herewith (the "Mortgage"), to be recorded in the land records of the County Registry of Deeds and/or filed for registration with County Registry District of the Land Court; and

WHEREAS, Issuer, pursuant to Enabling Act, is authorized both to issue notes and renewals thereof for periods not to exceed six (6) years from the date of original issuance, and to issue bonds for periods not longer than fifty (50) years from the date of original issuance; and

WHEREAS, Issuer, without regard to the term of the Obligations anticipated to be issued to finance the Mortgage, is unwilling to finance the Mortgage unless Owner, by agreeing to the restrictions running with the land set forth in this Agreement, consents to be regulated by Issuer to preserve the exclusion from gross income under Sections 103 and 142 of the Internal Revenue Code of 1986 (the "Code") of interest on the obligations issued to finance the Project (the "Obligations").

NOW, THEREFORE, the parties, with intent to be legally bound, do hereby agree as follows:

1. Subordination and Termination of Agreement - In the event of foreclosure of the Mortgage or deed-in-lieu of foreclosure, this Agreement and the restrictions hereunder may be terminated at the election of the Issuer, upon a determination by the Issuer that such termination will be in the interest of furthering the purposes of the Enabling Act, provided, however, that if the obligor on the Mortgage or a related person obtains, during the Qualified Project Period (as hereinafter defined) an ownership interest in the Project for federal income tax purposes, this Agreement and the restrictions hereunder shall be revived in full force and effect. In addition, this Agreement and the restrictions hereunder may cease to apply in the event of an involuntary loss or a substantial destruction of the Project as a result of unforeseen events such as fire, seizure, requisition or condemnation, upon a determination of the Issuer that such cessation will be in the interest of furthering the purposes of the Enabling Act, provided (a) the Obligations are retired at the first available call date with respect to the Obligations; or (b) any insurance proceeds or condemnation award received as a result of such loss or destruction are used to provide a project which meets the requirements of Section 142(d) of the Code.

2. Term of Restrictions - Pursuant to the requirements of the Code, the term of the Occupancy Restrictions set forth in Section 4 of this Agreement (the "Qualified Project Period") shall commence on the later of the first day of which 10 percent of the units in the Project are first occupied or the date of issue of the obligations and shall end on the latest of the following (a) the date which is fifteen years after the date on which 50 percent of the units in the Project are first occupied; (b) the first day on which no Obligation issued with respect to the Project is outstanding; (c) the termination date of the Housing Assistance Payments Contract, including the initial term and any renewal thereof, if the Project is funded under Section 8, or (d) the date which is fifteen years from the date hereof.

3. Project and Rental Restrictions - The Project will be constructed or rehabilitated for the purposes of providing rental assisted living for the elderly and will be used for such purposes during the Qualified Project Period unless terminated earlier pursuant to Section 1 hereof. The Project will consist of a building or structure or several proximate buildings or structures which are located on a single tract of land or contiguous tracts of land with or without facilities functionally related and subordinate thereto. If the Project is on scattered, non-contiguous tracts of land, the following Occupancy Restrictions will be followed as if each tract is a separate Project. All of the units in the Project will be similarly constructed. Owner shall not occupy a unit in a building or structure unless such building or structure contains more than four units. All of the units in the Project will contain complete living, sleeping, eating, cooking and sanitation facilities for a single person or family. None of the units in the Project will at any time be utilized on a transient basis, or used as hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, sanitarium

or rest home. Once available for occupancy each unit must be rented or available for rental on a continuous basis to members of the general public. If the Project is receiving Section 8 assistance, Owner will comply with all Section 8 requirements in administering these restrictions.

4. Occupancy Restrictions - The Issuer hereby elects the application of section 142 (d)(1)(A) of the code. In accordance with the election made by the Issuer on the date of issue of the Obligations, at least the percentage set forth on the first page of this Agreement of the units in the Project shall be occupied by individuals or families of low or moderate income, at rental levels consistent with the terms of the Enabling Act, the Issuer's regulations, and the Regulatory Agreement, if any, by and between the Issuer and the Owner. Individuals or families of low or moderate income are defined in final Treasury regulations Section 1.103-8 in a manner consistent with Section 8 of the United States Housing Act of 1937 (or if such program terminated, under such program as was in effect immediately before such termination), except that (i) the percentage of median gross income which qualifies as low or moderate income shall not exceed fifty percent (50%), if the Issuer has elected that twenty percent (20%) of the units in the Project shall be occupied by individuals or families of low or moderate income or sixty percent (60%), if the Issuer has elected that forty percent (40%) of the units in the Project shall be occupied by individuals or families of low or moderate income, in either case, with adjustment for family size; and (ii) the occupants of a unit shall not be considered to be of low or moderate income if all the occupants are students (as defined in Section 1.103-8(b)(8) of the Treasury Regulations, no one of whom is entitled to file a joint return under Section 6013 of the Code). The method of determining low or moderate income in effect on the date of issue of the Obligations will be determinative even if such method is subsequently changed.

The determination of whether the income of a resident of a unit exceeds the applicable income limit shall be made at least annually on the basis of the current income of the resident. A unit occupied by an individual or family who at the commencement of the occupancy was of low or moderate income shall be treated as occupied by such individual or family during their tenancy in such unit, even though they subsequently cease to be of low or moderate income unless the income of this individual or family, after adjustment for family size, exceeds 140 percent of the applicable income limit, if after such determination, but before the next determination, any residential unit of comparable size or smaller size in the Project is occupied by a new resident whose income does not exceed the applicable income limit. A unit formerly occupied by an individual or family of low or moderate income which has become vacant shall be treated as occupied by an individual or family of low or moderate income until occupied, other than for a temporary period not to exceed thirty-one (31) days, by another occupant, at which time the character of the unit shall be redetermined.

The lease shall provide for termination and eviction if a tenant has certified that he or she is an individual or family of low and moderate income, and has failed to so qualify, at the time of commencement of the occupancy. The form of lease to be utilized by Owner in renting all dwelling units in the Project shall be subject to Issuer's approval. The lease must comply with all applicable Section 8 requirements if the Project is receiving Subsidy pursuant to Section 8 of the United States Housing Act of 1937.

6. Transfer Restrictions - Prior to any transfer of the Project, Owner agrees to secure from transferee a written agreement stating that transferee will assume in full Owner's obligations and duties under this Agreement. This limited transfer restriction shall not affect the rights of the U.S. Department of Housing and Urban Development ("HUD"), and/or the Issuer, to approve the proposed transferee as required under the HUD, and/or the Issuer's, Regulatory Agreement and the HUD Housing Assistance Payments Contract.

7. Information - Owner covenants and agrees to secure and maintain on file for inspection and copying by Issuer such information, reports and certifications as Issuer may require in writing. Owner further covenants and agrees to submit to Issuer annually, or more frequently if required in writing by Issuer, reports detailing such facts as Issuer determines are sufficient to establish compliance with the restrictions contained hereunder. Owner further covenants and agrees promptly to notify Issuer if Owner discovers noncompliance with any restriction hereunder.

8. Annual Certification - Owner covenants to certify annually to the Secretary of the Treasury whether or not the Project continues to satisfy the requirements imposed by Sections 3, 4, 5, and 16 of this Agreement.

9. Interpretations - Except where the context otherwise requires terms used in this Agreement shall have the same meanings given to such terms in final Treasury regulations Section 1.103-8 published on October 15, 1982, as modified by Section 142(d) of the Code and any proposed temporary or final regulations thereunder. In the event of a transfer of the Project the term "Owner" shall be construed to include any transferee.

10. Amendment - Amendment of this Agreement is conditioned upon the prior written approval of HUD for so long as the HUD Regulatory Agreement and/or Housing Assistance Payments Contract, if any, remain in effect. This Agreement may not be amended without first obtaining an opinion of an attorney or firm of attorneys of nationally recognized standing in the field of municipal finance that such amendment will not adversely affect the exclusion from gross income under Section 103 of the Code of interest on the Obligations.

11. Enforcement - Upon violation of any of the provisions of this Agreement by Owner, Issuer, at its option, may apply to any court, State or Federal, for specific performance of this Agreement or an injunction against any violation of this Agreement, or for such other relief as may be appropriate, since the injury to Issuer arising from the default under any of the terms of this Agreement would be irreparable and the amount of damage would be difficult to ascertain and may not be compensable by money alone. However, enforcement of this covenant shall not, if the Project is insured by the Secretary of HUD pursuant to the National Housing Act, as amended, except with the prior written approval of HUD, result in any claim against the mortgaged property, the mortgage proceeds, any reserve or deposit made with the mortgagee or another person or entity required by HUD in connection with the mortgage transaction, or against the rents or other income from the mortgage property for payment hereunder, as long as the HUD Regulatory Agreement and/or Housing Assistance Payments Contract remain in effect, except that such claim may be paid out of Surplus Cash (as defined in the HUD Regulatory Agreement). No waiver by Issuer of any breach of this Agreement shall be deemed a waiver of any other or subsequent breach. No act or omission by Issuer other than a writing signed by it waiving a breach by Owner, shall constitute a waiver thereof.

12. Notices - All notices to be given pursuant to this Agreement shall be in writing and shall be deemed given when mailed by certified or registered mail, return receipt requested, to the parties hereto at the addresses first set forth, or to such other place as Issuer or Owner from time to time designate in writing. Copies of such notices also shall be sent to: Longwood Senior Living, Inc., One Washington Street, Suite 404, Wellesley, MA 02181 and to Joshua Davis, Esquire, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C., One Financial Center, Boston, MA 02111; provided, however, notice shall be deemed given if sent only to the Owner.

13. Severability - All rights, powers and remedies provided herein may be exercised only to the extent that exercise thereof does not violate any applicable law, and are intended to be limited to the extent necessary so that they will not render this Agreement invalid, unenforceable or not entitled to be recorded, registered, or filed under applicable law. If any provision or part thereof shall be affected by such holding, the validity of other provisions of this Agreement and of the balance of any provision held to be invalid, illegal or unenforceable in part only, shall in no way be affected thereby, and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision or part thereof has not been contained therein.

14. Governing Law - This Agreement shall be governed by the laws of The Commonwealth of Massachusetts.

15. Recording - The benefits and burdens of this Agreement shall run with and bind the land upon which the Project is constructed. Owner, at its cost and expense, shall cause this Agreement to be duly recorded or filed and re-recorded or refiled in such places, and shall pay or cause to be paid all recording, filing, or other taxes, fees and charges, and shall comply with all such statutes and regulations as may be required by law in order to establish, preserve and protect the ability of the Issuer to enforce this Agreement.

16. Tax and Miscellaneous Covenants - A. Owner covenants and agrees that, in order to preserve the exclusion from gross income under Section 103 of the Code, of interest on Bonds issued to fund the Mortgage Loan, Owner shall not, without the written consent of the Issuer, request any advance thereof to pay costs of issuance or to pay for costs which are not "qualified costs." For purposes of the preceding sentence, the term "qualifying costs" includes only costs that (i) are chargeable to the capital account of a "residential rental project" for Federal income tax purposes or would be so chargeable either with a proper election or but for a proper election to deduct such amounts (including fees or other costs relating to the financing of such project and interest on indebtedness eligible for capitalization under Sections 266 or 263A of the Code, but only to the extent that such fees, costs, and interest are properly allocable to the financing of "qualified costs"); and (ii) were not paid or incurred by Owner or a "related person" (within the meaning of section 1.103-11 of the Treasury regulations) prior to the date the Issuer took "official action" toward the issuance of the Bonds to finance the Project (within the meaning of Section 1.103-8(a) (5) of the Treasury regulations). For purposes of the preceding sentence, the term "residential rental project" has the meaning given to such term in Section 1.103-8(b) (4) (I) of the Treasury regulations (determined without regard to compliance in the future with the occupancy and rental requirements contained in Section 1.103-8(b) (4) of such regulations and incorporated herein). In the case of a "mixed-use" project wherein part of the building or structure, together with any facilities functionally related and subordinate thereto, contains one or more similarly constructed residential rental units that, in the

aggregate, meet the low or moderate income occupancy requirements of Paragraph 5 of this Agreement (the "residential rental units") and the rest of the building is devoted to use unrelated to such units (the "nonqualifying property"), the term "residential rental project" shall mean only to the residential rental units and the other portions of the project allocable to such units, including the allocable portion of property benefitting both the residential rental units and the nonqualifying property (e.g., the common elements), and all property benefitting only the residential rental units. The allocation of the costs of the common elements shall be made according to a method that properly reflects the proportionate benefit derived, directly or indirectly, by the residential rental units and the nonqualifying property.

B. Owner further covenants and agrees that, in order to preserve the exclusion from gross income under section 103 of the Code of interest on the Bonds, Owner shall not use any portion of any advance to finance the acquisition of any property (or an interest therein) unless "first use" of such property is pursuant to such acquisition (within the meaning of Section 147(d)(1) of the Code); provided, however, that advances may be used to finance the acquisition of property (or interest therein) where the "first use" of such property is not pursuant to such acquisition if rehabilitation expenditures with respect to such building equal or exceed fifteen percent (15%) of the portion of the cost of acquiring such building (and equipment) financed with advances. For purposes of this paragraph, the term "rehabilitation expenditures" has the same meaning given such term in Section 147(d)(3) of the Code and, thus, does not include, among other things, any expenditures incurred more than two years after the later of the date the Bonds were issued, or the date on which the property was acquired, or any expenditures attributable to the enlargement of an existing building nor any expenditures described within Section 48(g)(2)(B) of the Code. Expenditures to rehabilitate a building include expenditures to rehabilitate equipment or to replace equipment having substantially the same function, but only if the equipment was part of an integrated operation contained in the building prior to its acquisition by the Owner. References to equipment in parenthesis refer only to equipment which is functionally related and subordinate to and is purchased with an existing building.

C. Owner further covenants to avoid any violation of Section 147(e) of the Code, including but not limited to the charging of any fee to any person for the use of such facilities as are itemized in Section 147(e), built with the proceeds of the Bonds.

17. Not applicable.

18. Non-Recourse. If the Owner is a partnership, no general or limited partner shall have any personal liability for the payment or performance of all or any part of the Owner's obligations hereunder, and the Issuer shall look only to the Owner's assets for such payment or performance.

19. Extended Low-Income Housing Commitment

A. Pursuant to Section 42(h)(6) of the Code, the following requirements shall apply: (i) the Applicable Percentage of units, as set forth on the first page of this Agreement (the "Applicable Percentage"), shall be occupied by individuals or families of low or moderate income, as defined in Section 4 of this Agreement, commencing on the date the Project is placed in service, or the next succeeding taxable year at the election of the Owner pursuant to Section 42(f)(1) of the Code, and ending thirty years after the taxable year in which the Project is placed in service or deemed placed

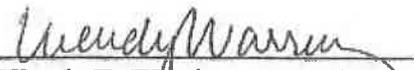
in service (the "Extended Use Period"); (ii) during the Extended Use Period the Owner or successors will not, other than for good cause, evict an existing tenant or terminate the tenancy of an existing tenant of any low income unit, or increase the gross rent with respect to such low income unit in a manner inconsistent with Section 42 of the Code; (iii) individuals of low or moderate income, whether prospective, present, or former occupants of the Project, shall have standing to enforce the Applicable Percentage requirement and the requirements contained in Section 18(A)(ii) hereof in the state courts of the Commonwealth of Massachusetts; and (iv) the Owner or successors shall not dispose of less than 100% of their interest in any building to which this Extended Low-Income Commitment applies.

B. Notwithstanding the preceding paragraph, the Extended Use Period shall generally terminate (i) on the date the Project is acquired by foreclosure, or an instrument in lieu of foreclosure, unless the Secretary of the Treasury determines that such acquisition is part of an arrangement with the Owner or successors, a purpose of which is to terminate the Extended Use Period, or (ii) fifteen years after the taxable year in which the Project is placed in service or deemed placed in service if the Issuer is unable to present a qualified contract as defined and described in Sections 42(h)(6)(F) and (I) of the Code.

IN WITNESS WHEREOF, the parties have caused this Land Use Restriction Agreement to be signed and sealed by their respective, duly authorized representatives, as of the day and year first written above.

ISSUER:

**MASSACHUSETTS HOUSING FINANCE
AGENCY**

By: 
Wendy E. Warring, General Counsel

OWNER:

**READING SENIOR LIVING ASSOCIATES
LIMITED PARTNERSHIP**

By: Reading Senior Living Associates, Inc.,
General Partner

By: 
Edward M. Levitt, President

Attachment: Exhibit A-Description of Property

COMMONWEALTH OF MASSACHUSETTS

Suffolk, ss.

December 21, 1995

Then personally appeared before me the above-named Wendy E. Warring, General Counsel of the Massachusetts Housing Finance Agency, and acknowledged the foregoing instrument to be her free act and deed and the free act and deed of said Agency.

Deanna Ramsden

Notary Public

My Commission expires: 2/26/99

COMMONWEALTH OF MASSACHUSETTS

Suffolk, ss.

December 12, 1995

Then personally appeared before me the above-named Edward M. Levitt, as President of Reading Senior Living Associates, Inc., and acknowledged the foregoing to be his free act and deed and the free act and deed of Reading Senior Living Associates, Inc., acting in its capacity as a general partner of Reading Senior Living Associates, Limited Partnership, and the free act and deed of said Reading Senior Living Associates, Limited Partnership.

Deanna Ramsden

Notary Public

My Commission expires: 2/26/99

Exhibit "A"

The land situated on Pearl Street, in Reading, Middlesex County, Massachusetts shown on the plan entitled: "PLAN OF LAND SHOWING PEARL STREET SCHOOL SITE 75 PEARL STREET READING, MA SCALE 1"=40' JULY 11, 1995" by Landmark Engineering & Surveying, Inc. and recorded with the Middlesex South Registry of Deeds herewith, being bounded and described as follows:

Beginning at a point on the Easterly sideline of Pearl Street, Two Hundred Six and Sixty-four Hundredths (206.64) feet from a stone bound at Thorndike Street, thence running on the sideline of Pearl Street N28°07'26"W Forty Three and Ninety-four Hundredths (43.94) feet;

thence turning and running on the sideline of Pearl Street, N15°06'46" One Hundred Eighty-eight and Eight Hundredths (188.08) feet;

thence turning and running on the sideline of Pearl Street, N07°40'25"W Two Hundred Thirty-nine and Fifty-seven Hundredths (239.57) feet;

thence turning and running by land now or formerly of William H. Dalton, Jr., N88°54'19"E One Hundred Seventy-six and Sixty-two Hundredths (176.62) feet;

thence turning and running by land now or formerly of Alfred S. Russell and by land now or formerly of Steven G. Michelman, N89°30'10"E Two Hundred Eighty-nine and Twenty Hundredths (289.20) feet;

thence turning and running by said land now or formerly of Steven G. Michelman, by land now or formerly of Patricia Davis, by and now or formerly of James A. Flaherty, and by land now or formerly of Geraldine Hallisey, S06°47'10"E Four Hundred Seventy-seven and Ninety-eight Hundredths (477.98) feet;

thence turning and running by land now or formerly of Arthur K. Campbell, N88°17'03"W Seventy-three and Thirty-four Hundredths (73.34) feet;

thence turning and running by land now or formerly of Tina Truedson and by land now or formerly of Patricia A. Hanson, N87°25'36"W One Hundred Sixty-three and Thirty Hundredths (163.30) feet;

thence turning and running by land now or formerly of Bradford Savage et al, N89°32'35"W One Hundred Eighty-four and Eight Hundredths (184.08) feet to the point of beginning.