

1465

JEFFERSON FEDERAL SAVINGS AND LOAN ASSOCIATION
OF BIRMINGHAM
Lender

and

COLE AND EDDLEMAN DEVELOPMENT COMPANY
Owner

and

ALABAMA HOUSING FINANCE AUTHORITY

and

UNION BANK & TRUST COMPANY
Trustee

REGULATORY AGREEMENT
AND DECLARATION OF RESTRICTIVE COVENANTS

Dated as of October 1, 1985

Relating to
\$26,310,000
Alabama Housing Finance Authority
Multi-Family Residential Development Bonds
1985 Series K
(Jefferson Federal Savings & Loan Association)

Land Title Co.

118 MAR 84 154

IDENTIFICATION PAGE

Owner

Cole and Eddleman Development Company
213 Gadsden Highway
Suite 100
Birmingham, Alabama 35235

Lender

Jefferson Federal Savings and Loan Association of Birmingham
215 North 21st Street
Birmingham, Alabama

Name and Location of Development

Meadow Wood Apartments
Valleyview Drive at Cahaba Valley Estates
Pelham, Alabama

No. of Units

96

Amount of Mortgage Loan

\$2,325,000

Mortgage Loan Maturity Date

September 25, 1995

Mortgage Loan Interest Rate

7.81%, subject to adjustment as of October 1, 1990

Bond Series

\$26,310,000
Alabama Housing Finance Authority
Multi-Family Residential Development Bonds
1985 Series K
(Jefferson Federal Savings & Loan Association)

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REGULATORY AGREEMENT
AND DECLARATION OF RESTRICTIVE COVENANTS

THIS REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS (the "Regulatory Agreement"), made and entered into as of October 1, 1985, by and among COLE AND EDDLEMAN DEVELOPMENT COMPANY, an Alabama general partnership, the Owner named on the Identification Page immediately following the cover page of this Regulatory Agreement, its successors and assigns (the "Owner"), ALABAMA HOUSING FINANCE AUTHORITY, a public corporation and instrumentality of the State of Alabama, duly created, organized and existing under and pursuant to the laws of the State of Alabama (the "Authority"), UNION BANK & TRUST COMPANY, an Alabama banking corporation having its principal corporate trust office in Montgomery, Alabama, as Trustee (the "Trustee"), and JEFFERSON FEDERAL SAVINGS AND LOAN ASSOCIATION OF BIRMINGHAM, a federally chartered savings and loan association, as Lender (the "Lender"),

W I T N E S S E T H:

WHEREAS, the Authority has been created and organized pursuant to and in accordance with the provisions of Chapter 1A of Title 24 of the Code of Alabama 1975, as amended (the "Act"), for the purpose of providing a means of financing the costs of safe and sanitary single-family and multi-family dwelling units for citizens of the State of Alabama with low and moderate income; and

WHEREAS, the Act authorizes the Authority (a) to make loans to, or purchase mortgage loans from, certain mortgage lenders and servicers, so as to enable such lenders and servicers to make loans to finance real and personal properties located in the State of Alabama constituting single-family or multi-family dwelling units for occupancy by low and moderate income families; (b) to issue its revenue bonds for the purpose of obtaining moneys to purchase such loans and provide such financing, to establish necessary reserve funds and to pay administrative costs and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues and receipts of the Authority, including the revenues and receipts to be received by the Authority from or in connection with purchasing such loans, and to mortgage, pledge or grant security interests in such loans or other property of the Authority in order to secure the payment of the principal of, premium, if any, and interest on such bonds; and

WHEREAS, Section 103(b)(4)(A) of the Internal Revenue Code of 1954, as amended (the "Code"), provides that the interest on fully registered obligations issued by or on behalf of a state or a political subdivision thereof, substantially all of the proceeds of which are to be used to provide projects for residential rental property, shall be exempt from federal income taxation if, among other requirements, at least 20 percent of the dwelling units in the project (15 percent in the case of projects located in Target Areas, as hereinafter defined) are to be occupied by individuals of low or moderate income within the meaning of, and for the period required by, Section 103(b)(12)(B) of the Code; and

WHEREAS, the Authority has heretofore determined to purchase from the lender (the "Lender") the mortgage loan (the "Mortgage Loan") originated by the Lender to provide financing for the multi-family rental residential development described on the Identification Page (the "Development"); and

WHEREAS, the Authority has further determined to issue, sell and deliver \$26,310,000 aggregate principal amount of its Multi-Family Residential Development Bonds, 1985 Series K (Jefferson Federal Savings & Loan Association) (the "Bonds"), pursuant to a Trust Indenture dated as of October 1, 1985 (the "Indenture"), by and between the Authority and the Trustee, to obtain moneys with which to purchase the Mortgage Loan, among others; and

WHEREAS, pursuant to certain regulations promulgated under said Section 103(b)(4)(A) of the Code (the "Regulations") for the interest on the Bonds to be and remain exempt from income taxation, the restrictions imposed by Section 103(b)(4)(A) of the Code must be complied with by the Authority and the Owner for the period described below; and

WHEREAS, the Authority is willing to issue the Bonds and provide financing for the Development in consideration of the Owner's agreements herein to abide by the provisions of Section 103(b)(4)(A) of the Code, the Regulations and this Regulatory Agreement; and

WHEREAS, the Owner has reviewed and is willing to comply with the provisions of Section 103(b)(4)(A) of the Code, the Regulations and this Regulatory Agreement for the period set forth herein in consideration of financing being provided for the Development from a portion of the proceeds of the Bonds, at an interest rate and upon other terms which reflect a tax-exempt interest rate on the Bonds; and

WHEREAS, the Indenture requires the execution and delivery of this Regulatory Agreement in order to establish certain terms and conditions relating to the acquisition, construction and operation of the Development;

NOW, THEREFORE, in consideration of the mutual promises and covenants hereinafter set forth, and of other valuable consideration, the Owner, the Authority, the Lender and the Trustee agree as follows:

AGREEMENT

Section 1. Definitions and Interpretation. Unless the context clearly otherwise requires, each capitalized word or phrase appearing herein that is defined in the Indenture shall have the same meaning in this Regulatory Agreement that is given it in the Indenture. In addition thereto, unless the context clearly requires otherwise, the following terms shall have the following respective meanings set forth below for purposes of this Regulatory Agreement:

"acquisition and construction" shall mean acquisition, construction, rehabilitation, installation and equipping of the Development.

"Act" shall mean Act No. 80-585 adopted at the 1980 Regular Session of the Legislature of the State of Alabama, as amended, and presently codified as Chapter 1A of Title 24 of the Code of Alabama of 1975.

"Authority" means Alabama Housing Finance Authority, a public corporation and instrumentality duly organized and existing under the Constitution and laws of the State of Alabama.

"Bonds" shall mean the Authority's Multi-Family Residential Development Bonds, 1985 Series K (Jefferson Federal Savings & Loan Association), in the aggregate principal amount of \$26,310,000.

"Bond Closing Date" means the date of delivery of the Bonds to the original purchaser thereof against payment therefor.

"Certificate", "Statement", "Request", "Requisition" and "Order" mean, respectively, a written certificate, statement, request, requisition or order executed as follows: (1) if of the Authority, by the Chairman, Vice Chairman or Secretary thereof, or such other person as may be designated and authorized to sign for the Authority, (2) if of any other person, by such person as may be designated and authorized to sign for such person. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

"Certification of Continuing Program Compliance" shall mean the certain Certificate required by Sections 6(e) and 7 of this Regulatory Agreement to be delivered to the Authority and the Trustee by the Owner.

"Code" means the Internal Revenue Code of 1954, as amended, and all regulations and rulings promulgated thereunder.

"Commitment Agreement" shall mean the Commitment Agreement executed by the Lender and the Owner and accepted by the Authority.

"Completion Certificate" shall mean the Certificate of completion of acquisition and construction of the Development required by Section 2(l) of this Regulatory Agreement to be executed by the Owner, confirmed by the Lender and delivered to the Authority and the Trustee.

"Completion Date" shall mean the date of substantial completion of acquisition and construction of the Development as set forth in the Completion Certificate.

"Date of Official Action" shall mean the date on which the Authority adopted a resolution declaring its intent to issue obligations to provide financing for the Development.

"Development" means the multi-family residential rental project to be constructed and owned by the Owner listed on the Identification Page hereto and more particularly described on Exhibit A attached hereto.

"Development Account" shall mean the account to be established and maintained by the Lender with respect to the Mortgage Loan pursuant to the Origination Agreement.

"Development Account Disbursement Certificate" shall mean, with respect to the Development, the certain Certificate required by Section 2(k) of this Regulatory Agreement to be executed by the Owner and delivered to the Lender as a condition to each disbursement from the Development Account.

"Development Costs" shall mean and include the following costs:

(a) the costs of architectural and engineering and design services related to the Development, including, without limitation, the costs of preparation of studies, surveys, reports, tests, plans and specifications;

(b) the costs of legal, accounting, marketing and other special services related to the Development;

(c) costs and fees incurred in connection with the Mortgage Loan;

(d) fees and charges incurred in connection with applications to federal, state and local governmental agencies for any requisite approval or permits regarding the acquisition and construction of the Development;

(e) costs incurred in connection with the acquisition of the site for the Development, including any necessary rights-of-way, easements or other interests in real or personal property;

(f) costs incurred in connection with the acquisition, construction, rehabilitation, improvement or extension of the buildings, structures and facilities comprising the Development;

(g) costs incurred in connection with the acquisition and installation of any machines, equipment, appliances, fixtures, appurtenances or personal property of any kind or nature (including without limitation equipment for cooking, heating and refrigeration), which are to comprise any part of the Development;

(h) premiums for any necessary title, casualty, liability and other insurance purchased in connection with the Development or the Mortgage Loan;

(i) interest on the Mortgage Note accruing prior to and upon the date which is one year after the Completion Date of the Development; and

(j) other costs and expenses relating to the Development which are permitted by the Act and which are incurred for the purpose of providing multi-family residential rental property and facilities functionally related and subordinate thereto.

"Development Restrictions" shall mean those restrictions set forth in Section 5 of this Regulatory Agreement.

"Eligibility Certification" shall mean the certification set forth in Section 6(b) of this Regulatory Agreement.

"Eligible Income Limit" shall mean the level of annual income determined from time to time by the Authority as constituting the maximum income which qualifies as low or moderate income under the Act. As of the date of this Regulatory Agreement, the Authority has established \$38,000 of adjusted gross income per year plus \$1,750 for each exemption permitted for federal income tax purposes to the prospective tenant, as the current Eligible Income Limit.

"Eligible Tenants" shall mean and include any person whose income, together with the income of all persons who intend to reside with such person in one dwelling unit, did not, for the immediately preceding tax year, exceed the then prevailing Eligible Income Limit.

"Identification Page" means the page immediately following the cover page of this Regulatory Agreement, which page is hereby incorporated by reference into the terms of this Regulatory Agreement.

"Indenture" shall mean that certain Trust Indenture dated as of October 1, 1985, by and between the Authority and the Trustee, pursuant to which the Bonds are issued and secured.

"Lender" means Jefferson Federal Savings and Loan Association of Birmingham, a federally chartered savings and loan association, and any successors thereto under the Origination Agreement.

"Lending Officer" means any officer of the Lender involved in, or responsible for, the origination, administration and servicing of the Mortgage Loan, whose name appears on a list of lending officers furnished to the Authority and the Trustee by the Lender, as such list may from time to time be amended.

"Lower-Income Tenants" shall mean and include individuals of low or moderate income within the meaning of Section 103(b)(12)(C) of the Code and applicable regulations thereunder, as the same may be amended from time to time, which as of the date of this Regulatory Agreement includes individuals and families whose adjusted gross income (computed in the manner prescribed in Treasury Regulation §1.167(k)-3(b)(3) or any successor thereto) does not exceed 80 percent of the Median Gross Income for the Area, but which excludes occupants of a Unit if all of the occupants are students (as defined in Section 151(e)(4) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code.

"Median Gross Income for the Area" means the median income for the area where the Development is located as determined by the Secretary of Housing and Urban Development under Section 8(f)(3) of the United States Housing Act of 1937, as amended, or if programs under Section 8(f) are terminated, median income determined under the method used by the Secretary prior to the termination.

"Minimum Rental Period" shall mean the longer of (i) the period commencing on the date when the first Unit in the Development is available for occupancy and ending on the date the Bonds no longer remain outstanding, or (ii) the Qualified Development Period.

"Mortgage" means the mortgage, deed of trust or other security agreement granting a mortgage on or security interest in the land, buildings and equipment comprising the Development, made from the Owner, as mortgagor, for the benefit of the Lender, as mortgagee, and securing the repayment of the Mortgage Loan.

"Mortgage Loan" means the loan to the Owner to be originated by the Lender and sold to the Trustee for the account of the Authority, to provide permanent financing for the Development and to be evidenced by the Mortgage and Mortgage Note.

"Mortgage Note" means the promissory note secured by the Mortgage that evidences the Owner's obligation to repay the Mortgage Loan, and containing the terms and conditions set forth in the Origination Agreement.

"Occupancy Restrictions" shall mean those restrictions set forth in Section 6 of this Regulatory Agreement.

"Origination Agreement" means the Origination, Sale and Servicing Agreement, dated as of October 1, 1985, between the Authority and the Lender.

"Owner" means the entity identified as such on the Identification Page hereto, its successors and assigns and any subsequent owner of the Development.

"person" means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Qualified Development Costs" means with respect to the Development, Development Costs that are incurred by the Owner after the Date of Official Action for the Development, as listed in Exhibit A of the Origination Agreement, and that are chargeable to the capital account of the Owner or would be so chargeable either (a) with a proper election by the Owner or (b) but for a proper election by the Owner to deduct such costs, within the meaning of Treasury Regulation Section 1.103-8(a)(1), as the same may be amended from time to time. Qualified Development Costs shall not include expenditures (i) to acquire land, to the extent such expenditures exceed 25% of the proceeds of the Bond, and (ii) to acquire buildings or equipment the first use of which is not by the Owner unless "rehabilitation expenditures" within the meaning of Section 103(b)(17)(C) of the Code are made with respect to such buildings or equipment at least equal to 15% of the portion of such building financed with Bond proceeds and at least equal to 100% of the portion of the cost of such equipment financed with Bond proceeds.

"Qualified Development Period" shall mean the period beginning on the later of the Bond Closing Date or the first day on which ten percent (10%) of the Units in the Development are first occupied and ending on the later of (i)

the date which is ten (10) years after the date on which at least fifty percent (50%) of the Units in the Development are first occupied, or (ii) the date which follows the date on which any of the Units in the Development are first occupied by a number of days equal to fifty percent (50%) of the total number of days comprising the stated term of the Bonds.

"Real Estate" means the real property on which the Development is located, as described in Exhibit A hereto.

"Regulations" means the certain regulations promulgated under Section 103 of the Code by the Secretary of the Treasury, as the same may be amended from time to time.

"Regulatory Agreement" means this Regulatory Agreement and Declaration of Restrictive Covenants, dated as of October 1, 1985, by and among the Authority, the Owner, the Trustee and the Lender.

"Rental Restrictions" shall mean those restrictions set forth in Section 7 of this Regulatory Agreement.

"State" means the State of Alabama.

"Target Area" means a census tract or area of the State of Alabama identified by the Authority as being a qualified census tract or an area of chronic economic distress within the meaning of Section 103A of the Code and the applicable Treasury Regulations thereunder.

"Tax Certification" means the Owner's Tax Certification submitted to the Authority pursuant to Section 3.1(e) of the Origination Agreement.

"Transfer" shall mean the certain transfer set forth in Section 8 of this Regulatory Agreement.

"Transfer Restrictions" shall mean those restrictions set forth in Section 8 of this Regulatory Agreement.

"Trustee" shall mean Union Bank & Trust Company, a state banking corporation and its successors in trust under the Indenture.

"Unit" means an individual residential unit contained within the Development.

Unless the context clearly requires otherwise, words of masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of 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.

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The terms and phrases used in the recitals of this Regulatory Agreement have been included for convenience of reference only and the meaning, construction and interpretation of all such terms and phrases for purposes of this Regulatory Agreement shall be determined by reference to this Section 1. 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 and shall never be considered or given any effect in construing this Regulatory Agreement or any provision hereof or in ascertaining intent, if any question of intent should arise. All references to the Identification Page shall be deemed to incorporate the information contained thereon into the terms of this Regulatory Agreement.

Section 2. Owner's Representations, Covenants and Agreements Concerning Acquisition, Construction and Completion of the Development. The Owner hereby represents, covenants and agrees as follows:

(a) It is a corporation, a general or limited partnership or a sole proprietorship, as the case may be, duly organized, validly existing and in good standing under the laws of the jurisdiction under which it is organized or which governs such matters and has power and authority to own its properties and to carry on its business as now being conducted, and is duly qualified to engage in such business wherever such qualification is required, including without limitation the State.

(b) It has the power to execute and deliver this Regulatory Agreement and to carry out the transactions contemplated hereby and has duly authorized the execution, delivery and performance of this Regulatory Agreement. This Regulatory Agreement constitutes a legal, valid and binding obligation of the Owner, enforceable in accordance with its terms. All consents, approvals, authorizations and orders of governmental or regulatory authorities which are required for the execution and delivery of this Regulatory Agreement, the Mortgage Note, the Mortgage and related documents and the consummation of the transactions contemplated hereby and thereby have been obtained, other than approvals customarily obtained upon the completion of construction of the Development, and it has no reason to believe that such approvals cannot be obtained in due time and manner as provided by law.

(c) Neither the execution nor delivery of this Regulatory Agreement, the consummation of the transactions contemplated hereby, nor the performance or fulfillment of or compliance with the terms and conditions hereof conflicts with or results in a breach of any of the terms, conditions or provisions of any agreement or instrument to which it is now a party or by which it is bound, or constitutes a default under any of the foregoing or violates any judgment, order, writ, injunction, decree, law, rule or regulation to which it is subject.

(d) It is knowledgeable and experienced in the construction and operation of multi-family rental housing facilities of the magnitude and nature it proposes to undertake in connection with the Development.

(e) It has furnished such opinion of its legal counsel and certified resolutions evidencing necessary or appropriate action required to

execute this Regulatory Agreement and carry out the transactions contemplated by this Regulatory Agreement and all other documents as have been requested by other parties to said transactions through the date of execution and delivery hereof.

(f) Neither the Owner nor any "related person," as defined in Sections 103(b)(6)(C) and 103(b)(13) of the Code, is or will be a party to any agreement, formal or informal, pursuant to which it has or will purchase the Bonds.

(g) It has incurred a substantial binding obligation to commence acquisition and construction of the Development, pursuant to which the Owner is presently obligated to expend at least the lesser of \$100,000 or 2½% of the principal amount of the Bonds.

(h) It has commenced the acquisition and construction of the Development or will commence the same within one hundred eighty (180) days after the Bond Closing Date, and will proceed with due diligence to complete the same.

(i) It reasonably expects to complete the acquisition and construction of the Development and to expend the full amount of the proceeds of the Mortgage Loan by no later than September 1, 1988.

(j) All amounts disbursed from the Development Account shall be used to pay Development Costs, and at least 95% of the aggregate amounts so disbursed from the said Development Account to pay or reimburse Development Costs shall be applied to pay or reimburse Qualified Development Costs. In the event that at any time less than 95% of the amount disbursed to it from the Development Account has been used to pay Qualified Development Costs, Owner shall immediately repay to the Lender for deposit into the said Development Account an amount sufficient to cause the amount which has been expended for Qualified Development Costs to be not less than 95% of the amount disbursed from the said Development Account after such repayment is made.

(k) It will submit to the Lender, prior to or upon the date of each disbursement from the Development Account, a Development Account Disbursement Certificate substantially in the form of Exhibit B attached hereto, certifying that at least 95% of the amounts previously disbursed, plus the amount of such disbursement, shall be applied to pay or reimburse Qualified Development Costs.

(l) Upon the completion of acquisition and construction of the Development (and at such other time as may be required by the terms of the Completion Certificate), the Owner will submit to the Trustee and the Authority, a Completion Certificate substantially in the form of Exhibit C attached hereto confirmed by the Lender.

(m) The Lender may disclose to, or make available for inspection and audit by, the Trustee and the Authority, or their agents, its books, records and account information relating to the Development and the Mortgage Loan.

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(n) The average reasonably expected economic life of the buildings, structures and fixtures included in the Development, measured from the later of the Bond Closing Date or the date on which the Development is reasonably expected to be available for occupancy, is at least equal to ten (10) years, as determined in accordance with Section 103(b)(14) of the Code.

(o) It has not acquired and will not acquire the Development or any portion thereof from any entity or person characterized as a "related person" within the meaning of Section 103(b)(6)(C) of the Code. If requested by the Authority or the Trustee, the Owner will obtain an opinion to such effect from tax counsel acceptable to the Authority.

(p) If the acquisition and construction of the Development includes rehabilitation of existing structures, then such rehabilitation either (i) is necessary and will be effective to bring the said structures into compliance with local code standards, or (ii) will require an expenditure of an amount at least equal to 25% of the value of the said structures prior to such rehabilitation.

(q) The information contained in its Tax Certification was true, accurate and complete as of the date thereof, and such Owner will immediately notify the Authority and the Trustee of any change in the plans and specifications or the budget for the Development which would result in a material change in the information contained in the Tax Certification.

(r) The Development shall not be "federally guaranteed" within the meaning of Section 103(h) of the Code.

(s) The Development shall be located entirely within the State of Alabama.

Section 3. Term of Agreement. This Regulatory Agreement shall become effective upon the date hereof and terminate upon the earlier of the (a) termination of the Occupancy Restrictions and the Rental Restrictions as provided in paragraphs (a) and (b) of Section 4 hereof, or (b) an early termination pursuant to the provisions of paragraph (c) of Section 4 hereof.

Section 4. Term of Restrictions.

(a). Occupancy Restrictions. The term of the Occupancy Restrictions set forth in Section 6 hereof shall commence immediately and remain in effect during the longer of (i) the period during which the Bonds remain outstanding or (ii) the Qualified Development Period. It is expressly agreed and understood that the provisions hereof are intended to survive the termination of the Bonds and the financing documents relating thereto, if such termination occurs prior to the end of the stated term thereof.

(b) Rental Restrictions. The term of the Rental Restrictions set forth in Section 7 hereof shall commence immediately and shall remain in effect during the longer of (i) the period during which the Bonds remain outstanding or (ii) the Qualified Development Period. It is expressly agreed and understood that the provisions hereof are intended to survive the termination of the Bonds and the financing documents relating thereto, if such termination occurs prior to the end of the stated term thereof.

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(c) Early Termination of Restrictions. This Regulatory Agreement and the restrictions hereunder shall cease to apply to the Development in the event of involuntary noncompliance as a result of unforeseen events such as fire, seizure requisition, foreclosure, transfer of title by a deed in lieu of foreclosure or other similar event, change in a federal law or an action of a federal agency after the date of issue that prevents the Authority or the Trustee from enforcing the provisions of this Regulatory Agreement, or condemnation or similar event provided (i) the Bonds are retired or (ii) any Insurance proceeds or condemnation awards or other amounts received as a result of such loss or destruction are used to provide a development (a) which meets the requirements of Section 103(b)(4)(A) of the Code and Treasury Regulation Section 1.103-8(b) as amended, or any successor law or regulation; (b) upon which a Regulatory Agreement is recorded; and (c) which meets the requirements of Section 103(c) of the Code; provided however, that if this Regulatory Agreement is terminated by reason of the aforementioned foreclosure, transfer of title by deed in lieu of foreclosure or other similar event, and the Bonds used to provide the Development then outstanding are retired within a reasonable period and the Development thereafter ceases to comply with Section 103(b)(4)(A) of the Code, the Owner or any related person, as defined in Treasury Regulation Section 1.103-10(e), during the period in which the Occupancy Restrictions are or would be in effect, covenants and agrees not to obtain ownership interest in the Development for federal tax purposes.

Section 5. Development Restrictions. The Owner further represents, warrants and covenants that:

(a) The Development will be constructed for the purpose of providing residential rental property, as such phrase is used in Section 103(b)(4)(A) of the Code.

(b) The Development will consist of a building or structure or several proximate buildings or structures that are located on a single tract of land or contiguous tracts of land that will be owned, for federal tax purposes, at all times by one person, and may include facilities functionally related and subordinate thereto. As used herein, "tract" means any parcel or parcels of land which are contiguous except for the interposition of a road, street, stream or similar property. Parcels shall be considered contiguous if their boundaries meet at one or more points.

(c) If a Unit within a building or structure is occupied by the Owner, or any person who is related to the Owner under the Code, the building or structure must include no fewer than four Units not occupied by the Owner or such related person.

(d) All of the Units in the Development will contain complete living, sleeping, eating, cooking, and sanitation facilities for a single person or family.

(e) None of the Units in the Development will at any time during the Minimum Rental Period be used on a transient basis, or used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, nursing home, sanitarium, rest home or as trailer parks and courts for use on a transient basis.

(f) All of the Units in the Development will be leased, rented, or available for lease or rental on a continuous basis to members of the general public who are Eligible Tenants during the Minimum Rental Period (other than Units for a resident manager or maintenance personnel or Units for individuals or families of low or moderate income as provided for in Section 6(a) herein).

(g) Units to be occupied by Lower-Income Tenants, shall be of comparable quality and offer a range of sizes and number of bedrooms comparable to those Units which are available to other tenants.

(h) Restrictions on use of proceeds:

(1) None of the proceeds of the Mortgage Loan (including investment earnings) shall be used to provide a golf course, a country club, a massage parlor, a tennis club, a skating facility, a racquet sports facility, a hot tub facility, a suntan facility, or a racetrack;

(2) No more than twenty-five percent (25%) of the proceeds of the Mortgage Loan (including investment earnings) shall be used to provide a facility the primary purpose of which is any of the following: retail food and beverage services, automobile sales or service; or the provision of recreation or entertainment;

(3) None of the proceeds of the Mortgage Loan (including investment earnings) shall be used to provide a health club facility, an airplane, a skybox, or any 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; and

(4) No more than 25% of the proceeds of the Mortgage Loan shall be used directly or indirectly, for the acquisition of land or any interest therein.

Section 6. Occupancy Restrictions. The Owner further represents, warrants and covenants that:

(a) At least twenty percent (20%) of the Units of the Development (or at least 15% if the Development is located in a Target Area) shall be occupied (or treated as occupied as provided herein) or held available for occupancy, on a continuous basis, by Lower-Income Tenants. The determination of whether an individual or family qualifies as a Lower-Income Tenant shall be made only at the time the tenancy commences. Any Unit occupied by an individual or family who is a Lower-Income Tenant at the commencement of occupancy shall continue to be treated as if occupied by a Lower-Income Tenant during his or her tenancy in such Unit even though such individual or family subsequently ceases to be of low or moderate income. Any Unit vacated by a Lower-Income Tenant shall be treated as being occupied by such prior Lower-Income Tenant until reoccupied, other than for a temporary period not to exceed thirty-one (31) days, at which time the character of the Unit shall be redetermined. If necessary in order to comply with the Occupancy Restrictions, the next available Unit or Units in the Development shall be made available only to individuals or families qualifying as a Lower-Income Tenant.

(b) As a condition to occupancy, any individual or family intended to be an Eligible Tenant shall sign and deliver to the Owner the Eligibility Certification in the form substantially of that attached hereto as Exhibit D or in such other form and manner as may be required or permitted by applicable rules, regulations or policies promulgated or proposed by the Department of the Treasury or the Internal Revenue Service with respect to obligations issued under Section 103(b)(4)(A) of the Code, in which the prospective Eligible Tenant certifies that he or she and his or her family qualify as a Lower-Income Tenant or he or she and his or her family qualify as an Eligible Tenant. In addition, such individual shall provide whatever other information, documents or certifications are deemed necessary by the Authority, the Lender, or the Trustee to substantiate the Eligibility Certification.

(c) The form of lease to be used by the Owner in renting any Units in the Development shall provide for termination of the lease and consent by such person or family to immediate eviction for failure to qualify as an Eligible Tenant or as a Lower-Income Tenant, as the case may be, as a result of any material misrepresentation made by such person or family with respect to the Eligibility Certification.

(d) Eligibility Certifications will be maintained on file at the Development with respect to each Eligible Tenant who resides in a Unit or resided therein during the immediately preceding calendar year, and the Owner will, promptly upon request, file a copy thereof with the Authority, the Lender, and/or the Trustee.

(e) On the first day of each calendar quarter (or such longer period as the Authority and the Trustee may subsequently establish with the approval of nationally recognized bond counsel) after the Development is available for occupancy, the Owner will submit to the Authority and the Trustee, a Certification of Continuing Program Compliance, in the form substantially of that attached hereto as Exhibit E, executed by the Owner, stating, inter alia, the percentage of Units of the Development which were occupied by Lower-Income Tenants at all times during the preceding calendar quarter and identifying Lower-Income Tenants who commenced or terminated occupancy of the Development during such calendar quarter.

Section 7. Rental Restrictions. The Owner further represents, covenants and warrants that it will utilize its best efforts and all due diligence to assure that all of the Units in the Development are related to Eligible Tenants; and it will prepare and submit to the Authority and the Trustee, on the first day of each calendar quarter (or such longer period as the Authority and the Trustee may subsequently establish with the approval of nationally recognized bond counsel) after the Development is available for occupancy, a Certification of Continuing Program Compliance, in the form substantially of that attached hereto as Exhibit E, executed by the Owner, stating, inter alia, that at all times during the period covered by such Certificate, all of the Units of the Development were related to or held available for rental to, Eligible Tenants.

Section 8. Transfer Restrictions. In addition to any other requirement imposed by the Mortgage, Mortgage Note or this Regulatory Agreement, the Owner further represents, covenants and agrees not to sell, transfer or

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otherwise dispose of the Development without obtaining the prior written consent of the Authority and the Lender, which consent shall be conditioned upon (i) receipt of evidence satisfactory to the Authority and the Lender that the Owner's purchaser or transferee has assumed in writing the Owner's duties and obligations under this Regulatory Agreement, and the Mortgage Loan, (ii) the Authority's and Lender's reasonable satisfaction that the proposed purchaser or transferee is capable (both financially and operationally) of performing such duties and obligations, and (iii) payment of any transfer charges then imposed by the Authority. It is hereby expressly stipulated and agreed that any sale, transfer or other disposition of the Development in violation of this Section 8 shall be null, void and without effect, shall cause a reversion of title to the Owner and shall be ineffective to relieve the Owner of its obligations under this Regulatory Agreement.

Section 9. Covenants to Run with the Land. The Owner hereby subjects the Development to the covenants, reservations, and restrictions set forth in this Regulatory Agreement. The Authority, 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 to the extent permitted by law and shall pass to and be binding upon the Owner's successors in title to the Development. Each and every contract, deed or other instrument hereafter executed covering or conveying the Development 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.

Section 10. Burden and Benefit. The Authority, 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 Development is rendered less vulnerable thereby. The Authority, 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 Development by low and moderate income persons, the intended beneficiaries of such covenants, reservations and restrictions, and by furthering the public purposes for which the Bonds were issued.

Section 11. Enforcement.

(a) The Owner shall permit any duly authorized representative of the Authority, the Trustee, the Department of the Treasury or the Internal Revenue Service to inspect any books and records of the Owner regarding the Development and with respect to the incomes of Eligible Tenants which pertain to compliance with the provisions of this Regulatory Agreement and Section 103(b)(4)(A) of the Code.

(b) In addition to the information specifically requested in Section 6(e) and Section 7 hereof, the Owner shall submit any other information, documents or certifications requested by the Authority, the Lender or the Trustee that the Authority, the Lender, or the Trustee deems reasonably necessary to substantiate the Owner's continuing compliance with the provisions of this Regulatory Agreement and Section 103(b)(4)(A) of the Code.

(c) The Authority, the Lender, the Owner and the Trustee each covenants that it will not knowingly take or permit any action to be taken that would adversely affect the exemption from federal income taxation of interest on the Bonds. Moreover, each covenants to take any lawful action (including amendment of this Regulatory Agreement as may be necessary, in the opinion of nationally recognized bond counsel) to comply fully with all applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the Department of the Treasury or the Internal Revenue Service from time to time pertaining to obligations issued under Section 103(b)(4)(A) of the Code and affecting the Development.

(d) The Owner further covenants and agrees to inform the Authority, the Lender and the Trustee by written notice of any violation of the Owner's obligations hereunder within five (5) days of first discovering any such violation, and the Authority, the Lender and the Trustee covenant and agree to inform, or cause their authorized representative to inform, the Owner by written notice of any violation of the Owner's obligations hereunder within fifteen (15) days of first discovering such violation and to provide the Owner a period of time in which to correct such violation. If any such violation is not corrected to the satisfaction of the Authority, the Lender and the Trustee within the period of time specified by the Authority, the Lender or the Trustee, which shall be at least thirty (30) days after the date any notice to the Owner is mailed, or within such further time as the Authority, the Lender and the Trustee determine is necessary to correct the violation without loss of tax-exemption of interest on the Bonds, not, in any event, to exceed any limitations set by applicable regulations, then without further notice, the Authority, the Lender or the Trustee shall declare a default under this Regulatory Agreement effective on the date of such declaration of default, and upon such default, the Owner hereby agrees to pay to the Authority, an amount equal to any rents or other amounts received by the Owner for any Units in the Development, to the extent that such rents were in violation of this Regulatory Agreement, and the Authority, the Lender or the Trustee may take any one or more of the following steps, at their option:

(i) by mandamus or other suit, action or proceeding at law or in equity, require the Owner to perform its obligations and covenants hereunder, or enjoin any acts or things that may be unlawful or in violation of the rights of the Authority, the Lender 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 Development;

(iii) take whatever other action necessary or desirable to enforce the obligations, covenants and agreements of the Owner hereunder; and

(iv) declare a default under the Mortgage Loan, accelerate the indebtedness evidenced by the Mortgage Note, and proceed with foreclosure under the Mortgage.

The Trustee shall have the right, in accordance with this Section 11(d) and the provisions of the Indenture, without the consent, approval or knowledge

of the Authority, to exercise any or all of the Authority's rights or remedies hereunder.

(e) The Owner, the Authority and the Trustee each acknowledge that the primary purpose for requiring compliance by the Owner with the restrictions provided in this Regulatory Agreement is to preserve the federal income tax exemption of interest on the Bonds, and that the Trustee on behalf of the registered owners from time to time of the Bonds, who are declared to be third-party beneficiaries of this Regulatory Agreement, shall be entitled for any breach of the provisions hereof, to all remedies both at law and in equity in the event of any default hereunder.

(f) In determining whether any default or lack of compliance exists under this Regulatory Agreement, the Trustee shall not be required to conduct any investigation into or any review of the operations or records of the Owner and may rely solely on any notice or certificate delivered to the Trustee by the Owner, the Authority, or the Lender with respect to the occurrence or absence of a default.

Section 12. Indemnification of the Authority, the Lender and the Trustee. The Owner hereby covenants and agrees that it will indemnify and hold harmless the Trustee, the Lender, and the Authority and their respective officers, directors, officials, employees, agents, successors and assigns, from and against (i) any and all claims by or on behalf of any person arising from any cause whatsoever in connection with the Mortgage Loan or Development; (ii) any and all claims arising from any act or omission of the Owner or any of its agents, contractors, servants, employees or licensees, in connection with the Mortgage Loan or Development; (iii) all costs, counsel's fees, expenses or liabilities incurred in connection with any such claim or proceedings brought thereon (whether or not suit is brought, including without limitation costs of investigation); and (iv) any fees, expenses or other charges of the Trustee under the Indenture which are not paid from the Revenues (as defined in the Indenture). In the event that any action or proceeding is brought against the Authority, the Lender, or the Trustee or any of their officers, directors, officials, employees, agents, successors and assigns, with respect to which indemnity may be sought hereunder against the Owner, the Owner, upon written notice from the indemnified party, shall assume the investigation and defense thereof, including the employment of counsel and the payment of all expenses. The indemnified party shall have the right to employ separate counsel in any such action or proceeding and to participate in the investigation and defense thereof, and the Owner shall pay the fees and expenses of such separate counsel, provided, however, that unless such separate counsel is employed with the approval and consent of the Owner, the Owner shall not be required to pay the fees and expenses of such separate counsel.

Each party entitled to indemnification hereunder, as a condition of such indemnity, shall use its best efforts to cooperate with the Owner in the defense of any such action or claim. The Owner shall not be liable for any settlement of any such action without its consent but, if any such action is settled with the consent of the Owner or there be final judgment for the plaintiff in any such action, the Owner agrees to indemnify and hold harmless the indemnified parties from and against any loss, damage, judgment,

liability, expense, cost or fees incurred by such indemnified party by reason of such settlement or judgment.

Section 13. Duties of Trustee with Respect to Development. The Authority hereby imposes on the Trustee and the Trustee accepts the duty to oversee the Development on behalf of the Authority in order to promote compliance with the provisions of this Regulatory Agreement and to exercise reasonable efforts to cause the Owner to comply with the representations, covenants and agreements of the Owner. The Trustee hereby agrees to take such steps as it may deem necessary in order to cause the Owner and the Development to comply with the requirements hereof, including specifically:

(a) to review all reports submitted with respect to the Development;

(b) to review all Income Certifications of Continuing Program Compliance required to be filed and maintained hereunder; and

(c) to file with the Authority (and with the Lender and Owner) quarterly reports setting forth its activities undertaken to monitor compliance with the provisions hereof, and the results of such investigation.

The Trustee may delegate performance of some or all of its duties under this Regulatory Agreement to any agent lawfully empowered to perform such duties, including, but not limited to, an affiliate or subsidiary of the Trustee, at any time upon giving the Authority thirty (30) days' advance written notice. Any such appointee may appoint a successor which shall be an institution possessing such experience and knowledge as renders it capable of fulfilling its obligations hereunder. However, any such delegation shall not relieve the Trustee of its responsibilities hereunder.

Section 14. Consideration. The Authority has determined to issue the Bonds to obtain moneys with which to purchase the Mortgage Loan for the purpose, among other, of inducing the Owner to acquire, construct and operate the Development as a residential development for persons of low and moderate income. In consideration of the issuance of the Bonds by the Authority, the Owner has entered into this Regulatory Agreement. The Trustee acknowledges that the fees payable to it under the Indenture include compensation for the services rendered hereunder.

Section 15. Reliance. The Authority, the Lender and the Owner hereby acknowledge and agree that the representations, covenants and agreements set forth herein may be relied upon by all persons interested in the legality and validity of the Bonds and in the exemption from federal income taxation of the interest on the Bonds, including without limitation any owners of the Bonds. In performing their duties and obligations hereunder, the Authority, the Lender and the Trustee may rely upon Statements and Certificates of the Owner and Eligible Tenants believed to be genuine and to have been executed by the proper person or persons, and upon audits of the books and records of the Owner pertaining to occupancy of the Development and upon representations and warranties of the Owner made herein. In addition, the Authority 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 Authority or the Trustee hereunder in good faith and in conformity with the opinion of such counsel.

Section 16. Agent of the Authority, the Lender and the Trustee. The Authority, the Lender and the Trustee shall have the right to appoint an agent to carry out any of their respective duties and obligations hereunder.

Section 17. Amendment. This Regulatory Agreement shall be amended to reflect changes in Section 103(b)(4)(A) of the Code, Treasury Regulations and revenue rulings promulgated thereunder, or in the interpretation thereof, if necessary to preserve the tax exempt status of interest on the Bonds. Otherwise this Regulatory Agreement may be amended only by a written agreement executed by the parties hereto. The agreement of the Authority and the Trustee to any amendment to this Regulatory Agreement shall be given only in accordance with the provisions of Article XII of the Indenture.

Section 18. Severability. The invalidity of any clause, party or provision of this Regulatory Agreement shall not affect the validity of the remaining portions thereof.

Section 19. Notices. All notices to be given pursuant to this Regulatory Agreement shall be in writing and shall be deemed given when mailed by first-class mail, return receipt requested, to the parties hereto at the addresses set forth below, or to such other place as a party may from time to time designate in writing.

The Owner: Cole and Eddleman Development Company
213 Gadsden Highway, Suite 100
Birmingham, Alabama 35235

The Authority: Alabama Housing Finance Authority
c/o Director of Finance
State Capitol Building
Montgomery, Alabama 36130

The Lender: Jefferson Federal Savings and Loan Association
of Birmingham
215 North 21st Street
Birmingham, Alabama

The Trustee: Union Bank & Trust Company
P.O. Box 2191
Montgomery, Alabama 36197
Attn: Corporate Trust Department

Section 20. Governing Law. This Regulatory Agreement shall be governed by the laws of the State of Alabama, except to the extent that the laws of the United States of America may prevail.

Section 21. 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 22. Recordation. The covenants, obligations and duties of the Owner contained herein shall run with the Development, including the real property upon which the Development is located. This Regulatory Agreement and all amendments and supplements hereto shall be recorded and filed in such manner and in such places as the Authority or the Trustee may reasonably request, and the Owner shall pay all fees and charges incurred in connection therewith.

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

COLE AND EDDLEMAN DEVELOPMENT
COMPANY

By: Eugene K. Cole
Eugene K. Cole
General Partner

By: Billy D. Eddleman
Billy D. Eddleman
General Partner

as Owner

ALABAMA HOUSING FINANCE AUTHORITY

By: [Signature]
Its: Chairman

JEFFERSON FEDERAL SAVINGS AND LOAN
ASSOCIATION OF BIRMINGHAM

By: Graham D. Hutson
Its: Senior Vice President

as Lender

UNION BANK & TRUST COMPANY

By: Sarah J. Smith
Its: Vice President - Corporate Trusts

as Trustee

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ACKNOWLEDGMENT OF OWNER

STATE OF ALABAMA

COUNTY OF Jefferson

On 10-28-85, before me, the undersigned Notary Public in and for said State, personally appeared Eugene K. Cole and Billy D. Eddleman, General Partners of Cole and Eddleman Development Company, an Alabama general partnership, known to me to be the persons who executed the within Regulatory Agreement on behalf of such partnership therein named, and who acknowledged to me that they executed the within instrument on behalf of such partnership therein named.

WITNESS my hand and official seal.

Virginia J. Atkinson
NOTARY PUBLIC

ACKNOWLEDGMENT OF LENDER

STATE OF ALABAMA

COUNTY OF Jefferson

On 10-28-85, before me, the undersigned Notary Public in and for said State, personally appeared Graham D. Hudson, JR., known to me to be the Senior Vice-President of Jefferson Federal Savings and Loan Association of Birmingham, a federally chartered savings and loan association, that executed the within Regulatory Agreement, and known to me to be the person who executed the within Regulatory Agreement on behalf of said savings and loan association therein named, and who acknowledged to me that he executed the within instrument pursuant to the by-laws or resolution of the board of directors of such savings and loan association.

WITNESS my hand and official seal.

Jane H. Ransom
NOTARY PUBLIC
11-28-88

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ACKNOWLEDGMENT OF AUTHORITY

STATE OF ALABAMA

COUNTY OF MONTGOMERY

On October 31, 1985, before me, the undersigned Notary Public in and for said State, personally appeared Sheldon E. Allred, known to me to be the Chairman of Alabama Housing Finance Authority, and known to me to be the person who executed the within Regulatory Agreement on behalf of the Authority therein named, and who acknowledged to me that he executed the within instrument pursuant to the by-laws or a resolution of the board of directors of the Authority.

WITNESS my hand and official seal.

Lynn S. Shagard
NOTARY PUBLIC

ACKNOWLEDGMENT OF TRUSTEE

STATE OF ALABAMA

COUNTY OF JEFFERSON

On October 31, 1985, before me, the undersigned Notary Public in and for said State, personally appeared SARAH J. SMITH, known to me to be the Vice President - Corporate Trusts of Union Bank & Trust Company, an Alabama banking corporation, and known to me to be the person who executed the within Regulatory Agreement on behalf of the banking corporation therein named, and who acknowledged to me that he executed the within instrument pursuant to the by-laws or a resolution of the board of directors of such banking corporation.

WITNESS my hand and official seal.

Lynn S. Shagard
NOTARY PUBLIC

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EXHIBIT A

LEGAL DESCRIPTION OF THE DEVELOPMENT

A parcel of land located in the NE $\frac{1}{4}$ of Section 11, and the NW $\frac{1}{4}$ of Section 12, all in Township 20 South, Range 3 West, more particularly described as follows: Commence at the SE corner of Lot 4, Block 6, of Cahaba Valley Estates Seventh Sector, as recorded in Map Book 6, Page 82, in the office of the Judge of Probate in Shelby County, Alabama; thence in a southeasterly direction along the projection of the southwesterly line of said Block 6, a distance of 160.00 feet to the Point of Beginning; thence continue along last described course, a distance of 762.00 feet; thence 90 degrees 10 minutes left, in a northeasterly direction, a distance of 360.00 feet; thence 89 degrees 50 minutes left, in a northwesterly direction, a distance of 762.00 feet; thence 90 degrees 10 minutes left, in a southwesterly direction, a distance of 360.00 feet to the Point of Beginning, containing 6.3 Acres.

EXHIBIT B

DEVELOPMENT ACCOUNT DISBURSEMENT CERTIFICATE

Owner's Name: _____

Name of Development: _____

Aggregate Principal Amount of
Mortgage Loan Authorized: _____

Amount of Disbursement
Requested Hereby: _____

Estimated Date of
Final Disbursement: _____

With respect to the disbursement requested hereby, there must be attached hereto a list showing the names and addresses of the persons, firms or corporations to whom payment is due and the amounts due.

By execution hereof the Owner hereby represents and affirms that:

(i) each obligation with respect to which this disbursement relates has been properly incurred and has not been the basis of any previous disbursement;

(ii) the disbursement requested hereby, when added to all previous disbursements, will result in at least 95% of the total of such disbursements having been used (a) for the acquisition, construction, reconstruction or improvement of land or property of the character subject to the allowance for depreciation under Section 167 of the Internal Revenue Code of 1954, as amended, and constituting a Development, as defined below, or (b) for payment of amounts which are, for federal income tax purposes, chargeable to the capital account of such Development, or which would be so chargeable either with a proper election by the Owner (for example, under Section 266 of the Internal Revenue Code of 1954, as amended) or but for a proper election by the Owner to deduct such amounts; and

(iii) the obligations for which this disbursement is requested do not relate to land acquired or work performed prior to the Date of Official Action with respect to the Development.

The undersigned Owner certifies that it has read and understands the following definition:

"Development" means one or more buildings or structures, together with any functionally related and subordinate facilities, containing one or more similarly constructed units which are used for residential rental purposes on other than a transient

basis. Substantially all of a Development must contain such units and functionally related and subordinate facilities. Hotels, motels, dormitories, fraternity and sorority houses, rooming-houses, hospitals, nursing homes, sanitariums, rest homes, and trailer parks and courts for use on a transient basis are not Developments.

Proximate buildings which have similarly constructed units are treated as a Development if they are owned for Federal tax purposes by the same person and if such buildings are financed under the Indenture. Buildings are proximate if they are located on any parcel or parcels of land which are contiguous except for the interposition of a road, street, stream or similar property. Otherwise, parcels are contiguous if their boundaries meet at one or more points.

Facilities that are functionally related and subordinate to a Development include facilities for use by the tenants (for example, swimming pools, other recreational facilities, and parking areas) and other facilities which are reasonably required for the Development (for example, heating and cooling equipment, trash disposal equipment or units for resident managers or maintenance personnel).

A Development does not include any building which contains fewer than five units, one unit of which is occupied by an Owner.

The undersigned Owner hereby certifies that the above-referenced Mortgage Loan is the loan authorized to be funded pursuant to the Regulatory Agreement and that said Mortgage Loan is currently in compliance with all of the provisions thereof.

All terms used but not defined herein shall have the meanings assigned to them under the Regulatory Agreement and Declaration of Restrictive Covenants dated as of October 1, 1985, among Alabama Housing Finance Authority, Jefferson Federal Savings and Loan Association of Birmingham, as Lender, Union Bank & Trust Company, as Trustee, and the Owner listed therein.

[O W N E R]

By: _____
Its: _____

EXHIBIT C
COMPLETION CERTIFICATE

Date: _____

Alabama Housing Finance Authority
c/o Finance Department
State Capitol Building
Montgomery, Alabama 36130

Gentlemen:

This Completion Certificate is given by the undersigned with respect to [name of development], _____, Alabama (the "Development") as required by Section 2(1) of the Regulatory Agreement and Declaration of Restrictive Covenants (the "Regulatory Agreement") dated as of October 1, 1985, among Alabama Housing Finance Authority, Union Bank & Trust Company, as Trustee, Jefferson Federal Savings and Loan Association of Birmingham, as Lender, and the undersigned. All terms used herein shall have the meanings assigned to them in the Regulatory Agreement.

The undersigned hereby certifies as follows:

1. Acquisition and construction of the Development was substantially completed on ...[insert date]... substantially in accordance with the approved Plans and Specifications, all required governmental inspections regarding the Development have been successfully obtained and the Development is ready and available for occupancy.

2. The aggregate amount of the net proceeds of the Mortgage Loan disbursed with respect to the Development is \$ _____.

3. At least 95% of the amount specified in paragraph 2 above has been applied or is being applied to pay or reimburse Qualified Development Costs related to the Development.

4. Any amounts remaining on deposit in the Development Account shall be applied as follows:

(I) \$ _____ shall be applied as indicated in the attached Development Account Disbursement Certificate to pay or reimburse Qualified Development Costs not yet paid or reimbursed;

(II) \$ _____ shall be applied as indicated in the attached Development Account Disbursement Certificate to pay or reimburse Development Costs other than Qualified Development Costs; and

(III) \$ _____ shall be applied to the partial prepayment of the principal of the Mortgage Loan.

5. (i) The first unit in the Development was completed and available for occupancy on ... [insert date].
- (ii) The first unit in the Development to be occupied was so occupied on ... [insert date].
- (iii) The date on which at least 10% of the units in the Development were first occupied was ... [insert date].
- (iv) The date on which at least 50% of the units in the Development were first occupied was ... [insert date].

If any of the information required by Paragraph 5 is unavailable on the Completion Date, another Completion Certificate shall be submitted as soon as such information is available.

This Completion Certificate is given without prejudice to any rights against third parties which may exist on the date hereof or which may subsequently come into being.

[Owner]

By: _____
Title: _____

Architect's Confirmation

The undersigned architect hereby confirms the accuracy of the representations and information contained in paragraph 1 above.

Architect

Lender Confirmation

The undersigned Lender hereby confirms the accuracy of the information contained in paragraph 2 above.

JEFFERSON FEDERAL SAVINGS
AND LOAN ASSOCIATION OF
BIRMINGHAM

By: Geah S. Hartman
Title: Assistant Vice President

EXHIBIT D
ELIGIBILITY CERTIFICATION

RE: (name and address of Development)

DATE: _____

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) _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ |

If the tenant or tenants to whom this certificate relates do not qualify as Lower-Income Tenants, as defined in the Regulatory Agreement, the information in paragraphs 6, 7, and 8 need not be provided.

6. The anticipated income of all the above persons during the 12-month period beginning the date set forth above:

(a) Including all wages and salaries, over-time pay, commissions, fees, tips and bonuses before payroll deductions; net 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 of capital indebtedness); interest and dividends; 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; payments in lieu of earnings, such as unemployment and disability compensation, workmen's compensation and severance pay; the maximum amount of public assistance available to the above persons; periodic and determinable allowances, such as alimony and child support payments and regular contributions and gifts received from persons not residing in the dwelling; and 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 or spouse, but

(b) excluding casual, sporadic or irregular gifts; amounts that are specifically for or in reimbursement of medical expense; lump sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and workmen's compensation), capital gains and settlement for personal or property losses; amounts of education scholarships paid directly to the student or the educational institution, and amounts paid by the government to a veteran for use in meeting the costs of tuition, fees, books and equipment, but in either case only to the extent used for such purposes; special pay to a serviceman head of a family who is away from home and exposed to hostile fire; relocation payments under Title 11 of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970; foster child care payments; the value of coupon allotments for the purchase of food pursuant to the Food Stamp Act of 1964 which is in excess of the amount actually charged for the allotments; and payments received pursuant to participation in ACTION volunteer programs, is as follows:

\$ _____, and the anticipated income, if any, for each minor listed above is as follows:

| <u>NAME</u> | |
|-------------|----------|
| _____ | \$ _____ |
| _____ | \$ _____ |
| _____ | \$ _____ |
| _____ | \$ _____ |
| _____ | \$ _____ |

7. If any of the persons described above (or whose income or contributions was included in item 6) has any savings, bonds, or equity in real property or other form of capital investment, provide:

(a) the total value of all such assets owned by all such persons: \$ _____.

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

(c) the amount of such income which is included in item 6: \$ _____.

8. (a) Will all of the persons listed in columns 1-5 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) Is any such person (other than nonresident aliens) married and eligible to file a joint federal income tax return?

Yes _____

No _____

9. The total adjusted gross income of the persons listed in column 1 above as reported on the most recent federal income tax return(s) of such persons was: \$ _____

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 Development 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.

Head of Household

Spouse

SWORN TO and SUBSCRIBED before me on this the _____ day of _____, 1985.

(SEAL)

Notary Public in and for the
State of Alabama

My Commission Expires: _____

FOR COMPLETION BY OWNER ONLY:

1. 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 the greater of (i) the amount entered in 7 (b) less the amount entered in 7 (c) and (ii) 10% of the amount entered in 7 (a): \$ _____

(c) TOTAL ELIGIBLE INCOME (Line 1 (a) plus line 1 (b)): \$ _____

2. The amount entered in 1 (c) is:

Equal to or less than the Eligible Income
Limit as defined in the Regulatory Agreement.

More than the Eligible Income Limit as
defined in the Regulatory Agreement.

Equal to or less than 80% of the Median Gross Income for the Area as defined under the Regulatory Agreement.

More than 80% of the Median Gross Income for the Area as defined under the Regulatory Agreement.

3. Number of apartment unit assigned: _____

4. Monthly rent: \$ _____

5. This apartment unit [was/was not] last occupied for a period of 31 consecutive days by a person or persons whose adjusted income, as certified in the above manner, was equal to or less than the amount at which a person would have qualified as a Lower-Income Tenant under the terms of the Regulatory Agreement.

6. Applicant:

Yes No

Qualifies as a Lower-Income Tenant.

Qualifies as an Eligible Tenant.

Manager

EXHIBIT E

CERTIFICATION OF CONTINUING PROGRAM COMPLIANCE

Date: _____

Alabama Housing Finance Authority
c/o Finance Department
State Capitol Building
Montgomery, Alabama 36130

Union Bank & Trust Company
P.O. Box 2191
Montgomery, Alabama 36197
Attn: Corporate Trust Department

Gentlemen:

This Certification of Continuing Program Compliance is given by the undersigned with respect to ...[name and location of Development]... (the "Development") as required by Sections 6(e) and 7 of the Regulatory Agreement and Declaration of Restrictive Covenants (the "Regulatory Agreement") dated as of October 1, 1985, among Alabama Housing Finance Authority, Union Bank & Trust Company, as trustee, Jefferson Federal Savings and Loan Association of Birmingham, as lender, and the undersigned. All terms used herein shall have the meanings assigned to them in the Regulatory Agreement.

The undersigned hereby certifies as follows:

1. At all times during the calendar quarter immediately preceding the date of this Certification of Continuing Program Compliance, all of the dwelling units of the Development were occupied by or held available for rental to, Eligible Tenants.

2. At all times during the calendar quarter immediately preceding the date of this Certification of Continuing Program Compliance, at least ____% of the completed dwelling units in the Development were occupied by or were currently vacant and being held available for rental to Lower-Income Tenants (minimum of 20% required, 15% if located in Target Area).

3. The representations, warranties and agreements of the undersigned Owner contained in the Regulatory Agreement are true and correct and have been duly performed by the undersigned Owner as of the date of this Certification of Continuing Program Compliance.

4. The Development was continually in compliance with the Regulatory Agreement.

5. The Development ____ is ____ is not located in a Target Area.

For purposes of paragraphs 1 and 2 above, a dwelling unit occupied by an individual or family who at the commencement of the occupancy is an Eligible Tenant or a Lower-Income Tenant shall be treated as occupied by an Eligible Tenant or a Lower-Income Tenant as appropriate, during such individual's or family's tenancy in such unit, even though the individual or family subsequently ceases to qualify as an Eligible Tenant or a Lower-Income Tenant. Moreover, a dwelling unit occupied by an individual or family who at the commencement of the occupancy is a Lower-Income Tenant, shall be treated as occupied by a Lower-Income Tenant until reoccupied, other than for a temporary period not exceeding 31 days, at which time the character of the unit shall be redetermined.

List names of Lower-Income Tenants who commenced or terminated occupancy during the preceding calendar quarter.

| <u>Commenced Occupancy</u> | <u>Terminated Occupancy</u> |
|----------------------------|-----------------------------|
| 1. _____ | 1. _____ |
| 2. _____ | 2. _____ |
| 3. _____ | 3. _____ |

Attach a separate sheet listing the apartment numbers of each Unit in the Development and indicating which Units are occupied by Lower-Income Tenants.

The representations set forth herein are true and correct to the best of the undersigned's knowledge and belief.

[OWNER]

By: _____
Title: _____

STATE OF ALA. SHELBY CO.
I CERTIFY THIS
INSTRUMENT WAS FILED

1985 DEC 27 AM 8:58

Thomas A. Shandley, Jr.
JUDGE OF PROBATE

RECORDING FEES

| | |
|---------------|------------------------|
| Recording Fee | \$ <u>82.50</u> |
| Index Fee | <u>1.00</u> |
| TOTAL | \$ <u>83.50</u> |