

**DECLARATION OF RESTRICTIVE COVENANTS
AND REGULATORY AGREEMENT**

among

CITY OF HOOVER, ALABAMA

**SOUTHTRUST BANK OF ALABAMA, NATIONAL ASSOCIATION
as Trustee**

and

ROYAL OAKS, LTD.

Dated as of September 1, 1994

Relating to:

\$5,200,000

**CITY OF HOOVER, ALABAMA
MULTI-FAMILY MORTGAGE REVENUE BONDS
(GNMA COLLATERALIZED - ROYAL OAKS APARTMENTS PROJECT)
SERIES 1994-A**

**This document was prepared by:
P. Nicholas Greenwood
Bradley, Arant, Rose & White
1400 Park Place Tower
2001 Park Place
Birmingham, Alabama 35203
(205) 521-8000**

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DECLARATION OF RESTRICTIVE COVENANTS AND REGULATORY AGREEMENT

This **DECLARATION OF RESTRICTIVE COVENANTS AND REGULATORY AGREEMENT** dated as of September 1, 1994 (together with any amendments or supplements hereto, this "Regulatory Agreement"), is made and entered into among the **CITY OF HOOVER, ALABAMA**, a municipal corporation under the laws of the State of Alabama (the "Issuer"), **SOUTHTRUST BANK OF ALABAMA, NATIONAL ASSOCIATION**, a national banking association authorized to accept and execute trusts of the type contemplated by the Indenture (as hereinafter defined), with its principal corporate trust office in Birmingham, Alabama (together with any successor trustee serving as such under the Indenture, the "Trustee"), and **ROYAL OAKS, LTD.**, a limited partnership organized under the laws of the State of Alabama (the "Partnership").

W I T N E S S E T H:

WHEREAS, the Issuer is authorized under the provisions of Chapter 96A of Title 11 of the Code of Alabama 1975, as amended (the "Act") to issue its revenue bonds to make loans to mortgage lenders to be used by such mortgage lenders for the making of mortgage loans in order to provide multi-family housing for persons of low and moderate income within its corporate limits; and

WHEREAS, the governing body of the Issuer has adopted an ordinance (the "Bond Ordinance") pursuant to which such governing body has found and determined that it is necessary and desirable and in the public interest that the Bonds hereinafter defined be issued to provide a portion of the funds necessary to finance the Mortgage Loan hereinafter defined; and

WHEREAS, in furtherance of the purposes of the Act and as part of the Issuer's plan of financing loans to mortgage lenders in order to provide multi-family housing for persons of low and moderate income within its corporate limits, the Issuer proposes to issue its revenue bonds to be designated "City of Hoover, Alabama, Multi-Family Mortgage Revenue Bonds (GNMA Collateralized - Royal Oaks Apartments Project) Series 1994-A" in the aggregate principal amount of \$5,200,000 (the "Bonds"), and to use the proceeds to provide a portion of the funds necessary to finance a mortgage loan from Highland Mortgage Company (the "Lender"), which mortgage loan (the "Mortgage Loan") is being made to the Partnership to provide the funds necessary to refund the \$5,200,000 Multi-Family Housing Revenue Bonds, 1985 Series E (Royal Oaks Apartments Project) (the "Refunded Bonds") which were issued by the Alabama Housing Finance Authority to originally finance the cost of a 200-unit multi-family residential rental development located within the corporate limits of the Issuer (the "Project"); and

WHEREAS, in connection with such financing, the Partnership has agreed to continue to rent or lease at least 20% of the dwelling units in the Project to families or individuals of low and moderate income (within the meaning of Section 103(b)(12)(C) of the Internal Revenue Code

of 1954, as such Code was in effect immediately prior to the enactment of the Tax Reform Act of 1986 (the "1954 Code")), all for the public purpose of assisting persons of low and moderate income within the corporate limits of the Issuer to afford the costs of decent, safe and sanitary housing; and

WHEREAS, under the provisions of Section 1313(a) of the Tax Reform Act of 1986, the exclusion of the interest income on the Bonds hereinafter defined from gross income for Federal tax purposes is dependent, in part, upon the continued compliance by the Partnership with certain provisions of the 1954 Code and the regulations and rulings promulgated thereunder pertaining to the use and operation of the Project, and in order to ensure that the Project will continue to be used and operated in accordance with the 1954 Code, the regulations and rulings promulgated thereunder and the Act, the Issuer, the Trustee and the Partnership have determined to enter into this Regulatory Agreement in order to set forth certain terms and conditions relating to the use and operation of the Project.

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

Section 1. Definitions and Interpretations. In addition to the terms defined in the Indenture and the Financing Agreement (both hereinafter defined), the following terms shall have the respective meaning assigned to them in this Section 1 unless the context in which they are used clearly requires otherwise:

"Act" shall mean Chapter 96A of Title 11 of the Code of Alabama 1975, as amended.

"Authority" means Alabama Housing Finance Authority, a public corporation under the laws of the State.

"Bond Counsel" shall mean an attorney-at-law or a firm of attorneys of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on bonds issued by states and their political subdivisions duly admitted to the practice of law before the highest court of any state of the United States of America.

"Bondholder" and "Holder" shall have the meanings assigned thereto in the Indenture.

"Bonds" shall mean the City of Hoover, Alabama, Multi-Family Mortgage Revenue Bonds (GNMA Collateralized - Royal Oaks Apartments Project) Series 1994-A, issued in the aggregate original principal amount of \$5,200,000.

"Certificate of Continuing Program Compliance" shall mean the certificate from the Partnership in substantially the form set forth in Exhibit C hereto.

"Code" means the Internal Revenue Code of 1986, as amended.

"Financing Agreement" shall mean the Financing Agreement dated as of September 1, 1994, among the Issuer, the Trustee, the Lender and the Partnership.

"Indenture" shall mean the Trust Indenture dated as of September 1, 1994, between the Issuer and the Trustee.

"Issuer" shall mean the City of Hoover, Alabama, a municipal corporation under the laws of the State of Alabama.

"Lender" shall mean Highland Mortgage Company, an Alabama corporation.

"Loan Documents" shall mean this Regulatory Agreement, the Financing Agreement, the Note, the Mortgage and all other documents and instruments executed and delivered by the Partnership to evidence and secure the indebtedness of the Partnership with respect to the Mortgage Loan, as such documents, instruments and agreements may be amended and supplemented from time to time.

"Lower-Income Tenants" shall mean and include individuals or families with adjusted income, calculated in the manner prescribed in Section 1.167(k)-3(b)(3) of the Regulations under the 1954 Code, which does not exceed eighty percent (80%) of the median gross income for the area in which the Project is located, determined in a manner consistent with determinations of median gross income made under the leased housing program established under Section 8 of the United States Housing Act of 1937, as amended. In no event, however, will the occupants of a unit be considered to be of low and moderate income if all the occupants are students, no one of which is entitled to file a joint return.

"Mortgage" shall mean the FHA-approved deed of trust or mortgage from the Partnership, as mortgagor, to the Lender, as mortgagee, as such Mortgage is from time to time amended and supplemented.

"Mortgage Loan" shall mean the loan made to the Partnership by the Lender with respect to the Project as evidenced by the Note and secured by the Mortgage, endorsed for insurance by FHA under the provisions of Section 223(f) of the National Housing Act of 1934, as amended.

"Note" shall mean the nonrecourse deed of trust or mortgage note executed and delivered by the Partnership to evidence the Mortgage Loan.

"Partnership" shall mean Royal Oaks, Ltd., a limited partnership organized under the laws of the State of Alabama, or the Person or Persons who shall succeed to the ownership of all or any part of the Project in accordance with the provisions of the Financing Agreement and this Regulatory Agreement.

"Person" shall mean natural persons, firms, partnerships, associations, corporations, trusts and public bodies.

"Project" shall mean the facilities described in Exhibit A hereto, as they at any time exist.

"Qualified Costs" shall mean costs of refunding the principal of the Refunded Bonds.

"Qualified Number of Days" means fifty percent (50%) of the sum of the period the Refunded Bonds are outstanding (from their date of issuance) plus the longest term of any Bond.

"Qualified Project Period" shall mean the period beginning on the later of (a) the first day on which at least ten percent (10%) of the residential units in the Project were first occupied (December 1, 1986), and ending on the later of the date (x) which is ten (10) years after the date on which at least fifty percent (50%) of the residential units in the Project were first occupied, (y) which is a Qualified Number of Days after the date on which any of the residential units in the Project was first occupied or (z) on which any assistance provided with respect to the Project under Section 8 of the United States Housing Act of 1937, as amended, terminates.

"Refunded Bonds" shall mean the Authority's Multi-Family Housing Revenue Bonds, 1985 Series E, originally issued and currently outstanding in the aggregate principal amount of \$5,200,000.

"Regulations" shall mean the Income Tax Regulations promulgated or proposed under the 1954 Code or the Code, as the case may be, by the Department of the Treasury.

"Regulatory Agreement" shall mean this Declaration of Restrictive Covenants and Regulatory Agreement.

"State" shall mean the State of Alabama.

"Tenant Income Certificate" shall mean the certificate in substantially the form set forth in Exhibit B hereto.

"Trustee" shall mean SouthTrust Bank of Alabama, National Association, a national banking association, or any successor trustee serving as such under the Indenture.

"1954 Code" shall mean the Internal Revenue Code of 1954, as such Code was in effect immediately prior to the enactment of the 1954 Code.

"1985 Regulatory Agreement" means that certain Declaration of Restrictive Covenants and Regulatory Agreement dated as of July 1, 1985, among the Authority, First Alabama Bank, as trustee and the Partnership, entered into with respect to the Refunded Bonds.

Unless the context clearly requires otherwise, as used in this Regulatory Agreement, words of the masculine, feminine or neuter gender shall be construed to include each other gender when appropriate and words of the singular number shall be construed to include the plural number, and vice versa, when appropriate. This Regulatory Agreement and all of the

terms and provisions hereof shall be construed to effectuate the purposes set forth herein and to sustain the validity hereof.

The defined terms used in the preamble and recitals of this Regulatory Agreement have been included for the convenience of reference only, and the meaning, construction and interpretation of all defined terms shall be determined by reference to this Section 1 notwithstanding any contrary definition in the preamble or recitals hereof. The titles and headings of the Sections of this Regulatory Agreement have been inserted for convenience of reference only, and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof or be considered or given any effect in construing this Regulatory Agreement or any provision hereof or in ascertaining intent, if any question of intent shall arise.

Section 2. The Project. The Partnership hereby represents, warrants, covenants and agrees as follows:

(a) The Partnership has heretofore acquired and constructed, and is currently operating, the Project as a multi-family housing project for persons of low and moderate income within the meaning of the Act and as residential rental property satisfying the conditions of Section 103(b)(4)(A)(i) and (ii) of the 1954 Code.

(b) Substantially all the proceeds of the Refunded Bonds (as the term "substantially all" is used and defined in Section 103(b)(4) of the 1954 Code and the Regulations thereunder) were applied to the costs of constructing and acquiring the Project.

(c) The Partnership has continuously complied with the obligations on its part contained in the 1985 Regulatory Agreement and will continue to comply with such obligations in order to preserve and maintain the exclusion of the interest income on the Refunded Bonds from gross income for Federal income tax purposes.

(d) The Partnership hereby incorporates by reference all the covenants, representations and warranties on its part contained in the 1985 Regulatory Agreement, and all such covenants, representations and warranties are hereby made for the benefit of the Issuer and the Trustee as though set out in full herein.

(e) The Partnership will not at any time sell, convey, lease, license or otherwise transfer the Project or any interest therein if such sale, conveyance, lease, license or other transfer would result in less than "substantially all" (within the meaning of Section 103(b)(4) of the 1954 Code and the Regulations thereunder) of the proceeds of the Bonds (including investment earnings) being used for land or property of a character subject to the allowance for depreciation under Section 167 of the 1954 Code.

(f) The Project is located on a single tract of land and no buildings or structures which are not proximate to the Project were financed under a common plan with the Project. For purposes of this Regulatory Agreement, buildings or structures are "proximate" if they are located on a single tract of land; "tract" means any parcel or parcels of land which are

contiguous except for the interposition of a road, street, stream or similar property; and parcels are "contiguous" if their boundaries meet at one or more points.

(g) \$5,200,000 of the Mortgage Loan (constituting that portion of the Mortgage Loan financed out of the proceeds of the Bonds) shall be applied for Qualified Costs.

(h) The average reasonably expected economic life of the Project, as of the first date upon which any residential unit of the Project was available for rental to any member of the general public subsequent to any acquisition, construction or rehabilitation thereof, calculated in conformance with the provisions of Section 103(b)(14) of the 1954 Code, was not less than 36 years.

(i) The average maturity of the Bonds does not exceed 120 percent of the remaining average reasonably expected economic life of the Project (determined under Section 147(b) of the Code).

Section 3. The Project To Remain Residential Rental Property. The Partnership hereby represents, warrants, covenants and agrees as follows:

(a) The Project was acquired and constructed for the purpose of providing residential rental property, and the Partnership shall continue to own, manage and operate the Project as a residential rental project comprised of residential units and facilities functionally related and subordinate thereto, in accordance with Section 103(b)(4)(A) of the 1954 Code and Section 1.103-8(b) of the Regulations under the 1954 Code, as the same may be amended from time to time to the extent applicable to the Bonds. The Project consist of a building or structure or "proximate" buildings, or structures, each containing one or more similarly constructed residential units, and facilities which are functionally related and subordinate to such units. Each such building or structure is a discrete edifice or other man-made construction consisting of independent (i) foundation, (ii) outer walls, and (iii) roof, and containing five (5) or more similarly constructed units.

(b) Substantially all (not less than 95%) of the Project consists of residential units which are similar in quality and type of construction and amenities, together with facilities which are functionally related and subordinate to such units.

(c) Each residential unit in the Project contains separate and complete facilities for living, sleeping, eating, cooking and sanitation.

(d) None of the residential units in the Project shall at any time be used on a transient basis and neither the Project nor any portion thereof shall ever be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, nursing home, sanitarium, rest home or trailer park or court for use on a transient basis. Prior to commencing occupancy in any unit in the Project a tenant shall execute a written lease which shall be effective for a term of at least six (6) months.

(e) The residential units in the Project shall be made available for lease by members of the general public and the Partnership shall not give preference in renting residential units in the Project to any particular class or group of persons, other than Lower-Income Tenants as provided herein.

(f) At no time shall either the Partnership or any affiliate of the Partnership occupy a residential unit in the Project.

(g) The Project is located entirely within the corporate limits of the Issuer.

(h) Any functionally related and subordinate facilities (e.g., parking areas, swimming pool, tennis courts, etc.) which are part of the Project will be made available to all tenants on an equal basis. Fees will be charged with respect to the use thereof only if the charging of fees is customary for the use of such facilities at similar residential rental properties in the surrounding area. In any event, any fees charged will not be discriminatory or exclusionary as to the low or moderate income tenants.

Unless the provisions of this Section 3 are amended as permitted in accordance with Section 21 hereof, the provisions of this Section 3 shall remain in effect throughout the Qualified Project Period; provided, however, that after payment in full of the Note, the Partnership may be discharged from its obligations under this Section 3 to the extent that the same are assumed by a successor in interest to the Partnership which is approved in writing by the Issuer, and the requirements of Section 11 hereof are satisfied.

Section 4. Continuous Rental Required. The Partnership hereby represents, covenants, agrees and warrants that for the longer of the Qualified Project Period or the period during which any portion of the Bonds remain outstanding or unpaid under the Indenture, each unit in the Project shall be rented or available for rental to members of the general public on a continuous basis.

Section 5. Lower-Income Tenants. To the end of satisfying the requirements of Section 103(b)(4)(A) of the 1954 Code relating to individuals of low and moderate income during the Qualified Project Period, the Partnership hereby represents, covenants, agrees and warrants as follows:

(a) At all times during the Qualified Project Period, at least twenty percent (20%) of the completed residential units in the Project shall be occupied solely by Lower-Income Tenants; provided that for purposes of satisfying the requirement that twenty percent (20%) of the completed residential units be occupied solely by Lower-Income Tenants, the following principles apply: (i) a 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 such an individual or family during their tenancy in such unit, even though such individual or family subsequently ceases to be a Lower-Income Tenant; and (ii) such unit shall be treated as occupied by a Lower-Income Tenant until reoccupied, for other than a temporary period (not to exceed 31 days), at which time the character of the unit shall be redetermined.

(b) If necessary, the Partnership shall refrain from renting residential units to persons other than Lower-Income Tenants in order to avoid violating the requirement that at all times during the Qualified Project Period at least twenty percent (20%) of the occupied residential units in the Project shall be occupied by Lower-Income Tenants.

(c) The Partnership shall obtain and maintain on file a sworn and notarized Tenant Income Certificate in the form of Exhibit B attached hereto with respect to every occupant in the Project, signed by the tenant or tenants (i.e., the persons whose names appear on the lease), and obtained by the Partnership prior to such tenant or tenants signing a lease with respect to a unit and commencing occupancy therein, as required by the Issuer and the Regulations under Section 103(b)(4)(A) of the 1954 Code and Section 1.167(k)-3(b) of the Regulations under the 1954 Code, or in such other form and manner, signed by such person or persons, and obtained at such time or times, all as may be required by the Issuer or by applicable rules, rulings, procedures, official statements, regulations or policies now or hereafter 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 1954 Code, and shall promptly deliver a copy of each such Certification to the Issuer and the Trustee, together with such certifications of the Partnership with respect thereto as the Issuer or the Trustee may require.

(d) The Partnership shall prepare and submit to the Trustee on or before the first day of January, April, July and October of each year during the Qualified Project Period and within thirty (30) days after the final day of each month in which any residential unit in the Project is first occupied or reoccupied, a Certificate of Continuing Program Compliance executed by an Authorized Representative of the Partnership.

Section 6. Residential Project For Lower-Income Tenants. The Issuer, the Partnership and the Trustee hereby declare their understanding, intent and agreement, that, in addition to the requirements contained in Sections 2, 3, 4 and 5 hereof, the Partnership hereby represents, covenants, agrees and warrants as follows:

(a) Any duly authorized representative of the Issuer or the Trustee will be permitted to inspect the books and records of the Partnership pertaining to the incomes of any and all tenants residing in the Project.

(b) All tenant lists, applications, and waiting lists relating to the Project shall at all times be kept separate and identifiable from any other business of the Partnership which is unrelated to the Project and shall be maintained, as required by the Issuer and the Trustee from time to time, in a reasonable condition for proper audit and subject to examination during business hours by representatives of the Issuer or the Trustee. Failure to keep such lists and applications or to make them available to the Issuer or the Trustee will be a default hereunder.

(c) All tenant leases shall be expressly subordinate to the Mortgage securing the Mortgage Loan and shall contain clauses, among others, wherein each individual lessee agrees to permit the Partnership to terminate his lease if directed to do so by the Issuer, or take such other action as may be directed by the Issuer, in order to cure a default in the Loan Documents caused by a failure to comply with the provisions of this Regulatory Agreement and, if the lessee

executed a Tenant Income Certificate in the form attached hereto as Exhibit B, such lessee shall: (i) certify the accuracy of the statements made in such Tenant Income Certificate, and (ii) agree under the terms of his lease that the family income and other eligibility requirements shall be deemed substantial and material obligations of his tenancy, that he will comply with all requests for information with respect thereto from the Partnership, the Trustee or the Issuer, and that his failure to provide accurate information in the Tenant Income Certificate or refusal to comply with a request for information with respect thereto shall be deemed a violation of a substantial obligation of his tenancy.

The provisions of this Section 6 shall apply throughout the Qualified Project Period.

Section 7. Special Covenants of the Partnership Relating to Exemption of the Interest on the Bonds from Gross Income for Federal Income Tax Purposes. The Partnership will (a) in a timely manner, direct the Trustee to pay out of the Rebate Fund to the United States all amounts determined by the Rebate Analyst (hereinafter defined) to be required to be paid pursuant to Section 148 of the Code and the Regulations thereunder and take such other action as shall be necessary, under the provisions of the 1954 Code and the Code and any applicable Regulations, to preserve the exemption of the interest on the Bonds from gross income of the recipients thereof for Federal income tax purposes, and (b) refrain from taking any action that would, under the 1954 Code or the Code and any applicable Regulations, result in the interest on any of the Bonds being or becoming subject to gross income of the recipients thereof for Federal income tax purposes. Further, and without in any way limiting the generality of the foregoing,

(a) the Partnership will not permit the proceeds from the Bonds to be applied in a manner that would cause any of the Bonds to be an "arbitrage bond" within the meaning of Section 148 of the Code;

(b) the Partnership will, within forty-five (45) days following the end of each Bond Year until and including the Bond Year during which the Bonds are fully retired, furnish to the Trustee a certificate or opinion of an auditor or financial consultant experienced in calculating required rebates to the United States under Section 148 of the Code and applicable Regulations (the "Rebate Analyst") containing a written determination of the amount required to be deposited to the Rebate Fund for the immediately preceding Bond Year (including such information and computations as shall be necessary for a reasonably complete understanding of such determination), supported by such other material (as, for example, certificates and computations of officers or employees of the Partnership and opinions of Bond Counsel) as the Trustee may reasonably request, all of which the Trustee shall retain for not less than six (6) years after the date on which the Bonds are fully retired;

(c) the Partnership will, within forty-five (45) days following the end of each fifth Bond Year during which any of the Bonds are outstanding and unpaid, furnish to the Trustee a certificate or opinion of the Rebate Analyst, together with such other evidence as the Trustee may reasonably request (as, for

example, certificates and computations of officers or employees of the Partnership or opinions of Bond Counsel), indicating the amount of any required rebate that is due for the five-year period ending on the last day of such fifth Bond Year with respect to the Bonds, together with any internal revenue service forms to be filed with the payment of such required rebate and instructions with respect to the payment of such required rebate;

(d) the Partnership will, within forty-five (45) days following the date on which the last of the Bonds was fully retired, furnish to the Trustee a certificate or opinion of the Rebate Analyst, together with such other evidence as the Trustee may reasonably require (as, for example, certificates and computations of officers or employees of the Partnership and opinions of Bond Counsel), indicating the final rebate required to be paid with respect to the Bonds, together with any internal revenue service forms to be filed with the payment of such final rebate and instructions with respect to the payment of such final rebate;

(e) at the time the Partnership furnishes to the Trustee the certificates or opinions required by the preceding clauses (b), (c) and (d), the Partnership shall deposit into the Rebate Fund the amount determined to be required to be deposited therein pursuant to the said certificates or opinions (after taking into account any amounts previously deposited into the Bond Fund, and any investment earnings thereon, which, according to such certificates or opinions, will not be required to pay any rebate thereafter due);

(f) the Trustee shall disburse from the Rebate Fund to the United States the amounts due to be paid in accordance with the certificates or opinions required by the preceding clauses (c) and (d), within fifteen (15) days of the receipt of the certificates or opinions required by such clauses (c) or (d), as the case may be; and

(g) in the event the amount on deposit in the Rebate Fund is not sufficient to make any payment required to be made pursuant to the foregoing clause (f), the Partnership shall deposit the amount of such deficiency into the Rebate Fund immediately upon demand from the Trustee;

provided, however, that the Partnership shall not be required to comply with any one or more of the preceding covenants of this Section 7, if, prior to the date on which such action would otherwise be required to be taken, it furnishes to the Trustee an opinion of Bond Counsel acceptable to the Trustee stating either that the failure to take such action will not adversely affect the exemption of the interest on the Bonds from gross income of the recipients thereof for Federal income tax purposes or that such action is not relevant to the calculation or payment of any required rebate with respect to the Bonds.

All the covenants and agreements on the part of the Partnership contained in this Section 7 shall, notwithstanding any contrary provision of the Indenture (including, without limitation, Article XII,

(a) survive any so-called "constructive" retirement and payment of the Bonds, and

(b) continue in full force and effect until (i) all the Bonds shall have become due and payable in accordance with their terms, at maturity, through proceedings for redemption or otherwise, (ii) either the whole amount of principal and interest (and premium, if any) due and payable thereon shall have been paid or there shall have been irrevocably deposited with the Trustee an amount sufficient therefor and (iii) any amount required to be paid to the United States pursuant to the foregoing clause (d) shall have been paid.

Further, those covenants and agreements on the part of the Trustee contained in the Indenture that are necessary to enable the Partnership to comply with the covenants and agreements on its part contained in this Section 7 shall also survive any such "constructive" retirement and payment of the Bonds and shall continue in full force and effect until there have occurred the events specified in clauses (i) and (ii) of the preceding subparagraph (2).

Section 8. Subordination of Certain Covenants to HUD Requirements. The foregoing covenants on the part of the Partnership in Sections 2 through 7 of this Regulatory Agreement relating to the requirements for the continued exclusion of the interest income on the Bonds from gross income for Federal income tax purposes ("the Compliance Covenants") are subject to the following:

(i) The Compliance Covenants expressly subordinate to the provisions of the Mortgage Loan documents;

(ii) The Compliance Covenants shall automatically terminate in the event of a foreclosure of the Project or a deed in lieu of foreclosure transferring title to the Project;

(iii) The failure to comply with the Compliance Covenants will not constitute a default under the Mortgage Loan documents;

(iv) The enforcement of the Compliance Covenants will not result in any claim against the Project, the proceeds of the Mortgage Loan, any reserve or deposit required by HUD in connection with the Mortgage Loan or the rents and other income from the Project; and

(v) The Compliance Covenants are qualified to except actions prohibited (or required) by HUD pursuant to the Housing Act, applicable mortgage insurance regulations, the Mortgage Loan documents, and, if applicable, Section 8 of the United States Housing Act of 1937 and the regulations thereunder.

Section 9. Notice of Noncompliance. As soon as is reasonably possible, the Partnership shall notify the Trustee and the Issuer of the existence of any situation or the

occurrence of any event of which the Partnership has notice and which event would violate any of the provisions of this Regulatory Agreement or cause the interest on the Bonds to become subject to federal income taxation.

Section 10. Reliance. The Issuer and the Partnership hereby recognize and agree that the representations and covenants set forth herein may be relied upon by all persons interested in the legality and validity of the Bonds, and in the exemption from federal income taxation of the interest on the Bonds. In performing their duties and obligations hereunder, the Issuer and the Trustee may rely upon statements and certificates of the Partnership and Lower-Income Tenants, and upon audits of the books and records of the Partnership pertaining to occupancy of the Project. In addition, the Issuer and the Trustee may consult with counsel, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by the Issuer or the Trustee hereunder in good faith and in conformity with such opinion. The Trustee's duties, responsibilities and liabilities hereunder are governed by and subject to the terms of the Indenture.

Section 11. Sale or Transfer of the Project. The Partnership hereby covenants and agrees not to sell, transfer or otherwise dispose of the Project, or any portion thereof (other than for individual tenant use as contemplated hereunder), without obtaining the prior written consent of the Issuer and the Trustee, which consent shall be promptly given and conditioned solely upon receipt by the Issuer and the Trustee of (a) evidence reasonably satisfactory to the Issuer and the Trustee that the Partnership's purchaser or transferee has assumed in writing and in full, and is reasonably capable of performing and complying with, the Partnership's duties and obligations under this Regulatory Agreement, and (b) an opinion of counsel of the transferee that the transferee has duly assumed the obligations of the Partnership under this Regulatory Agreement and that such obligations and this Regulatory Agreement are binding on the transferee and, (c) at least five (5) days prior to any such transfer, an opinion of Bond Counsel that such transfer will not cause or result in interest on the Bonds becoming subject to Federal income taxation. It is hereby expressly stipulated and agreed that any sale, transfer or other disposition of the Project in violation of this Section 11 shall be null, void and without effect, shall cause a reversion of title to the Partnership, and shall be ineffective to relieve the Partnership of its obligations under this Regulatory Agreement.

Section 12. Term. This Regulatory Agreement shall become effective upon its execution and delivery. Unless the Trustee and the Issuer shall have received a written opinion of Bond Counsel addressed to each of them to the effect that such early termination of this Regulatory Agreement will not adversely affect the exemption from Federal income taxation of interest on the Bonds, and the Issuer shall have consented to such termination, this Regulatory Agreement shall remain in full force and effect for a term equal to the longer of the period during which any portion of the Bonds remains outstanding or the Qualified Project Period, it being expressly agreed and understood that the provisions hereof are intended to survive the retirement of the Bonds and expiration of the Indenture, the Financing Agreement, the Note and the Mortgage. Notwithstanding the immediately preceding sentence, this Regulatory Agreement, and all and several of the terms hereof, shall terminate and be of no further force and effect in the event of (a) involuntary noncompliance with the provisions of this Regulatory Agreement caused by fire, seizure, requisition, foreclosure or delivery of a deed in lieu of foreclosure,

change in a federal law or an action of a federal agency after the date hereof which prevents the Issuer and the Trustee from enforcing the requirements hereof, condemnation or other similar event and (b) the payment in full and retirement of the Bonds within a reasonable period thereafter; provided, however, that the preceding provisions of this sentence shall cease to apply and the restrictions contained herein shall be automatically reinstated if, at any time subsequent to the termination of the Mortgage or the delivery of a deed in lieu of foreclosure or similar event, the Partnership or any related person (within the meaning of Section 1.103-10(e) of the Regulations under the 1954 Code) obtains an ownership interest in the Project for Federal income tax purposes. Upon the termination of all and several of the terms of this Regulatory Agreement, the parties hereto agree to execute, deliver and record appropriate instruments of release and discharge of the terms hereof; provided, however, that the execution and delivery of such instruments shall not be a necessary prerequisite to the termination of this Regulatory Agreement in accordance with its terms.

Section 13. Covenants to Run With the Land. The Partnership hereby subjects the Project to the covenants, reservations and restrictions set forth in this Regulatory Agreement. The Issuer, the Trustee and the Partnership 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 Partnership's successors in title to the Project throughout the term of this Regulatory Agreement. Each and every contract, deed, mortgage or other instrument hereinafter executed covering or conveying the Project or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed or other instrument.

Section 14. Enforcement. If the Partnership defaults in the performance or observation of any covenant, agreement or obligation of the Partnership set forth in this Regulatory Agreement, and if such default remains uncured for a period of thirty (30) days after written notice thereof shall have been given to the Partnership by the Issuer or the Trustee, then the Trustee, acting on its behalf or on behalf of the Issuer, shall declare an "Event of Default" to have occurred hereunder, and, at its option, may take any one or more of the following steps:

- (a) by mandamus or other suit, action or proceeding at law or in equity, including injunctive relief, require the Partnership to perform its obligations and covenants hereunder or enjoin any acts or things which may be unlawful or in violation of the rights of the Issuer or the Trustee hereunder;
- (b) have access to and inspect, examine and make copies of all the books and records of the Partnership pertaining to the Project; or
- (c) take such other action at law or in equity as may appear necessary or desirable to enforce the obligations, covenants and agreements of the Partnership hereunder; or

The Trustee shall have the right, in accordance with this Section 14 and the provisions of the Indenture, without the consent, approval or knowledge of the Issuer or any person to exercise

any or all of the rights or remedies of the Issuer hereunder. All fees, costs and expenses of the Trustee incurred in taking any action pursuant to this Section 14 shall be the sole responsibility of the Partnership.

Section 15. Subordination. Notwithstanding anything in this Regulatory Agreement to the contrary, the provisions hereof are subordinate to all applicable HUD mortgage insurance (and Section 8 of the United States Housing Act of 1937, if applicable) regulations and related administrative requirements. In the event of any conflict between the provisions of this Regulatory Agreement and the provisions of any applicable HUD regulations, related HUD requirements, or the Mortgage Loan documents, the HUD regulations, related administrative requirements or loan documents shall control.

Section 16. Limited Liability of Issuer. No agreements or provisions contained in this Regulatory Agreement or any agreement, covenant or undertaking by the Issuer contained in any document executed by the Issuer in connection with the Project or the issuance, sale and delivery of the Bonds shall give rise to any pecuniary liability of the Issuer or a charge against its general credit or shall obligate the Issuer financially in any way except with respect to the Trust Estate that has been pledged to the payment of the Bonds and of the proceeds of the Bonds. No failure of the Issuer to comply with any term, condition, covenant or agreement herein shall subject the Issuer or any of its officers or employees to liability for any claim for damages, costs or other financial or pecuniary charge except to the extent that the same can be paid or recovered from the Trust Estate. Nothing herein shall preclude a proper party in interest from seeking and obtaining to the extent permitted by law specific performance against the Issuer for any failure to comply with any term, condition, covenant or agreement herein; provided that no costs, expenses or other monetary relief shall be recoverable from the Issuer except as may be payable from the Trust Estate.

Section 17. Non-Recourse Provisions. Notwithstanding anything herein to the contrary, in any action or proceeding brought on any instrument evidencing any indebtedness to the Issuer or the Trustee no deficiency or other money judgment shall be enforced against the Partnership or any partner of the Partnership personally, any successor or assign of the Partnership, or any partner of a partner, and any judgment obtained shall be enforced only against the property of the Partnership, and the rents, issues and profits thereof, and any other security for the indebtedness evidenced hereby, and not against the Partnership, any partner of the Partnership, any successor or assign of the Partnership, or any partner of a partner. It is understood and agreed that nothing herein shall be construed in any way to limit or restrict any of the rights and remedies of the Issuer in any proceeding or other enforcement of the payment of any indebtedness, subject only to the aforesaid limitation upon enforcement of any judgment against the Partnership, any partner of the Partnership, and any successor or assign of the Partnership, or any partner of a partner; provided, however, that nothing in this paragraph shall be deemed to affect the Issuer's right (a) to recover any condemnation or insurance proceeds, deposit with governmental agencies or owners' associations, refunds or rebates which are attributable to work and material incorporated in the Project and actually received by the Partnership or any of its partners, or (b) to recover any tax or security deposits, advance or prepaid rents or other similar sums paid to or held by the Partnership or any other person or entity in connection with the operation of the Project if the amounts referred to in (a) and (b) have been applied to or used

for Project-related obligations, including the Mortgage held by the Lender or otherwise required to be used by the Lender in connection with the reconstruction or rehabilitation of the Project.

Section 18. Recording and Filing. The Partnership shall cause this Regulatory Agreement and all amendments and supplements hereto to be recorded and filed in the conveyance and real property records of the county in which the Project is located and in such other places as the Issuer or the Trustee may reasonably request. The Partnership shall pay all fees and charges incurred in connection with any such recording.

Section 19. Bondholder As Third-Party Beneficiaries. It is acknowledged and agreed that the Bondholders shall be third-party beneficiaries of this Regulatory Agreement.

Section 20. Governing Law. This Regulatory Agreement shall be governed by the laws of the State.

Section 21. Amendments. This Regulatory Agreement shall be amended with the consent of HUD and then only by a written instrument executed by the parties hereto or their successors in title, and duly recorded in the real property records of the county in which the Project is located.

Section 22. Notice. Any notice required to be given hereunder shall be given by certified or registered mail, postage prepaid, return receipt requested, at the addresses specified below, or at such other addresses as may be specified in writing by the person in question:

Issuer: City of Hoover
Post Office Box 360628
Hoover, Alabama 35236
Attention: Mayor

Trustee: SouthTrust Bank of Alabama, National Association
100 Office Park Drive
Lower Level
Birmingham, Alabama 35223
Attention: Corporate Trust Department

Partnership: Royal Oaks, Ltd.
2717 2nd Avenue North
Birmingham, Alabama 35203
Attention: Mr. William C. Hulsey

Section 23. Severability. If any provision of this Regulatory Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereby shall not in any way be affected or impaired thereby.

IN WITNESS WHEREOF, the Issuer, the Trustee and the Partnership have executed this Regulatory Agreement by duly authorized representatives, all on the date first written hereinabove.

CITY OF HOOVER, ALABAMA

(SEAL)

By: *Tim Lang*

Its *Mayor*

ATTEST:

London Crump
City Clerk

SOUTHTRUST BANK OF ALABAMA,
NATIONAL ASSOCIATION,
AS TRUSTEE

(SEAL)

By: *Patricia Chandler*

Its VICE PRESIDENT,
CORPORATE TRUST

ATTEST:

James Brown
Its: VICE PRESIDENT,
CORPORATE TRUST

ROYAL OAKS, LTD.

By: *[Signature]*
Its General Partner

By: *John A. Ruff*
Its General Partner

By: *Simon R. Beaver*
Its General Partner

STATE OF ALABAMA

)

:

COUNTY OF JEFFERSON

)

I, the undersigned, a Notary Public in and for said County in said State, hereby certify that **Frank S. Skinner, Jr.**, whose name as Mayor of the **CITY OF HOOVER, ALABAMA**, a municipal corporation, is signed to the foregoing Regulatory Agreement and who is known to me, acknowledged before me on this day that, being informed of the contents of said instrument, he, as such officer and with the full authority, executed the same voluntarily for and as the act of said municipal corporation.

GIVEN under my hand and official seal of office this 14th day of September, 1994.

Judy H. Lochart
Notary Public

[NOTARIAL SEAL]

My Commission Expires: 4-22-98

STATE OF ALABAMA

COUNTY OF JEFFERSON

)
:
)

I, the undersigned, a Notary Public in and for said County in said State, hereby certify that PATRICIA C. CONNOR, whose name as VICE PRESIDENT of SOUTHTRUST BANK OF ALABAMA, NATIONAL ASSOCIATION, a national banking association, is signed to the foregoing Regulatory Agreement and who is known to me, acknowledged before me on this day that, being informed of the contents of said instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said association, as Trustee.

GIVEN under my hand and official seal of office this 14th day of September, 1994.

Judy H. Lockhart
Notary Public

[NOTARIAL SEAL]

My Commission Expires: 4-22-98

STATE OF ALABAMA

)

:

COUNTY OF JEFFERSON

)

I, the undersigned, a Notary Public in and for said County in said State, hereby certify that **William C. Hulsey, Frank A. Nix and Sims R. Beavers**, whose names as general partners of **ROYAL OAKS, LTD.**, an Alabama limited partnership, are signed to the foregoing Regulatory Agreement and who are known to me, acknowledged before me on this day that, being informed of the contents of said instrument, they, as such general partners and with full authority, executed the same voluntarily for and as the act of said limited partnership.

GIVEN under my hand and official seal of office this 14th day of September, 1994.

Judy H. Lockhart
Notary Public

[NOTARIAL SEAL]

My Commission Expires: 4-22-98

EXHIBIT A
(to Regulatory Agreement)

DESCRIPTION OF THE REAL ESTATE:

The land located in the City of Hoover, County of Shelby, State of Alabama, and described as follows:

DESCRIPTION: Commence at the Southeast corner of the Northwest Quarter of Section 30, Township 19 South, Range 2 West, Shelby County, Alabama; thence run in a Westerly direction along the South line of said Quarter Section for a distance of 2,300.55 feet; thence turn an angle to the right of 85 degrees and run in a Northwesterly direction along the Northeasterly right-of-way line of U.S. Highway #31 South for a distance of 1,096.84 feet; thence turn an angle to the right of 101 degrees, 03 minutes, 10 seconds and run in an Easterly direction for a distance of 346.16 feet; thence turn an angle to the left of 71 degrees, 19 minutes, 50 seconds and run in a Northeasterly direction for a distance of 580.0 feet; thence turn an angle to the right of 18 degrees, 59 minutes, 22 seconds and run in a Northeasterly direction for a distance of 525.54 feet; thence turn an angle to the right of 101 degrees, 40 minutes, 03 seconds and run in a Southeasterly direction for a distance of 526.96 feet; thence turn an angle to the right of 31 degrees, 30 minutes and run in a Southeasterly direction for a distance of 176.65 feet; thence turn an angle to the right of 0 degrees, 14 minutes, 53 seconds and run in a Southeasterly direction 60 feet to the point of beginning of the following described curve; thence turn an angle from the last described course to the left of 90 degrees to the tangent of a curve to the left having a central angle of 26 degrees, 08 minutes, 31 seconds and the radius of 438.82 feet; thence run along the arc of said curve in a Northeasterly direction 200.21 feet to the point of beginning; from the point of beginning thus obtained, thence turn an angle to the right from the tangent, if extended to the last described curve, of 98 degrees, 10 minutes, 47 seconds and run in a Southeasterly direction 453.07 feet; thence turn an angle to the left of 79 degrees, 02 minutes and run in a Northeasterly direction 437.50 feet; thence turn an angle to the left of 69 degrees, 12 minutes and run in a Northeasterly direction 106.97 feet; thence turn an angle to the right of 69 degrees, 12 minutes and run in a Northeasterly direction 135.01 feet; thence turn an angle to the right of 51 degrees, 22 minutes, 30 seconds and run in a Southeasterly direction 128.00 feet; thence turn an angle to the left of 51 degrees, 22 minutes, 30 seconds and run in a Northeasterly direction 506 feet; thence turn an angle to the left of 92 degrees, 14 minutes and run in a Northwesterly direction 128 feet; thence turn an angle to the left of 31 degrees, 36 minutes, 13 seconds and run in a Northwesterly direction 200 feet; thence turn an angle to the left of 35 degrees, 58 minutes, 40 seconds and run in a Northwesterly direction 82.00 feet; thence turn an angle to the right of 66 degrees, 44 minutes, 03 seconds and run in a Northwesterly direction 190 feet; thence turn an angle to the left of 49 degrees, 02 minutes, 36 seconds and run in a Northwesterly direction 256.06 feet to a point on the South right-of-way line of Woods of Riverchase Drive; thence turn an angle to the left of 63 degrees, 36 minutes, 40 seconds to the tangent of a curve to the left, having a central angle of 1 degree, 25 minutes, 23 seconds and a radius of 382.25 feet; thence run along the arc of said curve to the left in a Southwesterly direction along said South line of Woods of Riverchase Drive 9.49 feet to the end of said curve; thence continue along the tangent, if extended to the last described curve, and run in a Southwesterly direction along the South line of said South line of Woods of Riverchase Drive 61.24 feet to the point of beginning of a curve to the right, said curve having a central

angle of 45 degrees, 57 minutes, 43 seconds and a radius of 402 feet; thence run along the arc of said curve to the right along said right-of-way line in a Southwesterly direction 322.48 feet to the end of said curve and the point of beginning of a curve to the left, said curve having a central angle of 62 degrees and a radius of 342 feet; thence run along the arc of said curve to the left and along said right-of-way line in a Southwesterly direction 370.08 feet to the end of said curve and the point of beginning of a curve to the right, said curve having a central angle of 24 degrees, 03 minutes, 59 seconds and a radius of 438.82 feet; thence run along the arc of said curve to the right along said right-of-way line in a Southwesterly direction 184.32 feet to the point of beginning, said parcel containing 648,965 square feet.

DESCRIPTION OF THE FACILITIES:

Multi-family housing apartment project containing 200-one and two bedroom units, plus two lighted tennis courts, swimming pool and clubhouse, located on approximately 14.9 acres at the South side of Woods of Riverchase Drive, Hoover, Alabama.

EXHIBIT B
(to Regulatory Agreement)

TENANT INCOME CERTIFICATE

[NAME OF PROJECT] _____

Name of Tenant (i.e., person
whose name appears on the lease) _____

Address of Apartment _____

Apartment Number _____

Some or all of the cost of the apartment development in which you are to lease an apartment was financed by bonds issued for the benefit of the borrower. Interest paid on those bonds is intended to be exempt from federal income tax. In order to qualify for that exemption there are certain requirements which must be met with respect to the apartment building and its tenants. To satisfy one of those requirements it is necessary for you to provide the information requested in this Tenant Income Certificate at the time you sign your lease.

I. ANTICIPATED INCOME

For each person who is expected to occupy the unit at any time during the next twelve months please provide the following information:

<u>Name</u>	<u>Annual Salary/ Wages*</u>	<u>Other Income**</u>	<u>Total Income</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

* State the gross amount of compensation, before any payroll deductions, including any bonuses, overtime pay, tips, commissions or fees anticipated to be received during the next twelve months.

** Other income generally includes income anticipated to be received from any source whatsoever during the next twelve months, including but not limited to:

- (a) interest and dividends;
- (b) rental income;
- (c) net income from a profession or operation of a business;
- (d) payments in lieu of earnings, such as unemployment compensation;
- (e) periodic payments (not lump-sum payments) received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits;
- (f) periodic and determinable allowances, such as alimony and child support payments and regular contributions or gifts from persons not listed above; and
- (g) public assistance, but if the public assistance payment includes an amount specifically designated for shelter and utilities which is subject to adjustment by the public assistance agency in accordance with the actual cost of shelter and utilities, the amount of public assistance income to be included shall consist of:

(1) the amount of the allowance or grant exclusive of the amount specifically designated for shelter and utilities, plus

(2) the maximum amount which the public assistance agency could in fact allow for the occupant for shelter and utilities.

Do not include in the amount of other income shown above the following items:

- (a) casual, sporadic or irregular payments you may receive;
- (b) amounts which are specifically for or in reimbursement of the cost of medical expenses;
- (c) 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 settlements for personal or property losses;
- (d) amounts of educational scholarships paid directly to the student or to the educational institution, and amounts paid by the government to a veteran for use in meeting the costs of tuition, fees, books and equipment; provided that any amounts of

such scholarships, or payments to veterans not used for the above purposes which are available for subsistence are to be included in income;

(e) the special pay to a serviceman head of a family away from home and exposed to hostile fire;

(f) relocation payments made pursuant to Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970;

(g) foster child care payments;

(h) 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 the occupants of the dwelling unit;

(i) payments received pursuant to participation in the following volunteer programs under the ACTION Agency:

(1) National Volunteer Antipoverty Programs which include VISTA, Service Learning Programs and Special Volunteer Programs; and

(2) National Older American Volunteer Programs for persons aged 60 and over which include Retired Senior Volunteer Programs, Foster Grandparent Program, Older American Community Services Program, and National Volunteer Program to Assist Small Business Experience, Service Corps of Retired Executives (SCORE) and Active Corps of Executives (ACE).

II. CAPITAL ASSETS

If any of the persons listed above has any savings, stocks, bonds, real estate or other form of capital investment (except for necessary items such as furniture, automobiles, etc.), please provide the following information:

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

(b) the amount of income expected to be derived from such assets in the 12-month period commencing this date (which should be included in "other income" shown above): \$ _____

III. STUDENTS

(a) Will all of the persons listed 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 full-time student married and eligible to file a joint federal income tax return?

Yes _____ No _____

I, the undersigned, certify that I have read and answered fully, frankly and personally each of the foregoing questions and requests for information for all persons who are to occupy the unit in the above Project. I 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 the Project containing the unit which I intend to occupy. I consent to the disclosure of this information to the issuer of such bonds, the borrowers of such bonds and any agent acting on their behalf.

I certify under penalty of perjury that the foregoing is true and correct.

Executed this _____ day of _____, at
_____ Alabama.

Tenant

STATE OF _____)

COUNTY OF _____)

On the _____ day of _____, 19____, personally appeared before me
_____, the signer of the above certification, who duly acknowledged
to me that he/she executed the same.

(SEAL)

Notary Public

My Commission expires:

Residing in:

IV. FOR COMPLETION BY PARTNERSHIP OF APARTMENT DEVELOPMENT

(a) Anticipated Income Computation:

- (1) Total income from Part I. \$ _____
- (2) If 10% of the amount shown on Line II(a) exceeds the amount on Line II(b), enter the amount of such excess \$ _____
- (3) Anticipated Income ((1) + (2)) \$ _____

(b) Insert an [X] in the bracket opposite whichever one of the following statements is applicable:

- ☐ (1) Because total Anticipated Income is less than \$ _____, the apartment is occupied by Low or Moderate Income-Tenants.
- ☐ (2) The apartment is not occupied as provided in (1) above, but is occupied by one or more occupants whose Anticipated Income does not exceed \$ _____
- ☐ (3) The apartment is not occupied as provided in (1) or (2) above.

(c) The number of units in the Project which are presently occupied is _____.

(d) The number of units occupied by low or moderate income tenants (i.e., occupants' Anticipated Income does not exceed \$ _____ based upon Tenant Income Certificates on file) is _____. The number of units which were previously occupied by low or moderate income tenants but have been vacated and have not been reoccupied (other than for a temporary period of no more than 31 days) is _____. The sum of the units described in this paragraph (d) is equal to _____% of the total number of occupied units from paragraph (c) above.

(e) The number of units occupied by persons whose total anticipated income does not exceed \$ _____ is _____ which is equal to _____% of the total number of occupied units.

The undersigned hereby certifies that he or she is the _____ of Royal Oaks, Ltd. and that the above determinations and calculations have been completed to the best knowledge of the undersigned after due inquiry, and the undersigned does not believe or have any reason to believe that the information in the Tenant Income Certificate is inaccurate or has been given falsely.

Date _____, 19____

ROYAL OAKS, LTD.

By: _____

Its: _____

EXHIBIT C
(to Regulatory Agreement)

CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

The undersigned being a general partner of Royal Oaks, Ltd., an Alabama limited partnership (the "Partnership"), has read and is thoroughly familiar with the provisions of the various Loan Documents associated with the Partnership's participation in the Multi-Family Housing Program of the City of Hoover, Alabama (the "Issuer"), such documents including:

1. the Declaration of Restrictive Covenants and Regulatory Agreement dated as of September 1, 1994, among the Partnership, the Issuer and SouthTrust Bank of Alabama, National Association, as Trustee (the "Trustee");
2. the Financing Agreement dated as of September 1, 1994, between the Partnership, the Issuer, the Trustee and the Lender; and
3. the Mortgage Loan between the Lender and the Partnership as evidenced by the Note and secured by the Mortgage.

As of the date of this certificate, the following number of residential units in the Project (i) are occupied by Lower Income Tenants (as such term is defined in the Regulatory Agreement) or (ii) were previously occupied by Lower-Income Tenants and have been vacant and not reoccupied except for a temporary period of no more than 31 days, as indicated:

Number of units occupied
by Lower-Income Tenants _____

Number of units previously occupied
by Lower-Income Tenants (vacated and not
reoccupied except for a temporary period
of no more than 31 days) _____

Total _____

The total number of occupied residential units in the Project is _____.
The total number of units occupied or previously occupied by Lower-Income Tenants as shown
above is _____% of the total number of occupied units.

The undersigned hereby certifies that the Partnership is not in default under any of the terms and provisions of the above documents.

ROYAL OAKS, LTD.

By: _____
Its General Partner

Inst # 1994-28309

C-2

09/15/1994-28309
12:02 PM CERTIFIED
SHELBY COUNTY JUDGE OF PROBATE
034 SNA 91.00