
**REGULATORY AGREEMENT AND
DECLARATION OF RESTRICTIVE COVENANTS**

among

COLE AND EDDLEMAN DEVELOPMENT COMPANY LLP

and

CITY OF GARDENDALE, ALABAMA

and

**THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, N.A.,
as Trustee**

Dated as of November 1, 2002

Relating to

**\$1,584,000
City of Gardendale, Alabama
Variable Rate Demand Multifamily Housing
Refunding Revenue Bonds
(Meadow Wood Apartments Project)
2002 Series C**

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**REGULATORY AGREEMENT
AND DECLARATION OF RESTRICTIVE COVENANTS**

REGULATORY AGREEMENT AND DECLARATION OF RESTRICTIVE COVENANTS (the "Regulatory Agreement"), made and entered into as of November 1, 2002, by and among **COLE AND EDDLEMAN DEVELOPMENT COMPANY LLP**, an Alabama limited liability partnership (together with its successors and assigns hereinafter referred to as the "Owner"); **CITY OF GARDENDALE, ALABAMA**, a municipal corporation in the State of Alabama (the "City"); and **THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, N.A.**, a national banking association having one of its corporate trust offices in Birmingham, Alabama, as Trustee (the "Trustee"),

WITNESSETH THAT:

WHEREAS, the City has been granted certain additional powers pursuant to the provisions of Chapter 96A of Title 11 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 and multi-family dwelling units for citizens of the State of Alabama (the "State") with low and moderate incomes; and

WHEREAS, the Act authorizes the City (a) to purchase mortgage loans originated by certain mortgage lenders, including national banking associations, banks chartered under the laws of the State, and savings or building and loan associations chartered under the laws of the State or the United States of America; to finance real and personal properties located in the State constituting single or multi-family dwelling units; (b) to issue its revenue bonds for the purpose of obtaining moneys to purchase such loans and provide such financing and 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 City, including the revenues and receipts to be received by the City from or in connection with such loans, and to mortgage, pledge or grant security interests in such loans or other property of the City 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 "1954 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 1954 Code; and

WHEREAS, the Alabama Housing Finance Authority (the "State Authority") has heretofore purchased from AmSouth Bank of Alabama, as lender (the "Original Lender"), the

mortgage loan (the "Original Loan") originated by the Original Lender to provide financing for that certain multi-family rental residential project known as Meadow Wood Apartments, located in Pelham, Alabama (the "Project"); and

WHEREAS, on September 30, 1994, the State Authority issued, sold and delivered its Multi-Family Housing Refunding Revenue Bond (Meadow Wood Apartments Project), 1994 Series C in the principal amount of \$2,094,447.00 (the "Prior Bond"), pursuant to a Trust Indenture dated as of September 1, 1994, by and between the State Authority and AmSouth Bank of Alabama, as trustee (to which capacity The Bank of New York Trust Company of Florida, N.A. has succeeded the "Original Trustee") to obtain moneys with which to purchase the Original Loan; and

WHEREAS, the Owner, the City, the Original Trustee, and the Original Lender have entered into a Regulatory Agreement and Declaration of Restrictive Covenants dated as of September 1, 1994 (the "Prior Regulatory Agreement"); and

WHEREAS, Section 1313(a) of the Tax Reform Act of 1986 permits the issuance of current refunding bond to refund the Prior Bond and to prepay the Original Loan, as a result of which certain requirements of the 1954 Code will continue to apply to the Project notwithstanding the enactment of the Internal Revenue Code of 1986, as amended (the "1986 Code"); and

WHEREAS, the City has determined to issue, sell and deliver its Variable Rate Demand Multifamily Housing Refunding Revenue Bonds (Meadow Wood Apartments Project), 2002 Series C in the principal amount of \$1,584,000 (the "Bonds"), pursuant to a Trust Indenture dated as of November 1, 2002 (the "Indenture"), by and between the City and the Trustee, in order to obtain moneys with which to purchase a new mortgage loan (the "Bond Mortgage Loan") to be originated by Collateral Mortgage Capital, LLC, as the lender (the "Lender"), in favor of the Owner to permit the Owner to pay the Original Loan; and

WHEREAS, pursuant to regulations promulgated under Section 103(b)(4)(A) of the 1954 Code (the "Regulations") for the interest on the Bonds to be and remain excluded from gross income for federal income tax purposes, the restrictions imposed by Section 103(b)(4)(A) of the 1954 Code must be complied with by the City and the Owner for the period described below; and

WHEREAS, the City is willing to issue the Bonds and provide financing for the Project in consideration of the Owner's agreements herein to continue to abide by the provisions of Section 103(b)(4)(A) of the 1954 Code, the Regulations, and this Regulatory Agreement; and

WHEREAS, the Owner has reviewed and is willing to continue to comply with the provisions of Section 103(b)(4)(A) of the 1954 Code, the Regulations, the applicable provisions of the 1986 Code, and this Regulatory Agreement for the period set forth herein in consideration of the refinancing being provided for the Project from 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 Project;

NOW, THEREFORE, for the aforesaid purpose and in consideration of the respective agreements herein contained and of other valuable consideration, it is hereby agreed between the parties signatory hereto, each with each of the others, as follows:

Section 1. **Definitions and Interpretation.** Unless the context clearly indicates a different meaning, the following words and phrases, as used herein, shall have the following respective meanings:

"acquisition and construction" means acquisition, construction, rehabilitation, installation and equipping of the Project.

"Act" means Act No. 91-675 adopted at the 1991 Regular Session of the Legislature of the State, as amended and codified as Chapter 96A of Title 11 of Code of Alabama 1975.

"Bonds" means the City of Gardendale, Alabama Variable Rate Demand Multifamily Housing Refunding Revenue Bonds (Meadow Wood Apartments Project), 2002 Series C, authorized and issued under the Indenture in an aggregate principal amount of \$1,584,000.

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

"Bond Mortgage" means the Multifamily Mortgage, Assignment of Rents and Security Agreement dated as of November 1, 2002, given by the Owner, as mortgagor, to the City, as mortgagee, and securing the repayment of the Bond Mortgage Loan.

"Bond Mortgage Loan" means the loan to the Owner to be originated by the Lender and sold to the Trustee for the account of the City, to provide financing to prepay the Original Loan and to redeem the Prior Bond, and to be evidenced by the Bond Mortgage Note.

"Bond Mortgage Note" means the promissory note dated the Issue Date, in the principal amount of \$1,584,000 that is secured by the Bond Mortgage and evidences the Owner's obligation to repay the Bond Mortgage Loan.

"Certificate", "Statement", "Request", "Requisition" and "Order" mean, respectively, a written certificate, statement, request, requisition or order executed as follows: (1) if of the City, by the Mayor, Mayor Pro Tempore or City Clerk thereof, or such other person as may be designated and authorized to sign for the City, (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.

"City" means City of Gardendale, Alabama, and its successors and assigns and any municipal or public corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party.

"Completion Certificate" means the Certificate of completion of acquisition and construction of the Project required by Section 2(h) of this Regulatory Agreement.

"Completion Date" means the date of substantial completion of acquisition and construction of the Project as set forth in the Completion Certificate.

"Construction Fund" means the account established pursuant to the Trust Indenture relating to the Prior Bond.

"Date of Official Action" means the date on which the State Authority adopted a resolution declaring its intent to issue the Prior Bond.

"Eligibility Certificate" means the certificate required by Section 6(b) of this Regulatory Agreement.

"Financing Agreement" means the Financing Agreement, dated as of November 1, 2002 among the City, the Trustee, the Lender and the Owner.

"Indenture" means that certain Trust Indenture dated as of November 1, 2002, by and between the City and the Trustee, pursuant to which the Bonds are issued and secured.

"Lender" means Collateral Mortgage Capital, LLC, a Delaware limited liability company, and any successors thereto under the Financing Agreement.

"Lower-Income Tenants" means and includes individuals of low or moderate income within the meaning of Section 103(b)(12)(C) of the 1954 Code and applicable regulations thereunder, as the same may be amended from time to time, which as of the date of this Regulatory Agreement and as applicable to the Project, includes individuals and families whose adjusted 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 1954 Code), no one of whom is entitled to file a joint return under Section 6013 of the 1954 Code.

"Median Gross Income for the Area" means the median income for the area where the Project 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" means the longer of (i) the period commencing on the date when the first Unit in the Project is available for occupancy and ending on the date the Bonds no longer remain outstanding, or (ii) the Qualified Project Period.

"Occupancy Certificate" means the certain Occupancy Certificate required by Section 6(e) of this Regulatory Agreement to be delivered to the City and the Trustee by the Owner.

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

"Original Loan" means the loan made to the Owner by the Original Lender on September 30, 1994, the proceeds of which provided financing for the Project.

"Owner" means Cole and Eddleman Development Company LLP, an Alabama limited liability partnership, its successors and assigns and any subsequent owner of the Project.

"Person" means any natural person, corporation, partnership, trust, government or governmental body, political subdivision, or other legal entity as in the context may be possible or appropriate.

"Prior Bond" means the State Authority's Multi-Family Housing Refunding Revenue Bond (Meadow Wood Apartments Project), 1994 Series C, dated September 30, 1994, in the principal amount of \$2,094,447.00.

"Prior Trustee" means The Bank of New York Trust Company of Florida, N.A., as successor by merger to AmSouth Bank of Alabama, an Alabama banking corporation, acting in its capacity as Trustee under that certain Trust Indenture dated as of November 1, 1994, from the State Authority, pursuant to which the Prior Bond was issued.

"Project" means the multi-family rental project known as Meadow Wood Apartments, located at 800 Valleyview Road, in Pelham, Alabama. The Project is located on the real property described on Exhibit A attached hereto.

"Project Costs" means and includes the following costs:

(a) the costs of architectural, engineering and design services related to the Project, 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 Project;

(c) costs and fees incurred in connection with the Original Loan or the Bond 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 Project;

(e) costs incurred in connection with the acquisition of the site for the Project, including any necessary rights-of-way, easements or other interest 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 Project;

(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 Project;

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

(i) other costs and expenses relating to the Project 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.

"Project Restrictions" means those restrictions set forth in Section 5 of this Regulatory Agreement.

"Project Site" means the real property upon which the Project is located, as described in Exhibit A attached hereto and incorporated herein by this reference.

"Qualified Project Costs" means Project Costs that are, or have been, paid or incurred by the Owner after the Date of Official Action for the Project and that are, or were, for either (i) the acquisition, construction, reconstruction or improvement of land or property subject to the allowance for depreciation under Section 167 of the 1954 Code, or (ii) payment of amounts which are, for federal income tax purposes, chargeable to the capital account of the Project 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 meanings of Treasury Regulation Section 1.103-8(a)(1), as the same may be amended from time to time. Qualified Project Costs shall not include expenditures (i) to acquire land, to the extent such expenditures exceed 25% of the proceeds of the Prior 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 1954 Code are made with respect to such buildings or equipment at least equal to 15% of the portion of such buildings financed with Prior Bond proceeds and at least equal to 100% of the portion of the cost of such equipment financed with Prior Bond proceeds.

"Qualified Project Period" means the period beginning on the later of the date of issuance of the Prior Bond or the first day on which ten percent (10%) of the Units in the

Project were 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 Project are first occupied, (ii) the date which follows the date on which any of the Units in the Project are first occupied by a number of days equal to fifty percent (50%) of the total number of days representing the sum of (A) the period during which the Prior Bond was outstanding plus (B) the stated term of the Bonds, or (iii) the date on which any assistance provided with respect to the Project under Section 8 of the United States Housing Act of 1937 determines.

"Regulations" means the regulations promulgated under Section 103 of the 1954 Code and under the 1986 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 November 1, 2002, by and among the City, the Owner, and the Trustee.

"State" means the State of Alabama.

"State Authority" means the Alabama Housing Finance Authority, a public corporation organized and existing under the laws of the State of Alabama and includes its successors and assigns and any public corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party.

"Target Area" means a census tract or area of the State identified by the City as being a qualified census tract or an area of chronic economic distress within the meaning of Section 103A of the 1954 Code and the applicable Treasury Regulations thereunder.

"Tax Certification" means the Owner's Tax Certification submitted to the City.

"Transfer" means a transfer of the Project subject to the restrictions set forth in Section 7 of this Regulatory Agreement.

"Transfer Restrictions" means those restrictions set forth in Section 7 of this Regulatory Agreement.

"Trustee" means The Bank of New York Trust Company of Florida, N.A., a national banking association, and its successors in trust under the Indenture.

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

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

"1986 Code" means the Internal Revenue Code of 1986, as amended, and all regulations and rulings promulgated thereunder.

Unless the context clearly indicates otherwise, each capitalized word or phrase appearing herein without being defined that is defined in the Indenture shall have the same meaning in this Regulatory Agreement that is given it in the Indenture. "Herein", "hereby", "hereunder", "hereof", "hereinbefore", "hereafter", and other equivalent words refer to this Regulatory Agreement and not solely to the particular portion thereof in which any such word is used. All references to "Article", "Section", and other subdivisions apply to the corresponding Article, Section, or subdivision of this Regulatory Agreement as originally executed. The headings or titles of the Articles and Sections hereof, and the table of contents appended hereto, shall be solely for the convenience of reference and shall not affect the meaning, construction, or effect of this Regulatory Agreement. The definitions set forth in Section 1 hereof include both singular and plural. Whenever used herein, any pronoun shall be deemed to include both singular and plural and to cover all genders.

Section 2. Owner's General Representations, Covenants and Warranties.
The Owner hereby represents, covenants, and warrants as follows:

(a) Due Organization and Execution. The Owner (i) is a limited liability partnership, duly organized, and validly existing under the laws of the State, and is qualified to transact business in the State; (ii) has full power and authority to own its properties and assets and to carry on its business as now being conducted, including the ownership and operation of the Project; (iii) has full power to execute, deliver, and perform the Financing Agreement, this Regulatory Agreement, the Bond Mortgage, and any other security documents securing the Bond Mortgage Loan (all such documents being hereinafter sometimes collectively referred to as the "Security Documents"), to borrow and to execute and deliver the Bond Mortgage Note; (iv) all necessary consents and approvals of the partners of the Owner with respect to the execution and delivery of the Security Documents, have been obtained; and (v) each of the Security Documents is legal, valid, and binding obligation of the Owner.

(b) Title to Project. The Owner holds good and marketable fee simple title in and to the Project Site and fee simple title in and to the improvements and personal property otherwise constituting the Project, subject only to Permitted Encumbrances (as defined in the Bond Mortgage).

(c) No Conflict. The execution, delivery, and performance of this Agreement and the other Security Documents, and the Bond Mortgage Note by the Owner will not violate any provision of law, any order of any court or other agency of government, or any indenture, agreement, or other instrument to which the Owner is a party, or by which the Owner or any of its properties or assets is bound, or be in conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any such indenture, agreement, or other instrument, or result in the creation or imposition of any lien, charge, or encumbrance of any nature whatsoever upon any of the properties or assets of the Owner, than as otherwise provided herein and in the Security Documents and the Bond Mortgage Note.

(d) Qualification as Developer. It is knowledgeable and experienced in the construction and operation of multi-family rental housing facilities of the magnitude and nature undertaken in connection with the Project.

(e) No "Related Party" Purchasers. Neither the Owner nor any "related person", as defined in Sections 103(b)(6)(C) and 103(b)(13) of the 1954 Code, is, or will be a party to any agreement, formal or informal, pursuant to which it has or will purchase any of the Bonds.

(f) Completion of Project. As of the date hereof, acquisition, and construction of the Project are complete, and all of the moneys in the Construction Fund have been expended.

(g) Qualified Project Costs. All amounts disbursed from the Construction Fund were used to pay Project Costs, and at least 95% of the aggregate amounts so disbursed from the said Construction Fund were applied to pay or reimburse Qualified Project Costs.

(h) Completion Certificate. Prior to the date of issuance of the Bonds, if it has not already done so, the Owner will submit to the City (i) a Completion Certificate substantially in the form of Exhibit B attached hereto, confirmed by the Prior Trustee, or (ii) such other evidence of the completion of the Project as shall be satisfactory to Bond Counsel.

(i) Disclosures by Lender. The Lender may disclose to, or make available for inspection and audit by, the Trustee and the City, or their agents, its books, records, and account information relating to the Project and the Bond Mortgage Loan.

(j) Average Maturity of Bonds. The average reasonably expected economic life of the buildings, structures, and fixtures included in the Project, measured from the later of the date of issuance of the Prior Bond or the date on which the Project is or was first available for occupancy, is at least equal to 35 years, as determined in accordance with Section 147(b) of the 1986 Code and based upon an Appraisal Report of Porter Associates/Southeast dated June 24, 2002. The average maturity of the Bonds, 30 years, does not, therefore, exceed 120% of the average reasonably expected remaining economic life of the Project.

(k) No "Related Person" Acquisitions. The Owner did not acquire the Project 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 1954 Code.

(l) Tax Certificate. The information contained in the Owner's Tax Certificate is true, accurate, and complete as of the date thereof, and the Owner will immediately notify the City and the Trustee of any change in the plans and specifications or the budget for the Project which would result in a material change in the information contained in the Tax Certification.

(m) Location of Project. The Project is located entirely within the State.

Section 3. Term of Agreement. This Regulatory Agreement shall become effective upon the date hereof and shall terminate upon the earlier of (a) the termination of the Occupancy Restrictions as provided in Section 4(a) hereof, or (b) an early termination pursuant to the provisions of Section 4(b) 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 Project Period. It is expressly agreed and understood that the provisions hereof are intended to survive the payment of the Bonds and the termination of the financing documents relating thereto, if such termination occurs prior to the end of the stated term thereof.

(b) Early Termination of Restrictions. This Regulatory Agreement and the restrictions hereunder shall cease to apply to the Project 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 City 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 project (a) which meets the requirements of Section 103(b)(4)(A) of the 1954 Code and Regulation Section 1.103-8(b) as amended, or any successor law or regulation; (b) with respect to which a regulatory agreement substantially to the effect of this Regulatory Agreement is recorded; and (c) which meets the requirements of Section 148 of the 1986 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 then outstanding are retired within a reasonable period and the Project thereafter ceases to comply with Section 103(b)(4)(A) of the 1954 Code, the Owner or any related person, as defined in 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 Project for federal tax purposes.

Section 5. Project Restrictions. The Owner further represents, warranties, and covenants that:

(a) Residential Rental Property. The Project had been constructed for the purpose of providing residential rental property, as such phrase is used in Section 103(b)(4)(A) of the 1954 Code.

(b) Composition of Project. The Project consists 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) No Mixed Use Project. No property constituting the Project is used for purposes unrelated to the Units, which includes property used for commercial office space, owner occupied residences and units that, in the aggregate, do not meet the Occupancy Restrictions.

(d) Unit Facilities. All of the Units in the Project contain and will contain complete living, sleeping, eating, cooking, and sanitation facilities.

(e) No Transient Use. None of the Units in the Project has been or 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) Lower-Income Units. Units occupied and to be occupied by Lower-Income Tenants are and 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.

(g) Restrictions on Use of Proceeds.

(1) None of the proceeds of the Original Loan (including investment earnings) has been 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 Original Loan (including investment earnings) have been 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 Original Loan (including investment earnings) has been 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;

(4) No more than 25% of the proceeds of the Original Loan have been used directly or indirectly, for the acquisition of land or any interest therein;

(5) All of the proceeds of the Original Loan have been expended; and

(6) All of the proceeds of the Bond Mortgage Loan are being used to prepay the Original Loan and to redeem the Prior Bond.

(h) Public Use. Units in the Project will be available for rent on a regular basis to the general public.

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

(a) Lower-Income Tenants. At least twenty percent (20%) of the Units of the Project (or at least 15% if the Project 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 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 Project shall be made available only to individuals or families qualifying as a Lower-Income Tenant.

(b) Delivery of Eligibility Requirements. As a condition to occupancy, any individual or family intended to be a Lower Income Tenant shall sign and deliver to the Owner an Eligibility Certificate in the form substantially of that attached hereto as Exhibit C 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 or pursuant to Section 103(b)(4)(A) of the 1954 Code or Section 142 of the 1986 Code, in which the prospective Lower-Income Tenant certifies that he or she and his or her family qualify as a Lower-Income Tenant. In addition, such individual shall provide such other information, documents or certifications as are deemed necessary by the City or the Trustee to substantiate the Eligibility Certificate.

(c) Lease Termination. The form of lease to be used by the Owner in renting any Units in the Project shall provide for termination of the lease and consent by the tenant to immediate eviction for failure to qualify as a Lower-Income Tenant as a result of any material misrepresentation made with respect to the Eligibility Certificate.

(d) Maintenance of Eligibility Requirements. Eligibility Certificates shall be maintained on file at the Project with respect to each Lower-Income Tenant who resides in a Unit or resided therein during the immediately preceding calendar year, and the Owner shall, promptly upon request, file a copy thereof with the City and/or the Trustee.

(e) Occupancy Certificates. On the first day of each calendar quarter (or such other period as the City and the Trustee may subsequently establish with the approval of nationally recognized bond counsel) after 10% of the Units in the Project are available for occupancy, the Owner will submit to the City and the Trustee, an Occupancy Certificate, in the form substantially of that attached hereto as Exhibit D (or in such other form as may be required by the City from time to time), executed by the Owner, stating, *inter alia*, the percentage of Units of the Project 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 Project during such calendar quarter.

Section 7. Transfer Restrictions. In addition to any other requirement imposed by the Bond Mortgage, Bond Mortgage Note, or this Regulatory Agreement, the Owner further represents, covenants, and agrees not to sell, transfer, or otherwise dispose of the Project during the term of this Regulatory Agreement without obtaining the prior written consent of the City, which consent shall not be unreasonably withheld but which, in any event shall be conditioned upon (i) receipt of evidence satisfactory to the City that the Owner's purchaser or transferee has assumed in writing the Owner's duties and obligations under this Regulatory Agreement and the Bond Mortgage Loan, (ii) the City'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 reasonable transfer charges then imposed by the City. It is hereby expressly stipulated and agreed that any sale, transfer, or other disposition of the Project in violation of this Section 7 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 8. Covenants to Run With the Land. The Owner hereby subjects the Project to the covenants, reservations, and restrictions set forth in this Regulatory Agreement. The City, 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 Project during the term of this Regulatory Agreement. Each and every contract, deed, or other instrument hereafter executed covering or conveying the Project or any portion thereof shall conclusively be held to have been executed, delivered, and accepted subject to such covenants, reservations and restrictions, regardless of whether such covenants, reservations and restrictions are set forth in such contract, deed, or other instruments.

Section 9. Burden and Benefit. The City, the Trustee, and the Owner hereby declare their understanding and intent that the burden of the covenants set forth herein touch and concern the land in that the Owner's legal interest in the Project is rendered less valuable thereby. The City, the Trustee, and the Owner hereby further declare their understanding and intent that the benefit of such covenants touch and concern the land by enhancing and increasing the enjoyment and use of the Project by Lower-Income Tenants, the intended beneficiaries of such covenants, reservations and restrictions, and by furthering the public purposes for which the Prior Bond and the Bonds were issued.

Section 10. Enforcement.

(a) **Inspections.** The Owner shall permit any duly authorized representative of the City, the Trustee, and the Department of the Treasury or the Internal Revenue Service at all reasonable times to inspect any books and records of the Owner regarding the Project and with

respect to the incomes of Lower-Income Tenants which pertain to compliance with the provisions of this Regulatory Agreement and Section 103(b)(4)(A) of the 1954 Code and any Treasury Regulations applicable thereto.

(b) Further Assurances. In addition to the information specifically requested in Section 6(e) hereof, the Owner shall submit any other information, documents or certifications requested by the City or the Trustee which the City 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 1954 Code and any Treasury Regulations applicable thereto.

(c) Tax Exemption. The City, 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 exclusion from gross income for federal income tax purposes 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 1954 Code or pursuant to Section 1313(a) of the Tax Reform Act of 1986 and affecting the Project.

(d) Notice of Violation. The Owner further covenants and agrees to inform the City and the Trustee by written notice of any violation of the Owner's obligations hereunder within five days of first discovering any such violation. If any such violation is not corrected to the reasonable satisfaction of the City and the Trustee within the period of time specified by the City or the Trustee, which shall be at least 30 days after the date any notice to the Owner is mailed, or within such further time as the City and the Trustee determine is necessary to correct the violation without loss of the exclusion from gross income of interest on the Bonds for federal income tax purposes, not, in any event, to exceed any limitations set by applicable Regulations, then without further notice, the City or the Trustee may declare a default under this Regulatory Agreement effective on the date of such declaration of default, and upon such default the City or the Trustee may take any one or more of the following steps, at its 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 City or the Trustee hereunder;

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

(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 Bond Mortgage Loan, accelerate the indebtedness evidenced by the Bond Mortgage Note, and proceed with foreclosure under the Bond Mortgage.

The Trustee shall have the right, in accordance with this Section 10(d) and the provisions of the Indenture, to exercise any or all of the City's rights or remedies hereunder.

(e) Third Party Beneficiaries. The Owner, the City, 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 exclusion from gross income for federal income tax purposes 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.

Section 11. Indemnification of the City and the Trustee. The Owner hereby covenants and agrees that it will indemnify and hold harmless the Trustee and the City 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 Bond Mortgage Loan, the Bonds, or the Project; (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 Bond Mortgage Loan, the Bonds, or the Project; and (iii) all reasonable 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); provided, however, that the foregoing indemnity shall not extend to damages, claims, or expenses incurred by the Trustee or the City as a result of its own negligence or misconduct. In the event that any action or proceedings brought against an indemnified party, with respect to which indemnity may be sought hereunder against the Owner, the Owner, upon written notice from an indemnified party, shall assume the investigation and defense thereof, including the employment of counsel (which, in the case of counsel for the City, shall be designated by the City) and the payment of all expenses. Any indemnified party shall have the right to employ separate counsel in any such action or proceeding in addition to counsel retained by the Owner and to participate in the investigation and defense thereof, and the Owner shall pay the reasonable 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 12. Duties of Trustee with Respect to Project. The City hereby imposes on the Trustee and the Trustee accepts the duty to oversee the Project on behalf of the City in order to monitor the Owner's 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 contained herein. The Trustee hereby agrees to do the following in order to cause the Owner and the Project to comply with the requirements hereof:

(a) The Trustee shall review all reports submitted by the Owner with respect to the Project and shall notify the Owner and the City of any failure by the Owner to submit such reports as and when required;

(b) The Trustee shall review all Eligibility Certificates required to be obtained and maintained by the Owner hereunder in order to confirm the Owner's compliance with the provisions of Section 6 hereof; and

(c) The Trustee shall file with the City written quarterly reports on each January 15, May 15, July 15, and November 15, beginning January 15, 2003, setting forth a summary description of the results of its review of the items described in (a) and (b) above, including a certificate of the Trustee substantially in the form of Exhibit E to this Regulatory Agreement.

The Trustee may delegate performance of any 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 City thirty (30) days' advance written notice. The fees of any such agent shall be paid by the Owner. 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 13. Consideration. The City has determined to issue the Bonds to obtain moneys with which to purchase the Bond Mortgage Loan for the purposes, among others, of effectuating the prepayment of the Original Loan and the redemption of the Prior Bond. In consideration of the issuance of the Bonds by the City, 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 by it hereunder.

Section 14. Reliance. The City 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 exclusion from gross income for federal income tax purposes of the interest on the Bonds, including without limitation any owner of the Bonds. In performing their duties and obligations hereunder, the City and the Trustee may rely upon Statements and Certificates of the Owner and Lower-Income Tenants believed to be genuine and to have been executed by the proper person or persons, upon audits of the books and records of the Owner pertaining to occupancy of the Project and upon representations and warranties of the Owner made herein. In addition, the

City 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 City or the Trustee hereunder in good faith and in conformity with the opinion of such counsel.

Section 15. **Amendment.** The parties hereto agree to amend this Regulatory Agreement to reflect changes in Section 103(b)(4)(A) of the 1954 Code, the Regulations, the 1986 Code, the Tax Reform Act of 1986, any successor to any of the foregoing and the revenue rulings issued by the Internal Revenue Service, or in the interpretation thereof, if necessary to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds. Otherwise this Regulatory Agreement may be amended only by a written agreement executed by the parties hereto.

Section 16. **Severability of Invalid Provisions.** In case any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect by a court of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture.

Section 17. **Notices.** All notices, requests, complaints, demands, or other communications on or to the City, the Owner, or the Trustee shall be deemed properly given if in writing and delivered by mail by registered or certified mail, postage prepaid, addressed as follows:

(a) If to the City:

City of Gardendale, Alabama
970 Main Street
(Post Office Box 889)
Gardendale, Alabama 35071-0889
Attention: Mayor

With a copy to:

Hand Arendall, L.L.C.
900 Park Place Tower
2001 Park Place Tower
Birmingham, Alabama 35203
Attention: Mr. J. Ken Thompson

(b) If to the Owner:

Cole and Eddleman Development Company LLP
1100 East Park Drive
Suite 400
Birmingham, Alabama 35295
Attention: Mr. Eugene K. Cole

With a copy to:

Bradley Arant Rose & White LLP
1819 Fifth Avenue North
Birmingham, Alabama 35203
Attention: Mr. Charles A. J. Beavers

(c) If to the Trustee:

The Bank of New York Trust Company of Florida, N.A.
The Financial Center, 7th Floor
500 North 20th Street

Birmingham, Alabama 35203
Attention: Corporate Trust Department

The City, the Owner, and the Trustee may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Unless specifically otherwise required by the context of this Indenture, any notices required to be given hereunder to the City, the Owner, and the Trustee may be given by any form of electronic transmission capable of producing a written record. Each such party shall file with the Trustee information appropriate to receiving such form of electronic transmission. A duplicate copy of each notice, certificate or other communication given hereunder by the City or the Trustee to the other shall also be given to the Owner.

Section 18. Governing Law. This Regulatory Agreement shall be governed exclusively by and construed in accordance with the applicable laws of the State of Alabama except to the extent that the laws of the United States of America may prevail.

Section 19. Execution in Counterparts. This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Owner, the City, and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 20. **Recordation.** The covenants, obligations and duties of the Owner contained herein shall run with the Project, including the real property upon which the Project 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 City or the Trustee may reasonably request, and the Owner shall pay all fees and charges incurred in connection therewith.

Section 21. **Freddie Mac Rider.** The Freddie Mac Rider, which is attached as Exhibit F to this Regulatory Agreement, is incorporated herein by reference.

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.

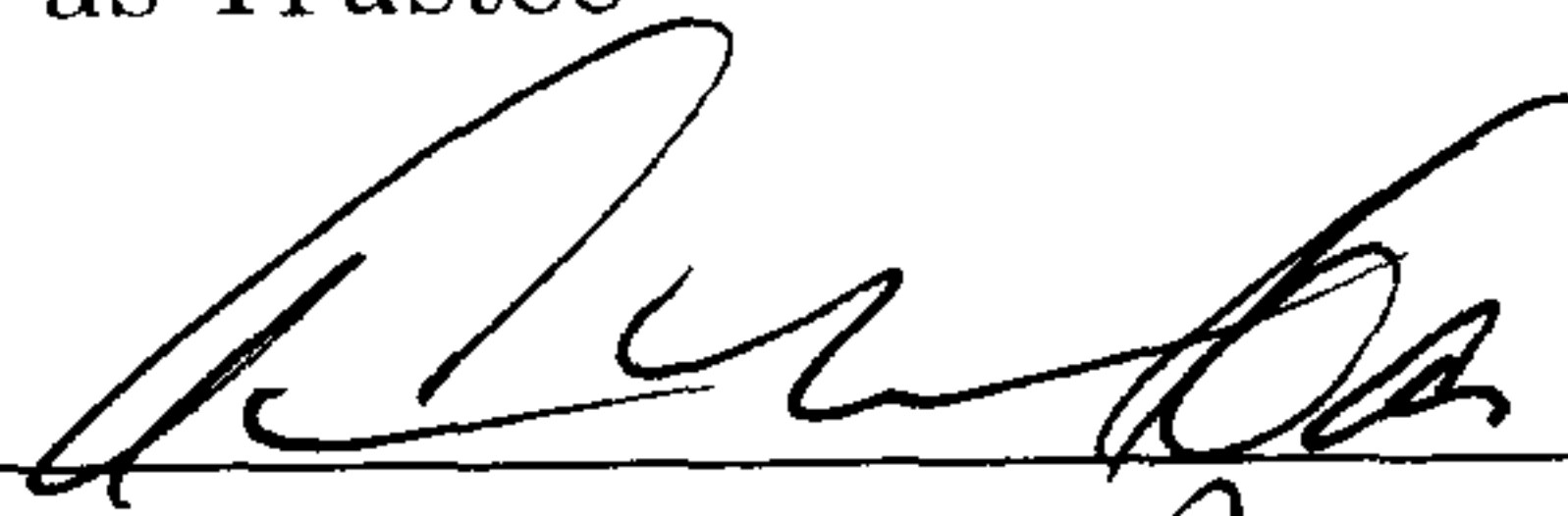
COLE AND EDDLEMAN DEVELOPMENT
COMPANY LLP,
an Alabama limited liability partnership

By: Southeast Investments LLP
Its: Partner

By: 
Billy D. Eddleman
Its Partner

By: 
Eugene K. Cole
Its Partner

The Bank of New York Trust Company of Florida,
N.A., as Trustee

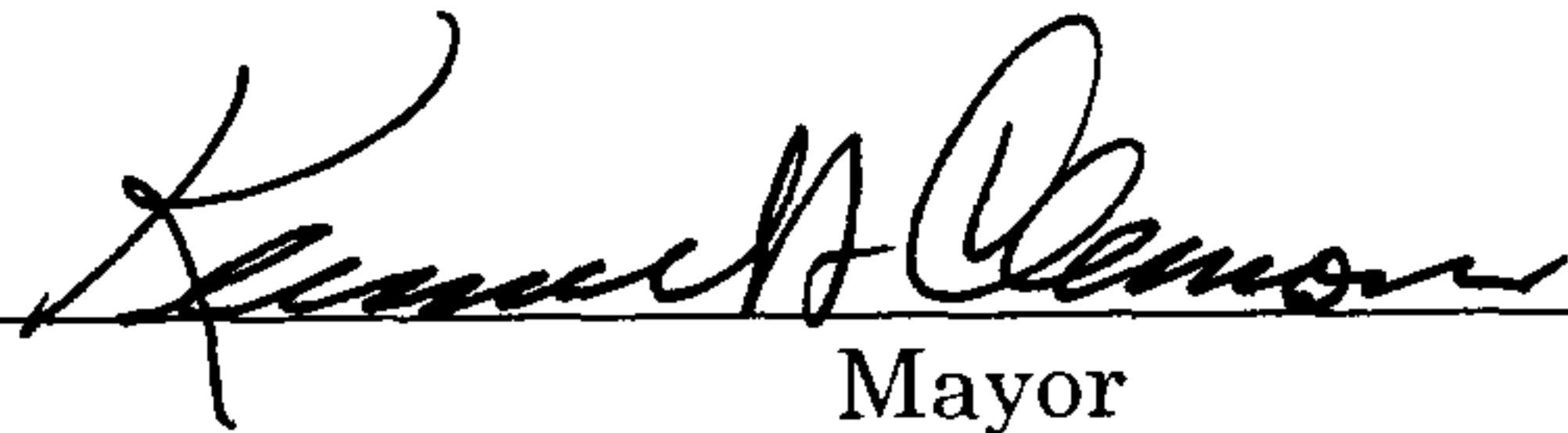
By 
Its Vice President

ATTEST:

Its Vice President

[S E A L]

CITY OF GARDENDALE, ALABAMA

By 
Mayor

ATTEST:

City Clerk

[S E A L]

STATE OF ALABAMA)
 :
COUNTY OF JEFFERSON)

Before me, a Notary Public in and for said County in said State, personally appeared EUGENE K. COLE, whose name as Partner of COLE AND EDDLEMAN DEVELOPMENT COMPANY LLP, an Alabama limited liability partnership, is signed to the foregoing instrument and who is known to me, and acknowledge before me 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 limited liability partnership.

Given under my hand this 1 day of Nov., 2002.



Notary Public

My Commission Expires: 3/30/03

STATE OF ALABAMA)
 :
COUNTY OF JEFFERSON)

Before me, a Notary Public in and for said County in said State, personally appeared BILLY D. EDDLEMAN, whose name as Partner of COLE AND EDDLEMAN DEVELOPMENT COMPANY LLP, an Alabama limited liability partnership, is signed to the foregoing instrument and who is known to me, and acknowledge before me 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 limited liability partnership.

Given under my hand this 1 day of Nov, 2002.



Notary Public

My Commission Expires: 3/30/03

STATE OF ALABAMA)
 :
JEFFERSON COUNTY)

I, the undersigned authority, a Notary Public in and for said County in said State, hereby certify that Ann M Harris, whose name as VPres of The Bank of New York Trust Company of Florida, N.A., a national banking association, as trustee, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the said instrument, he, as such officer, executed the same voluntarily for and as the act of said association acting in its capacity as trustee.

GIVEN under my hand and seal, this 1 day of Nov, 2002.

[NOTARIAL SEAL]


Notary Public

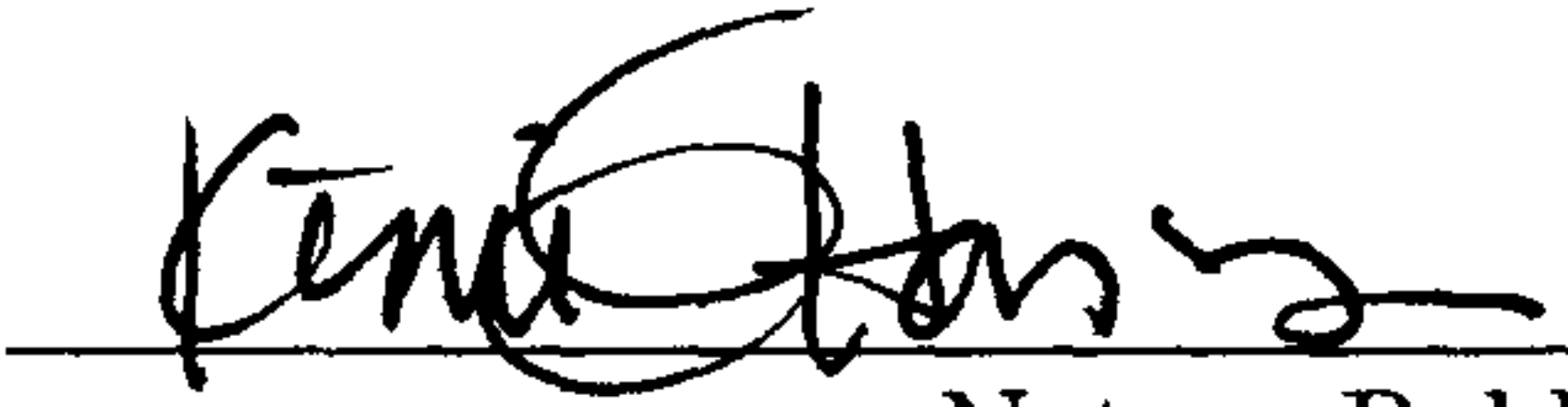
My Commission Expires: 3/30/03

STATE OF ALABAMA)
 :
JEFFERSON COUNTY)

I, the undersigned authority, a Notary Public in and for said County in said State, hereby certify that KENNETH A. CLEMONS, whose name as Mayor of the CITY OF GARDENDALE, ALABAMA, a municipal corporation, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the said instrument, he, as such officer, executed the same voluntarily for and as the act of said municipal corporation.

GIVEN under my hand and seal, this 31 day of Oct., 2002.

[NOTARIAL SEAL]


Notary Public

My Commission Expires: 3/30/03

Exhibit A

LEGAL DESCRIPTION OF THE PROJECT SITE

A parcel of land located in the NE ¼ of Section 11 and the NW ¼ of Section 12, all in Township 20 South, Range 3 West, more particularly described as follows:

Commence at the most Southerly corner of Lot 4, Block 6 of Cahaba Valley Estates - Seventh Sector, as recorded in Map Book 6, page 82, in the Probate Office of 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°10' left, in a Northeasterly direction, a distance of 360.00 feet; thence 89°50' left, in a Northwesterly direction, a distance of 762.00 feet; thence 90°10' left, in a Southwesterly direction, a distance of 360.00 feet to the Point of Beginning.

TOGETHER WITH a non-exclusive easement for ingress and egress and utilities over, under, and across the following described parcel:

Begin at the most Easterly corner of said Lot 4; thence in a Southeasterly direction along the projection of the Northeasterly line of said Block 6, a distance of 160.00 feet; thence 90°10' left in a Northeasterly direction a distance of 60.00 feet; thence 89°50' left in a Northwesterly direction a distance of 160.00 feet; thence 90°10' left in a Southwesterly direction a distance of 60.00 feet to the point of beginning.

All being situated in Shelby County, Alabama.

Exhibit B

COMPLETION CERTIFICATE

Date: _____

City of Gardendale, Alabama
970 Main Street
Gardendale, Alabama 35071

Ladies and Gentlemen:

This Completion Certificate is given by the undersigned with respect to Meadow Wood Apartments, Gardendale, Alabama (the "Project") as required by Section 2(i) of the Regulatory Agreement and Declaration of Restrictive Covenants (the "Regulatory Agreement") dated as of November 1, 2002, among City of Gardendale, Alabama, The Bank of New York Trust Company of Florida, N.A., as Trustee, 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 Project was substantially completed on _____ [insert date] substantially in accordance with the approved Plans and Specifications, and all required governmental inspections regarding the Project have been successfully obtained and the Project is ready and available for occupancy.

(2) The aggregate amount of the net proceeds of the Original Loan disbursed with respect to the Project 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 Project Costs related to the Project.

(4) (i) The first unit in the Project was completed and available for occupancy on _____ [insert date].

(ii) The first unit in the Project to be occupied was so occupied on _____ [insert date].

(iii) The date on which at least 10% of the units in the Project were first occupied was _____ [insert date].

(iv) The date on which at least 50% of the units in the Project were first occupied was _____ [insert date].

If any of the information required by Paragraph 4 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.

COLE AND EDDLEMAN DEVELOPMENT
COMPANY LLP
an Alabama limited liability partnership

By: _____
Eugene K. Cole
Its Partner

By: _____
Billy D. Eddleman
Its Partner

Exhibit C

ELIGIBILITY CERTIFICATE

Re: (name and address of Project)

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 project for which application is made, all of whom are listed below:

(1)	(2)	(3)	(4)	(5)
Name of Members of the <u>Household</u>	Relationship to Head of <u>Household</u>	<u>Age</u>	Social Security <u>Number</u>	Place of <u>Employment</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

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; 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 income from employment of children, 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; income of a live-in aide, 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 II of the Uniform Relocation Assistance and Property Acquisition Policies Act of 1970; foster child care payments; and amounts received under training programs funds by HUD, 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 person:
\$ _____

(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 I 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 Project for which application is being made and on bonds issued to refinance said bonds. We consent to the disclosure of such information to the issuer of such bonds, the holders of all 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 _____,
19____.

Notary Public in and for the
State of Alabama

[S E A L]

My Commission Expires: _____

FOR COMPLETION BY OWNER ONLY:

(1) Calculation of eligible income:

(a) Enter amount entered for entire household in Item (6) above:
\$_____.

(b) If the amount entered in Item (7)(a) above is greater than \$5,000, enter the greater of (i) the amount entered in Item (7)(b) less the amount entered in Item (7)(c) and (ii) 10% of the amount entered in Item (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 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 qualifies as a Lower-Income Tenant:

Yes _____ No _____

Manager

Exhibit D

OCCUPANCY CERTIFICATE

Date: _____

City of Gardendale, Alabama
970 Main Street
Gardendale, Alabama 35071

The Bank of New York Trust Company of Florida, N.A., as Trustee
Birmingham, Alabama

Ladies and Gentlemen:

This Occupancy Certificate is given by the undersigned with respect to Meadow Wood Apartments, 800 Valleyview Road, Pelham, Alabama . . . (the "Project") as required by the Regulatory Agreement and Declaration of Restrictive Covenants (the "Regulatory Agreement") entered into by and among City of Gardendale, Alabama, The Bank of New York Trust Company of Florida, N.A., as Trustee 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 Occupancy Certificate, at least _____% of the completed dwelling units in the Project were occupied by or held available for rental to Lower-Income Tenants. [Minimum of 20% required unless Project is located in a Target Area, in which case minimum of 15% required].

(2) 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 Occupancy Certificate.

For purposes of paragraph (1) above, 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 as appropriate, during such individual's or family's tenancy in such unit, even though the individual or family subsequently ceases to qualify as 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.

COLE AND EDDLEMAN DEVELOPMENT
COMPANY LLP, an Alabama limited liability
partnership

By: _____

Eugene K. Cole
Its Partner

Project Name: _____

Total Number of Units: _____

Number of Units Occupied by Lower-Income Tenants: _____

For Calendar Quarter Ending: _____

Name of Lower-Income Tenants who commenced or terminated occupancy during the calendar quarter covered by this certificate:

<u>Commenced Occupancy</u>	<u>Apt. No.</u>	<u>Terminated Occupancy</u>	<u>Apt. No.</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Exhibit E

TRUSTEE'S CERTIFICATE

Bonds:

Project(s):

Identified on Appendix A

Owner(s):

Identified on Appendix A

Date of this Certificate:

For the Calendar Quarter Ending:

The undersigned The Bank of New York Trust Company of Florida, N.A., as Trustee with respect to the Bonds described above, hereby certifies to City of Gardendale, Alabama (the "City") as follows:

(1) Attached hereto is an Occupancy Certificate executed by the Owner with respect to such Owner's Project, covering the calendar quarter described above. [Any required Occupancy Certificate that is not attached hereto is identified on Appendix (1) hereto.]

(2) During the above-referenced calendar quarter, the Owner has submitted to the Trustee all reports and certificates required to be so submitted pursuant to the provisions of the Regulatory Agreement.

(3) The Trustee has no reason to question the validity, accuracy or authenticity of the Occupancy Certificates attached hereto or the Eligibility Certificates obtained and maintained by the Owner.

The Bank of New York Trust Company of Florida,
N.A.

By _____

Its _____

ATTEST:

Its _____

[S E A L]

Exhibit F
FREDDIE MAC RIDER

This Freddie Mac Rider (the "Rider") is attached to and forms a part of the Regulatory Agreement (the "Regulatory Agreement"), dated as of November 1, 2002, by and among the City of Gardendale, Alabama (the "Issuer"), The Bank of New York Trust Company of Florida, N.A., as bond trustee (together with any successor in such capacity, the "Trustee"), and Cole and Eddleman Development Company LLP, (together with any successor to its rights, duties and obligations hereunder and as owner of the Project identified herein, the "Owner").

1. Definitions. Terms used in this Rider as defined terms shall have the meanings given those terms in the Regulatory Agreement. In addition, the following terms shall have the following meanings:

"Bonds" means the Issuer's \$1,584,000 principal amount of Variable Rate Demand Multifamily Housing Refunding Revenue Bonds (Meadow Wood Apartments Project), 2002 Series C.

"Bond Documents" has the meaning given that term in the Indenture.

"Bond Mortgage" means the Mortgage, Security Agreement and Assignment of Rents and Leases, together with all riders, securing the Bond Mortgage Note, to be executed by the Owner with respect to the Project, as it may be amended, modified, supplemented or restated from time to time.

"Bond Mortgage Loan" means the loan to the Owner pursuant to the Bond Mortgage Loan Documents, which Bond Mortgage Loan is to be assigned to the Trustee.

"Bond Mortgage Loan Documents" means the Bond Mortgage Note, the Bond Mortgage, the Financing Agreement, the Assignment, the Regulatory Agreement, any Custodial Escrow Agreement, the Credit Enhancement Agreement, the Reimbursement Agreement, the Reimbursement Mortgage, the Intercreditor Agreement and any and all other instruments documenting, evidencing, securing or otherwise relating to the Bond Mortgage Loan.

"Bond Mortgage Note" means the Promissory Note, including applicable addenda, to be executed by the Owner in favor of the Lender and assigned by the Lender to the Issuer, evidencing the Owner's financial obligations under the Bond Mortgage Loan, and to be endorsed by the Issuer, without recourse, to the order of the Trustee and Freddie Mac, as their interests may appear, as the same may be amended, modified, supplemented or restated from time to time.

"Financing Agreement" means the Financing Agreement, dated as of November 1, 2002, among the Issuer, the Trustee, the Lender and the Owner, relating to the Bonds and the Bond Mortgage Loan, as amended, modified, supplemented or restated from time to time.

“Freddie Mac” means the Federal Home Loan Mortgage Corporation, a shareholder-owned government-sponsored enterprise organized and existing under the laws of the United States.

“Indenture” means the Trust Indenture, dated as of November 1, 2002, between the Issuer and the Trustee, pursuant to which the Bonds are issued, as amended, modified, supplemented or restated from time to time.

“Lender” means Collateral Mortgage Capital, LLC, in such capacity.

“Servicer” means Collateral Mortgage Capital, LLC, or a successor Servicer selected by Freddie Mac.

2. Applicability. The provisions of this Rider shall amend and supplement the provisions of, and in the event of a conflict shall supersede the conflicting provisions of, the Regulatory Agreement.

3. Indemnification. Inasmuch as the covenants, reservations and restrictions of the Regulatory Agreement run with the land, the indemnification obligations of the Owner contained in the Regulatory Agreement will be deemed applicable to any successor in interest to the Owner, but, it is acknowledged and agreed, notwithstanding any other provision of the Regulatory Agreement to the contrary, that neither Freddie Mac nor any successor in interest to Freddie Mac will assume or take subject to any liability for the indemnification obligations of the Owner for acts or omissions of the Owner prior to any transfer of title to Freddie Mac, whether by foreclosure, deed in lieu of foreclosure or comparable conversion of the Bond Mortgage Loan; the Owner shall remain liable under the indemnification provisions for its acts and omissions prior to any transfer of title to Freddie Mac. Freddie Mac shall indemnify the Issuer following acquisition of the Project by Freddie Mac, by foreclosure, deed in lieu of foreclosure or comparable conversion of the Bond Mortgage Loan, during, and only during, any ensuing period that Freddie Mac owns and operates the Project, provided that Freddie Mac’s liability shall be strictly limited to acts and omissions of Freddie Mac occurring during the period of ownership and operation of the Project by Freddie Mac. Freddie Mac shall have no indemnification obligations with respect to the Bonds or the Bond Mortgage Loan Documents. The Owner shall remain liable under the Regulatory Agreement for its actions and omissions prior to any transfer of title to Freddie Mac.

4. Sale or Transfer. Restrictions on sale or transfer of the Project or of any interest in the Owner, Issuer and/or Trustee consents, transferee agreements, transferee criteria and requirements, opinion requirements, assumption fees, transfer fees, penalties and the like shall not apply to any transfer of title to the Project to Freddie Mac or to a third party by foreclosure, deed in lieu of foreclosure or comparable conversion of the Bond Mortgage Loan or to any subsequent transfer by Freddie Mac following foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Bond Mortgage Loan. No transfer of the Project shall operate to release the Owner from its obligations under the Regulatory Agreement. Nothing contained in the Regulatory Agreement shall affect any provision of the Bond Mortgage or any of the other Bond Mortgage Loan Documents which requires the Owner to obtain the consent of Freddie Mac as a precondition to sale, transfer or

other disposition of, or any direct or indirect interest in, the Project or of any direct or indirect interest in the Owner, excluding transfers permitted by the Mortgage. No covenant obligating the Owner to obtain an agreement from any transferee to abide by all requirements and restrictions of the Regulatory Agreement shall have any applicability to a transfer to Freddie Mac upon foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Bond Mortgage Loan by Freddie Mac, or to any subsequent transfer by Freddie Mac following foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Bond Mortgage Loan. Any written consent to a sale or transfer obtained from the Issuer must be deemed to constitute conclusive evidence that the sale or transfer is not a violation of the transfer provisions.

5. Enforcement. Notwithstanding anything contained in the Regulatory Agreement or the Indenture to the contrary:

(i) the occurrence of an event of default under the Regulatory Agreement shall not, under any circumstances whatsoever, be deemed or constitute a default under the Bond Mortgage Loan Documents, except as may be otherwise specified in the Bond Mortgage Loan Documents;

(ii) neither the Issuer nor the Trustee may, upon the occurrence of an event of default under the Regulatory Agreement, seek, in any manner, to (a) cause or direct acceleration of the Bond Mortgage Loan, (b) enforce the Bond Mortgage Note, (c) foreclose on the Bond Mortgage, (d) cause the Trustee to redeem the Bonds or to declare the principal of the Bonds and the interest accrued on the Bonds to be immediately due and payable or (e) cause the Trustee to take any other action under any of the Bond Mortgage Loan Documents, any of the Bond Financing Documents or any other documents which action would or could have the effect of achieving any one or more of the actions, events or results described in the preceding clauses (a) through (d); and

(iii) the occurrence of an event of default under this Regulatory Agreement shall not impair, defeat or render invalid the lien of the Mortgage.

No person other than Freddie Mac shall have the right to (a) declare the principal balance of the Bond Mortgage Note to be immediately due and payable or (b) commence foreclosure or other like action. The Issuer and the Trustee acknowledge the foregoing limitations.

The foregoing prohibitions and limitations are not intended to limit the rights of the Issuer or the Trustee to specifically enforce the Regulatory Agreement or to seek injunctive relief in order to provide for the operation of the Project in accordance with the requirements of the Internal Revenue Code and state law. Accordingly, upon any default by the Owner, the Issuer or the Trustee may seek specific performance of the Regulatory Agreement or enjoin acts which may be in violation of the Regulatory Agreement or unlawful, but neither the Issuer nor the Trustee may seek any form of monetary recovery from the Owner, although the Issuer may seek to enforce a claim for indemnification, provided that no obligation of the Owner under the Regulatory Agreement, including, without limitation, any indemnification obligation, any other obligation for the payment

of money, any claim and any judgment for monetary damages against the Owner, occasioned by breach or alleged breach by the Owner of its obligations under the Regulatory Agreement or otherwise, shall be secured by or in any manner constitute a lien on, or security interest in, the Project, whether in favor of the Issuer, the Trustee or any other person, and all such obligations shall be, and by this Rider are, subordinate in priority, in right to payment and in all other respects to the obligations, liens, rights (including without limitation the right to payment) and interests arising or created under the Bond Mortgage Loan Documents. Accordingly, neither the Issuer nor the Trustee shall have the right to enforce any monetary obligation other than directly against the Owner, without recourse to the Project. In addition, any such enforcement must not cause the Owner to file a petition seeking reorganization, arrangement, adjustment or composition of or in respect of the Owner under any applicable liquidation, insolvency, bankruptcy, rehabilitation, composition, reorganization, conservation or other similar law in effect now or in the future.

The obligations of any owner under the Regulatory Agreement shall be personal to the person who was the owner at the time that an event, including, without limitation, any default or breach of the Regulatory Agreement, occurred or was alleged to have occurred, and such person shall remain liable for any and all such obligations, including damages occasioned by a default or breach, even after such person ceases to be the owner of the Project. Accordingly, no subsequent owner of the Project shall be liable or obligated for the obligation of any prior owner (including the Owner), including, but not limited to, any obligation for payment, indemnification or damages, for default or breach of the Regulatory Agreement or otherwise. The owner of the Project at the time the obligation was incurred, including any obligation arising out of a default or breach of the Regulatory Agreement, shall remain liable for any and all payments and damages occasioned by the owner even after such person ceases to be the owner of the Project, and no person seeking such payments or damages shall have recourse against the Project.

Under no circumstances shall the Issuer or the Trustee:

- (i) initiate or take any action which may have the effect, directly or indirectly, of impairing the ability of the Owner to timely pay the principal of, interest on, or other amounts due and payable under, the Bond Mortgage Loan;

- (ii) interfere with or attempt to influence the exercise by Freddie Mac of any of its rights under the Bond Mortgage Loan, including, without limitation, Freddie Mac's remedial rights under the Bond Mortgage Loan Documents upon the occurrence of an event of default by the Owner under the Bond Mortgage Loan; or

- (iii) upon the occurrence of an event of default under the Bond Mortgage Loan, take any action to accelerate or otherwise enforce payment or seek other remedies with respect to the Bond Mortgage Loan.

6. Notice of Violations. Promptly upon determining that a violation of the Regulatory Agreement has occurred, the Issuer or the Trustee shall, by notice in writing to the Borrower, the Servicer and Freddie Mac, inform the Borrower, the Servicer and Freddie Mac that such violation

has occurred, the nature of the violation and that the violation has been cured or has not been cured, but is curable within a reasonable period of time, or is incurable; notwithstanding the occurrence of such violation, neither the Issuer nor the Trustee shall have, and each of them acknowledge that they shall not have, any right to cause or direct acceleration of the Bond Mortgage Loan, to enforce the Bond Mortgage Note or to foreclose on the Mortgage.

7. Amendments. The Regulatory Agreement shall not be amended without the prior written consent of Freddie Mac.

8. Fees; Penalties. Freddie Mac shall not be liable for the payment of any compensation or any accrued unpaid fees, costs, expenses or penalties otherwise owed by the Owner or any subsequent owner of the Project prior to the date of acquisition of the Project by Freddie Mac, whether such acquisition is by foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Bond Mortgage Loan.

9. Subordination. The terms, covenants and restrictions of the Regulatory Agreement, other than those set forth in Sections 3 through 6, are and shall at all times remain subject and subordinate, in all respects, to the liens, rights and interests created under the Bond Mortgage Loan Documents.

10. Third-Party Beneficiary. The parties to the Regulatory Agreement recognize and agree that the terms of the Regulatory Agreement and the enforcement of those terms are essential to the security of Freddie Mac and are entered into for the benefit of various parties, including Freddie Mac. Freddie Mac shall accordingly have contractual rights in the Regulatory Agreement and shall be entitled (but not obligated) to enforce, separately or jointly with the Issuer and/or the Trustee, or to cause the Issuer or the Trustee to enforce, the terms of the Regulatory Agreement. In addition, Freddie Mac is intended to be and shall be a third-party beneficiary of the Regulatory Agreement.

11. Notices. Copies of all notices under the Regulatory Agreement shall be sent to the Servicer at the address set forth below or to such other address as the Servicer may from time to time designate:

Collateral Mortgage Capital, LLC
524 Lorna Square
Birmingham, Alabama 35216
Attention: Brett N. Blackwood
Telephone: 978-1271
Telecopy: 978-1852

Any notice to be given to Freddie Mac shall be sent to Freddie Mac at the address set forth below or to such other address as Freddie Mac may from time to time designate:

Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive

Mail Stop B4Q
McLean, VA 22102

Attention: Multifamily Management and Information Control
Telephone: (703) 903-2000
Facsimile: (703) 714-3273

with a copy to:

Federal Home Loan Mortgage Corporation
8200 Jones Branch Drive
McLean, Virginia 22102

Attention: Associate General Counsel – Legal Department
Telephone: (703) 903-2000
Facsimile: (703) 903-2885

with a copy to:

Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive
Mail Stop B4Q
McLean, Virginia 22102

Attention: Director of Multifamily Loan Servicing
Telephone: (703) 903-2000
Facsimile: (703) 714-3003

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