

WHEN RECORDED RETURN TO:

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Omaha, NE 68102

Freddie Mae Loan No.: 002698196

CITY OF GARDENDALE, ALABAMA,
as Issuer

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

and

FEDERAL HOME LOAN MORTGAGE CORPORATION,
as Freddie Mac,

INTERCREDITOR AGREEMENT

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

Dated as of November 1, 2002

INTERCREDITOR AGREEMENT

THIS INTERCREDITOR AGREEMENT (this "Agreement") is dated as of November 1, 2002, and is made among CITY OF GARDENDALE, ALABAMA (the "Issuer"), THE BANK OF NEW YORK TRUST COMPANY OF FLORIDA, N.A. (the "Trustee") and FEDERAL HOME LOAN MORTGAGE CORPORATION ("Freddie Mac").

RECITALS

WHEREAS, contemporaneously with the delivery of this Agreement, the Issuer is issuing its Variable Rate Demand Multifamily Housing Revenue Refunding Bonds (Meadow Wood Apartments Project) 2002 Series C (the "Bonds") in the initial aggregate principal amount of \$1,584,000 the proceeds of which will be used to purchase a mortgage loan (the "Bond Mortgage Loan") made by Collateral Mortgage Capital, LLC, as lender (in such capacity, the "Lender") to Cole and Eddleman Development Company, LLP (the "Owner") pursuant to that certain Financing Agreement dated as of November 1, 2002 (the "Financing Agreement") among the Issuer, the Owner and the Trustee; and

WHEREAS, the Issuer is issuing the Bonds pursuant to a Trust Indenture dated as of November 1, 2002 between the Issuer and the Trustee (the "Indenture"); and

WHEREAS, the Owner will use the proceeds of the Bonds to redeem the Alabama Housing Finance Authority Multi-family Housing Refunding Bonds (Meadow Wood Project), 1994 Series C in the principal amount of \$1,584,000, the proceeds of which refinanced the acquisition, construction and equipping of a multifamily housing project located in the City of Pelham, Alabama known as Meadow Wood Apartments (the "Project"); and

WHEREAS, the Owner has requested that Freddie Mac execute and deliver to the Trustee a Credit Enhancement Agreement dated as of November 1, 2002 (the "Credit Enhancement Agreement") between Freddie Mac and the Trustee which will provide for (i) draws in an amount equal to Guaranteed Payments (as such term is defined in the Credit Enhancement Agreement) with respect to the Bond Mortgage Loan and (ii) liquidity draws by the Trustee to the extent remarketing proceeds are insufficient to pay the Purchase Price of the Bonds (other than Purchased Bonds) while the Bonds bear interest at a Variable Rate; and

WHEREAS, Collateral Mortgage Capital, LLC (in such capacity, the "Servicer") shall act as initial servicer for the Bond Mortgage Loan; and

WHEREAS, to evidence the Owner's reimbursement obligations to Freddie Mac for draws made under the Credit Enhancement Agreement, the Owner and Freddie Mac have entered into a Reimbursement and Security Agreement dated as of even date herewith (the "Reimbursement Agreement"); and

WHEREAS, to secure the Owner's reimbursement obligations to Freddie Mac under the Reimbursement Agreement, the Owner will execute and deliver to Freddie Mac a Multifamily Mortgage, Assignments of Rents and Security Agreement dated as of even date herewith (the "Reimbursement Mortgage") with respect to the Project;

AGREEMENTS

NOW, THEREFORE, in consideration of the mutual promises contained herein and in order to induce Freddie Mac to execute and deliver the Credit Enhancement Agreement and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. Defined Terms. Unless otherwise defined herein, or unless the context clearly indicates otherwise, each term used in this Agreement including in the Recitals set forth above, and which is defined in the Indenture, shall have the meaning given to such term by the Indenture.

As used herein, the following terms shall have the meanings set forth below:

“Bond Documents” means the Indenture, the Financing Agreement, the Assignment, the Bond Mortgage Note, the Regulatory Agreement, the Bond Mortgage and this Intercreditor Agreement and any other document evidencing or securing the Bonds.

“Credit Facility Documents” means the Reimbursement Agreement, the Reimbursement Mortgage, the Pledge Agreement with respect to the Bonds, the Hedge Assignment and any other document evidencing or securing the obligations of the Owner pursuant to the Reimbursement Agreement.

“Wrongful Dishonor” means the failure of Freddie Mac to honor a draw made in accordance with the terms of the Credit Enhancement Agreement (which draw strictly complies with, and conforms to, the terms and conditions of the Credit Enhancement Agreement).

SECTION 2. Rules of Construction. The words “hereof”, “herein”, “hereunder”, “hereto”, and other words of similar import refer to this Agreement in its entirety.

The terms “agree” and “agreements” contained herein are intended to include and mean “covenant” and “covenants”.

References to Articles, Sections, and other subdivisions of this Agreement are to the designated Articles, Sections, and other subdivisions of this Agreement as originally executed.

The headings of this Agreement are for convenience only and shall not define or limit the provisions hereof.

All references made (a) in the neuter, masculine or feminine gender shall be deemed to have been made in all such genders, and (b) in the singular or plural number shall be deemed to have been made, respectively, in the plural or singular number as well.

SECTION 3. Exercise of Rights and Remedies by Freddie Mac.

A. Until either (a) a Wrongful Dishonor has occurred and is continuing, or (b) the Credit Enhancement Agreement terminates in accordance with its terms:

(i) Except as provided in Sections 3(C) and 3(D), without the prior written consent of Freddie Mac, the Trustee may not exercise any of its rights and remedies as Beneficiary under the Bond Mortgage or as a secured party with respect to the liens and security interests created by the Financing Agreement or take any action to declare the outstanding balance of the Bonds or the Bond Mortgage Note to be due pursuant to the Indenture or the Financing Agreement or to foreclose the lien of the Bond Mortgage, to seek the appointment of a receiver or to collect rents or realize upon any other collateral held as security for the Bonds or file or join in the filing of any judicial proceeding to collect the indebtedness secured by the Bond Mortgage.

(ii) Any and all consents and approvals of the Trustee as Beneficiary required under the Bond Mortgage shall be given only with the prior written consent of Freddie Mac, in its sole discretion.

(iii) The application of the proceeds of insurance or condemnation ("Insurance/Condemnation Proceeds") shall be solely as directed by Freddie Mac, in accordance with the terms of the Reimbursement Mortgage and subject to the requirement that excess proceeds remaining after the use of such Insurance/Condemnation Proceeds for the repair, restoration, rebuilding or alteration of the Project shall be used by the Trustee for the purpose of redeeming the Bonds in accordance with the terms of the Indenture.

(iv) Except as provided in Sections 3(C) and 3(D), any and all demands permitted to be made by the Beneficiary under the terms of the Bond Mortgage shall be made only by or at the written direction of Freddie Mac, in its sole discretion, (the Beneficiary may request, however, that Freddie Mac, in its discretion, provide such direction).

(v) Except as provided in Sections 3(C) and 3(D), Freddie Mac, in its sole discretion, shall have the sole right to direct the Trustee to waive or forebear any term, condition, covenant or agreement of the Bond Mortgage applicable to the Owner as Trustor, or any breach thereof, other than a covenant that might adversely impact the tax-exempt status of the Bonds.

(vi) Except as provided in Sections 3(C) and 3(D), Freddie Mac shall control all of the Mortgage Rights (as such term is defined below) and Freddie Mac shall have the right, power and authority to direct the Trustee with respect to all decisions in connection with the Bond Mortgage, which pursuant to its terms may be made by the Beneficiary, except that Freddie Mac shall not have the right to direct the Trustee to take or refrain from taking action that would adversely impact the tax-exempt status of the Bonds. The parties hereto agree that although all Bond Mortgage Loan payments are required to be made monthly under the Financing Agreement during a period while the

Bonds bear interest at a Variable Rate and semiannually during a Reset Period or following Conversion, the Owner has agreed to make monthly Loan payments under the Reimbursement Agreement to the Servicer by wiring such funds in immediately available moneys on the second Business Day prior to the first day of each month. “Mortgage Rights” means, with respect to the Bond Mortgage Loan, all rights of the Issuer, the Trustee and/or the Beneficiary under the Bond Mortgage (other than those rights specifically excluded below) including without limitation, the right to receive any and all Loan payments thereunder and all of the rights and interests under the Bond Mortgage, and to vest in its independent contractor, including the Servicer, such rights, powers and authority as may be necessary to implement any of the foregoing; “Mortgage Rights” does not mean, and expressly excludes (a) the Issuer’s rights under Sections 4.2, 6.1 and 7.4 of the Financing Agreement; (b) the right to receive payments relating to the redemption premium of a redeemed Bond; (c) the Issuer’s and the Trustee’s right to require the Owner to pay rebate, meet continuing disclosure requirements and the right to enforce the Regulatory Agreement other than by foreclosure of the Bond Mortgage; and (d) the Trustee’s rights to enforce Owner’s obligations to make payments owing to the Trustee pursuant to Sections 4.2 and 6.1 of the Financing Agreement; provided, however, that the enforcement of such rights of the Trustee or the Issuer is limited as provided in Sections 3(C) and 3(D) (such rights of the Issuer and Trustee are referred to as “Mortgagee Retained Rights”).

(vii) Trustee and Issuer covenant and agree neither to file nor join in the filing of any involuntary petition involving the Owner under the federal bankruptcy laws or other federal or state reorganization, receivership, insolvency or similar proceeding.

(viii) Neither Trustee nor Issuer shall acquire by subrogation, contract or otherwise any lien upon or other estate, right or interest in the Project or any rents or revenues therefrom that are not subject to the terms of this Agreement.

(ix) Upon the initiation of any liquidation or reorganization of Owner or any of the entities comprising Owner or any of the partners of any such entity (Owner and all such entities and partners hereinafter collectively referred to as the “Owner Parties”) in or by the filing of any bankruptcy, insolvency or receivership proceeding or upon the initiation of any involuntary liquidation, dissolution or reorganization proceeding involving an Owner Party, then, in any such case, any payment or distribution, whether in cash, property or securities, to which Trustee or Issuer would be entitled pursuant to the Indenture, Bond Mortgage Note, Loan Agreement or Bond Mortgage, shall instead be paid over to Freddie Mac for application as provided in the Reimbursement Agreement until all amounts due to Freddie Mac under the Reimbursement Agreement have been paid in full.

(x) Trustee and Issuer irrevocably authorize Freddie Mac (but Freddie Mac has no obligation to take any such action, in which case Trustee or Issuer may proceed), with respect to any payment or distribution, whether in cash or securities, as described in Section (ix) above (in the name of Freddie Mac or in the name of the Trustee and Issuer or otherwise, as Freddie Mac may deem necessary or advisable for the enforcement of the provisions of this Agreement):

(1) demand, sue for, collect and receive every such payment or distribution described in Section (ix),

(2) file claims and proofs of claims in any statutory or non-statutory proceeding,

(3) vote the full amount of the Bond Mortgage Loan in its sole discretion in connection with any resolution, arrangement, plan of reorganization, compromise, settlement or extension, and

(4) take all such other action (including, without limitation, the right to participate in any composition of creditors and the right to vote the amount of the Bond Mortgage Loan at creditors' meetings for the election of trustees, acceptances of plans and otherwise), as Freddie Mac may deem necessary or advisable for the enforcement of the provisions of this Agreement.

Trustee and Issuer agree, upon the initiation of any liquidation or reorganization of any Owner Party by the filing of any bankruptcy, insolvency or receivership proceeding or upon the initiation of any involuntary liquidation, dissolution or reorganization proceeding involving an Owner Party, and at the sole expense of the Owner or if the Owner fails to pay, at the expense of Freddie Mac, promptly

(1) to take such action as may be requested at any time by Freddie Mac to deliver any instruments required to collect the amount of the Bond Mortgage Loan, on demand therefor, and

(2) to execute and deliver such powers of attorney, assignments or other instruments as may be requested by Freddie Mac in order to enable Freddie Mac to enforce any and all claims upon or in respect of the Bond Mortgage Loan and to collect and receive any and all payments or distributions which may be payable or deliverable at any time upon or in respect of the Bond Mortgage Loan.

Nothing herein contained shall be deemed to preclude Trustee and Issuer from appearing or being heard in any bankruptcy, insolvency, or other similar proceedings affecting an Owner Party, nor from collecting from an Owner Party the full Loan amount due to Trustee and Issuer (through subrogation to the rights of Freddie Mac or otherwise) after all amounts due to Freddie Mac under the Reimbursement Agreement and the Reimbursement Mortgage shall have been paid in full nor from enforcing in accordance with this Agreement the Mortgagee Retained Rights.

For purposes of this Agreement, Freddie Mac's claim or entitlement in any bankruptcy proceeding for post-petition interest shall be senior to the Bond Mortgage Loan and subject to the rights, benefits, terms and provisions of this Agreement as if it were part of the Reimbursement Agreement obligations. Trustee and Issuer hereby agree not to seek adequate protection payments in any Owner or Owner Party bankruptcy proceeding without the prior written consent of Freddie Mac, which may be granted or withheld by Freddie Mac in Freddie Mac's sole discretion. Further, at the sole expense of the Owner or if the Owner fails to pay, at the expense of Freddie Mac, Trustee and

Issuer agree to join, and not object to, or otherwise contest any request for relief from the automatic stay of 11 U.S.C. § 362 requested by Freddie Mac in any bankruptcy proceeding of Owner, in order to enable Freddie Mac to foreclose or exercise any of its rights or remedies under the Reimbursement Mortgage to the Project.

(xi) Upon the occurrence and during the continuation of a default under the Reimbursement Mortgage, all amounts payable (including, but not limited to, any payment pursuant to an assignment of rents) under the Reimbursement Mortgage shall be paid in full before any payment or distribution, whether in cash or in other property, shall be made to Trustee or Issuer for the purpose of making Bond Mortgage Loan payments under the Financing Agreement. During the continuation of any default under the Reimbursement Mortgage, any payment or distribution, whether in cash or other property, which would otherwise (but for the provisions contained in this Agreement) be payable or deliverable under the Bond Mortgage, shall be paid or delivered directly to Freddie Mac in satisfaction of any amounts payable (including, but not limited to, any payment pursuant to an assignment of rents) under the Reimbursement Mortgage (including any interest thereon accruing after the occurrence of any such default) until all such amounts shall have been paid in full or the default shall have been cured or waived by Freddie Mac.

(xii) If any payment of the rents or other revenues arising from an assignment of rents contained in the Bond Mortgage or distribution of security or the proceeds of any of the foregoing is collected or received by Issuer or Trustee in contravention of any term, condition or provision of this Agreement, Issuer or Trustee, as applicable, immediately will deliver the same to Freddie Mac, in precisely the form received (except for the endorsement or the assignment by Issuer or Trustee, as applicable, where necessary), and, until so delivered, the same shall be held in trust by Issuer or Trustee, as applicable. The Issuer or Trustee shall not be required to deliver moneys to Freddie Mac paid by the Owner pursuant to Sections 4.2, 6.1 or 7.4 of the Financing Agreement (except for those payments due Freddie Mac under such section) or any rebate payments due under the Indenture.

(xiii) Trustee or Issuer shall not have any right to contest any of the procedures or actions taken by Freddie Mac to exercise its remedies under the Reimbursement Agreement or the Reimbursement Mortgage so long as Freddie Mac is in compliance with its agreements hereunder.

B. Neither Freddie Mac, the Servicer nor their respective officers, directors, employees or agents shall be liable to the Trustee for any action taken or omitted to be taken in good faith by Freddie Mac or the Servicer in connection with the Bond Mortgage Loan by reason of Freddie Mac's control of the Mortgage Rights. Freddie Mac shall have the right to delegate to the Servicer any of the Mortgage Rights.

C. If the Owner defaults in the performance or observance of any covenant, agreement or obligation of Owner set forth in the Regulatory Agreement, and if such default remains uncured for a period of 60 days after Owner and Freddie Mac receive written notice from the Trustee or Issuer stating that a Regulatory Agreement default has occurred and

specifying the nature of the default, the Issuer and Trustee shall have the right to seek specific performance of the provisions of the Regulatory Agreement or to exercise their other rights or remedies thereunder.

D. If the Owner defaults in the performance of its obligations to the Issuer pursuant to Sections 4.2, 6.1 and 7.4 of the Financing Agreement or the Owner's obligations under the Financing Agreement to make rebate payments or to comply with continuing disclosure requirements or to make payments to the Trustee owed pursuant to Sections 4.2 or 6.1 of the Financing Agreement for fees, expenses or indemnification, the Issuer or the Trustee shall have the right to exercise all its rights and remedies thereunder; provided, however that the Trustee shall not have the right to accelerate the Bond Mortgage Note or the Bonds or to foreclose under the Bond Mortgage. The Trustee and Issuer agree to refrain from the exercise of such remedies if Freddie Mac cures any such default by the Owner within sixty (60) days after notice, if such default is capable of being cured by the payment of money or, in the event of any other default, Freddie Mac commences to cure such default and thereafter diligently proceeds with such cure.

E. Trustee acknowledges that the Servicer and/or Freddie Mac may hold cash or other collateral and reserves to secure the Reimbursement Agreement, which collateral is not available as security for the Bonds. All cash collateral that is held by the Servicer that is primarily held as security for the payment of principal and interest on the Bonds or to reimburse Freddie Mac for payments made under the Credit Enhancement Agreement shall be invested in obligations the interest on which is excludable from gross income for federal income tax purposes.

F. Trustee acknowledges that Freddie Mac may make advances to the Owner pursuant to the terms of the Reimbursement Agreement and the Reimbursement Mortgage or any extension, modification, amendment, renewal, consolidation, increase, reinstatement or supplement thereto. Trustee acknowledges that the obligations evidenced by the Reimbursement Agreement and secured by the Reimbursement Mortgage, together with accrued interest thereon, plus fees, advances and expenses due and owing by Owner thereunder may increase in the future and the agreements of Trustee set forth in this Agreement shall extend to such amounts that are currently, and that may become, due and owing under the Reimbursement Mortgage.

SECTION 4. Exercise of Rights and Remedies by Trustee; Transfer of Loan.

A. Upon (a) the occurrence and during the continuation of a Wrongful Dishonor, or (b) upon the termination or replacement of the Credit Enhancement Agreement in accordance with its terms, Freddie Mac shall not exercise the rights and remedies referred to in Section 3 hereof without the prior written consent of the Trustee, and the actions set forth in Section 3 shall be taken by the Trustee in its sole discretion.

B. Unless a Wrongful Dishonor shall have occurred and be continuing, neither the Trustee nor the Issuer shall, without the prior written consent of Freddie Mac, dispose of the Bond Mortgage Loan, transfer the Financing Agreement, the Bond Mortgage Note, the Bond Mortgage or any other related document or any right or interest in the Financing Agreement, the Bond Mortgage Note, the Bond Mortgage or any other related document other than in the case of the Trustee, to a successor Trustee pursuant to the terms of the Indenture.

SECTION 5. Application of Moneys Received Upon Exercise of Remedies under the Bond Mortgage. Any and all amounts received or collected by the Trustee or Freddie Mac in payment of the Bond Mortgage Loan as a result of the exercise of set-off rights, the liquidation of any security interest created by the Bond Documents or the Credit Facility Documents, the sale (by foreclosure, power of sale or otherwise) of the Project under the Bond Mortgage or the exercise of any remedies under any of the Bond Documents or the Credit Facility Documents against the Owner or the Project (including rents received from the appointment of a receiver) shall be held by the Trustee or Freddie Mac, as the case may be, for the benefit of the Trustee and Freddie Mac and will be applied as follows:

(a) Until either (i) a Wrongful Dishonor has occurred and is continuing, or (ii) the Credit Enhancement Agreement terminates or is replaced, such moneys held by the Trustee and Freddie Mac shall be applied in such manner and in such order as Freddie Mac, in its sole discretion, determines, subject, however, to the terms of the Reimbursement Mortgage and Reimbursement Agreement;

(b) Upon and following the occurrence and continuance of the event described in clause (a)(i) or the occurrence of the event described in clause (a)(ii) above, such moneys held by the Trustee and Freddie Mac shall be applied in such manner and in such order (to the extent permitted by the Bond Documents, the Credit Facility Documents and applicable law) as the Trustee, in its sole discretion, determines as required under the terms of the Indenture.

SECTION 6. Assignment of Rights. Issuer and Trustee each hereby agree that, following a total defeasance of the Bonds, an acceleration of the principal amount of the Bonds or the calling of all Bonds for redemption, when Trustee holds Eligible Funds or proceeds of a draw under the Credit Enhancement Agreement under the Indenture (whether as a result of the payment by Freddie Mac under the Credit Enhancement Agreement or otherwise) in an amount which shall be sufficient to pay

(a) the principal of all Bonds then Outstanding, and

(b) all accrued and unpaid interest on the Bonds then Outstanding to the date of redemption, acceleration or defeasance,

such that the obligation of Freddie Mac under the Credit Enhancement Agreement is deemed to be retired in full in accordance with its terms, and Issuer and Trustee shall promptly do all of the following:

6.1 Use all funds drawn under the Credit Enhancement Agreement as may be necessary to promptly redeem, retire or defease all Outstanding Bonds at their face amount plus any accrued interest, and, in the event any excess funds were paid to the Trustee pursuant to a drawing under the Credit Enhancement Agreement, return such excess funds to Freddie Mac promptly.

6.2 At the option of Freddie Mac, either reconvey, release and cancel, or assign to Freddie Mac, all of their right, title and interest (other than their rights to be paid for services rendered and to be rendered and for fees and expenses incurred

thereunder and to be indemnified pursuant thereto) under the Bond Documents, other than the Regulatory Agreement, and execute, acknowledge and deliver to Freddie Mac such instruments and documents as may be reasonably necessary in connection with such reconveyance, release, cancellation or assignment.

6.3 Deliver to Freddie Mac, in such form and to such place, as Freddie Mac shall designate, all property due Freddie Mac pursuant to the provisions of the Indenture.

6.4 Return the Credit Enhancement Agreement to Freddie Mac.

SECTION 7. Substitution of Obligor.

7.1. Issuer and Trustee agree that, should Freddie Mac succeed to the interest of Owner in the Project pursuant to a foreclosure sale or otherwise without having implemented the provisions of Section 6 above, then Freddie Mac shall be the successor to Owner for all purposes of the Bond Documents and Freddie Mac acknowledges and agrees to be so treated as successor to Owner.

7.2. Following any succession by Freddie Mac to the right, title and interest of Owner in the Project pursuant to Section 7.1 above, Freddie Mac shall have the right to sell, transfer and/or assign its interest in the Project to any person or entity, provided that Freddie Mac or such transferee delivers or causes to be delivered to Issuer and Trustee concurrently with such transfer:

(i) a letter of credit or other credit enhancement facility if required pursuant to the terms of the Indenture;

(ii) a written instrument assuming and agreeing to perform all obligations of Owner under the Bond Documents to which the Owner is a party accruing from and after the date of such transfer; and

(iii) an opinion of counsel to the transferee that such transferee has duly assumed the obligations of the Owner under the Bond Documents to which the Owner is a party and that each of the Bond Documents to which the Owner is a party is a binding obligation of the transferee.

Upon completion of any transfer in accordance with this Section 7.2, the liability of Freddie Mac shall be limited to the period it owned the Project and Freddie Mac shall thereafter be relieved of any further liability for Owner's obligations under the Bond Documents accruing from and after the date of such transfer.

7.3. Issuer and Trustee agree that a purchaser may succeed to the interest of the Owner in the Project pursuant to a foreclosure sale or otherwise provided that such purchaser delivers or causes the delivery of the documents described in Section 7.2(i) through 7.2(iii).

SECTION 8. Mortgage Loan Servicing. The identity of the Servicer being of material importance to Freddie Mac, this Agreement is accepted by Freddie Mac on the basis, and with

the understanding, that the Servicer will be determined solely by Freddie Mac. The term “Servicer” as used in this Agreement shall mean a multi-family seller and servicer approved by Freddie Mac, which initially shall be Collateral Mortgage Capital, LLC, and any permitted successor or assign under the Guide or any other person designated by Freddie Mac to service the Bond Mortgage Loan. Accordingly, so long as the Credit Enhancement Agreement is in effect and no Wrongful Dishonor has occurred and is continuing, the Issuer and the Trustee agree that Freddie Mac shall, in its discretion, have the sole and exclusive (a) right to appoint the Servicer and arrange for the servicing of the Bond Mortgage Loan and the Bond Mortgage or Financing Agreement in accordance with the terms and conditions of the Guide, and (b) right to remove the Servicer (for any reason), terminate its right to service the Bond Mortgage Loan, and appoint a new Servicer.

The Issuer and Trustee further acknowledge and agree that the Guide is subject to amendment or termination without the consent of the Issuer, the Trustee or the Owner (provided that no such amendment shall adversely affect the rights of Issuer or Trustee or in any way operate to modify the provisions of the Financing Agreement or cause the Guide to be inconsistent with the Financing Agreement or affect the tax status of the Bonds) and that none of the Issuer, the Trustee or the Owner shall have any rights under or be a third party beneficiary of the Guide. The Trustee and Issuer acknowledge and agree that any Servicer designated by Freddie Mac shall be paid a fee for its services. None of the Issuer, the Trustee or Freddie Mac shall have the obligation to pay such fees from their own funds. In the event the Owner fails to make any payment relating to fees, expenses or indemnification obligations to the Issuer or Trustee as required under the Financing Agreement, the party which has not received such payment shall immediately notify the Servicer of such failure.

SECTION 9. Representations, Warranties and Covenants.

(A) The Issuer represents, warrants and covenants to the other parties hereto that:

(a) The Issuer has not received a notice in writing from the Internal Revenue Service alleging that any event or act has occurred in the operation and management of the Project which would adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes or a notice in writing from the Trustee concerning any event of default under any Bond Document.

(b) The Issuer has all necessary power and authority to execute, deliver and perform its obligations under and has duly authorized the execution, delivery and performance of this Agreement. This Agreement is a legal, valid and binding obligation of the Issuer enforceable in accordance with its terms; subject to (i) applicable limitations of bankruptcy or equitable principles affecting the enforcement of creditors’ rights, the effect of general principles of equity, including without limitation, concepts of materiality, reasonableness, good faith or fair dealing, and the possibility of the unavailability of specific performance or injunctive relief, (ii) the exercise of judicial discretion and (iii) the legal remedies against public entities in the State of Alabama.

(c) The Issuer will not knowingly take or permit, or knowingly omit to take or cause to be taken any action within its control that would adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

(B) The Trustee represents, warrants and covenants to the other parties hereto that:

(a) The Trustee has no knowledge of and has no reason to believe that any event or act has occurred which would adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes or of any event of default under any Bond Document.

(b) The Trustee has all necessary power and authority to execute, deliver and perform its obligations under and has duly authorized the execution, delivery and performance of this Agreement. This Agreement is a legal, valid and binding obligation of the Trustee enforceable in accordance with its terms.

(c) The Trustee will not knowingly take or permit, or knowingly omit to take or cause to be taken any action within its control that would adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

(C) Freddie Mac represents, warrants and covenants to the other parties hereto that:

(a) Freddie Mac has all necessary power and authority to execute, deliver and perform its obligations under and has duly authorized the execution, delivery and performance of this Agreement. This Agreement is a legal, valid and binding obligation of Freddie Mac enforceable in accordance with its terms.

(b) Freddie Mac will not knowingly take or permit, or knowingly omit to take or cause to be taken any action within its control that would adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes.

SECTION 10. Subrogation. Issuer and Trustee agree that Freddie Mac shall be subrogated to their rights and remedies under the Bond Documents (except with respect to any Mortgagee Retained Rights) upon and to the extent of Freddie Mac's payment (whether pursuant to the Credit Enhancement Agreement or otherwise) of the principal of or interest on the Bonds or the payment (whether pursuant to the Credit Enhancement Agreement or otherwise) or performance of any obligation under the Bond Documents. Issuer and Trustee agree to cooperate with Freddie Mac at Freddie Mac's sole expense and liability in connection with Freddie Mac's enforcement of any of such rights and remedies and agree not to take any actions that would prejudice the exercise of such rights of subrogation unless in the opinion of Bond Counsel delivered to Issuer, Trustee and Freddie Mac such action is necessary to preserve the exemption from income taxation of interest on the Bonds.

SECTION 11. Counterparts. This Agreement may be executed in any number of counterparts and all of such counterparts shall together constitute one and the same instrument.

SECTION 12. Amendment and Waiver. This Agreement and each provision hereof may be amended to the extent and upon the conditions that the Indenture may be amended by an instrument in writing signed by the parties hereto.

SECTION 13. Governing Law. This Agreement and the rights and obligations of the parties hereunder shall be construed in accordance with and be governed by the law of the State of Alabama.

SECTION 14. Notices. All notices, demands, requests, consents, approvals, certificates or other communications ("Communications") required under this Agreement shall be in writing, mailed (registered or certified mail, return receipt requested and postage pre-paid), hand-delivered, with signed receipt, or sent by nationally recognized overnight courier and shall be sufficiently given and shall be deemed to have been properly given if given in the manner in which notices are to be given and to the addresses as provided in the Indenture. All communications which the Trustee, Issuer or Owner is required to send to any other person pursuant to the Financing Agreement, Indenture, any other Bond Document or any Credit Facility Documents shall also be sent to the Servicer. All communications required to be sent to Freddie Mac or the Servicer pursuant to the terms of any Bond Document and any Credit Facility Document shall be sent to the following addresses:

To Freddie Mac:

Federal Home Loan Mortgage Corporation
8100 Jones Branch Drive
Mail Stop B4Q
McLean, VA 22102
Attention: Director of Multifamily Loan Servicing
Facsimile: (703) 714-3003
Telephone: (703) 903-2000

with a copy to:

Federal Home Loan Mortgage Corporation
8200 Jones Branch Drive
McLean, VA 22102
Attention: Associate General Counsel -
Multifamily Legal Department
Facsimile: (703) 903-2885
Telephone: (703) 903-2000

To the Servicer:

Collateral Mortgage Capital, LLC
524 Lorna Square
Birmingham, AL 35216
Attention: Mr. Brett N. Blackwood
Facsimile: (205) 978-1852
Telephone: (205) 978-1271

SECTION 15. Benefit of Agreement. This Agreement shall be binding upon and inure to the benefit of the Issuer, the Trustee, and Freddie Mac and their respective successors and assigns. No other party shall be entitled to any benefits hereunder, whether as a third party beneficiary or otherwise. This Agreement shall be deemed terminated without the necessity for further or confirmatory instruments upon the earlier of (i) the date, if any, upon which a replacement credit facility is delivered to replace the Credit Enhancement Agreement unless the new credit facility provider replaces Freddie Mac hereunder, (ii) the date the Credit Enhancement Agreement terminates in accordance with its terms, or (iii) the date that the Indenture is released and terminated.

SECTION 16. Acknowledgement and Consent. The Issuer and Trustee acknowledge and consent to the granting by the Owner to Freddie Mac of the Reimbursement Mortgage which shall be a second priority Deed of Trust. The Issuer and Trustee acknowledge and agree that Freddie Mac is a third-party beneficiary of the Financing Agreement with the right to enforce the provisions of such Financing Agreement subject to the terms of this Agreement. The Issuer and Trustee agree and acknowledge that to the extent the Bond Mortgage grants or reserves to the Owner any rights that are not granted or reserved to the Owner under the Reimbursement Mortgage, the Owner must comply with the terms of the Reimbursement Mortgage and a failure to do so shall be an Event of Default under the Reimbursement Agreement.

SECTION 17. Trustee. The Trustee accepts the duties imposed upon it by this Agreement and agrees to perform those duties but only upon and subject to the following express terms and conditions:

(a) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Agreement and no implied covenants or obligations shall be read into this Agreement against the Trustee;

(b) as to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceedings, the Trustee shall be entitled to rely in good faith upon a certificate purportedly signed by an authorized signatory of Freddie Mac as sufficient evidence of the facts contained in such certificate;

(c) the permissive right of the Trustee to do things enumerated in this Agreement shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful misconduct;

(d) none of the provisions contained in this Agreement shall require the Trustee to expend or risk its own funds or otherwise incur financial liability in the

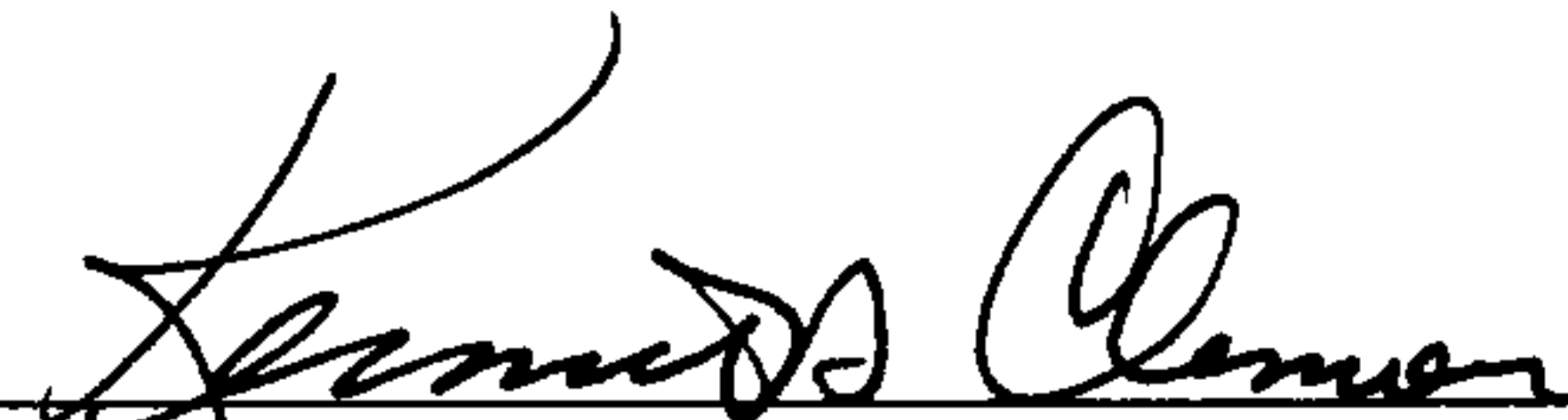
performance of any of its duties or in the exercise of any of its rights or powers under this Agreement except for any liability of the Trustee arising from its own negligence or willful misconduct;

(e) the Trustee is entering into this Agreement solely in its capacity as Trustee under the Indenture and not in its individual or corporate capacity; and

(f) all of the provisions of the Indenture related to the duties, obligations, standard of care, protections and immunities from liability afforded the Trustee under the Indenture shall apply to the Trustee under this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and delivered by their respective duly authorized officers as of the date first above written.

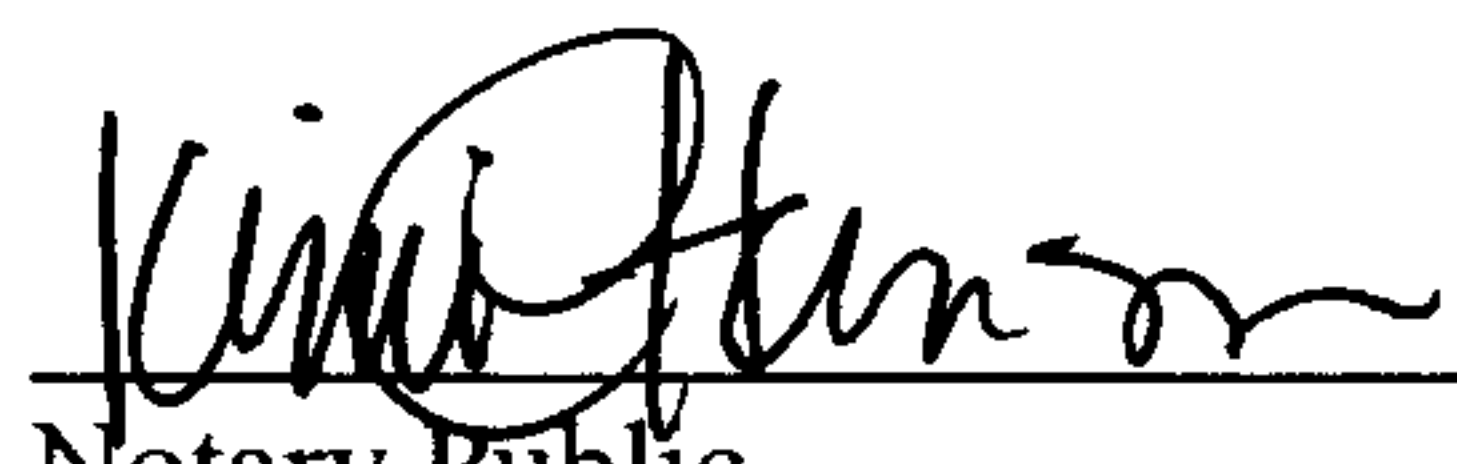
CITY OF GARDENDALE, ALABAMA, as
Issuer

By: 
Kenneth A. Clemons
Mayor

STATE OF ALABAMA)
) ss.
COUNTY OF JEFFERSON)

The undersigned, a Notary Public, does hereby certify that Kenneth A. Clemons, whose name as Mayor of the City of Gardendale, Alabama, a municipal corporation (the "Issuer"), is signed to the foregoing Intercreditor Agreement, and who is known to me and known to be such officer, acknowledged before me on this day that, being informed of the contents of the foregoing Intercreditor Agreement, he/she, in his/her capacity as Mayor and with full authority, executed and delivered the same voluntarily for and as the act of said municipal corporation as of the date of the Intercreditor Agreement.

Sworn to and subscribed before me this 30 day of Oct., 2002.

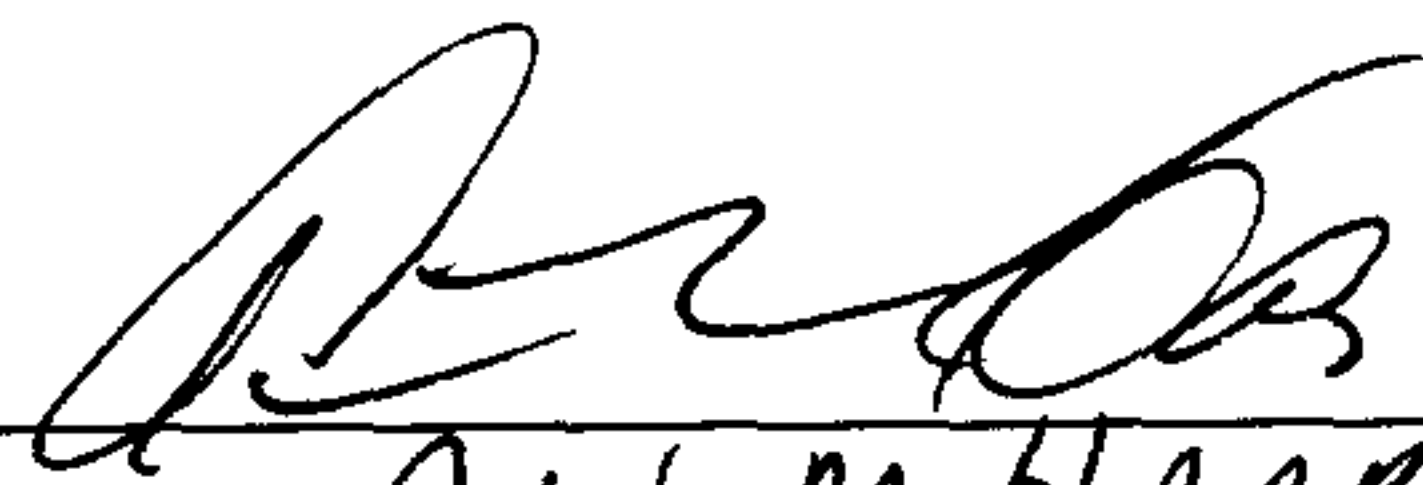


Notary Public

My commission expires:

3/30/03

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

By: 
Name: Ann M. Harris
Title: VICE PRESIDENT

STATE OF ALABAMA)
) ss.
COUNTY OF JEFFERSON)

The undersigned, a Notary Public, does hereby certify that Ann M. Harris, whose name as Vice Pres of The Bank of New York Trust Company of Florida, N.A., a trust company (the "Trustee"), has signed the foregoing Intercreditor Agreement, and who is known to me and known to be such officer, acknowledged before me on this day that, being informed of the contents of the foregoing Intercreditor Agreement, he/she, in his/her respective capacity and with full authority, executed and delivered the same voluntarily for and as the act of said company as of the date of the Intercreditor Agreement.

Sworn to and subscribed before me this 1 day of Nov., 2002.

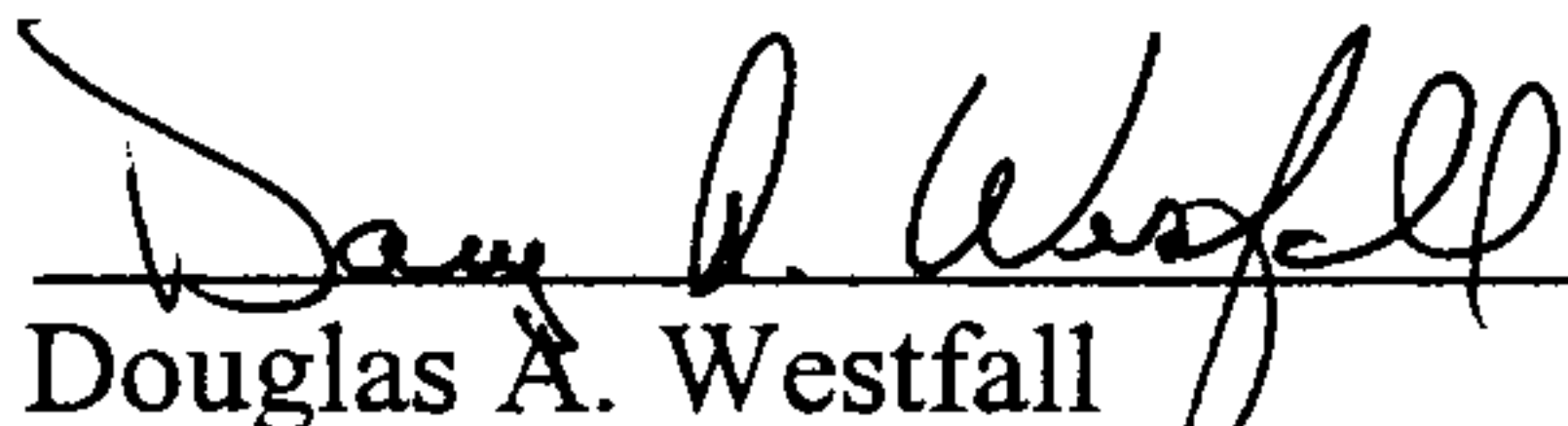


Notary Public

My commission expires:

3/30/03

FEDERAL HOME LOAN MORTGAGE
CORPORATION, as Freddie Mac

By: 
Douglas A. Westfall
Director, Multifamily Affordable Housing

COMMONWEALTH OF VIRGINIA)
) ss.
FAIRFAX COUNTY)

The undersigned, a Notary Public, does hereby certify that Douglas A. Westfall, whose name as Director, Multifamily Affordable Housing of the Federal Home Loan Mortgage Corporation, a corporation (the "Corporation"), is signed to the foregoing Intercreditor Agreement, and who is known to me and known to be such officer, acknowledged before me on this day that, being informed of the contents of the foregoing Intercreditor Agreement, he/she, in his/her capacity and with full authority, executed and delivered the same voluntarily for and as the act of said corporation as of the date of the Intercreditor Agreement.

Sworn to and subscribed before me this 29th day of October, 2002.

Phernando J Andujar
Notary Public

My commission expires:

Shermaine J. Andrijauskas, Notary Public
My Commission Expires: Sept. 30, 2004

EXHIBIT A

A parcel of land located in the NE $\frac{1}{4}$ of Section 11 and the NW $\frac{1}{4}$ of Section 12, all in Township 20 South, Range 3 West, more particularly described as follows:

Commence at the 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 $90^{\circ}10'$ left, in a Northeasterly direction, a distance of 360.00 feet; thence $89^{\circ}50'$ left, in a Northwesterly direction, a distance of 762.00 feet; thence $90^{\circ}10'$ 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 $90^{\circ}10'$ left in a Northeasterly direction a distance of 60.00 feet; thence $89^{\circ}50'$ left in a Northwesterly direction a distance of 160.00 feet; thence $90^{\circ}10'$ left in a Southwesterly direction a distance of 60.00 feet to the point of beginning.

All being situated in Shelby County, Alabama.