

WHEN RECORDED RETURN TO:

E 1546047 B 2558 P 276  
SHERYL L. WHITE, DAVIS CNTY RECORDER  
1999 SEP 14 9:04 AM FEE 52.00 DEP REC  
REC'D FOR AMERICA WEST TITLE AGENCY INC

Fredrick H. Olsen  
BALLARD SPAHR ANDREWS & INGERSOLL, LLP  
201 South Main, Suite 1200  
Salt Lake City, Utah 84111

SE 12 4n-2w  
12-066 - 0058

---

UTAH HOUSING FINANCE AGENCY  
("Agency")

and

U.S. BANK NATIONAL ASSOCIATION  
("Trustee")

and

OAKSTONE II, L.C.  
a Utah limited liability company  
("Borrower")

Agency Regulatory Agreement

Dated as of August 1, 1999

\$3,195,000  
Utah Housing Finance Agency  
GNMA Collateralized Mortgage Revenue Bonds  
(Country Oaks Apartments Project)  
Series 1999

---

## AGENCY REGULATORY AGREEMENT

THIS AGENCY REGULATORY AGREEMENT (the "Agency Regulatory Agreement") is entered into as of August 1, 1999, by and among the Utah Housing Finance Agency (the "Agency"), an independent state agency and a public body politic and corporate duly organized and existing under the laws of the State of Utah, U.S. Bank National Association, as trustee (the "Trustee") under a Trust Indenture dated as of August 1, 1999 (the "Indenture") and Oakstone II, L.C., a Utah limited liability company (the "Borrower").

## WITNESSETH:

WHEREAS, the Agency is issuing its \$3,195,000 Utah Housing Finance Agency GNMA Collateralized Mortgage Revenue Bonds (Country Oaks Apartments Project) Series 1999 (the "Bonds"), for the purpose of funding a Mortgage Loan to the Borrower to finance the acquisition, construction and equipping of a residential multifamily facility intended for rental to persons of low and moderate income, to be located in Clearfield City, Davis County, Utah (the "Project"), the legal site of which is described at Appendix "I" hereto (such land, with all buildings, fixtures, equipment and improvements now or hereafter constructed or installed thereon, is herein referred to as the "Project");

WHEREAS, all parties to this Agency Regulatory Agreement have joined in this Agency Regulatory Agreement to restrict the use of the Project as provided herein to preserve the exclusion from gross income of interest on the Bonds for federal income tax purposes.

NOW, THEREFORE, the Borrower does hereby impose upon the Project the following covenants, restrictions, charges and easements, which shall run with the land and shall be binding and a burden upon the Project and all portions thereof, and upon any purchaser, grantee, developer or lessee of any portion of the Project and any other person or entity having any right, title or interest therein and upon the respective heirs, executors, administrators, devisees, successors and assigns of any purchaser, grantee, company or lessee of any portion of the Project and any other person or entity having any right, title or interest therein, for the length of time that this Agency Regulatory Agreement shall be in full force and effect.

Section 1. Definitions. Unless otherwise expressly provided herein or unless the context clearly requires otherwise, the terms defined above shall have the meanings set forth above and the following terms shall have the respective meanings set forth below for the purposes hereof:

"Adjusted Income" means the anticipated total annual income of the family or individual for the certification year, determined in accordance with the criteria prescribed by the Secretary of Housing and Urban Development under section 8(f)(3) of the United States Housing Act of 1937, as amended, for purposes of determining whether a family is a lower-income family within the meaning of section 8(f)(1) of such Act. The "certification year" means the 12-month period which begins on the date on which the person first occupies the Unit on a rental basis, or signs a lease with respect to the Unit, whichever occurs first or an anniversary thereof, as applicable.

"Agency" means the Utah Housing Finance Agency.

"Area" means the Salt Lake City-Ogden, Utah Primary Metropolitan Statistical Area.

"Bond Counsel" means any attorney or firm of attorneys with nationally recognized expertise in the area of tax-exempt multifamily financing approved by the Agency.

"Bonds" means the Agency's GNMA Collateralized Mortgage Revenue Bonds (Country Oaks Apartments Project) Series 1999.

"Borrower" means Oakstone II, L.C., a Utah limited liability company and its respective successors and assigns with respect to the ownership of the Project.

"Code" means the Internal Revenue Code of 1986, as heretofore amended, and (unless the contract shall clearly indicate a contrary intent) as it may hereafter be amended from time to time and the Treasury regulations issued thereunder.

"Delivery Date" means the date the Bonds are initially issued and delivered to the original purchasers thereof.

"Dwelling Units" or "Units" means the units of multifamily residential housing comprising the Project.

"Financing Agreement" means the Financing Agreement dated as of August 1, 1999 between the Agency, the Trustee, the Borrower and the Lender.

"Functionally Related and Subordinate" shall mean and include facilities for use by tenants, for example, swimming pools, other recreational facilities, parking areas and other facilities which are reasonably required for the Project, for example, heating and cooling equipment, trash disposal equipment and units for resident managers or maintenance personnel; provided that the same are of a character and size commensurate with the character and size of the Project.

"GNMA" means the Government National Mortgage Association.

"Lender" means GMAC Commercial Mortgage Corporation, its successors and assigns.

"Median Income for the Area" means, as of any date, the median income for the Area as most recently determined by the Secretary of Housing and Urban Development under Section 8 of the United States Housing Act of 1937, as amended, or if programs under Section 8 are terminated, Median Income for the Area determined under the method used by the Secretary prior to such termination.

"Moderate Income Tenants" means persons or families of moderate income determined by the Agency under the Act and satisfying the requirements set forth in Section 4 hereof.

"Mortgage" means that certain mortgage from the Borrower, granting a security interest in the Project to secure payment of the Mortgage Loan.

"Mortgage Loan" means the mortgage loan to be made to the Borrower pursuant to the terms of the Financing Agreement from proceeds of the Bonds.

"Occupancy Date" means the first date on which at least 10% of the Dwelling Units in the Project are first occupied.

"Project" means the Project Site and all buildings, structures, fixtures, equipment and other improvements now or hereafter constructed or located upon the Project Site.

"Project Site" means the real property described in Appendix "I" attached hereto.

"Qualified Project Period" means a period beginning on the Occupancy Date and ending on the latest of (i) the date which is 15 years after the date on which at least 50% of the Dwelling Units in the Project are first occupied, (ii) the first day on which no tax-exempt private activity bond issued with respect to the Project is outstanding, 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 terminates.

"Qualifying Tenants" means individuals or families whose Adjusted Income is 60% or less of the Median Income for the Area. Determinations under the preceding sentence shall include adjustments for family size. Notwithstanding the foregoing, the occupants of a Dwelling Unit shall not be considered to be Qualifying Tenants if all the occupants are students (as defined in Section 151(c)(4) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code. For purposes of determining Qualifying Tenants the combined Adjusted Income of all occupants of a Dwelling Unit, whether or not legally related, shall be utilized.

"Treasury Regulations" means the regulations of the Department of the Treasury, Internal Revenue Service under Section 142(d) of Code or predecessor Code sections.

Section 2. Residential Rental Property. The Borrower hereby agrees that the Project shall be owned, managed and operated as a "qualified residential rental project" as such phrase is utilized in Section 142(d) of the Code. To that end the Borrower hereby represents, covenants and agrees as follows:

(a) the Project shall be constructed and equipped as a qualified residential rental project, and the Borrower shall develop, own, manage and operate the Project as a qualified residential rental project containing residential Dwelling Units and facilities Functionally Related and Subordinate to such Dwelling Units, in accordance with Section 142(d) of the Code and related Treasury Regulations;

(b) each Dwelling Unit in the Project contains complete and separate facilities for living, sleeping, eating, cooking (a cooking range, refrigerator and sink) and sanitation (including bathing) for a single person or a family;

(c) none of the Dwelling Units in the Project shall at any time be utilized on a transient basis; none of the Dwelling Units in the Project shall be leased or rented for a period of less than 60 days; and neither the Project nor any portion thereof shall be used as a hotel, motel, dormitory, fraternity house, sorority house, rooming house, hospital, nursing home, retirement home, sanitarium, rest home, trailer park or court or by a cooperative housing corporation (as defined in Section 216(b)(1) of the Code);

(d) once available for occupancy each Dwelling Unit in the Project shall be rented or available for rental on a continuous basis to members of the general public during the Qualified Project Period;

(e) the Dwelling Units in the Project shall be leased and rented to members of the general public in compliance with the Treasury Regulations and this Agency Regulatory Agreement, except for any Dwelling Units rented under the Section 8 Program, which will be leased to eligible tenants in accordance with Section 8 Program constraints and regulations;

(f) substantially all (i.e., not less than 95%) of the Project shall consist of proximate buildings or structures located on one or more contiguous tracts of land which have similarly constructed Dwelling Units financed pursuant to a common plan together with Functionally Related and Subordinate facilities, all of which shall be owned by the same "person" (as such term is used in the Treasury Regulations) for federal tax purposes;

(g) the Borrower will not on the basis of age, sex, religion, race, color, creed, familial status, source of income, disability or national origin discriminate in the sale, lease or rental of any part of the Project, nor deny to any eligible applicant the opportunity to rent any Dwelling Unit in the Project on the basis of age, sex, religion, race, color, creed, familial status, source of income, disability or national origin. The Borrower will not advertise or in any other way make statements to occupants or prospective occupants of the Project to the effect that occupancy is restricted, or in any other way limited by, age, sex, religion, race, color, creed, familial status, source of income, disability or national origin; and

(h) no building or structure in the Project containing fewer than five Dwelling Units shall be occupied by the Borrower or a related party (within the meaning of Section 1.103-10(e) of the Regulations) to the Borrower.

Section 3. Qualifying Tenants. To the end of satisfying the requirements of Section 142(d) of the Code and the Treasury Regulations thereunder relating to income limits, the Borrower hereby represents, covenants and agrees as follows:

(a) At all times during the Qualified Project Period, at least 40% of the total completed Dwelling Units (including both occupied and vacant Dwelling Units) in the Project shall be occupied solely by Qualifying Tenants; provided that for purposes of satisfying such requirement, the following general principles shall apply:

(i) The determination of whether the income of a resident of a Dwelling Unit in the Project exceeds the applicable income limit shall be made at least annually on the basis of the current income of such resident. If the income of a resident of a Dwelling Unit in the Project did not exceed the applicable income limit upon commencement of such resident's occupancy of such Dwelling Unit (or, as of any prior determination under the preceding sentence) the income of such resident shall be treated as continuing to not exceed the applicable income limit; however, the preceding sentence shall cease to apply to any resident whose income as of the most recent annual determination exceeds 140% of the applicable limit if after such determination, but before the next determination, any Dwelling Unit of comparable or smaller size in the Project is occupied by any resident whose income exceeds the applicable income limit.

(ii) A Dwelling Unit which was occupied by a Qualifying Tenant shall be treated as occupied by a Qualifying Tenant until reoccupied, other than for a temporary period of not to exceed 31 days, at which time the character of the Dwelling Unit shall be redetermined.

(b) If necessary, the Borrower shall refrain from renting Dwelling Units to persons other than Qualifying Tenants in order to avoid violating the covenant set forth in Section 3(a) above.

(c) The Borrower shall obtain and maintain on file a sworn income certification in the form attached as Appendix "III" hereto with respect to the occupants of a sufficient number of Dwelling Units in the Project to satisfy the covenant set forth in Section 3(a) above; and each such certification shall be in such form, signed by such person or persons, and obtained at such time or times, as is required hereby and by the applicable Treasury Regulations under Section 142(d) of the Code and shall promptly deliver to the Agency or the Trustee, upon request, a copy of each such certification together with such additional certifications as the Agency or the Trustee may reasonably require with respect thereto. The Borrower shall verify that the income provided by an applicant is accurate by taking the following steps as a part of the verification process: (1) obtain a federal income tax return for the most recent tax year, (2) obtain a written verification of income and employment from applicant's current employer, or (3) if an applicant is unemployed or did not file a tax return for the previous calendar year, obtain other verification of such applicant's income satisfactory to the Agency.

(d) The Borrower shall submit to the Secretary of Treasury (at such time and in such manner as the Secretary shall prescribe) the annual certification required by Section 142(7) of the Code (currently IRS form 8703) as to whether the Project continues to meet the requirements of Section 142(d). Any failure to comply with the provisions of the preceding sentence may subject the Borrower to penalties under the Code. The Borrower shall deliver a copy of all annual certifications submitted to the Secretary of Treasury, together with proof of mailing, to the Agency within 30 days of submission to the Secretary of Treasury.

(e) The Borrower shall prepare and submit to the Agency on or before the first day of each month during the Qualified Project Period beginning on the first day of the month following the initial occupancy of any Dwelling Unit, a Certificate of Continuing Program Compliance attached hereto as Appendix "II" or as amended by the Agency, duly executed by an authorized representative of the Borrower. In the event the Borrower is unable to deliver any Certificate of Continuing Program Compliance on a timely basis, the Borrower shall furnish to the Agency, in writing, a detailed explanation of the reasons for such failure or inability to provide such Certificate of Continuing Program Compliance.

Section 4. Moderate Income Tenants. In addition to the covenant set forth in Section 3(a) hereof with respect to 40% of the Dwelling Units in the Project, the Borrower hereby covenants that an additional 40% of the Dwelling Units in the Project shall be rented to an individual, family or household who upon initial occupancy has an Adjusted

Income which does not exceed 100% of the Median Income for the Area; and that the remaining 20% of the Dwelling Units in the Project shall be rented to an individual, family or household who upon initial occupancy has an Adjusted Income which does not exceed 130% of the Median Income for the Area.

Section 5. Covenants Run with the Land. The Borrower hereby declares its express intent that the covenants, restrictions, charges and easements set forth herein shall be deemed covenants running with the land and shall pass to and be binding upon the Borrower's successors in title including any purchaser, grantee or lessee of any portion of the Project and any other person or entity having any right, title or interest therein and upon the respective heirs, executors, administrators, devisees, successors and assigns of the Borrower and any purchaser, grantee, developer or lessee of any portion of the Project and any other person or entity having any right, title or interest therein. Each and every contract, deed or other instrument hereafter executed covering or conveying the Project or any portion thereof or interest therein shall contain an express provision making such conveyance subject to the covenants, restrictions, charges and easements contained herein; provided, however, that any such contract, deed or other instrument shall conclusively be held to have been executed, delivered and accepted subject to such covenants, regardless of whether or not such covenants are set forth or incorporated by reference in such contract, deed or other instrument.

Section 6. Uniformity: Common Plan. The provisions hereof shall apply uniformly to the entire Project to establish and carry out a common plan for the use, development and improvement of the Project Site.

Section 7. Remedies: Enforceability. In the event of a violation or attempted violation of any of the provisions hereof, the Agency or any governmental entity succeeding to the Agency's functions, the Trustee and the owners of the Bonds may institute and prosecute any proceeding at law or in equity to abate, prevent or enjoin any such violation or attempted violation, or to recover monetary damages caused by such violation or attempted violation. The provisions hereof are imposed upon and made applicable to the Project and shall run with the land and shall be enforceable against the Borrower and each purchaser, grantee, developer or lessee of the Project or any portion thereof of interest therein, at any time and from time to time, and the respective heirs, legal representatives, successors and assigns. No delay in enforcing the provisions hereof as to any breach or violation shall impair, damage or waive the right of any party entitled to enforce the same or obtain relief against or recover for the continuation or repetition of such breach or violation or any similar breach or violation thereof at any later time or times. The Borrower hereby agrees to pay, indemnify and hold the Agency and the Trustee and their successors harmless from any and all costs, expenses and fees, including all reasonable attorneys' fees, which may be incurred by the Agency or the Trustee in enforcing or attempting to enforce this Agency Regulatory Agreement following any default on the part of the Borrower hereunder, whether the same shall be enforced by suit or otherwise; together with all costs, fees and expenses which may be incurred in



connection with any amendment to the Agency Regulatory Agreement (or to the Financing Agreement) or otherwise by the Issuer at the request of the Borrower (including the reasonable fees and expenses of Bond Counsel in connection with any opinion to be rendered hereunder).

Section 8. Amendment; Term; Termination. The Borrower shall cause this Agency Regulatory Agreement to be duly recorded (or the terms hereof to be incorporated into a deed to be duly recorded) in the office of public records in the county where the Project is located as an encumbrance upon the Project Site and the Borrower shall deliver to the Trustee a copy of a title insurance policy or other evidence of such recording and an opinion of counsel in form and substance satisfactory to the Trustee to the effect that this Agency Regulatory Agreement is a legal, valid and binding agreement enforceable in accordance with its terms against the Borrower. Prior to the effective date of any transfer of title to the Project, the Borrower shall deliver to Trustee an opinion of counsel in form and substance satisfactory to Trustee to the effect that this Agency Regulatory Agreement is a legal, valid and binding agreement of all persons acquiring any right, title or interest in or to the Project or any part thereof.

Except as otherwise provided herein and in Section 14, this Agency Regulatory Agreement and the covenants made by the Borrower herein shall remain in full force and effect until the expiration of the Qualified Project Period. The provisions hereof shall not be amended, revised or terminated prior to such stated term except by an instrument in writing duly executed by the Agency, the Trustee (so long as any Bonds are outstanding), HUD, and the Borrower and duly recorded. The Agency's consent to any such amendment, revision or termination shall be given only upon receipt of:

(a) an opinion of Bond Counsel that such amendment, revision or termination will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes; or

(b) (i) evidence satisfactory to the Agency that there has occurred an involuntary noncompliance caused by fire, seizure, requisition, foreclosure, transfer of title by deed in lieu of foreclosure, change in federal law or action of a federal agency after the date of issue which prevents the Agency from enforcing this Agency Regulatory Agreement or condemnation or similar event, but only if within a reasonable period thereafter the Bonds are paid in full and retired; provided, however, that the preceding provisions of this sentence shall cease to apply and the restrictions contained herein shall be reinstated if, at any time during the Qualified Project Period subsequent to the termination of such provisions as the result of the foreclosure of the lien of the Mortgage or the delivery of a deed in lieu of foreclosure or a similar event, the Borrower or any related person (within the meaning of Section 1.103-10(e) of the Regulations under Section 103 of the Code) obtains an interest in the Project which constitutes an ownership interest therein for federal income tax purposes, and (ii) an opinion of Bond Counsel that

termination of this Agency Regulatory Agreement in relation thereto will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes.

Upon expiration or sooner termination of this Agency Regulatory Agreement and upon written request to the Borrower, the Agency shall take such reasonable actions as necessary upon the advice of its legal counsel to remove this Agency Regulatory Agreement from the public records relating to the Project Site.

Notwithstanding any other provisions hereof, this Agency Regulatory Agreement shall be amended to conform to the requirements of HUD or any amended Treasury Regulations (proposed or final), or any legislative enactment or final decision by a court of competent jurisdiction affecting the tax-exempt status of the interest on the Bonds when the same becomes applicable.

Section 9. Sale or Transfer of the Project. The Borrower intends to hold the Project for its own account, has no current plans to sell, transfer or otherwise dispose of the Project, and hereby covenants and agrees not to sell, transfer or otherwise dispose of the Project, or any portion thereof without having first delivered to the Agency and the Trustee (i) reasonable evidence satisfactory to the Agency that the Borrower's purchaser or transferee has assumed in writing and in full, the Borrower's duties and obligations under this Agency Regulatory Agreement and the Financing Agreement, acknowledgment of which shall be provided to the Borrower at its request, (ii) an opinion of counsel to the transferee that the transferee has duly assumed the obligations of the Borrower under this Agency Regulatory Agreement and the Financing Agreement and that such obligations and this Agency Regulatory Agreement and the Financing Agreement are legal, valid, binding and enforceable on the transferee, (iii) evidence acceptable to the Agency that either (A) the purchaser or assignee has experience in the ownership, operation and management of rental housing projects such as the Project without any record of material violations of discrimination restrictions or other state or federal laws or regulations applicable to such projects, or (B) the purchaser or assignee agrees to retain a property management firm with the experience and record described in subparagraph (A) above, (iv) evidence acceptable to the Agency that no event of default exists under this Agency Regulatory Agreement, the Financing Agreement, or the Mortgage and payment of all fees and expenses of the Agency and the Trustee are current, and (v) an opinion of Bond Counsel to the effect that such sale will not adversely affect the exclusion of interest on any Bond from the gross income of the recipients thereof for federal income tax purposes, except with respect to interest on any Bond during any period such Bond is held by a "substantial user" or a "related person" within the meaning of Section 147(a) of the Code. It is hereby expressly stipulated and agreed that any sale, transfer or other disposition of the Project in violation of the provisions of this Section 9 shall be null, void and without effect, shall cause a reversion of title to the Borrower, and shall be ineffective to relieve the Borrower of its obligations under this Agency Regulatory Agreement. Not less than 60 days prior to consummating any sale, transfer or disposition of any interest in the Project, the

Borrower shall deliver to the Agency and the Trustee a notice in writing explaining the nature of the proposed transfer.

Section 10. No Conflict with Other Documents. Except as otherwise provided in Section 14 hereof, the Borrower warrants that it has not executed and will not execute any other agreement with provisions contradictory to, or in opposition to, the provisions hereof, and that in any event, the requirements of this Agency Regulatory Agreement are paramount and controlling as to the rights and obligations herein set forth and supersede any other requirements in conflict herewith.

Section 11. Severability. The invalidity of any clause, part or provision of this Agency Regulatory Agreement shall not affect the validity of the remaining portions thereof.

Section 12. Notices. All notices to be given pursuant to this Agency Regulatory Agreement shall be in writing and shall be deemed given when mailed by certified or registered mail, return receipt requested, to the parties hereto at the addresses set forth below, or to such other place as a party may from time to time designate in writing, if to the Trustee: U.S. Bank National Association, 15 West South Temple, 2<sup>nd</sup> Floor, Salt Lake City, Utah, 84101, Attention: Corporate Trust Department; if to the Borrower: Oakstone II, L.C., c/o Prowswood Companies, 4885 South 900 East, Salt Lake City, Utah, 84117-5746; if the Agency: Utah Housing Finance Agency, 554 South 300 East, Salt Lake City, Utah 84111, Attention: Executive Director.

Section 13. Governing Law. This Agency Regulatory Agreement shall be governed by the laws of the State of Utah.

Section 14. Subordination.

(a) Notwithstanding any provision of this Agency Regulatory Agreement to the contrary, the parties hereto acknowledge and agree that all of their respective rights and powers hereunder are subordinate and subject to the National Housing Act, HUD and GNMA regulations, related administrative requirements, and the FHA Loan Documents (as such terms are defined in the Indenture), together with any and all amounts from time to time secured thereby, and interest thereon, and to all of the terms and provisions of the Mortgage, and any and all documents and agreements executed by the Owner as required by FHA, GNMA or the Lender in connection with the Mortgage Loan.

(b) No failure on the part of the Borrower to comply with the provisions of this Agency Regulatory Agreement shall serve as a basis for a default on the Mortgage Loan.

(b) Enforcement of the provisions of this Agency Regulatory Agreement shall not result in any claim under the Mortgage Loan or any claim against the Project, Mortgage Loan proceeds, proceeds of the loan insured by the Mortgage, any reserve or deposit required by HUD in connection with the Mortgage Loan or against the rents or other income from the Project (other than available "surplus cash," "distributions" and "residual receipts," (as such terms are defined in the applicable FHA regulatory agreement, and duly authorized for release by HUD).

(c) The Borrower shall not be deemed to be in violation of this Agency Regulatory Agreement if it shall take (or refrain from taking) any actions required (or prohibited) by HUD pursuant to the National Housing Act, applicable mortgage insurance regulations, related administrative requirements, and, if applicable, Section 8 of the U.S. Housing Act of 1937 and regulations promulgated thereunder.

(d) This Agency Regulatory Agreement and the restrictions hereunder are subject to and subordinate to the liens and security interests granted by the Mortgage. In the event of foreclosure or deed in lieu of foreclosure, this Agency Regulatory Agreement and the restrictions hereunder will automatically and immediately terminate and shall thereafter be of no further force and effect.

Section 15. Appendices. The appendices attached hereto are hereby incorporated and made a part hereof.


Section 16. Counterparts. This Agency Regulatory Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

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

OAKSTONE II, L.C., a Utah limited liability company

By its Managing Member, Clearfield Affordable Housing II, L.C., a Utah limited liability company

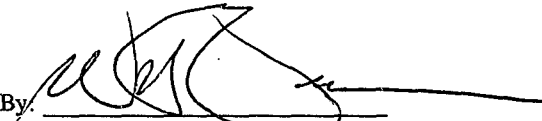
By its Manager, Prowswood Companies, a Utah corporation

By:   
Alan J. Wood, Vice President

UTAH HOUSING FINANCE AGENCY

By: David B. Winder  
Chairman

Attest:

By:   
Executive Director

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee

By: K. R. Halbaath  
Title: Vice President

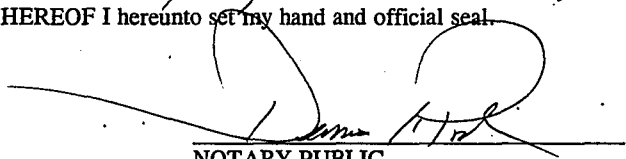
STATE OF UTAH )  
 : ss.  
COUNTY OF SALT LAKE )

E 1546047 B 2558 P 289

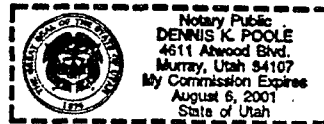
On this 13 day of September, 1999, before me, the undersigned Notary Public, personally appeared Alan J. Wood, who acknowledged himself/herself to be an authorized officer of Oakstone II, L.C., and that he/she is an officer being authorized to do so; executed the foregoing instrument for the purposes therein contained by signing the name of the corporation by himself/herself as such officer.

*\* Pleasantwood Company, Manager of Clearfield Affiliated Home II, L.C., member*

IN WITNESS WHEREOF I hereunto set my hand and official seal.



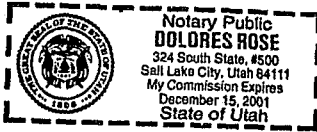
NOTARY PUBLIC



STATE OF UTAH )  
 )  
 ) :SS.  
 )  
COUNTY OF SALT LAKE )

On this 2<sup>nd</sup> day of September, 1999, before me, the undersigned Notary Public, personally appeared David B. Winder, who acknowledged himself to be the Chairman of the Utah Housing Finance Agency and that he is an officer authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of the Agency by himself as such officer.

IN WITNESS WHEREOF I hereunto set my hand and official seal.



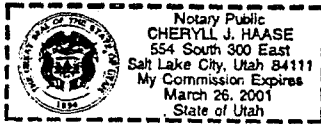
*Dolores Rose*  
\_\_\_\_\_  
NOTARY PUBLIC

STATE OF UTAH )  
 )  
 ) :SS.  
 )  
COUNTY OF SALT LAKE )

On this 8<sup>th</sup> day of September, 1999, before me, the undersigned Notary Public, personally appeared William H. Erickson, who acknowledged himself to be the Executive Director, of Utah Housing Finance Agency and that he is an officer authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of the Agency by himself as such officer.

IN WITNESS WHEREOF I hereunto set my hand and official seal.

*Ceryll J. Haase*  
NOTARY PUBLIC





STATE OF UTAH )  
 )  
 :SS.  
 )  
 COUNTY OF SALT LAKE )

On this 13<sup>th</sup> day of September, 1999, before me, the undersigned Notary Public, personally appeared Kim Talbrath, who acknowledged himself/herself to be an authorized officer of U.S. Bank National Association, and that he/she is an officer being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of said bank by himself/herself as such officer.

IN WITNESS WHEREOF I hereunto set my hand and official seal.

Kaye Spillman  
NOTARY PUBLIC



APPENDIX "I"Description of Project Site

Real Property located in Davis County, Utah, to wit:

A Part of the Southeast Quarter of Section 12, Township 4 North, Range 2 West, Salt Lake Base and Meridian, U.S. Survey. Beginning at a point being 997.11 feet North  $00^{\circ}06'05''$  East along the section line and 33.00 feet West of the Southeast corner of Section 12 (Basis of bearing: North  $00^{\circ}06'05''$  East from the Southeast corner of Section 12 along the Section line to the East quarter corner); thence as follows: North  $89^{\circ}44'36''$  West 495.00; thence north  $00^{\circ}06'05''$  East for 321.07 feet; thence South  $89^{\circ}44'36''$  East 495.00 feet to the West line of 1000 East Street; thence South  $00^{\circ}06'05''$  West 321.07 feet along said street, to the point of beginning.

APPENDIX "J"

CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

The undersigned hereby certifies as follows:

1. The undersigned has read and is familiar with the provisions of the following:
  - a. Financing Agreement (the "Financing Agreement") dated as of August 1, 1999, by and between the Borrower, the Lender, the Trustee and the Utah Housing Finance Agency;
  - b. Mortgage and Mortgage Note (as defined in the Financing Agreement); and
  - c. Agency Regulatory Agreement (as defined in the Financing Agreement).

2. At least \_\_\_\_% of all Dwelling Units in the Project, including vacant Dwelling Units, have been occupied by Qualifying Tenants or, as to vacant Dwelling Units, have been deemed to have been occupied by Qualified Tenants, at all times since the later of (i) the Occupancy Date or (ii) the dated date of the last Certificate of Continuing Program Compliance delivered to the Agency pursuant to the Agency Regulatory Agreement.

3. Having certified that at least 40% of the Dwelling Units in the Project have been rented to Qualifying Tenants, an additional 40% of such Dwelling Units have been either rented, or have been held vacant for rental, to an individual, family or household having an Adjusted Income which upon initial occupancy of such Dwelling Unit did not exceed 100% of the Median Income for the Area at all times since the dated date of the last Certification of Continuing Program Compliance delivered to the Agency; and the remaining 20% of such Dwelling Units have been either rented, or have been held vacant for rental, to an individual, family or household having an Adjusted Income which upon initial occupancy of such Dwelling Unit did not exceed 130% of the Median Income for the Area at all times since the dated date of the last Certificate of Continuing Program Compliance delivered to the Agency.

4. Attached hereto is a copy of the annual certification with respect to the Project required to be filed with the Secretary of Treasury for the preceding year, together with proof of mailing thereof.

5. The Borrower is not in default under any of the agreements referred to in paragraph 1 above.

6. Words and phrases used in this certificate shall have the same meanings herein as in the Financing Agreement and Agency Regulatory Agreement.

DATED: \_\_\_\_\_, 19\_\_.

OAKSTONE II, L.C.

By: \_\_\_\_\_  
Its: \_\_\_\_\_

APPENDIX "III"

INCOME VERIFICATION

RE: [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.
<u>Name of Members of the Household</u>	<u>Relationship to Head of Household</u>	<u>Age</u>	<u>Social Security Number, if any</u>	<u>Place of Employment</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

6. The Total Anticipated Income of all the above persons (including anticipated income of a family head or spouse of family head who is temporarily absent) during the 12-month period beginning on the date (earlier of the date of initial occupancy or date of lease execution or anniversary thereof) set forth above is \$ \_\_\_\_\_. (See reverse for definition of income and worksheet. Total to include amounts set forth in 7.2 below.)

7. If any of the members of the household has savings, stocks, bonds, equity in real property or other form of capital investment whose total value exceeds \$5,000, provide:

7.1. the total value of all such assets owned by the members of the household less reasonable costs that would be incurred in disposing of such assets: \$ \_\_\_\_\_, and

7.2. the amount of income expected to be derived from such assets in the 12-month period commencing this date: \$ \_\_\_\_\_.

8. 8.1. Will all of the persons listed in column 1 above (other than preschool age children) be or have they been full-time students during five calendar months of this 12-month period at an educational institution (other than a correspondence school) with regular faculty and students?

Yes \_\_\_\_\_ No \_\_\_\_\_

8.2. (Complete only if the answer to Question 8.1 is "Yes"). Is any such person married and eligible to file a joint federal income tax return?

Yes \_\_\_\_\_ No \_\_\_\_\_

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 provide permanent financing for the Project and declare under penalty of perjury that the foregoing is true and correct. We consent to the disclosure of such information to the issuer of such Bonds, the holders of such Bonds, any trustee acting on their behalf and any authorized agent of the Treasury Department or Internal Revenue Service. We acknowledge that it is a criminal offense to make a willfully false statement or misrepresentation to any department or agency of the United States.

Date: \_\_\_\_\_

\_\_\_\_\_  
Head of Household

\_\_\_\_\_  
Spouse

[Backside]

a. anticipated income includes:

Wages, salary, overtime pay (before payroll deductions) . . . . .	\$ _____
Commissions, Fees . . . . .	_____
Tips, Bonuses, All Other Personal Compensation . . . . .	_____
All Net Income from Business or Real or Personal Property or a Profession (only straight line depreciation is allowed) . . . . .	_____
Withdrawals of Cash or Assets from Business, Profession or Investment (no deduction for business expansion expenditures or for amortization of capital indebtedness is allowed) . . . . .	_____
Interest, dividends and other net income from real or personal property . . . . .	_____
Periodic Payments (Social Security, Annuities, Insurance Policies, Retirement Funds, Pensions, Disability or Death Benefits, Etc.) . . . . .	_____
Payments in lieu of Earnings (Unemployment and Disability Compensation, Workers Compensation and Severance Pay) . . . . .	_____
Welfare Assistance . . . . .	_____
Periodic Allowances (Alimony, Child Support) . . . . .	_____
Regular Contributions or Gifts . . . . .	_____
Regular Pay, Special Pay (Except for Hostile Fire) and Allowances for Members of Armed Forces . . . . .	_____
Earned Income Tax Credits in Excess of Income Tax Liability . . . . .	_____
<b>Total Anticipated Income for the Household . . . . .</b>	<b>\$ _____</b>

b. anticipated income does not include:

- (i) temporary, nonrecurring or sporadic income (including occasional gifts);
- (ii) amounts that are specifically for or in reimbursement of medical expenses;
- (iii) 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;
- (iv) amounts of student financial assistance paid directly to the student or the educational institution;
- (v) special pay to a family member serving in the Armed Forces who is exposed to hostile fire; income from employment of children (including foster children) under the age of 18 years;
- (vi) foster child care payments; income of a live-in aid, as defined in 24 CFR §5.608;
- (vii) amounts received under training programs funded by HUD;
- (viii) amounts received by a disabled person that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self Sufficiency;
- (ix) amounts received by a participant in any other public assisted programs which are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care etc.) and which are made solely to allow participation in a specific program;
- (x) earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household and spouse)

FOR COMPLETION BY PROJECT SPONSOR ONLY:

1. Calculation of Adjusted Income:

- a. Enter amount entered for entire household in 6 above: ..... \$ \_\_\_\_\_
- b. If the amount entered in 7.1 above is greater than \$5,000, enter:
  - (i) the product of the amount entered in 7.1 above as multiplied by the current passbook savings rate as determined by HUD: ..... \$ \_\_\_\_\_
  - (ii) the amount entered in 7.2 above: ..... \$ \_\_\_\_\_
  - (iii) line (i) minus line (ii) (if less than \$0, enter \$0) ..... \$ \_\_\_\_\_
- c. TOTAL ADJUSTED INCOME (Line 1.a plus line 1.b(iii)): ..... \$ \_\_\_\_\_

2. Qualification as Qualifying Tenants:

- a. Is the amount entered in line 1.c equal to or less than 60% of Median Income for the Area adjusted for family size?
 

Yes \_\_\_\_\_ No \_\_\_\_\_
- b. (i) If line 2.a is "Yes", and 8.1. above is "No", then the household qualifies as Qualifying Tenants.
- (ii) If line 2.a. is "Yes", 8.1. above is "Yes" and 8.2. above is "Yes", then the household qualifies as Qualifying Tenants.

3. Number of apartment unit assigned: \_\_\_\_\_

4. Monthly rent: \_\_\_\_\_

5. (Check One)

\_\_\_\_\_ The household does not qualify as Qualifying Tenants.

\_\_\_\_\_ The household qualifies as Qualifying Tenants.

SPONSOR

By \_\_\_\_\_  
Its \_\_\_\_\_