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5-1-1 AS 2003:17748 TR

After Recording, please return to:

President  
Utah Housing Corporation  
554 South 300 East  
Salt Lake City, Utah 84111

ENT 84772:2003 PG 1 of 5  
RANDALL A. COVINGTON  
UTAH COUNTY RECORDER  
2003 Jun 05 3:45 pm FEE 18.00 BY SM  
RECORDED FOR FIRST AMERICAN TITLE CO

Tax Parcel I.D. No.: 30-029-0044

**SUBORDINATION AGREEMENT**

This Subordination Agreement ("Agreement") is made and entered into as of the 19th day of February, 2003, by and among PAYSON-UTAH III ASSOCIATES, A WASHINGTON LIMITED PARTNERSHIP ("Owner"), the UNITED STATES OF AMERICA acting through the RURAL HOUSING SERVICE or successor agency, UNITED STATES DEPARTMENT OF AGRICULTURE, a Government agency (the "Lender"), and UTAH HOUSING CORPORATION, a public corporation of the State of Utah ("UHC").

**RECITALS**

A. The Owner is the owner of certain real property located in Utah County, State of Utah, which property is more particularly described in Exhibit A attached hereto (the "Property"). The Owner has constructed certain residential housing and other improvements on the Property (the "Project").

B. As a part of the permanent financing of the Project, the Lender has made a loan to the Owner in the sum of ONE MILLION THREE HUNDRED THIRTY THOUSAND AND NO/100THS DOLLARS (\$1,330,000.00) (the "Loan"). The Loan is evidenced by that certain Promissory Note, dated as of April 4, 1995 (the "Note"), and secured by, among other things, a Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated as of April 4, 1995 (the "Deed of Trust"), executed by the Owner in favor of the Lender, and recorded in the official real estate records of the Utah County Recorder's Office on April 4, 1995 as Entry No. 20612 in Book 3651 at Page 37 *et seq.* The Note, the Deed of Trust and all other documents evidencing or securing the Loan are hereinafter collectively referred to as the "Loan Documents."

C. As part of the permanent financing of the Project, the Owner also intends to use federal low-income housing tax credits ("Tax Credits") pursuant to Section 42 of the Internal Revenue Code ("Section 42"). In order for the Owner to qualify for Tax Credits, the Owner must, among other things, receive a Form 8609 from UHC for the Project. UHC may issue a Form 8609 only if the Owner satisfies certain requirements under Section 42.

D. To fulfill one of the requirements for UHC to issue a Form 8609 for the Project, UHC and the Owner have entered into that certain Low-Income Housing Credit Commitment Agreement and Declaration of Restrictive Covenants dated June 1, 1995 (the "Extended Use Agreement") and recorded in the official real estate records of the Utah County Recorder's Office as Entry No. 67283 in Book 3784 at Page 751 *et seq.*, which encumbers the Property and the Project.

E. The Extended Use Agreement provides in Section 10 that, notwithstanding the termination of the extended use period (as such term is defined in Section 9 thereof, the "Extended Use Period"), the Owner shall not evict or terminate the tenancy (other than for good cause) of an existing low-income tenant of any low-income unit in the Project or increase the gross rent with respect to a low-income unit, not otherwise permitted under Section 42, before the close of the three year period following such termination of the Extended Use Period.

F. Because the Deed of Trust was recorded before the Extended Use Agreement was recorded, (i) the Owner is obligated under the Extended Use Agreement to obtain, and (ii) UHC cannot issue a Form 8609 for the Project until the Owner obtains, an agreement in the form hereof from the Lender pursuant to which the Lender shall agree to be bound by the provisions Section 10 of the Extended Use Agreement upon any foreclosure (or instrument in lieu of foreclosure) of the Property, in accordance with the terms of this Agreement.

G. Because the Lender recognizes that the ability of the Owner to qualify for Tax Credits is essential to the viability of the Project and the ability of the Owner to repay the Loan, the Lender is willing to enter into this Agreement.

NOW, THEREFORE, the parties hereto agree as follows:

1. The Lender hereby agrees that (a) the lien of the Deed of Trust is subordinate to the obligation of the Owner under Paragraph 10 of the Extended Use Agreement and (b) that it shall not evict or terminate the tenancy (other than for good cause) of an existing low-income tenant of any low-income unit located in the Project or increase the gross rent with respect to a low-income unit, not otherwise permitted under Section 42, before the close of the three year period following termination of the Extended Use Period by reason of any foreclosure (or instrument in lieu of foreclosure) of the Property by the Lender.

2. The Lender agrees that the covenants contained in Paragraph 1 above shall unconditionally be and remain at all times an encumbrance on the Property, prior and superior to the lien or charge of the Deed of Trust, and be binding upon all successor beneficiaries under the Deed of Trust.

3. This Agreement shall be the whole and only agreement with regard to the subordination of the lien or charge of the Deed of Trust to the Extended Use Agreement.

4. This Agreement will be governed by, and construed and enforced in accordance with, the laws of the State of Utah.

5. This Agreement may be signed in multiple counterparts with the same effect as if all signatories had executed the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

THE LENDER:

UNITED STATES OF AMERICA, acting through the  
RURAL HOUSING SERVICE or successor agency,  
UNITED STATES DEPARTMENT OF AGRICULTURE

By: David E. Brown  
DAVID E. BROWN

Its: Acting State Director, Rural Development, acting on behalf of the Rural Housing Service, as successor in interest to the Farmers Home Administration, United States Department of Agriculture, State of Utah

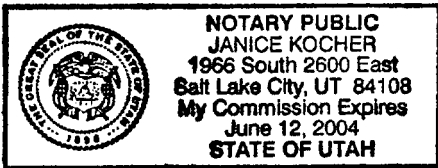
STATE OF UTAH )  
 ) ss.  
COUNTY OF SALT LAKE )

On this day personally appeared before me David E. Brown to be known to be the individual described in and who executed the within and foregoing instrument and acknowledged that he signed the same as Acting State Director free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 3rd day of April, 2003.

My Commission Expires:  
6-12-2004

Janice Kocher  
Notary Public in and for the State of Utah



UHC:

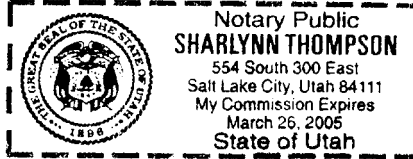
UTAH HOUSING CORPORATION

By: [Signature]

William H. Erickson

Its: President

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



The foregoing instrument was acknowledged before me this 14 day of July, 2003, by William H. Erickson, President of UTAH HOUSING CORPORATION, a public corporation of the State of Utah.

My commission expires: March 26, 2005

[Signature]  
Notary Public in and for the State of Utah

THE BORROWER:

PAYSON-UTAH III ASSOCIATES, A  
WASHINGTON LIMITED PARTNERSHIP

By: [Signature]

James H. Hogue

Its: General Partner

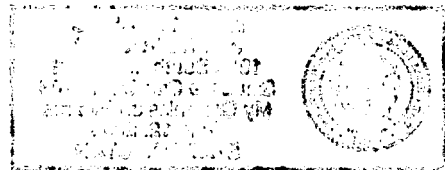
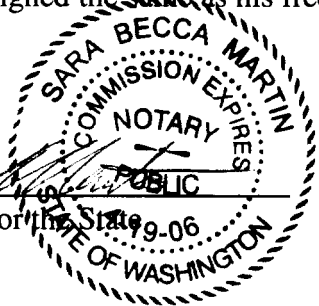
STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF KING )

On this day personally appeared before me, James H. Hogue to be known to be individual described in and who executed the within and foregoing instrument as the General Partner of Payson-Utah III Associates, a Washington Limited Partnership and acknowledged that he signed the same as his free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 10th day of April, 2003

My commission expires: 4/19/06

[Signature]  
Notary Public in and for the State of Washington  
of Washington



## Exhibit "A" - Legal Description

Beginning at a point located South 89° 47' 08" West along the Section line 1545.10 feet and North 1570.01 feet from the Southeast corner of Section 9, Township 9 South, Range 2 East, Salt Lake Base and Meridian; thence North 00° 24' 46" East 295.00 feet; thence North 89° 38' 10" West 217.80 feet; thence North 00° 24' 46" East 83.54 feet; thence North along the arc of a 16.00 foot radius curve to the right 25.09 feet (Chord bears North 45° 19' 49" East 22.60 feet); thence South 89° 45' 09" East 337.86 feet; thence along the arc of a 16.00 foot radius curve to the right 25.12 feet (Chord bears South 44° 46' 04" East 22.62 feet); thence South 00° 13' 00" West 363.22 feet; thence along the arc of a 16.00 foot radius curve to the right 25.17 feet (Chord bears South 45° 17' 25" West 22.66 feet); thence North 89° 38' 10" West 137.31 feet to the point of beginning.

Situate in the State of Utah, County of Utah.

JK  
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