

After Recording, please return to:

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

FIRST AMERICAN TITLE COMPANY  
ACCOMMODATION RECORDING ONLY  
NOT EXAMINED

00462246 BR00824 P600145-00169

PATSY CUTLER -- IRON COUNTY RECORDER  
2003 MAR 13 15:29 PM FEE \$18.00 BY DBJ  
REQUEST: FIRST AMERICAN TITLE/CEAR CITY

## SUBORDINATION AGREEMENT

This Subordination Agreement ("Agreement") is made and entered into as of the 25th day of October, 2002, by and among WEDGEWOOD LANE 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 Iron 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 EIGHT THOUSAND EIGHT HUNDRED AND NO/100THS DOLLARS (\$1,008,800.00) (the "Loan"). The Loan is evidenced by that certain Promissory Note, dated as of September 26, 1994 (the "Note"), and secured by, among other things, a Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing, dated as of September 26, 1994 (the "Deed of Trust"), executed by the Owner in favor of the Lender, and recorded in the official real estate records of the Iron County Recorder's Office on September 28, 1994 as Entry No. 342958 in Book 513 at Page 660 *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 December 22, 1994 (the "Extended Use Agreement") and recorded in the official real estate records of the Iron County Recorder's Office as Entry No. 00346076 in Book 00521 at Page 00153 *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.

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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: *John R. Cox*  
JOHN R. COX

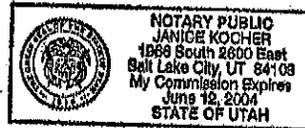
Its: State Director, Rural Development, acting on behalf  
of the Rural Housing Service, as successor in interest  
to the Farmers Home Administration, United States  
Department of Agriculture, State of Utah

STATE OF UTAH                    )  
  ) ss.  
COUNTY OF Salt Lake        )

The foregoing instrument was acknowledged before me this 21st day of February, 2003, by  
the State Director  
on behalf of USDA-Rural Housing Service.

My Commission Expires: 6-12-04

*Janice Kocher*  
Notary Public in and for the State of Utah



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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 25 day of February, 2003,  
by William H. Erickson, President of UTAH HOUSING CORPORATION, a public corporation  
of the State of Utah.

My commission expires:  
3-26-05

[Signature]  
Notary Public in and for the State of Utah  
Notary Public  
BABYL KING  
654 South 300 East  
Salt Lake City, Utah 84111  
My Commission Expires  
March 26, 2005  
WEDGEWOOD LANE ASSOCIATES,  
A WASHINGTON LIMITED PARTNERSHIP

THE BORROWER:

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  
Wedgewood Lane 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 25 day of October, 2002

My commission expires: 4/19/06

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

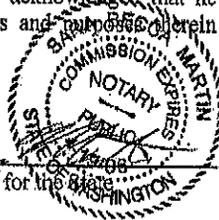


EXHIBIT A  
Description of Property

That certain real property located in Iron County, Utah, more particularly described as follows:

Beginning S 0°18'27" E. 615.79 ft. along the section line and West 1143.69 ft. from the East Quarter corner Section 35, Township 35 South, Range 11 West, Salt Lake Base and Meridian; thence S 24°17'21" E, 127.77 ft.; thence along the N'ly line of Fiddlers Canyon Road as follows: thence along the arc of a non-tangent curve to the left (radius point for which bears S 24°17'21" E, 1109.31 ft.), a distance of 123.82 ft.; thence S 59°15'46" W, 48.00 ft.; thence along the arc of a curve to the right, having a radius of 313.70 ft., a distance of 268.28 ft.; thence N 71°44'14" W, 49.65 ft.; thence along the arc of a curve to the right, having a radius of 15.00 ft., a distance of 25.96 ft.; thence N 27°25'00" E, 231.82 ft. along the E'ly line of Wedgewood Lane; thence S 62°35'00" E, 200.43 ft.; thence N 59°15'46" E. 149.16 ft. to the point of beginning.

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