

E 204443 B 861 P 791
Date 20-JUN-2003 12:54pm
Fee: 19.00 Check
CALLEEN PESHELL, Recorder
Filed By JPT
For OQUIRRH VIEW APARTMENTS
TOOELE COUNTY CORPORATION

After Recording, please return to:

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

Tax Parcel I.D. No.: 01-099-0-0029

SUBORDINATION AGREEMENT

This Subordination Agreement ("Agreement") is made and entered into as of the 7th day of May, 2003, by and among Willow Creek Apartments, A Utah Limited Partnership ("Owner"), United States of America acting through the Rural Housing Service or successor agency, United States Department of Agriculture (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 Tooele 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 Four Hundred Forty Six Thousand Three Hundred Forty Three and 07/100 Dollars (\$446,343.07) (the "Loan"). The Loan is evidenced by that certain Promissory Note dated as of December 20, 1990 (the "Note"), and secured by, among other things, a Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated as of December 20, 1990 (the "Deed of Trust"), executed by the Owner in favor of the Lender, and recorded in the official real estate records of the Tooele County Recorder's Office on December 21, 1990 as Entry No. 038508 in Book 311 at Page 718-724 *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 Amendment To Low-Income Housing

Credit Commitment Agreement and Declaration of Restrictive Covenants dated March 21, 1991 (the "Extended Use Agreement") and recorded in the official real estate records of the Tooele County Recorder's Office as Entry No. 040159 in Book 315 at Page 112-118 *et seq.*, which encumbers the Property and the Project on April 9, 1991.

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.

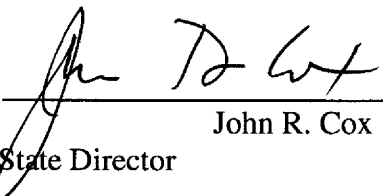
4. This Agreement will be governed by, and construed and enforced in accordance with, the laws of the State of Utah.

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:  _____
John R. Cox
Its: State Director

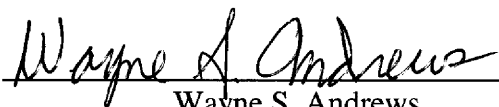
UHC:

Utah Housing Corporation

By:  _____
William H. Erickson
Its: President

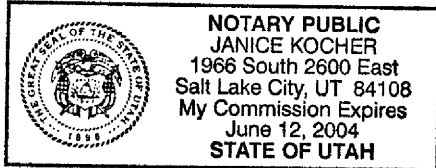
THE BORROWER:

Willow Creek Apartments, a Utah Limited Partnership

By:  _____
Wayne S. Andrews
Its: General Partner

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

The foregoing instrument was acknowledged before me this 7th day of, 2003, by John R. Cox, the 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.

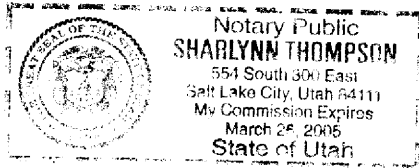


Janice Kocher

Notary Signature and Seal
My Commission Expires: June 12, 2004

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

The foregoing instrument was acknowledged before me this 13 day of JUNE, 2003, by William H. Erickson, President of Utah Housing Corporation, a public corporation of the State of Utah.

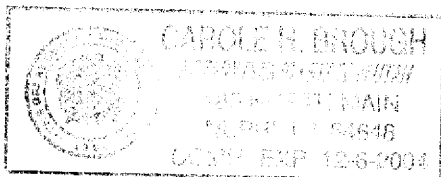


Sharlynn Thompson

Notary Signature and Seal
My Commission Expires: 03/26/05

STATE OF UTAH)
 :ss.
COUNTY OF JUAB)

The foregoing instrument was acknowledged before me this 15 day of May, 2003, by Wayne S. Andrews the General Partner of Willow Creek Apartments, A Utah Limited Partnership.



Carole H. Brough

Notary Signature and Seal
My Commission Expires: 12-6-04

EXHIBIT A

Description of Property

That certain real property located in Tooele County more particularly described as follows:

PARCEL 1: North half of the North half of Lot 6, Block 21, Plat "A", GRANTSVILLE CITY SURVEY, described as beginning at a point 249.75 feet North from the Southeast Corner of Lot 6, Block 21, Plat "A", Grantsville City Survey, thence running North along the old fence line dividing Lots 5 and 6 a distance of 83.25 feet to the South line of Apple Street; thence West 163 feet more or less to the East line of Cooley Street; thence South 83.25 feet; thence East 163 feet to the point of beginning.

PARCEL 2: The South half of the North half of Lot 6 of Block 21, Grantsville City Survey, Grantsville City.