

WHEN RECORDED RETURN TO:

Fredrick H. Olsen
BALLARD SPAHR ANDREWS & INGERSOLL, LLP
201 South Main, Suite 600
Salt Lake City, Utah 84111

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GARY W. OTT
RECORDER, SALT LAKE COUNTY, UTAH
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UTAH HOUSING CORPORATION
("Issuer")

and

U.S. BANK, N.A.
("Trustee")

and

CITY FRONT PARTNERS, LLC,
a Utah limited liability company
("Borrower")

TAX REGULATORY AGREEMENT

Dated as of June 1, 2002

Relating to:

\$9,200,000

Utah Housing Corporation
Multifamily Housing Revenue Bonds
(City Front Apartments Project)
Series 2002A

\$500,000

Utah Housing Corporation
Taxable Multifamily Housing Revenue Bonds
(City Front Apartments Project)
Series 2002A-T

TAX REGULATORY AGREEMENT

THIS TAX REGULATORY AGREEMENT (the "Regulatory Agreement") is entered into as of June 1, 2002, by and among the Utah Housing Corporation (the "Issuer"), a body politic and corporate constituting a public corporation of the State of Utah (the "State"), U.S. Bank, N.A., as trustee (the "Trustee") under a Trust Indenture dated as of June 1, 2002 (the "Indenture") and City Front Partners, LLC, a Utah limited liability company (the "Borrower").

WITNESSETH:

WHEREAS, the Issuer is issuing its \$9,200,000 Multifamily Housing Revenue Bonds (City Front Apartments Project) Series 2002A (the "Series 2002A Bonds") and its \$500,000 Taxable Multifamily Housing Revenue Bonds (City Front Apartments Project) Series 2002A-T (the "Series 2002A-T Bonds" and, together with the Series 2002A Bonds, the "Bonds"), for the purpose of funding a Loan to the Borrower to finance the acquisition, construction and equipping of a mixed use project consisting of 155 multifamily housing units intended for rental to persons of low and moderate income and not to exceed 13,350 square feet of commercial space, to be located in Salt Lake City, 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 Regulatory Agreement have joined in this Regulatory Agreement to restrict the use of the Project as provided herein to preserve the exclusion from gross income of interest on the Series 2002A 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 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.

“Area” means the Salt Lake City-Ogden Utah Primary Metropolitan Statistical Area.

“Average Remaining Unit Income” means the total income of all individuals occupying the Remaining Dwelling Units divided by the total number of such Units.

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

“Bonds” means, collectively, the Series 2002A Bonds and the Series 2002A-T Bonds.

“Borrower” means City Front Partners, LLC, 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 amended; each reference to the Code shall be deemed to include (a) any successor internal revenue law and (b) the applicable regulations whether final, temporary or proposed under the Code or such successor law. Any reference to a particular provision of the Code shall be deemed to include (a) any successor provision of any successor internal revenue law and (b) the applicable regulations, whether final, temporary or proposed, under such provision or successor provision.

“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 Residential Facilities of the Project.

“Financing Agreement” means the Financing Agreement dated as of June 1, 2002 among the Issuer, the Trustee and the Borrower.

“Functionally Related and Subordinate” shall mean and include facilities for use exclusively by tenants of the Residential Facilities, for example, swimming pools, other recreational facilities, parking areas and other facilities which are reasonably required for the Residential Facilities, 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 Residential Facilities and, as to size, do not exceed that necessary to service the requirements of the residents of the Residential Facilities.

“Issuer” means the Utah Housing Corporation and its successors and assigns.

“Loan” means the loan to be made to the Borrower pursuant to the terms of the Financing Agreement from proceeds of the Bonds.

“Low Income 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 Low Income 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 Low Income Tenants the combined Adjusted Income of all occupants of a Dwelling Unit, whether or not legally related, shall be utilized.

“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 individuals or families who satisfy the requirements of Section 4 of this Regulatory Agreement.

“Non-Residential Facilities” means all commercial space in the Project which shall consist of not to exceed 13,350 square feet located on the ground floor, the portion of the Project allocable to the Non-Residential Facilities benefiting both the Residential Facilities and the Non-Residential Facilities, e.g., common property, and all property benefiting only Non-Residential Facilities.

“Occupancy Date” means the first date after the Bonds are issued 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, and shall include both the Residential Facilities and the Non-Residential Facilities.

“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, (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, or (iv) the date which is 51 years after the Delivery Date.

“Residential Facilities” means all Dwelling Units, the portion of the Project allocable to the Residential Facilities benefiting both the Residential Facilities and the Non-Residential Facilities, e.g., common property, and all property benefiting only the

Residential Facilities which shall includes all Functionally Related and Subordinate facilities.

“Remaining Dwelling Units” means all Dwelling Units other than those required to be occupied by Low Income Tenants under Section 3 of this Regulatory Agreement and other than a manager’s unit.

“Security Instrument” means the Multifamily Deed of Trust, Assignment of Rents and Security Agreement, dated as of June 1, 2002, together with all riders and exhibits, securing the Mortgage Note, executed by the Borrower with respect to the Project, as it may be amended, modified, supplemented or restated from time to time, or any security instrument executed in substitution therefor, as such substitute security instrument may be amended, modified, supplemented or restated from time to time.

“Series 2002A Bonds” means the Utah Housing Corporation Multifamily Housing Revenue Bonds (City Front Apartments Project) Series 2002A issued in the original aggregate principal amount of \$9,200,000.

“Series 2002A-T Bonds” means the Utah Housing Corporation Taxable Multifamily Housing Revenue Bonds (City Front Apartments Project) Series 2002A-T issued in the original aggregate principal amount of \$500,000.

“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 Residential Facilities 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:

(i) the Residential Facilities shall be constructed and equipped as a qualified residential rental project, the Borrower shall develop, own, manage and operate the Residential Facilities 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 and each Dwelling Unit shall be similarly constructed and shall be rented or available for rental as required by Section 142(d) of the Code (residents being entitled to exclusive possession of such Dwelling Units);

(ii) 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;

(iii) 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; none of the residents of the Residential Facilities are residing at the Project for any ancillary purpose

unrelated to housing (the Residential Facilities being the sole residence of such residents during their occupancy); and neither the Residential Facilities 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);

(iv) preferential access to Dwelling Units will not be provided to any persons for use in their trades or businesses and 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 (excluding corporations or other non-individual legal entities) during the Qualified Project Period;

(v) 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 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;

(vi) substantially all (i.e., not less than 95%) of the Residential Facilities 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;

(vii) 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 Residential Facilities, 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 Residential Facilities 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

(viii) no building or structure in the Residential Facilities 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. Low Income 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:

(i) 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 Low Income Tenants; provided that for purposes of satisfying such requirement, the following general principles shall apply:

(1) 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.

(2) A Dwelling Unit which was occupied by a Low Income Tenant shall be treated as occupied by a Low Income 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.

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

(iii) 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(i) 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 Issuer and the Trustee, upon request, a copy of each such certification together with such additional certifications as the Issuer 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 Issuer.

(iv) 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(d)(7) of the Code (currently IRS form 8703) as to whether the Residential Facilities 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 Issuer within 30 days of submission to the Secretary of Treasury.

(v) The Borrower shall prepare and submit to the Issuer and the Trustee on or before the first day of each January and July during the Qualified Project Period beginning on the first January 1 or July 1 following the initial occupancy of any Dwelling Unit, a Certificate of Continuing Program Compliance in the form attached hereto as Appendix II or as amended by the Issuer, 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 Issuer and the Trustee, in writing, a detailed explanation of the reasons for such failure or inability to provide such Certificate of Continuing Program Compliance.

(vi) The Trustee shall not be required to verify the reports delivered to it pursuant to the provisions hereof, shall not be required to conduct any investigation into or review of the operations or records of the Borrower unless an event of default hereunder has occurred, and shall not be required to monitor compliance with the provisions of this Regulatory Agreement except as to receipt of the certificates delivered pursuant to Section 3(v) hereof.

Section 4. Moderate Income Tenants and Rent Restrictions.

(i) At all times during the Qualified Project Period, Remaining Dwelling Units shall be occupied by individuals or families (herein, "Moderate Income Tenants") whose income shall not cause the Average Remaining Unit Income to exceed 80% of Median Income for the Area. The provisions of Section 42(g) of the Code which relate to the treatment of units occupied by individuals whose incomes rise above the imputed income limitation shall be applicable in determining Average Remaining Unit Income. The Borrower shall maintain records evidencing compliance with such requirement.

(ii) The Borrower also covenants that the gross rent with respect to each Dwelling Unit in the Project shall not exceed 30% of the imputed income limitation applicable to such Unit as determined in accordance with Section 42(g) of the Code, except that for Remaining Dwelling Units the imputed income limitation shall be based upon 80% of Median Income for the Area. Determinations of the imputed income limitation shall include adjustments for family size. The Borrower shall maintain records evidencing compliance with such requirement.

(iii) The Issuer and the Trustee may inspect all records of the Borrower with respect to the Project upon reasonable notice.

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 Issuer or any governmental entity succeeding to the Issuer's functions and the Trustee may institute and prosecute any proceeding at law or in equity to abate, prevent or enjoin any such violation or attempted violation, 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 Issuer 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 Issuer or the Trustee in enforcing or attempting to enforce this 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 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 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 Trustee to the effect that this 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 the Trustee an opinion of counsel in form and substance satisfactory to the Trustee to the effect that this 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.

This 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 Issuer, the Trustee (so long as any Bonds are outstanding) and the Borrower and duly recorded. The Issuer's consent to any such amendment, revision or termination shall be given upon receipt of:

(i) an opinion of Bond Counsel that such amendment, revision or termination will not adversely affect the exclusion from gross income of interest on the Series 2002A Bonds for federal income tax purposes; or

(ii) (i) evidence satisfactory to the Issuer 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 Issuer from enforcing this 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 Security Instrument 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 Regulatory Agreement in relation thereto will not adversely affect the exclusion from gross income of interest on the Series 2002A Bonds for federal income tax purposes.

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

Notwithstanding any other provisions hereof, this Regulatory Agreement shall be amended to conform to the requirements of 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 Series 2002A 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 Issuer and the Trustee (i) reasonable evidence satisfactory to the Issuer that the Borrower's purchaser or transferee has assumed in writing and in full the Borrower's duties and obligations under this 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 Regulatory Agreement and the Financing Agreement and that such obligations and this Regulatory Agreement and the Financing Agreement are legal, valid, binding and enforceable on the transferee, (iii) evidence acceptable to the Issuer 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 Issuer that no event of default exists under this Regulatory Agreement, the Financing Agreement, or the Security Instrument and payment of all fees and expenses of the Issuer 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 Series 2002A Bond from the gross income of the recipients thereof for federal income tax purposes, except with respect to interest on any Series 2002A Bond during any period such Series 2002A 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 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 Issuer and the Trustee a notice in writing explaining the nature of the proposed transfer.

Section 10. No Conflict with Other Documents. 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 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 Regulatory Agreement shall not affect the validity of the remaining portions thereof.

Section 12. Notices. All notices to be given pursuant to this 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, N.A., 15 West South Temple, 2nd Floor, Salt Lake City, Utah, 84101, Attention: Corporate Trust Service; if to the Borrower: City Front Partners, LLC, 4885 South 900 East, Suite 100, Salt Lake City, Utah 84117; if to the Issuer: Utah Housing Corporation, 554 South 300 East, Salt Lake City, Utah 84111, Attention: President.

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

Section 14. Appendices. The appendices attached hereto are hereby incorporated and made a part hereof.

Section 15. Counterparts. This 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.

Section 16. Fannie Mae Rider. The Fannie Mae Rider attached hereto as Appendix IV is incorporated herein by reference and forms a part of this Regulatory Agreement.

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

CITY FRONT PARTNERS, LLC,
a Utah limited liability company

By: One of its Managers, Salt Lake
Neighborhood Housing Services,
Inc., a Utah nonprofit corporation

By: *Maria Garcia*
Its: *Executive Director*

and: Its Other Manager, Bridge
Development, L.C., a Utah limited
liability company

By: *William H. Erickson*
Its: *Manager*

UTAH HOUSING CORPORATION

By: *William H. Erickson*
William H. Erickson
President

U.S. BANK, N.A., as Trustee

By: *Ki R. Saltz*
Authorized Officer

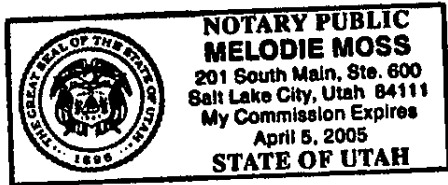
STATE OF UTAH)
 : ss.
COUNTY OF SALT LAKE)

On this 17th day of June 2002, before me, the undersigned Notary Public, personally appeared William H. Erickson, who acknowledged himself to be the President of Utah Housing Corporation 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 Issuer by himself as such officer.

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



Notary Public



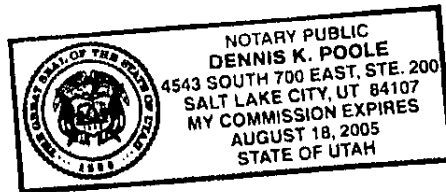
STATE OF UTAH)
 : ss.
COUNTY OF SALT LAKE)

On this 8 day of July 2002, before me, the undersigned Notary Public, personally appeared Maria Garcia, who acknowledged him/herself to be the Exec Director of Salt Lake Neighborhood Housing Services, Inc., a manager of City Front Partners, LLC, and that she/he 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.

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



Notary Public

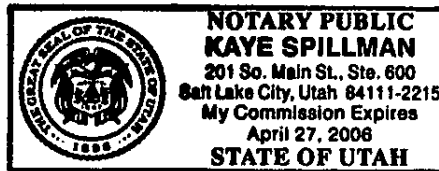


STATE OF UTAH)
 : ss.
COUNTY OF SALT LAKE)

On this 8 day of July 2002, before me, the undersigned Notary Public, personally appeared Kim R. Galbraith, who acknowledged himself/herself to be an authorized officer of U.S. Bank, N.A., 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

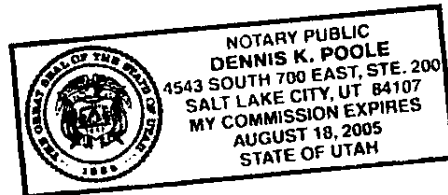


STATE OF UTAH)
 : ss.
COUNTY OF SALT LAKE)

On this 8 day of July 2002, before me, the undersigned Notary Public, personally appeared Dawn Russell Mumm, who acknowledged him/herself to be the Manager of Bridge Development, L.C., a manager of City Front Partners, LLC, and that she/he 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.

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


Notary Public



APPENDIX I

Description of Project Site

Real Property located in Salt Lake City, Utah, to wit:

BEGINNING AT THE INTERSECTION OF THE SOUTH RIGHT-OF-WAY LINE OF NORTH TEMPLE STREET AND THE WEST RIGHT-OF-WAY LINE OF 600 WEST STREET, SAID POINT ALSO BEING THE NORTHEAST CORNER OF BLOCK 60, PLAT C, SALT LAKE CITY SURVEY, AND RUNNING THENCE SOUTH 89°58'06" WEST ALONG SAID SOUTH RIGHT-OF-WAY LINE OF NORTH TEMPLE STREET 456.56 FEET TO THE WEST LINE OF UDOT PARCEL NO. 15-7:160:E OF OFFICIAL RECORDS; THENCE ALONG SAID WEST LINE THE FOLLOWING 4 COURSES: SOUTH 16°16'45" WEST 257.95 FEET AND SOUTH 89°58'57" WEST 9.67 FEET TO A POINT ON THE ARC OF A 3427.49 FOOT RADIUS CURVE TO THE RIGHT HAVING A CENTRAL ANGLE OF 00°47'25" AND SOUTHERLY ALONG SAID ARC 47.27 FEET TO A POINT OF TANGENCY AND SOUTH 18°17'53" WEST 83.03 FEET; THENCE NORTH 89°58'06" EAST 233.85 FEET TO THE WEST SIDE OF A METAL BUILDING; THENCE NORTH 00°07'20" EAST ALONG SAID WEST LINE AND LINE EXTENDED 123.79 FEET; THENCE NORTH 89°58'06" EAST 190.03 FEET TO THE CENTER OF LOT 7 IN SAID BLOCK 60; THENCE NORTH 00°01'00" WEST 41.26 FEET; THENCE NORTH 89°58'06" EAST 165.09 FEET TO A POINT ON THE WEST RIGHT-OF-WAY LINE OF 600 WEST STREET; THENCE NORTH 00°01'00" WEST ALONG SAID RIGHT-OF-WAY LINE 206.28 FEET TO THE POINT OF BEGINNING.
CONTAINS 3.308 ACRES

- POOR COPY -
CO. RECORDER

APPENDIX II

CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

The undersigned hereby certifies as follows:

1. The undersigned has read and is thoroughly familiar with the provisions of the following:
 - a. Financing Agreement (the "Financing Agreement") dated as of June 1, 2002, among the Borrower, the Trustee and the Utah Housing Corporation.
 - b. Security Instrument and Mortgage Note (as defined in the Indenture); and
 - c. Regulatory Agreement (as defined in the Indenture).
2. At least 40% of all Dwelling Units in the Project, including vacant Dwelling Units, have been occupied by Low Income 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 Issuer pursuant to the Regulatory Agreement.
3. Having certified that at least 40% of the Dwelling Units in the Project have been rented to Low Income Tenants, the Remaining Dwelling Units (including both occupied and vacant Dwelling Units) in the Project have occupied by individuals whose income does not cause the Average Remaining Unit Income to exceed 80% of Median Income for the Area at all times since the dated date of the last Certificate of Continuing Program Compliance delivered to the Issuer.
4. The gross rent with respect to each Dwelling Unit has not exceeded 30% of the imputed income limitation applicable to such Unit as determined in accordance with Section 42(g) of the Code (except that for the Remaining Dwelling Units the imputed income limitation shall be based upon 80% of Median Income for the Area) at all times since the dated date of the last Certificate of Continuing Program Compliance delivered to the Issuer.
5. Attached hereto is a copy of the annual certification with respect to the Residential Facilities required to be filed with the Secretary of Treasury for the preceding year, together with proof of mailing thereof.
6. The Borrower is not in default under any of the agreements referred to in paragraph 1 above.
7. Words and phrases used in this certificate shall have the same meanings herein as in the Financing Agreement and Regulatory Agreement.

DATED: _____, 20__.

CITY FRONT PARTNERS, LLC, a Utah limited liability company

By: _____
Its: _____

By: _____
Name: _____
Title: _____

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. <u>Name of Members of the Household</u>	2. <u>Relationship to Head of Household</u>	3. <u>Age</u>	4. <u>Social Security Number, if any</u>	5. <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 Residential Facilities 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

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	_____
Total Anticipated Income for the Household	\$ _____

- 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; or
 - (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 _____

APPENDIX IV

FANNIE MAE RIDER TO REGULATORY AGREEMENT

THIS FANNIE MAE RIDER TO REGULATORY AGREEMENT ("Rider") is attached to and forms a part of the Tax Regulatory Agreement (the "Regulatory Agreement"), dated as of June 1, 2002, by and among City Front Partners, LLC (the "Borrower"), its successors and assigns, the Utah Housing Corporation (the "Issuer") and U.S. Bank, N.A. (the "Trustee"), as Trustee.

1. Definitions. All capitalized terms used in this Rider have the meanings given to those terms in the Regulatory Agreement or the Indenture, as applicable.

2. Applicability. This Rider shall amend and supplement the Regulatory Agreement. In the event any provision of this Rider conflicts with the Regulatory Agreement, this Rider shall supersede the conflicting provision of the Regulatory Agreement. This Rider shall apply in spite of the fact that the covenants, reservations and restrictions of the Regulatory Agreement run with the land and may be deemed applicable to any successor in interest to the Borrower.

3. Obligations not Secured by the Project. The obligations of the Borrower and any subsequent owner of the Project under the Regulatory Agreement constitute restrictive covenants on the Project which run with the land, but shall not be secured by or constitute a lien on, or security interest in, the Project. The occurrence of an event of default under the Regulatory Agreement shall not impair, defeat or render invalid the lien of the Security Instrument.

4. Subordination. The terms, covenants and restrictions of the Regulatory Agreement, other than those set forth in Sections 2, 3, 5, 7, 8 and 10 through 15 (collectively, the "Excluded Covenants"), are and shall at all times remain subject and subordinate, in all respects, to the liens, rights and interests created under the Mortgage Loan Documents. Upon a conveyance or other transfer of title to the Project by foreclosure, deed in lieu of foreclosure or comparable conversion of the Loan, the Person who acquires title to the Project pursuant to such foreclosure, deed in lieu of foreclosure or comparable conversion of the Loan (unless such Person is the Borrower or a Person related to the Borrower within the meaning of Section 1.103-10(e) of the Regulations, in which event the Regulatory Agreement shall remain in full force and effect in its entirety) shall acquire such title free and clear of the terms, covenants and restrictions of the Regulatory Agreement, other than the Excluded Covenants (if the same have not already expired in accordance with the other terms of the Regulatory Agreement), and, from and after the date on which such Person acquires title to the Project, the terms, covenants and restrictions of the Regulatory Agreement, other than the Excluded Covenants (if the same have not already expired in accordance with the other terms of the Regulatory Agreement), shall automatically terminate and be of no force and effect; provided that the Excluded Covenants shall also terminate and be of no force or effect under the circumstances set forth in Section 8 of the Regulatory Agreement.

5. Obligations Personal. No owner of the Project (including Fannie Mae) subsequent to the Borrower will be liable for, assume or take title to the Project subject to:

(a) any failure of any prior owner of the Project to perform or observe any representation or warranty, affirmative or negative covenant or other agreement or undertaking under the Regulatory Agreement; and

(b) the payment of any compensation or any accrued unpaid fees, costs, expenses or penalties otherwise owed by any prior owner of the Project under the Regulatory Agreement.

The Borrower and each subsequent owner of the Project shall be responsible under the Regulatory Agreement for its own acts and omissions occurring during the period of its ownership of the Project and for full compliance with the provisions of the Regulatory Agreement during the period of its ownership of the Project. All such liability and obligations shall be and remain personal to such person even after such person ceases to be the owner of the Project.

6. Sale or Transfer. All restrictions on sale or transfer of the Project or of any interest in the Borrower, consents of the Issuer or the Trustee, transfer agreements, transferee criteria and requirements, opinion requirements, assumption fees, transfer fees, penalties and the like (collectively, the "Transfer Restrictions") shall not apply to any transfer of title to the Project to Fannie Mae by foreclosure, deed in lieu of foreclosure or comparable conversion of the Loan. The Transfer Restrictions shall also not apply to any transfer of title to the Project to a third party by foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Mortgage or to any subsequent transfer of title to the Project by Fannie Mae to a third party following a foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Loan; provided, however, and notwithstanding the foregoing, any such transfer to a third party shall not be effective without the prior written consent of the Issuer, which consent shall be promptly given if: (a) such proposed transferee has delivered to the Issuer and the Trustee (i) an executed agreement assuming the Borrower's obligations under the Regulatory Agreement and all the other Bond Documents and Mortgage Loan Documents to which the Borrower is a party, (ii) an opinion of counsel with respect to the enforceability of such agreement in form satisfactory to the Issuer and (iii) an Opinion of Bond Counsel to the effect that such transfer will not adversely affect the exclusion of interest on the Series 2002A Bonds from gross income for federal income tax purposes; and (b) with regard to any project owned by the proposed transferee financed by the Issuer, (i) the transferee is not at the time of transfer in arrears on any payment of fees or expenses due and owing to the Issuer or in default under any related regulatory agreement beyond any applicable grace period or cure period, (ii) the transferee does not have a documented history of repeated instances of failure to pay fees and expenses due and owing to the Issuer, which are not paid within a reasonable time after notice thereof, and (iii) the transferee does not have a documented history of repeated instances of material noncompliance with nonmonetary provisions of any related regulatory agreement which are not cured after notice thereof and within the applicable cure period or grace period. Nothing contained in the

Regulatory Agreement shall affect any provision of the Security Instrument or any of the other Mortgage Loan Documents which requires the Borrower to obtain the consent of Fannie Mae as a precondition to sale, transfer or other disposition of, or any direct or indirect interest in, the Project or of any direct or indirect interest in the Borrower, excluding transfers permitted by the Security Instrument. No covenant obligating the Borrower to obtain an agreement from any transferee to abide by all requirements and restrictions of the Regulatory Agreement shall apply to a transfer to Fannie Mae upon foreclosure, deed-in-lieu of foreclosure or comparable conversion of the Loan by Fannie Mae. Any written consent to a sale or transfer obtained from the Issuer shall constitute conclusive evidence that the sale or transfer is not a violation of the transfer provisions of the Regulatory Agreement.

7. Damage, Destruction or Condemnation. In the event that the Project is damaged or destroyed or title to the Project, or any part thereof, is taken through the exercise or the threat of the exercise of the power of eminent domain, the Borrower shall comply with all applicable requirements of the Security Instrument and the other Mortgage Loan Documents.

8. Regulatory Agreement Default. Notwithstanding anything contained in the Regulatory Agreement to the contrary:

(a) The occurrence of an event of default under the Regulatory Agreement shall not impair, defeat or render invalid the lien of the Security Instrument.

(b) The occurrence of an event of default under the Regulatory Agreement shall not be or be deemed to be a default under the Mortgage Loan Documents, except as may be otherwise specified in the Mortgage Loan Documents.

(c) Upon any default by the Borrower under the Regulatory Agreement, the Assignment shall govern the remedies and other actions which the Issuer may take on account of such default.

9. Amendments. The Issuer shall not consent to any amendment, supplement to, or restatement of the Regulatory Agreement without the prior written consent of Fannie Mae.

10. Third-Party Beneficiary. The parties to the Regulatory Agreement recognize and agree that the terms of the Regulatory Agreement and the enforcement of those terms are essential to the security of Fannie Mae and are entered into for the benefit of various parties, including Fannie Mae. Fannie Mae shall accordingly have contractual rights in the Regulatory Agreement and shall be entitled (but not obligated) to enforce, separately or jointly with the Issuer and/or the Trustee, or to cause the Trustee to enforce, the terms of the Regulatory Agreement. In addition, the Borrower and the Issuer intend that Fannie Mae be a third-party beneficiary of the Regulatory Agreement.

11. Notices. Any notice to be given under the Regulatory Agreement shall also be sent to the Loan Servicer, and any notice of a default under the Regulatory Agreement shall also be sent to the Loan Servicer and Fannie Mae, in each case, at the

address set forth in the Indenture or to such other address as the Loan Servicer or Fannie Mae may from time to time designate in writing.