

THIS INSTRUMENT PREPARED BY:
HUNTON & WILLIAMS
P.O. BOX 951
KNOXVILLE, TENNESSEE 37901

23824

INSTRUMENT NO.

DECLARATION OF RESTRICTIVE COVENANTS

THIS DECLARATION OF RESTRICTIVE COVENANTS (the "Restrictive Covenants") is made as of this 1st day of March, 1986, by WATERFORD VILLAGE, LTD., a Tennessee limited partnership (the "Owner"), for the benefit of the INDUSTRIAL DEVELOPMENT BOARD OF THE COUNTY OF KNOX (the "Board"), and FIRST AMERICAN NATIONAL BANK OF NASHVILLE, as trustee (the "Trustee"), under the Indenture of Trust referred to below:

Section 1. Definitions. The following words and terms as used herein shall have the following meanings unless a different meaning clearly appears in the context:

"Board" shall mean the Industrial Development Board of the County of Knox, its successors and assigns.

"Bonds" shall mean the Board's Series 1986 Bonds and any Additional Bonds issued pursuant to the Indenture of Trust dated as of March 1, 1986 (the "Indenture"), between the Board and the Trustee.

"Building Loan Agreement" shall mean the Building Loan Agreement relating to the Project between the Owner and the Trustee, as Mortgagee, including any amendments thereto.

"Code" shall mean the Internal Revenue Code of 1954, as amended, including applicable final, temporary or proposed regulations and revenue rulings thereunder. Reference herein to any specific provision of the Code shall be deemed to include any successor provision of such provision of the Code.

"Compliance Agent" shall mean such title insurance company, mortgage banking institution or other entity, including the Trustee, selected by the Owner and approved by the Board and the Trustee to serve as Compliance Agent hereunder.

"FHA" shall mean the Federal Housing Administration of HUD or any successor entity and any authorized representatives or agents thereof, including the Secretary of HUD, the Federal Housing Commissioner and their representatives or agents.

"HUD" shall mean the United States Department of Housing and Urban Development or any successor agency, including any authorized representative thereof.

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"Indenture" shall mean the Indenture of Trust dated as of the date hereof between the Board and the Trustee.

"Land" shall mean the real property described in Exhibit A attached hereto.

"Loan" shall mean the loan in the principal amount of \$5,675,000 to be made to the Owner from the proceeds of the issuance and sale of the Bonds by the Board.

"Loan Agreement" shall mean the Loan Agreement dated as of the date hereof between the Board and the Owner.

"Lower-Income Tenants" shall mean individuals of low and moderate income within the meaning of Section 103(b)(12)(C) of the Code with adjustments made for smaller or larger families in a manner consistent with the current determinations under Section 8 of the United States Housing Act of 1937. For this purpose, the occupants of a Unit shall not be considered to be of low and moderate income if all of such occupants are students (as defined in Section 151(e)(4) of the Code), no one of whom is entitled to file a joint return under Section 6013 of the Code.

"Lower-Income Units" shall mean Units rented to Lower-Income Tenants. A Unit shall be treated as being rented to Lower-Income Tenants if the vacating occupants (other than occupants for 31 days or less) were Lower-Income Tenants at the time of initial occupancy.

"Mortgage" shall mean the Deed of Trust and any security agreement delivered concurrently therewith which grants a lien on and a security interest in the Project as security for the Mortgage Note, together with all other documents delivered in connection with the closing of the Loan as or with respect to the security therefore.

"Mortgage Note" shall mean that certain non-recourse Deed of Trust Note of the Owner in the stated principal amount of \$5,410,400 payable to the Trustee for advances to be made thereunder up to the principal amount thereof, including any amendments or supplements thereto as permitted in the Indenture.

"Owner" shall mean Waterford Village, Ltd., a Tennessee limited partnership, and each transferee, purchaser, grantee, owner or lessee of the Project or the Land or any part thereof, and the respective heirs, legal representatives, successors and assigns of the Owner and of each such transferee, purchaser, grantee, owner or lessee.

"Project" shall mean the multi-family residential rental project of approximately 161 units located at 5201 Oak Ridge Highway approximately one mile west of the intersection of Interstate 40 and Oak Ridge Highway in Knox County, Tennessee, financed with the Loan and located upon the Land, as it may at any time exist.

"Qualified Number of Days" shall mean 50% of (a) the total number of days comprising the term of the final maturity of the Bonds, or (b) if the Bonds are refunded, the sum of the total number of days comprising the period the Bonds were outstanding and the total number of days comprising the term of the final maturity of any bonds issued to refund the Bonds.

"Qualified Project Period" shall mean a period beginning on the later of the first day on which at least 10% of the Units are first occupied or the date of issuance of the Bonds and ending on the later of (a) the date which is ten years after the date on which at least 50% of the Units are first occupied, (b) a Qualified Number of Days after the date on which any of the Units is first occupied or (c) the date on which any assistance provided with respect to the Project under Section 8 of the United States Housing Act, as amended, terminates.

"Rental Period" shall mean a period that is the longer of the Qualified Project Period or the period during which the Bonds are outstanding.

"Restrictive Covenants" shall mean this Declaration of Restrictive Covenants.

"Trustee" shall mean First American National Bank of Nashville and its successors under the Indenture from time to time.

"Unit" shall mean a "unit", as defined in 26 C.F.R. §1.103-8(b)(3), comprising a portion of the Project.

Unless the context clearly requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa. All the terms and provisions hereof shall be construed to effectuate the purposes set forth herein and to sustain the validity hereof. The titles and headings of the sections hereof have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this instrument or any provision hereof

or in ascertaining intent, if any question of intent should arise.

Section 2. Subordination. The covenants and agreements contained in these Restrictive Covenants are subordinate to the Mortgage.

Section 3. Residential Rental Property. The Owner shall own, manage and operate the Project continuously as "residential rental property" meeting the requirements of Section 103(b)(4)(A) of the Code. At all times during the Rental Period:

(a) the Owner shall own, manage and operate the Project on a continuous basis as a residential rental project comprised of several proximate and interrelated buildings or structures each of which contains at least one Unit and substantially all of which contain Units and facilities functionally related and subordinate thereto meeting the requirements of Section 103(b)(4)(A) of the Code.

(b) Units shall consist of similarly constructed units each of which contains complete facilities for living, sleeping, eating, cooking and sanitation separate and distinct from other Units, including cooking facilities equipped with a cooking range, refrigerator and sink.

(c) none of the Units shall at any time be utilized on a transient basis; none of the Units shall be rented for a period of less than 30 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, sanitarium, rest home or trailer park or court for use on a transient basis.

(d) except for Units occupied by resident managers or maintenance personnel, the Units shall be rented or available for rental on a continuous basis to persons who are members of the general public.

(e) the Project is located on a single tract of land within the meaning of 26 C.F.R. Section 1.103-8(b)4(iii), and all of the improvements thereon comprise a single geographically and functionally integrated project for residential rental property, as evidenced by the ownership, management, accounting and operation of the Project.

(f) any building which contains fewer than five Units must not have a Unit occupied by the Owner or a related person (as defined in the regulations promulgated under the Code).

Section 4. Rental Requirement. The Owner shall rent or hold available for rental each of the Units on a continuous basis during the Rental Period.

Section 5. Lower-Income Tenants. For the purpose of satisfying the low and moderate income occupancy requirement of Section 103(b)(4)(A) of the Code, the Owner shall, at all times during the Qualified Project Period:

(a) rent at least 20% (15% if the Project is, or subsequently becomes, a "targeted area project," as defined in 26 C.F.R. §1.103-8(b)(8)(iii)) of the completed Units for occupancy by individuals who at the time of initial occupancy qualify as Lower-Income Tenants; provided, however, that any Unit occupied by an individual or family who is a Lower-Income Tenant at the commencement of occupancy shall continue to be treated as if occupied by a Lower-Income Tenant during their tenancy in such Unit even though such individual or family subsequently cease to be a Lower-Income Tenant, and provided further that any completed Unit vacated by a Lower-Income Tenant shall be treated as being occupied by such vacating Lower-Income Tenant until reoccupied by another tenant, other than for a temporary period not to exceed 31 days, at which time the character of the Unit shall be redetermined.

(b) obtain from each Lower-Income Tenant upon or prior to initial occupancy in the Project and maintain on file copies of (1) such Lower-Income Tenant's Federal income tax return for the taxable year immediately preceding such occupancy or such other third party income verification as may substantiate such Lower-Income Tenant's sources of income during the year preceding such occupancy, and (2) a current income certification (substantially in the form of Attachment I or such other form as may be approved by Bond Counsel) evidencing compliance as of the date the Lower-Income tenant occupies a Unit with Section 103(b)(12)(C) of the Code, as the same may be from time to time amended and an income verification therefor from such Lower-Income Tenant's employer or other source of income.

(c) permit any duly authorized representative of the Board, the Trustee, the Compliance Agent, the Department of the Treasury or the Internal Revenue Service to inspect during the Owner's business hours the books and records of the Owner pertaining to the incomes of Lower-Income Tenants residing in the Project subject to state and federal financial privacy laws and regulations now or hereafter in force.

(d) utilize forms of lease for rental of Lower-Income Units and provide the Board and Trustee with a copy of each such form, which shall contain specific provisions requiring that (i) the minimum rental period for each Lower-Income Unit shall be at least 30 days, (ii) such Unit shall not be subleased, except where the Owner approves the sublessee as an eligible tenant in accordance with this Section 5 hereof and (iii) the lease shall terminate and the lessor shall have the right to evict the tenant for any false statement or certification in the income certifications and other information as it concerns the tenants meeting the requirements of a Lower-Income Tenant and such other certifications that may be required to implement the provisions hereof.

Section 6. Tax-Exempt Status of Bonds. The Owner shall not take or permit any action (other than an action required by HUD/FHA pursuant to Section 241 of the National Housing Act or the regulations issued thereunder or the FHA loan documents) that would adversely affect the exemption from Federal income taxation of the interest on the Bond and, if it should take or permit any such action, the Owner shall take all lawful actions that it can take to rescind such actions promptly upon having knowledge thereof. The Owner shall take and shall refrain from taking any action as may be necessary, in the opinion of nationally recognized bond counsel, to comply fully with all applicable rules, rulings, policies, procedures, regulations or other official statements proposed or promulgated by the Department of Treasury or the Internal Revenue Service pertaining to obligations issued under Section 103(b)(4)(A) of the Code.

Section 7. Reports; Certifications. In addition to the information required to be provided to the Board pursuant to Section 15 hereof, the Owner shall provide to the Board, the Compliance Agent and the Trustee, once the first Unit is available for occupancy and thereafter at all times during the Qualified Project Period, a monthly report in writing prior to Completion of the Project, and quarterly reports thereafter (substantially in the form of Attachment II) which shall contain the following:

- (1) the number of Lower-Income Units;
- (2) the number of completed Units rented or held available for rental;
- (3) the percentage that the number of Lower-Income Units constitutes of the total number of Units in the project that have been completed and rented;

(4) a certificate of the Owner that the information contained in the report is true, accurate and correct as of the date thereof; and

(5) a certificate of the Owner that to its knowledge the Owner is not in default under any covenant or agreement contained in these Restrictive Covenants.

In the event the Qualified Project Period shall have been terminated, but the term of the Rental Period has not expired, the Owner hereby covenants and agrees to provide during the remaining term of the Rental Period a quarterly report in writing to the Board which shall specify the number of Units, the number of such Units rented and the number of such Units held available for rental, together with the certifications provided in clauses (4) and (5) above.

Section 8. Proportionate Rent-Up Procedure. To assure during the Qualified Project Period that at least 20% of the completed Units are rented to Lower-Income Tenants, upon or prior to the first day on which at least 10% of the Units are first occupied:

(a) the Owner shall rent and cause to be occupied at least one Unit to a Lower-Income Tenant for every four Units which are not Lower-Income Units;

(b) occupancy of a Unit by a Lower-Income Tenant shall always precede or occur simultaneously with occupancy by the next four tenants who are not Lower-Income Tenants; and

(c) the 20% ratio shall be strictly adhered to by the Owner until a total of at least 20% of all of the Units are occupied by Lower-Income Tenants. Thereafter, the Owner may follow any procedure to rent the remaining Units subject to the continuing requirements of Section 5 hereof.

Section 9. Compliance; Involuntary Non-Compliance. (a) The Owner covenants to inform the Board, the Trustee and the Compliance Agent by written notice of any violation of the Owner's obligations under these Restrictive Covenants within 14 days of first discovering any such violation. The Compliance Agent shall receive and monitor any reports submitted by the Owner pursuant to Section 7 and notify the Owner, the Board and the Trustee of the breach of any covenant or agreement contained in these Restrictive Covenants based upon information contained in any such report or otherwise. In the event of the breach of any covenant or agreement contained in these Restrictive Covenants that continues to exist uncorrected for a period of 30 days after notice to the Owner, the Board (1) may take all action

necessary to cause the Owner to cure such breach, including, if necessary, enforcement of such covenants or agreements if a failure by the Owner to comply with such covenants or agreements would adversely affect the exemption from Federal income taxation of interest on the Bond and (2) may take any other actions necessary or desirable to cause the Owner to cure such breach.

(b) The covenants and agreements contained in these Restrictive Covenants shall cease to apply in the event of involuntary non-compliance caused by fire, seizure, requisition, foreclosure, transfer of title by deed in lieu of foreclosure, change in Federal law or an action of a Federal agency after the date of issue of the Bonds which prevents the Board from enforcing such covenants, condemnation or such other event which, in the opinion of the Trustee, is similar to the foregoing; provided, however, that within a reasonable period (1) the Bonds will be no longer outstanding or (2) the proceeds received as a result of any such event are used to provide a project which meets the requirements of Section 103(b)(4)(A) of the Code.

(c) Subsection (b) hereof shall not apply if, in the event of foreclosure or transfer of title by deed in lieu of foreclosure or similar event, the Owner or a related person (as defined in 26 C.F.R. §1.103-10(e)) subsequently obtains an ownership interest for tax purposes in the Project during the Qualified Project Period.

Section 10. Covenants Run with the Land; Term. The covenants, reservations, agreements and restrictions set forth herein shall be deemed covenants running with the Land and shall touch and concern the land and shall be an encumbrance on the Land and shall, without regard to technical classification or designation be binding upon and enforceable against the Owner and all successors in title to the Land. The Owner covenants and agrees that during the Rental Period, the Owner will cause or require that any subsequent transferee, purchaser, grantee, owner or lessee of the Project or the Land or any part thereof, shall accept, observe and assume all of the obligations of the Owner under these Restrictive Covenants, including this covenant and agreement. Each and every contract, deed or other instrument hereafter executed covering or conveying the Land or any portion thereof shall conclusively be held to have been executed, delivered and accepted subject to such covenants, reservations, agreements and restrictions regardless of whether such covenants are set forth in such contract, deed or other instrument, provided that the covenants herein are expressly subordinate to all applicable HUD Mortgage insurance regulations and the terms of the HUD/FHA loan documents. Except as specifically provided in Section 5 hereof, or unless sooner terminated in accordance with Section 9 hereof, such covenants, reservations, agreements

and restrictions as are contained herein shall continue in full force and effect during the Rental Period, it being expressly agreed and understood that the provisions hereof are intended to survive the expiration of the Loan Agreement and the payment of the Loan, if such expiration or payment occurs prior to termination of the Rental Period.

Section 11. Uniformity; Common Plan. The provisions hereof shall apply uniformly to the entire Project in order to establish and carry out a common plan for the use, development and improvement of the Land.

Section 12. Burden and Benefit. The burden of the covenants, reservations, agreements and restrictions set forth herein touches and concerns the Land in that such covenants, reservations, agreements and restrictions limit the use and development of the Land. The benefit of such covenants, reservations, agreements and restrictions touches and concerns the Land by making the Project available for use and occupancy by Lower-Income Tenants, thereby furthering the public purposes for which the Board has been created, and further satisfying the Federal policies evidenced by the conditions for use of the Project required under Section 103 of the Code in order that interest on the Bonds may be exempt from Federal income taxes.

Section 13. Remedies; Enforceability. (a) In the event of a violation or attempted violation of any of the provisions hereof, the Board or the Trustee, acting on behalf of the owners of the Bonds or on behalf of the Board, in either case, in their own right or on behalf of the Lower-Income Tenants, may institute and prosecute any proceeding at law or in equity to enforce the provisions hereof or to abate, prevent or enjoin any such violation or attempted violation, or to enforce compliance or to recover monetary damages caused by such violation or attempted violation. 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 to 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.

(b) Notwithstanding the foregoing, enforcement of these Restrictive Covenants will not result in any claim under the Mortgage Note, or any claim against the Project, the revenues derived from the Mortgage Note, any reserve or deposit made with the mortgagee or another person or entity required in connection with the FHA endorsement of the Mortgage Note for insurance, or the rent or other income (other than available surplus cash) from the Project.

(c) There shall be no personal liability in the general and limited partners of the Owner for a violation hereof and any recourse hereunder shall be limited to the undistributed revenues, receipts and assets of the Owner derived from the development and operation of the Project.

Section 14. Consideration. The Board has determined to issue the Bonds to obtain funds to carry out the financing of the Project for the purpose, among others, of inducing the Owner to acquire, construct and operate the Project as residential rental property in which at least 20% (15% if the Project is, or subsequently becomes, a "targeted area project") of the Units are to be rented or held available for rental to Lower-Income Tenants as provided herein. In consideration of the adoption and implementation of the financing of the Project and the issuance of the Bonds by the Board, the Owner has accepted the terms and provisions hereof.

Section 15. Occupancy Notification; Income Records; Additional Information. Concurrently with each monthly report provided the Board pursuant to Section 7 hereof, the Owner shall provide the Compliance Agent, the Trustee and the Board with copies of the income tax returns, income verifications and income certifications of Lower-Income Tenants as required by Section 5(b) hereof which have been obtained by the Owner subsequent to filing the previous month's report. In addition to the information provided for in Section 5(c) hereof, the Owner shall submit any other information, documents or certifications requested by the Compliance Agent which are reasonably necessary to substantiate the Owner's continuing compliance with the provisions hereof and Section 103(b)(4)(A) of the Code.

Section 16. Governing Law. This instrument shall be governed by the laws of the State of Tennessee; provided, however, that with regard to any interpretation of the Code, Federal law shall apply.

Section 17. Agreement with Compliance Agent. Prior to the occupancy of any Unit in the Project, the Board, the Owner and the Trustee shall enter into an agreement with the Compliance Agent confirming that the Compliance Agent has agreed to assume and perform all of the obligations and responsibilities of the Compliance Agent hereunder.

Section 18. Notice. Except for the Compliance Agent, any notice required to be given hereunder shall be given as provided in the Indenture. With respect to the Compliance Agent, notice shall be given to the address provided by the Compliance Agent in a written notice to the Trustee, Board and Owner.

Section 19. Severability. If any provision hereof shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining portions shall not in any way be affected or impaired.

Section 20. Release, Modification or Amendment of These Restrictive Covenants. (a) Prior to the issuance of the Bonds, these Restrictive Covenants may be released, modified or amended in whole or in part with the consent of the Board, the Bank and the Owner.

(b) Following the issuance of the Bonds, these Restrictive Covenants shall be released, modified or amended in whole or in part for any reason, including but not limited to, assuring compliance with any changes in the Code, upon delivery to the Board, FHA and the Trustee of an opinion of nationally recognized Bond Counsel to the effect that the exemption of interest income on the Bonds from Federal income taxation will not be adversely affected by the proposed release, modification or amendment of all or part of these Restrictive Covenants and shall not prejudice the rights of the owners of the Bonds then outstanding. Upon the delivery of such opinion, the Board and the Trustee shall execute the release, modification or amendment of the Restrictive Covenants permitted in accordance with such opinion.

(c) The Owner shall duly record such release, modification or amendment in the Register of Deeds' Office of Knox County and bear the costs of such recordation.

(d) Notwithstanding the foregoing, there shall be no amendment or modification of these restrictive covenants without the written consent of HUD.

Section 21. Supplemental Regulatory Agreement. The Owner and the Board have, simultaneously with the execution hereof, entered into a Supplemental Regulatory Agreement which imposes additional restrictions on the Owner's use of the Project and which is intended to assure compliance with proposed tax law changes which may be effective as of January 1, 1986. The terms of such Supplemental Regulatory Agreement are hereby incorporated by reference into these Restrictive Covenants for so long as the Supplemental Regulatory Agreement remains in effect.

Section 22. Conflict with FHA/HUD Provisions. Notwithstanding anything in this document to the contrary, the provisions hereof are subordinate to all applicable HUD mortgage insurance and Section 8 regulations and related administrative requirements. In the event of any conflict between the provisions of these Restrictive Covenants and the provisions of any applicable HUD regulations, related HUD administrative

requirements, or HUD/FHA loan documents, the HUD regulations, related administrative requirements or loan documents shall control.

IN WITNESS WHEREOF, the Owner has caused these Restrictive Covenants to be executed by its duly authorized representative as of the date first written above.

WATERFORD VILLAGE, LTD.,
a Tennessee limited partnership

By 

General Partner

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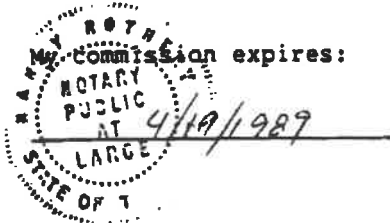
STATE OF TENNESSEE

COUNTY OF KNOX

Before me, a Notary Public of the State and County aforesaid, personally appeared Gordon H. Watkins, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged himself to be a general partner of WATERFORD VILLAGE, LTD., the within named bargainer, a Tennessee limited partnership, and that he as such general partner executed the foregoing instrument for the purpose therein contained by signing the name of the partnership by himself as such general partner.

Witness my hand and seal of office in Knox County, this 22nd day of ~~March~~ April 1986.

Garry Cokey
Notary Public



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ATTACHMENT I TO
DECLARATION OF RESTRICTIVE COVENANTS

Tenant: Income Certification

1. I/We, the undersigned state that I/we and the persons listed below will be occupants of unit No. _____ in the above apartment development for which application is made.

<u>Name of Members of the Family*</u>	<u>Relationship</u>	<u>Age</u>	<u>Social Security Number</u>	<u>Income Tax Return Filed for preceding Taxable Year (Yes or No)</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

* Includes family head (even if temporarily absent) and each additional member of the family.

2. (a) The anticipated income** of all the above persons during the 12-month period beginning on the earlier of the date the unit is initially occupied or the date of execution of the lease is as follows:

<u>Name of Members of the Family</u>	<u>Amount</u>	<u>Source</u>	<u>Name and Address of Place of Employment</u>
_____	\$ _____	_____	_____
_____	\$ _____	_____	_____
_____	\$ _____	_____	_____
_____	\$ _____	_____	_____
_____	\$ _____	_____	_____
_____	\$ _____	_____	_____
TOTAL	\$ _____		

** Reference shall be made to Title 24, part 813 of the Code of Federal Regulations for determination of income inclusions and exclusions.

(b) The total anticipated income of the family head, spouse and all others listed above, determined in accordance with 24 CFR 813.106 is \$_____.

3. If any of the persons described above in paragraph 1 has any value of equity in real property, savings, stocks, bonds or other forms of capital investment, provide the following information (see definition of Net Family Assets in 24 CFR 813.102 for inclusions):

- (a) the total estimated market value of all such assets of all such persons: \$_____.
- (b) the amount of income expected to be derived from such assets in the 12-month period commencing this date: \$_____, and
- (c) the amount of such income which is included in item 2(b): \$_____.

4. (a) Will all of the persons listed above be or have been full-time students during five calendar months of this calendar year at an educational institution (other than a correspondence school) with regular faculty and students?

Yes _____ No _____

- (b) Is any such person (other than nonresident aliens) married and eligible to file a joint federal income tax return?

Yes _____ No _____

I/We acknowledge that all of the above information is relevant to the status under Federal income tax law of the interest on revenue bonds that have been issued to finance the acquisition, construction and equipping of the Project. I/We consent to the disclosure of such information to the issuer of such bonds, any escrow agent (or agent thereof) acting on their behalf and any authorized agent of the United States Treasury Department or Internal Revenue Service. I/We understand that if the information reported in this certificate is discovered to be in anyway materially false or misleading, it shall be viewed as a default and may result in termination of the lease and eviction of all occupants of the unit.

The undersigned, being first duly sworn, hereby acknowledge(s) that (s)he/they has/have read and answered each of the questions fully and truthfully.

Signed:

Applicant

Applicant

STATE OF TENNESSEE

COUNTY OF KNOX

Personally appeared before me, a Notary Public of said County, _____, the within named bargainer, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who acknowledged that he executed the within instrument for the purposes therein contained.

Witness my hand and seal of office in Knox County, this ___ day of March, 1986.

Notary Public

My commission expires:

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FOR COMPLETION BY PROJECT OWNER ONLY:

1. Calculation of Annual income:*

(a) Amount entered for entire household in 2(b) above: \$ _____

(b) If the amount entered in 3(a) above exceeds \$5,000, SUBTRACT the amount entered in 3(c) \$ _____

(c) TOTAL INCOME \$ _____

(d) If the amount entered in 3(a) above exceeds \$5,000, enter the greater of (i) the amount entered in 3(b) or (ii) a percentage of the amount entered in 3(a) based on the current passbook savings rate (as determined in accordance with 24 CFR 813.106(b)(3)). \$ _____

(e) TOTAL ANNUAL INCOME (Line 1(c)+1(d)) \$ _____

(f) Number of family members \$ _____

2. Based on the amount entered in 1(e), the tenant(s) _____ is/are _____ is/are not Lower-Income Tenants, as defined in the Restrictive Covenants recorded _____, 198_ in the Office of the Clerk of the Circuit Court of _____.

3. Number of apartment unit assigned: _____

_____ Owner

* Reference shall be made to Title 24, Part 813 of the Code of Federal Regulations for determination of income inclusions and exclusions.

ATTACHMENT II TO
DECLARATION OF RESTRICTIVE COVENANTS

Monthly Report

TO: Industrial Development Board
of the County of Knox
301 E. Church Avenue
Knoxville, Tennessee 37901

or

First American National Bank
of Nashville
First American Center
Nashville, Tennessee 37327

_____ [Address of Compliance Agent]

Pursuant to Section 7 of the Declaration of Restrictive Covenants, dated as of March 1, 1986, (the "Restrictive Covenants") executed, delivered and recorded by Waterford Village, Ltd., a Tennessee limited partnership (the "Owner"), for the benefit of the Industrial Development Board of the County of Knox (the "Board") and First American National Bank of Nashville, the undersigned Authorized Representative of the Owner, hereby certifies with respect to the operation and management of the Project described in the Restrictive Covenants (using the terms herein as defined therein), that as of the date shown below:

(1) The number of Lower-Income Units, as defined in the Restrictive Covenants is _____.

(2) The number of completed Units, as defined in the Restrictive Covenants, rented or held available for rental is _____.

(3) The percentage that the number of Lower-Income Units constitutes of the total number of Units that have been completed and rented is _____.

(4) The information contained in this report is true, accurate and correct as of the date hereof.

EXHIBIT B

(5) As of the date hereof, the Owner is not in default under any covenant or agreement contained in the Restrictive Covenants.

IN WITNESS WHEREOF, the undersigned has signed this Certificate as of the date first written above.

WATERFORD VILLAGE, LTD.,
a Tennessee limited partnership

By _____
Authorized Representative

(to be accompanied by income tax returns, current income verifications and income certifications as required by Sections 5, 7 and 15 of Restrictive Covenants)

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EXHIBIT B

Legal Description

Situated in District No. 5 of Knox County, Tennessee, within the 42nd Ward of the City of Knoxville, and being a tract of property located on the north side of Western Avenue and being more particularly bounded and described as follows:

BEGINNING at an iron pin said iron pin being 179 feet more or less from the northwest corner of the point of intersection of Western Avenue and Sullivan Road; thence N 82° 33' 31" W, 485.27 feet to an iron pin; thence along a curve to the right with an arc length of 383.47 feet and a radius of 2,815 feet to an iron pin, said curve also having a chord bearing of N 78° 39' 22" W and a chord length of 383.18 feet; thence along another curve to the right with an arc length of 143.19 feet and a radius of 2,815 feet to a concrete right-of-way marker said curve also having a chord bearing of N 73° 17' 47" W and a chord length of 143.18 feet; thence N 18° 09' 39" E, 15.00 feet to another concrete right-of-way marker; thence along another curve to the right, with an arc length of 51.57 feet and a radius of 2,800 feet to an iron pin, said curve also having a chord bearing of N 71° 18' 41" W and a chord length of 51.57 feet; thence N 45° 48' 10" W, 72.80 feet to an iron pin; thence leaving the right-of-way line of Western Avenue, N 17° 37' 37" E, 816.63 feet to an iron pin; thence S 72° 34' 36" E, 800.54 feet to an iron pin (passing an iron pin at 402.43 feet); thence S 21° 44' 10" W, 230.10 feet to a Sycamore tree; thence S 19° 48' 27" W, 178.24 feet to an iron pin; thence S 32° 54' 21" E, 214.96 feet to an iron pin; thence S 49° 35' 40" E, 118.66 feet to an iron pin; thence S 8° 18' 27" E, 101.81 feet to an iron pin; thence S 2° 54' 33" E, 60.00 feet to an iron pin and point of BEGINNING.

Being the same property conveyed to Waterford Village, Ltd. by Deed dated April 23, 1986 of record in Deed Book 1878, Page 1012, of the Register's Office for Knox County, Tennessee.

Together with an easement for a water line, said easement being ten feet in width, the center line of which is described as follows:

Situate in the Fifth Civil District of Knox County, Tennessee, within the 42nd Ward of the City of Knoxville, Tennessee, and being more fully described as follows:

Beginning at a point, said point being South 21° 44' 10" West 20 feet from an iron pin at the Northeast corner of Waterford Village, Ltd. property corner to Cumberland Estate and Knight, thence North 77° 15' East 10 feet to a point; thence North 42° 15' East 45 feet to a point in the Western right-of-way line of Sullivan Road, as shown by survey of Flynt Engineering dated June 11, 1987, revised 12/21/87, 12/31/87.

(For reference see Easement of record in Book 1896, Page 43 of the Register's Office for Knox County, Tennessee).