

**After recording, please
return to:**

Kirkpatrick & Lockhart LLP
2828 North Harwood Street
Suite 1800
Dallas, TX 75201
Attn: Brian Forbes

**This instrument
prepared by:**

Gregory J. Bolton, Esq.
U.S. Department of Housing and Urban Development
Office of General Counsel
451 7th Street SW, Room 9230
Washington, DC 20410
214/939-4444

STATE MS.-DE SOTO CO. *td*
FILED *td*

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RELEASE OF REGULATORY AGREEMENT

FHA Project No.: 065-35476
Project Name: The Commons Apartments
City, State: Walls, Mississippi

2000 PG 19
CH. CLK.

THIS RELEASE is made by the SECRETARY OF HOUSING AND URBAN DEVELOPMENT ("HUD").

WITNESSETH:

3. **WHEREAS**, HUD insured or coinsured a mortgage loan (the "Mortgage Loan") evidenced by a certain Deed of Trust Note dated September 3, 1997, in the original amount of \$9,800,000.00 (the "Mortgage Note"), and secured by that certain Deed of Trust dated September 3, 1997, from The Commons Apartments, L.P. in favor of John F. Bartlett, as Trustee for the benefit of WMF/Huntoon Paige Associates Lined recorded September 4, 1997, in Book 931 at Page 696, with Chancery Clerk in DeSoto County, Mississippi (the "Mortgage"), on Project No. 065-35476 located in Wall, Mississippi (the "Project");

WHEREAS, in consideration of the Mortgage Loan, the original mortgagor executed a Regulatory Agreement dated September 23, 1980, which was recorded with Chancery Clerk in DeSoto County, Mississippi on September 4, 1997 in Book 931 at Page 702 (including any and all amendments thereto, the "Regulatory Agreement"); and

WHEREAS, HUD has entered into a certain Loan Sale Agreement with Lone Star U.S. Acquisitions dated as of March 30, 2004, (the "Loan Sale Agreement"), which was assigned to LSF4 Apartment Loan Investments I, LLC pursuant to which HUD is selling, assigning and transferring the Mortgage Loan to the Purchaser; and

WHEREAS, pursuant to the Loan Sale Agreement, HUD has agreed to release the Regulatory Agreement as provided below.

NOW, THEREFORE, for and in consideration of the sale, assignment and transfer of the Mortgage Loan, and other good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, HUD does hereby release and terminate, but on a prospective basis only, the Regulatory Agreement in effect with respect to the Project and does hereby agree that the Mortgagor and its successors and assigns are released, on a prospective basis only, from all obligations set forth in the Regulatory Agreement (including, without limitation, obligations relating to the maintenance of any reserve fund for replacements referenced in the Regulatory Agreement); provided, however, that (i) this Release shall be of no further force or effect and the Regulatory Agreement shall not be released if HUD rescinds the sale,

assignment and transfer of the Mortgage Loan pursuant to the Loan Sale Agreement; and (ii) nothing in this Release shall waive, compromise, impair or prejudice any right that HUD might have to seek judicial, administrative or other recourse for any breach of the Regulatory Agreement that might have occurred or accrued prior to the date of this Release.

Notwithstanding the release and termination of the Regulatory Agreement as provided for above, HUD does not hereby release, terminate or waive: (a) the Replacement Reserves; (b) Mortgagor's obligations with respect to the Replacement Reserves (including the funding, disbursement and application thereof) under the Regulatory Agreement or any Workout Agreement (together, the "Reserve Documents"); or (c) HUD's rights to apply and use the Replacement Reserves in accordance with the Reserve Documents, including application of the Replacement Reserves on account of sums due under the Mortgage Note when and as provided for under the Reserve Documents. All of the foregoing obligations and rights (as described in Clauses (a) through (c) of this paragraph shall remain in full force and effect for the benefit of HUD or the then holder of the Mortgage Note and the Mortgage and may be enforced and exercised directly by any holder of the Mortgage Note and the Mortgage.

IN WITNESS WHEREOF, HUD has caused this Release to be executed and delivered under seal by its duly authorized agent as of the 15th day of April, 2004.

WITNESS:

SECRETARY OF HOUSING AND URBAN DEVELOPMENT

Patricia L. Tarber
Patricia L. Tarber
Michael J. Novakowski
Michael J. Novakowski

By: Deborah L. Conroy
Authorized Agent

ACKNOWLEDGEMENT

DISTRICT OF COLUMBIA, ss:

Personally appeared before me, the undersigned authority in and for said District of Columbia, on this 15th day of April, 2004, within my jurisdiction, the within named Deborah Conroy, who acknowledged that ~~he~~ she is an Authorized Agent of the Secretary of Housing and Urban Development and that in said representative capacity ~~he~~ she executed the above and foregoing instrument, after first having been duly authorized so to do.

Linda D. Hinton-McClam
Notary Public

My commission expires Linda D. Hinton-McClam
~~Notary Public, District of Columbia~~
My Commission Expires 04-14-2006

